ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Trends in the global steel market

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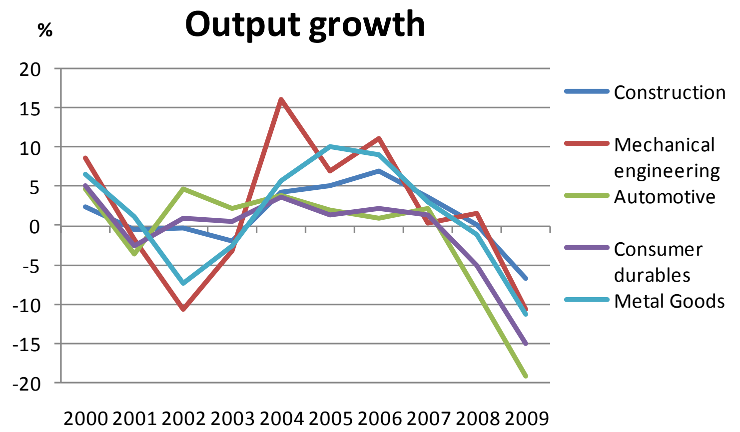
8-9 June 2009

The crisis & steel market

- The global economic crisis has pushed the world steel industry into recession
  - Demand for steel has contracted sharply
  - Steelmakers have introduced major production cuts
  - Trade in steel has declined sharply
  - Steel prices and employment are also down substantially
- Steelmaking capacity continues to increase despite the market downturn

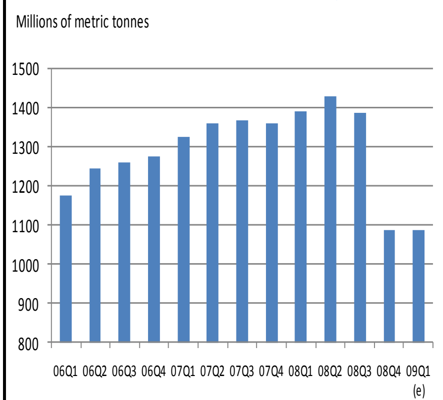
Steel-using sectors plunge

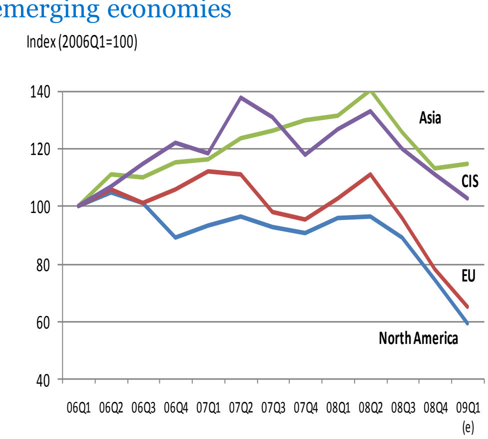
- Slowdown was occurring already before the financial shock
- The financial shock reduced capital availability
- Causing a contraction in fixed asset investment



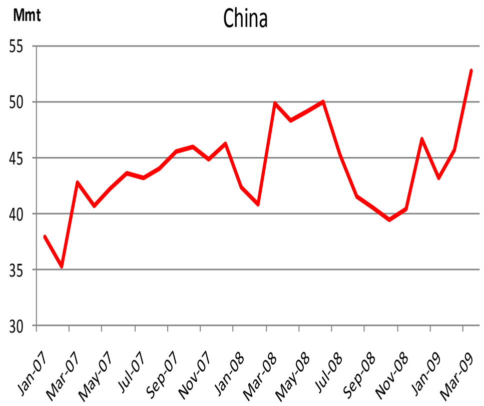
Global and regional apparent steel demand

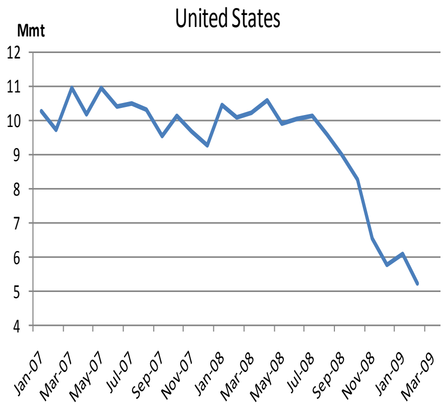
- Global steel demand upturn ends in the first half of 2008
- Demand particularly weak in North America, Europe and Japan
- More stability in some emerging economies





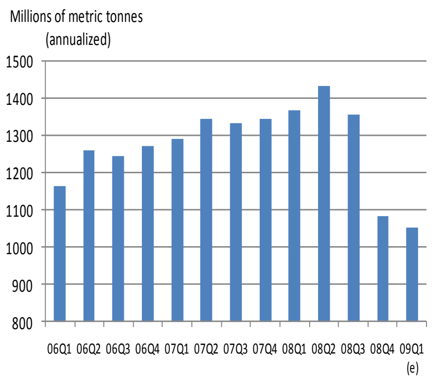
Apparent steel consumption in China and the United States

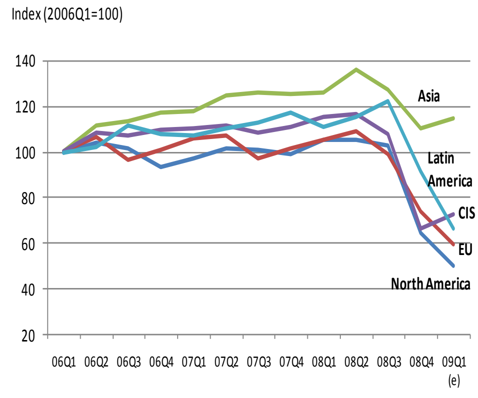




Global and regional crude steel production

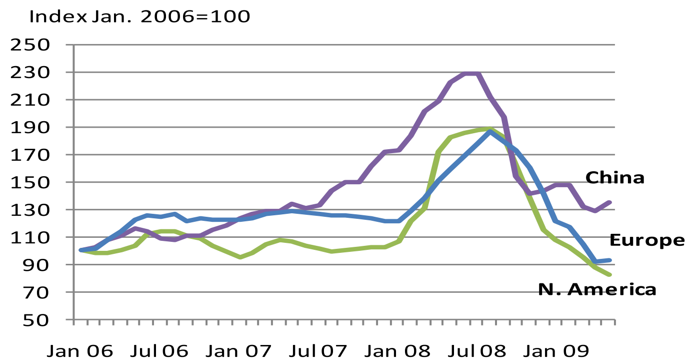
- Steel mills have reduced output strongly
- Capacity utilization (1Q 2009): 43% (US), 49% (EU), 55% (Japan)
- Output rises again in some emerging countries





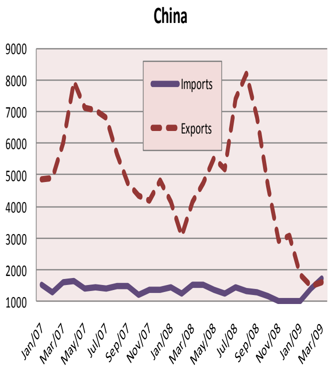
Domestic steel prices by selected regions

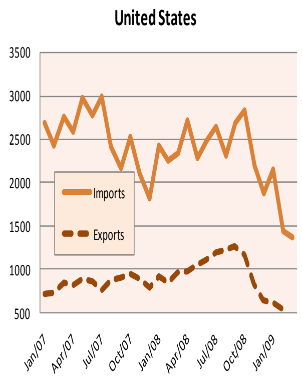
– After reaching a historical high in July 2008, the average global price of steel has declined each month since then, and in May 2009 reached a level that is 55% lower than last July's peak

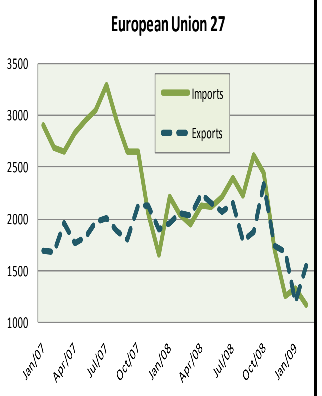


Steel trade in selected economies (thousand tons)

– Steel trade has plummeted since September 2008
– In 4Q 2008, the volume of world trade in steel (average of exports and imports) declined by 30% (QoQ) / 20% (YoY)
– Trade imbalances have narrowed







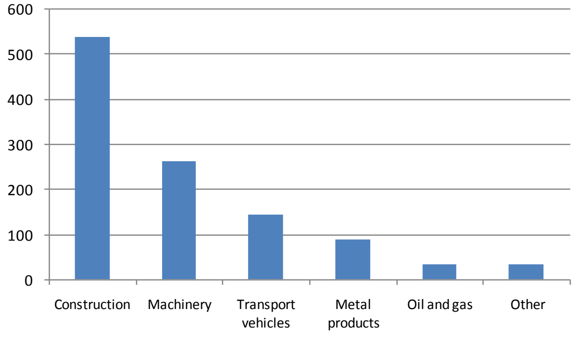
Recent policy developments

- Increase in trade measures to support the industry since last September
  - Tariff increases (mostly in emerging economies)
  - Non-tariff barriers (new licensing and technical requirements, mandatory and quality standards, etc.) in emerging Asia
  - Export-facilitating measures
  - Trade remedy measures

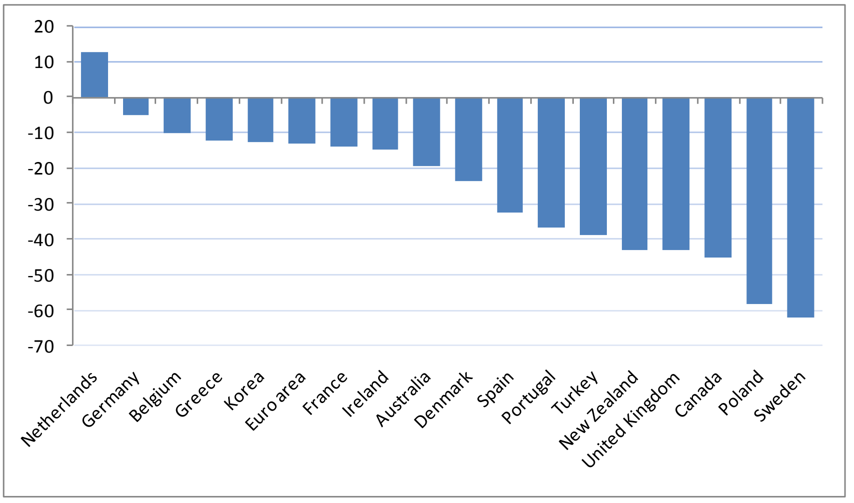
Outlook for steel

- Construction sector accounts for almost half of world steel demand
- Many uncertainties regarding public construction activity

Distribution of global steel use
by end-using industry (2008, million tons)



Residential permits, % change

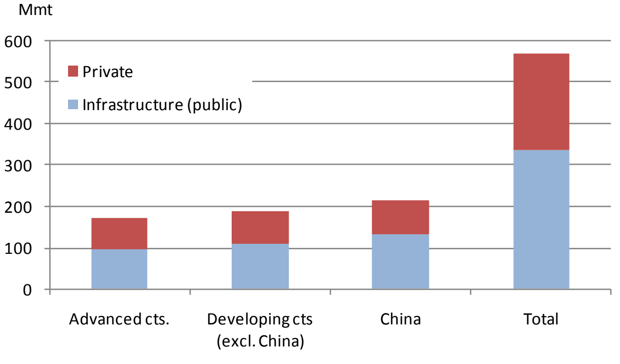


Monthly data mostly ending between December 2008 and April 2009; three-month average over the last year three-month average, seasonally adjusted.
Source: OECD, Main Economic Indicators database.

Government infrastructure spending

– The governments of most economies are spending on infrastructure as part of stimulus measures
– Emerging and developing economies spending USD 566 billion on infrastructure
– Advanced countries spending USD 378 billion

Steel use in the global construction sector (million tons)



Indirect impacts of government infrastructure spending on steel consumption

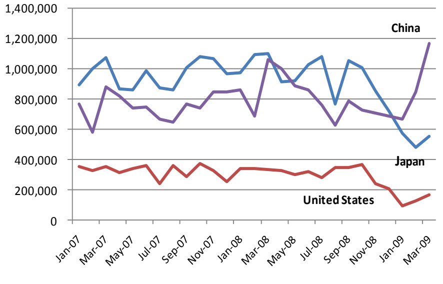
- Highly uncertain calculations
- The potential indirect impact of public infrastructure spending could be on the order of 130 million metric tons over the next two or more years, the lion's share of which would occur in China

	steel use linked to investment	Tons of steel used per USD 1 bn of investment (PPP)	Total spending on infrastructure	Potential impact o steel consumptio
Advanced countries	348 mmt	44,251	USD 378.1 billion	16.7 mmt
Emerging and developing economies	691 mmt	80,557	USD 565.8 billion	112.8 mmt
- of which China	326 mmt	123,186	USD 464.5 billion	100.9 mmt
- other developing and emerging	365 mmt	58,061	USD 101.3 billion	11.9 mmt
World	1039 mmt	66,867	USD 943.9 billion	129.5 mmt

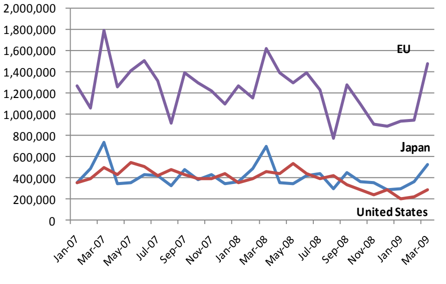
Production and demand for passenger cars

- The current global recession has had an unexpectedly large impact on the global car market, which consumes about 13% of the world's finished steel
- New registrations and sales showing some signs of recovery

Production



New registrations (sales in the U.S.)



Mechanical engineering industry

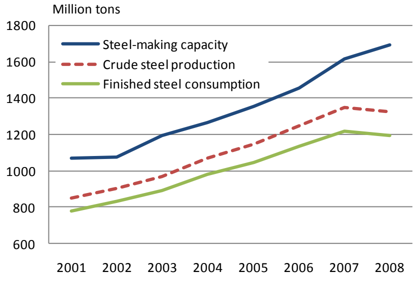
- In OECD countries in first few months of 2009, output fell by:
  - 20-25% in Germany and other European countries
  - 30-40% in Japan
  - 13-20% in the United States
- In emerging economies, the growth rate slowed sharply in the beginning of 2009 in some countries
- As a whole, the mechanical engineering sector output to fall in 2009, followed by slow recovery in 2010, as a result of weak business investment in capital equipment

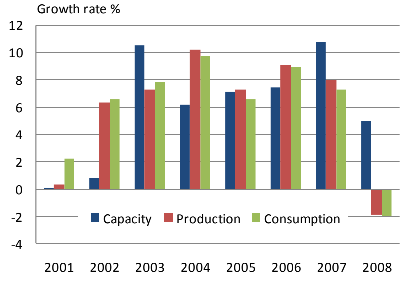
Overall steel demand outlook

- Demand decline of 6-11% in 2009 based on developments in the main steel-using sectors, with gradual recovery in 2010
- A moderate recovery might occur in the second half of 2009, though this would depend on the success of infrastructure programmes especially in emerging economies
- Uncertainties: will demand continue when the stimulus ends?

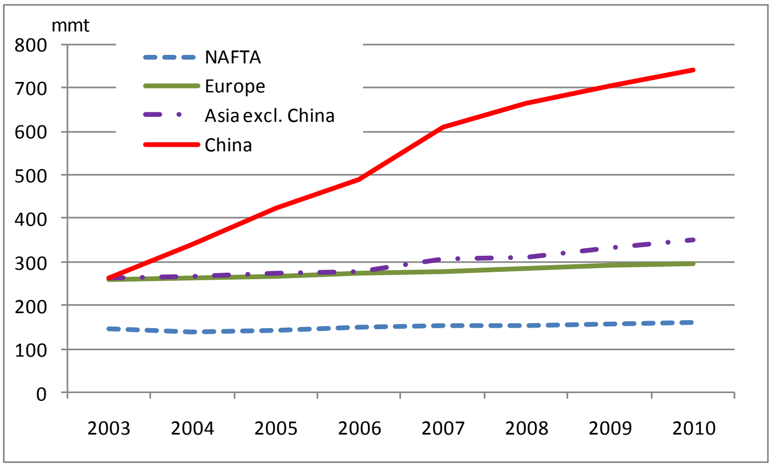
World steelmaking capacity, crude steel production and finished steel consumption

– With steelmaking capacity having outstripped the growth of steel consumption in recent years, and as steel demand is now contracting due to the global economic downturn, it appears that the global steel industry is facing a situation of overcapacity





World steelmaking capacity developments



Tariff increases

– Mainly developing economies

Egypt	Feb. 2009	Import tax of 10% with a minimum value, on top of already applicable 5% import duty. (CR sheets, galvanized sheets and organic coated sheets)
India	Nov. 2008	Increase in import duties on a range of iron and steel products from 0 percent to 5%.
Indonesia	Feb. 2009	Increase of import tariffs on some steel products.
Russia	Feb. 2009	Increase of import tariffs on certain steel and steel products (effective from 14 January 2009, for next nine months).
Turkey	Jan. 2009	Import tariff increase on a number of products such as: hot rolled flat products; cold rolled flat products; coated flat products.
UAE	Feb. 2009	The government has reinstated a 5% customs duty on rebar effective from 15 February 2009.
Vietnam	Dec. 2008	Increase import tariffs on semi-finished products, bars and rods.

Non-tariff barriers

– Mainly developing Asian economies

Argentina	Nov. 2008	Introduction of non-automatic import licensing requirements (affecting only a very narrow product group of steel)
India	Nov. 2008	Introduction of licensing requirements for imports of certain steel products.
India	Feb. 2009	New mandatory product quality certification from the Bureau of Indian Standards for 17 steel imported products. The Government deferred implementation of this regulation by one year on 10 February 2009
Indonesia	Jan. 2009	Introduction of mandatory standards for steel products (hot-rolled steel sheets and coils and zinc-alminium alloy coated steel sheets and coils)
Malaysia	Nov. 2008	New technical regulations for 57 steel products, requiring certificates of approval for conformity with Malaysian Standards.
Thailand	Mar. 2009	Introduction of new requirements for Approval under domestic Product Quality Standards

Export-facilitating measures

- The Chinese government abolished/cut export tax rebate and imposed/increased export tax to help curb strong growth in exports in 2005-2008.
- After the global economic crisis, various export-facilitating measures were introduced.

China	Dec. 2008	Elimination of export duties on certain flat steel products (5%) combined with cancellation of steel export licensing requirements.
China	Apr. 2009	Imposition of VAT export rebate on certain flat and long steel products (13%)
China	Jun. 2009	Imposition of VAT export rebate on HR coil (9%)
India	Nov. 2008	Elimination of export duties on steel products (which were imposed in May 2008)

Trade remedy measures

Australia	Dec. 2008	Initiation of AD and CVD duties investigations on imports of hollow sections from China and Malaysia
China	Jun. 2009	Initiation of AD duties investigations on imports of plates from GO silicon steel from Russia and US. (and CVD investigations against US)
EU	Nov. 2008	Initiation of AD duties investigations on imports of hollow sections from Turkey, Ukraine, Belarus
India	Apr. 2009	Provisional AD duties on imports of stainless CR flat products from 8 economies
India	Nov. 2008	Initiation of AD duties investigations on imports of HR flat products from 15 economies
India	Apr. 2009	Initiation of safeguard investigation on HR flat products.
Indonesia	Nov. 2008	Initiation of AD duties investigations on imports of plates from China, Chinese Taipei and Malaysia
Russia	Mar. 2009	Initiation of AD duties investigations on imports of stainless flat products from 5 economies
US	Apr. 2009	Initiation of AD and CVD duties investigations on Chinese OCTG.