



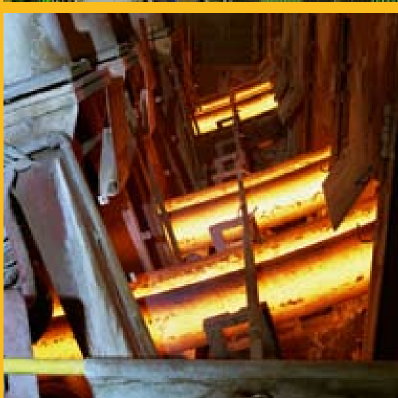

Top steelmakers 2012 edition

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MetalBulletinFocus supplements

Data compiled by:

MetalBulletin
Company Database

www.mbdatabase.com

Top steelmakers 2011

Relentless capacity expansion

Metal Bulletin's ranking of top steelmakers by crude steel output published each year is eagerly awaited for what it reveals about the fortunes of the global steel industry, the changing geographical pattern of steel production and the 'rising stars' among the top tier of international steel companies in terms of size.

This year's ranking, based on each company's crude steel output in 2011, includes no less than 128 steelmakers with an annual crude steel output exceeding 2 million tonnes each – 12 more than for 2010.

Chinese steelmakers continue to dominate, taking 61 slots out of the 128. And as many as 9 of the top 20 places are taken by companies based in China. Amongst other countries in the BRIC nations, Brazil has 3 steel producers in the list, Russia 7 and India 5, so companies in that dynamic group now account for three-fifths of positions on the list.

ArcelorMittal remains the biggest global steelmaker by far, producing 32.5 million tonnes more than the next largest: China's Hebei Iron & Steel Group, which produced over 59 million tonnes of crude steel in 2011.

Hebei is amongst the companies showing the biggest gains in output in 2011: 12% more than in 2010. Other Chinese, and South Korean, companies dominate the subset of steelmakers recording significant gains in output 2010-11, although Italy's Riva Group and Australia's Bluescope are also noteworthy for their growth in output in percentage terms.

To complement this year's ranking table, half-a-dozen steel journalists in Steel First's extensive international network have contributed articles reviewing the key drivers and outlook for steel producers and markets in their regions. To provide an overall global perspective, the Metal Bulletin Focus team has brought together some other key steel statistics within a commentary on the status and prospects for production and trade worldwide. Credit is due to the Metal Bulletin Company Database team for collecting together and processing the raw data needed to create the ranking of top steelmakers presented on the next two pages.

As a brief summary foretaste, worldsteel forecasts that global steel use will rise 3.6% to 1.422 million tonnes this year. Latin America is expected to increase production and consumption in 2012 and, looking further ahead, Mexican steelmakers in particular are making significant investments to boost capacity. After a very buoyant start to this year, North American producers have seen some cooling of capacity utilisation rates in recent months, but still have the momentum to remain reasonably optimistic at present.

With such dominant steelmaking capacity, China continues to concern producers well beyond its borders. External analysts opine that the government's efforts to consolidate its steelmaking industry need renewed vigour, while within the country the signs are that the tone has changed from one expressing a need to restrain a potentially overheating economy, particularly in real estate, to one returning to an emphasis on employment and infrastructure development during a period in which uncertainties about the health of the nation's export markets in the West seem to grow daily.

Worries about the huge financial problems facing the eurozone, and their unpredictable consequences, overshadow not only Europe's own steel producers but the many nations with whom the region's member countries trade.

Wherever your business is based – and whether you are a participant in, supplier to, or observer of global steel production and trade – you will find some valuable insights and perspectives within this special supplement.

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Published by the Metals, Minerals and Mining division of Metal Bulletin Ltd.
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Metal Bulletin Ltd is part of Euromoney Institutional Investor PLC: Nestor House, Playhouse Yard, London EC4V 5EX
Printed by The Magazine Printing Company plc, Enfield EN3 7NT, UK

Top steelmakers in 2011

	Ranking 2011	Ranking 2010	Company	Country of origin/ Main domicile	2010 Output	2011 Output
●	1	1	ArcelorMittal SA	Luxembourg	90.582	91.891
●	2	2	Hebei Iron & Steel Group Co Ltd	China	52.860	59.190
●	3	3	Baosteel Group Corp	China	44.500	43.340
●	4	4	WISCO – Wuhan Iron & Steel (Group) Corp	China	36.550	37.680
▲	5	6	POSCO	Korea (South)	33.720	37.330
▼	6	5	Nippon Steel Corp	Japan	36.140	34.922
▲	7	8	Jiangsu Shagang Group Co Ltd	China	30.120	31.920
▲	8	9	Shougang Group	China	25.840	30.040
▼	9	7	JFE Steel Corp	Japan	31.470	29.240
●	10	10	Tata Steel Ltd	India	24.220	24.500
●	11	11	Shandong Iron & Steel Group	China	23.150	24.020
●	12	12	United States Steel Corp (US Steel Corp)	USA	22.255	21.990
●	13	13	Anshan Iron & Steel (Group) Corp	China	21.000	21.370
●	14	14	Gerdau SA	Brazil	17.800	19.620
●	15	15	Bohai Iron & Steel Group	China	17.455	19.194
▲	16	17	ThyssenKrupp AG	Germany	16.700	17.900
▲	17	18	Nucor Corp	USA	16.563	17.745
▲	18	26	Hyundai Steel Co	Korea (South)	12.910	17.100
●	19	19	Evraz Holding	Russia	16.290	16.800
●	20	20	Maanshan Iron & Steel Co Ltd	China	15.400	16.680
▼	21	16	Benxi Iron & Steel (Group) Special Steel Co Ltd	China	16.800	16.490
▲	22	23	Riva Group	Italy	14.010	16.079
▼	23	21	Valin Group	China	15.110	15.890
▼	24	22	OAO Severstal	Russia	14.700	15.300
▼	25	24	Metinvest International	Ukraine	13.835	14.375
▼	26	25	SAIL – Steel Authority of India Ltd	India	13.762	13.800
●	27	27	Sumitomo Metal Industries Ltd	Japan	12.900	12.720
▲	28	30	IMIDRO – Iranian Mines & Mining Industries Development & Renovation Organisation	Iran	11.340	12.508
▲	29	38	Jianlong Group	China	8.820	12.350
▼	30	28	Novolipetsk Iron & Steel Corp (NLMK)	Russia	11.600	12.000
▲	31	32	Anyang Iron & Steel Group Co Ltd (AISCO)	China	10.020	11.770
▼	32	29	Magnitogorsk Iron & Steel Works – MMK	Russia	11.400	11.700
▲	33	34	Rizhao Steel Group	China	9.810	11.200
▼	34	31	Baotou Iron and Steel (Group) Co Ltd	China	10.120	10.220
▲	35	39	Jiuquan Iron & Steel (Group) Co Ltd (JISCO)	China	8.570	10.210
▼	36	35	TISCO – Taiyuan Iron & Steel (Group) Co Ltd	China	9.600	9.900
●	37	37	Techint Group	Luxembourg	8.840	9.500
▲	38	49	Pingxiang Iron & Steel Co Ltd	China	7.050	9.070
▲	39	40	Jinxi Iron & Steel Group Co Ltd	China	8.250	9.040
▲	40	41	ISDonbass Corp	Ukraine	7.770	8.984
▼	41	33	China Steel Corp	Taiwan	9.899	8.756
▼	42	36	Xinyu Iron & Steel Co Ltd	China	8.870	8.720
▲	43	57	Handan Zongheng Iron & Steel Group Co Ltd	China	6.060	8.650
▼	44	43	Panzhihua Iron & Steel (Group) Co	China	7.500	8.380
▼	45	44	Tangshan Guofeng Iron & Steel	China	7.490	8.210
●	46	46	Celsa Group	Spain	7.370	7.830
▲	47	50	Nanjing Iron & Steel United Co Ltd (NISCO)	China	6.770	7.650
▼	48	45	Beitai Iron & Steel Group Co Ltd	China	7.490	7.600
▼	49	48	Erdemir	Turkey	7.103	7.465
▲	50	52	JSW – Jindal South West Steel Ltd	India	6.380	7.430
▼	51	42	Kobe Steel Ltd	Japan	7.612	7.386
▼	52	51	Salzgitter AG	Germany	6.750	7.263
▲	53	60	voestalpine Stahl GmbH	Austria	5.822	7.061
▼	54	53	Zenith Steel Group	China	6.310	7.010
▲	55	67	BlueScope Steel Ltd	Australia	4.633	6.775
▼	56	54	Dazhou Iron & Steel Co	China	6.210	6.730
▼	57	47	Usiminas – Usinas Siderurgicas de Minas Gerais SA	Brazil	7.299	6.699
▼	58	56	Mechel OAO (Mechel)	Russia	6.073	6.100
▲	59	68	CITIC Pacific	China	4.560	6.030
▲	60	69	Chongqing Iron & Steel (Group) Co Ltd	China	4.560	6.030
▼	61	58	Tianjin Tiangang Steel Group Co Ltd	China	6.000	5.830
▲	61	126	Hebei Jingye Group	China	-	5.830
▼	63	55	Metalloinvest Holding Co	Russia	6.100	5.800
▼	64	62	Fujian Sansteel (Group) Co Ltd	China	5.600	5.720
▼	65	61	SSAB – Svenskt Stal AB	Sweden	5.800	5.671
▲	66	72	Shaanxi Longmen Iron & Steel (Group) Co Ltd	China	4.060	5.530

	Ranking 2011	Ranking 2010	Company	Country of origin/ Main domicile	2010 Output	2011 Output
▼	67	63	**Saudi Iron Steel Co (Hadeed)**	Saudi Arabia	**5.191**	**5.428**
▼	68	64	**AK Steel Corp**	USA	**5.136**	**5.170**
▼	69	65	**CSN – Companhia Siderurgica Nacional**	Brazil	**4.900**	**4.870**
●	70	70	**Steel Dynamics Inc**	USA	**4.264**	**4.717**
▼	71	66	**Ezz Steel Co**	Egypt	**4.900**	**4.600**
▼	72	59	**Essar Steel Ltd**	India	**5.950**	**4.350**
▲	73	76	**Icdas Celik Enerji Tersane ve Ulasim San AS**	Turkey	**3.613**	**4.223**
▲	74	75	**Iskenderun Iron & Steel Works Co (Isdemir)**	Turkey	**3.670**	**4.092**
▲	75	89	**Shanxi Highsee Iron & Steel Group Co Ltd**	China	**2.960**	**3.930**
▲	76	79	**Zaporizhstal Integrated Iron & Steel Works JSC**	Ukraine	**3.450**	**3.836**
▼	77	71	**Duferco SA**	Switzerland	**4.063**	**3.826**
▼	78	73	**Nisshin Steel Co Ltd**	Japan	**3.830**	**3.820**
▲	79	83	**Commercial Metals Co**	USA	**3.216**	**3.806**
▼	80	74	**Ahmsa – Altos Hornos de Mexico SA de CV**	Mexico	**3.691**	**3.806**
▼	81	77	**Xinxing Ductile Iron Pipes Co**	China	**3.570**	**3.760**
▼	82	78	**Hangzhou Iron & Steel Group Co**	China	**3.490**	**3.650**
▼	83	80	**Lingyuan Iron & Steel (Group) Co Ltd**	China	**3.440**	**3.590**
●	84	84	**Hebei Qianjin Steel Group Co Ltd**	China	**3.050**	**3.540**
▲	85	90	**The Lion Group**	Malaysia	**2.900**	**3.250**
▼	86	82	**Rashtriya Ispat Nigam Ltd Visakhapatnam Steel Plant (Vizag Steel)**	India	**3.237**	**3.192**
▲	87	88	**Qingdao Iron & Steel Group Co**	China	**3.000**	**3.180**
▼	88	85	**Quzhou Yuanli Metal Co Ltd**	China	**3.040**	**3.114**
▼	89	86	**Zhejiang Yuanli Group**	China	**3.040**	**3.110**
▲	90	127	**Hebei Xinjin Iron And Steel Co Ltd**	China	**-**	**3.100**
●	91	91	**Dongkuk Steel Mill Co Ltd**	Korea (South)	**2.820**	**3.070**
▼	92	87	**Xilin Iron & Steel Group**	China	**3.020**	**3.030**
▲	93	103	**Delong Holdings Ltd**	China	**2.350**	**3.020**
▲	94	102	**Tangshan Ganglu Iron & Steel Co Ltd**	China	**2.480**	**3.010**
▲	94	128	**Wuan Yuhua Steel**	China	**-**	**3.010**
▼	95	81	**Tianjin Rockcheck Steel Group Co Ltd**	China	**3.340**	**2.990**
▼	96	94	**Sichuan Chuanwei Group**	China	**2.610**	**2.950**

	Ranking 2011	Ranking 2010	Company	Country of origin/ Main domicile	2010 Output	2011 Output
▼	97	93	**Habas Sinai ve Tibbi Gazlar Istihsal Endustrisi AS**	Turkey	**2.727**	**2.882**
▼	98	97	**OAO TMK**	Russia	**2.592**	**2.848**
▼	99	92	**Xingtai Iron & Steel Co Ltd**	China	**2.730**	**2.810**
▲	100	114	**Shandong Shiheng Special Steel Group Co Ltd**	China	**2.110**	**2.810**
▲	101	105	**Jiangsu Huaxi Steel & Iron Co Ltd**	China	**2.330**	**2.760**
▲	102	104	**Jiangyin Huaxi Iron & Steel**	China	**2.332**	**2.755**
▲	103	–	**Toyko Steel**	Japan	**2.377**	**2.734**
▼	104	95	**Lengshuijiang Iron & Steel Group Co**	China	**2.610**	**2.710**
▼	105	99	**Belorussian Steel Works (BMZ)**	Belarus	**2.530**	**2.670**
▼	106	98	**Fangda Special Steel Technology Co Ltd**	China	**2.570**	**2.620**
▼	107	96	**Henan Jiyuan Iron & Steel Group Co Ltd**	China	**2.600**	**2.610**
▲	108	109	**Acciaieria Arvedi SpA**	Italy	**2.300**	**2.600**
▼	109	100	**Shandong Taishan Iron & Steel Co Ltd**	China	**2.510**	**2.530**
▲	110	112	**AG der Dillinger Huttenwerke**	Germany	**2.125**	**2.497**
▲	111	115	**Beltrame Group**	Italy	**2.090**	**2.480**
▼	112	101	**Trinecké Železárny as**	Czech Republic	**2.498**	**2.476**
▲	113	122	**Siderurgica del Orinoco Alfredo Maneiro (Sidor)**	Venezuela	**1.802**	**2.458**
▼	114	107	**Weifang Special Steel Group**	China	**2.310**	**2.430**
▼	115	106	**JSW Ispat Steel Ltd**	India	**2.330**	**2.390**
▼	116	110	**Diler Group**	Turkey	**2.285**	**2.374**
▲	117	118	**Saarstahl AG**	Germany	**2.021**	**2.362**
▼	118	108	**Colakoglu Metalurji AS**	Turkey	**2.304**	**2.350**
▼	119	113	**OneSteel Ltd**	Australia	**2.120**	**2.310**
▲	120	121	**Vallourec**	France	**1.888**	**2.251**
▼	121	111	**Rautaruukki Oyj**	Finland	**2.229**	**2.215**
▲	122	123	**Minmetals Yingkou Medium Plate Co Ltd**	China	**1.740**	**2.210**
▲	123	125	**Jincheng Fusheng Iron and Steel Co Ltd**	China	**1.680**	**2.210**
▼	124	117	**Shanxi Zhongyang Iron and Steel Co Ltd**	China	**2.050**	**2.200**
▼	125	120	**Badische Stahlwerke GmbH**	Germany	**1.918**	**2.145**
▼	126	124	**Feralpi Siderurgica SpA**	Italy	**1.718**	**2.091**
▼	127	119	**Nanyang Hanye Steel & Iron Co Ltd**	China	**2.000**	**2.030**
▼	128	116	**Acerinox SA**	Spain	**2.060**	**2.021**

All figures in million metric tonnes. Ranking movement: ▲ Up ▼ Down ● Unchanged.

Source: Metal Bulletin Company Database

The changing face of steel

Steel output in many countries has recovered after the financial crisis of 2008, but in others a return to former health is proving difficult. Steve Karpel reviews the state of the global industry in terms of production, international trade and demand

The steel industry has undergone dramatic changes over the last decade: there has notably been continuing consolidation and multinational investments to form larger, truly global companies, and there has been the great surge in Chinese output to form around half of the world's total. Neither should it be forgotten that there have been steady technological advances that have improved the cost base, quality and environmental performance in both electric and integrated steelmaking.

Consolidation has made it easier for some producers to control costs, adjust output to more closely follow the market, and so to some extent have greater influence over prices. While some have forecast the eventual emergence of several groups of over 100 million tpy capacity, so far only ArcelorMittal has reached this magnitude. Nevertheless, the emergence of larger entities is continuing, especially in China, where the Hebei Steel group has become the world's second biggest steel producer with over 59 million tonnes last year.

The "credit crunch" financial crisis of 2007-2008 badly hit many major economies, and with it their steel sectors. How have steel industries been faring over the past year, and in comparison with the last 'boom year' of 2007?

World crude steel production reached 1.347 billion tonnes in 2007, reports worldsteel, but fell slightly over the next two successive years as the effects of the financial crisis were felt. Output then rose again to a new peak of 1.417 billion tonnes in 2010 and another record of 1.490 billion tonnes last year. In the first four months of this year, total production has risen again, but only by 0.7% year-on-year, to 504 million tonnes. This slowing in the rate of increase can be traced primarily to a cooling of China's growth, as its dominant steel sector increased production by 1.9% year-on-year in January-April, compared with a 10.3% increase over the two years since January-April 2010.

EU struggles

Looking at overall world totals, however, obscures the different market conditions between separate regions and individual countries. Europe, in particular, has been faring more poorly than other areas.

Steel output in the EU27 reached a peak of 210.2 million tonnes in 2007, but plunged to a low of 139.4 million tonnes in 2009 after the financial crisis hit home. Production recovered in 2010 and 2011, although remaining below previous levels. But as the eurozone debt crisis has flared up again, confidence has been hit and steel production has fallen again, by 4.2% year-on-year, in January-April of this year.

All 27 EU countries – with the exception of Slovenia – produced less steel last year than they did in 2007. Even Germany, the strongest regional economy, produced over 4 million tonnes less last year than its 48.55 million tonnes of 2007.

In the first four months of 2012, output fell year-on-year in all EU steelmaking countries apart from Italy, France, Poland and the smaller producers Slovakia, Hungary, Romania and Slovenia.

The EU as a region – setting aside internal trade – is usually helped by maintaining a positive trade balance in steel: last year, exports of steel mill products were 36.0 million tonnes and imports 34.0 million tonnes, reports ISSB. The trade surplus was larger at 9.5 million tonnes in 2009, but from 2006 to 2008, imports exceeded exports. EU exports tend to be stable in the 30-36 million tpy range, while imports are more volatile and vary with home market conditions.


NUCOR

Although EU imports last year were down from their 2007 peak of 48.7 million tonnes, they still made the EU27 the world's biggest steel importer, ahead of the USA and South Korea. The region was the third biggest exporter, behind China (44.4 million tonnes) and Japan (40.3 million tonnes).

Internal trade between EU countries is substantial, and totalled 102.6 million tonnes last year. Germany was both the top intra-EU exporter with 18.5 million tonnes and its top importer with 24.2 million tonnes.

Asia, led by China's 46% of global output, dominates steel production and consumption. China did not undergo any annual drop in production related to the credit crunch, and neither did India. China's crude steel output reached 683.27 million tonnes last year, although some Chinese sources believe that this is an underestimate. China has five out of the top ten steelmaking groups in the new *Metal Bulletin* top steelmakers list.

India's production just overtook South Korea's in 2006, and it has since stayed ahead. Last year, India produced 72.20 million tonnes and South Korea 68.47 million tonnes, reports worldsteel.

Japan's production peaked in 2007 at 120.20 million tonnes, but fell sharply to 87.53 million tonnes in 2007. It has since partially recovered, although declining by 1.8% last year to 107.60 million tonnes. With its domestic economy still sluggish, exports have been vital to the health of Japan's steel sector. It was the world's leading exporter in 2010 with 42.4 million tonnes. Volumes declined by 5% last year to 40.3 million tonnes, when Japan was the number two exporter after China. The country maintains a substantial steel trade surplus, however, since imports are generally 4-5 million tpy.

Volatile exports

China's steel imports have been fairly stable over the last five years, generally remaining at 1-2 million tpm. It is the country's exports that have been much more volatile, and sensitive to changes in the state of domestic markets, such as the government's attempts to cool an overheating property sector. The sheer size of China's steel supply means that exports can ▶

GLOBAL STEEL TRADE*

	2007	2008	2009	2010	2011
Flat	143.2	137.2	111.2	138.5	144.9
Long	71.9	69.4	51.4	55.9	60.7
Semis	57.1	56.7	48.7	52.8	50.5
Tube	32.5	35.3	24.1	28.2	34.4
Total	**304.7**	**298.6**	**235.4**	**275.4**	**290.5**

*million tonnes. EU internal trade is excluded. Source: ISSB

INTER-REGIONAL AND INTERNAL STEEL TRADE IN 2011*

Bloc	Exports	Imports	Internal
EU27	36	34	103
CIS	47	5	10
Asia	50	20	92
NAFTA	6	23	18
South America	10	8	4
MENA	2	40	na

*million tonnes, rounded. Source: ISSB

FORECASTS FOR APPARENT FINISHED STEEL USE*

Region	2011	2012f	2013f
EU27	152.8	150.9	155.8
Other Europe	33.0	35.0	37.2
CIS	54.0	56.2	59.1
Nafta	121.2	127.5	134.0
Central/S America	46.0	49.1	52.5
Africa	22.7	25.1	28.2
Middle East	48.1	49.8	53.0
Asia & Oceania	895.5	928.6	966.0
World	**1,373.3**	**1,422.3**	**1,485.7**

*million tonnes. Source: worldsteel, April 2012

CRUDE STEEL PRODUCTION*

	2007	2010	2011	2011 Jan-Apr	2012 Jan-Apr
EU27	210,179	172,630	177,431	61,415	58,831
Other Europe	30,608	33,595	37,181	11,878	12,717
CIS	124,169	108,200	112,434	37,789	36,831
North America	132,618	111,406	118,927	39,137	41,874
South America	48,232	43,873	48,357	15,905	16,058
Africa	18,675	16,621	13,966	11,556†	11,505†
Middle East	16,452	19,590	20,325	na	na
Asia	756,861	903,201	954,190	319,733	324,012
Oceania	8,783	8,149	7,248	2,798	2,131
World	**1,346,577**	**1,417,264**	**1,490,060**	**500,213**	**503,958**

*'000 tonnes. †Africa + Middle East. Source: worldsteel

sometimes surge: in the last 5 years they have varied between about 1.0 and 7.8 million tpm at the extremes, but have ranged at the 2.0-4.6 million tpm level since 2011.

In the Nafta region, neither US nor Canadian steel production has returned to 2007 levels, but Mexican output surpassed 2007 last year. US output slumped dramatically from 98.1 million tonnes in 2007 and 91.4 million tonnes in 2008 to just 58.2 million tonnes in 2009. It has since recovered to 86.2 million tonnes last year, with production rising another 9.2% year-on-year to 30.92 million tonnes in January-April 2012. Canadian production rose 8.5% in this period.

Nafta does not produce enough steel to meet its normal demand and so has long been a net importer. US imports peaked at 40.4 million tonnes in 2006, fell to 14.3 million tonnes in 2009, and have since increased to 25.3 million tonnes last year, according to ISSB.

Internal trade between the three Nafta countries totalled 18.1 million tonnes last year, including 9.0 million tonnes of flat-rolled, 4.2 million tonnes of long, 2.8 million tonnes of tube/pipe and 2.0 million tonnes of semis. This was the second biggest year for internal Nafta steel trade after the 19.1 million tonnes of 2008.

South America similarly suffered a substantial 20.2% fall in production in 2009 to 37.78 million tonnes, but recovered quickly so that last year the continent's total steel output, at 48.36 million tonnes, just exceeded its previous 2007 peak. South America's steel is dominated by Brazil, whose production reached a new peak last year of 35.2 million tonnes, with a further 1.7% year-on-year gain in the first four months of 2012.

The overall picture for the world's steel trade is that it has yet to climb back to the 2007 peak of 304.7 million tonnes, although it is not far short at 290.5 million tonnes in 2011, excluding EU internal trade (*see table*). Flat-rolled products remain by far the largest category of internationally traded steel at nearly one half of the total, followed by long products, semi-finished and tube.

The rapid rise of China's steel production is predominantly based on blast furnace technology, which explains why the world share of integrated steelmaking has been steadily rising over the last decade, even if total electric steelmaking capacity has also been growing. Thus the integrated share has risen from 58% in 2000 to 66% in 2006 and 70% in 2011. The electric steelmaking share has slightly contracted in this period, from 34% to 32% and to 29% last year, according to ISSB. The 'other' technologies in use, such as the obsolete open-hearth furnace, have shrunk to 1% from 8% in 2000.

In its latest short-range forecast for apparent steel demand, released in April, worldsteel estimates that global steel use will rise 3.6% this year to 1.422 million tonnes (*see table*). All regions are forecast to increase steel demand in 2012 except for the EU, which is seen as contracting by 1.2%. The organisation takes an optimistic view that the region will emerge this year from its debt crisis, with growth resuming in 2013.

Eurofer, the European Steel Association, takes a similar view, with its latest steel market outlook released in April forecasting a 0.6% contraction in the EU steel-weighted industrial production index this year, followed by a 2.4% increase in 2013.

It is notable that the two areas which have shown particularly strong steel growth recently – Asia and the Middle East – are forecast by worldsteel to have the smallest increases of the regions outside Europe in 2012 at 3.7% and 3.5%, respectively. China's demand is estimated to grow by 4.0% both this year and next.

Demand potential

Apart from national totals for production and demand, one of the most revealing statistics for the steel sector is consumption per capita, which indicates how far below or above the global average each country is, and thus gives a measure of potential future demand growth. The world average for finished steel apparent consumption per capita was a record 206 kg in 2010, according to worldsteel, but, as would be expected, there are wide variations between countries.

The EU average was 299 kg, but it had been as high as 409 kg in 2007. In 2010, the leading European consumers per capita were the Czech Republic (541 kg), Germany (467 kg) and Austria (445 kg).

One country has surged ahead of the rest: South Korea's demand per head has been a leader over the last decade, pulling ahead of Japan and Taiwan. It soared from 787 kg in 1995 to 1,211 kg in 2008, boosted by its powerful automotive and shipbuilding industries. After a brief dip to 936 kg the following year, it resumed its upward trend to 1,077 kg in 2010. The second-highest consumption per head was Taiwan with 772 kg.

China has shown a pronounced uptrend in demand per capita, with a steady unbroken rise from just 72 kg in 1995 to 427 kg in 2010. On the way, it has overtaken the world average in 2003, Russia in 2004, the USA in 2009, and the EU27 average in 2009. The country's apparent consumption per head is now up among the world's highest, which raises the interesting question of how much further it is likely to rise, and whether it is about to reach a more sustainable lower rate of demand growth.

India, in comparison, still lags at some 55 kg/capita demand. With its population size approaching that of China, it evidently has the potential for substantially greater steel consumption, and for becoming a China-style hotspot for steel in future.

Around the regions

In a global industry, no steelmaker is an island – each is affected by the fortunes of its host nation, or nations, while complex international trade patterns for raw materials and steel products can also have a great influence. Here Steel First's worldwide network of steel journalists review the key factors impacting producers in their regions

Chinese capacity climbs further still

It is the best of times but also the worst of times for Chinese steel producers, who have either gone full steam ahead on production or have suffered the downturn in market prices over the past 18 months – sometimes both. Chinese steelmakers have been driven by government policies and economic plans in adjusting production and implementing strategies.

Crude steel output continued to see robust growth in 2011, despite tightening economic measures and strict regulations on the real estate sector since the start of the year. Output would have been higher still over the past year if the housing market had been allowed to grow uncontrollably.

High-speed railway construction halted last summer when an accident occurred in South China's Zhejiang province, which weakened demand for steel a little. China's monthly crude steel output retreated after peaking in May 2011.

With demand from those two major drivers trimmed, steel mills' production levels have benefited instead from the construction of affordable houses, city subway systems, other railway projects and infrastructure construction.

China added 283 km of subway to reach 1,630 km and the country plans to expand to 3,000 km by 2015, according to the China City Metro Association. It is also fortunate that the government continued to encourage expansion of the automotive sector last year, which bolstered the consumption of steel. Total Chinese automobile output and sales reached 18.42 and 18.5 million vehicles, respectively, in 2011 – an increase of 0.8% and 2.5%, according to the China Association of Automobile Manufacturers.

Slowing growth

Chinese steelmaking capacity is still growing in 2012, although markets remain lacklustre and economic growth has slowed down.

China's economic growth slowed to 8.1% year-on-year in the first quarter of this year – the lowest quarterly growth for nearly three years – as domestic consumption and investment have cooled. The government has set an annual growth target of 7.5% year-on-year. Nevertheless, most market participants believe that the government will continue to support the development of the steel industry. For example, official approval of Baosteel's 10 million tpy project in Zhanjiang and Wuhan Steel's Fangchenggang steelworks will shift the focus to South China.

Many Chinese steel mills actually still want to expand capacity and are reluctant to trim production to a reasonable level after they found recently that the central government in Beijing has put forward another round of stimulus measures.

China's State Council of government ministers said in early May that it planned economic policy adjustments to promote domestic demand and curb "increasing pressure of a downward movement." Premier Wen Jiabao led a cabinet meeting that resolved to focus on maintaining growth through "pre-emptive policy adjustments and fine-tuning more forcefully."

In mid-May, the State Council announced a one-year 26.5 billion yuan subsidy programme to encourage purchases of energy-efficient appliances. A similar move was made in 2008 to boost domestic consumption and support industries that are traditionally export-oriented.

The Chinese government has also taken steps to boost private investment into sectors such as rail, healthcare and energy, which are state-dominated, and particularly to accelerate private investment in infrastructure.

Though the state-run Xinhua News Agency said on 29 May that China has not got plans for a larger economic stimulus, current measures, smaller than those put forward in early 2009, could also help cushion the economy and provide reasonable demand for steel.

The tone of China's leaders is now changing from continuing anxiety over inflation and the property market to concern about maintaining growth. It consequently seems highly probable that China's major steel mills will boost production in the coming months through to 2013.

DANIELI

While China's economic growth is slowing, the government is taking a number of measures that should support steel demand. Plate mill capacity has already seen investment

Record output in Latin America

Steelmakers in Latin America faced an optimistic and prosperous start to 2011 but ended the year full of uncertainties. Overall the balance was positive. Crude steel production reached an all-time record of nearly 67.8 million tonnes, up 10% from 2010 and almost 1% from the previous high of 67.2 million tonnes in 2007, according to the latest figures from Alacero, the region's steel association.

Apparent consumption of finished steel products cooled in the second half of the year as a result of governmental measures to hold back inflation in some countries in the region. Worries about the eurozone crisis and a slowdown of the global economy on a wider picture became additional factors.

The total amount of steel consumed in the region's seven biggest economies – Brazil, Mexico, Argentina, Colombia, Venezuela, Chile and Peru – was expected to increase to as much as 63 million tonnes, but wound up at 59.1 million tonnes, a modest 2.2% year-on-year increase.

With high raw materials prices, strong steel imports, demand weakness in several end-use sectors and lower bargaining power over prices in their domestic markets, most Latin American steelmakers had to cope with squeezed operational margins. Production and sales were generally up, however.

Brazil-based Gerdau, which has the biggest installed capacity for crude steel in the whole region, reported an output of 19.62 million tonnes in 2011, up from 17.8 million tonnes in the previous year. Sales hit a record volume of 19.16 million tonnes.

Techint, the Luxembourg-based holding group that controls steelmaker Ternium and pipe manufacturer Tenaris, saw its crude steel output increase from 8.84 million tonnes to 9.5 million tonnes. Ternium, whose main operations are in Argentina and Mexico, did not report its production figures, but highlighted a 10% rise in finished steel sales to 8.8 million tonnes.

Mexico's largest integrated steel mill, Altos Hornos de Mexico (Ahmsa) registered historic highs of 3.8 million tonnes of crude steel output and 3.37 million tonnes of sales. And Sidor, the Venezuelan state-run steelmaker which suffered in 2010 because of a national power savings programme, reported a production boost of 36% last year to 2.45 million tonnes.

Of all the Latin American companies who appear in *Metal Bulletin*'s Top Steelmakers 2011 list, only two – both from Brazil – registered crude steel output decreases.

CSN, which is becoming increasingly strong in iron ore, reported a slight contraction to 4.87 million tonnes from 4.9 million tonnes in 2010, which indicates stability rather than reduction.

It was a different situation for flat steel producer Usiminas, one of the region's steel producers most affected following the 2008/2009 global financial crisis. With combined capacity to produce around 9.5 million tpy of crude steel at its two mills in Brazil, the company did not produce more than 6.7 million tonnes in 2011 – mainly because of

GERDAU

Although Latin America saw record crude steel production in 2011, total demand in the seven biggest economies in the region was below expectations

reduced market share in the domestic market. In 2010 the company's crude steel output had reached 7.29 million tonnes, matching the company's 7.2 million tpy rolling capacity for flat steel products.

Mining and competition

Usiminas passed through a turbulent year which began with CSN buying shares to enter into its controlling group, and ended with a 5 billion Reais ($2.48 billion) deal which gave Ternium a 27.66% stake in the company.

The move frustrated CSN's ambitions to become an even stronger player in the Brazilian and Latin American steel markets. The company is already, and by far, the most successful steelmaker investing in iron ore mining in the region, with annual sales above 20 million tonnes over the past few years at high prices. In 2011, iron ore sales increased by 16% to 29.3 million tonnes, with CSN targeting a sales capacity of 89 million tpy in the medium term.

Now almost everyone else has been following the trend and investing not only to become more self-sufficient in iron ore, but to start selling surplus output of the raw material and get more revenues in uncertain times for steelmakers.

In the medium term this will probably mean higher crude steel production in Latin America, as long as the global economy does not worsen in the second half of this year. Countries such as Brazil have already been taking aggressive measures to stimulate local consumption and growth, such as cutting interest rates, introducing tax and credit incentives, and implementing monetary policies to weaken local currencies and boost exports.

According to Alacero's latest estimates, compiled in April, the region's seven main economies are expected to produce 63.75 million tonnes of finished steel in 2012, up from 60.22 million tonnes in 2011. Out of this total, 30.15 million tonnes would be produced in the first half of the year and 33.59 million tonnes in the second half, which indicates an expected gradual recovery through the next few months.

Apparent consumption in those same countries is estimated to reach 62.79 million tonnes this year, up from the 59.1 million tonnes in 2011.

Juan Weik, Sao Paulo, Brazil

North America addresses some imbalances

While still a bit volatile and experiencing a degree of overcapacity, North American steel markets – and the USA's in particular – are some of the strongest at present. This can be seen by the movements in output by both the major steelmakers based in North America and those with large subsidiaries in the region.

"The North American steel market still has a long way to get out of the malaise from the economic downturn, but it is continuing to move in the right direction," says Christopher Plummer, managing director of Metal Strategies, West Chester, Pennsylvania, calling it one of the bright spots internationally in 2012.

US steelmakers' capacity utilisation rates, which while falling back a little in the past few months, were at their highest levels since the onset of the recession during the first quarter ▶

of 2012. John Surma, chairman and chief executive officer of United States Steel, Pittsburgh, which holds the No. 12 position in *Metal Bulletin*'s Top Steelmakers 2011 ranking – the same position that it held in 2010 despite a small decline in crude steel output – says that his company's capacity utilisation rate exceeded 90% at its US flat-rolled steel and tubulars facilities during that quarter.

Some other top steelmakers in the region also achieved strong capacity utilisation in the first quarter, although perhaps not quite at the 90% rate, while others, and particularly those producing special bar quality steel, which was on allocation or controlled order entry until very recently, are still running full out.

John Ferriola, president and chief operating officer for Nucor, Charlotte, North Carolina, which remains in the top 20 on *Metal Bulletin*'s Top Steelmakers list for 2011 with a 7.1% increase in steel output, says that overall the company, which is very diversified as a mini-mill producer of both flat and long products, had an overall operating rate of 79% during the first quarter of 2012, pushed up by "very healthy" utilisation rates for sheet and plate.

US crude steel output at the end of May was up by about 10% from a year earlier, resulting in an operating rate of 78.6%, by comparison with 74.1% a year earlier.

There continues to be slow but steady economic recovery, according to James Wainscott, chairman, president and chief executive officer of AK Steel, West Chester, Ohio, which achieved a small increase in steel output last year.

Patchy recovery

Recovery in steel demand has been bifurcated, points out Richard McLaughlin, practice director at Hatch Beddows, with automotive, energy, yellow goods and other transportation equipment on the upswing while the construction sector continues to be weak, although moving up very slightly from the bottom.

Wainscott says that North American automotive output has exceeded expectations. Plummer says that production of light vehicles should be greater than 14 million vehicles this year and could exceed 15 million units in the next year or two, pushed up by pent-up demand despite the still shaky state of the economy. That is up from 13.1 million in 2011 and just 8.6 million at the depth of the recession.

Energy markets are seeing even more impressive growth this year, says Plummer, with line pipe shipments up 31% year-to-date through April by comparison with the first four months of 2011, and shipments up by 35% in the same comparison. Much of this is coming from the shale plays, particularly for oil. There has been a 44% year-on-year increase in drilling for oil as of the beginning of June, according to Baker Hughes, Houston, while drilling for natural gas fell by 34%.


US STEEL

The USA has ramped up its capacity, especially for flat products, because of demand expectations – particularly from the automotive sector

Nevertheless, Surma says that while mild winter weather positively impacted the construction sector in the first quarter, overall demand there remains relatively weak. Just how weak varies, says Plummer. Housebuilding – the smallest steel-consuming construction sector, but the one that tends to lead the others – was up by 9.2% year-to-date through April, on the heels of a 26% increase in 2011, but remains 75% below its 2005 peak, Plummer says. Non-residential construction, the largest steel-consuming sector, is just starting to see a slight pick-up, rising 6.8% year-to-date by comparison with a year earlier, after declining 3.2% in 2011.

There has been a big ramp up in production capacity, especially for flat products, with much of that going to support expected future increases in the automotive market, Amy Bennett, principal steel consultant for Metal Bulletin Research, says.

In addition to the ramping up of ThyssenKrupp's new mill in Calvert, Alabama, Severstal has made significant investments at its Severstal North America Dearborn, Michigan, and Columbus, Mississippi, facilities.

RG Steel LLC had restarted capacity in Sparrows Point, Maryland, which it acquired from Severstal, but now, after filing for Chapter 11 bankruptcy protection, is winding down its facilities, and is expected to idle them all, except for its joint ventures, this month. A spokeswoman says that the company is seeking buyers for all or parts of the company.

"The future is very hazy," McLaughlin says, noting that everyone is anxious about what is happening in Europe and what that will mean to the North American market. A lot also depends on what happens with the US presidential election, the Bush era tax cuts and funding for infrastructure construction, Charles Bradford of Bradford Research, declares. "It isn't that things are all that bad, but there are a lot of imbalances that need to be taken care of."

Myra Pinkham, New York, USA

Pressures mount in Europe into 2012

2011 was a tough year for European steelmakers with the back end of the year dominated by nervous consumers deliberating over whether or not to book material, mills contemplating cutbacks and miners and raw material suppliers suffering from the fall-out.

The first half of the year was relatively strong, but the last six months took a toll on many of the most established steelmakers in the world, with production aimed at matching supply to demand.

This is not wholly apparent from the 2011 output figures, however, with the bulk of the top 100 steelmakers based in Europe showing positive production gains.

Headquartered in Luxembourg, the world's biggest steelmaker ArcelorMittal increased its production by a little over 1.3 million tonnes to reach 91.9 million tonnes in 2011. ▶


ARCELORMITTAL

Many European steelmakers have been forced to cut production owing to weak demand

Lakshmi Mittal and the ArcelorMittal management outlined back in September an asset optimisation plan that was intent on saving $1 billion by refocusing its steelmaking away from higher cost facilities and increasing output at its lower-cost and higher-margin operations.

It temporarily cut production at its furnaces in Spain, Poland, Luxembourg, Germany and Belgium in the second half of 2011, yet the steelmaker still produced more steel than it did in 2010, a fact that will surely be used as evidence of its optimisation plan.

ThyssenKrupp was also not immune from enforced production curbs. The steelmaker announced that it would take out 500,000 tpy of flat rolling capacity in Europe during the last quarter of the year.

Despite this, the company produced 17.9 million tonnes of steel in 2011, up from 16.7 million tonnes in 2010. The comparative strength of the first half of 2011 was enough to support the German steelmaker's 2011 results.

The Riva Group in Italy also made output gains, despite suffering unplanned shutdowns during the year, making 16.08 million tonnes of crude steel in 2011, up from 14.01 million tonnes a year earlier.

Fourth-placed European steelmaker was the Techint Group, which produced 9.5 million tonnes in 2011, up from 8.84 million tonnes in 2010. Headquartered in Luxembourg, it comprises Latin American flat and longs producer Ternium and tubemaker Tenaris, among its other companies, with the group's worldwide locations allowing it to increase output.

Spanish-headquartered Celsa, which mostly produces steel products for the construction industry, made a slight gain too, increasing production to 7.83 million tonnes last year, compared to 7.37 million tonnes the year previous.

Celsa also curbed output towards the end of the year and with its long products market struggling at the moment, 2012 could reverse 2011's trend.

German company Salzgitter also made gains in 2011, producing 7.26 million tonnes of steel in 2011, compared with 6.75 million tonnes the previous year. It cut its hot strip steel output by 10% in the last quarter of 2011, yet, as of March, it said that it had restored its output to 100%.

Austrian flats and longs producer voestalpine also took production out of the system in 2011. After a controversial investigation into its rail division sales, it closed down its Duisburg rail facility, while it also cut its flat products production by 10% in the last quarter of the year.

In the face of this, the Linz-headquartered company made 7.06 million tonnes of crude steel in 2011, up from 5.82 million tonnes in 2010.

Special steel manufacturer SSAB made less crude steel in 2011 after it idled its larger blast furnace at Oxelosund, Sweden, back in July. The Swedish company's output dropped by 129,000 tonnes to 5.67 million tonnes in 2011.

Duferco also cut its production in 2011, producing 3.82 million tonnes of crude steel, down from 4.06 million tonnes in 2010. It sold its 50% stake in the Clabecq and La Louvière mills in Belgium in July, before flat steel production at the mills was reduced in October.

Just outside of the top 100, Belorussian Steel Works (BMZ) made 2.67 million tonnes last year, up 140,000 tonnes from the 2.53 million tonnes it made in 2010.

There were also increases in 2011 for Dillinger Huttenwerke (110), AFV Acciaierie Beltrame SpA (111), Vallourec (120), Badische Stahlwerke (125) and Feralpi Siderurgica (126).

Slight cuts were seen at Rautaruukki (121) and stainless producer Acerinox (128), though.

Crisis of confidence

As we approach the second half of 2012 the crisis over the eurozone is still the key issue for steelmakers headquartered in the continent. Through every part of the steel chain, there is a lack of confidence. Steelmakers are working on a back-to-back basis, buying raw materials only after securing sales at the other end.

In between the consumers and mills, stockholders are struggling to get financing, which means that inventories are being kept at minimal levels.

In the face of these pressures, cutting production to match apparent demand has not been as easy as steelmakers would hope for.

Politicians have tried to ensure that steelworks are kept open and people are not made redundant. The outgoing president of France, Nicolas Sarkozy, met with Lakshmi Mittal back in March of this year to try to ensure the 5,000-plus employees at Florange kept their jobs, in one instance of state intervention.

With demand in the first half of 2012 seemingly weakening in Europe, these political factors could play a key role in this year's crude steel output.

With two of the major stainless producers in Europe, Outokumpu and Inoxum (ThyssenKrupp's stainless steel spinoff) hoping to complete a merger by the end of this year, could this also result in output reductions?

And how far will ArcelorMittal's 'non-core' disposal go? Can the European construction industry get any worse?

All these questions will have a bearing on this year's figures, yet unlike 2011, steelmakers have not been able to count on a strong start to a year that they usually are able to.

Daniel Gleeson, London, UK

Russian steelmakers brace for tougher times

Russian steelmakers have faced a sobering environment in the last five months, which has come as a contrast to the lavish domestic demand for both flat and long products and the ▶

favourable conditions in their traditional export markets in 2011.

Russian steel producers are preparing for even tougher times as the country is set to enter the World Trade Organization later this year, which will bring in cheaper imports of steel products and boost transport and gas tariffs in the coming years, according to the market analysis note that Russian pipe- and steelmaker OMK published last month.

Russia's steel market is largely divided between the five big privately-owned players: Evraz, Severstal, Novolipetsk Steel, Magnitogorsk Iron & Steel Works and Mechel. They saw high demand both domestically and abroad in 2011. On the domestic market, the demand for steel was driven by the pipe-makers who were getting big orders from Gazprom, the state-run gas monopoly, and Transneft, the state-run pipeline operator.

There was also a booming construction sector. Demand in the long steel market was so good that some steelmakers which traditionally concentrated on flat steel boosted their long products output. Magnitogorsk Iron & Steel Works, for example, raised its 2011 long steel production by 41% to 1.5 million tonnes.

"In 2011, demand in construction was strong due to great activity in the private sector, as well as the orders for the big state-run infrastructure projects, including the construction of facilities for the winter Olympics in Sochi in 2014," says Renaissance Capital analyst Boris Krasnojenov.

The demand for both long and flat products has been slow so far this year, as the financing for some construction and industry projects was delayed due to the early-March presidential elections that brought Vladimir Putin back to the Kremlin.

The oil price factor

Whether the demand for rebar will come back to growth this year, will depend on the price of oil, analysts say. "As long as the oil price is above $100 a barrel, there will be a good demand for rebar in Russia," Krasnojenov notes. "In such a situation, the government has money to spend on infrastructure, while the oil revenues also spread around the system, resulting in a generally higher demand in construction."

The Brent crude price fell below the psychologically important $100 per barrel earlier this month, in a sign that the hopes for a strong construction season in Russia may not be realised this year. Gazprom and Transneft have not started any big new projects this year, pushing the pipemakers to look for the demand in the markets of other CIS states.

The situation has not been any more favourable for Russia's steelmakers in the European and Middle Eastern markets. The tense economic situation in the eurozone has been keeping demand at bay and pushing prices down, while Iran, a key CIS flat steel consumer, has faced difficulties with paying for imported steel after more stringent sanctions, spearheaded by the EU and USA, were introduced earlier this year. Thus, CIS steelmakers have had to re-direct export volumes homewards and to the Black Sea export markets, creating an oversupply and pushing down domestic prices.

Neither have steelmakers' lives been any easier on the costs side. "Russian steel mills' global dominance in terms of efficiency is a thing of the past, as the non-raw material components of their cost base are increasing," Renaissance Capital analysts reported last month; "Steel margins, on a standalone basis, are depressed, meaning that Russian steel majors must rely on their mining assets and vertical integration."

Costs are set to rise further in the next two years, as WTO membership will bring in higher railway tariffs and more expensive gas on the domestic market, according to OMK's May research note.

A big role in the supply and demand equation for Russian steelmaking in the long term will be played by the state, analysts say. "It is up to the government to set up more infrastructure projects, build more machinery and shipbuilding plants or other metal-intensive production facilities," says Krasnojenov. "It is important to create new consumers of flat steel, as a demand ceiling for the material's domestic consumption has been reached," he adds.

Magnitogorsk Iron & Steel has pointed to the key drivers of domestic steel demand in a mid-term perspective: the construction of facilities for the Sochi Olympics of 2014 and the World Football Championship of 2018, the localisation of car component production by foreign carmakers producing autos in Russia, as well as higher defence spending and the construction of roads and bridges.

Nadia Popova, Moscow, Russia

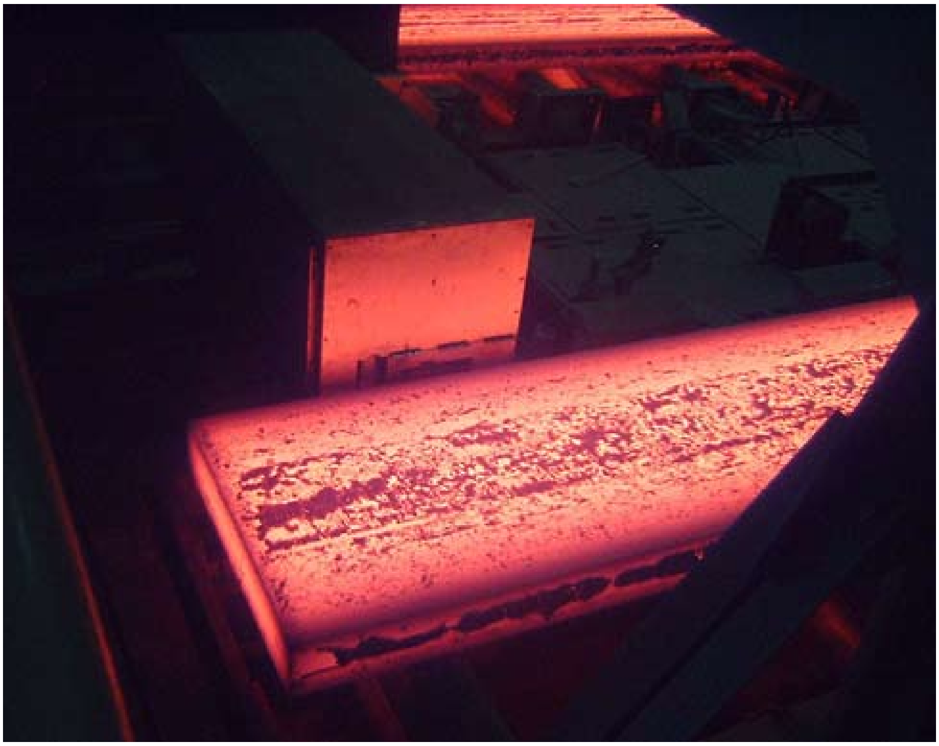
Ambitious plans and political turmoil in Mena

The Middle East and North Africa (Mena) region's steel industry largely remains one of future potential rather than present strength in a global context, despite rapid growth in some key areas.

The aftermath of the 'Arab Spring' created an uneven landscape, with some countries' production and expansion largely unaffected, but others near-paralysed.

Turkey, Europe's second largest steel market but often considered Middle Eastern culturally, showed last year why it is a steel industry unlike any other in the region.

Six of the nine Mena companies to breach the top 128 steelmakers come from Turkey. Indeed, such a decentralised steel industry could account for the fact that, while it has a number of decent-sized producers, it has not yet produced a company whose scale could penetrate the world's top 20. As such, Eregli-based Erdemir leads the region at 49 (7.47 million tonnes), Içdas at 73 (4.22 million tonnes), Isdemir at 74 (4.10 million tonnes), with the others at lower outputs between positions 97 and 118. ▶



NLMK

State investment will play a major role in Russia's future steel demand

Regional reports

Much of Turkey's output for both domestic and export sales has traditionally been in rebar, providing the backbone for the country's steady construction projects as well as the large scale building plans in the UAE and other Gulf markets.

Erdemir, along with its subsidiary Isdemir, was a dominant domestic supplier of flat products last year, despite competition from Colakoglu – which started hot-rolled coil output only in 2010 – and MMK Atakas. Habas is said to be waiting in the wings this year to also begin coil production.

Debate continued over the last year as to when Turkey will become a net exporter of flat products to compare with its international competitiveness for long products. The country has had a sluggish first half of 2012, with demand waning from its major consumer industries such as white goods and cars, as a knock-on effect of declining demand for such consumer products from Europe.

National champions are instead to be found in the Arab world's two largest countries, though similarities are not plentiful when it comes to recent development.

Hadeed, the steel producing arm of Saudi Basic Industries Corporation (Sabic), has risen to become a dominant supplier in the Gulf. The company, as with the parent, typifies the billions of riyals spent by Saudi Arabia to diversify its economy with the swift development of various industries. When the Kingdom invests, it tends to do so in a big way: Sabic itself – mostly government owned – is the biggest Gulf company by market capitalisation.

Egypt's Ezz Steel has a longer pedigree but has had a challenging year that may have posed the first questions about its future dominance of the region. The arrest and sentencing of Ahmed Ezz removed the figurehead of what had become a major regional steelmaker, although the effect was less significantly adverse than changing market forces.

Declines in steel demand and prices in the last year have combined with rising competition for Ezz Steel. Domestically, the company felt the inevitable effects of an economy put briefly on hold from a civil revolution and its aftermath. But its size and status as one of the few true steel 'brands' should see its competitiveness continue.

That there are still relatively few companies from Mena making the list may be down to the industry's relative youth. Iran, with its numerous mills, contributes a single state holding group, Imidro, which has several major subsidiaries including Esfahan and Mobarakeh Steel. But the many current expansion projects started as the country looks towards self-sufficiency, could see more companies making the list in the future.

New projects on track

The Mena region developed further in the past year. The UAE's Al Ghurrair Iron & Steel and Emirates Steel Industries remain two companies striving to increase their competitiveness, the latter giving timelines for its plans to produce hot-rolled coil and plate in the coming years.

Qatar Steel also saw its regional competitiveness increase, with numerous traders citing its competitive products and service. Its joint venture with Qatar Mining to build a steel plant in Algeria is an example of the multinational investment to meet growing demand for international-grade products.

The Kuwaiti-Japanese joint venture Sulb in Bahrain will also add to the long products supply strength, particularly with the launch of its new 1 million tpy meltshop this year that will make it self-sufficient in billet and allow expansion of its finished products plant in Jubail, Saudi Arabia.

Saudi Arabia overall seems ripe for further steel projects across the production chain, reducing its reliance on imports. It is perhaps the most insulated of the Mena countries from the continuing regional instability, which is likely to be a critical factor for trade flows and the success of expansion projects. Kandil Steel, for example, a fast-growing Egyptian coil maker, has slowed its expansion project in the light of both domestic and regional uncertainty that has affected the viability of the project.

Instability in the Eurozone will also affect Mena mills in two ways. Firstly, the weaker demand for consumer goods bought in Europe and made using Middle Eastern steel products. Secondly, sluggish growth and a weaker euro may keep European mills competitive as a supplier to the Mena region. In addition, continuing sanctions on Iran may affect the country's investments in meltshops and rolling mills, as well as affect exports from its traditional suppliers such as Turkey and the CIS.

But if conditions improve and Mena projects stay on track, 2013 could see further gains for the region as an international steel force.

Ben Roberts, Dubai, United Arab Emirates

EMIRATES STEEL/DANIELI

The Gulf region in particular has been a focus for major steel investment