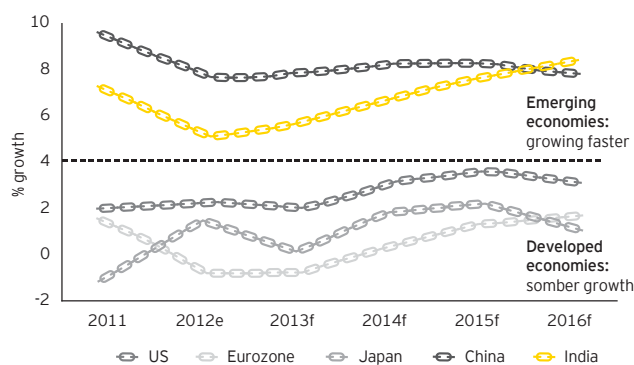


# Global steel 2013

A new world, a new strategy



Figure 1. Real GDP forecast of major steel-producing countries



Source: IHS Global Insight, Ernst & Young analysis

Figure 2. Global steel capacity utilization



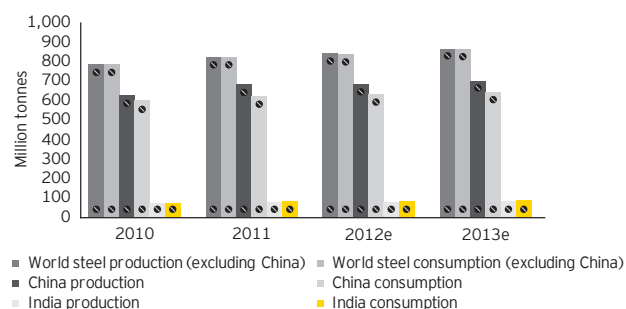
Source: World Steel Association (utilization data comprises 170 steel-producing companies)

## The steel market in 2012 and 2013

Sluggish demand growth and range-bound steel prices are predicted in 2013. Steel prices, which had significantly weakened in the last few months of 2012, will find support from production cuts and capacity reductions by global steelmakers and near-marginal production cost levels for Chinese steel producers.

Excess capacity remains the most significant issue in the steel sector. Global steelmakers continue to witness supply growth outpacing demand, with capacity utilization rates remaining stubbornly below 80%. Slowdown in demand growth from China and subdued steel prices will continue to weigh on the global steel sector in 2013. The global steel market continues to be oversupplied, and the overproduction versus domestic demand from China is likely to persist as the country's steel mills are required to maintain employment and GDP targets. Building and machinery construction represented the highest demand for steel in China being 57% and 21% respectively.

Figure 3. Outlook – steel production and consumption



Source: Bureau of Resources and Energy, September 2012

Utilization is not expected to exceed 80% until 2014 and then only reach 83% by 2015/16.