

Global Steel Scenario with Indian Perspective

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The interpretation and views are solely of the Presenter

Past

- Post world war II, global steel production grew by ~5%
- After the completion of this redevelopment steel industry was almost stagnant during 1980-2000
- Since 2000s, strong growth has been witnessed driven by China
- Post GFC, the industry witnessed demand volatility, overcapacity, protectionism

Present

In the first half of 2018, steel industry have witnessed:

- Revival in capacity utilization
- Healthy profits
- Fresh wave of protectionism driven by US's new approach towards trade relations

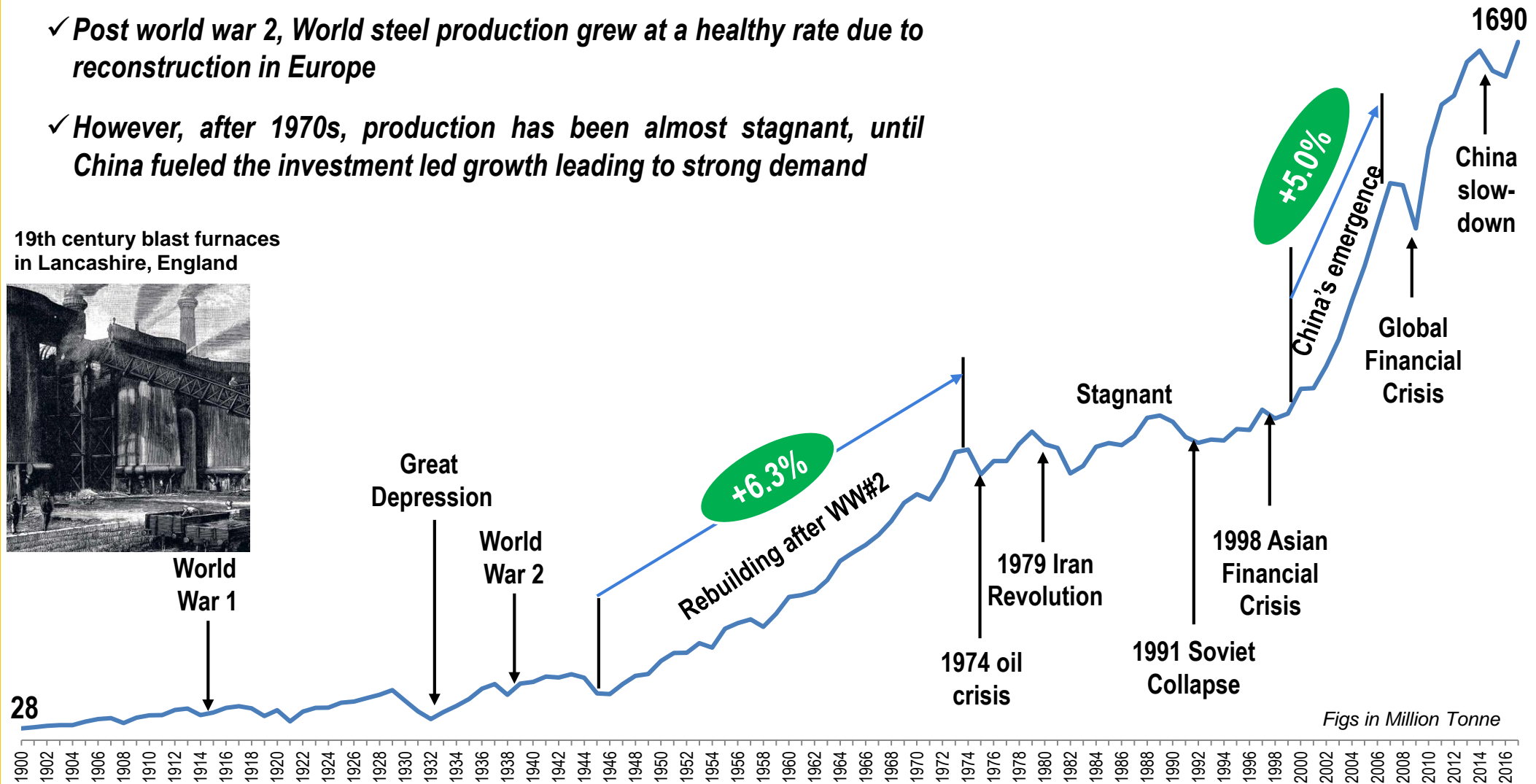
Future

- There are various thoughts about future of steel industry, ranging from another China wave to rise of Africa
- However, the most likely scenario is urbanization led growth in Asia, followed by Africa

World Crude Steel Production: Two strong growth cycles has been witnessed over the last century, driven by construction activity first in Europe and then in China

- ✓ Post world war 2, World steel production grew at a healthy rate due to reconstruction in Europe
- ✓ However, after 1970s, production has been almost stagnant, until China fueled the investment led growth leading to strong demand

19th century blast furnaces in Lancashire, England

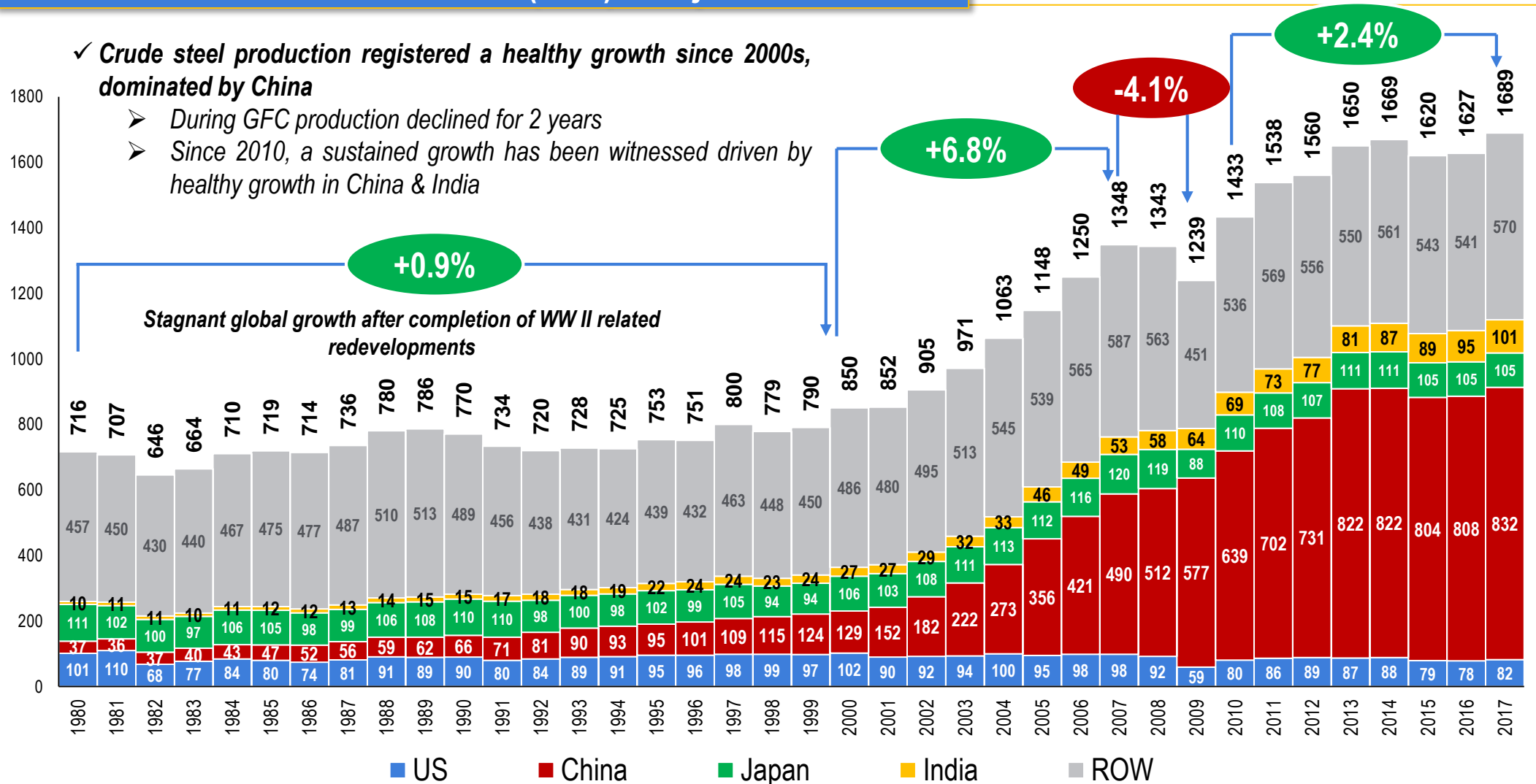


Major Countries : Global steel production remained stagnant for about 30 years, before China leading the global growth, India grew by ~6X since liberalization...

Global Crude Steel Production (MnT) – Major Countries

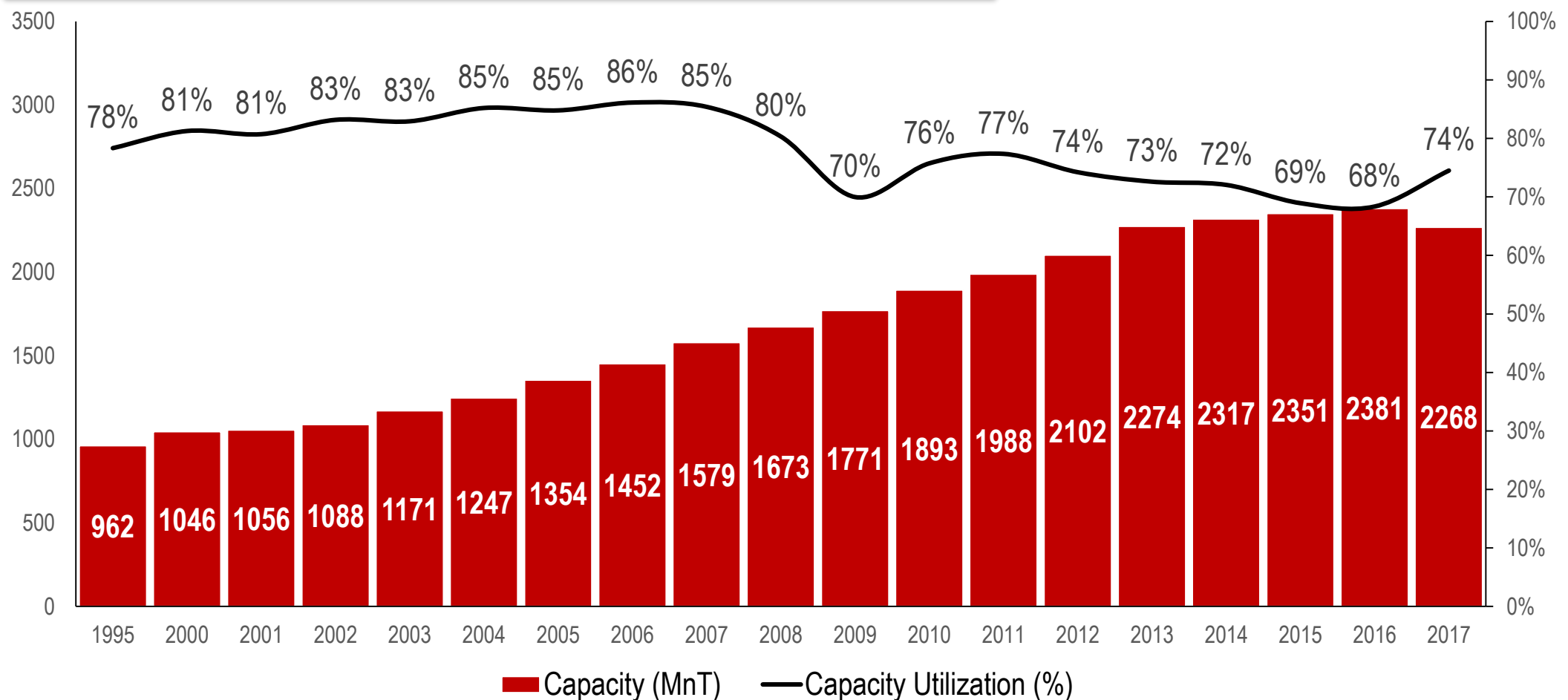
✓ Crude steel production registered a healthy growth since 2000s, dominated by China

- During GFC production declined for 2 years
- Since 2010, a sustained growth has been witnessed driven by healthy growth in China & India

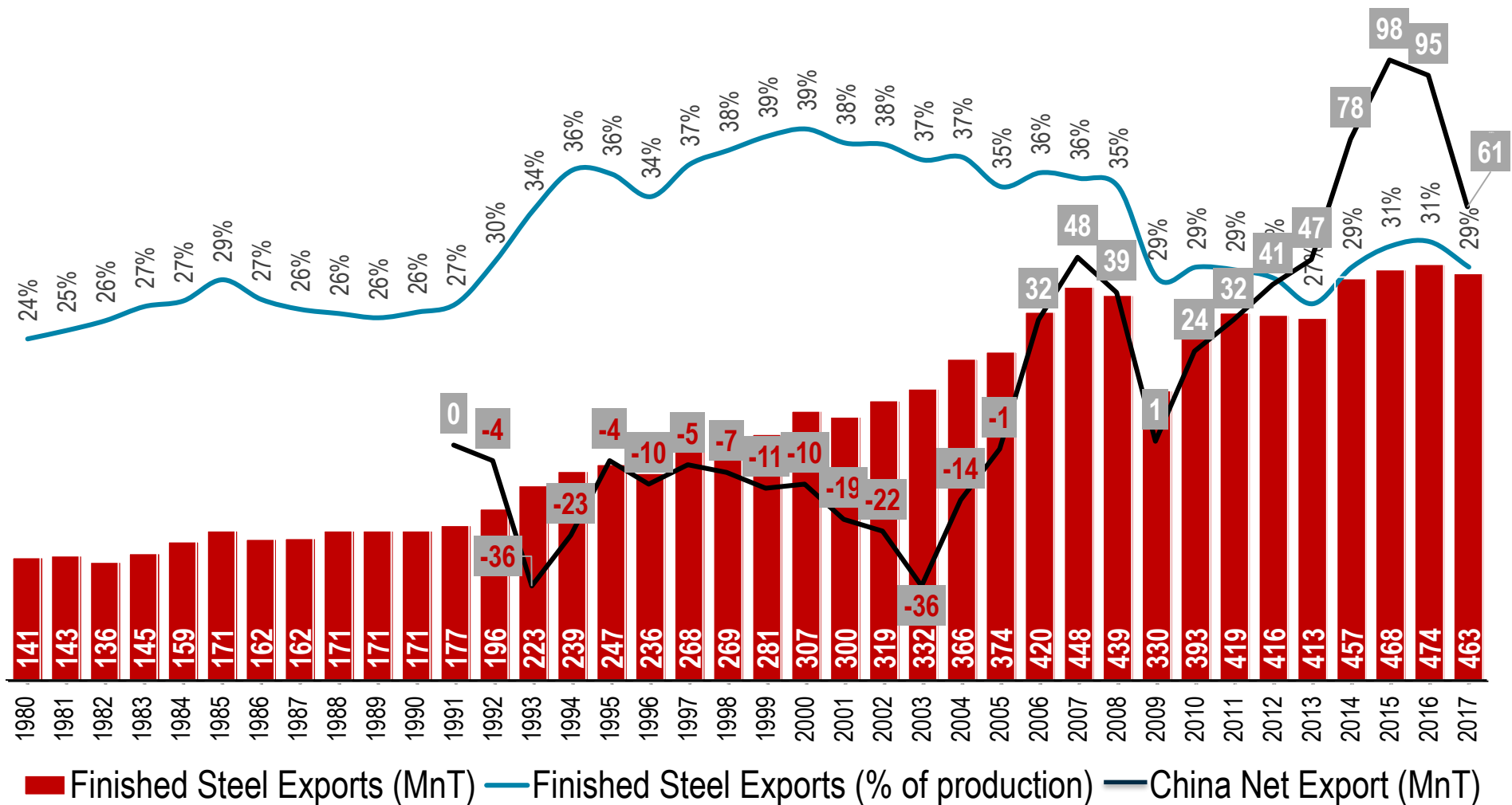


Despite healthy production growth, capacity utilization is still much lower than levels seen before global financial crisis... However, significant improvements are witnessed in last 1.5 year driven by capacity cuts in China...

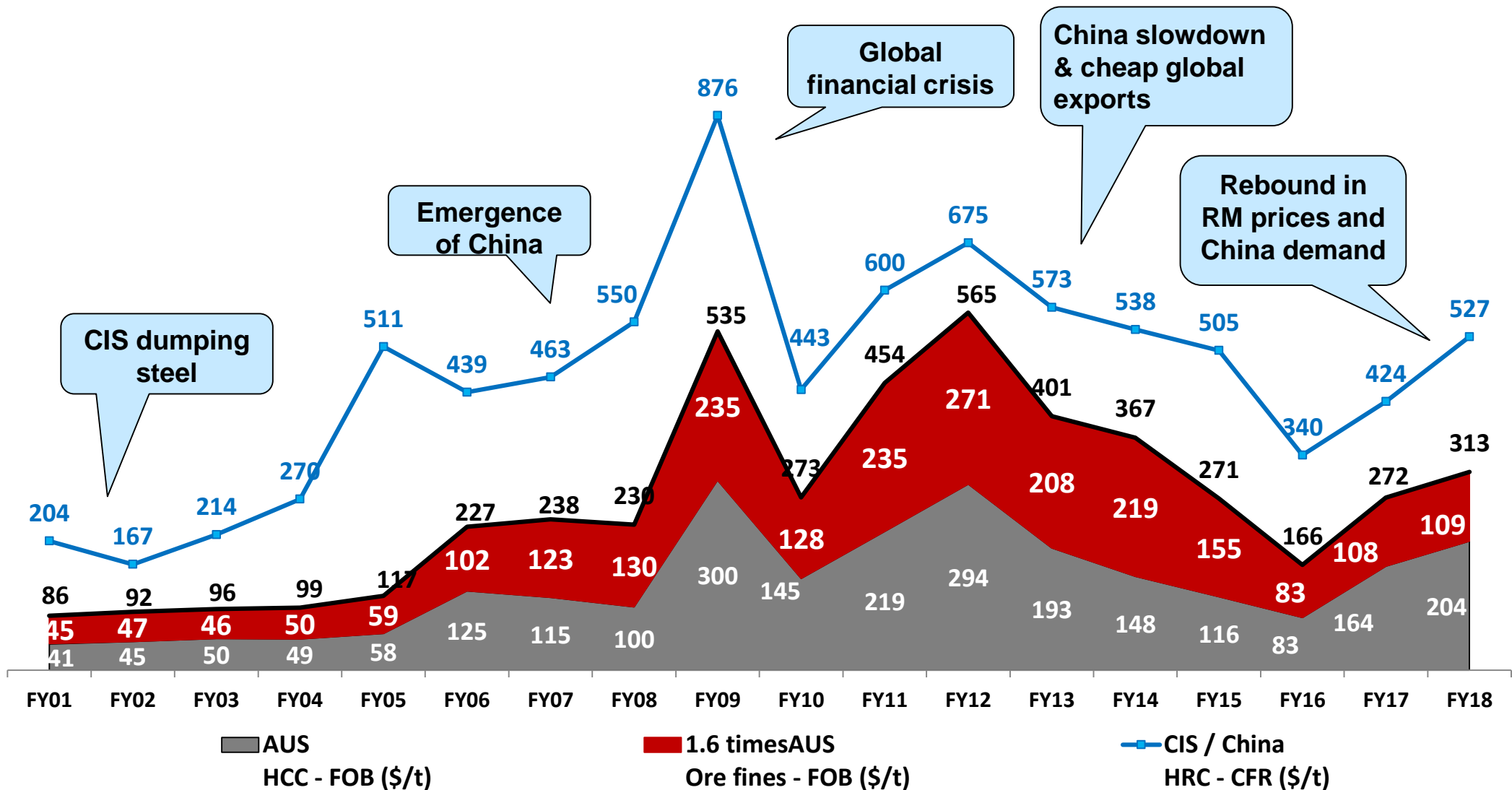
Global Crude Steel Capacity (MnT) & Utilisation (%)



Exports led production growth in China and fall in demand, especially after GFC led dumping of steel and adoption of protectionist policies globally...



Prices have been volatile post 2008 with shorter cycles and strongly dependent on China demand & international trade



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Key Recent Development in Steel Industry

Revival in Capacity Utilization

- During the first half of 2018, significant revival has been witnessed in capacity utilization, with world's average steel capacity crossing 75% levels (June: 78.5%)
- During Jan-July 2018, China has further reduced the steel capacity by 24.7 MnT as against the full year target of 30 MnT



Healthy Profits

- Average spreads between HR Commercial and Raw Material has been ~\$270/t in 2018
- For H1 2018, the profits of ~380 Chinese steel makers under CISA is reported at ~139 Bn yuan (~\$20.5 Bn), registering an increase of >150% y-o-y.



Fresh wave of protectionism

- However, fresh wave of protectionism in steel industry led by USA, is seen as threat to global demand-supply balance
- India has already witnessed a surge in imports in last 2 months as the steel supplies are being diverted from US & Europe to Asia & Middle East markets



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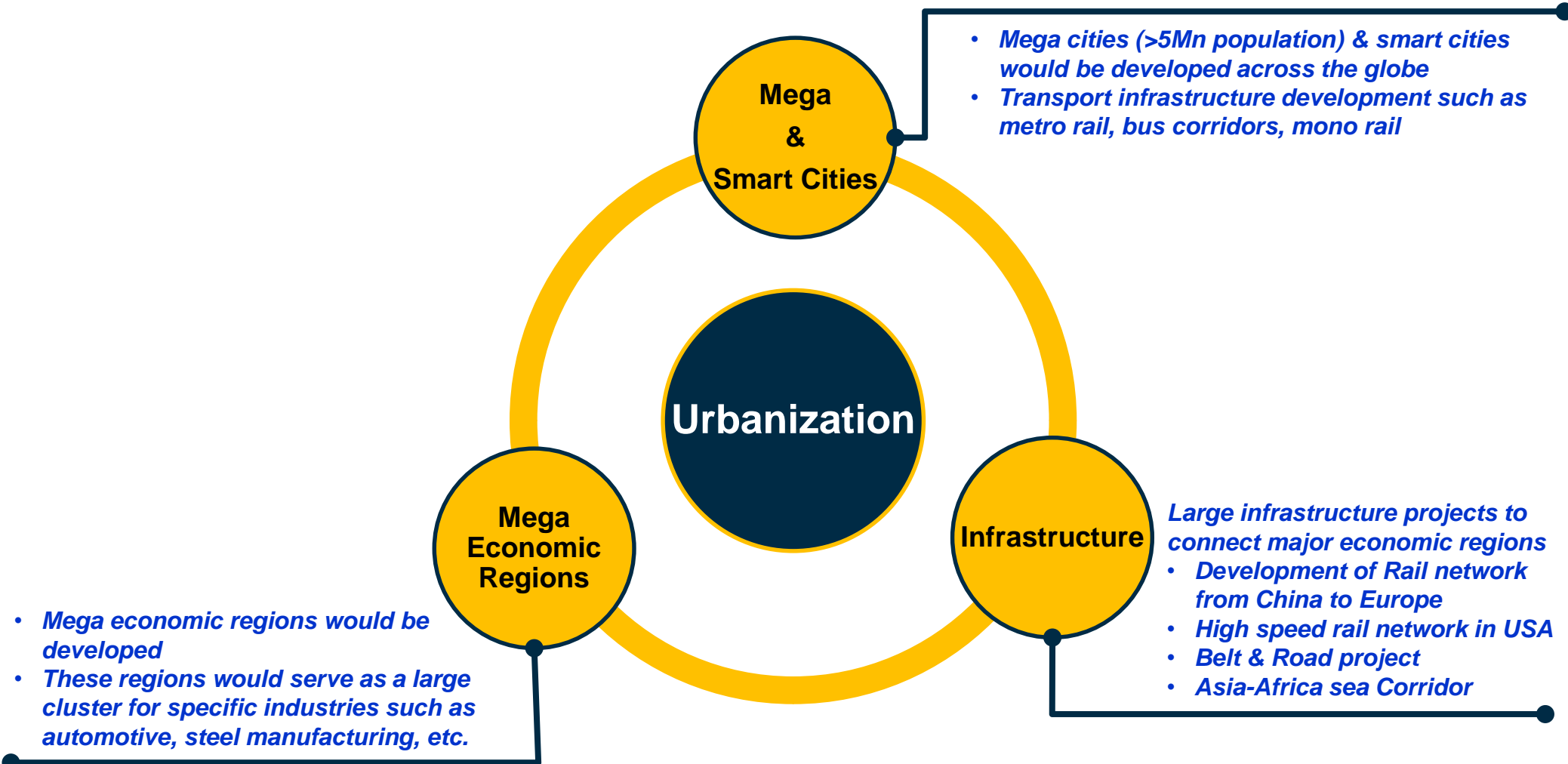
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The world is projected to become more urban and by 2050 about 70% of population is expected to live in urban centers... Asia and Africa are expected to witness ~90% of this upcoming urban expansion





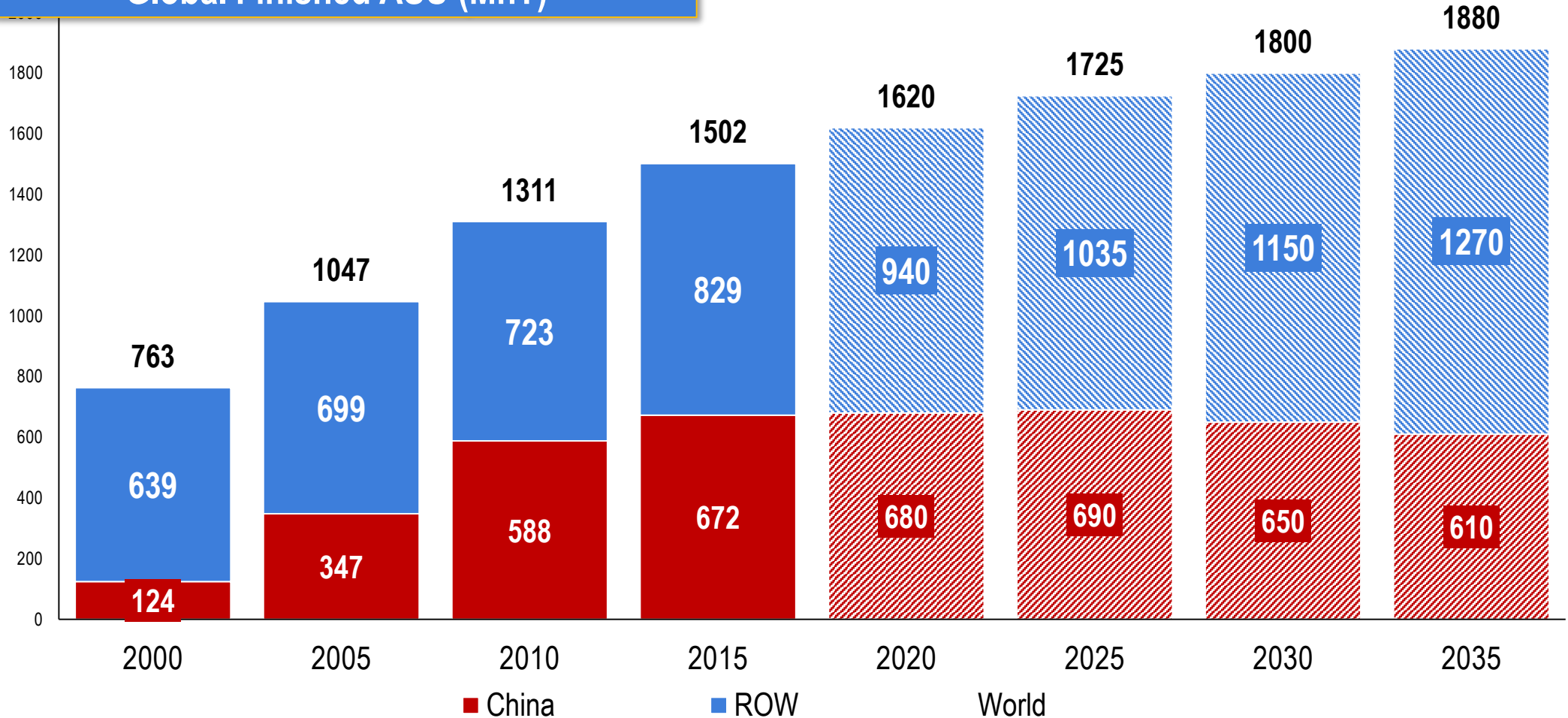
Global demography will also change significantly with population crossing 9 Bn by 2050 and increasing number dependents and declining working class...

Global population is expected to grow by ~0.8%			
Region	Population (millions)		
	2017	2030	2050
Africa	1256	1704	2528
Asia	4504	4947	5257
Europe	742	739	716
Latin America & Caribbean	646	718	780
North Amerca	361	395	435
Oceania	41	48	57
World	7550	8551	9773

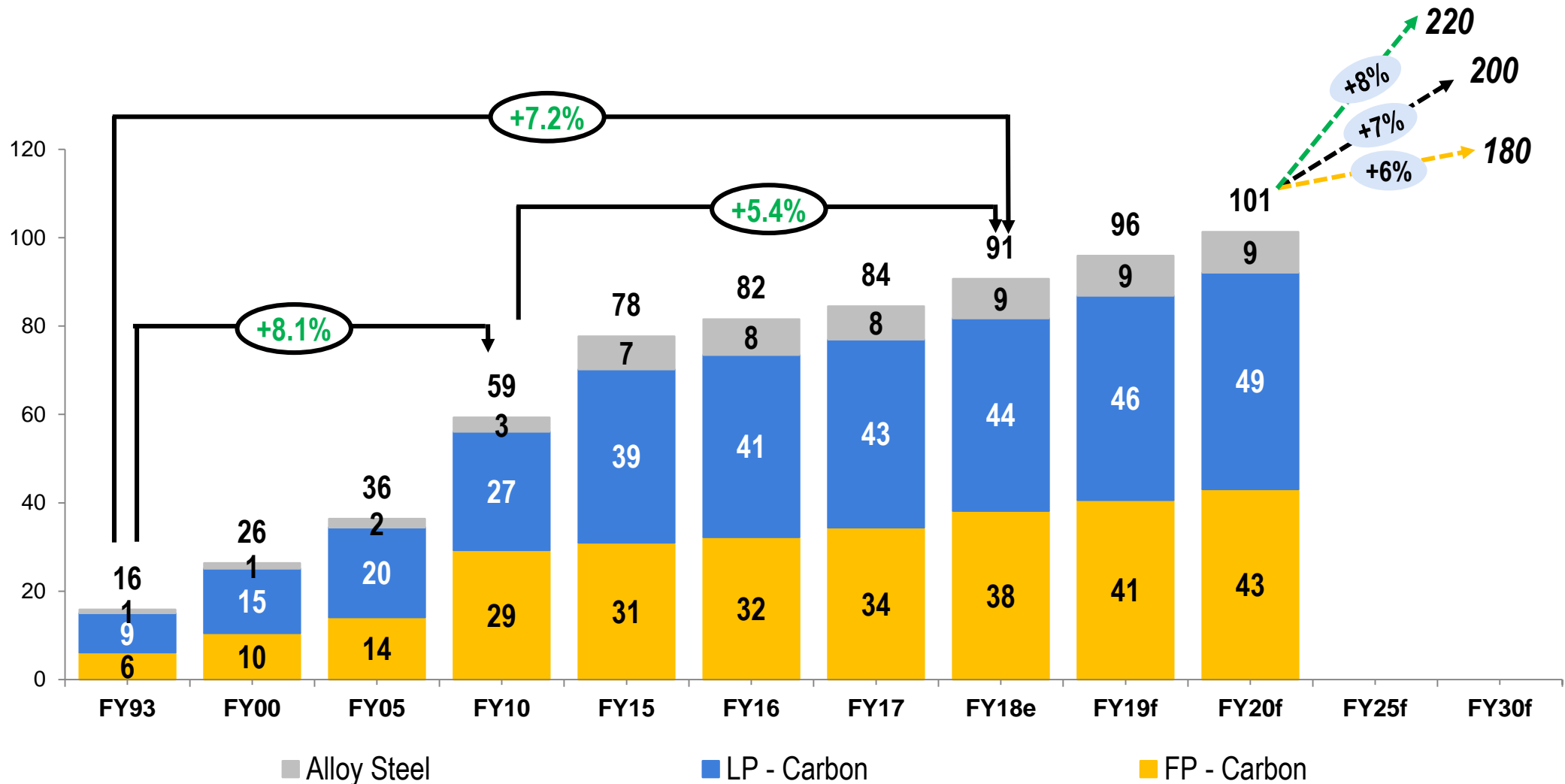
- *Much of the population growth is projected to occur in Arica & Asia*
- *India's population is expected to surpass China by 2025 and to reach ~1.7 billion in 2050.*
- *Rapid ageing is projected to occur with ~25% of population at >60 years levels across regions (except Africa).*
- *Aging societies would lead to shrinkage in work force and increased dependency*
- *With changes in mix of age as well as global warming there is a possibility of emerging and re-emerging diseases, accidents and new pandemics*
- *More than 80% of the population is expected to fall in middle class level, making it a very huge consumer base by 2050*

In the next decade, China's steel consumption is expected to decline as its economy shifts from investments to consumption driven, while most of the global growth is expected to be driven by India, ASEAN and MENA

Global Finished ASU (MnT)



India's Apparent Steel Use (ASU) is likely to grow by ~6-8%, and expected to reach at ~200 MnT by FY30 as a base case. Depending upon the infrastructure & industrial development, ASU may reach to ~220-240 MnT as envisaged in National Steel Policy.





An Electric Arc Furnace (EAF)

Thank You

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Global steel demand growth is dominated by China and India since 2000s...

Global Finished ASU (MnT)

