



# EXCESS CAPACITY IN THE GLOBAL STEEL INDUSTRY

DSTI/SU/SC(2012)15

73<sup>rd</sup> Steel Committee Meeting  
Paris, 6-7 December 2012



## Purpose of this agenda item

---

- Excess capacity is one of the main risk factors facing the global industry today;
- There is a need to know what the extent and nature of the surplus capacity is; how big of a problem is it?
- Which regions are most affected and why?
- What are the barriers to the closure of capacity?



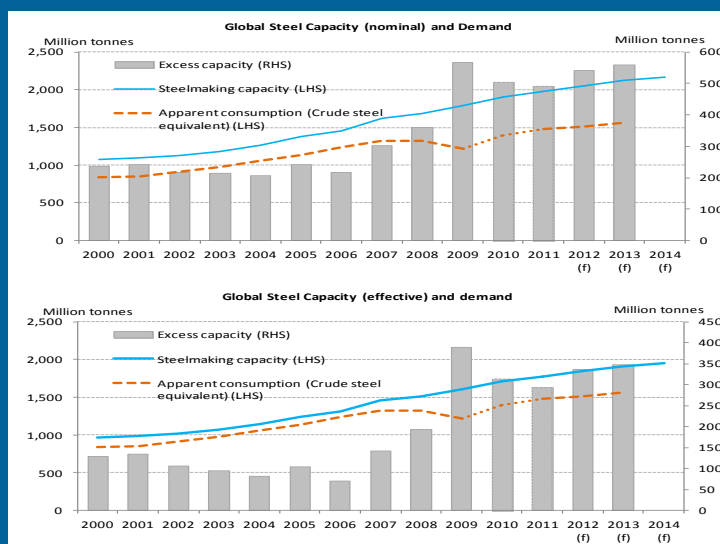
The background study (doc 15) finds:

Significant and growing excess capacity

542 mmt in 2012 and even higher in 2013



Development of global excess capacity (nominal and effective)





The background study (doc 15)  
examines:

How many years will it take to work off the  
surplus capacity?

Maybe 5-7 years under  
simplified assumptions



Years to work off excess capacity

| Global Steel Capacity and Demand                     | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  |
|--|-------|-------|-------|-------|-------|-------|
| Steelmaking capacity                                 | 2,119 | 2,119 | 2,119 | 2,119 | 2,119 | 2,119 |
| Effective steelmaking capacity (90% max utilization) | 1,907 | 1,907 | 1,907 | 1,907 | 1,907 | 1,907 |
| Apparent consumption (trend growth, 3.6%)            | 1,616 | 1,674 | 1,735 | 1,797 | 1,862 | 1,929 |
| Apparent consumption (high growth, 5.3%)             | 1,643 | 1,730 | 1,822 | 1,918 | 2,020 | 2,127 |
| Excess capacity (trend demand growth)                | 291   | 233   | 172   | 110   | 45    | -22   |
| Excess capacity (high demand growth)                 | 264   | 177   | 86    | -11   |       |       |

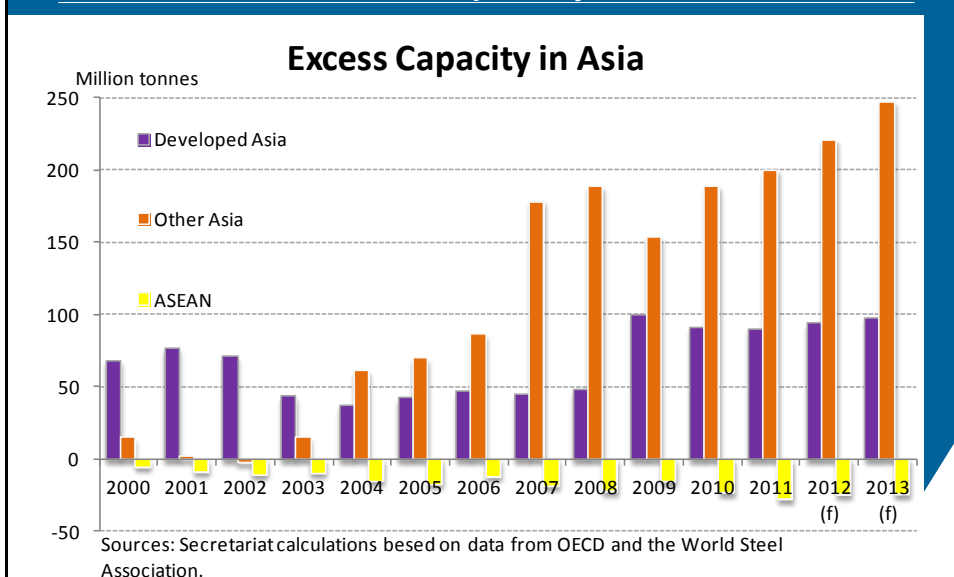


The background study (doc 15) finds:

**Excess capacity is not linked  
to a specific region but  
affects many economies**

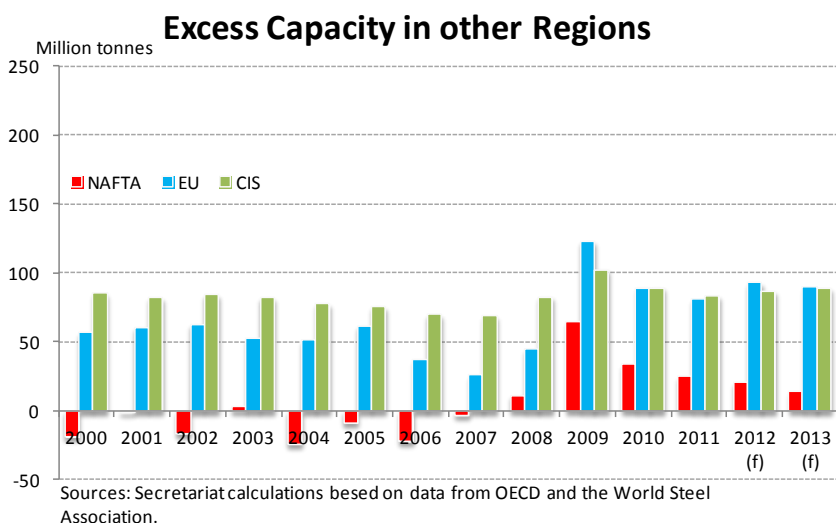


## Regional distribution of excess capacity





## Regional distribution of excess capacity



## Net excess capacity

|   | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  |
|---|-------|-------|-------|-------|-------|-------|-------|
| <b>Steelmaking capacity, world</b>                          | 1,376 | 1,453 | 1,622 | 1,682 | 1,787 | 1,904 | 1,975 |
| <b>Apparent consumption (crude steel equivalent), world</b> | 1,135 | 1,237 | 1,319 | 1,321 | 1,220 | 1,400 | 1,485 |
| <b>Excess capacity, world</b>                               | 241   | 215   | 303   | 361   | 567   | 504   | 491   |
| <b>Excess Capacity by Selected Regions</b>                  |       |       |       |       |       |       |       |
| NAFTA   | -9    | -23   | -3    | 11    | 65    | 33    | 25    |
| EU  | 62    | 37    | 26    | 45    | 123   | 89    | 81    |
| CIS   | 75    | 70    | 69    | 83    | 102   | 89    | 83    |
| Latin America   | 19    | 13    | 15    | 13    | 27    | 19    | 19    |
| <b>Asia:</b>  |       |       |       |       |       |       |       |
| Developed Asia <sup>1/</sup>                                | 42    | 47    | 44    | 48    | 100   | 91    | 90    |
| ASEAN-6   | -17   | -13   | -19   | -23   | -16   | -23   | -28   |
| Other Asia <sup>2/</sup>                                    | 70    | 86    | 178   | 189   | 154   | 189   | 200   |
| Middle East   | -19   | -19   | -23   | -25   | -16   | -16   | -15   |
| Africa  | 6     | 4     | 4     | 1     | -2    | 3     | 7     |
| <b>Net Excess Capacity in Major Exporting Regions</b>       |       |       |       |       |       |       |       |
| EU  | 54    | 46    | 45    | 52    | 111   | 82    | 79    |
| CIS   | 16    | 6     | 12    | 29    | 49    | 38    | 36    |
| <b>Asia:</b>  |       |       |       |       |       |       |       |
| Developed Asia <sup>1/</sup>                                | 19    | 19    | 18    | 22    | 64    | 49    | 43    |
| Other Asia <sup>2/</sup>                                    | 69    | 51    | 128   | 145   | 155   | 166   | 166   |



The background study (doc 15) notes:

---

There may not be one unique solution to the excess capacity challenge



## Discussion issues

---

- - *What are some of the major barriers to exit prevailing in the steel industry today?*
  - *Is there a need to lower these barriers and what is the role for governments?*
  - *Do trade actions actually impede industry restructuring in domestic markets? Which trade actions are particularly important?*
  - *Can trade liberalisation promote capacity adjustments?*