



ITEM 3B: STEEL MARKET DEVELOPMENTS

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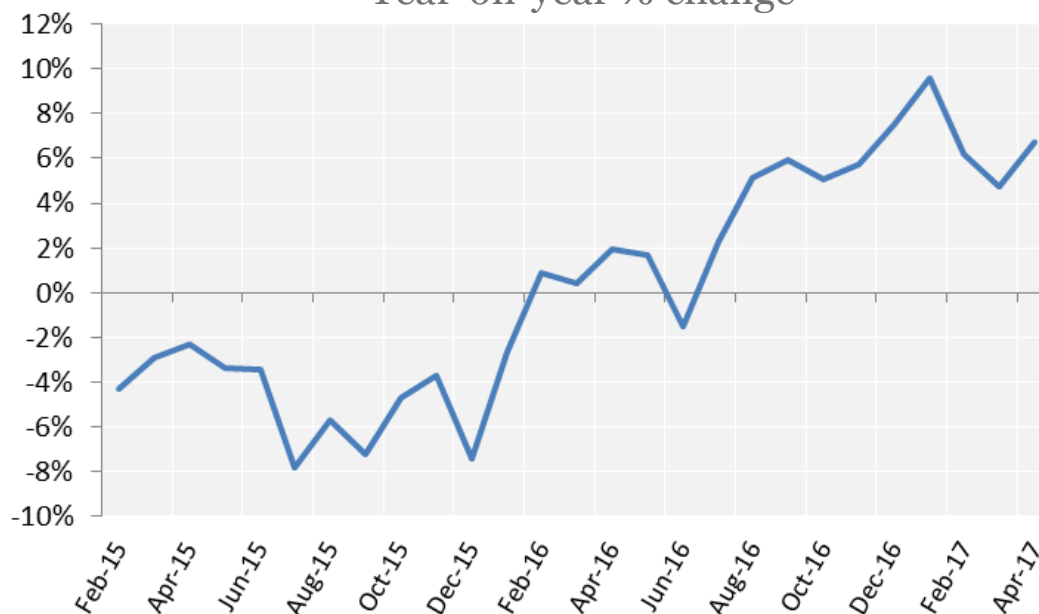
Outline

- 1. Consumption**
- 2. Production**
- 3. Trade**
- 4. Prices**
- 5. Global capacity developments**
- 6. Concluding remarks**

Consumption

Consumption of hot-rolled steel products, major economies

Year-on-year % change



Note: Combined consumption of hot-rolled steel products of the following economies: Brazil, China, Germany, India, Japan, South Korea, Russia and the US. Consumption of hot-rolled products defined as the sum of production and net imports.

Source: International Steel Statistics Bureau (ISSB).

Indicator of consumption suggests that the recovery of steel demand continued in early 2017



Production

World crude steel production developments in 2016 and 2017

| | Level, thousand mmt | | | % change, year-on-year | | |
|-----------------|---------------------|-----------|-----------|------------------------|------|-------------|
| | Dec 2017 | 2016 | 2017 | Dec 2017 | 2016 | 2017 / 2016 |
| EU | 13 958 | 162 136 | 168 740 | 8.3 | -2.4 | 4.1 |
| Other Europe | 3 493 | 35 919 | 40 621 | 12.3 | 5.6 | 13.1 |
| CIS | 8 425 | 101 928 | 101 957 | -4.2 | 0.5 | 0.0 |
| North America | 9 504 | 110 624 | 115 955 | 5.1 | -0.3 | 4.8 |
| South America | 3 865 | 40 220 | 43 728 | 24.5 | -8.4 | 8.7 |
| Africa | 1 187 | 11 669 | 13 519 | 18.4 | -4.9 | 15.9 |
| Middle East | 2 698 | 29 025 | 32 449 | 7.6 | 7.6 | 11.8 |
| Asia, of which: | 92 875 | 1 107 912 | 1 165 112 | 1.0 | 1.6 | 5.2 |
| China | 66 151 | 804 803 | 845 030 | 0.4 | 0.8 | 5.0 |
| Oceania | 538 | 5 837 | 5 985 | 5.0 | 2.1 | 2.5 |
| World | 136 543 | 1 605 270 | 1 688 065 | 2.8 | 0.8 | 5.2 |

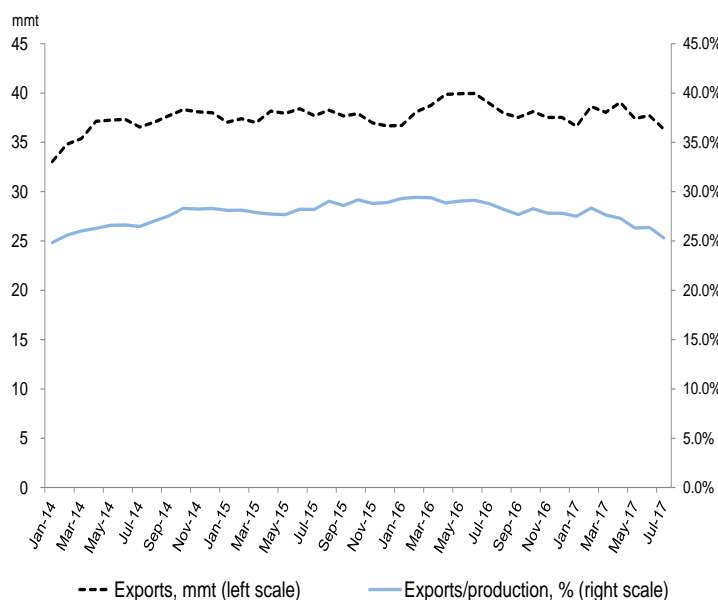
Source: World Steel Association, as of December 2017. Data are based on monthly production data and can differ slightly from annual data published after December of each year

World crude steel production increased by more than 5% in 2017, with growth rates differing across regions

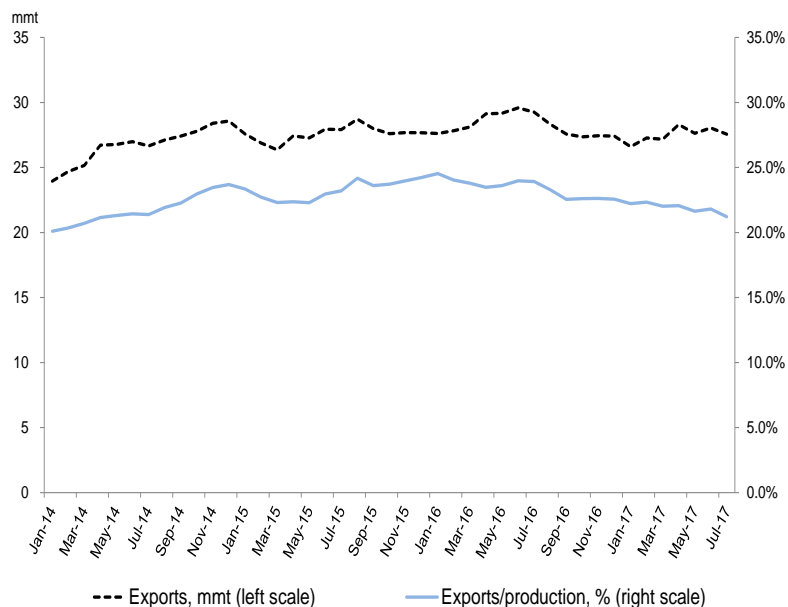


World exports of steel: monthly volume (mmt) and export ratio (% of crude steel production), 3-months moving average

A. Including intra-EU trade



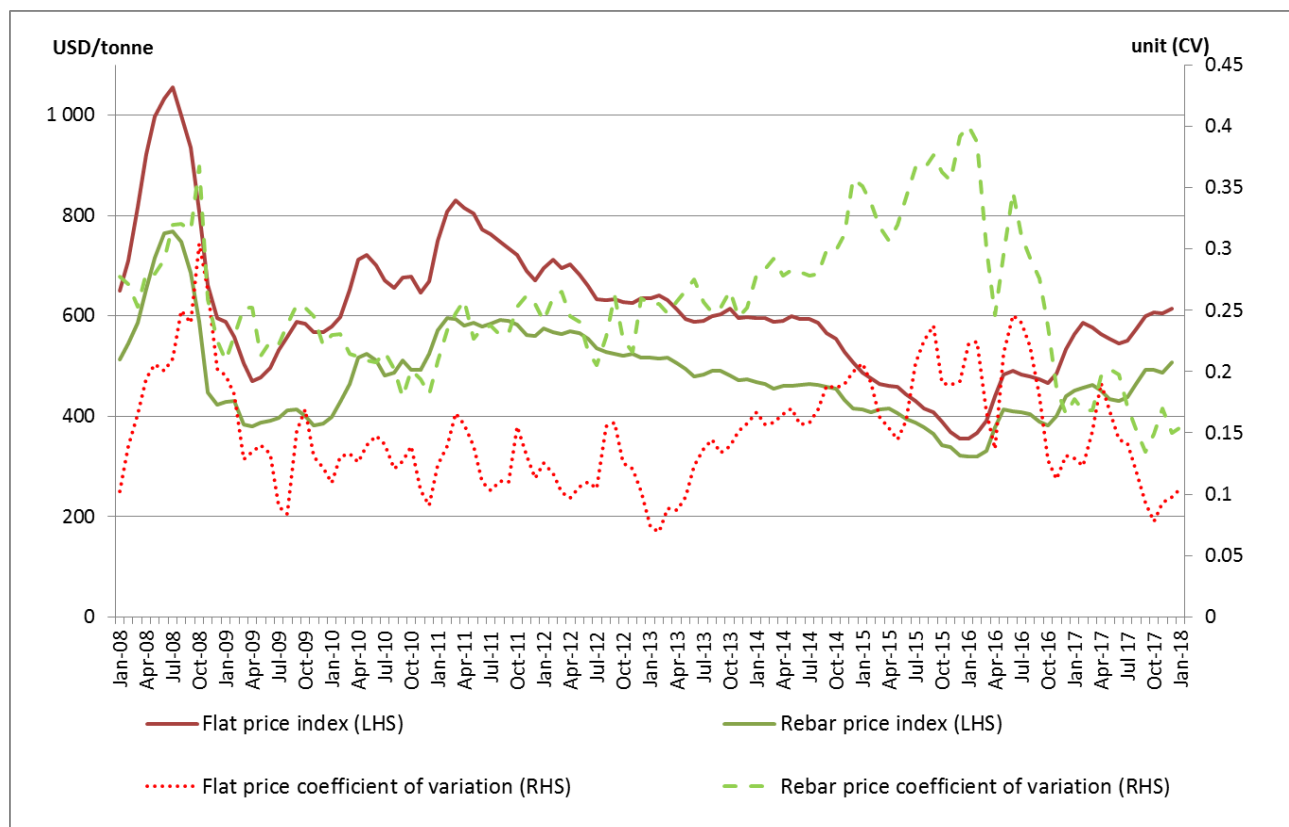
B. Excluding intra-EU trade



Source: OECD calculations based on data from ISSB



World steel prices



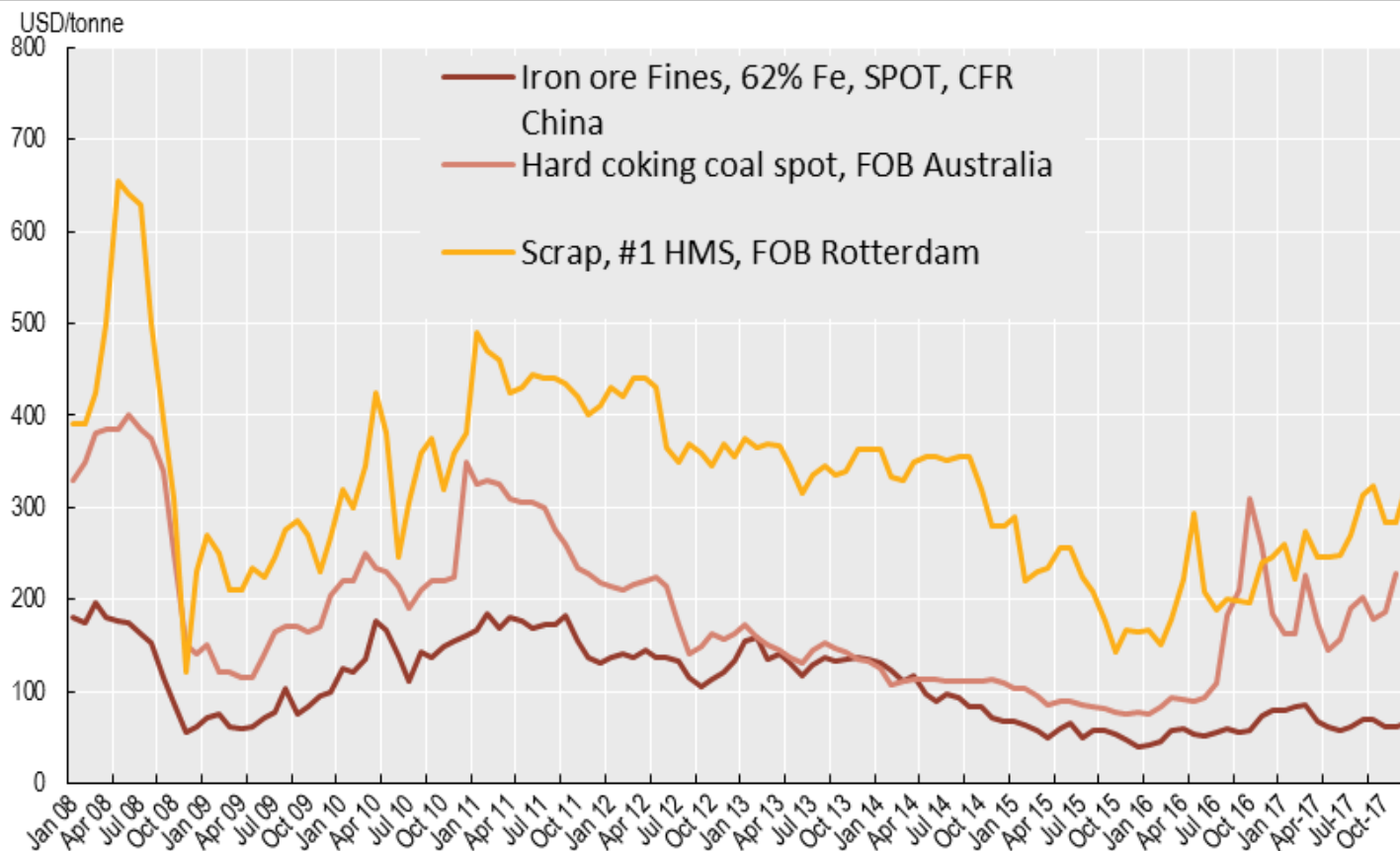
Note 1: The flat price and rebar price indices are defined as the arithmetic average of the individual regional Platts price series for the U.S., North Europe, China, Japan, India and Russia, when available. This simple arithmetic average had the closest fit to the two global Platts price indices used in previous Market reports, which were discontinued by Platts from September 2017 onwards. Latest month shown is January 2018.

Note 2: The coefficients of variation (CV) are defined as the ratio of the standard deviation of the regional Platts price series making up the indices to their (arithmetic) mean.

Source: Platts Steel Business Briefing



Key raw material price indicators



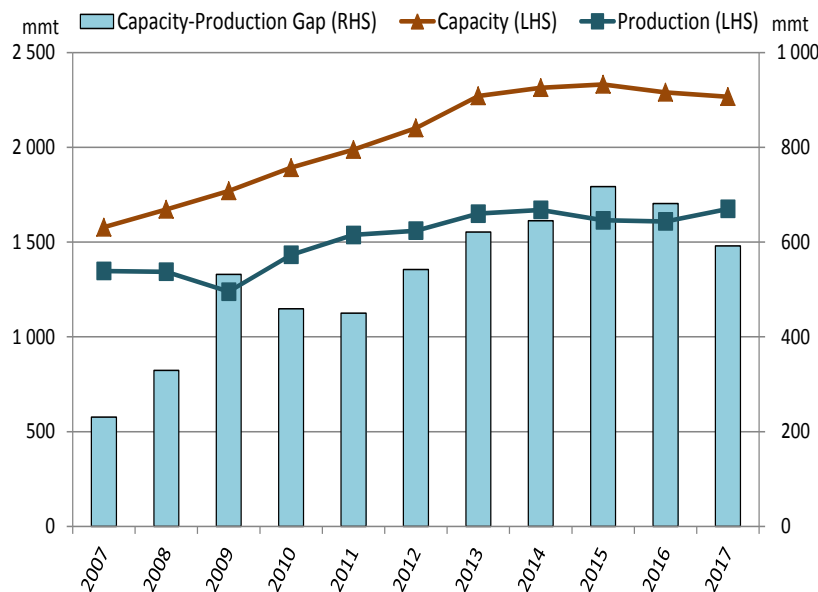
Source: Platts Steel Business Briefing



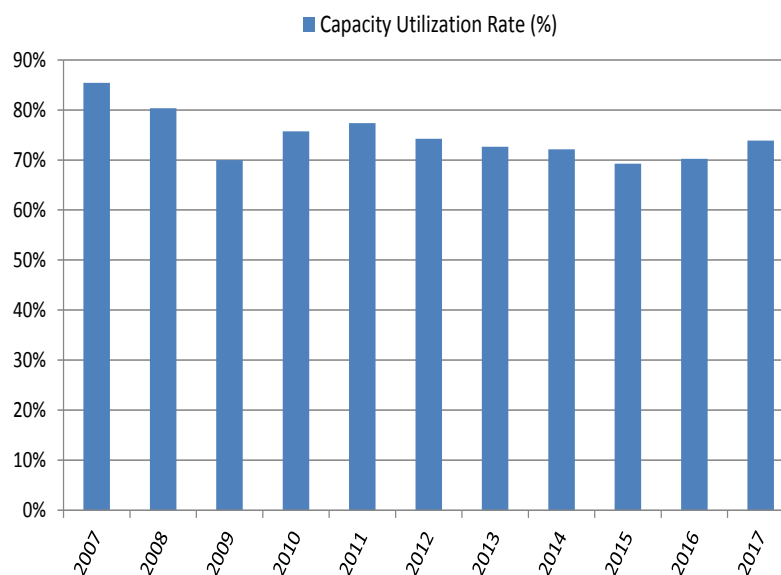
Global capacity developments

Global crude steelmaking capacity and production

Capacity-Production gap (mmt)



Capacity utilisation rate



Note: Capacity data reflects all information on changes up to December 2017. Annual production data for 2017 is calculated by applying the y-o-y growth rate for Jan-Nov production of 2017 to the annual production in 2016.

Source: OECD for capacity and World Steel for production.



Concluding Remarks

- Steel markets continued recovery in 2017,
- ...but important risks remain, e.g.:
 - financial vulnerabilities of steel firms
 - distortive subsidies and government support
 - persisting structural imbalances



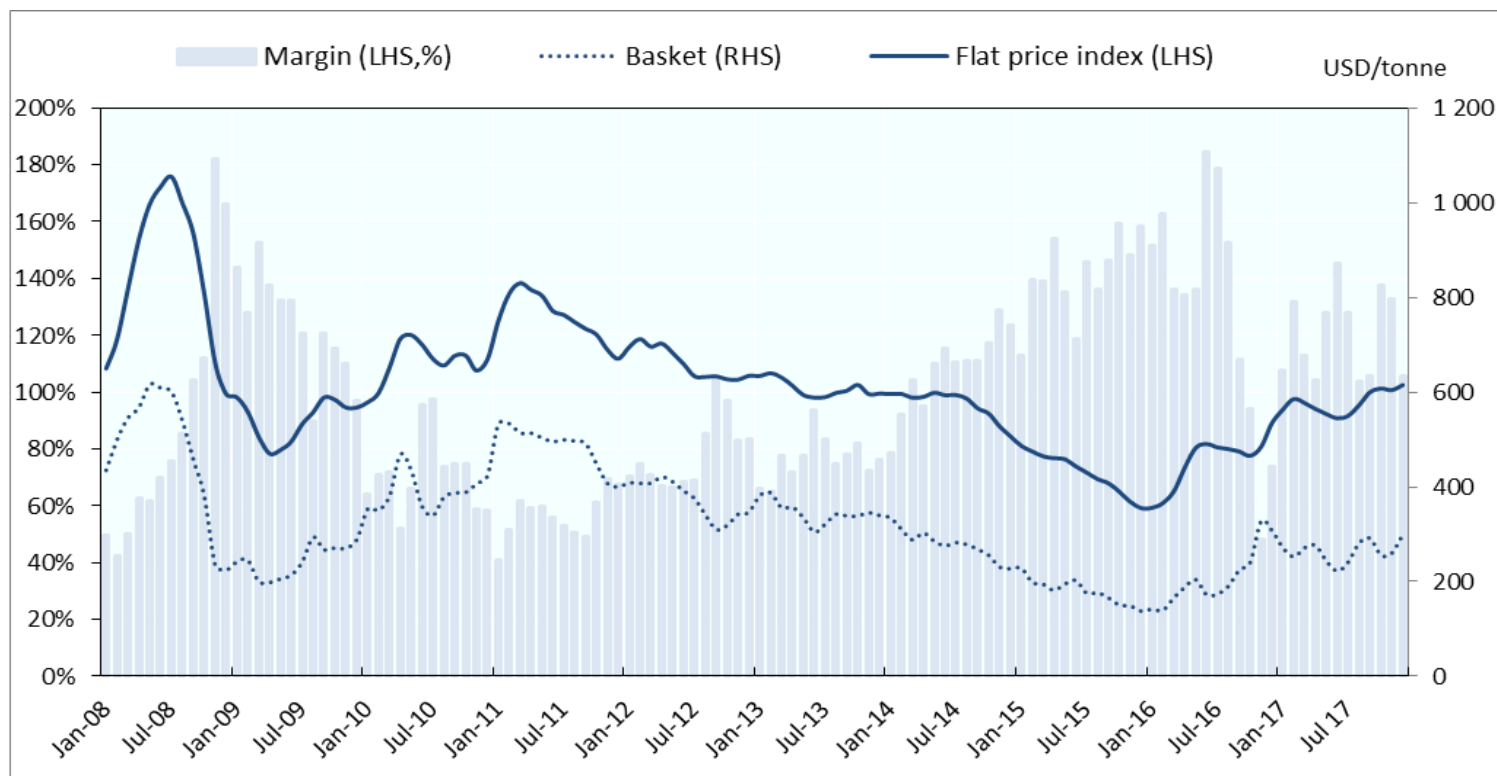
Thank you for your attention



Annex Slides



Margin between steel and raw materials prices



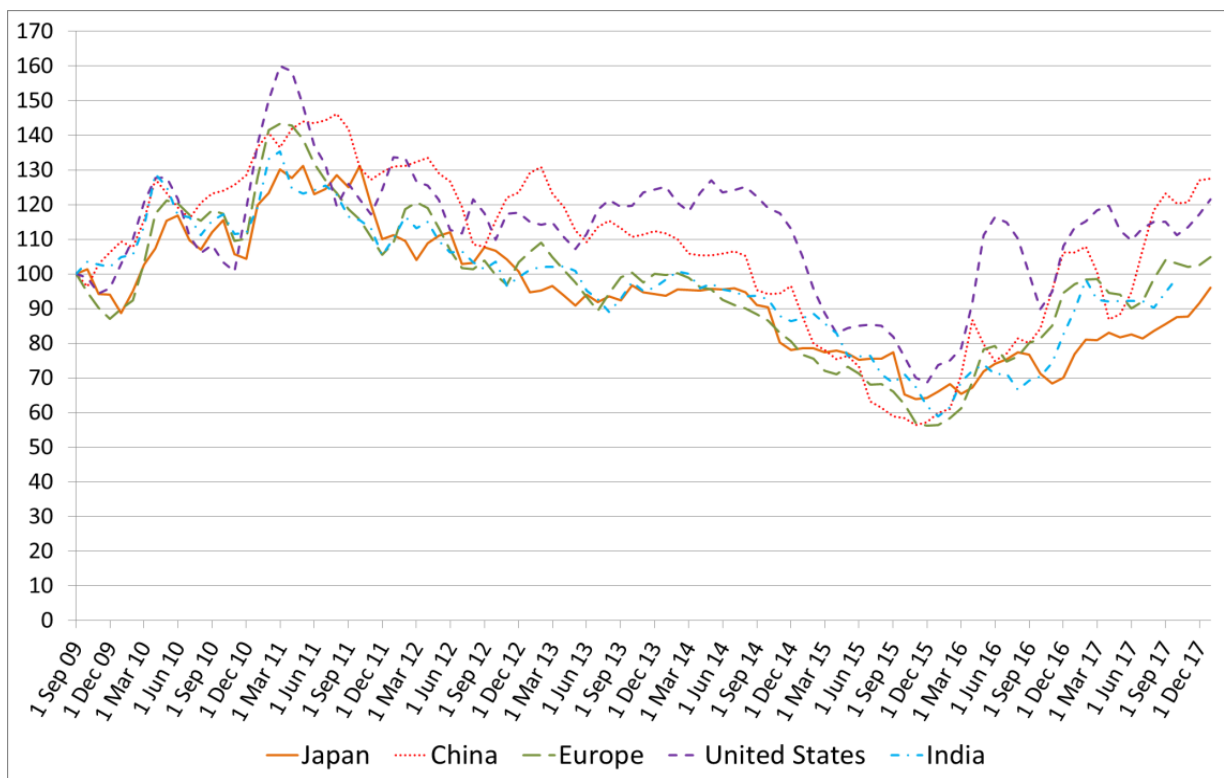
Note: The raw materials basket for steel production includes 70% of the usual quantities of iron ore (1.6 tonne) and coking coal (0.77 tonne) needed to produce steel in the integrated process and 30% of the quantity of ferrous scrap (1.07 tonne) needed to produce steel in the electric arc furnace process (see OECD, 2016). Prices used are as follows: Iron ore Fines, 62% Fe, SPOT, CFR China; Hard coking coal spot, FOB Australia; Scrap, #1 HMS, FOB Rotterdam. The basket is compared against HRC world prices. The margin is defined as the per cent difference between the steel flat price and the raw materials basket price.

Source: OECD calculations based on Platts Steel Business Briefing.



Price developments

Hot-rolled coil price indices by region (September 2009=100)



Source: Platts Steel Business Briefing