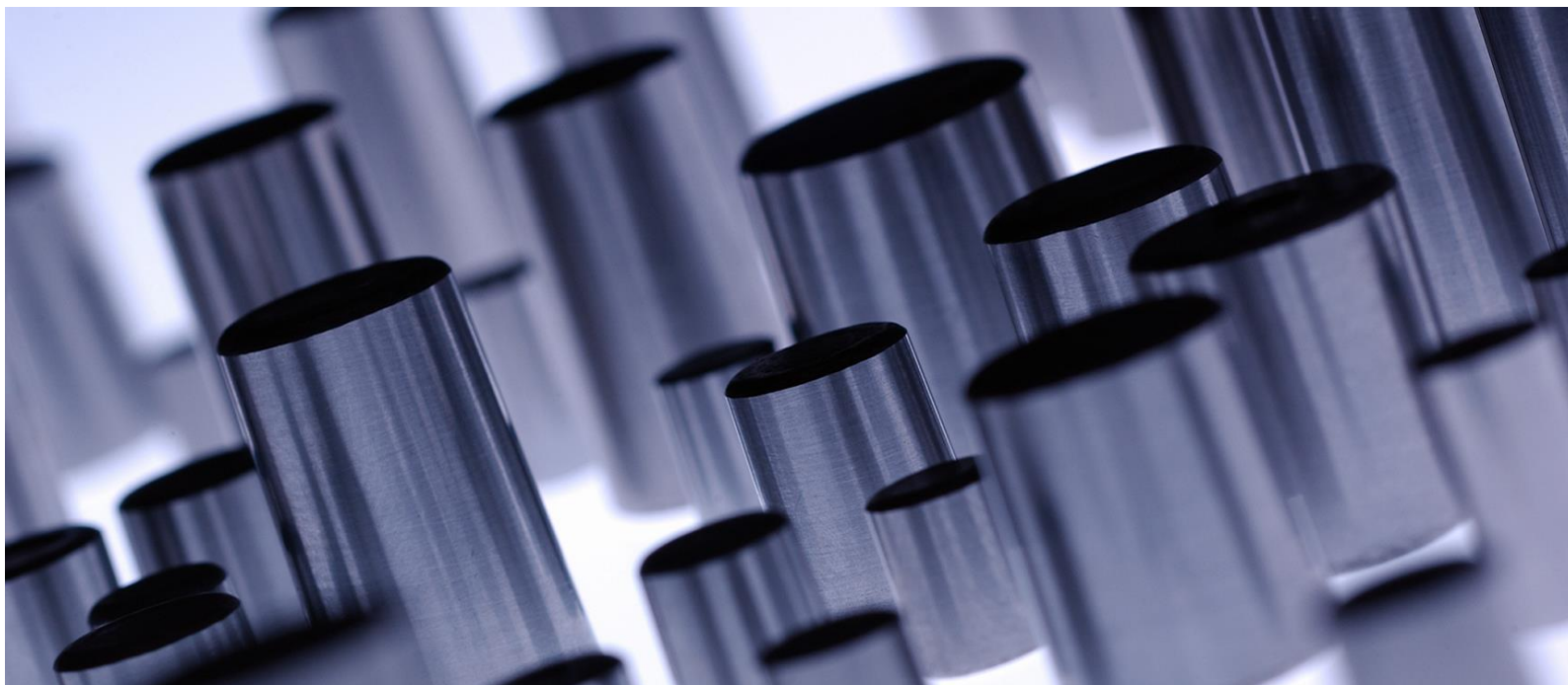




Global Steel Market Outlook

OECD Steel Committee Meeting, Sep 28, 2017, Paris



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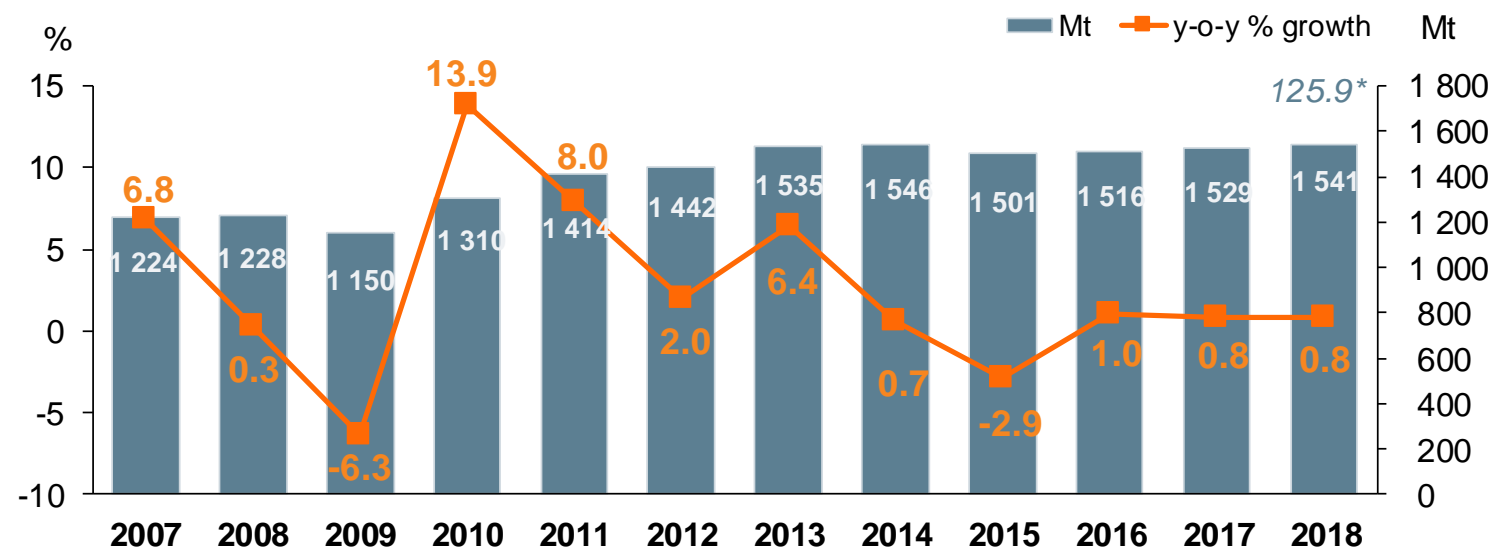
Key observation:

Steel recovery strengthens and uncertainties recede

- No big surprise over the March SRO, but uncertainties receded and confidences are improving
- Investment is finally showing signs of picking up in the developed economies
- Global steel demand recovery is stronger and more synchronized
 - Upside surprise from China due to the political cycle
 - Firming recovery in the developed economies, especially EU
 - Strengthening growth in the emerging and developing world but with differential speed
- **Concerns remain**
 - Lingered uncertainties
 - How sustainable is the current momentum?

Global Overview

Steel demand, finished steel (SRO April 2017)



	million tonnes (Mt)			%			2018 as % of 2007
	2016	2017	2018	16/15	17/16	18/17	
World	1 515.8	1 528.6	1 541.1	1.0	0.8	0.8	125.9
Developed Economies	398.7	401.5	406.1	-0.1	0.7	1.2	85.3
Emerging & Developing Economies excl. China	436.2	452.8	474.3	1.5	3.8	4.7	144.1
China	681.0	674.2	660.7	1.3	-1.0	-2.0	157.9

* - 2018 ASU as a share of 2007 ASU

Developments in key regions

■ Asia

- **China:** While the Chinese economy is more consumption driven these days, mild stimulus measures stopped further deceleration of investment. As a result, construction sector showed some positive momentum through increase in housing sales and infrastructure spending. Manufacturing performance also showed some improvement leading to a moderate increase in steel demand in 2017. But outlook for 2018 is less optimistic and deceleration is expected as the supportive policy stance comes to an end.
- **India:** India continues to carry out reform measures to improve investment environment. The Indian steel demand grew slower than expected in 2017 due to slow recovery from the demonetization and introduction of GST but the situation is expected to improve in 2018. While investor confidence is high, the economy is driven by public investment and private consumption. Construction activities are expected to be boosted in light of the rural housing program, infrastructure development and changes in real estate regulations.
- **ASEAN:** The ASEAN countries continues to perform strongly backed by strong domestic demand and improving external environment, especially Vietnam and Philippines. However, destocking suggests lower than expected apparent steel use growth in 2017.
- **Japan:** Despite the structural factors restraining steel demand growth, the government policy - accommodative monetary policy and public investment – and preparation for the Tokyo Olympic games provided a strong boost to steel demand in 2017. Despite high construction demand, shortage of construction workers are constraining construction activity.
- **Korea:** While the economic climate is improving with new economic initiatives following the presidential election, steel demand is expected to contract due to weakening construction investment, slow recovery of exports and stagnating shipbuilding sector.

Developments in key regions

■ EU

- The economic momentum in the EU is taking an increasingly positive tone with the recovery momentum strengthening and broadening. With political uncertainties reduced and confidence rising, positive signs of investment recovery are visible in many countries. EU steel demand is like to continue the strong momentum seen in 2017 driven by construction and export. Brexit does not seem to have an EU wide impact while UK might feel more impact.

■ NAFTA

- **US:** Despite uncertainties and delays in the new government economic initiatives, the US economy maintains strong fundamentals. Weak dollar is supporting manufacturing activities and rising wages are boosting housing demand. While strong growth in steel demand is foreseen in 2017, in 2018 the momentum might weaken due to weakening oil sector investment and destocking. However, upside risk could come from implementation of tax reforms and infrastructure initiatives.
- **Mexico:** Better prospects of NAFTA renegotiation and external environment will contribute to improved outlook for Mexico along with strong performance in steel using manufacturing sectors. Construction activities remain constrained due to fiscal consolidation.

■ CIS and Other Europe

- **CIS:** Slow but steady recovery is underway in the CIS countries. The Russian steel demand will be supported by higher oil prices and accommodative government policies, but lack of reform constrains a stronger growth.
- **Turkey:** Due to the effect of the April 2017 referendum, the Turkish steel demand is expected to contract in 2017, but the government measures to boost the economy and return of investor confidence is likely to bring back strong growth in 2018.

Developments in key regions

■ South America

- Latin American countries have been slow to benefit from the global recovery, but reforms are taking place and economic outlook is gradually improving.
- **Brazil:** While the Brazilian economy marked a positive growth in Q1 2017 for the first time in 8 quarters, a full scale recovery has not taken place yet. Political situation brings risks to the government's ability to carry out reforms, but economic fundamentals are expected to improve in 2018. Brazil's steel demand is expected to show only a minor recovery in 2017, but a stronger recovery is foreseen in 2018.

■ MENA

- **GCC:** Despite the recovery in oil prices, fiscal programs need to be further adjusted resulting in disruptions in construction activities, especially in Saudi Arabia. Steel demand in GCC countries, therefore, is expected to contract or stagnate.
- **North Africa:** The Egyptian economic outlook improves with reforms progressing, but the effect of exchange reform brought a downward adjustment to steel demand in 2017. A positive momentum is expected to return in 2018
- **Iran:** Improving outlook benefitting from increased oil exports in the post-sanction era. But uncertainty in investment environment lingers.

Revision from April 2017 Forecasts

Steel demand, finished steel (SRO October 2017)

	Mt		%		Mt Δ		growth rate Δ		accel.
	2017	2018	2017	2018	2017	2018	2017	2018	18/17
	SRO April 2017				SRO October 2017				
World	1 535.2	1 548.5	1.3	0.9	↑	↑	↑	↑	↘
EU (28)	158.2	160.4	0.5	1.4	↑	↑	↑	—	↘
Other Europe	41.7	43.2	2.6	3.5	↓	↓	↓	↑	↗
CIS	50.2	51.9	3.2	3.4	↑	↑	↑	↑	↗
NAFTA	135.2	138.5	2.2	2.4	↑	↑	↑	↓	↘
C&S America	40.8	42.7	3.5	4.7	↓	↓	↓	—	↗
Africa	38.4	40.0	1.5	4.1	↓	↓	↓	↓	↗
Middle East	54.8	56.8	3.1	3.7	↓	↓	↓	↑	↗
Asia & Oceania	1 016.0	1 015.0	1.0	-0.1	↑	↑	↑	↑	↘
China	681.0	667.4	0.0	-2.0	↑	↑	↑	↑	↘
Developing Asia excl. China	184.7	197.2	6.2	6.7	↓	↓	↓	—	↗
Developed Asia	143.5	143.5	-0.2	0.0	↑	↑	↑	↑	—

Summary and Conclusions

- Global steel demand growth will be revised up for 2017/18 with broadening recovery
- But cautious optimism: current momentum might be driven mostly by cyclical rather than structural factors
- China deceleration is expected to continue in 2H 2018.
 - Some statistical issues on the Chinese growth rate in 2017 related to capacity closures
- Risks to the forecast in the short term
 - Uncertainties related to the US economic policies and normalization of monetary policies in developed economies
 - North Korea nuclear tension
 - China deceleration
- Longer term concerns
 - Trade environment with rising protectionism and receding globalism
 - Emerging economies' debt problem
 - Megatrend forces weighing down on steel intensity : Aging population, circular economy impact, premature deindustrialization, digitalization

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