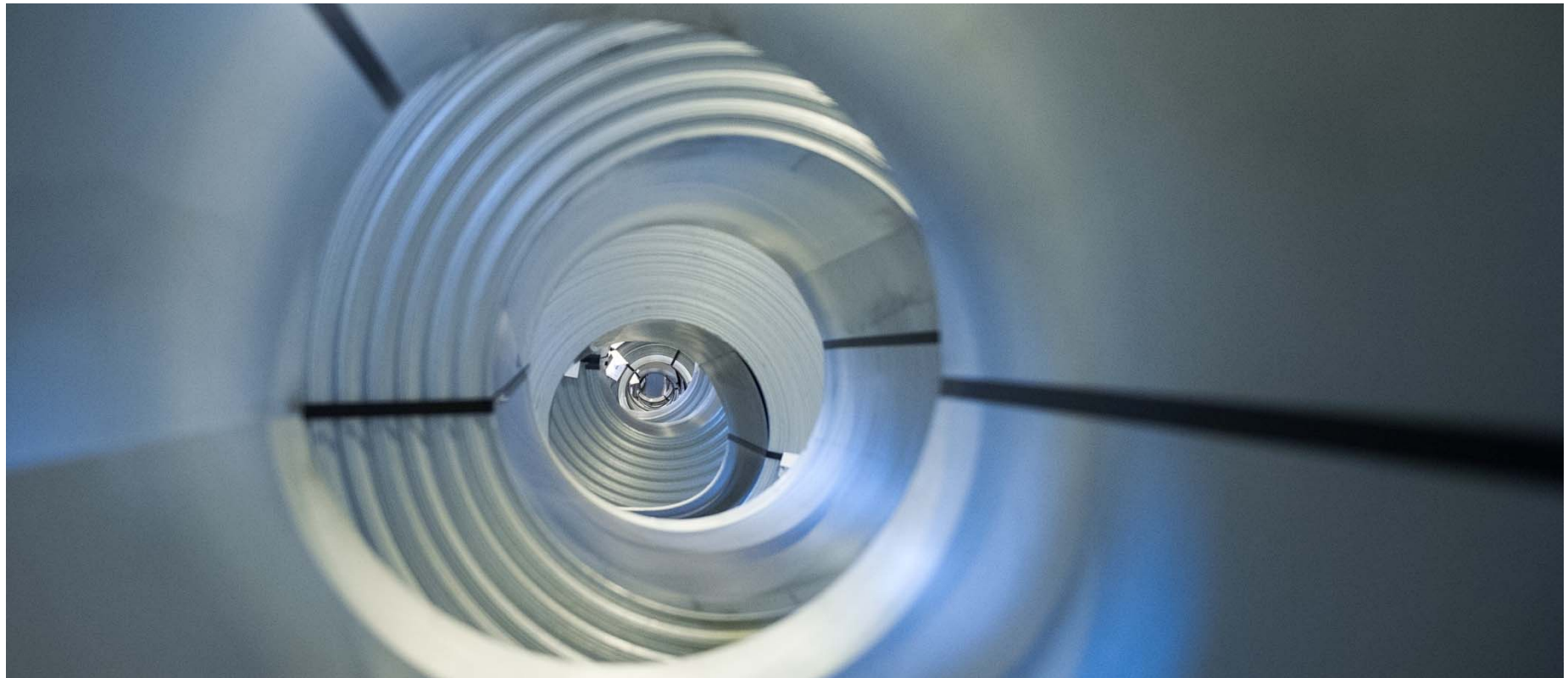




World steel outlook 2017-2018 and challenges ahead

Steel Markets Asia Conference, 9 November 2017



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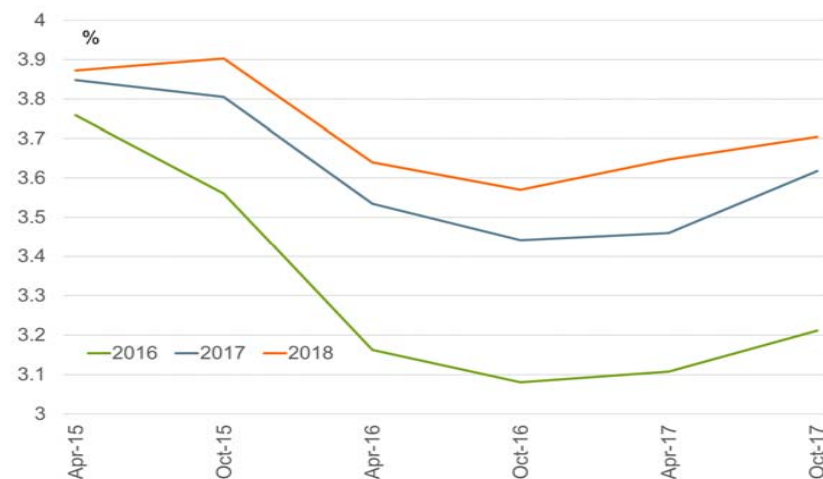
Global macroeconomic environment



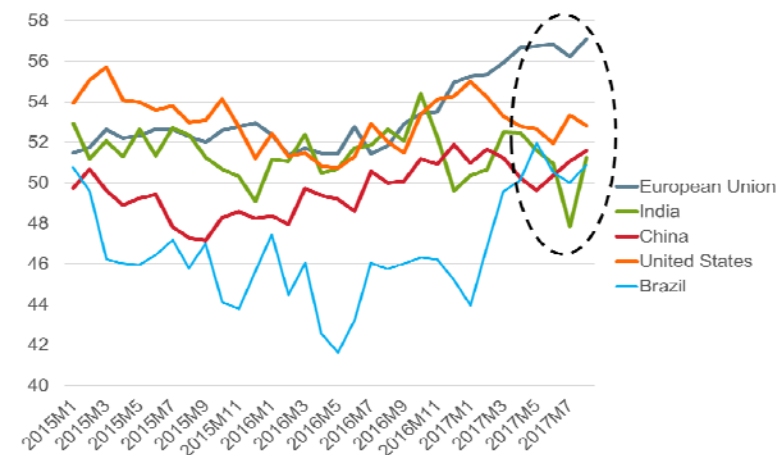
Broadly based upturn in the global economy

- Global growth momentum strengthens and is on a broader footing
 - Solid U.S. fundamental, firming recovery in EU, China re-acceleration, recovery in developing economies
- Moderate rebound in oil prices, contained inflation
- Most benign global economic environment since the financial crisis

IMF: GDP growth revisions



Manufacturing PMI, selected countries

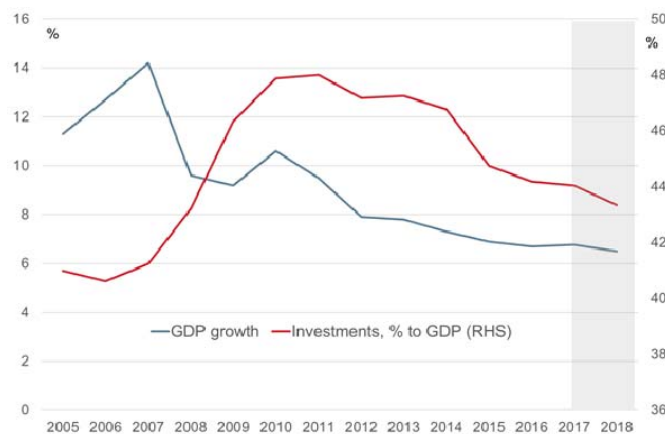


Source: IMF, IHSMARKIT

China: growth acceleration might be short lived

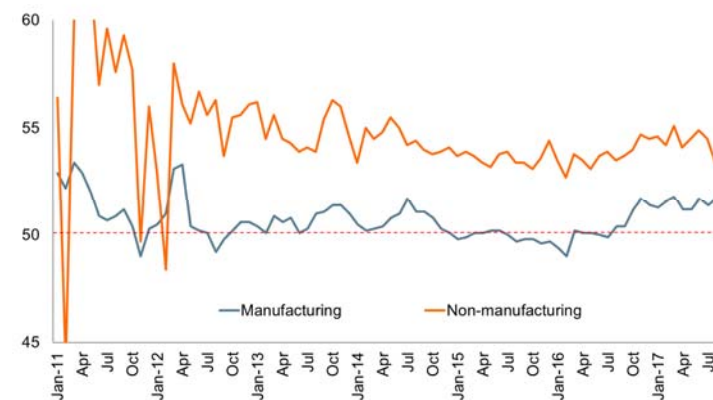
- The Chinese economy is growing better than expected in 2017
- While consumption remains the primary driver of growth, deceleration of investment was contained
 - Reduced housing inventories and strong Infrastructure investment bring a mild boost to construction activities
- Despite the rebound in 2017, structural adjustments will continue to suppress growth

China: GDP and investments



Source: IMF, NBS

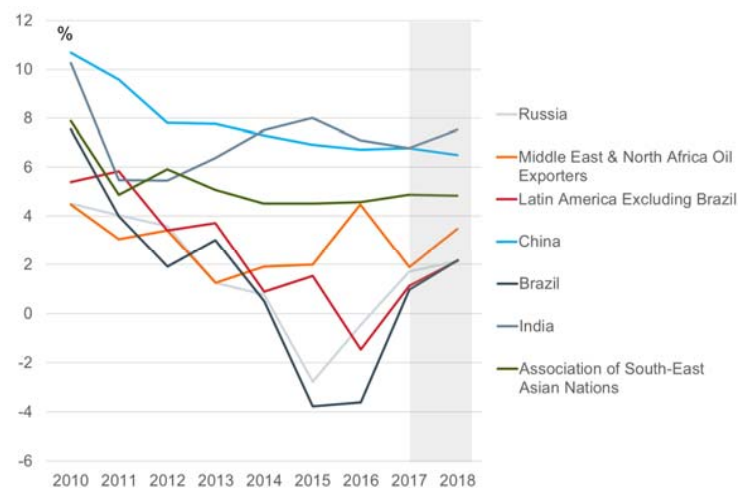
PMI



Developing economies recover at differential speed

- Growth in India and ASEAN remains on a solid ground
- Russia, Latin American countries slower to recover
- MENA countries struggles with low oil prices and geopolitical conflicts
- Many developing countries are progressing with structural reforms

GDP growth in developing countries, %



Source: IHSMarkit

Reform agenda in developing countries

- Mexico – energy reform, tax reform, National infrastructure plan
- Argentina – market exchange rate
- Saudi Arabia and some other GCC – fiscal reform, economic diversification
- Egypt – floating exchange rate
- India – GST tax, easier access of foreign investors into industry



October 2017 Short Range Outlook



Global overview

Steel demand, finished steel (SRO October 2017)

2016

1 515.9 million tonnes, **1.0% growth**

2017 (forecasts)

1 622.1 million tonnes, **7.0/ 2.8%* growth**

2018 (forecasts)

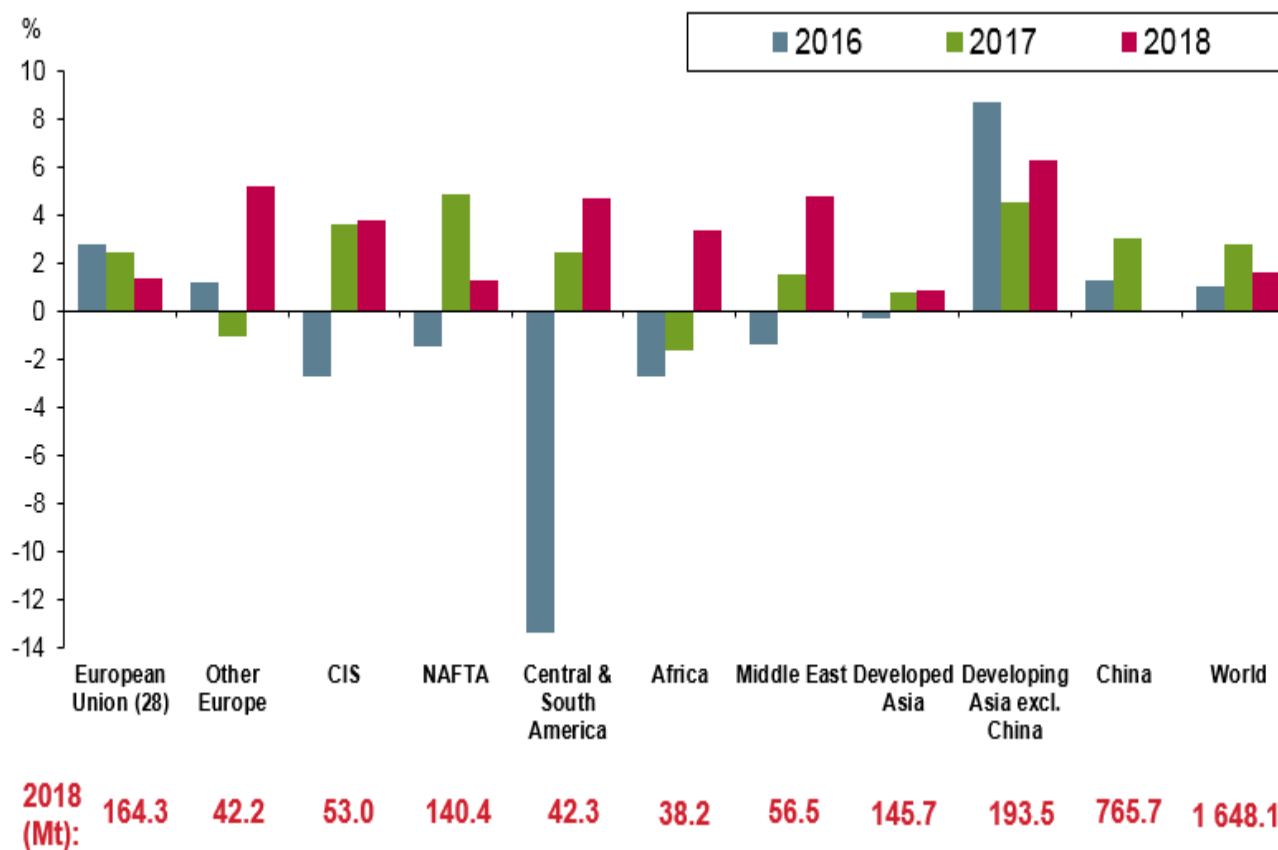
1 648.1 million tonnes, **1.6% growth**

* : Growth rates based on adjusted Chinese crude steel production for 2016

Regional summary

Steel demand, finished steel (SRO October 2017)

Steel demand growth



Top 10 Countries in 2018

TOP 10 (2018)	
Country	ASU [Mt]
China	765.7
United States	97.3
India	92.1
Japan	64.5
South Korea	56.4
Germany	41.6
Russia	40.5
Turkey	35.5
Mexico	27.6
Vietnam	27.0

Note. Growth rates for World, Asia and China are based on adjusted Chinese crude steel production for 2016

Regional summary

Steel demand, finished steel (SRO October 2017)

	million tonnes (Mt)			%			2018 as % of 2007
	2016	2017	2018	16/15	17/16	18/17	
World	1 515.9	1 622.1	1 648.1	1.0	2.8	1.6	134.7
European Union (28)	158.2	162.1	164.3	2.8	2.5	1.4	80.9
Other Europe	40.5	40.1	42.2	1.2	-1.0	5.2	138.8
CIS	49.4	51.1	53.0	-2.7	3.6	3.8	94.1
NAFTA	132.2	138.7	140.4	-1.5	4.9	1.2	99.6
Central & South America	39.4	40.4	42.3	-13.5	2.5	4.7	102.5
Africa	37.6	37.0	38.2	-2.7	-1.6	3.3	167.6
Middle East	53.1	53.9	56.5	-1.4	1.5	4.8	129.4
Asia & Oceania	1 005.4	1 098.8	1 111.1	2.2	2.9	1.1	162.1
China	681.0	765.7	765.7	1.3	3.0	0.0	183.0
Developing Asia excl. China	174.2	182.1	193.5	8.7	4.5	6.3	198.3
Developed Asia	143.4	144.5	145.7	-0.3	0.8	0.8	90.5

China

Steel demand, finished steel (SRO October 2017)

	Mt			%			2018 as % of 2007
	2016	2017	2018	16/15	17/16	18/17	
World	1 515.9	1 622.1	1 648.1	1.0	2.8	1.6	134.7
Asia	998.6	1 092.3	1 104.9	2.3	3.0	1.2	163.2
China	681.0	765.7	765.7	1.3	3.0	0.0	183.0

Note. Growth rates for World, Asia and China are based on adjusted Chinese crude steel production for 2016

Steel Using Sectors	2016	2017	2018
Construction	1.3%	3.5%	-0.5%
Domestic Appliances	-0.5%	3.0%	0.5%
Electrical Equipment	1.5%	1.0%	0.5%
Mechanical Machinery	0.5%	2.5%	1.0%
Metal Products	-2.0%	2.0%	-0.5%
Automotive	7.5%	2.5%	1.5%
Other Transport	-0.5%	1.5%	0.0%
SWIP	1.3%	3.0%	0.0%

Source: worldsteel

Asia

Steel demand, finished steel (SRO October 2017)

	Mt			%			2018 as % of 2007
	2016	2017	2018	16/15	17/16	18/17	
World	1 515.9	1 622.1	1 648.1	1.0	2.8	1.6	134.7
Asia	998.6	1 092.3	1 104.9	2.3	3.0	1.2	163.2
China	681.0	765.7	765.7	1.3	3.0	0.0	183.0
Devel. Asia excl. China	174.2	182.1	193.5	8.7	4.5	6.3	198.3
India	83.5	87.1	92.1	4.1	4.3	5.7	178.9
ASEAN (5)	74.1	77.7	83.0	13.9	4.8	6.8	205.6
Developed Asia	143.4	144.5	145.7	-0.3	0.8	0.8	90.5
Japan	62.2	64.0	64.5	-1.2	2.9	0.8	79.5
South Korea	57.1	56.2	56.4	2.3	-1.5	0.4	102.2

Note. ASEAN (5): Indonesia, Malaysia, Philippines, Thailand, Vietnam

Note. Growth rates for World, Asia and China are based on adjusted Chinese crude steel production for 2016

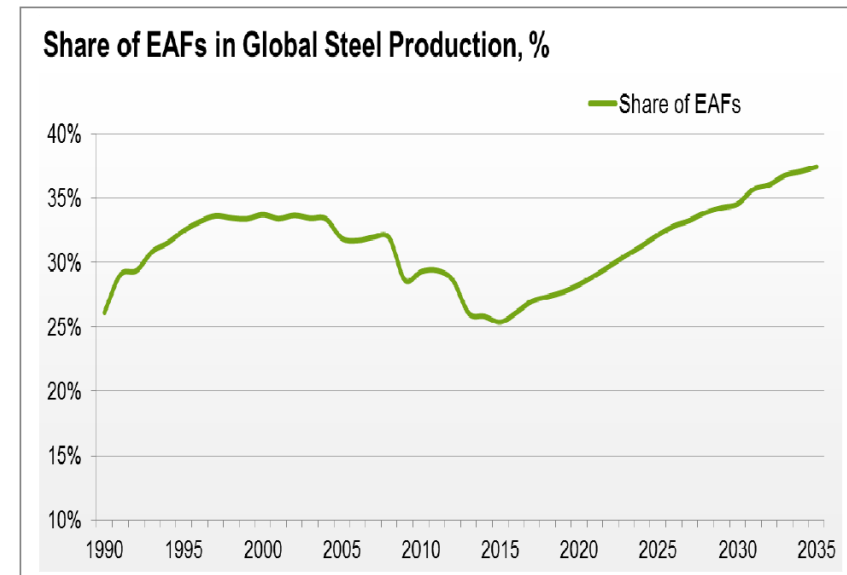
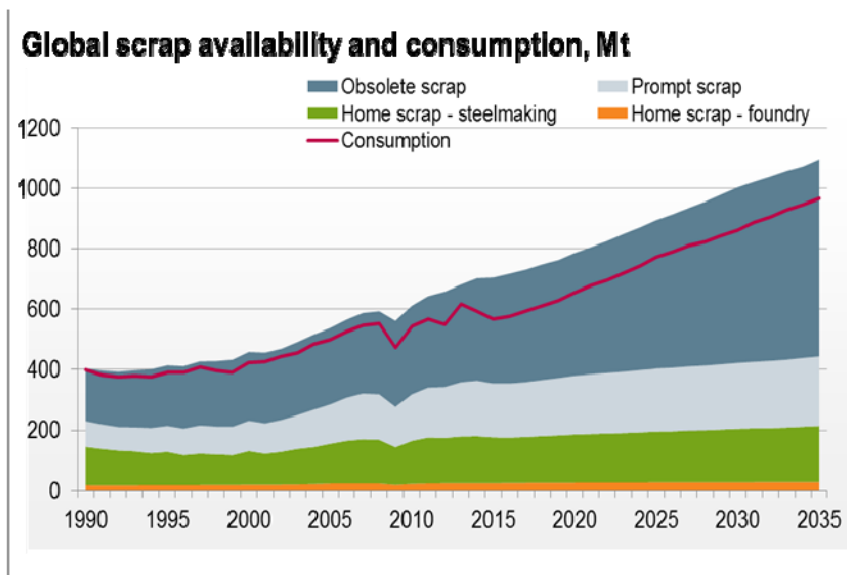


Long-term challenges



Global metalics projection indicates long-term sufficiency

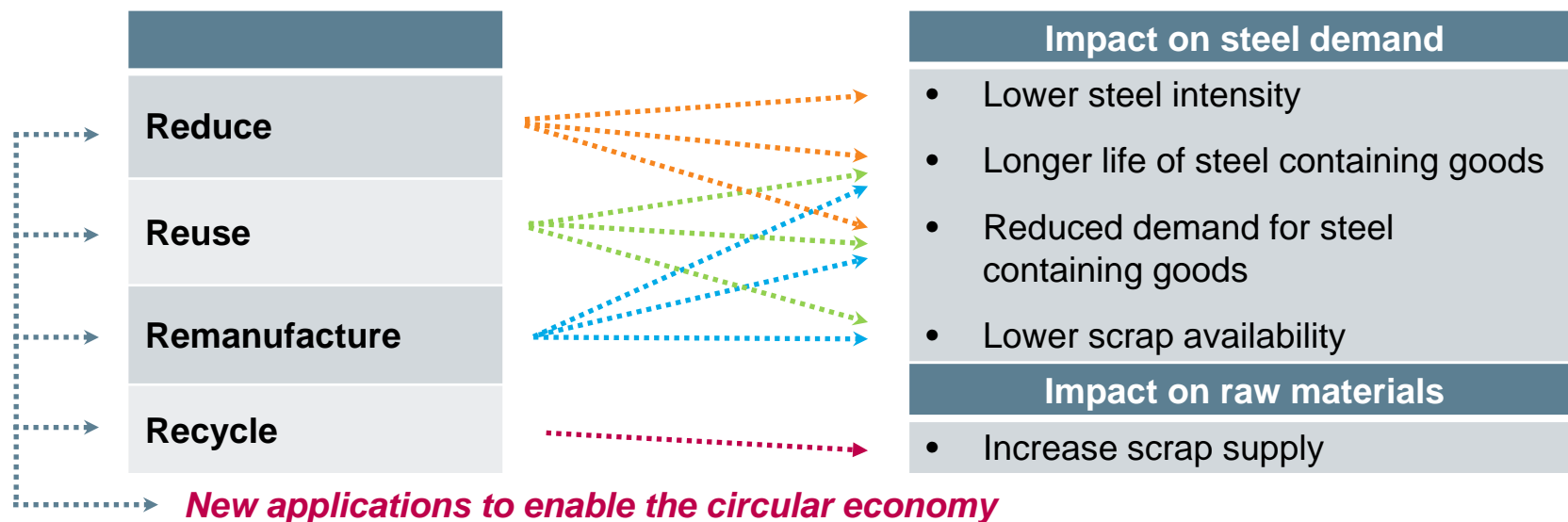
- On supply side
 - China's scrap supply to drive scrap sufficiency in the future
 - Circular economy practices may postpone the recycling of steel
 - ✓ slower growth in scrap availability
 - ✓ growth of obsolete scrap availability mostly in the developing world
- On demand side
 - Environmental pressure may favour high quality iron ore and scrap use



Megatrends that will affect the steel industry

- China's deceleration
- Adverse demographic trends: deceleration of population growth, ageing
- Increasing economic inequality
- Circular economy (4R – reduce, reuse, remanufacture, recycle)
- Digitalisation
- Premature de-industrialisation
- Climate change

Circular economy concept impact on steel demand





Conclusion



Conclusion

- Global steel demand growth 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
- Risks to the forecast in the short-term
 - Uncertainties related to the US economic policies and normalization of monetary policies in developed economies
 - Continued geopolitical conflicts
 - China deceleration
- Medium and longer term concerns
 - Financial market bubble and debt problem
 - Megatrend forces weighing down on steel intensity
 - Trade environment with rising protectionism and receding globalism

Thank you for your attention.

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