

### **FOR IMMEDIATE RELEASE**

## **IISI Short Range Outlook and Medium Term Forecast**

***Buenos Aires, October 2, 2006*** – The International Iron and Steel Institute (IISI) forecasts 2006 will be a strong year for the steel industry with a world growth rate in Apparent Steel Use rising from 1,029 mmt in 2005 to 1,121 mmt in 2006, an increase of 9%. This exceeds our previous forecasts. Latest projections for 2007 suggest a more moderate forecast growth rate of 5% from 1,121 mmt to 1,179 mmt. These figures are contained in the Short Range Outlook for Steel Use and Medium Term Forecast issued today.

The projections forecast by the IISI Economics Committee consider both real and apparent steel use. Apparent steel use reflects the deliveries of steel to the market place from the steel producers as well as from importers. These figures, however, may differ from the amount of steel actually being used with the difference being added to, or drawn from inventories.

Reflecting on the current year, China and Asia have again dominated the world market for steel. With an increasing expenditure on infrastructure and construction in India, IISI forecasts the apparent steel use in India will grow 10% in 2006. However, by far the strongest growth in apparent steel use for 2006 comes from China with a 14% increase. Steel use in the European Union for 2006 has been strong, with the construction and engineering industries leading the way. As one of the major economies in Europe, the strong recovery in Germany has contributed to the 8% growth in apparent steel use for the EU (25) economies. IISI estimates that this figure includes some addition to inventories as well as a rise in real steel use. Growth in the tube and pipe sectors in Russia has contributed to the strong economic growth in the CIS region. The NAFTA region has also seen strong growth with an 8% increase in steel use. However, higher interest rates and higher energy prices will begin to affect apparent steel use in this region later in 2006 and into 2007. Strong demand for natural resources, including iron ore, has contributed to the strong growth in South America with an 11% increase in apparent steel use from 32 mmt in 2005 to a predicted figure of 36 mmt in 2006. Shipbuilding has contributed to the turn around in the Japan's economy supporting the 1% rise in apparent steel use in 2006.

Looking forward to 2007, the strongest growth region will again be China with an increase in steel use from 374 mmt in 2006 to 413 mmt in 2007. This figure, however, suggests a more moderate growth in the Chinese use of steel. Stronger credit control and administrative measures introduced by the Chinese authorities will cause apparent steel use to grow by 10.4% compared to 14.4% increase in 2006. Contrasting these figures with the rest of the world, IISI predicts a growth rate in apparent steel use for the whole world of 5.2% in 2007.

Medium Term Forecasts for steel demand have also been developed by the IISI Economic Committee with forecasts for the period to 2010 and 2010-2015. Up to 2010 world steel demand is expected to rise 4.9% per year. Steel demand in India and China is forecast to be 7% per year and 8.4% per year respectively during this period. The figure for the rest of the world is 4% per annum. Projections from 2010 to 2015, suggest a 4.2% annual growth in steel demand for the whole world, with growth in steel demand reaching 7.7% per year for India and 6.2% per year for China during the same period.

The IISI Executive Committee reviewed the forecasts at its meeting in Buenos Aires. They requested the IISI Economics Committee to study further the impact on steel use by region of changes in the location of manufacturing. They noted that capacity increases in China should reflect the slowing growth in the Chinese use of steel if imbalances in steel trade are to be avoided. The IISI Board of Directors adopted a new mission statement which emphasises the industry's commitment to sustainable development and to be profitable over the complete business cycle to reward shareholders and reinvest in new products and processes.

## Apparent Steel Use

**Table 1: Apparent Steel Use 2005 - 2007**

	Million metric tonnes of finished steel			Change % per year	
	2005	2006e	2007f	05 – 06	06 - 07
<b>EU (15)</b>	139.4	150.0	147.7	7.6	-1.5
<b>EU (25)</b>	158.8	171.5	169.6	8.0	-1.1
<b>Other Europe</b>	29.3	32.1	34.0	9.5	6.0
<b>CIS</b>	43.5	46.5	50.9	7.0	9.4
<b>NAFTA</b>	139.7	151.8	150.8	8.7	-0.7
<b>South America</b>	32.3	36.0	38.6	11.6	7.1
<b>Africa</b>	22.4	24.6	25.7	10.0	4.4
<b>Middle East</b>	34.0	37.3	40.6	9.6	8.9
<b>Japan</b>	78.0	78.6	80.8	0.8	2.8
<b>India</b>	38.1	41.9	45.7	10.0	9.1
<b>Rest of Asia (exc. China)</b>	117.8	118.5	121.8	0.6	2.8
<b>Australia + NZ</b>	7.9	7.8	7.9	-1.6	1.3
<b>World (exc. China)</b>	<b>701.8</b>	<b>746.7</b>	<b>766.4</b>	<b>6.4</b>	<b>2.6</b>
<b>China</b>	<b>327.0</b>	<b>374.0</b>	<b>413.0</b>	<b>14.4</b>	<b>10.4</b>
<b>World</b>	<b>1028.8</b>	<b>1120.7</b>	<b>1179.4</b>	<b>8.9</b>	<b>5.2</b>

**Table 2 – Real Steel Demand – 2010 – 2015**

	Trend		
	Trend to 2010	2010f (mmt)	2010-15 % p.a.
<b>EU (15)</b>	2.0% p.a.	157	1.3%
<b>EU (25)</b>	2.5% p.a.	183	1.7%
<b>CIS</b>	5.0% p.a.	57	4.0%
<b>NAFTA</b>	1.9% p.a.	160	2.4%
<b>South America</b>	3.9% p.a.	40	3.7%
<b>Japan</b>	0.4% p.a.	83	-0.1%
<b>India</b>	7.0% p.a.	54	7.7%
<b>China</b>	8.4% p.a.	489	6.2%
<b>South Korea and Taiwan, China</b>	3.1% p.a.	78	1.9%
<b>Rest of World</b>	4.0% p.a.	177	4.0%
<b>World (exc. China)</b>	<b>4.9% p.a.</b>	<b>1319</b>	<b>4.2%</b>
	<b>3.0% p.a.</b>	<b>831</b>	<b>2.9%</b>

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