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CCNM/EMEF/SC(98)15



Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

OLIS : 22-May-1998
Dist. : 25-May-1998

Or. Eng.

**CENTRE FOR CO-OPERATION WITH NON-MEMBERS
STEEL COMMITTEE**

Emerging Market Economy Forum

WORKSHOP ON STEEL TRADE ISSUES

**OVERVIEW OF STEEL MARKET CONDITIONS
STATEMENT BY MR. FRANCO MANNATO**

The Workshop will be held in Paris on 27-28 May 1998.

Contact: Mr. Wolfgang Hübner, Head of DoT and the Steel Unit, STI; tel.: (33 1) 45 24 91 32;
fax: (33 1) 45 24 88 65; Internet: Wolfgang.Hubner@oecd.org

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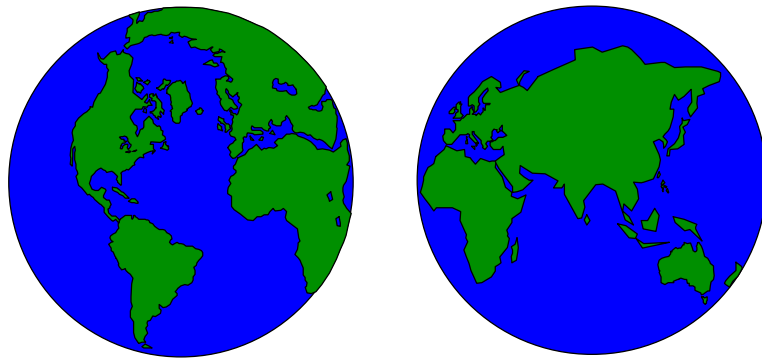
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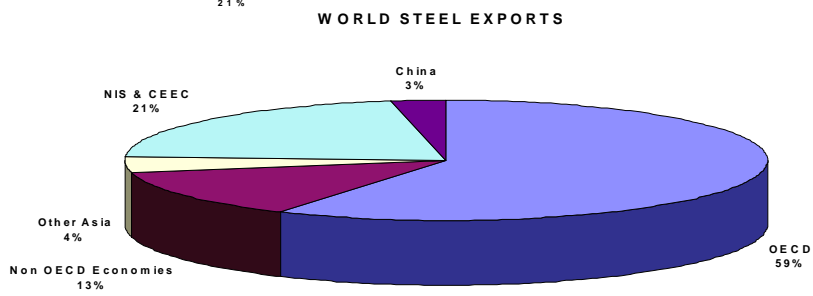
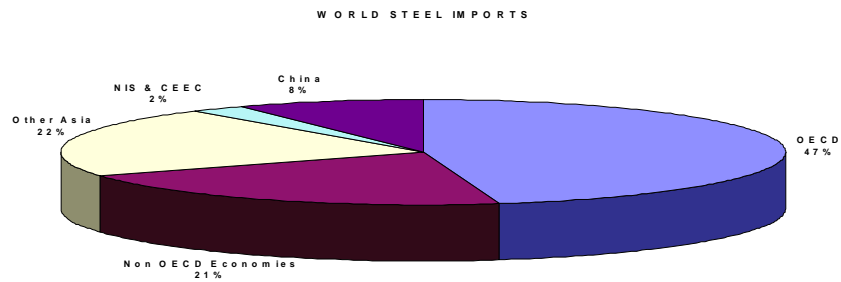
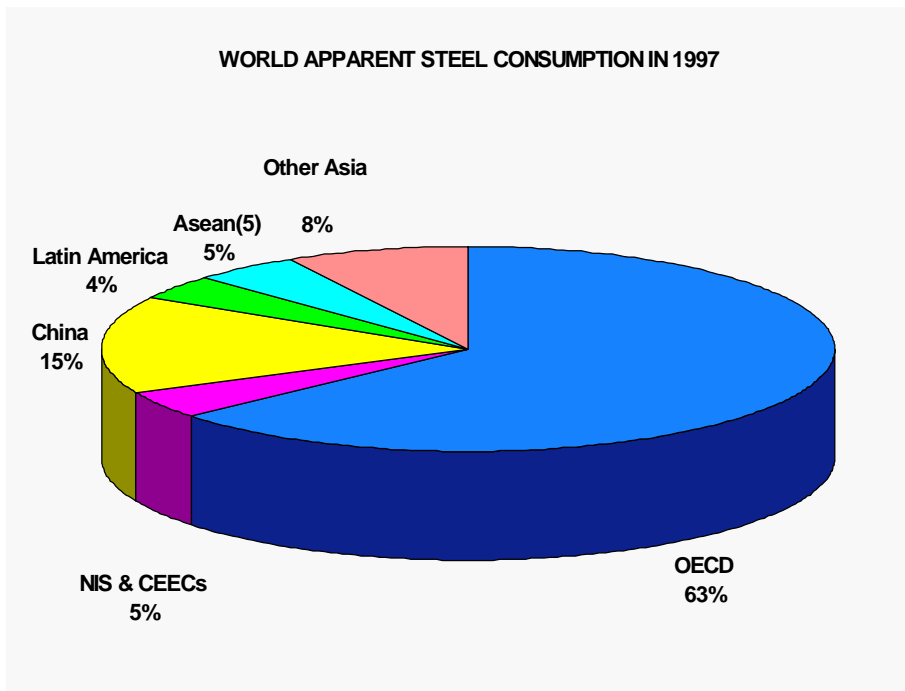
**WORKSHOP ON STEEL TRADE ISSUES
OVERVIEW OF STEEL MARKET CONDITIONS
GLOBAL STEEL MARKET DEVELOPMENTS
STATEMENT BY FRANCO MANNATO, DSTI, OECD
PARIS, 27-28 MAY 1998**

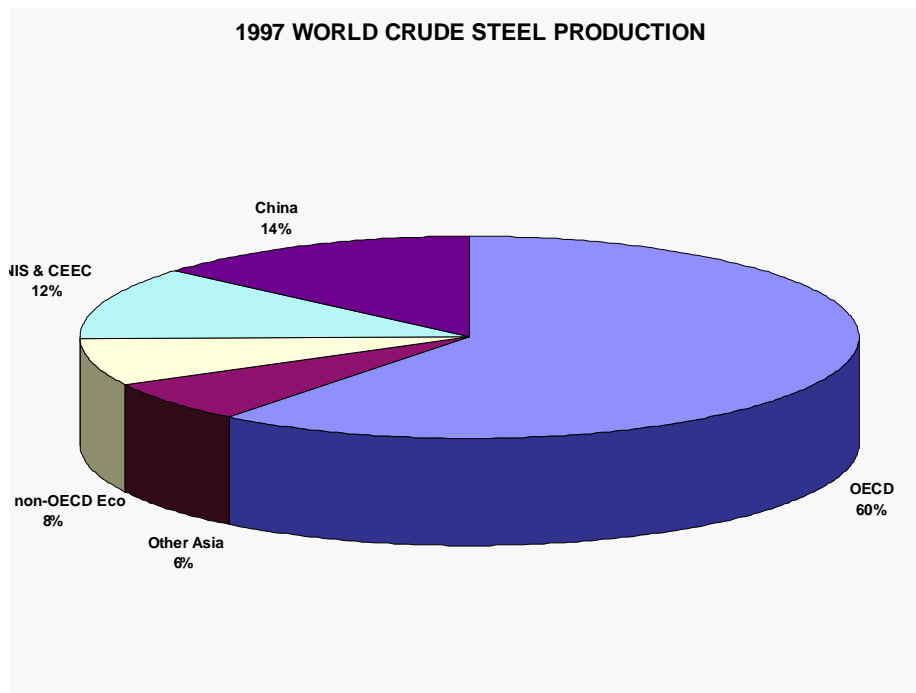
GLOBAL STEEL MARKET DEVELOPMENTS




1997

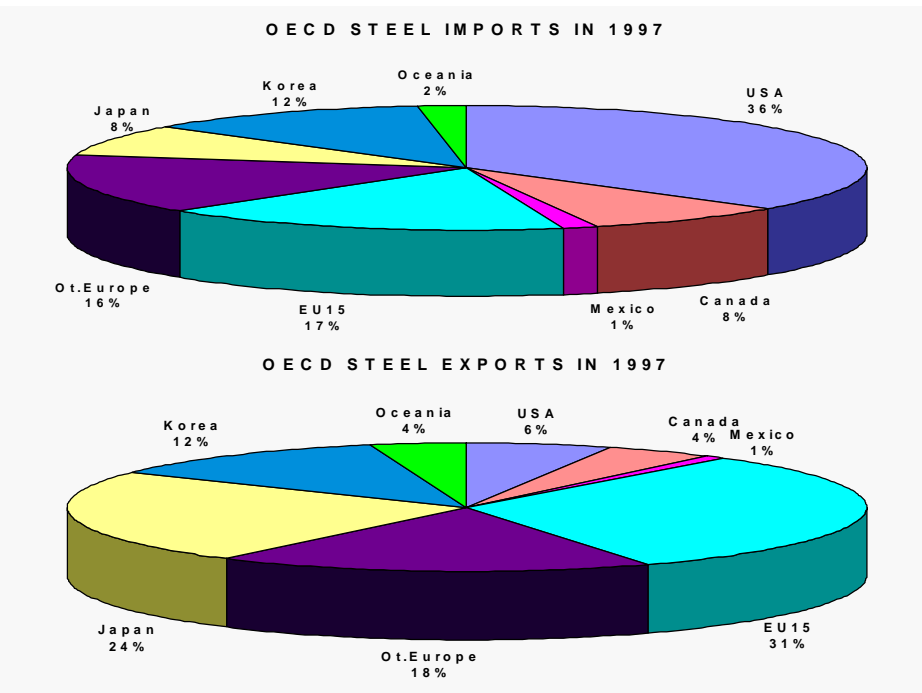
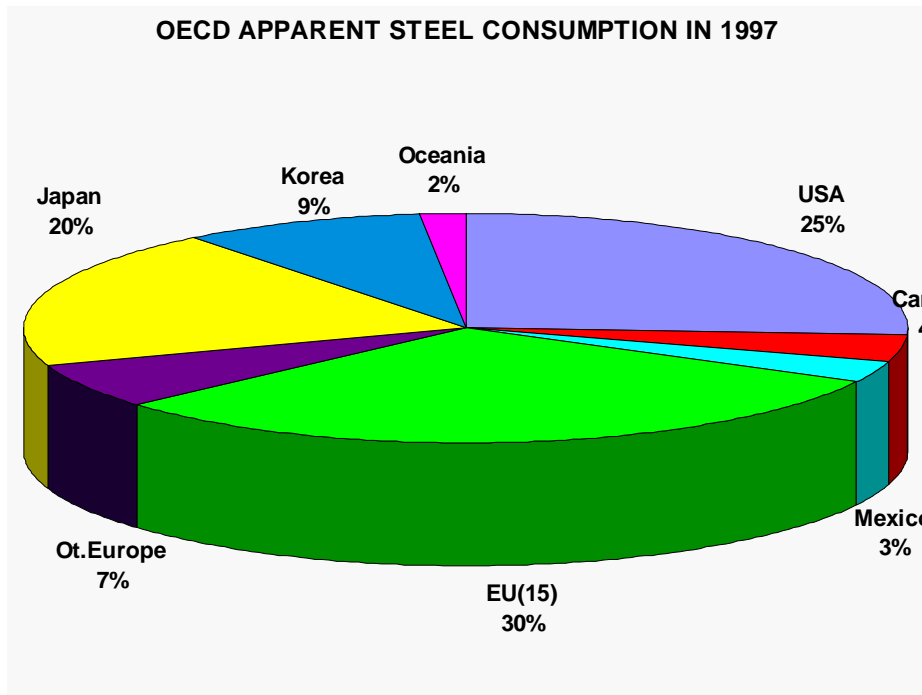
- **WORLD STEEL CONSUMPTION**
 - Total Steel consumption Increased (+6.5%)
 - OECD : An increase by 7.8% to 414.5 mln T
 - Asia : an overall increase by 1%
 - NIS : restarted increasing (+9.7%)
 - China : continued to increase by 3.9%
 - Other areas : Demand has generally been well oriented

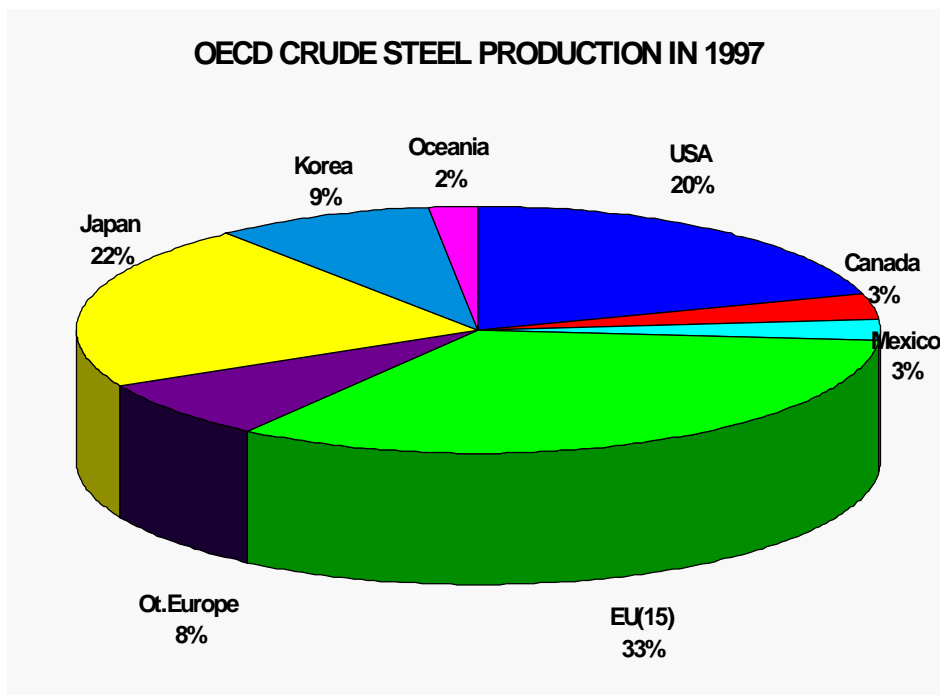




OECD DEVELOPMENTS IN 1997

- OECD steel exports increased by 3.6% (+ 3.3 mln T.)
- Steel imports increased by 7.4 % (+ 5.4 mln Tonnes)
- Crude steel production increased by 7.8 % (+29.8 mln T.) to 481.2 million tonnes
- Inventories 
- Real consumption increased by some 3 %
- Capacity utilisation rate improved from 79 % in 1996 to 82 %
- Prices for steel products increased.





C.E.E.C.

- Steel demand increased slightly (+3.3 %)
 - . Crude steel production increased by 7.8% to 13.1 mln T
 - . Imports increased by 6.9% to 1.55 mln T
 - . Exports increased by 10.6 % to some 7.4 mln T

N.I.S.

- Domestic steel demand picked up finally, increasing by 9.7% but representing only 25.2 mln Tonnes...
- Steel exports continued to increase slightly (+ 1.8 %) but reached 41.6 mln Tonnes
- Steel production rose 3.5% for the area but increased by almost 6 % in Ukraine and by close to 18 % in other NIS, while it declined by 1.5 % in Russia.

CHINA

- Steel demand increase by 3.9 % (+ 3.6 mln T) to 98.7 mT
- China will remain a net steel importer for the next several years,
- Chinese steel imports declined 5.1 % to some 15.5 mln T
- Chinese steel exports rose 13 % to 7.3 mln T
- Crude steel production was 107.6 mln T. (+6.3 %)
- China remained the first world steel producing country

ASIAN MARKETS

- . **India : relatively stagnant demand and production .**
- . **ASEAN(5) : steel demand dropped 8.1 % (-2.7 mln T)**
 - imports fell 13 % (-3.6 mln T) to 24.2 mln T**
 - exports dropped 32.3 % (mainly intra-regional)**
 - crude steel production declined slightly by 2.7 %**
- . **Other Asia : steel consumption continued to grow by 12.9 %**
 - (+3.4 mln T) to 31.2 mln Tonnes**
 - steel imports and exports were on an upward trend**
 - crude steel production increased by 29.5 %**
 - to 17.1 mln tonnes**

Total Asian steel imports represented 26 % of World steel trade.

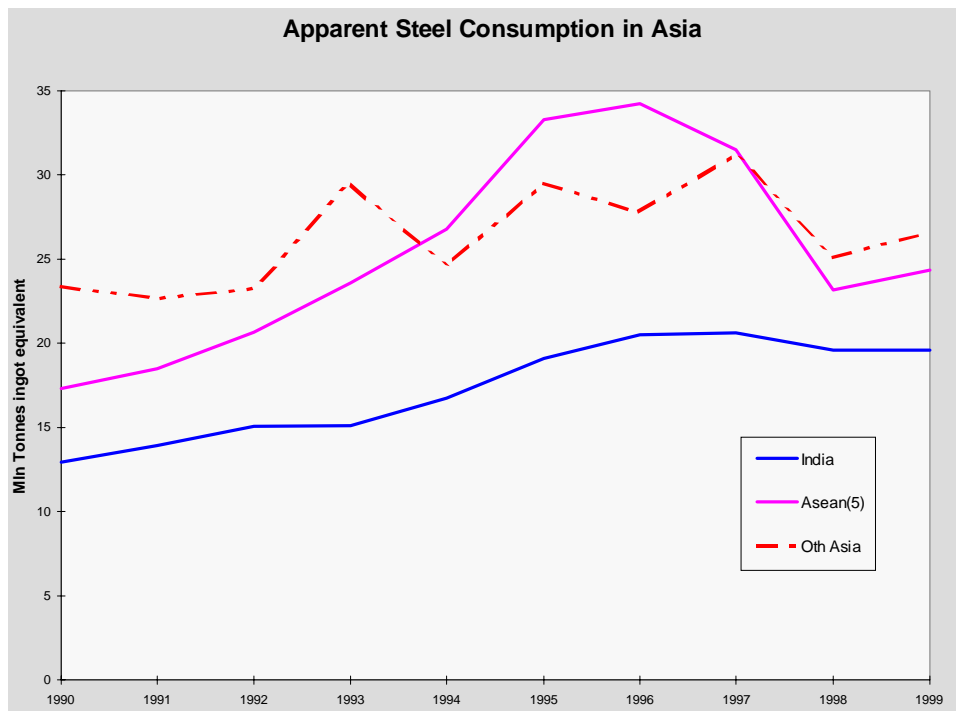
Other non-OECD Economies

- Significant increases in steel consumption in Latin America, South-Africa and Middle East.
- Net steel imports increased by 10 % at least to 17.6 m.T
- Crude steel production increased by 4.2 % to 60.9 m. T

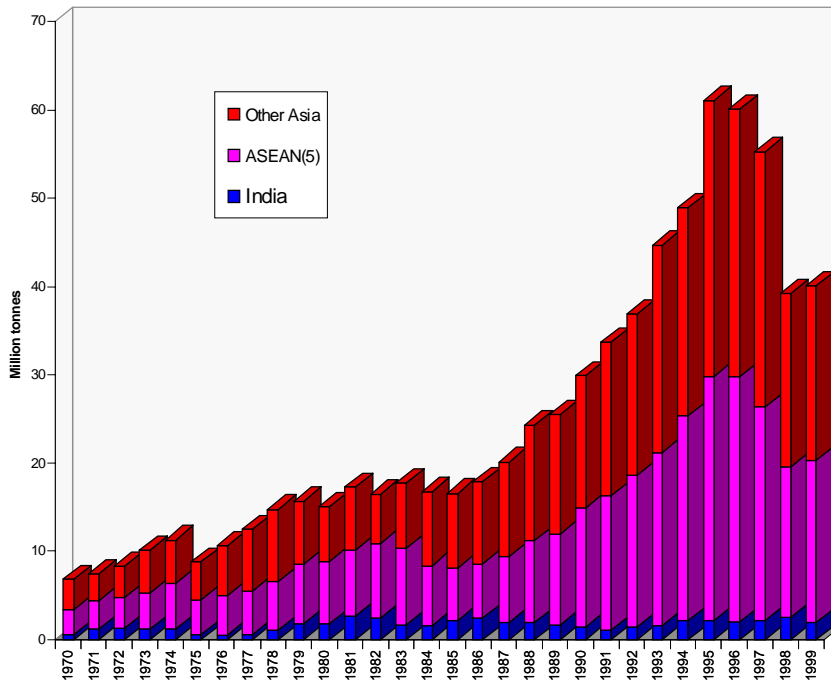
- Steelmaking capacity



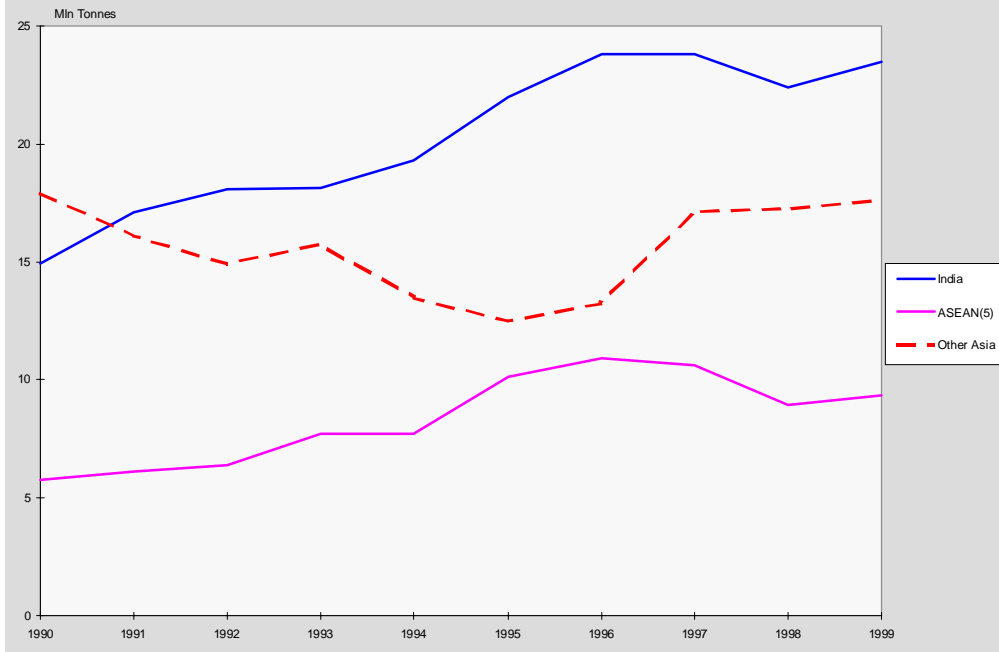
- Capacity utilisation rate



Asian Steel Imports 1970-1999



Asian Crude Steel Production

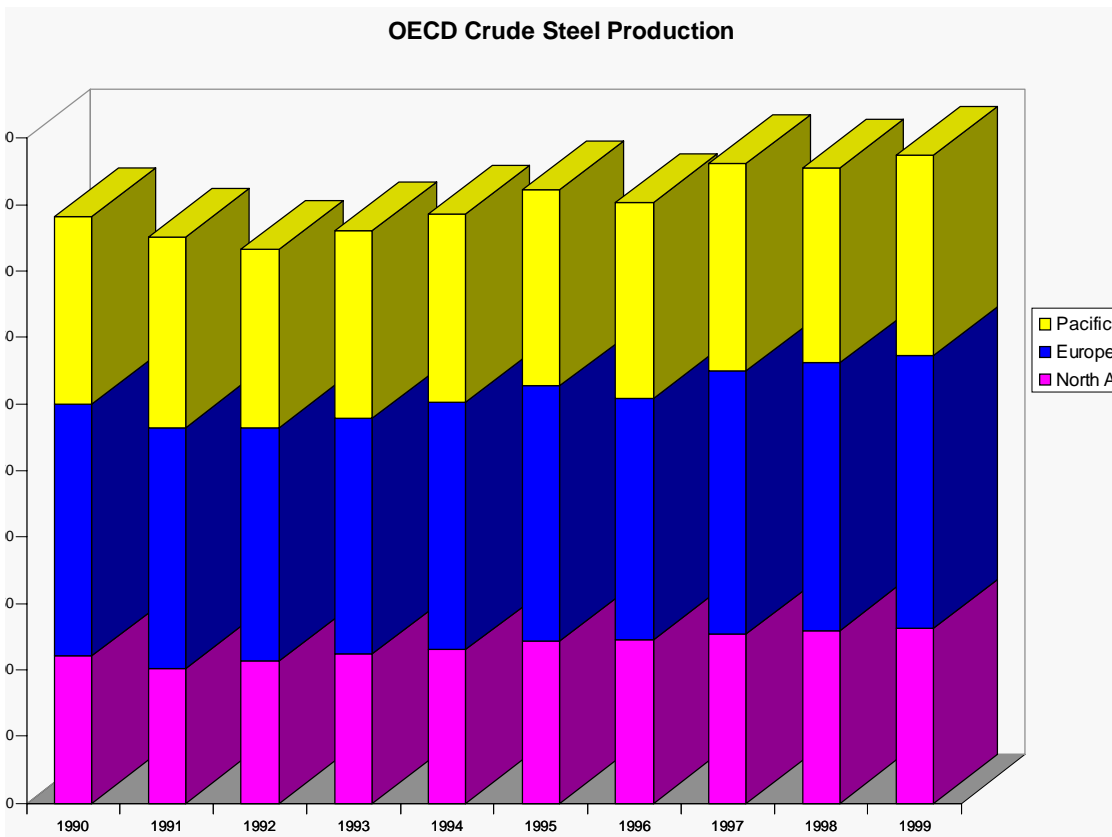
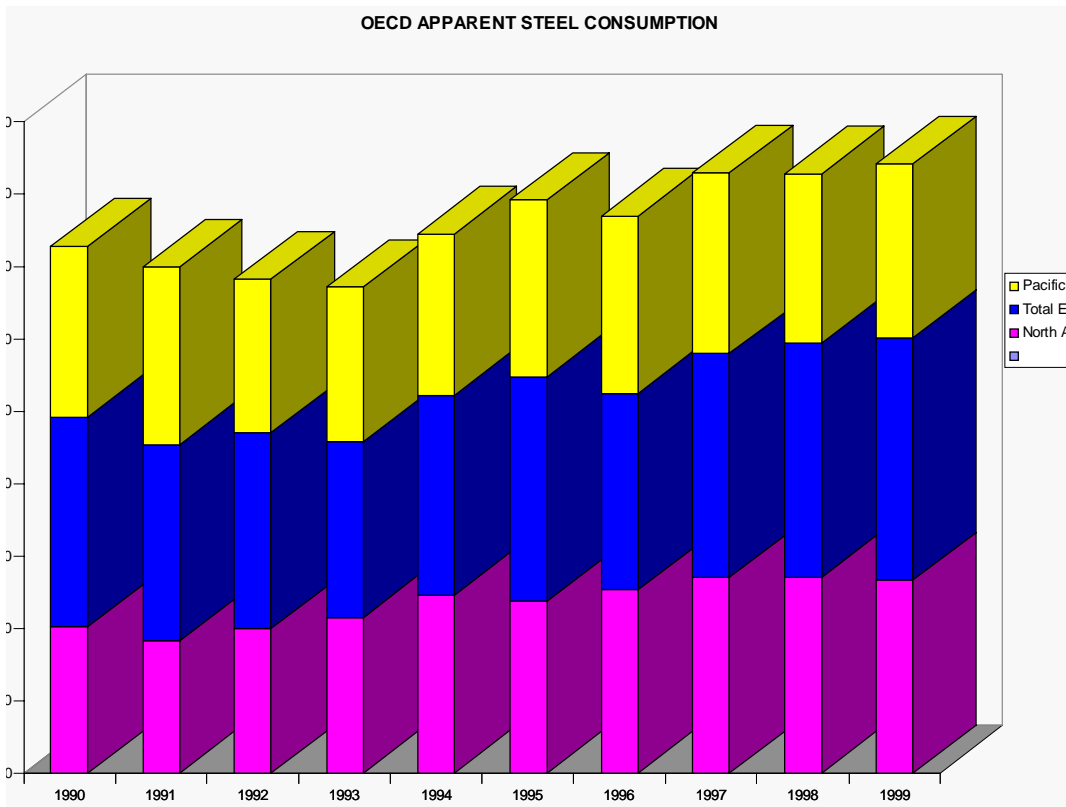


1998 Steel consumption

- World steel consumption should decrease by 2 % (-13.5 mln T.)
- For the OECD area it may decline by 0.6 %
- In Asia it may drop by more than 18.5 % (-15.5 mln T.)
- In the NIS the increase should accelerate to close to 18.5 % (+4.6 mln Tonnes)
- In China it probably should decline by 2 - 2.5 %
- In the remaining areas steel demand may increase by some 5.5 % (+2.7 mln Tonnes)

OECD

- Strong demand in the USA and Europe will almost balance the drops in Japan and Korea.
- OECD steel exports may decline by 5.8 %
- OECD steel imports may also decline by 5.6 %
- Crude steel production is expected to decline by less than 1 %
- Steelmaking capacity will increase by 1.5% to over 595 mtpy
- Average capacity utilisation rate should decline to 80 %



ASIAN MARKETS

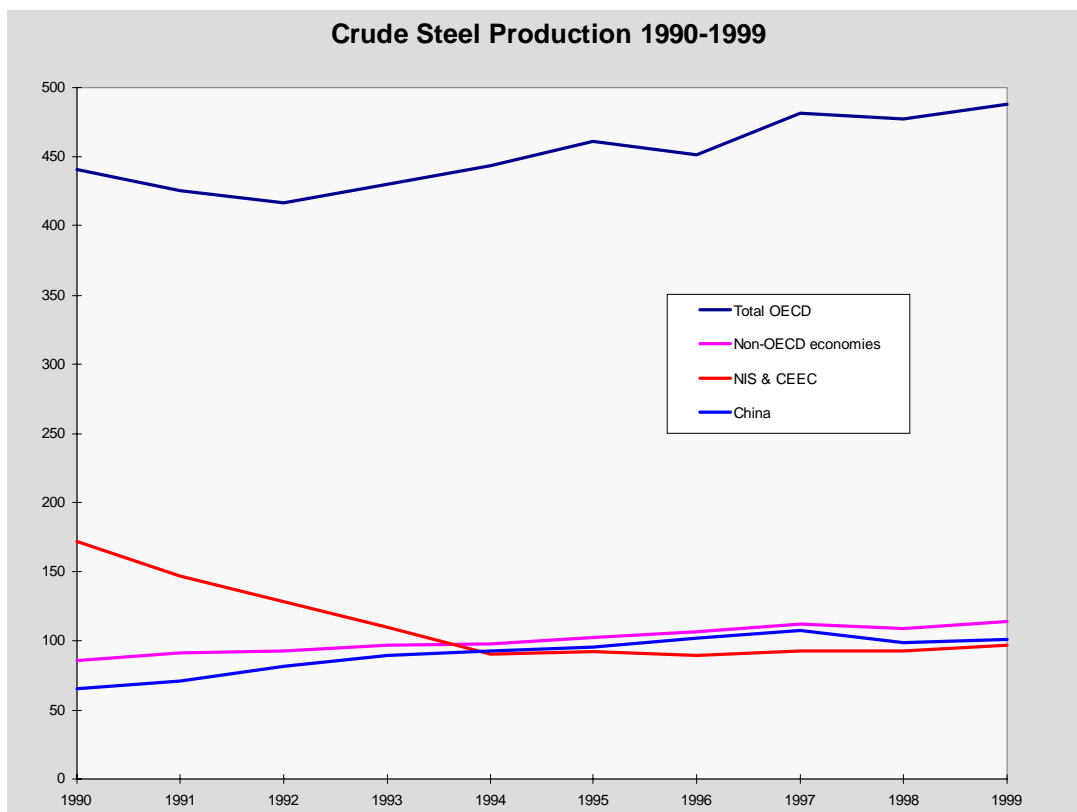
. As a consequence of the 1997 crisis, steel consumption will shrink in almost all countries in the region.

. Declines in steel demand, by 5 % in India, 26.5 % in the ASEAN(5) and 19.5 % in the rest of the area are expected.

. Decline in steel consumption should total at least 15.5 mln Tonnes.

. Steel imports should also drop by more than 30 % (-14 m.T)

. Crude steel production will also decline by more than 5 %



CEEC and NIS

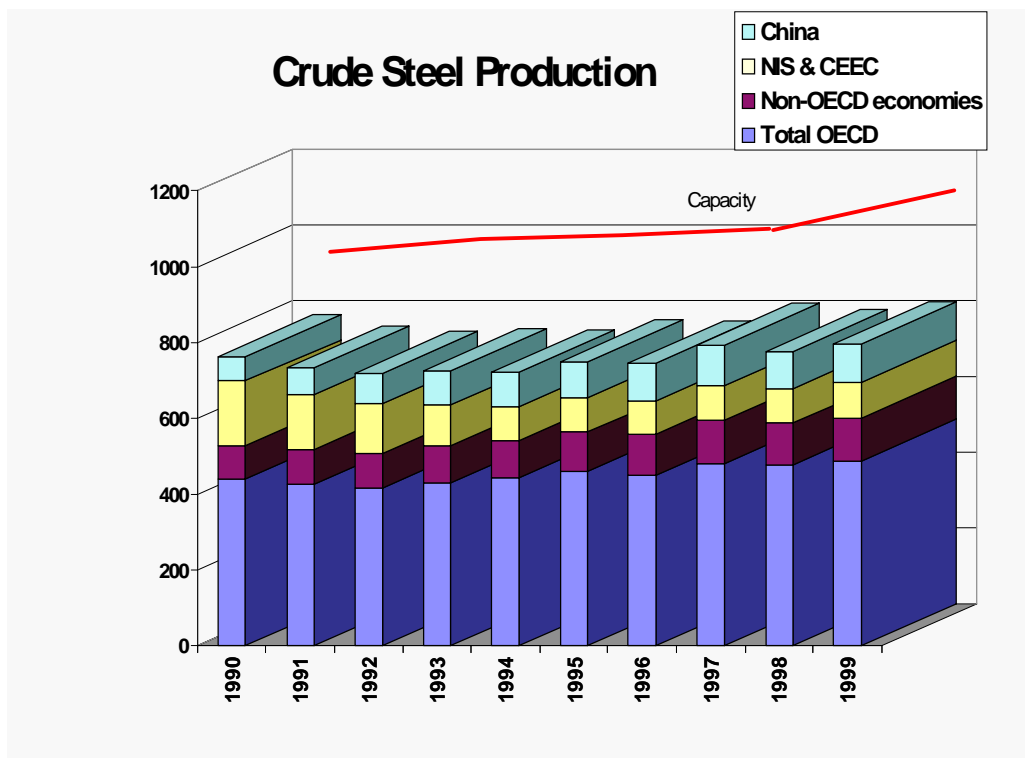
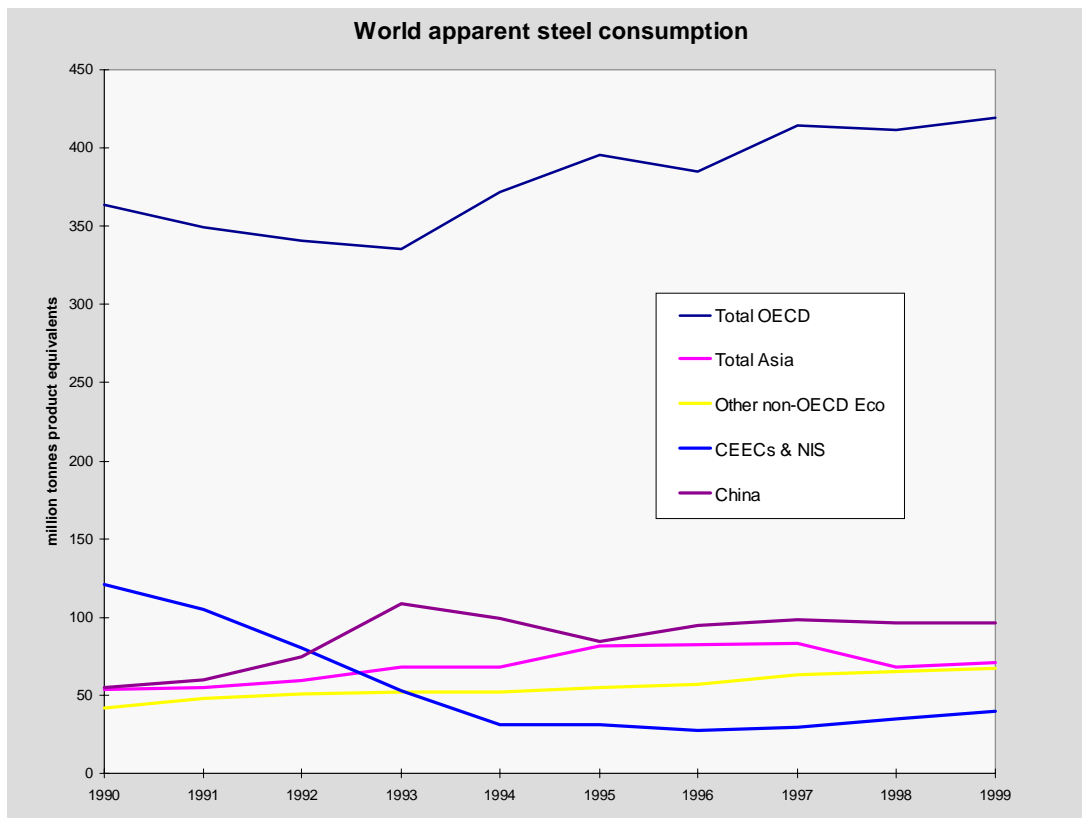
- In central and eastern Europe steel consumption growth should accelerate and grow faster than production.
- Steel demand should also accelerate in the NIS area (+18.4%) and this could help reducing steel exports
- NIS crude steel production may remain close to 1997 levels

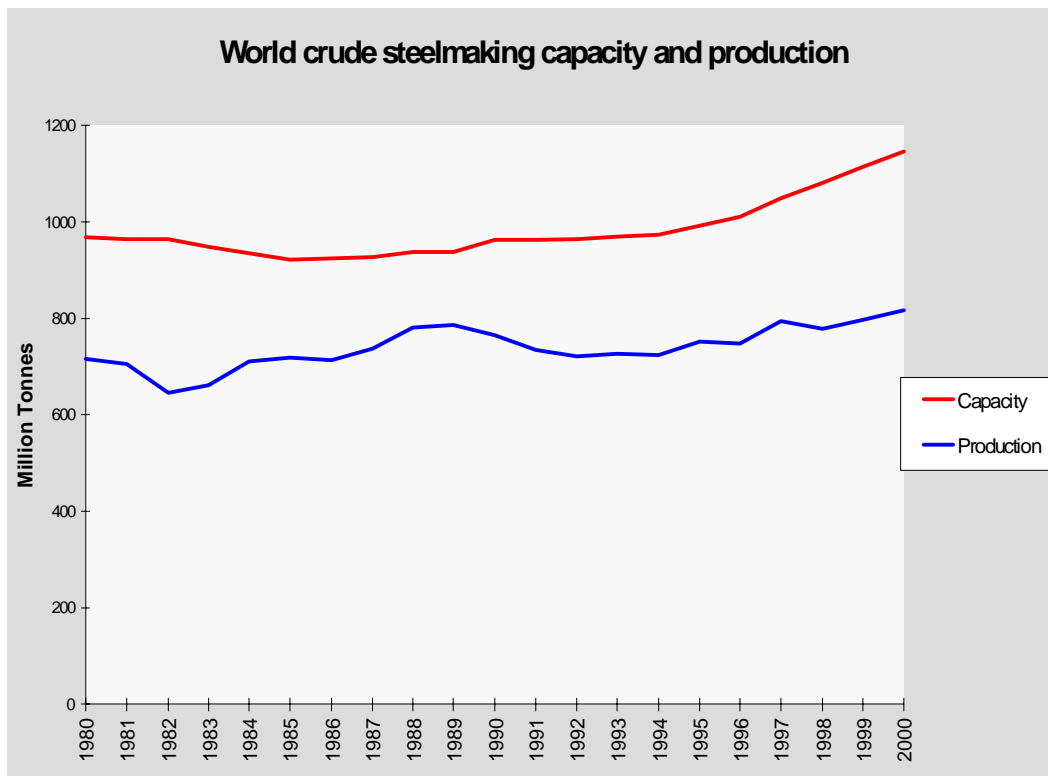
CHINA

- Steel consumption will probably decline (-2.3 %)
- Crude steel production could drop 9 % to 98 mln Tonnes only
- Chinese net steel imports would then grow significantly

Non OECD Market Economies

- Steel demand should continue to increase in Latin America and Middle-East, as well as in Africa.
- Steel imports could continue to increase by more than 10% while steel exports, and particularly those from Latin America should decline.
- Crude steel production is expected to decline slightly





1999

Apparent Steel Consumption

- . World steel consumption is forecast to pick up again.
- . Within the OECD, steel demand should continue to grow in Europe, pick up in Asia but decline in North America.
- . In Asia, steel consumption should start recovering.
- . Continued growth in the NIS and CEECs
- . In China, steel demand could remain weak.
- . The volume of world steel trade should decline, as a consequence of additional capacities coming on stream, and could fall below 22 % of world steel consumption.