

## Global Steel Market Overview

Global Forum on Steel Excess Capacity, Tokyo, October 2019



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## **Role of steel in the global economy**

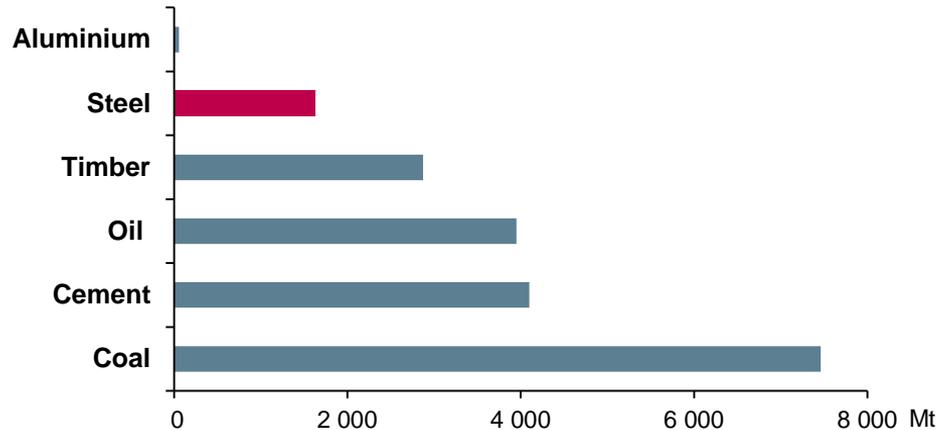


# Why is steel important in the global economy

- Steel, taking into account its complexity and variety, is one of the most used products in the world after coal, cement, oil and timber
- Steel is used in every important industry; construction, infrastructure, automotive and transportation, packaging and machinery, domestic appliances

## Production of steel and other commodities

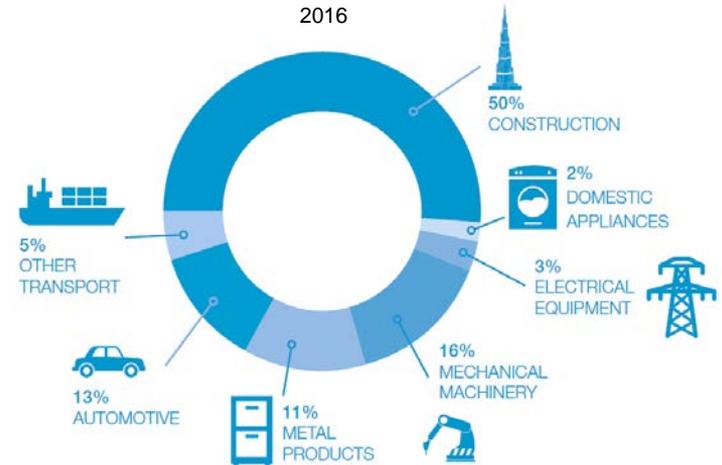
2016



Source: worldsteel, USGS, OECD, BP, FAO/UN

## Steel use by sector

2016

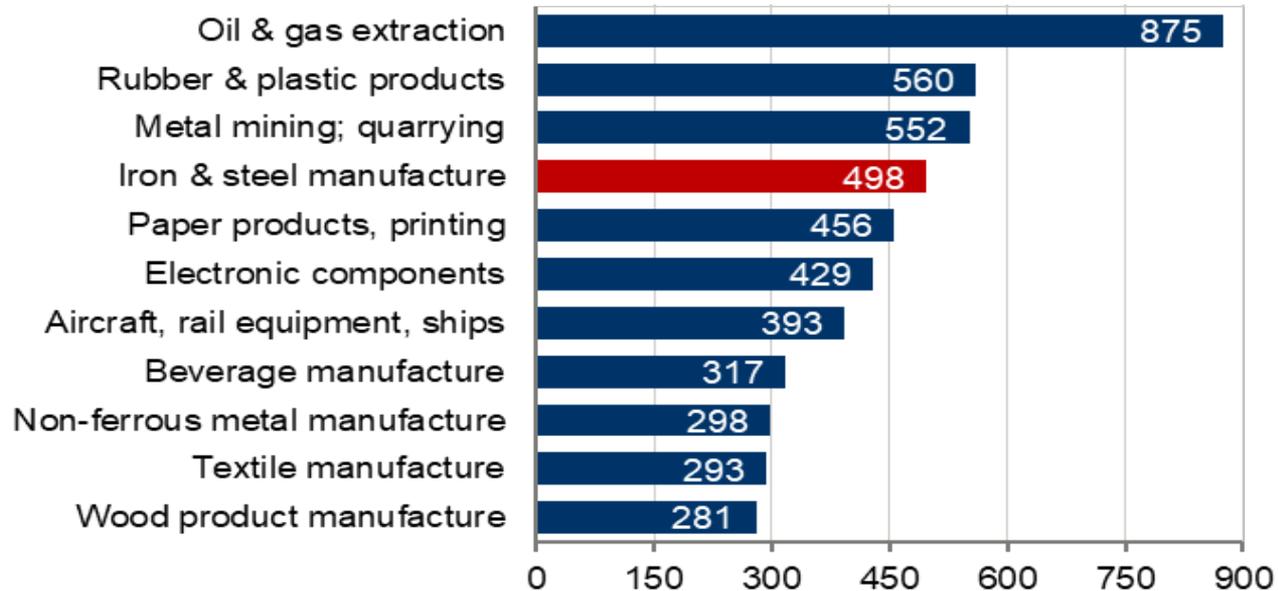


Source: worldsteel

# Comparative size of the global steel industry

## Value added of selected industries

US \$ billion

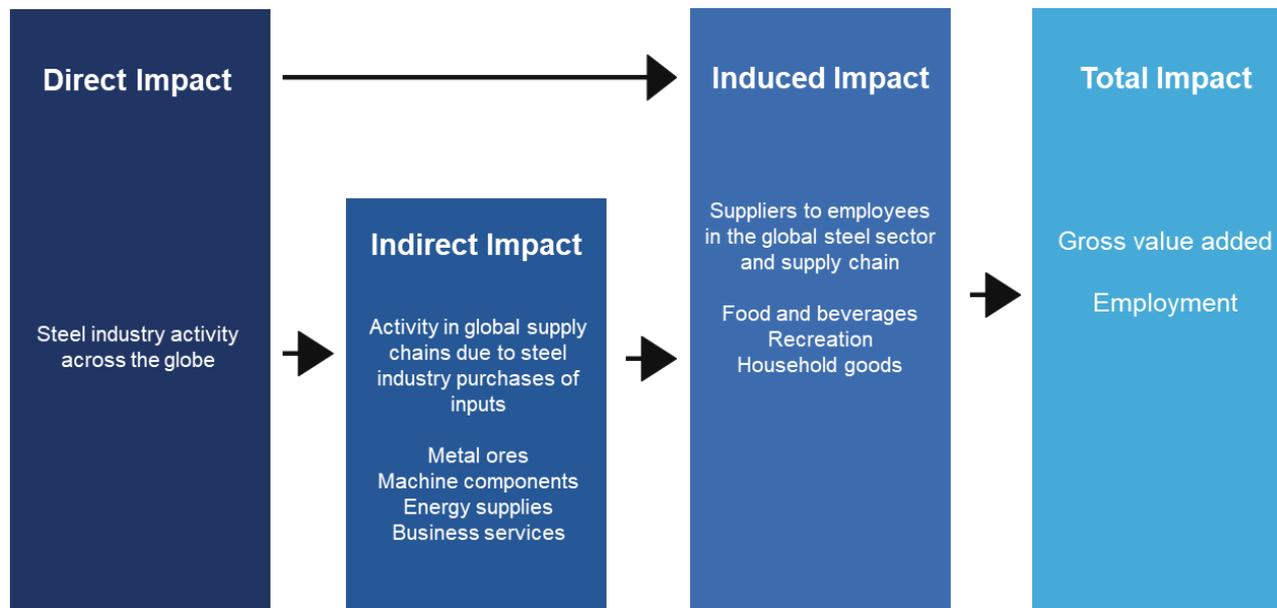


Source: Oxford Economics

# Channels of the steel industry impact

## Three channels of economic impact

**Total impact = direct + indirect + induced impacts**



Source: Oxford Economics

# Impact of the global steel industry is widespread

The steel industry is transforming iron ore into a range of products that are sold for a total annual value of **US \$2.5 trillion** in 2017. The “added value” of its production processes was almost **US \$500 billion** and it **employed more than 6 million** people around the world.

For every two jobs in the steel sector, 13 more jobs are supported throughout its supply chain. In total, some **40 million people** work within the steel industry’s global supply chain, generating over **US \$1.2 trillion of added value**

The steel industry **facilitated a further US \$1.2 trillion of value-added** output in 2017, and supported an additional **49 million jobs** in steel using sectors around the world



Source: Oxford Economics, worldsteel

# Sustainability is crucial for the global steel industry

- Steel companies from around the world have been reporting to worldsteel on sustainability indicators since 2004. The indicators are aligned to the commitments outlined in our sustainable development policy and to the UN Sustainable Development goals. Steel companies report voluntarily on up to 8 sustainability indicators every year.

INDICATOR	UNIT	2016	2017	2018
<b>ENVIRONMENTAL PERFORMANCE</b>				
1. Greenhouse gas emissions	tonnes CO <sub>2</sub> / tonne crude steel cast	1.88	1.83	1.82(p)
2. Energy intensity	GJ / tonne crude steel cast	20.3	19.9	19.8(p)
3. Material efficiency	% of materials converted to products and by-products	97.5	96.3	96.3
4. Environmental management systems	% of employees and contractors working in registered production facilities	97.1	96.8	95.8
<b>SOCIAL PERFORMANCE</b>				
5. Lost-time injury frequency rate	injuries / million hours worked	1.01	0.97	0.84
6. Employee training	training days / employee	7.0	6.1	6.4

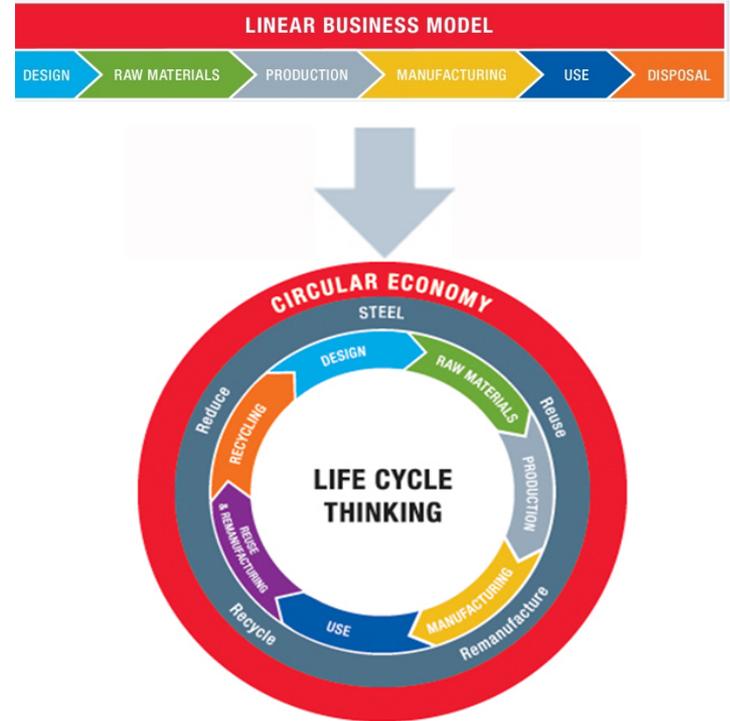
(p) = preliminary; data collection in progress

Source: worldsteel

# Steel in the circular economy

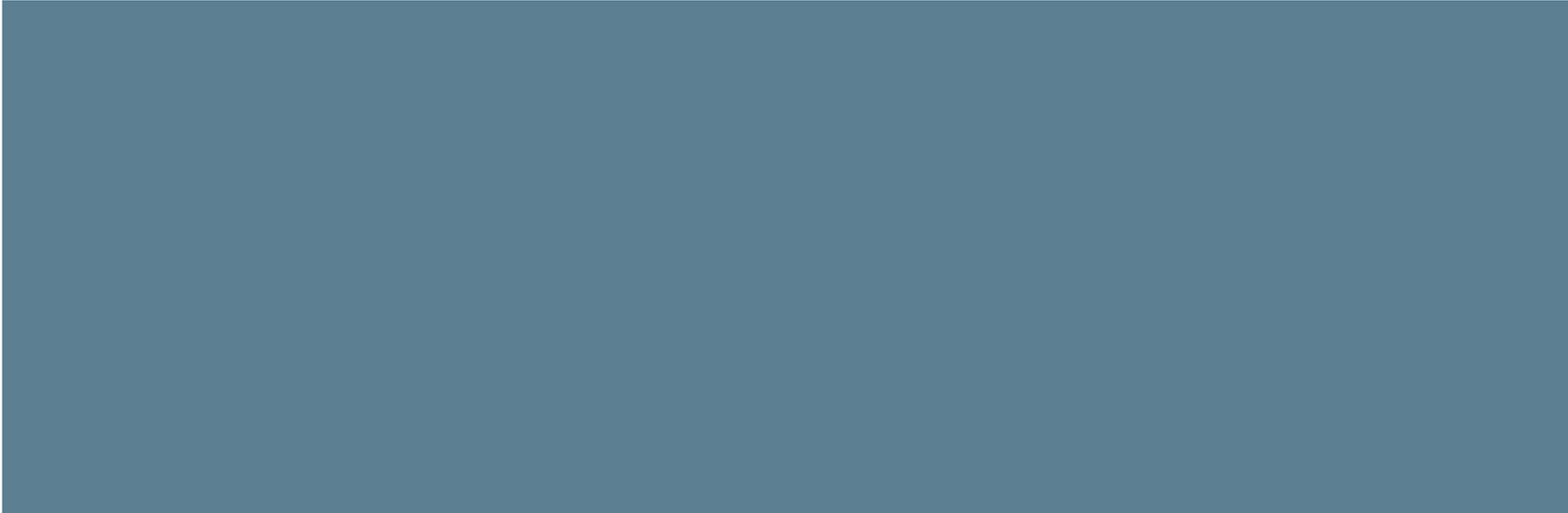
The steel industry is an integral part of the global circular economy due to its ability to:

- **Reduce:** for example weight of products
- **Reuse:** to extend its life cycle
- **Remanufacture:** to restore used products to like-new conditions
- **Recycle:** to conserve valuable resources



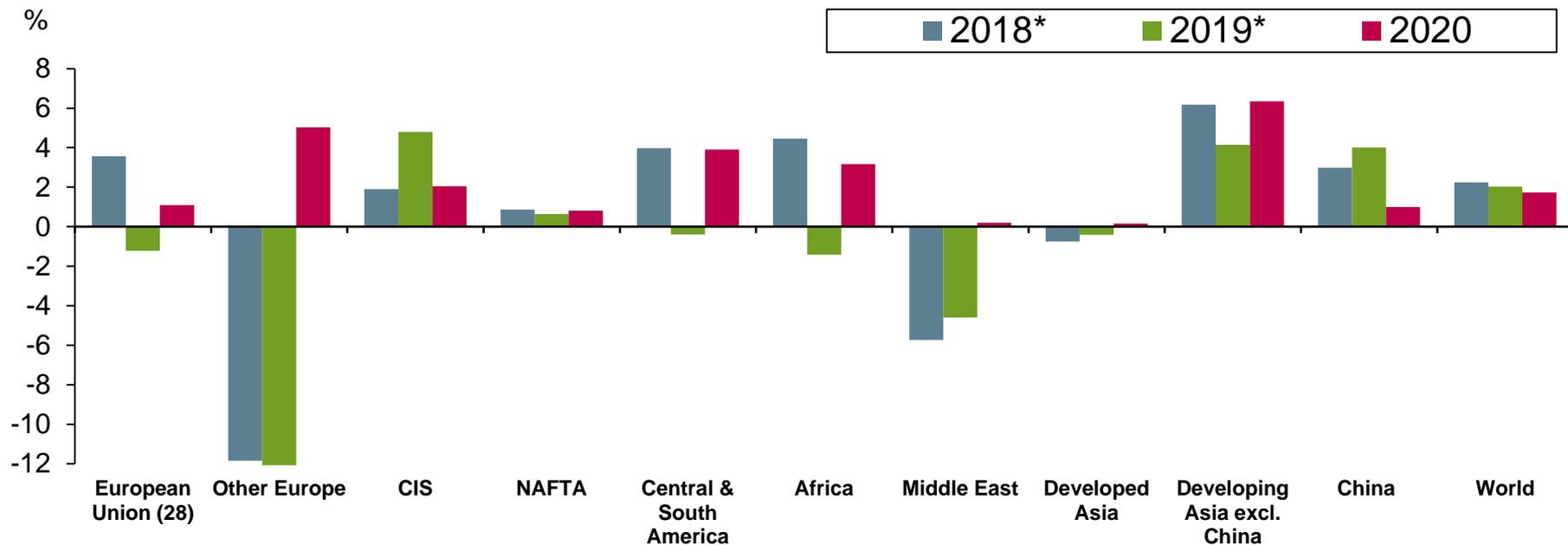
Source: worldsteel

## **Steel demand outlook**



# Regional overview

Steel demand, finished steel (SRO October 2019)

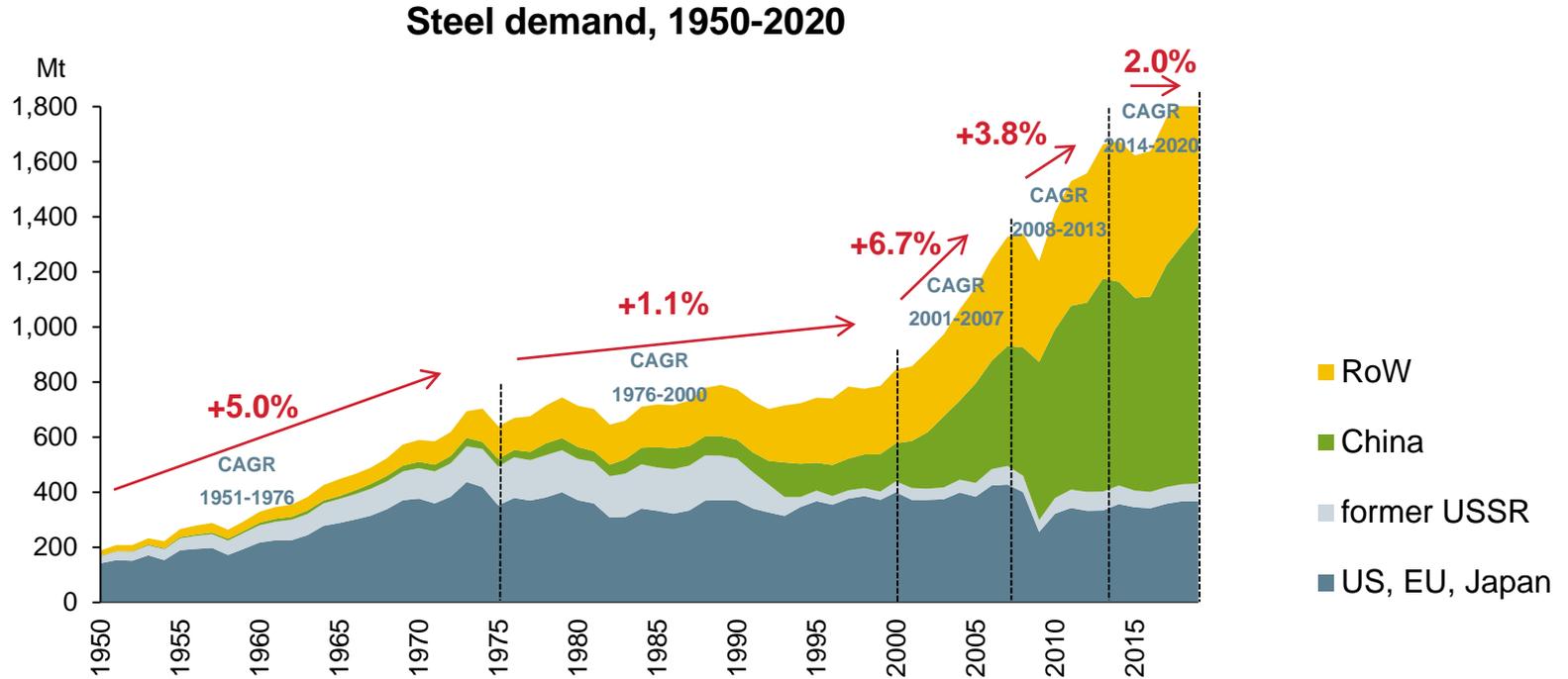


2020 (Mt):	168.6	34.5	59.2	142.6	45.5	37.2	48.0	141.8	212.6	909.1	1 805.7
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\*- growth rates based on adjusted Chinese growth rates

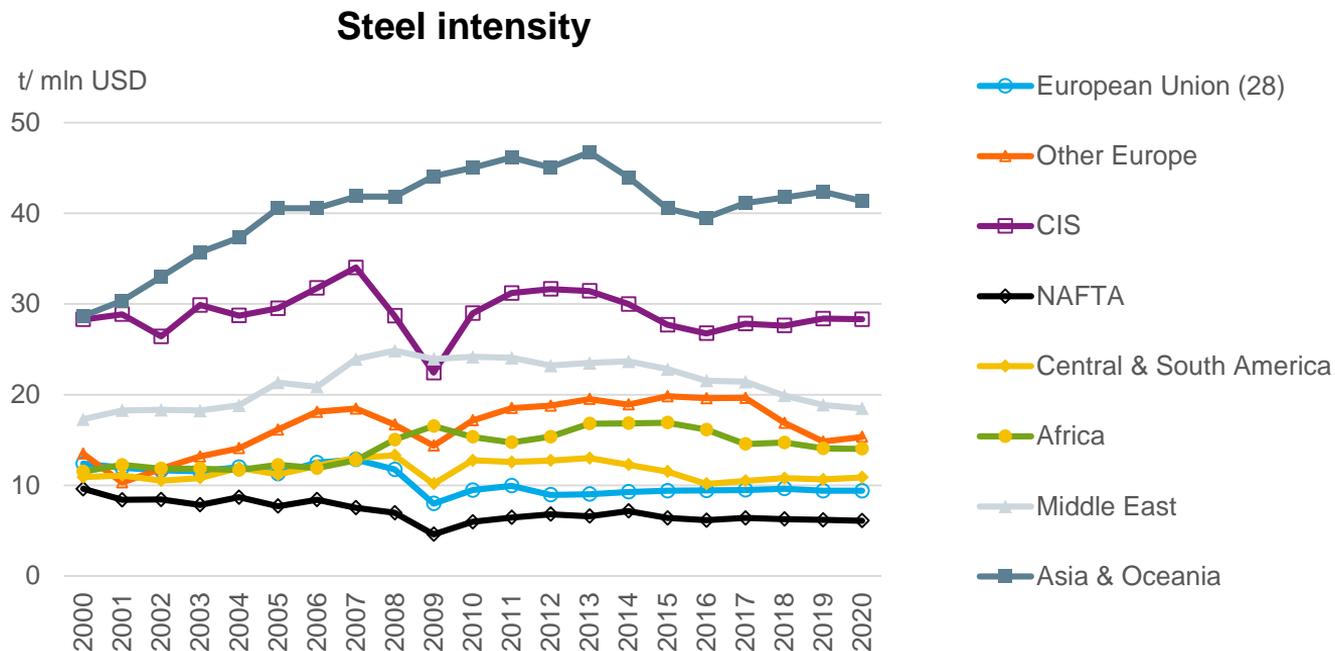
Source: worldsteel, steel demand finished steel

# Trend in steel demand



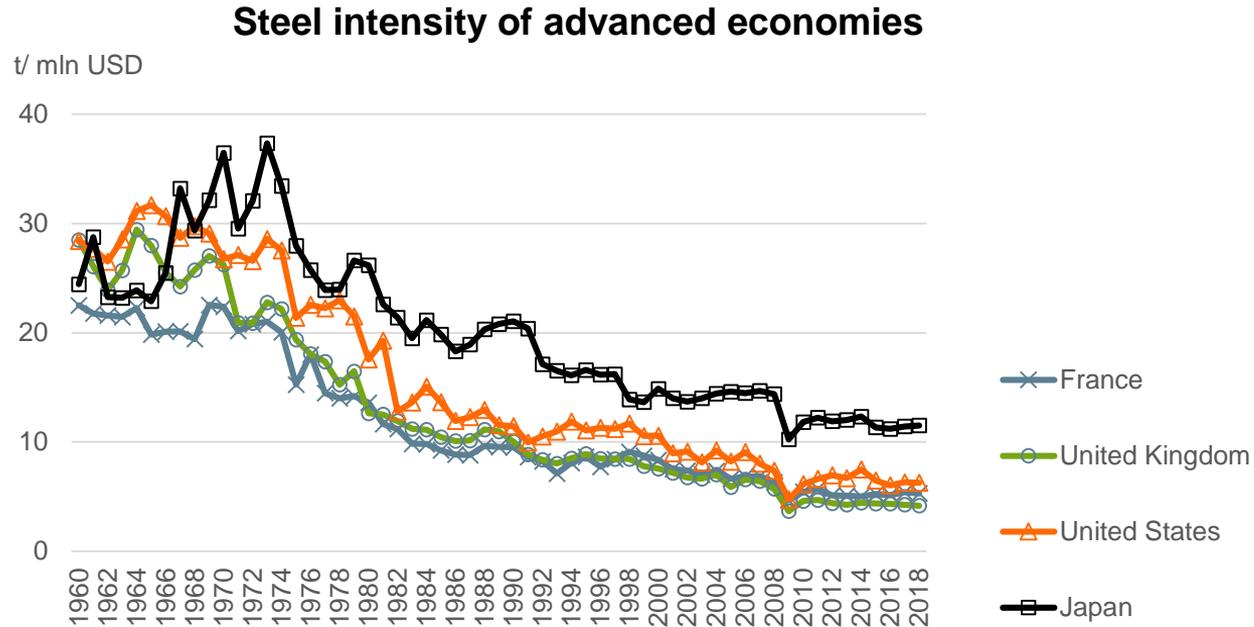
Source: worldsteel, steel demand crude steel equivalent

# Significant differences in steel intensity among regions



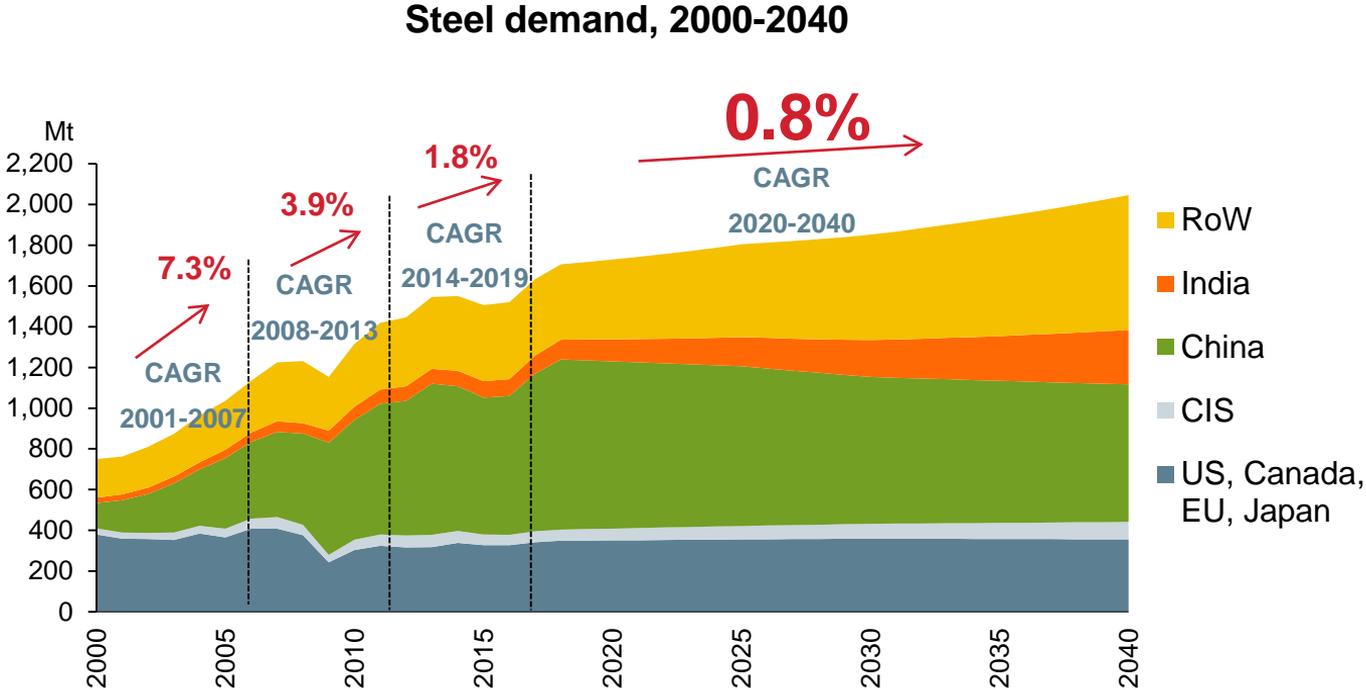
Source: worldsteel, steel demand finished steel

# Steel intensity in advanced economies is declining



Source: worldsteel, steel demand crude steel equivalent

# Expectations about long term steel demand



Source: worldsteel, steel demand finished steel

## **Progress in GFSEC**

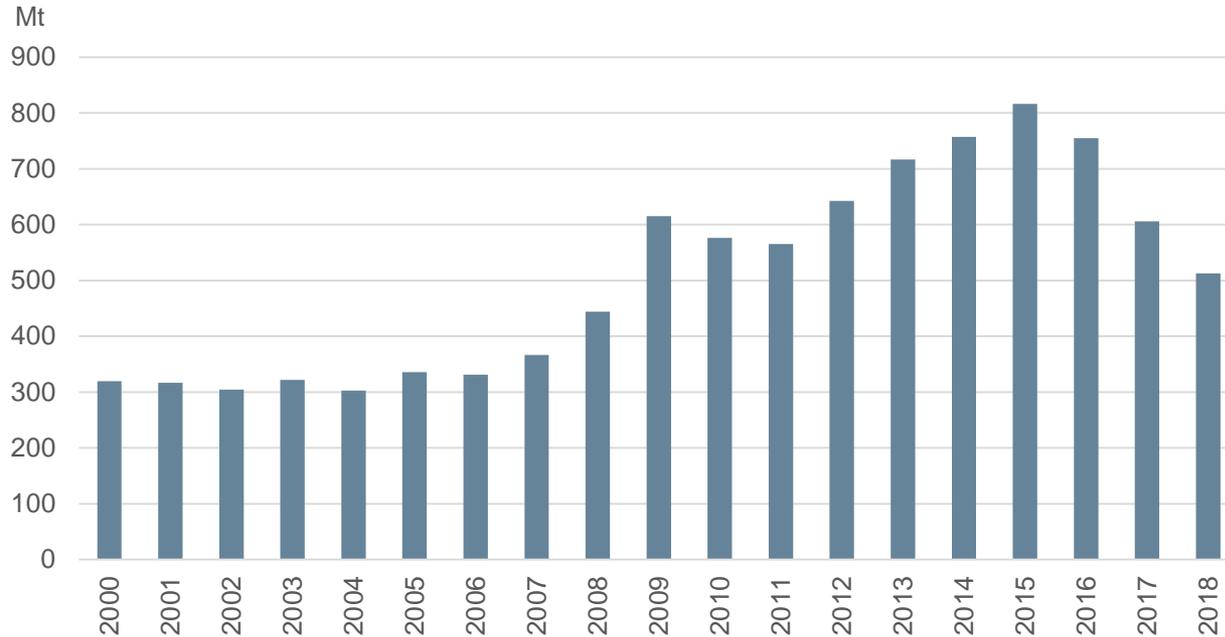


# Proposed policy solutions agreed during November 2017 ministerial

- I. Global challenge, collective response
- II. Enhance market function (1) Refraining from market distorting subsidies and government distorting support measures
- III. Enhance market function (2) Fostering a level playing field in the steel industry
- IV. Enhance market function (3) Ensuring market based outcomes in the steel industry
- V. Encouraging adjustment and thereby reducing excess capacity
- VI. Ensure greater transparency as well as review and assessment of the implementation of GFSEC policy solutions

# Excess capacity above demand

## Capacity - steel demand (fs)



Source: OECD, worldsteel, steel demand finished steel

# Net exports by region

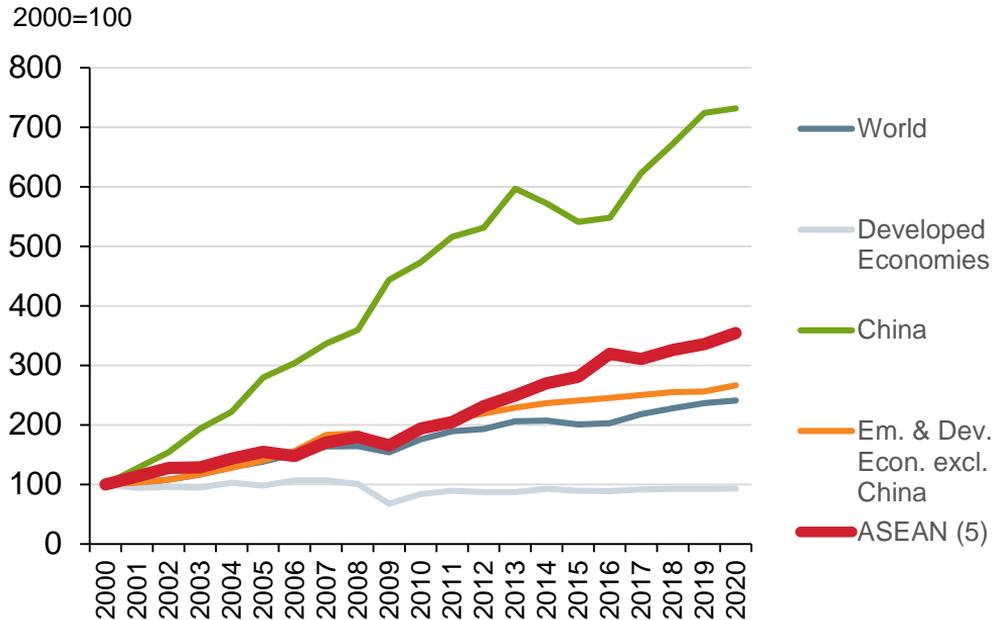
## Net exports (+)/ imports (-) by region

Mt	2015	2016	2017	2018	Jan-Jun 2019
Extra-European Union (28)	-4.3	-11.9	-11.1	-17.7	-7.4
Other Europe	-5.4	-4.0	-1.6	3.8	3.3
C.I.S.	40.4	43.1	36.9	38.0	17.8
Extra-NAFTA	-34.8	-29.1	-34.1	-31.2	-12.1
Central America/Caribbean	-4.2	-4.4	-4.5	-4.5	-2.0
South America	0.4	2.6	4.0	2.2	1.5
Africa	-28.3	-26.5	-19.1	-13.4	-8.7
Middle East	-22.3	-21.2	-12.6	-7.7	-2.2
China	98.4	94.5	60.9	54.4	27.7
Other Asia	-27.9	-31.5	-8.9	-11.3	-5.5
Oceania	-2.3	-1.6	-1.7	-1.6	-0.4

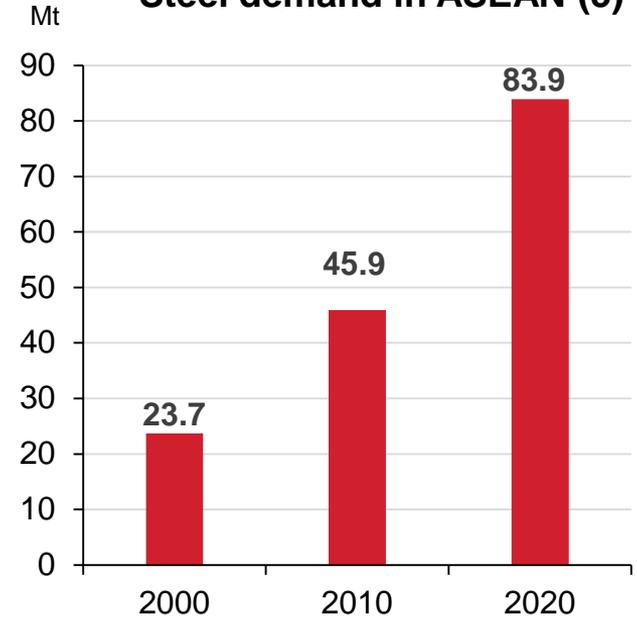
Source: worldsteel

# Regional demand trends: ASEAN focus

## Global steel demand index



## Steel demand in ASEAN (5)



Source: worldsteel SRO October 2019, steel demand finished steel

## **The way forward**



# The way forward

- **After two decades of strong growth, demand for steel appears to be at the beginning of a period of slower growth**
- **Some progress has been made on reducing excess capacity, largely owing to efforts by China, but the excess capacity problem still persists and demand growth alone will not solve the problem:**
  - where large excess productive capacity exist, the need for further efforts to reduce capacity must be evaluated
  - where large demand growth is expected in the future, care should be taken not to work with over-optimistic assumptions
  - where increase of capacities is expected, careful monitoring should be in place
- **Progress on the policy recommendations still need to be cemented**
  - Continued information sharing on capacity developments and support measures, as well as best practices, will provide a better basis for discussion among members and assist effective steps to tackle the problem
- **Steel industry supports a continuation of the forum, and request for an extension of the mandate beyond 2019**

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