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Global Steel Industry in the post-Crisis Period
Global macro environment remains difficult

- Global GDP growth has slowed down
- Global economic recovery continues to disappoint despite drop in oil prices
  - Structural problems in many advanced and emerging economies
  - Ongoing geopolitical conflicts
- Overall divergence in growth rates among countries and regions
- Low oil price to generate overall positive net impact on growth

Sources: IMF, Haver Analytics
Overcapacity to stay

- Production slowing down with strong increase of exports in 2014
- Excessive steel capacity expansion during the boom period
- World capacity utilisation in 70-80% range

Source: OECD, worldsteel
How are other industries doing?

Sources: different, OICA, worldsteel, IAI, USGS
Steel industry stuck in low performance

- Steel companies’ profitability converges at a low level due to overcapacity and high raw material prices

Sources: different, companies’ reports, Thomson Reuters
Steel Market Prospects
Short Range Outlook (SRO) 2015-16: Regional Overview

Apparent Steel Use, finished steel (SRO April 2015)

Share of ASU by regions in 2016, %
- European Union (28)
- Other Europe
- CIS
- NAFTA
- Central and South America
- Africa
- Middle East
- Asia and Oceania

**Source:** worldsteel SRO
Steel demand shifts to low gear with China deceleration

- Lack of growth engine after China
- Post-crisis recovery led by the emerging economies

**Apparent Steel Use, finished steel (SRO April 2015)**

![Graph showing steel use by country and region](image)

Source: worldsteel SRO
Developed Economies in Focus
Apparent Steel Use, finished steel (SRO April 2015)

- Strong growth seen in 2014 in the developed world on the back of strength in the US, 'but moderate growth in 2015-2016
- US steel demand to stagnate in 2015 due to high base and strong dollar, material competition in the auto sector
- Spain showing signs of recovery after a long crisis
- Japan and Korea continued to show moderate growth

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<th>2015</th>
<th>2016</th>
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Source: worldsteel SRO
Emerging Economies in Focus
Apparent Steel Use, finished steel (SRO April 2015)

- Subdued outlook in major emerging economies, e.g. Russia and Brazil
- India’s outlook brightens with new reform initiatives
- High growth expected in ASEAN with strong fundamentals

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Source: worldsteel SRO
Weak performance of CIS countries

Apparent Steel Use, finished steel (SRO April 2015)

Russia:
- Structural slowdown aggravated by geopolitical tensions and weaker oil prices.
- Investment activity undermined by curtailed access to capital markets, both domestic (tight monetary policy) and international (sanctions).
- Private consumption to decline, fiscal stimulus will be capped by tight budget.
- Decline in steel-using sectors on the back of investment activity downturn and shrinking real income.

Ukraine:
- Weak performance of economy in 2015.
Diverging growth prospects of the developing economies

- Structural reform will define growth potential
  - Brazil and Russia trapped in structural problems
  - Mexico has brighter prospects thanks to the strong reform agenda
  - MENA outlook clouded by low oil prices and geopolitical instability
  - ASEAN countries with reform agenda will outperform others
  - India getting ready for a take off with renewed reform initiatives

- Unleashing potential of emerging markets

Sources: UN, Global Insight, worldsteel
Conclusion

- The steel industry faces new normal of low growth with peaking of Chinese steel demand and structural changes in the world economy
  - With Chinese deceleration the world lacks a strong growth engine
  - Unleashing the potential of other emerging economies takes time
- Capacity build ups in newly emerging economies cause concern
- Focus on value creation rather than expansion
Thank you for your attention.

For further information contact:

Adam Szewczyk | Manager, Economics and Statistics
World Steel Association
szewczyk@worldsteel.org | T: +32 (0)2 701 96 68 | worldsteel.org