



# ITEM 3B

## CURRENT STEEL MARKET DEVELOPMENTS

Steel Committee, September 2017

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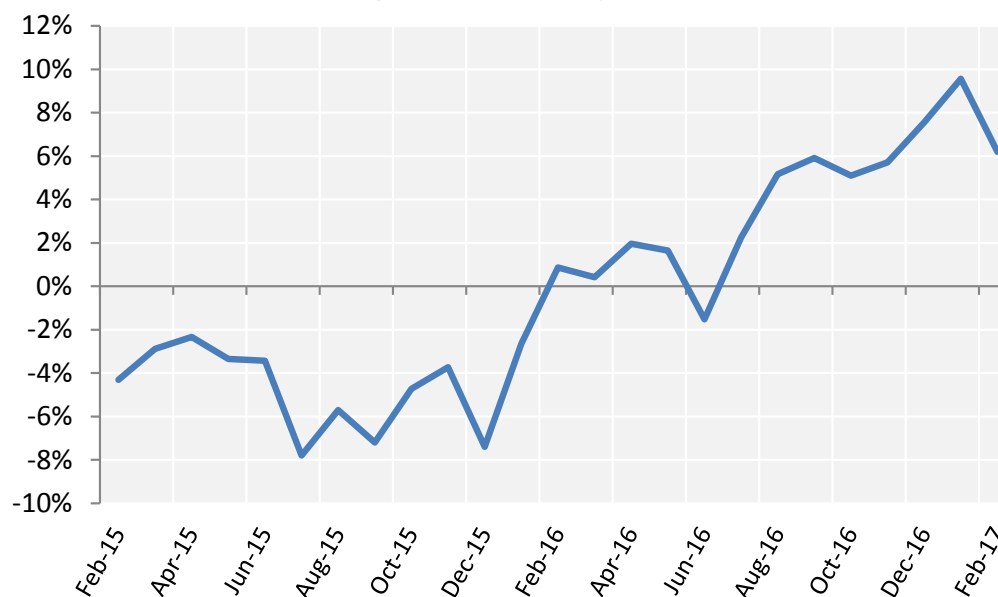
## Outline

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1. Consumption
2. Production
3. Trade
4. Prices
5. Financial performance
6. Steel intensive sectors
7. Concluding remarks

## Consumption

### Consumption of hot-rolled steel products, major economies % change from one year earlier



*Note:* Combined consumption of hot-rolled steel products of the following economies: Brazil, China, Germany, India, Japan, Korea, Russia and the United States. Consumption of hot-rolled products defined as the sum of production and net imports. Only first two months of 2017 were available.



## World crude steel production developments in 2016 and 2017

	Level, thousand mmt		% change, year-on-year		% change, year-on-year
	June 2017	2016	June 2017	2016	Jan-Jun 2017 / 2016
EU	14,237	162,145	2.8	-2.4	3.9
Other Europe	3,236	35,919	4.4	5.6	11.5
CIS	7,639	102,230	-8.0	0.8	-2.5
North America	9,662	110,624	0.2	-0.3	2.9
South America	3,412	40,220	3.4	-8.4	10.6
Africa	1,051	12,189	5.5	-4.7	11.0
Middle East	2,662	29,025	9.4	7.6	9.4
Asia, of which:	98,892	1,110,865	4.7	1.9	4.5
China	73,231	807,612	5.7	1.1	4.2
Oceania	504	5,837	-13.2	2.1	5.0
World	141,294	1,609,053	3.4	1.0	4.3

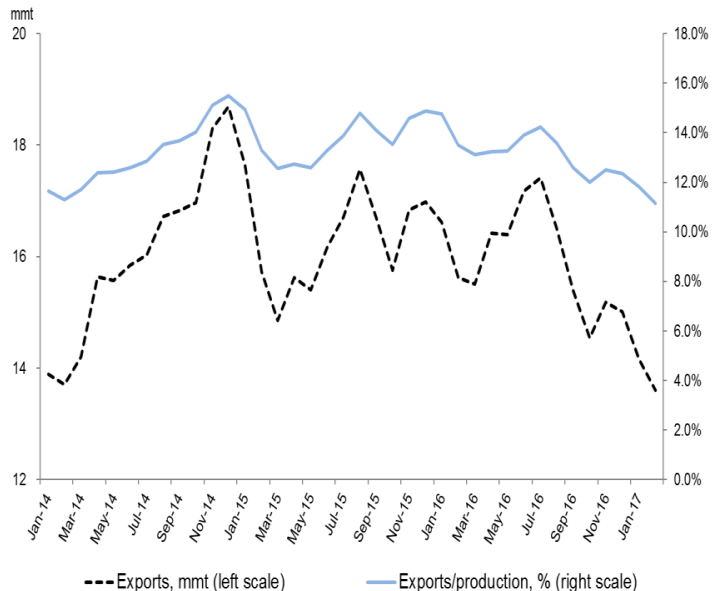
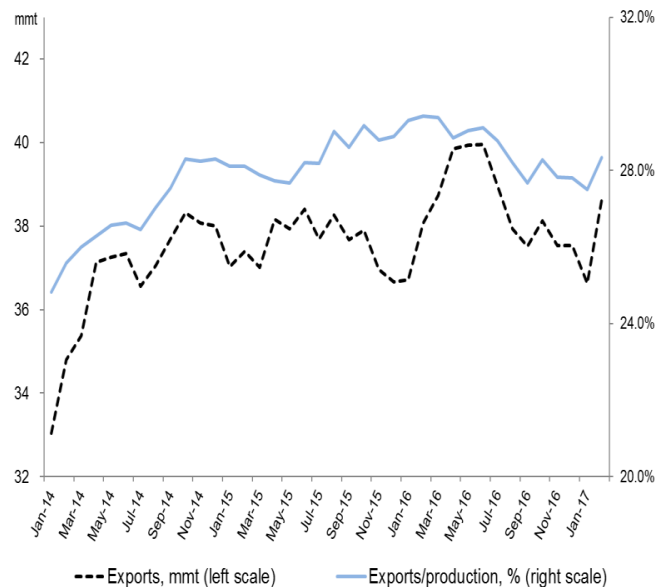
**The increase of production was mostly felt in the Middle East, in Africa, in China and in Other Europe, whereas North America stagnated and the CIS production dropped.**



## World exports of steel: monthly volume (mmt) and export ratio (% of production, 3-month moving averages)

**A. Including intra-EU trade**

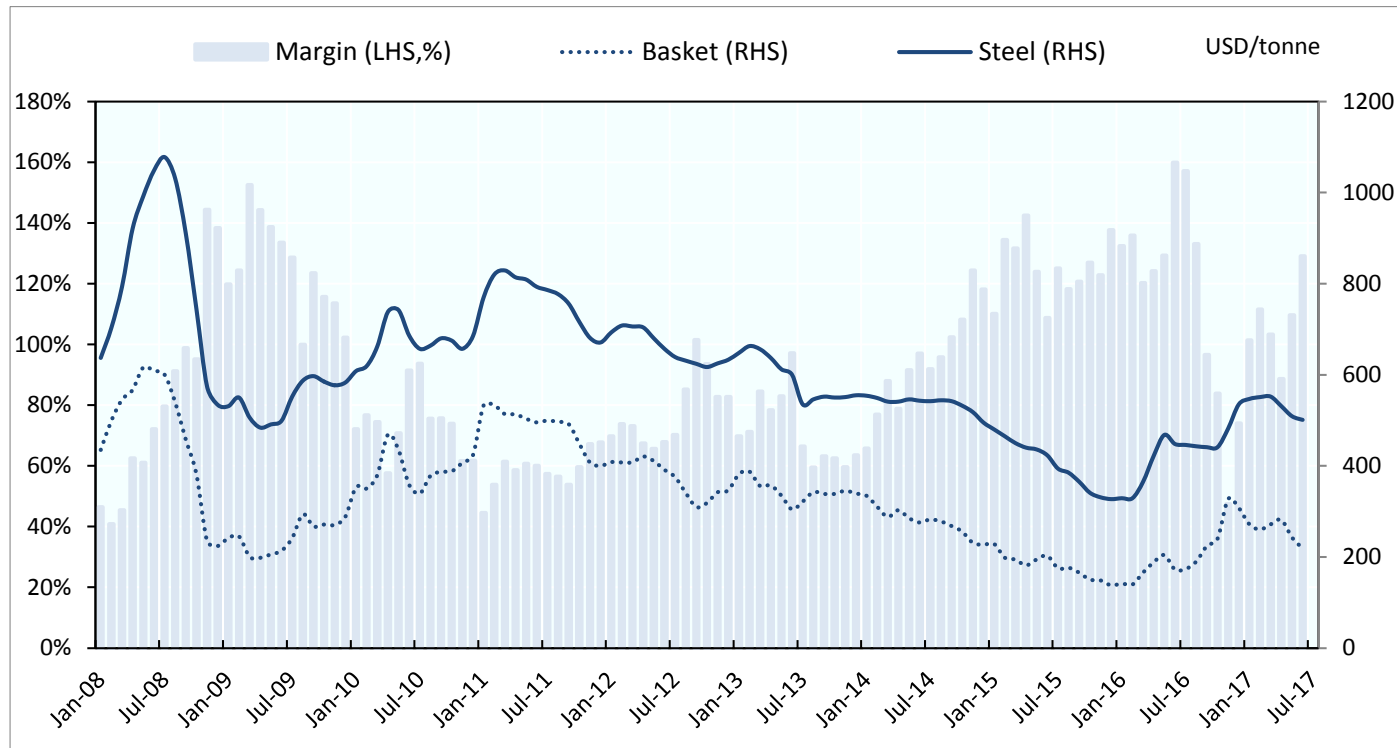
**B. Excluding intra-EU trade**



**The export ratio, excluding intra-EU trade, continues to decline.**



## Margin between steel and raw materials prices

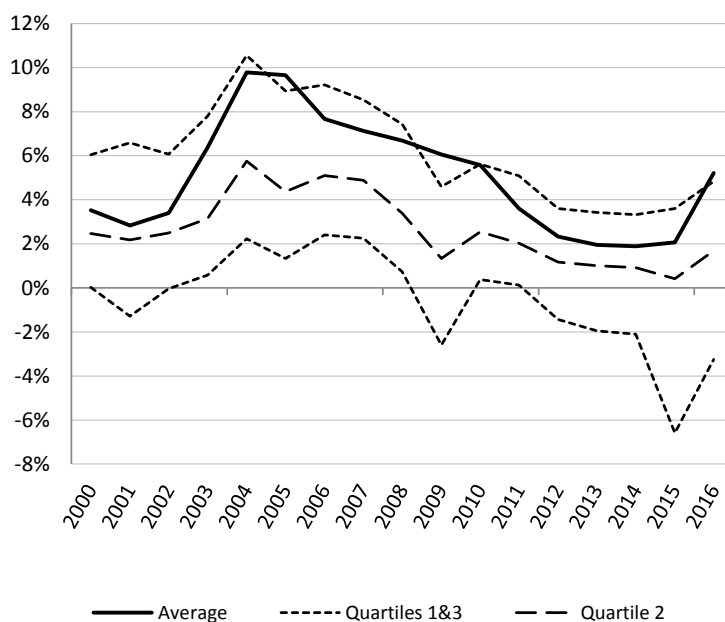


**It seems that each time high margin occurs, both prices end up on a downward trend**

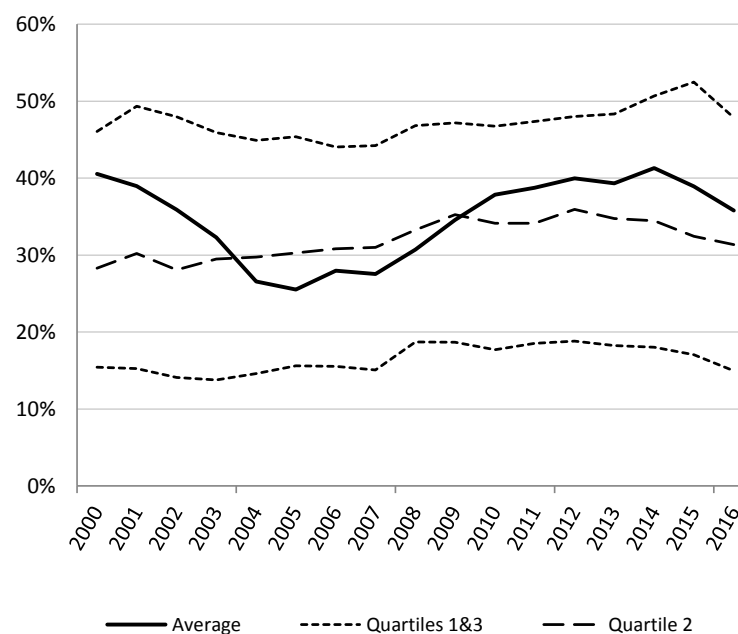


## Financial performance

**Evolution of net profits  
between 2000 and 2016**



**Evolution of indebtedness  
between 2000 and 2016**





## Steel intensive sectors

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- **Real estate construction** will probably not be able to prop up steel demand, since construction indicators remain at similar levels than during previous years.
- **Car production** has continued to fall in the United States, to increase in China, and to remain flat in most of the other markets.
- **The shipbuilding sector** will remain in excess capacity for the next 15 years (OECD study: "*Imbalances in the shipbuilding industry and assessment of policy responses*").
- **Oil ring counts** are still low, and gas and oil prices could have reached a plateau.





## Concluding remarks

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- The market situation of the steel industry has improved only modestly compared to its 2015 lows and its recovery is expected to remain sluggish
- Industry should take advantage of this breathing space to deleverage and restructure, to focus on quality rather than quantity, to adapt to the digitalisation of the economy and to address pressing environmental challenges
- Policymakers should seek to remove barriers to exit, to abstain from direct and indirect forms of support, and to ensure that adequate bankruptcy regulations are in place while mitigating specific closure costs



Thank you for your attention



## ANNEXES: steel intensive sectors

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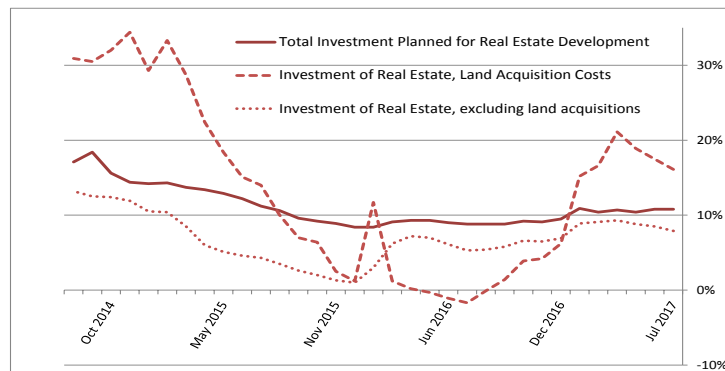
ANNEXES: steel intensive sectors



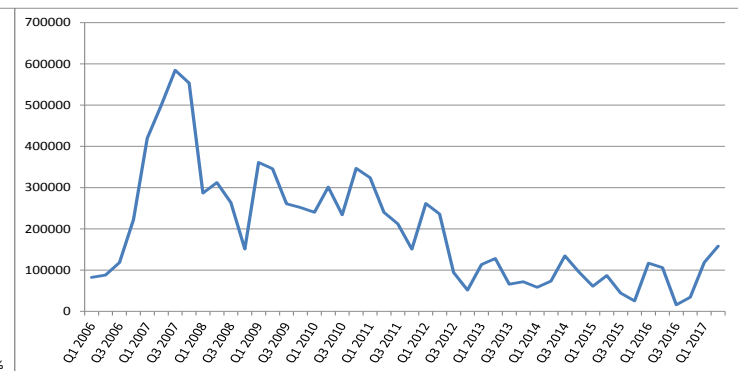
## Steel intensive sectors

### Flows to Chinese and Indian real estate:

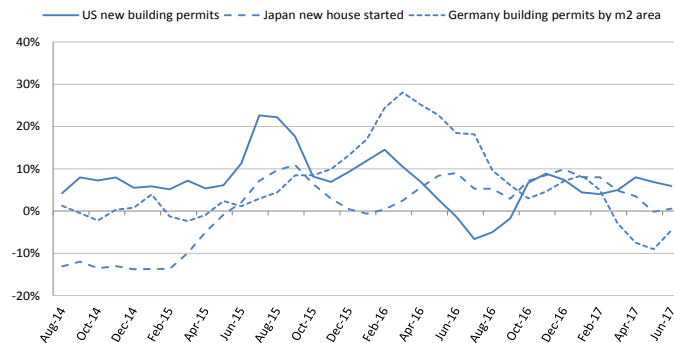
A. China (y-o-y growth rate)



B. India (in million rupees)



### New building permits or house started in the U.S., Japan and Germany:

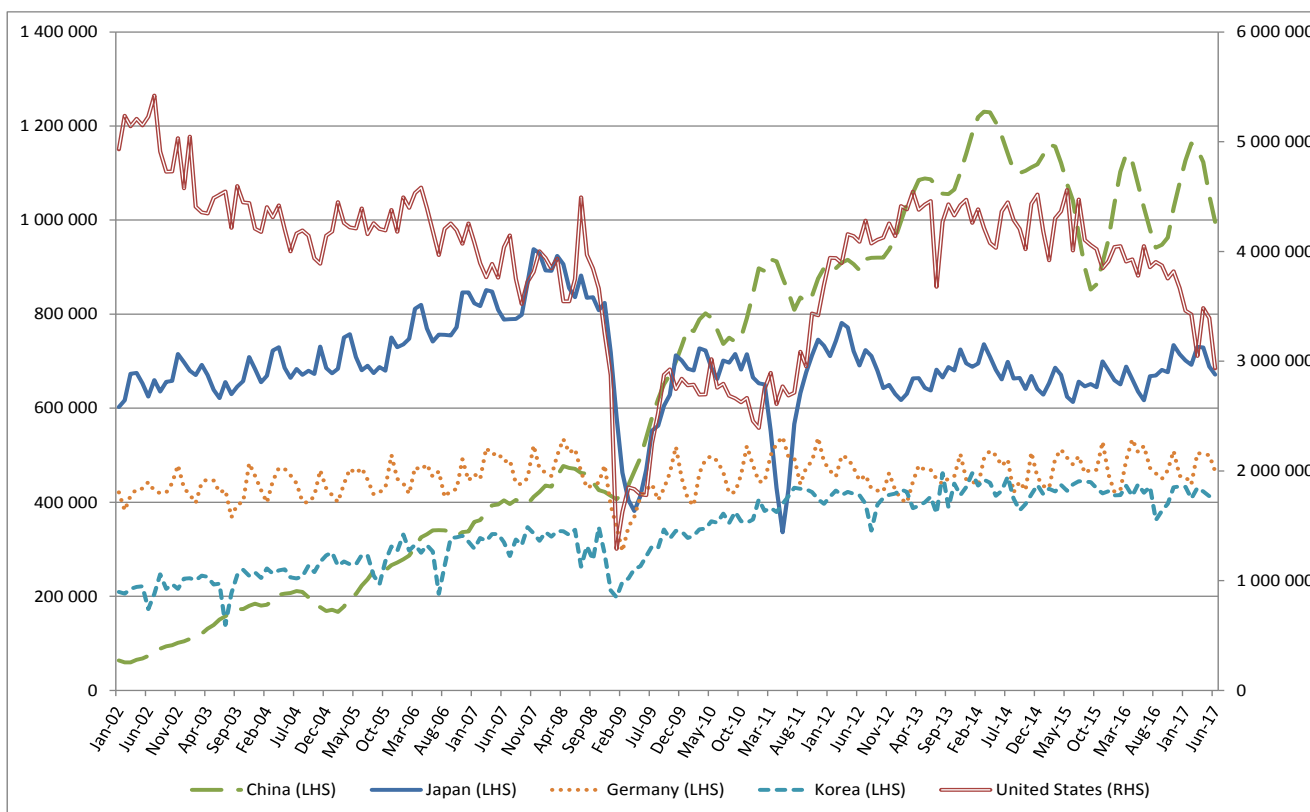




## Steel intensive sectors

### Car production in selected economies

Units, monthly production (United States on the right side scale)

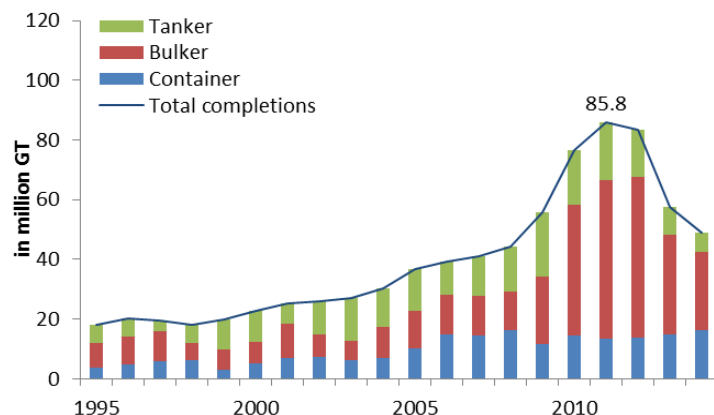




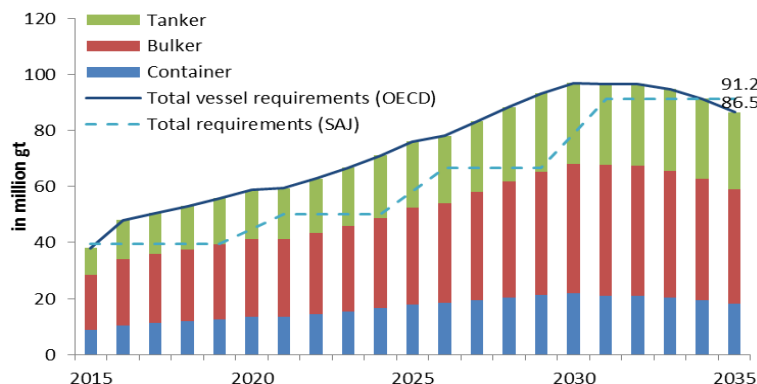
## Steel intensive sectors

### Ship completions and future vessel requirements

A. Completions (1995 – 2014)



B. Future vessel requirements  
(2015 – 2035)



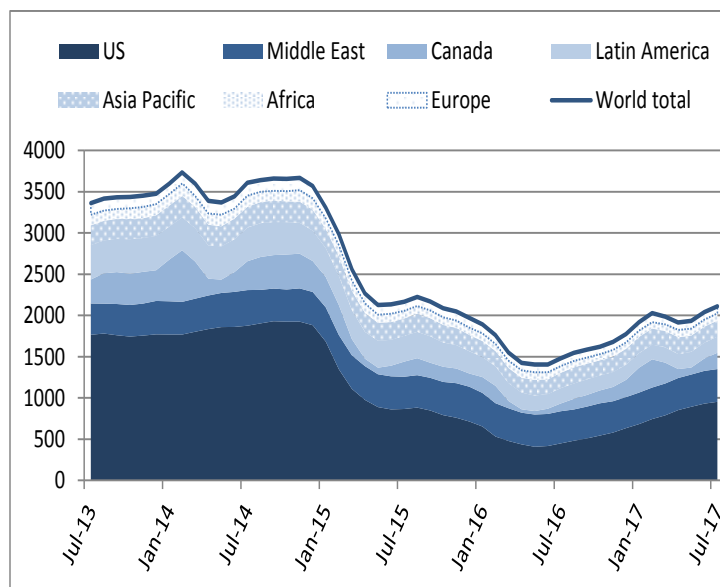
**Future vessel requirements are not expected to equal the peak of completions that was reached in 2011 before 2030 and, without capacity closures, the shipbuilding industry is likely to remain in excess capacity for the next 15 years (OECD study).**



## Steel intensive sectors

### Oil rig count, and oil and gas prices

A. World rig count



B. Oil and gas prices

