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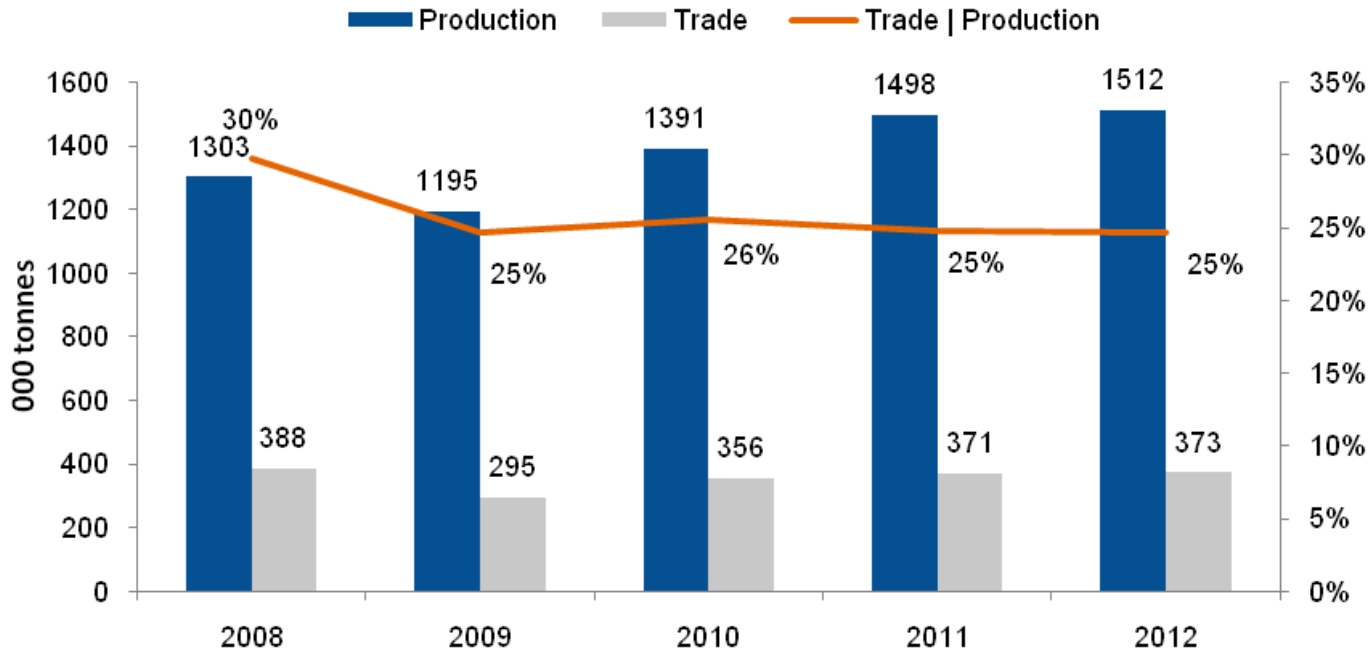
**Russian & CIS Metals and Precious Metals Summit 2013  
12-14 February 2013, Moscow**

**Steel markets outlook  
for 2013 and beyond**

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Metal Expert Consulting**

# 1. GLOBAL MARKET

## Global production and trade volumes slightly increased in 2012 (by less than 1%)



Source: MEC, WorldSteel

## However, the global steel market has undergone significant changes:

### Export:

- Supplies from China +16%
- Major exporters – China, Japan, South Korea – almost 30% of the global exports
- Most of major exporters have increased export. Exception - Ukraine, Brazil, India, Mexico, the number of EU countries

### Import:

- Almost all the developed countries have reduced import
- The growth was mainly ensured by developing countries of Asia - Thailand, Indonesia, Malaysia, Philippines
- In the Middle East, Saudi Arabia has become leader in terms of imports

## *China – sharp slowdown*

Steel output in China rose by 3.1% to 716.54 mln t in 2012 (+21.5 mln t)

Almost half of the growth in production was stipulated by "net exports" increase:

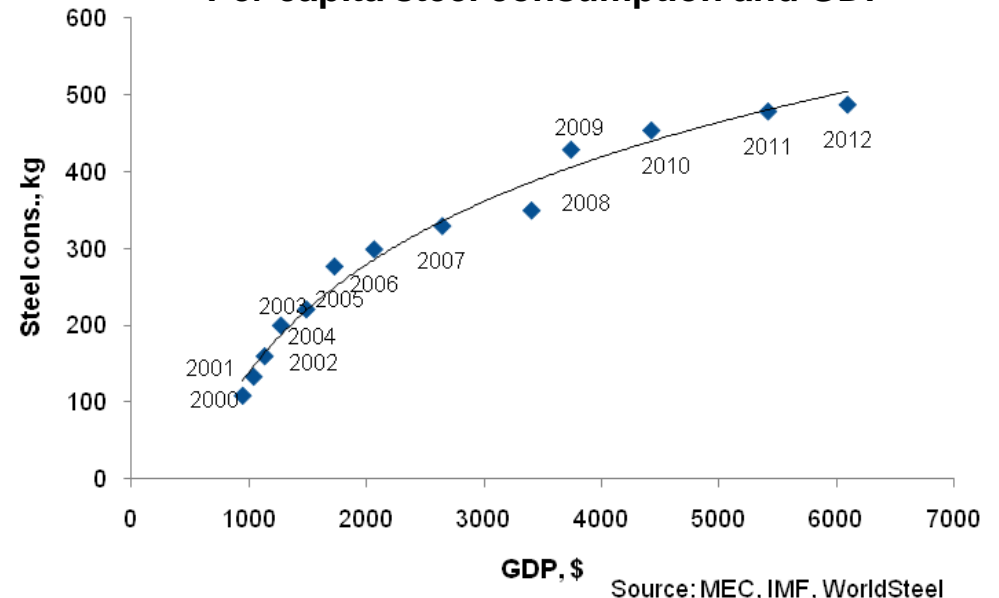
- export increase ~ **7 mln t**
- import decrease ~ **2 mln t**

Growth of apparent steel consumption in China was less than 2% in 2012.

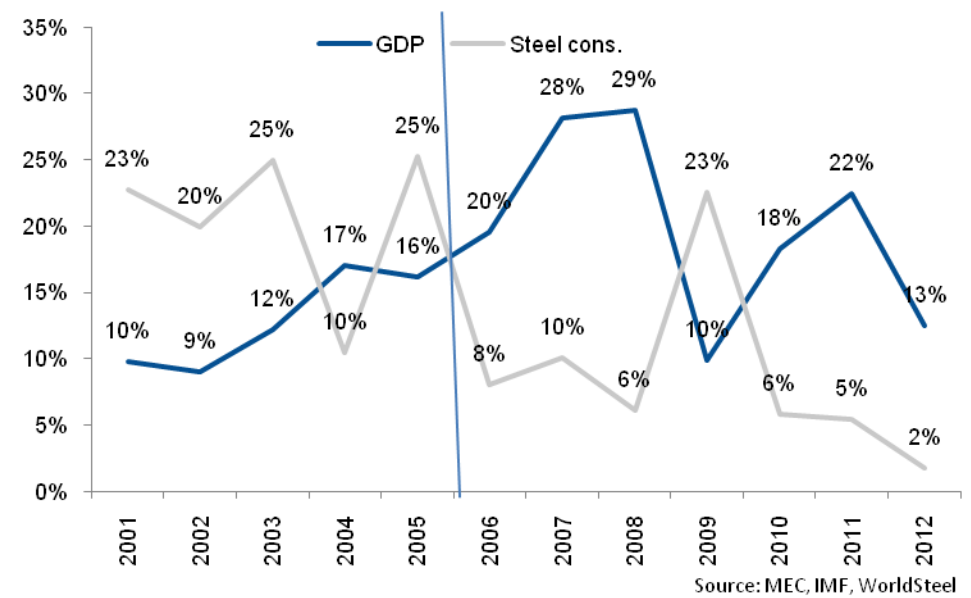
*Chinese steel market is close to saturation!*

*Not only actual steel demand, but also the need to load existing steel producing facilities condition sustainable demand for steel in the country*

**Per capita steel consumption and GDP**



**Growth rates for steel consumption and GDP**



## **2. MARKETS OF RUSSIA AND CIS**

## Russia is one of the most dynamic markets

- Consumption up 5% in 2012
- Import up 7%, export up 10%
- Structure of export and domestic market is undergoing significant changes:
  - Share of semis is increasing in export, of high value added products – in import
  - Demand for steel products for construction has the fastest growth rates

In 2012, Russian consumption growth slowed. Consumption of steel products used in construction grew the most rapidly.

### Apparent consumption of steel products in Russia, '000 t

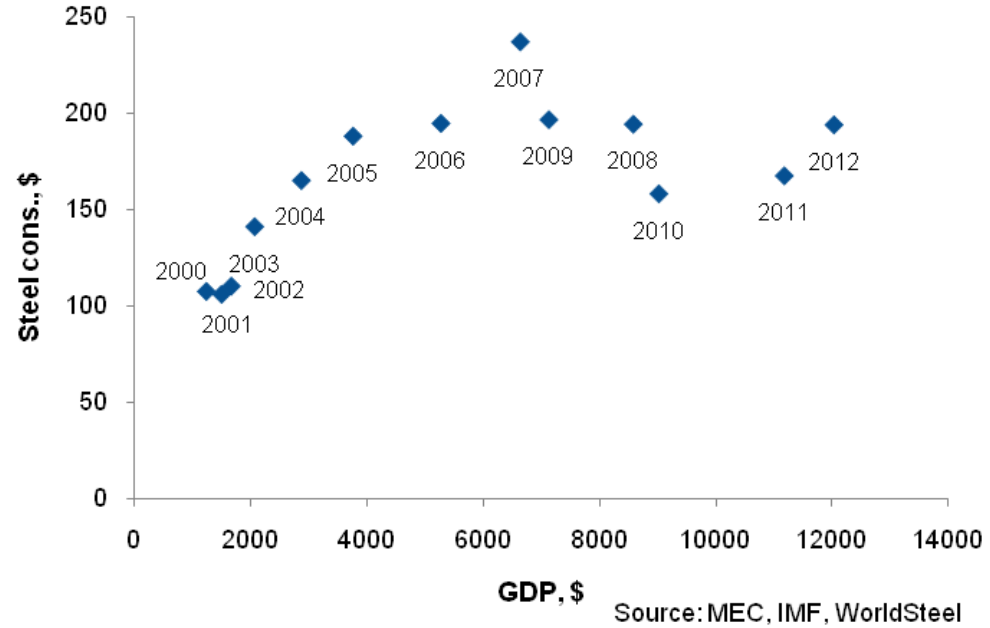
	2010	2011	2012	Change 11/10	Change 12/11
<b>Long products</b>	<b>13853</b>	<b>16196</b>	<b>17562</b>	<b>16.9%</b>	<b>8.4%</b>
Rebar	5091	6561	7814	28.9%	19.1%
Wire rod	1962	2070	2229	5.5%	7.7%
Round bars	2677	2665	2558	-0.4%	-4.0%
Sections	3262	3910	4046	19.9%	3.5%
Rails	860	990	916	15.0%	-7.5%
<b>Flat products</b>	<b>19817</b>	<b>21927</b>	<b>22316</b>	<b>10.6%</b>	<b>1.8%</b>
HR coil	7490	8659	8823	15.6%	1.9%
Plate	4955	4794	4138	-3.3%	-13.7%
CR coil	3180	3532	3758	11.1%	6.4%
Coated products	4192	4942	5596	17.9%	13.2%
<b>Tubes &amp; Pipes</b>	<b>9744</b>	<b>10548</b>	<b>9244</b>	<b>8.3%</b>	<b>-12.4%</b>
Seamless	2717	2962	3121	9.0%	5.3%
Large diameter	3533	3494	1759	-1.1%	-49.7%
Welded	3494	4092	4364	17.1%	6.6%



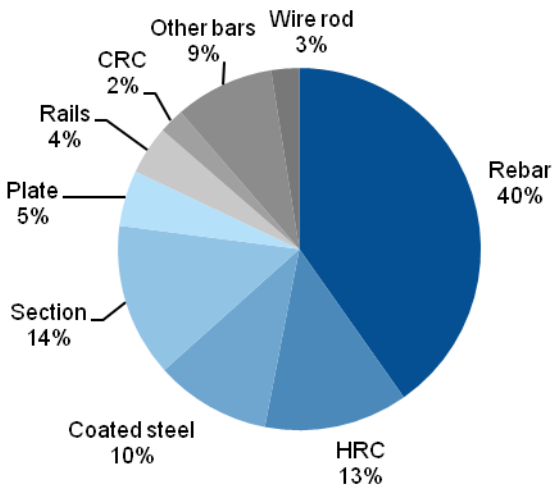
## Apparent consumption of steel products in Kazakhstan, '000 t

	2010	2011	2012	Change 11/10	Change 12/11
<b>Long products</b>	<b>879</b>	<b>966</b>	<b>1139</b>	<b>9.9%</b>	<b>17.9%</b>
Rebar	399	506	651	26.9%	28.7%
Wire rod	36	44	49	22.4%	11.9%
Round bars	95	113	102	18.6%	-9.8%
Sections	241	220	207	-8.6%	-5.9%
Rails	101	77	123	-24.2%	60.0%
<b>Flat products</b>	<b>744</b>	<b>856</b>	<b>970</b>	<b>15.0%</b>	<b>13.3%</b>
HR coil	325	375	403	15.4%	7.3%
Plate	92	124	130	35.1%	5.2%
CR coil	65	73	105	12.4%	43.7%
Coated products	257	265	327	3.1%	23.3%
<b>Total</b>	<b>1623</b>	<b>1822</b>	<b>2109</b>	<b>12.3%</b>	<b>15.8%</b>

Despite double-digit growth in recent years, steel consumption in Kazakhstan has not yet returned to the pre-crisis level: in 2012 consumption was 14% less than in 2007.

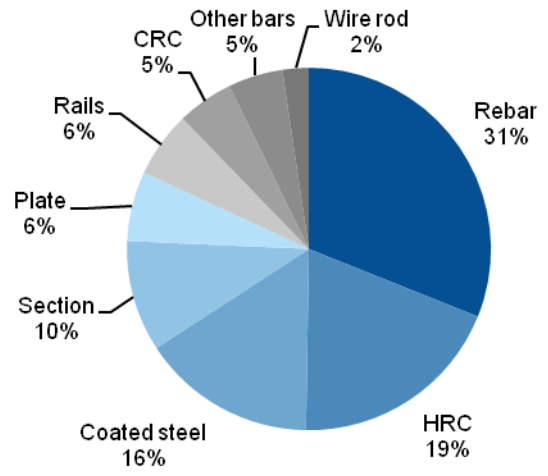


**2007**



Source: MEC

**2012**



Source: MEC

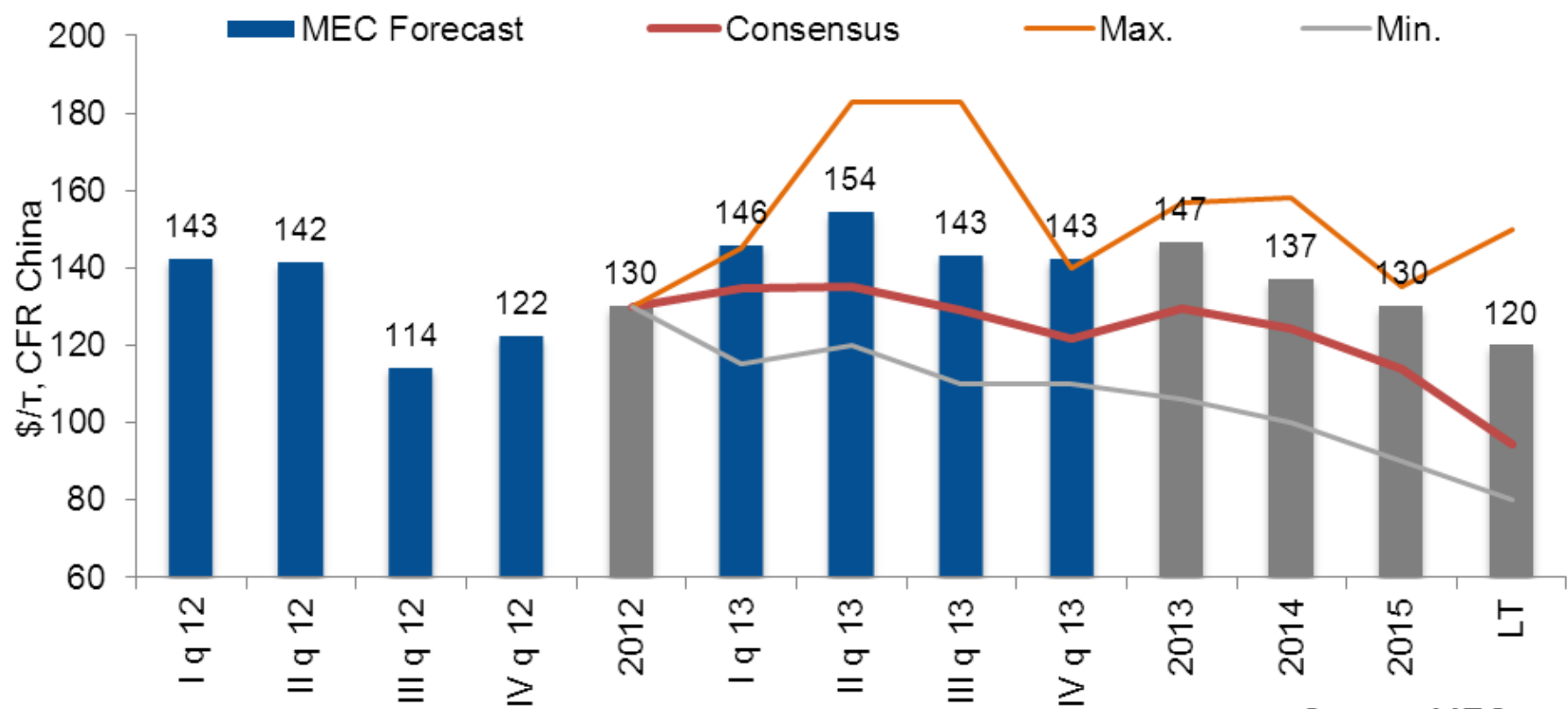
Ukraine - the second largest steel market in CIS - showed a decrease in consumption in 2012

### Apparent consumption of steel products in Ukraine, '000 t

				Change 11/10	Change 12/11
	2010	2011	2012		
<b>Long products</b>	<b>2537</b>	<b>2779</b>	<b>2776</b>	<b>9.5%</b>	<b>-0.1%</b>
Rebar	636	731	793	15.0%	8.4%
Wire rod	537	509	459	-5.3%	-9.9%
Round bars	536	597	585	11.3%	-2.0%
Sections	680	775	767	14.0%	-1.1%
Rails	148	166	173	12.4%	4.1%
<b>Flat products</b>	<b>3465</b>	<b>4233</b>	<b>3863</b>	<b>22.1%</b>	<b>-8.7%</b>
HR coil	1464	1713	1607	17.0%	-6.2%
Plate	947	1327	1078	40.1%	-18.7%
CR coil	440	480	450	9.0%	-6.2%
Coated products	614	713	728	16.2%	2.0%
<b>Total</b>	<b>6002</b>	<b>7011</b>	<b>6639</b>	<b>16.8%</b>	<b>-5.3%</b>

## **3. MARKETS OUTLOOK**

### Forecast of Iron Ore Price in China, \$/tonne



Source: MEC

***Prospects for the global market are largely dependent on the Chinese market!***

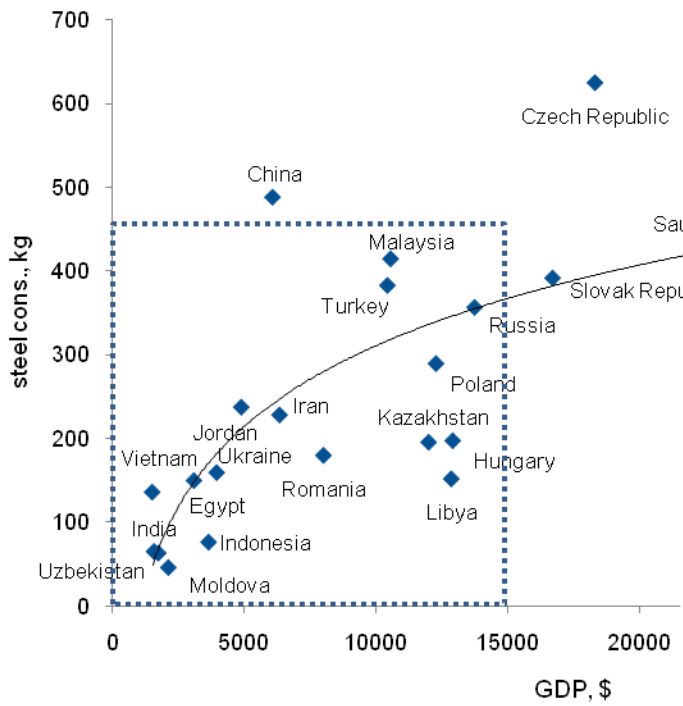
***Our expectations on the Chinese market in 2013-2014:***

- cessation of growth in demand for steel;
- growth in exports of steel products, including semis;
- reduction of dependence on imported raw materials;
- mass closure of facilities.

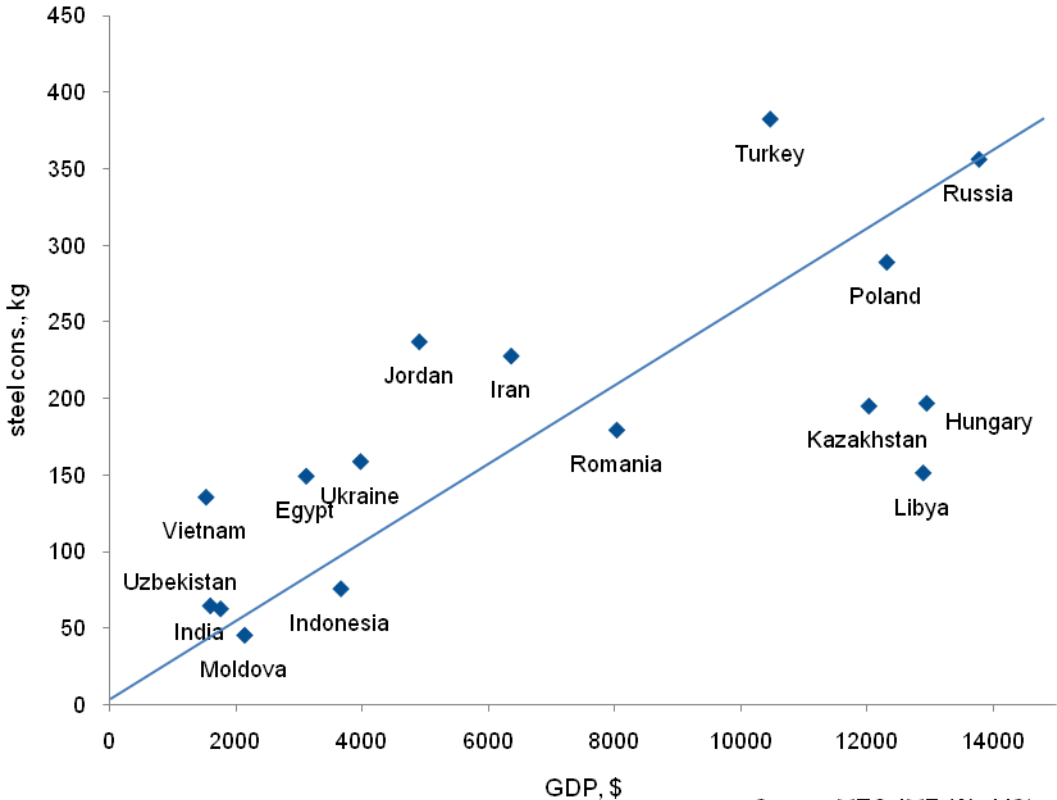
***This means for the global market:***

- excess supply in all commodity markets;
- downward price trend keeping;
- new wave of anti-dumping proceedings.

The ratios of GDP and steel consumption can show certain trends in steel demand in different countries



### Estimates of per capita GDP and steel consumption in different countries in 2012



Source: MEC, IMF, WorldSteel

## New mini-mills to be commissioned in Russia in 2013

Federal District	Mill	Capacity, '000 t	
		steel	finished products
Central FD	NLMK-Kaluga (NLMK-Sort)	1500	900
Central FD	Tula Combine Plant (Chermetinvest-T)	-	250
Central FD	Volzhsky Electrometallurgical Plant	-	120
Southern FD	Armavir Metallurgical Plant (IUD)	750	500
Southern FD	Rostov Electro-metallurgical Plant (Mechel)	-	200
Northern-Caucasian FD	StavStal	-	350
Volga FD	Severstal – Long Product Mill Balakovo	1000	1000
Ural FD	Tumen Mini-Mill (UMMC)	560	545
<b>Total</b>		<b>3810</b>	<b>3865</b>

In total, there are 20 projects with aggregate capacity of almost 9.5 mln t of long products at various stages of implementation



# What can steelmakers do?

1. To invest in production and promotion of highly processed products.
2. In the sales policy, to focus on the domestic market and the CIS market - on import substitution, the growing demand, and promising types of steel products.
3. To be actively involved in the process of horizontal integration.
4. To search and develop niche product markets.

# Metal Expert Consulting – research in ferrous metallurgy, chemical and coal industries

- Customized market analysis
- Product-mix, sales and procurement optimization
- Strategy and business planning
- Conceptual, pre-feasibility and feasibility studies

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