

## **WORLD STEEL REVIEW**

### **Iron & Steel Statistics Bureau, July 2006**



Production of crude steel for the 62 countries reporting to the IISI in May was estimated to be 104.1 million tonnes. This was 9.3% above the May 2005 total, and the year to date was 7.1% higher than the total for the same period in 2005 at 490.7 million tonnes. Excluding China, however, the 5 months total was only 2.1% up.

In the European Union crude steel production for the 25 increased by 8.7% in May to 17.5 million tonnes compared to May 2005, and by 2.4% to 83.5 million tonnes in the five months to date. German steel production was up 9% in May, bringing the year to date total to 19.3 million tonnes, just 0.5% up on the previous year. French production rose by 8.2% in May, with the year to date up 3.6% to 8.9 million tonnes. Italian steel production also increased, 7.8% in the month and 3.7% in the five months to 13.2 million tonnes. Spanish steel increased in May, but fell by 2.9% in the year to date to 7.5 million tonnes. In the United Kingdom steel production also fell, 5.1% down in May, although the five months total was up 2.1% at 5.9 million tonnes. Polish production increased by 23% in May, with the year to date up 8.5% to 3.9 million tonnes. Production in the Czech Republic rose by 24.3%, bringing the year to date total to 3 million tonnes, 9.6% up on the previous total. The other major West European steel producer, Turkey, showed a 9.1% rise in production in May, bringing the year to date total up 9.7% to 9.3 million tonnes.

The Arcelor board has finally agreed to accept a revised bid from Mittal Steel representing an improvement of 7% over their previous offer announced on May 19. This comes despite previously stating that a merger with Severstal made better business sense and higher value creation. Arcelor will have a 50.5% stake in the new group, to be called Arcelor-Mittal, and the Arcelor chairman, Joseph Kinsch, will remain as chairman of the board until he retires next year (Steel Business Briefing, 26 June). However, Severstal said it is reviewing all options as it has "a legal, binding merger agreement" with the Arcelor board (Metal Bulletin, 26 June).

Imports of steel by the EU25 from outside the region rose to 8.1 million tonnes in the first quarter of 2006, only just below exports for the same period. Imports reached a peak of 8.6 million tonnes in Q1 2005, resulting in a negative trade balance of 1.4 million tonnes. Since then exports rose dramatically in the last 9 months of 2005, but dropped in Q1 2006. Of the 8.1mt imported in Q1 2006, 21% came from Russia, and the Ukraine and Turkey both supplied 10%. China was in fourth position with just under 8%. These four countries were also the top 4 a year earlier in Q1 2005. Serbia has substantially increased its exports to the EU, moving into 10th place by Q1 2006.

EU25 imports of hot rolled wide strip reached 1.7 million tonnes in Q1 2006, 21% of the total, with semis at 1.6mt. Italy was by far the largest importer of steel, accounting for 29% of the total in Q1 2006 at almost 2.4mt. Spain's imports in the quarter topped one million tonnes, or 12.4%, with Germany at 822 thousand tonnes, or 10% of the total.

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According to ACEA, the European car manufacturers association, car registrations were almost 10% up in May, with the five months total up 2.4%. Italian registrations were 50% up in May, bringing the year to date up 12.5% to 1.1 million cars. Registrations in Germany were 8.7% up in May and 2.9% up in the five months to 1.4 million cars. UK registrations increased slightly in May but were 4.3% down in the year to date at one million cars. The French and Spanish totals were also down.

Russian crude steel production was 6.1 million tonnes in May, 7.5% higher than in May 2005; while the year to date total was 5.2% up at 29.0 million tonnes. Ukrainian monthly production increased by 9%, although the five months total was 0.3% down at 16.3 million tonnes. In Kazakhstan the year to date total was down 7.7% to 1.6 million tonnes.

On the North American continent US crude steel production increased by 8.4% in May, and by 4.5% to 41.6 million tonnes in the year to date. Canadian steel production was down by 1.8% in the month, and by 3.4% in the five months to 6.5 million tonnes. Mexican steel production fell even further, decreasing by 14.3% in May, and by 7% in the year to date, also to 6.5 million tonnes.

Crude steel production in the South American countries was very mixed, with Brazilian production falling 9% in May, and by 10% in the year to date to 12.1 million tonnes. Venezuelan steel production was down very slightly in the month, although the five months total was up 8.5% to 2.1 million tonnes. In Argentina the monthly total rose by 2.1%, bringing the year to date total up 4% to 2.3 million tonnes.

In Africa, Egyptian steel production was 17% down in May and 10% down in the year to date to 2.1 million tonnes. South African production fell 2% in May, and 3.4% in the five months to 3.9 million tonnes. In the Middle East, Iran showed a 5.2% increase in steel production in the year to date total to 4.1 million tonnes. A report in the Iran Daily stated that Iran plans to double its steel production to 20 million tonnes by 2010 (Metal Bulletin, 27 June). This would be through a combination of state owned and independent steelworks. Saudi Arabian steel production, on the other hand, fell by 2.1% in the year to date to 1.7 million tonnes.

Turning to the Far East, Chinese steel production rose by 19.6% in May, bringing the year to date up 18.6% to 162.7 million tonnes, over 3 times the Japanese total. Japan's May production actually decreased by 1.2%, leaving the year to date total flat at 47.3 million tonnes. Crude steel production in South Korea was slightly up in the month, reaching 19.7 million tonnes in the five months, down 0.9% on the previous year. India's production showed a marked rise in May of 13.4%, with the year to date up 17.4% to 17.5 million tonnes. Taiwan's monthly increase in steel production was 10.8%, bringing the year to date to 8.35 million tonnes, a rise of 3.2%.

Despite South Korea's fairly flat steel production over the last 18 months, their exports have risen by 11.2% in the first 4 months of 2006 to 5.9 million tonnes. Exports of hot rolled wide coil rose by 34% to almost 1.4 million tonnes, 23% of total exports. CR exports rose slightly to nearly 1.2 million tonnes, while the exports of coated sheet and strip totalled 1.3 million tonnes, an increase of 16% over the 4 months of 2005. South Korean steel imports, on the other hand, fell by 5% in the January to April period, although imports of hot rolled plate lengths showed a marked increase of 38% to nearly 1.3 million tonnes.

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According to Steel Business Briefing, 26 June, China's steel industry profits dropped by 37% in the first 5 months of 2006 compared to the same period last year, although the recovery in steel prices has helped to improve the situation. At the same time China's National Development & Reform Commission has issued guidelines stating that all blast furnaces of less than 200 cubic metres volume and all electric furnaces of less than 20 tonnes capacity must be shut down by 2007. Also by 2010 blast furnaces below 300 cubic metres and electric furnaces less than 30 tonnes must be closed down. This is a slight relaxation of the previous directive from the NDRC.

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