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## DEVELOPMENTS IN WORLD STEELMAKING CAPACITY UP TO THE YEAR 2001

### SYNTHESIS NOTE

*This document will be considered at the next meeting of the Steel Committee on 4-5 November 1998.*

Contact: Mr. Wolfgang Hübner, Head of DoT and 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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## **SUMMARY**

As a follow-up to the reports on developments in steelmaking capacity in the non-OECD area and the annual report on developments in effective capacity for the production of pig iron and steel in Member countries, the Secretariat has prepared this short summary note in order to give Delegates an overview of developments in world steelmaking capacity up to the year 2001.

## **ACTION**

This document will be examined by the Steel Committee at its meeting on 4 and 5 November.

## **RELATED DOCUMENTS**

DSTI/SU/SC/A(98)2

DSTI/SU/SC(98)34

DSTI/SU/SC(98)35

## **DEVELOPMENTS IN WORLD STEELMAKING CAPACITY UP TO THE YEAR 2001**

### **Introduction**

1. At the 51st meeting of the Steel Committee in November 1997, the Secretariat presented a brief analysis of developments in world crude steelmaking capacity (DSTI/SI/SC(97)35).
2. Recent events that have occurred since then and the desire to present a more detailed geographical distribution have prompted the Secretariat to prepare this document in order to give Delegates a comprehensive view of developments in steelmaking capacity up to the year 2001.
3. The data for Brazil, a country which now participates in the Steel Committee, have been taken out of the "other Latin America" section and are shown separately in the table. However, with regard to the graphs, the data for Brazil are still included in the total for "Other non-OECD economies".

### **Developments in steelmaking capacity in the OECD area**

4. Although they have been revised downward, data for the OECD area as a whole continue to show a slight increase in crude steelmaking capacity, which is expected to rise from 594.2 million tpy in 1998 to some 604.9 million tpy by 2001, or by 1.8 per cent. Three countries are expected to be mainly responsible for this increase of slightly more than 10 million tonnes: Korea, Mexico and the United States.
5. Brazil's steelmaking capacity should rise by approximately 3 million tonnes up to 2001. However, much of this growth is currently uncertain because of the financial crisis and the resultant slowdown in domestic and export demand. But as the outlook for the steel market in South America remains quite promising, it is likely that domestic demand will begin to rise again substantially in the medium term.

### **Developments in steelmaking capacity in non-OECD countries**

6. The crisis affecting South-East Asia since 1997 has led to a substantial slowdown in the rate of growth in steelmaking capacity, which although primarily limited to that region has also affected other regions. For the 1998-2000 period, it has been estimated that, compared with last year's forecasts, the projects to increase capacity up to the year 2000 which have been postponed or cancelled outright amount to some 40 million tonnes for other non-OECD economies (excluding China and the NIS).
7. Despite this drop, steelmaking capacity in non-OECD countries will continue to grow significantly over the next three years. Capacity in the non-OECD area should increase by some 56 million tonnes, rising from 449 mtpy in 1998 to 505 mtpy by the year 2000, i.e. an average annual growth of 6.1 per cent.

8. In the Central and Eastern European countries, the privatisation of steel companies still appears to be under way and indeed would even seem to be accelerating. At the same time, plant modernisation programmes are continuing and might result in a marginal increase in installed capacity due to new plant. No capacity growth through the opening of new sites is expected in these countries, but rather a progressive elimination of obsolete capacity. The same should be true of the Newly Independent States (NIS), where the slight change in total capacity will be due to modernisation work, although much of this work has been jeopardised by the bankruptcy of some steel companies in the wake of the economic problems recently affecting this region.

9. In China, the change to a market economy has increased the need to improve quality and broaden the range of steel products, leading to a slowdown in the growth of production capacity. Up to the year 2000, steelmaking capacity should grow by some 7.6 million tonnes, i.e. an average annual growth of 3 per cent, and total capacity should rise to 131.8 million tonnes by the year 2000. However, capacity growth is expected to continue after this date, albeit at a relatively low rate.

10. In the other economies outside the OECD area, including Latin America, Africa, the Middle East and the other Asian countries, despite the crisis, production capacity is expected to rise by 44 million tonnes between 1998 and 2000, an average annual growth of 15.3 per cent. However, trends may vary widely across regions.

11. In Latin America, not including Brazil, steelmaking capacity is expected to rise by slightly more than 5.5 million tonnes between 1998 and 2001, an annual rate of growth of slightly over 10 per cent. The largest projects appear to be primarily in Venezuela, but capacity is also growing in Argentina and to a lesser extent Chile. Following the increases in South Africa, the main steel-producing country in Africa, which between 1996 and 1998 raised production capacity in that country to 13.1 million tonnes, there do not seem to be any plans for expansion in the medium-term. For the rest of the African continent, a number of plants with limited production capacity will probably become operational in the next three years. As for more ambitious projects, the project planned in Mozambique will probably not be completed until 2003.

12. In the Middle East, steelmaking capacity is expected to rise by 8 million tonnes over the next three years, bringing the region's total capacity to 24.1 million tonnes. This rapid growth of more than 14 per cent per year is mainly concentrated in Iran, Egypt and, to a lesser extent, Saudi Arabia.

13. Asia still remains the region where production capacity will continue to grow significantly. In India, capacity is expected to rise from 28.9 million tonnes in 1998 to 39.9 million tonnes by 2001. It should nonetheless be noted that projects in that country have been significantly adjusted downwards by 18.5 million tonnes compared with last year, probably due to the financial difficulties faced by firms as a result of a sluggish domestic market and a reappraisal of the export potential for steel produced in India, which had hoped to become a major exporter in the region.

14. In the main ASEAN countries, which were the hardest hit by the crisis, many projects to increase capacity have been suspended, postponed or cancelled altogether. In Indonesia, capacity should rise from 7 million tonnes in 1998 to 10 million tonnes by the year 2000. The projects under way should be completed, but projects that would have increased capacity by a total of 5 million tonnes have been cancelled or postponed until after 2002. In Malaysia, capacity is expected to rise from 4 to 10.8 million tonnes between 1998 and 2000, and all projects under way should be completed. In the Philippines, capacity should also more than double, rising from 1.4 million tonnes to 3 million tonnes by the year 2000. In Thailand, some plant construction projects have been cancelled and others postponed until after 2001. The other projects will be completed, including Siam Strip Mill's minimill, which will produce flat

rolled products, although it will only become operational in 1999 instead of 1998. Thailand's total production capacity should rise from 5.1 million tonnes in 1998 to 7.2 million tonnes by the year 2000.

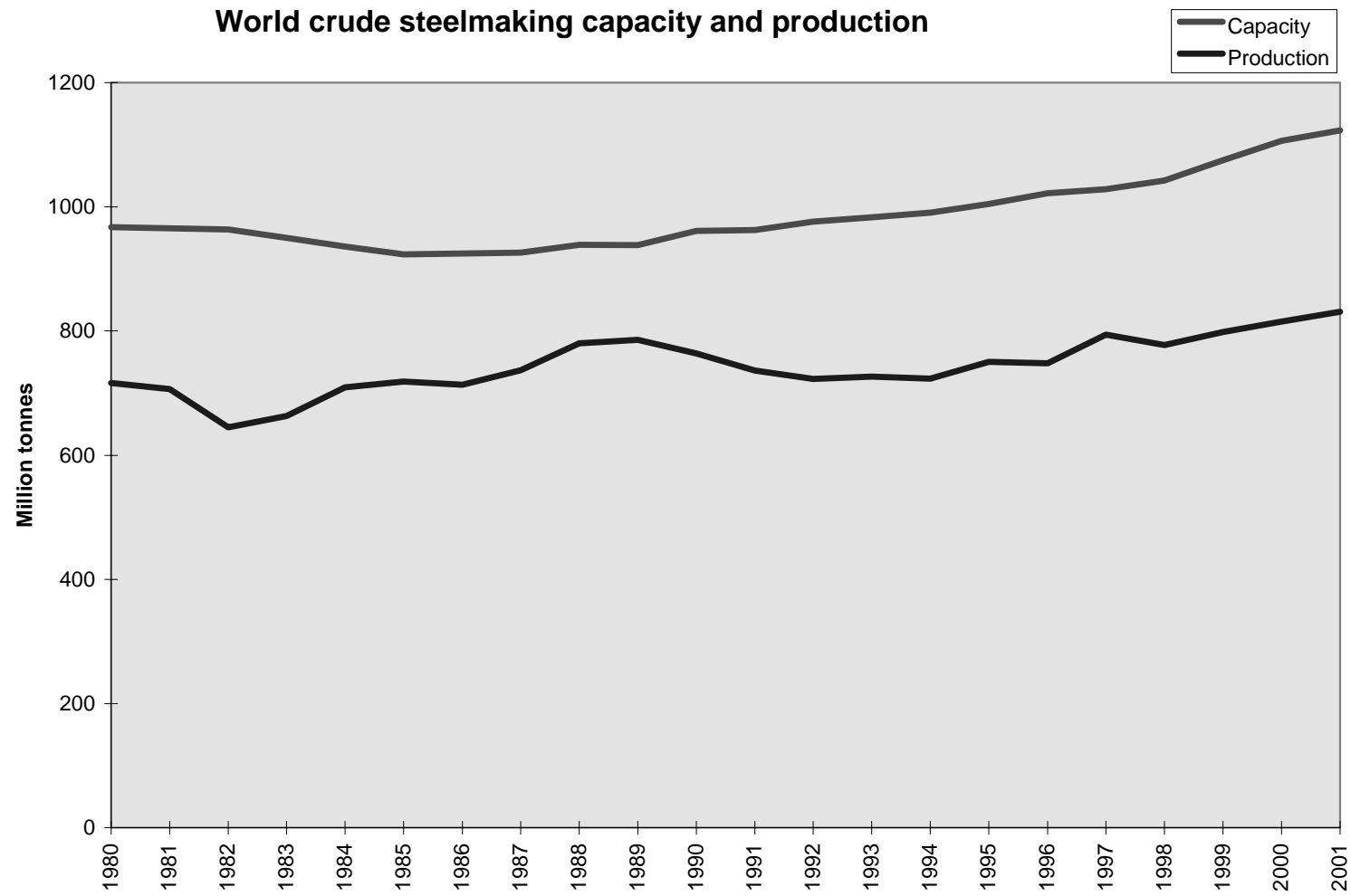
15. In the other Asian countries, production capacity is continuing to grow and should rise by approximately 10 million tonnes between 1998 and 2001. These country's total capacity could reach 41.6 million tonnes by 2001. The largest increase will be in Chinese Taipei, where installed capacity should rise from 16.2 million tonnes in 1998 to 21.5 million tonnes by the year 2000. A number of other projects that would have increased capacity by a total of at least 7.5 million tonnes have been postponed until after 2001. In Pakistan, projects should continue to go forward, but it is mainly in Vietnam that major capacity growth can be expected, primarily through the development of joint ventures and minimills. In all, Vietnam's production capacity should rise from 340 000 tonnes in 1998 to 3.3 million tonnes by the year 2000.

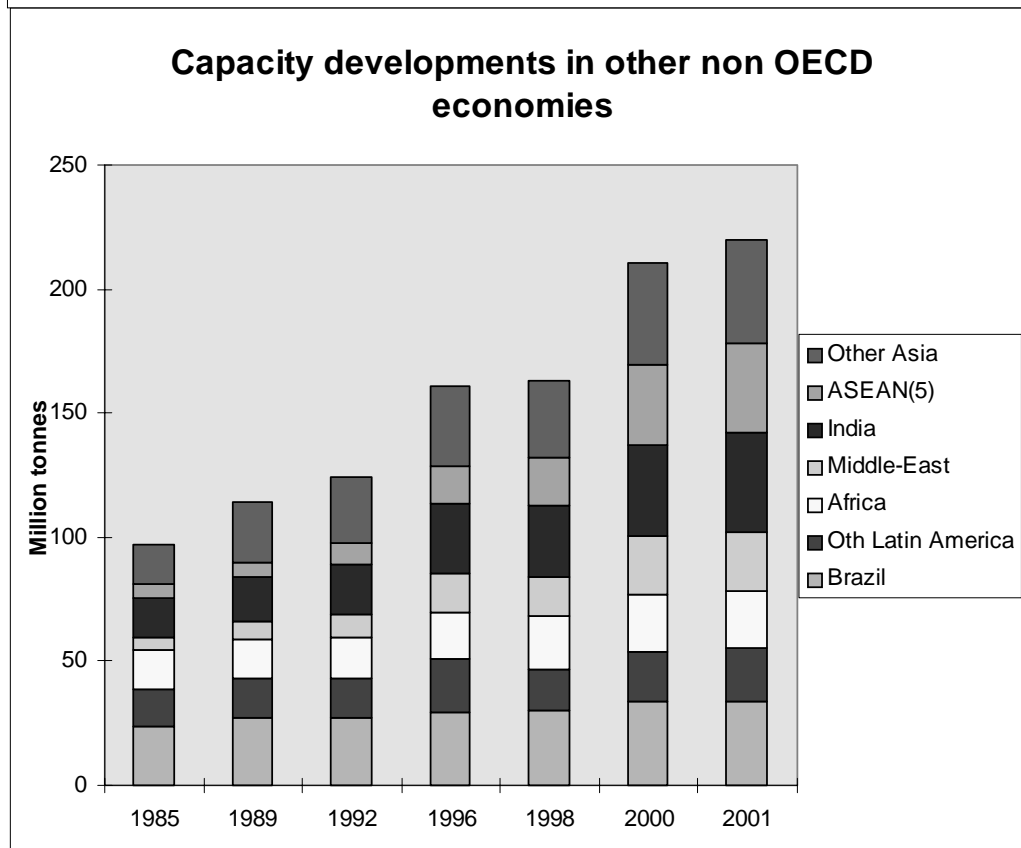
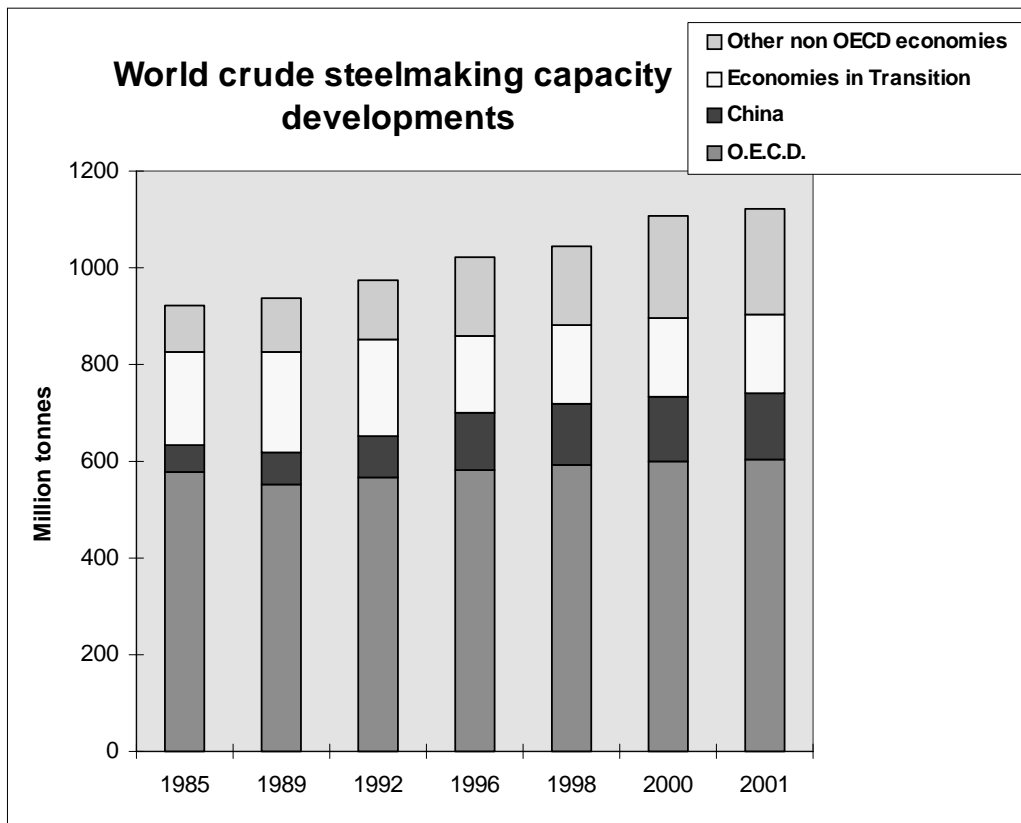
### **Conclusion**

16. World-wide, steelmaking capacity can be expected to rise by a further 80 million tonnes between 1998 and 2001, to 1123 mtpy. These figures, which show an annual growth of only 2.5 per cent, have been adjusted downwards by approximately 30 million tonnes compared with last year's forecasts, largely as a result of the crisis in South-East Asia. But this relatively good news should be tempered by the fact that the Secretariat has also adjusted crude steelmaking forecasts downwards. If world crude steel production is estimated at 830 million tonnes by 2001, the ratio of production to capacity should continue to decline, dropping from 77 per cent in 1997 to 74 per cent in 2001, a decline that has persisted since 1989, when this ratio stood at 84 per cent.

**Evolution de la capacité effective de production d'acier brut et prévisions pour les années 1999, 2000 et 2001**  
**Effective capacity for the production of crude steel and estimates for the years 1999, 2000 and 2001**

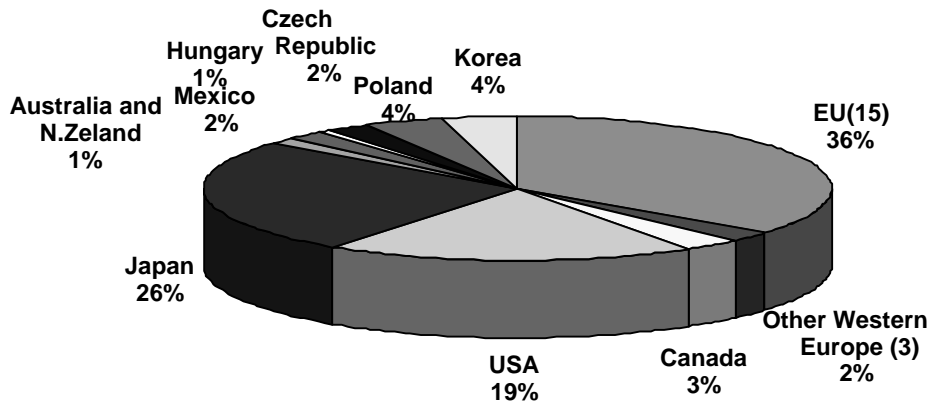
Millions de tonnes	1985	1989	1992	1994	1995	1996	1997	1998	1999	2000	2001e	Milion of tonnes
UE(15)	203,9	197,2	207,5	201,7	201,3	198,9	196,1	198,2	197,8	198,2	198,2	EU(15)
Autres Europe de l'Ouest (3)	6,9	11,0	12,7	16,5	16,5	21,0	21,2	21,4	21,6	21,6	22,0	Others Western Europe (3)
Canada	18,7	17,9	17,5	17,5	15,5	15,5	16,7	16,7	16,7	16,7	16,7	Canada
USA (e)	121,2	105,1	102,5	98,7	101,7	105,2	109,3	113,7	114,2	116,2	116,2	USA (e)
Japon (e)	154,6	143,3	138,2	147,4	148,3	149,6	149,5	149,5	149,5	149,7	149,7	Japan (e)
Australie & N. Zélande	7,1	8,1	8,7	9,6	9,6	9,7	9,8	9,8	9,8	9,8	9,8	Australia & N. Zealand
Mexique	11,3	9,6	10,0	13,8	13,7	15,0	15,6	16,5	17,0	18,0	18,3	Mexico
Hongrie	4,1	4,2	3,8	2,6	2,4	1,9	1,9	1,9	1,9	1,9	1,9	Hungary
République Tchèque	11,4	11,0	11,0	10,9	10,9	8,8	8,8	8,8	8,8	8,8	8,8	Czech Republic
Pologne	24,4	23,0	21,5	14,1	12,9	11,7	11,6	12,3	12,4	12,4	12,4	Poland
Corée	15,6	22,2	32,2	35,3	38,7	43,3	44,3	45,4	47,5	47,9	50,9	Korea
OCDE	579,2	552,6	565,6	568,1	571,5	580,6	584,8	594,2	597,2	601,2	604,9	OECD
Brésil	23,6	27,3	27,5	28,2	28,3	29,6	30,5	30,5	31,1	33,8	33,8	Brazil
Comité de l'acier de l'OCDE	602,8	579,9	593,1	596,3	599,8	610,2	615,3	624,7	628,3	635,0	638,7	OECD Steel Committee
Autre Amérique Latine	15,0	15,5	15,8	19,8	20,4	21,2	20,0	16,3	18,0	20,3	21,8	Other Latin America
Afrique du Sud	11,0	11,3	11,3	11,4	11,6	11,9	12,2	13,1	13,1	13,1	13,1	South Africa
Autre Afrique	4,7	4,7	4,7	6,9	6,9	6,9	7,2	8,1	8,9	9,4	9,5	Other Africa
Moyen-Orient	5,1	7,2	10,0	15,5	15,8	15,8	15,8	16,2	21,2	23,7	24,1	Middle-East
Inde	16,2	17,8	20,1	25,9	27,1	28,3	28,3	28,9	32,9	37,1	39,9	India
ASEAN(5)	5,4	6,2	8,1	12,0	13,4	15,0	16,8	18,9	24,7	32,3	35,7	ASEAN(5)
Autre Asie du Sud-Est	16,1	24,0	27,1	31,7	32,2	32,2	30,9	31,3	35,1	40,6	41,6	Other South-East Asia
Eco. de marché hors OCDE	73,5	86,7	97,1	123,2	127,4	131,3	131,2	132,8	153,9	176,5	185,7	Non OECD market eco.
NEI	169,1	180,0	175,1	147,4	146,5	141,3	141,3	141,3	141,9	141,9	141,9	NIS
Europe Centrale et Orientale	24,9	23,9	24,7	17,2	18,9	20,7	20,2	20,2	20,2	21,1	21,1	Central and East. Europe
Total économies en transition	194,0	203,9	199,8	164,6	165,4	162,0	161,5	161,5	162,1	163,0	163,0	Total EIT
Chine	53,0	67,7	85,9	106,3	112,0	118,2	120,2	124,2	130,7	131,8	135,7	China
Monde	923,3	938,2	975,9	990,4	1 004,6	1 021,7	1 028,2	1 043,2	1 075,0	1 106,3	1 123,1	World







### OECD crude steelmaking capacity in 1989



### OECD crude steelmaking capacity in 1998

