

# CIS & Eastern European Steel Summit

How has China's accession to the WTO and the enormous growth in steel consumption impacted on the global steel industry? Is growth sustainable, and what implications does it have for the CIS & East European steel sector?

2003



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## Hatch Beddows

# World economic growth is sluggish

**Japan**

**EU**

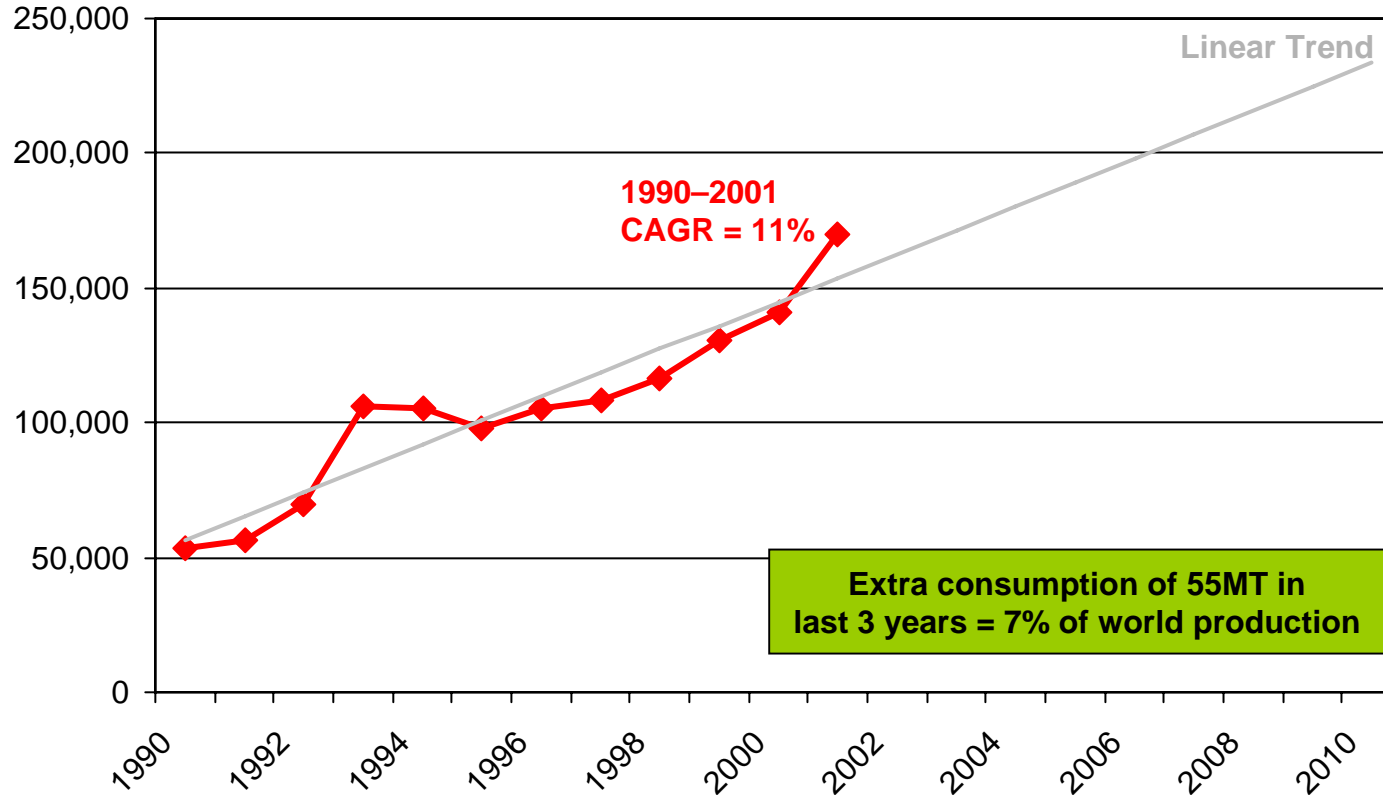
**USA**

**and will continue to be .....**

**..... except for China**

# Chinese steel consumption has supported the world industry

Apparent Consumption of Finished Steel in China, 1990 to 2010F (000's tonnes)

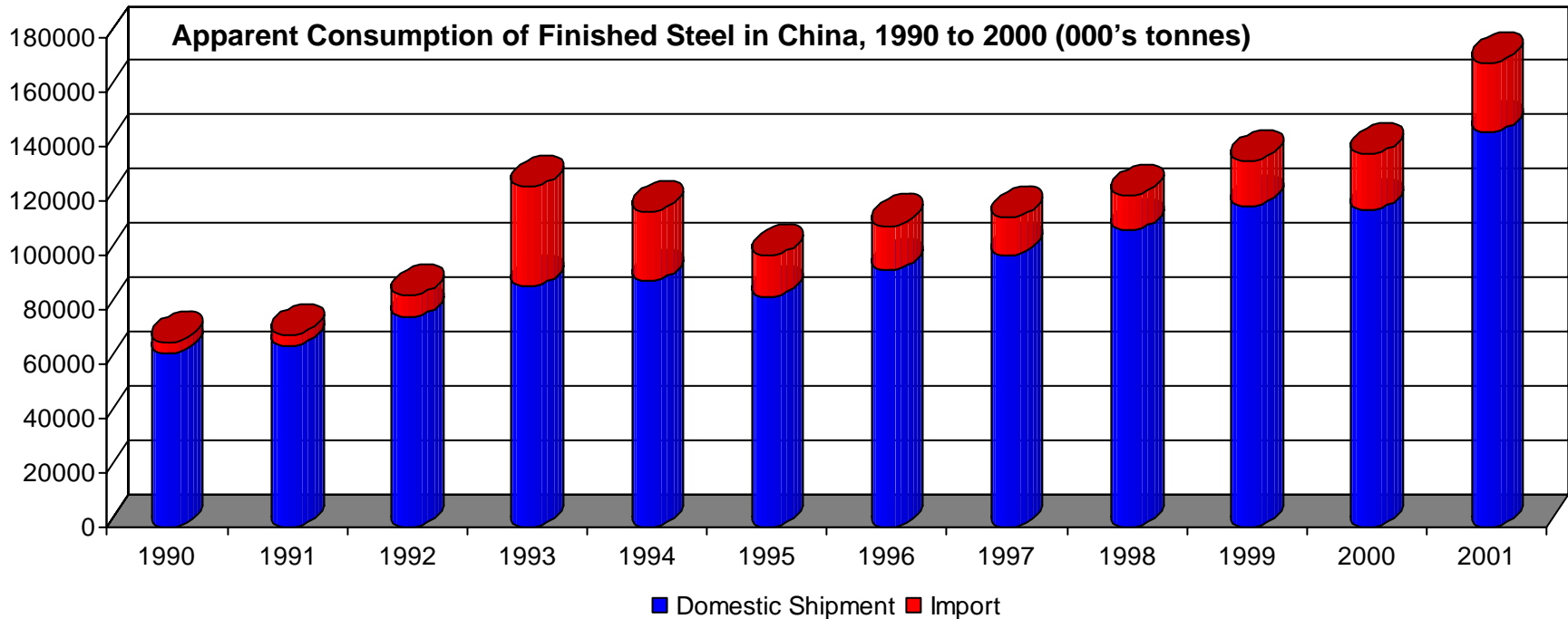


To reach the linear trend rate target, it requires a 4.5% y-o-y growth

**Most likely scenario is extra 70MT consumption by 2010 : How will this be met?**

# Will growth create an increased export opportunity ?

Imports have not surged to meet demand growth



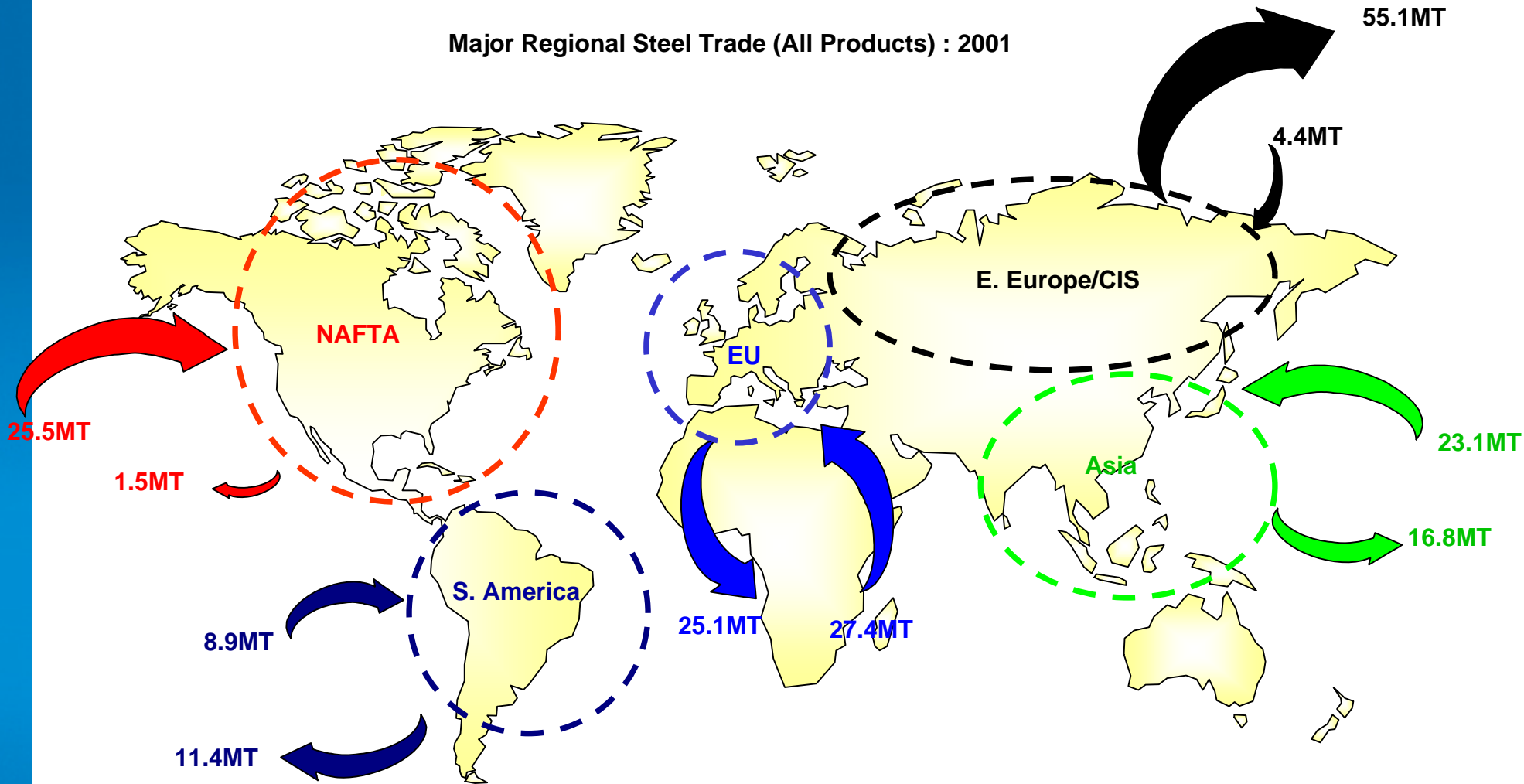
### Three possible explanation for the recent upsurge in crude output:

1. Reporting irregularities (to meet the current 2001-2005 five-year-plan)
2. Migration to higher Fe-content iron ore imports
3. Recently launched tariff protection

- High FE ore imports can meet half the growth need
- Investments announced will fill the balance

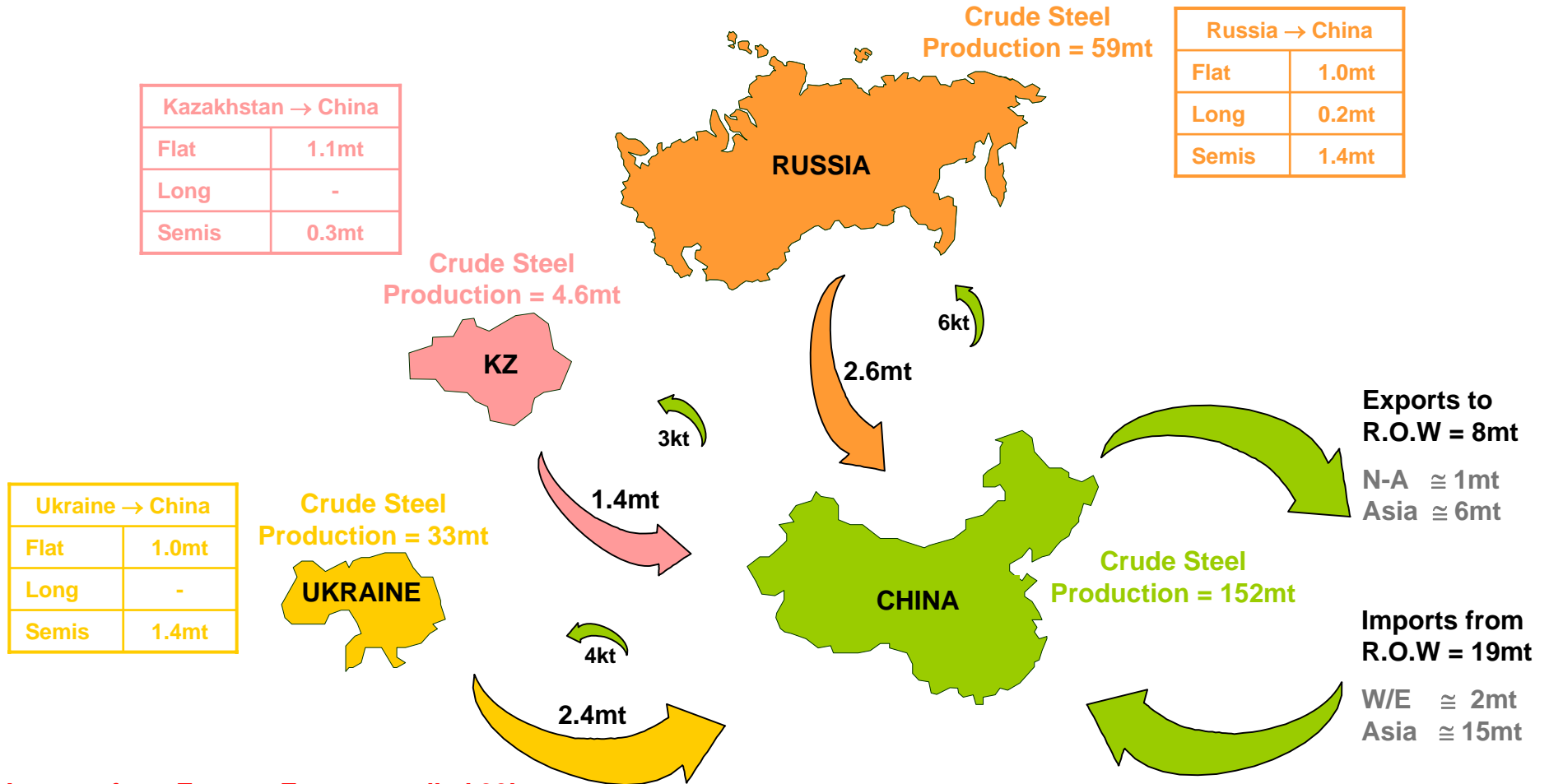
# What is the short term trade situation ?

Major Regional Steel Trade (All Products) : 2001



Of the 6.4mt of steel imported into China from the FSU, 3.1mt was semi-finished products, the rest were mainly flat products

Steel trade between the FSU and China, 2001

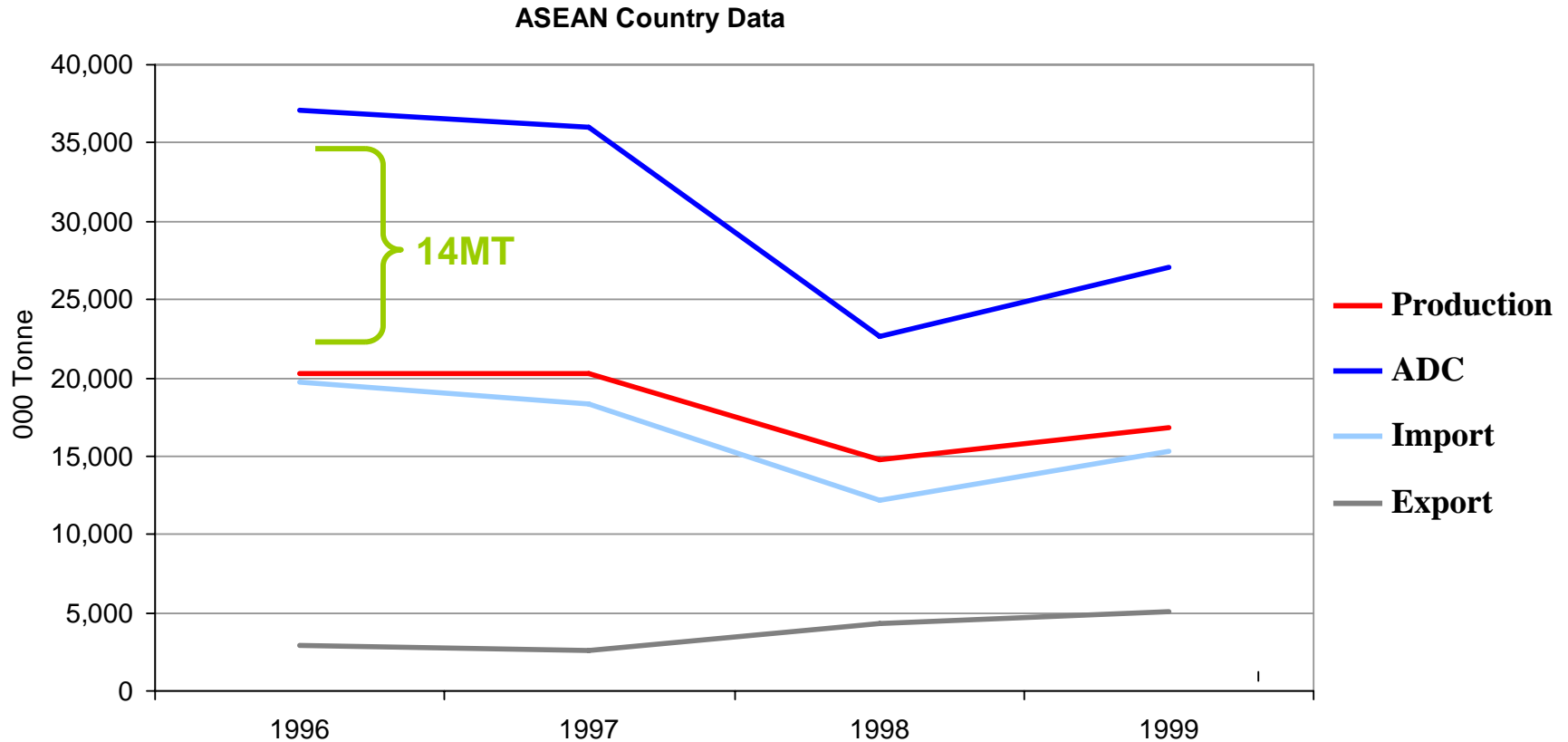


## China Flat Rolled consumption and its role in the world

China HRB Equivalent Demand (000 Tonnes)							
Year	1997	1998	1999	2000	2001	2002	CAGR (1997-2002)
Shipment	21553	23284	33953	39518	43526	53445	19.9%
Net Import	5998	6079	9520	10220	11553	18141	24.8%
ASC	27551	29363	43473	49738	55079	71586	21.0%
ASC: Chinese % of world	7.4%	8.3%	11.3%	11.7%	13.4%	16.4%	17.3%

**The Flat Rolled sector in China is heading for a correction**

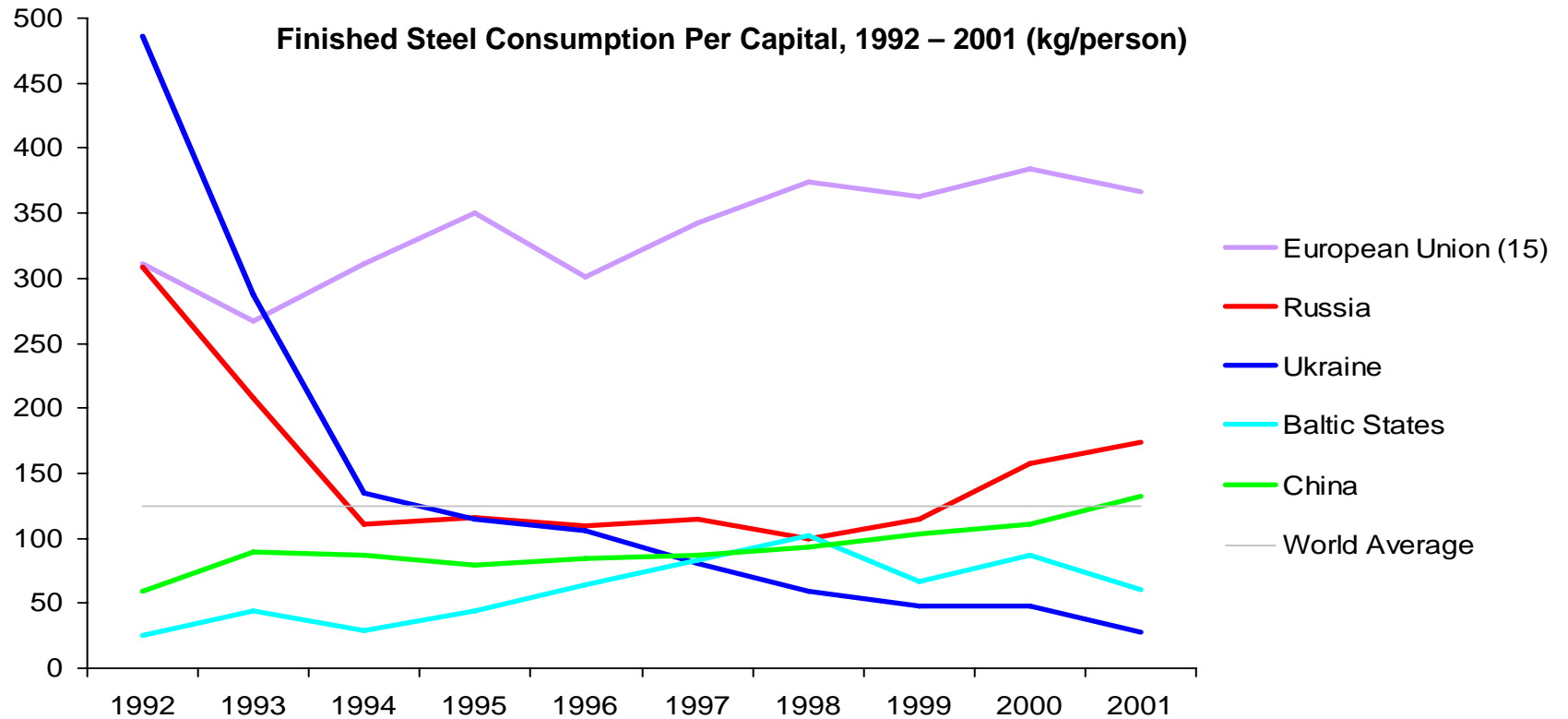
# A short term correction would impact world steel trade badly



**A short term correction in Chinese trade would probably be 15- 20MT on an annual basis. Proportionately the same as the early 90's**

Note: ASEAN Country data is excluding Laos, Brunei, Myanmar  
Source: SEAISI

# Sluggish growth in the East makes for exposure to a Chinese correction



**Although Russian growth is positive**

**.... And continued technological obsolescence leaves FSU producers doubly exposed**

	Open Hearth %		CC %	
	1990	2000	1990	2000
<b>FSU</b>	52	33	18	39
<b>Russia</b>		27	37	50
<b>Ukraine</b>		50	12	20
<b>Eastern Europe</b>	31	2	18	77

## Conclusions

- China's growth has supported world steel in the last 3 years
- A short term correction is coming.... and it will have a very negative impact on trade and for the FSU
- In the long term (for next 10 years) growth will not require substantially enhanced import volumes