

GLOBAL MARKET SITUATION 64 TH IREPAS MEETING



Hong Kong
April 2011

Kim Martí
Celsa International Commercial Director
CELSA GROUP

Table of Contents

- [01] Macroeconomic Situation
- [02] Steel and Long Products Consumption Situation
- [03] Rebars Market
- [04] International Price Situation
- [05] Outlook

[01] Macroeconomic situation

Macroeconomic situation

Economic outlook for 2011

- The Two-speed recovery is set to continue. In advanced economies, signs are increasing that private consumption is starting to recover. 2011 growth projection has been revised upwards ¼% relative to October 2010 as signs in US are very positive and in EU area, the strong performance of German economy is offsetting a troubled periphery.
- The consensus on the effects of the devastating tsunami in Japan indicate that the economy big hit will be short term and activity will receive a boost from reconstruction activity
- In emerging economies growth is expected to remain buoyant. Its strength will be well supported by domestic demand, and continuous capital inflows.
- Most developing countries, particularly in sub-Saharan countries, are also growing strongly
- The economic impact of Arab political turmoil and its effect on oil price looks limited. It is estimated on a 0.2% of world GDP max.
- Rising global demand for commodities prices will push prices higher and fuel inflation in some emerging prices
- Financial conditions are expected generally to remain stable or improve this year. Financial stresses, however, are expected to remain elevated in the periphery of the Euro Area.
- Downside risk to the recovery not to be underestimated. The Urgent requirements need to be in place, like taking actions to overcome the financial troubles in the euro area, policies to repair and reform financial systems in advanced economies and also policies to facilitate external rebalancing in key emerging economies.

MACRO ECONOMICS INDICATORS

% change on year ago

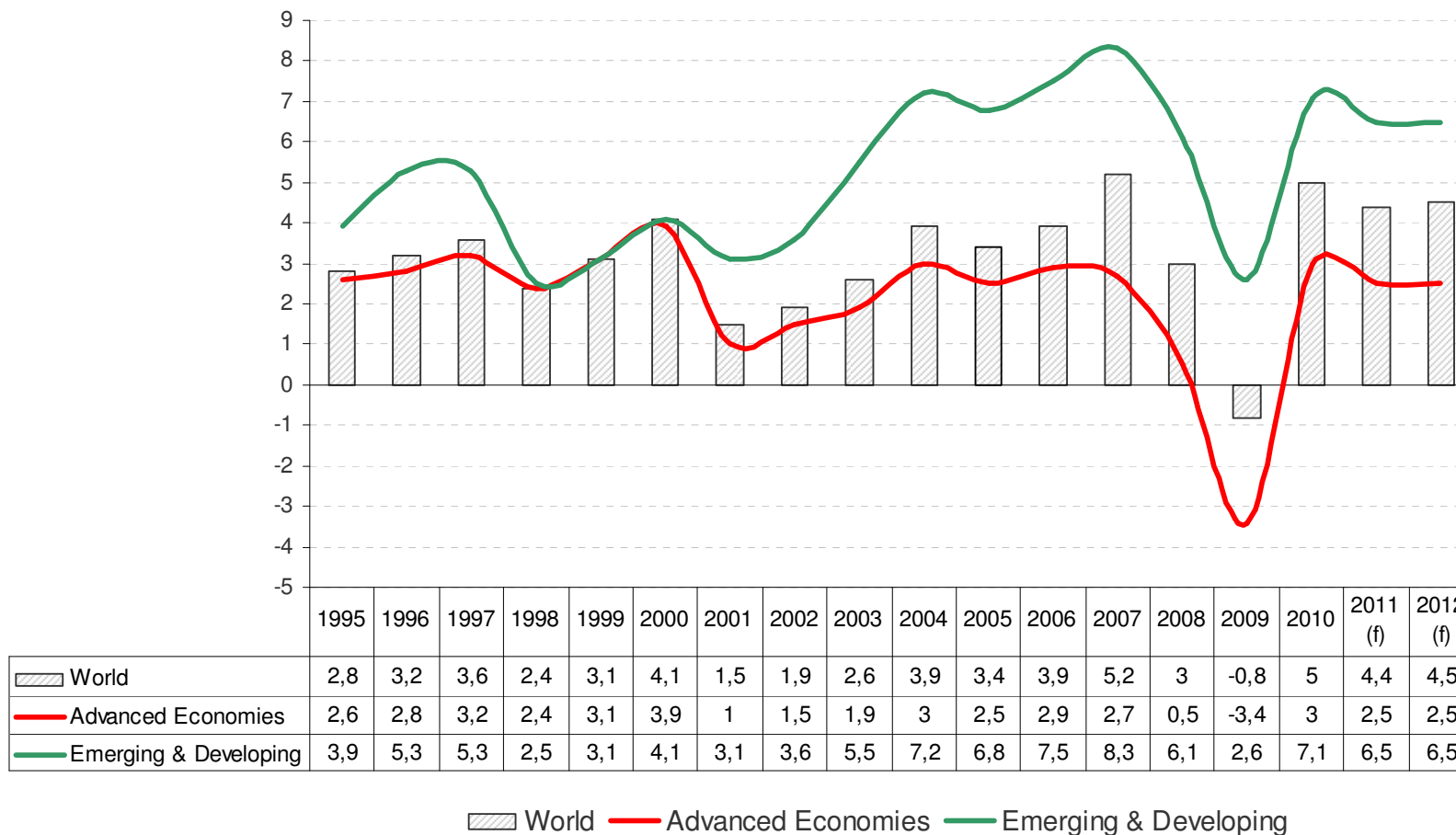
| | <u>Gross domestic Product</u> | | | <u>Current Industrial</u> | <u>Consumer Price</u> | |
|---------------|-------------------------------|---------------|--------------|---------------------------|-----------------------|---------------|
| | <u>Q42010</u> | <u>2011 f</u> | <u>2012f</u> | <u>Production</u> | <u>current</u> | <u>2011 f</u> |
| United States | 2,8 | 3,3 | 3,2 | 5,2 | 1,6 | 2,11 |
| Japan | 2,2 | 1,7 | 2,0 | 4,7 | -1,3 | -0,1 |
| Japan(a.eqk) | 2,2 | 1,3 | 2,5 | 4 | -1,3 | -0,1 |
| China | 9,8 | 9,0 | 8,7 | 13,5 | 4,9 | 5 |
| Britain | 1,7 | 1,6 | 2,0 | 3,6 | 4 | 3,8 |
| Canada | 3,2 | 2,6 | 2,8 | 6,3 | 2,3 | 2,3 |
| Euroarea | 2 | 1,6 | 1,7 | 8 | 2,4 | 2,2 |
| Germany | 4 | 2,6 | 2 | 12,4 | 2 | 1,9 |
| Spain | 0,6 | 0,6 | 1,2 | 6 | 3,6 | 2,2 |
| Russia | 5,0 | 4,3 | 4,5 | 6,7 | 9,6 | 9,1 |
| Turkey | 5,5 | 5,2 | 5,1 | 18,9 | 4,2 | 6,4 |
| Australia | 2,7 | 3,1 | 3,7 | -0,3 | 2,7 | 3,2 |
| Hong Kong | 6,2 | 4,8 | 4,3 | 5,4 | 3,6 | 3,6 |
| India | 8,2 | 9,0 | 8,7 | 1,6 | 9,3 | 7,4 |
| Singapore | 12 | 4,1 | 5 | 10,5 | 5,5 | 3,2 |
| South Korea | 4,8 | 4,6 | 4,1 | 13,7 | 4,5 | 3,6 |
| Taiwan | 6,9 | 3,9 | 3,8 | 17,2 | 1,3 | 1,5 |
| Argentina | 9,2 | 6,0 | 3,8 | 10,3 | 10,6 | 11,2 |
| Brazil | 5,0 | 4,3 | 4,7 | 2,5 | 6 | 6,1 |
| Colombia | 3,6 | 4,5 | 4,7 | 4 | 3,2 | 3,3 |
| Mexico | 4,6 | 3,9 | 3,6 | 4,9 | 3,6 | 4,2 |

Macroeconomic situation

GDP Evolution

Contribution to World GDP

(Percentage change on preceding year 1995-2012)

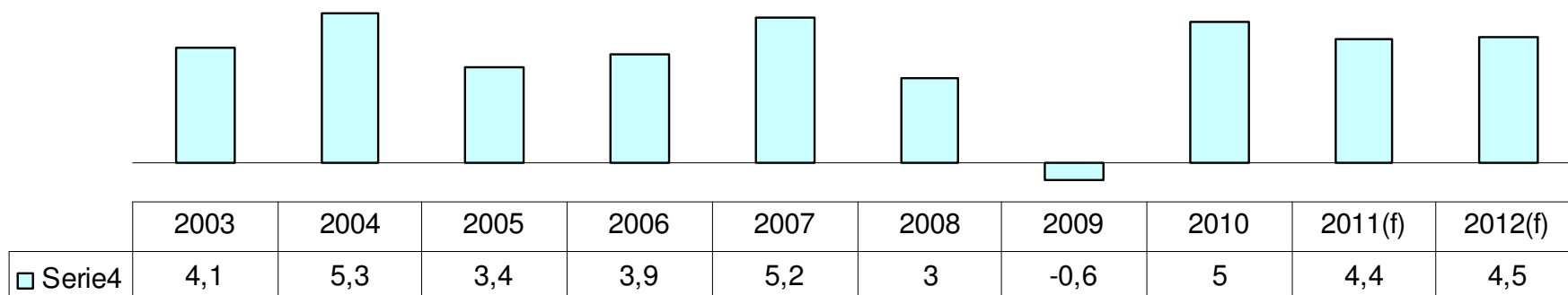


Source: IMF, World Economic Outlook, January 2011 Update

Macroeconomic situation

GDP Evolution

World GDP
(Percentage change on preceding year)

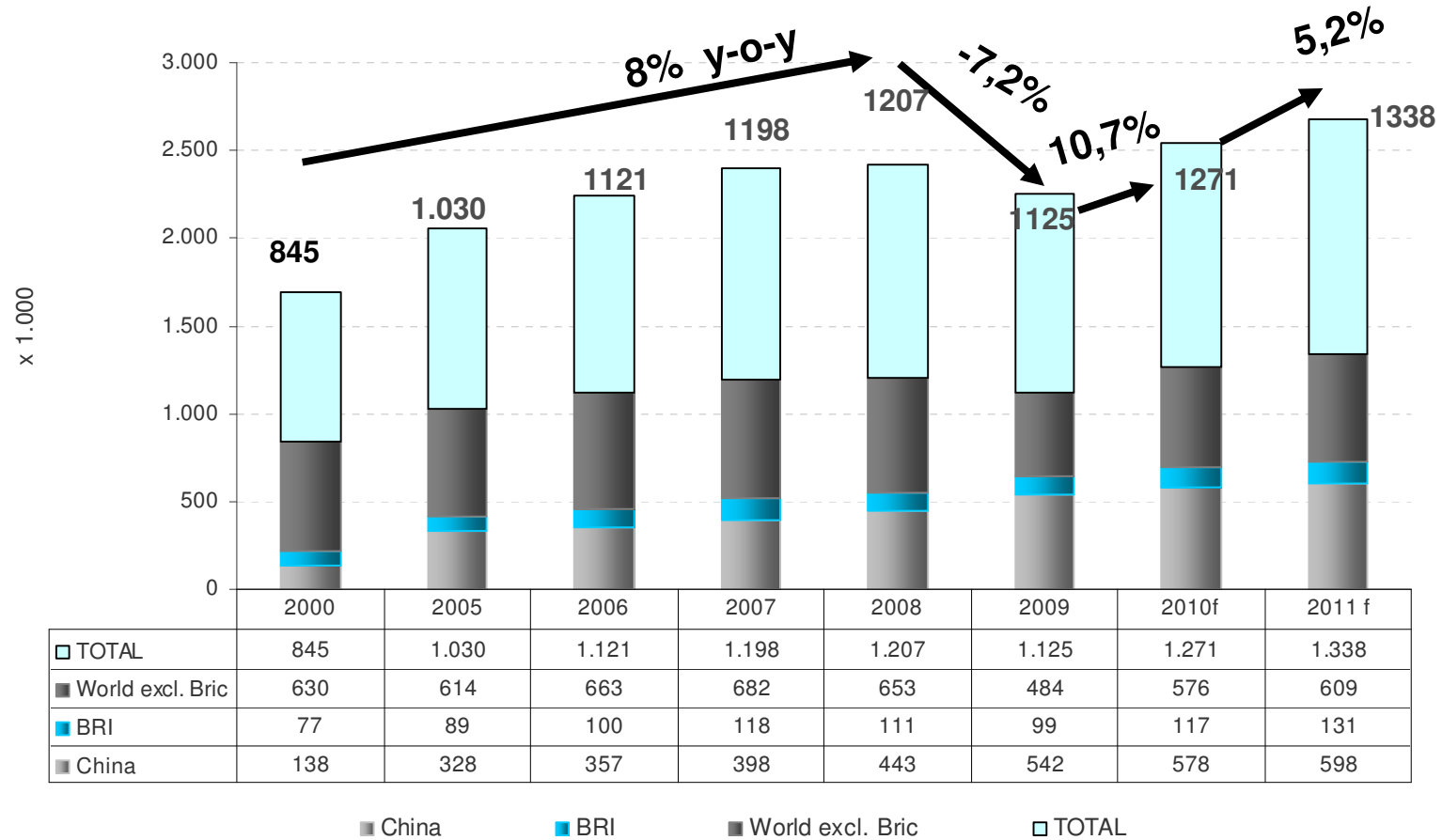


[02]

**Steel and long
products consumption
situation**

Steel consumption situation

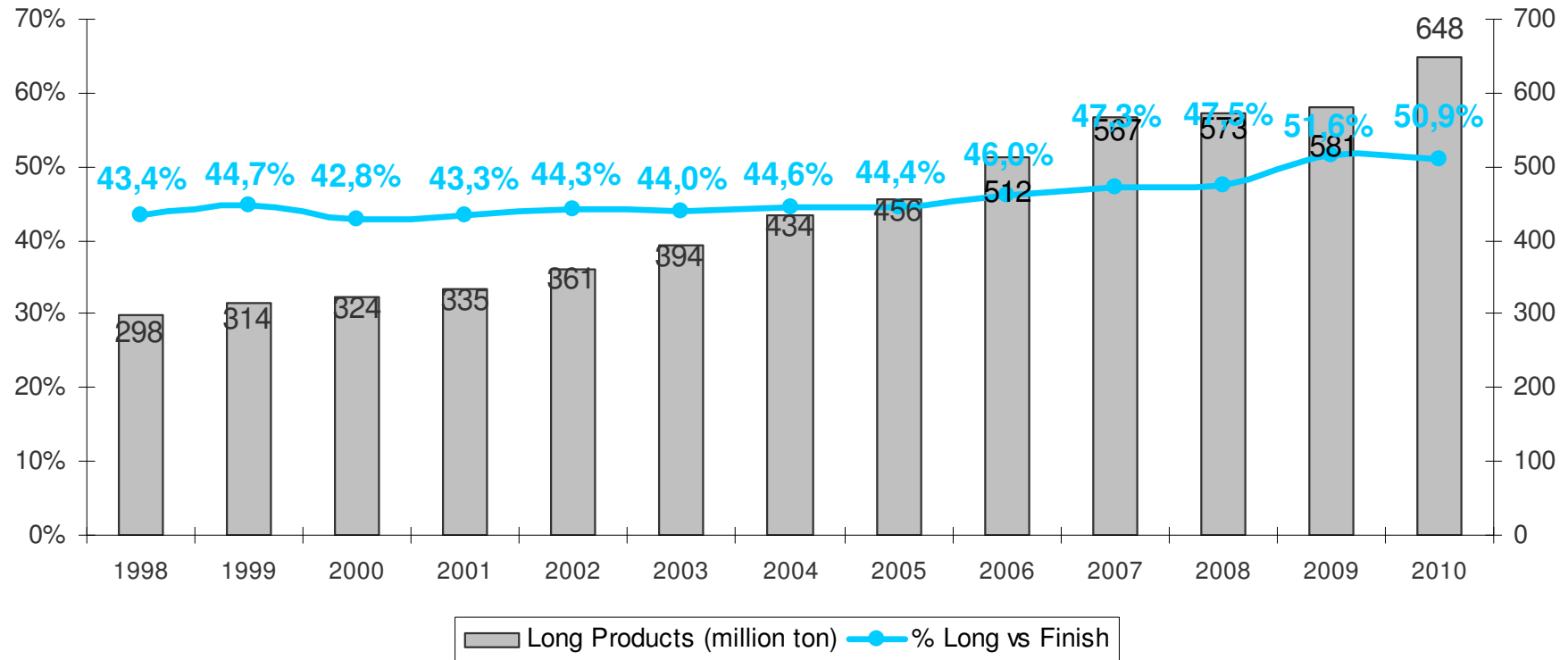
World finished steel consumption



Source: worldsteel

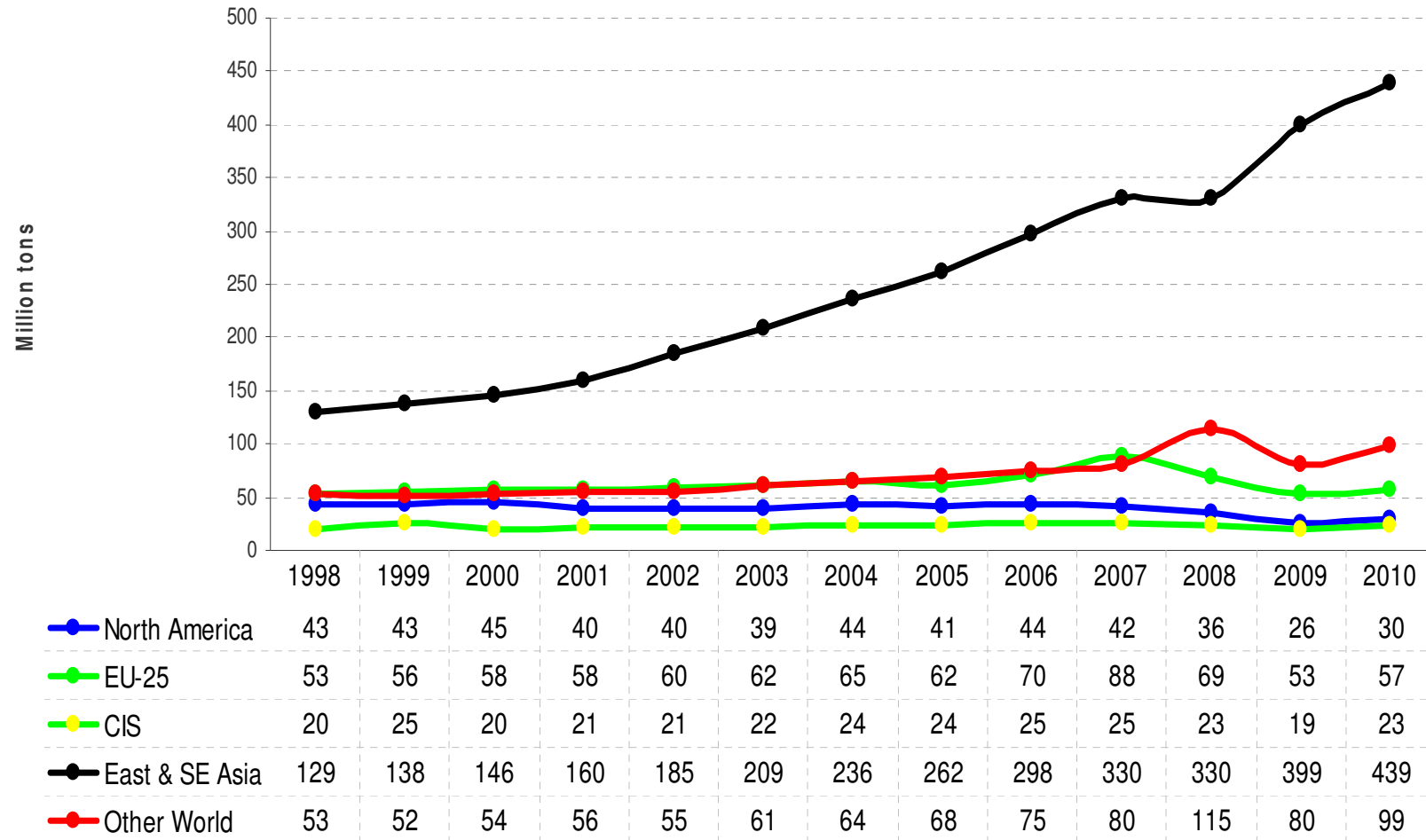
Long products market

Worldwide long products consumption evolution



Long products market

World long products consumption per area



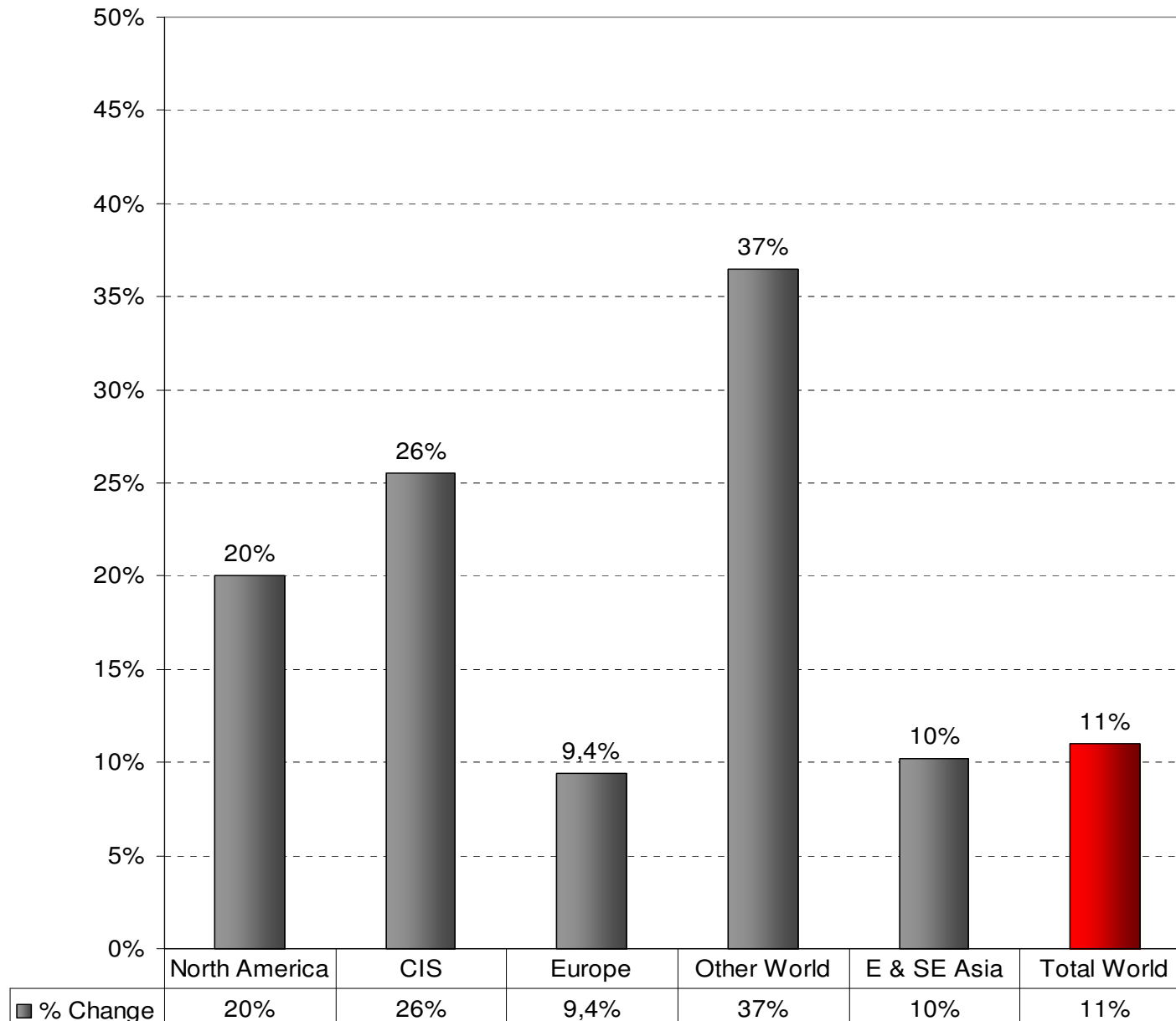
Source: Estimation

Long products market



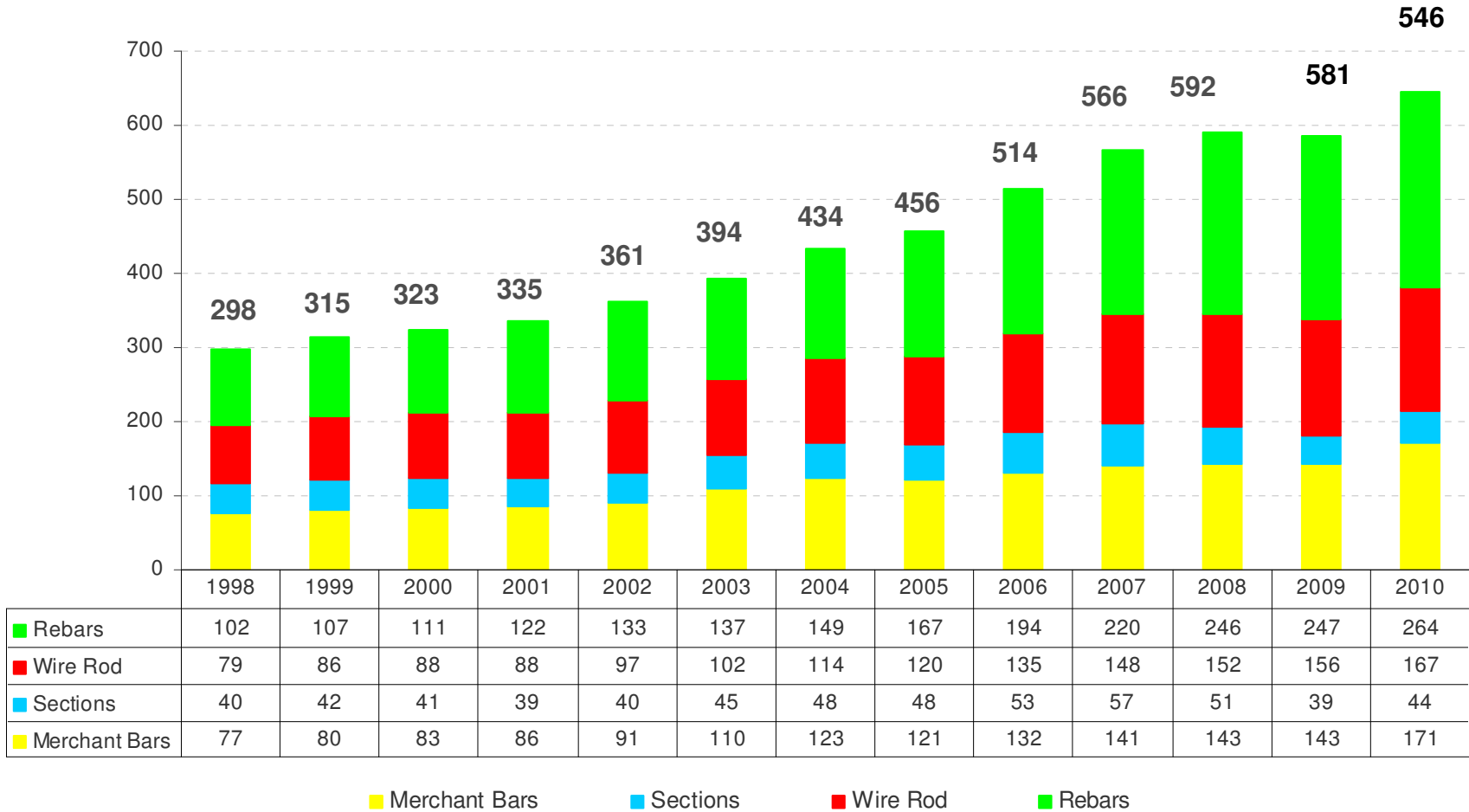
World long products consumption by areas – 2010VS 2009

X



Long products market

World consumption evolution per product

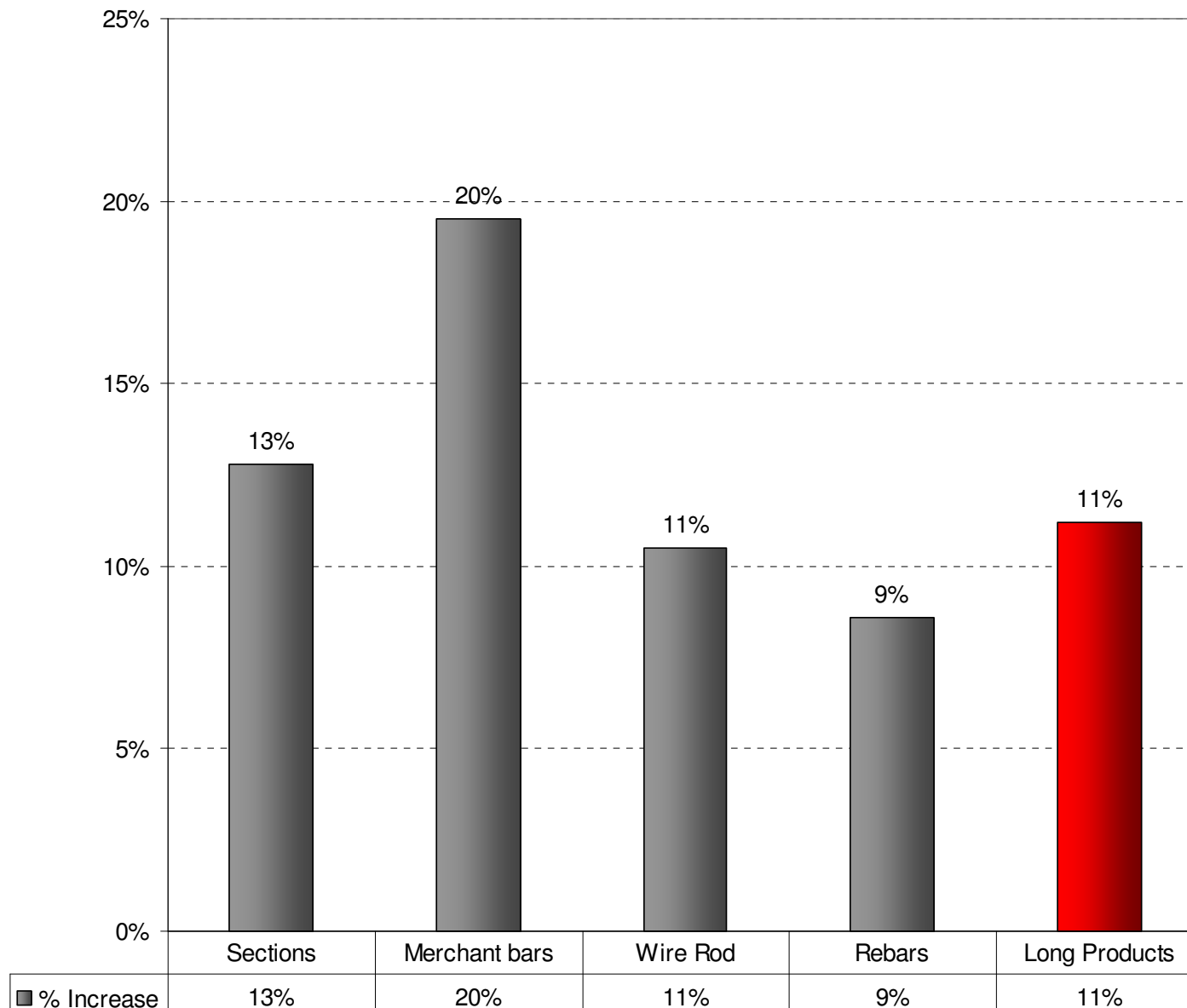


Source: Estimation

Long products market



World consumption by product – 2010 VS 2009

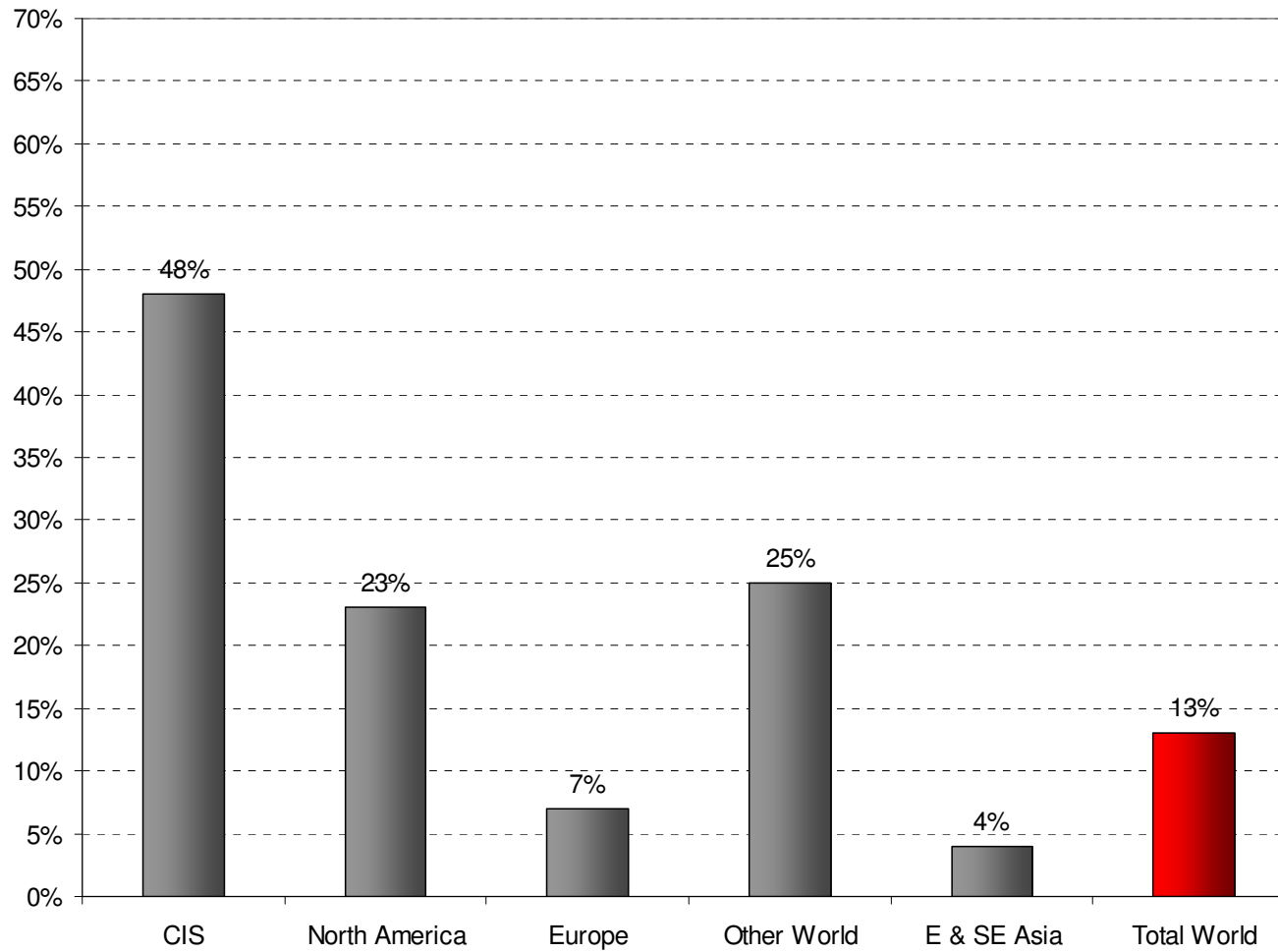


Long products market

World consumption by product – 2010 VS 2009



SECTIONS



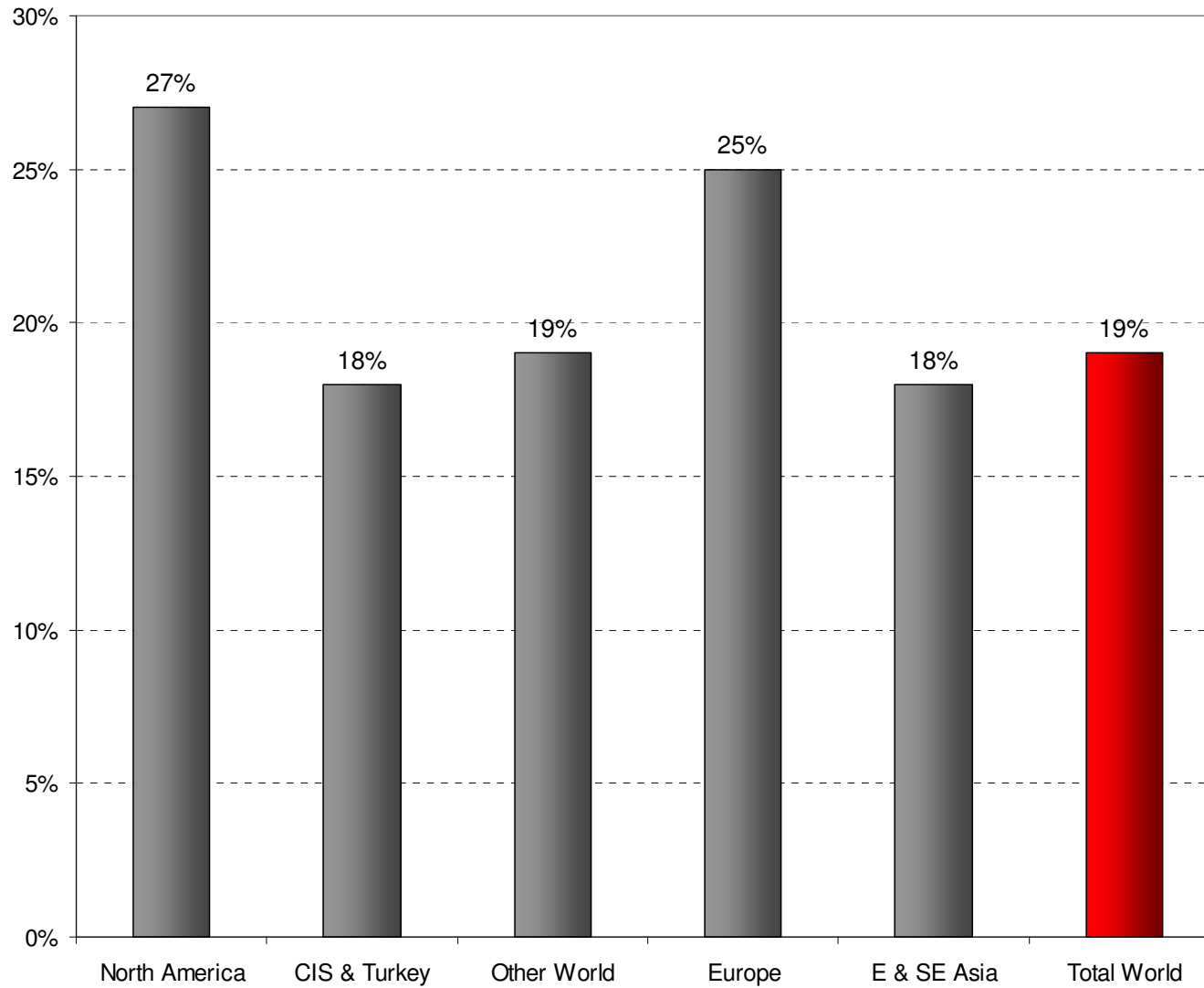
Long products market

World consumption by product – 2010VS 2009

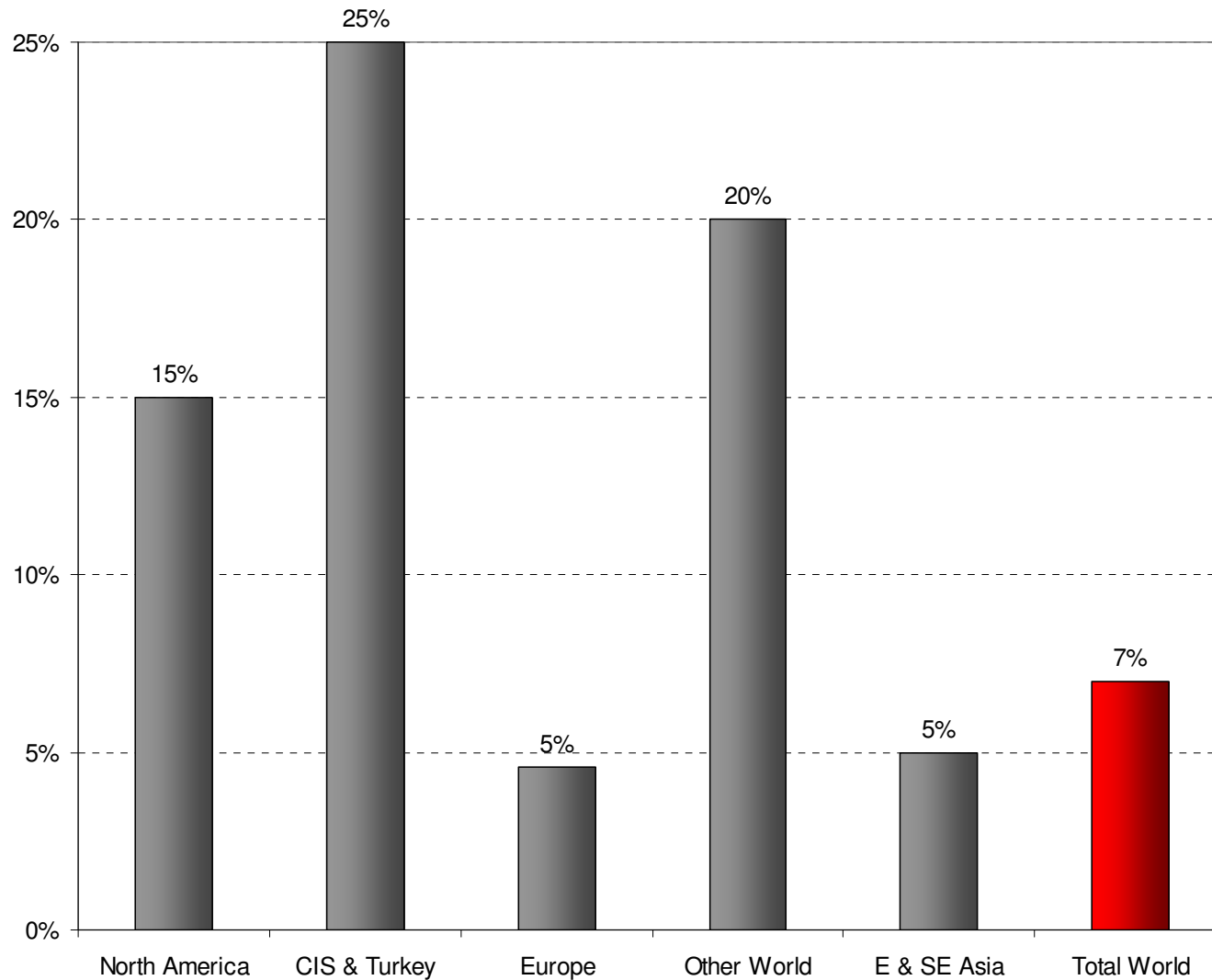


X

MERCHANT BARS



REBARS



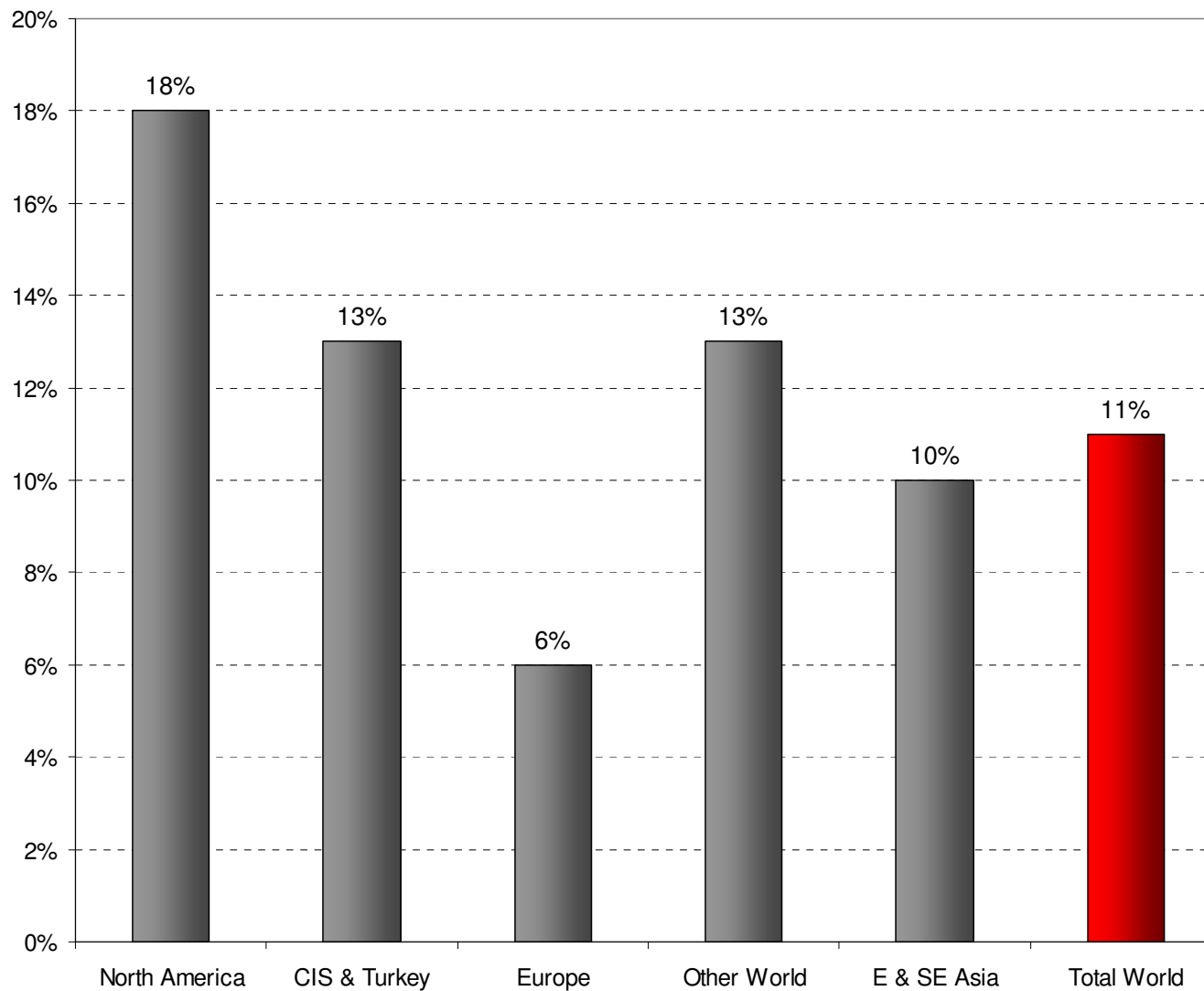
Long products market

World consumption by product – 2010 VS 2009



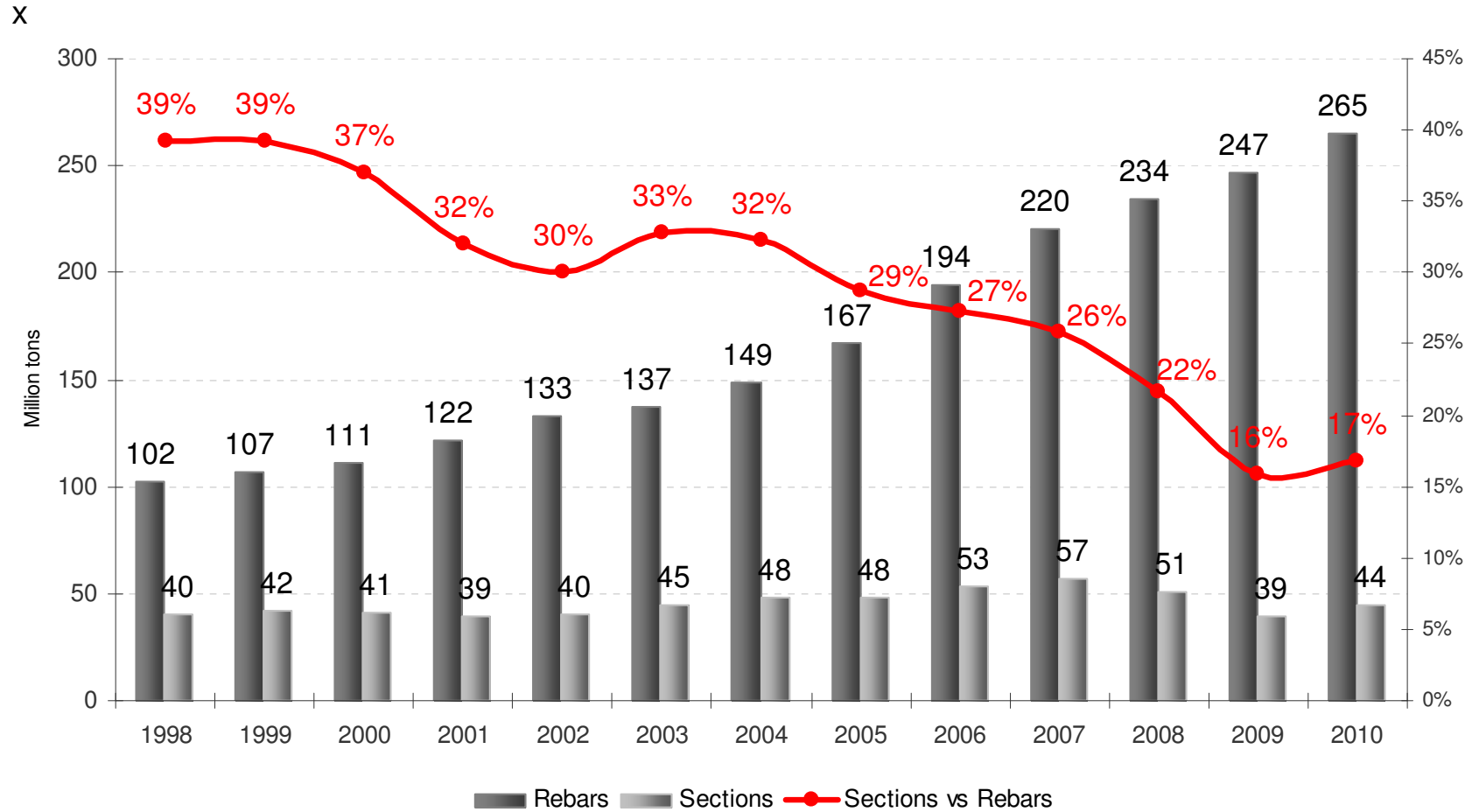
x

WIRE ROD



Long products market

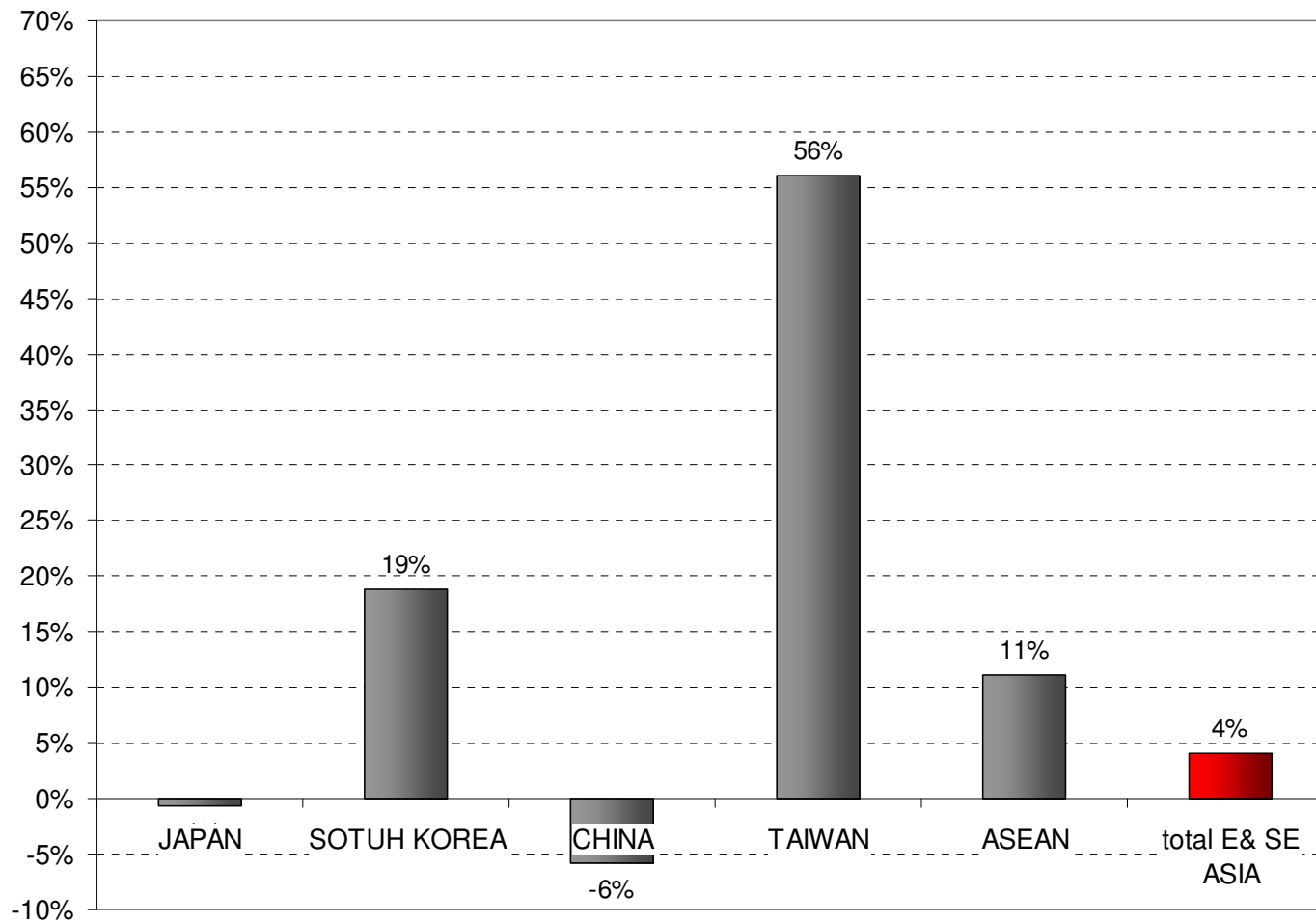
World sections vs. rebars consumption



Source: Estimation

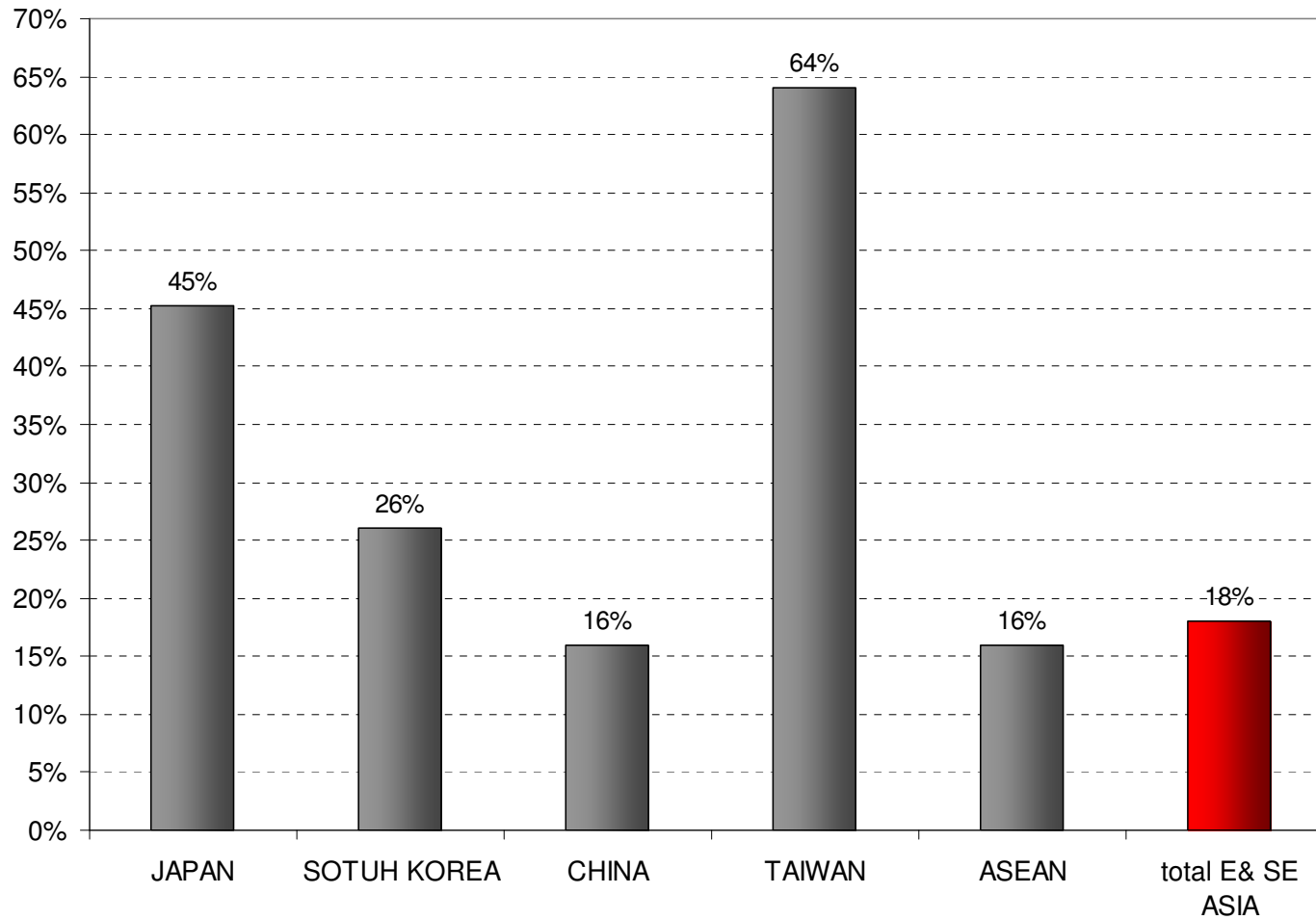
E&SE Asia consumption by product – 2010 VS 2009

SECTIONS



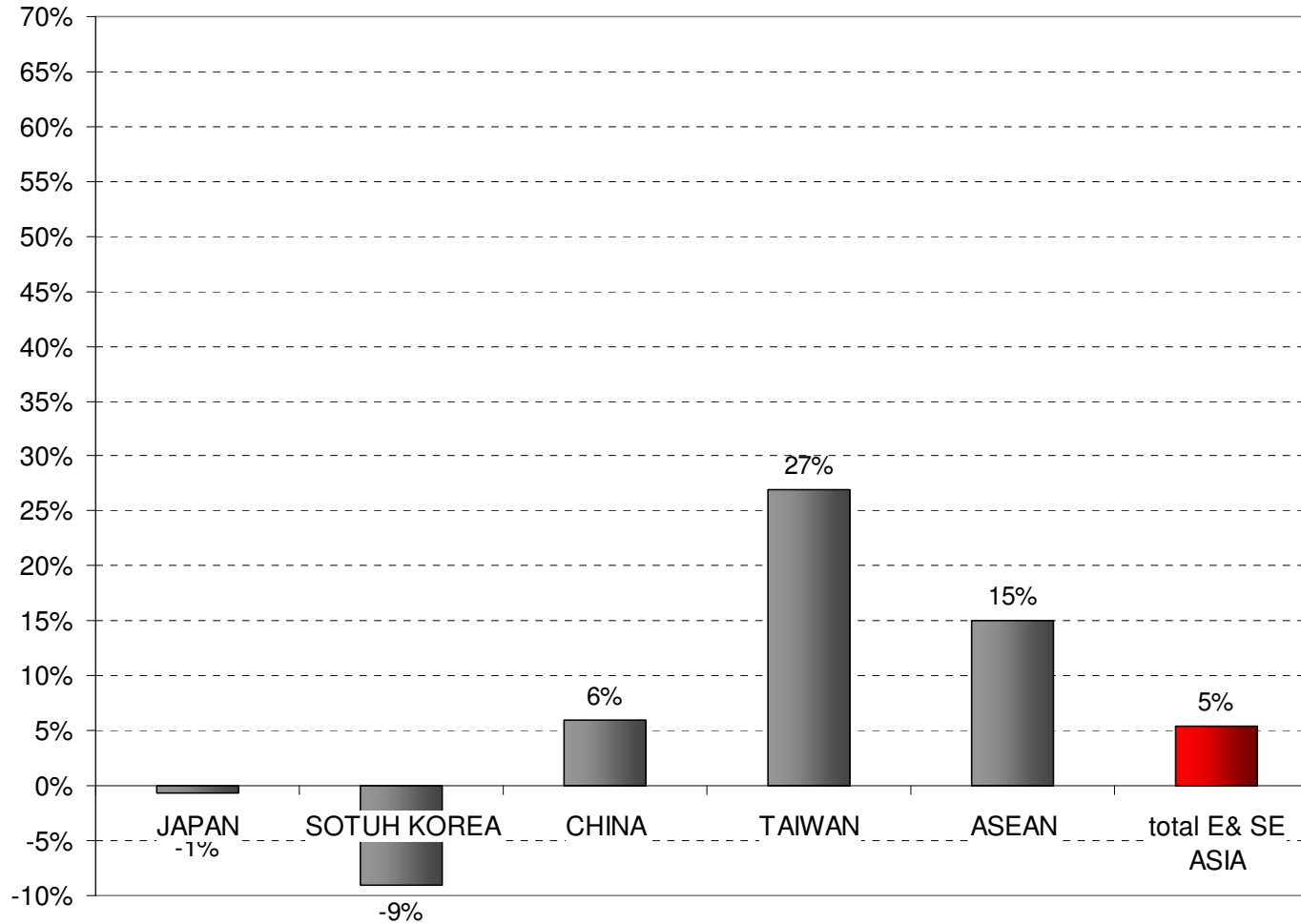
E&SE Asia consumption by product – 2010 VS 2009

MERCHANT BARS



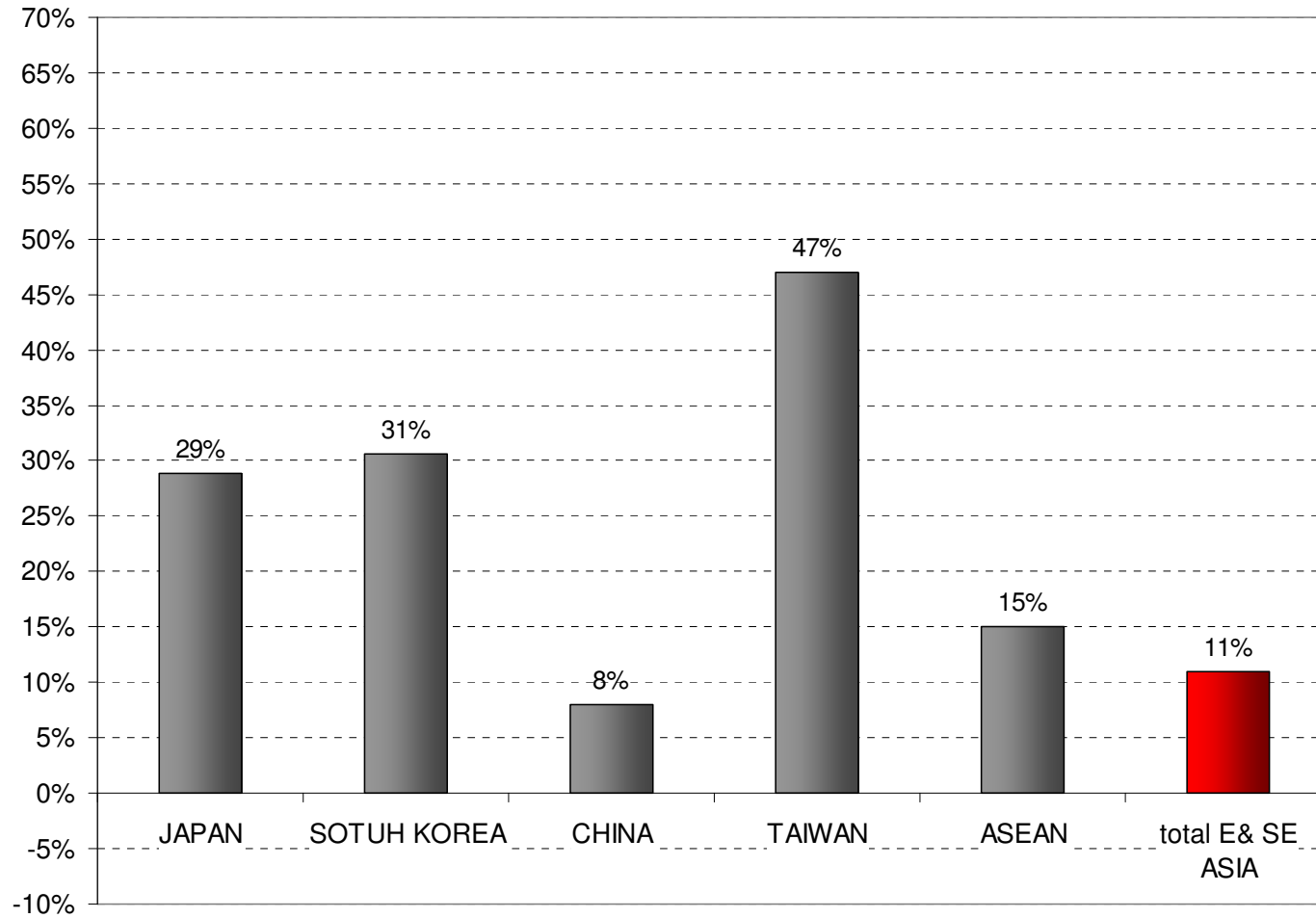
E&SE Asia consumption by product – 2010 VS 2009

REBARS



E&SE Asia consumption by product – 2010 VS 2009

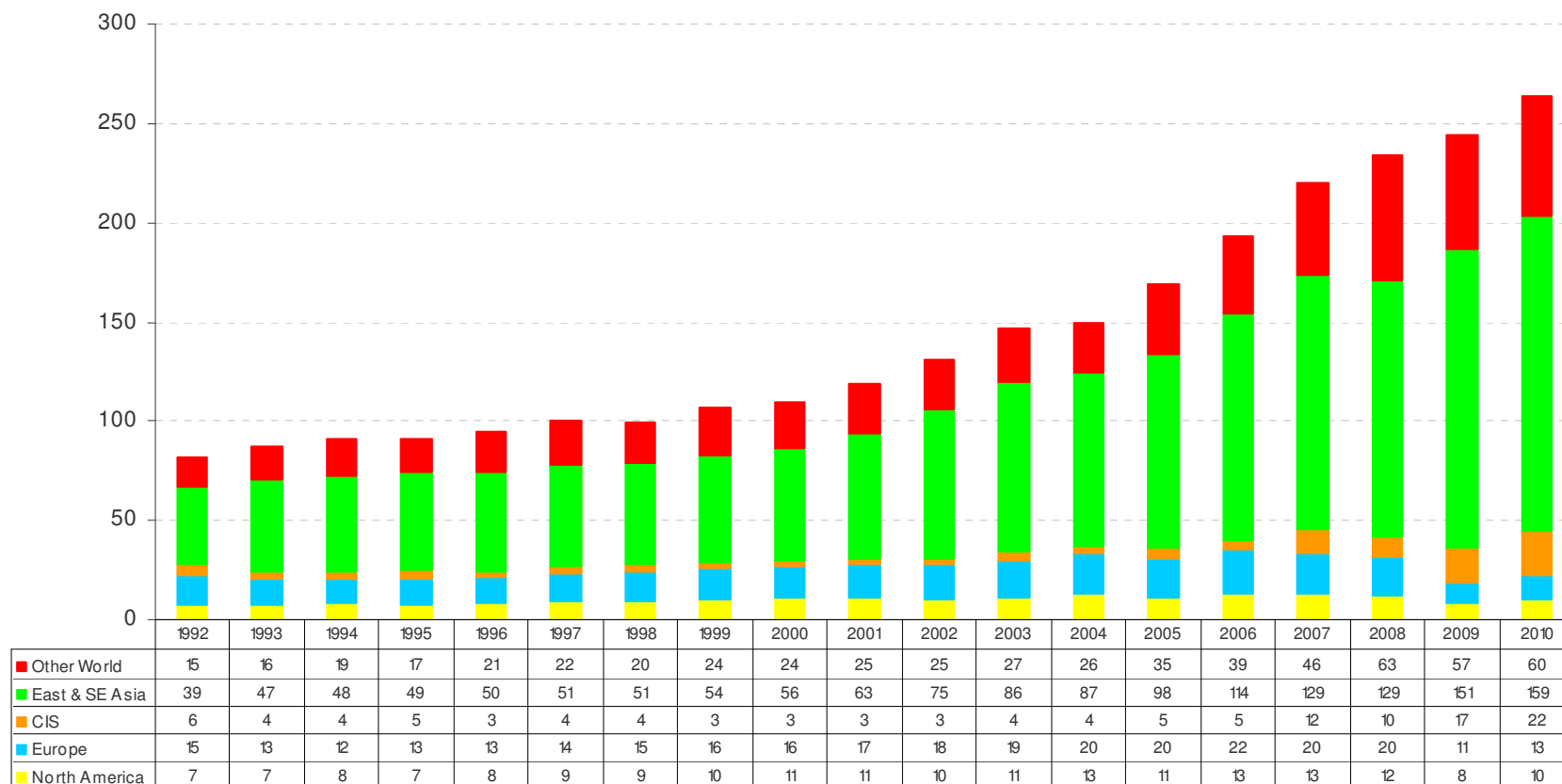
WIRE ROD



[04] Rebars market

Rebars market

World rebar consumption per area

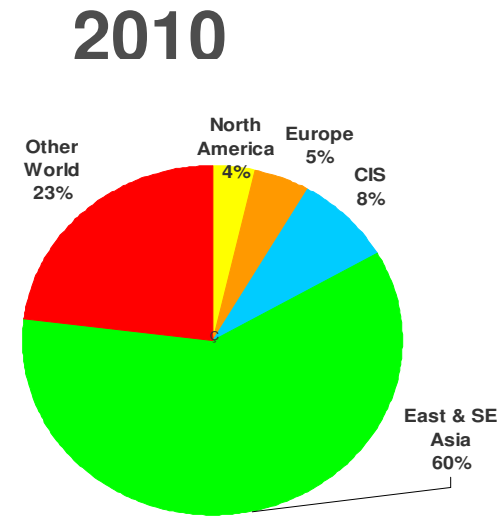
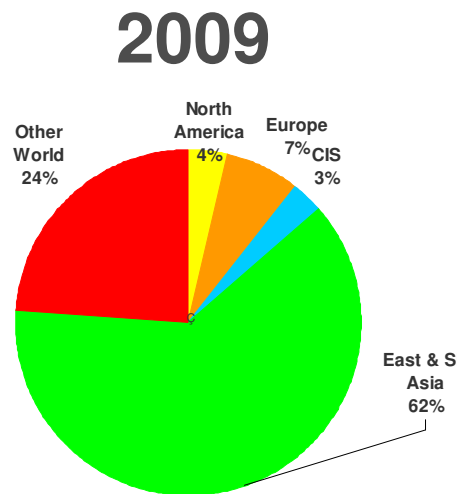
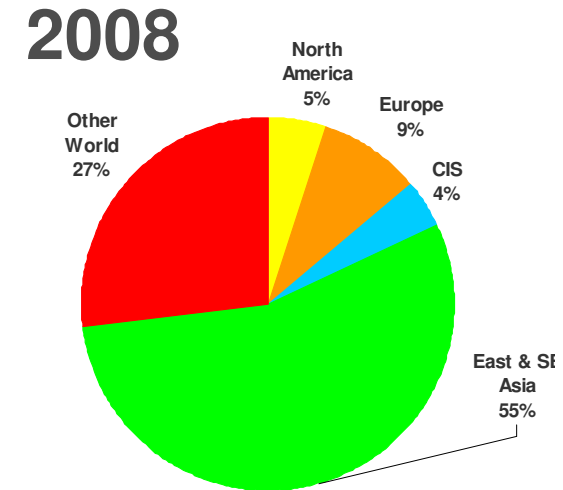
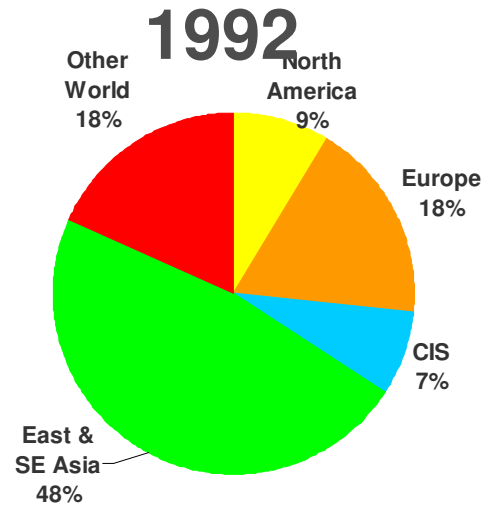


Source: Estimation

Rebars market

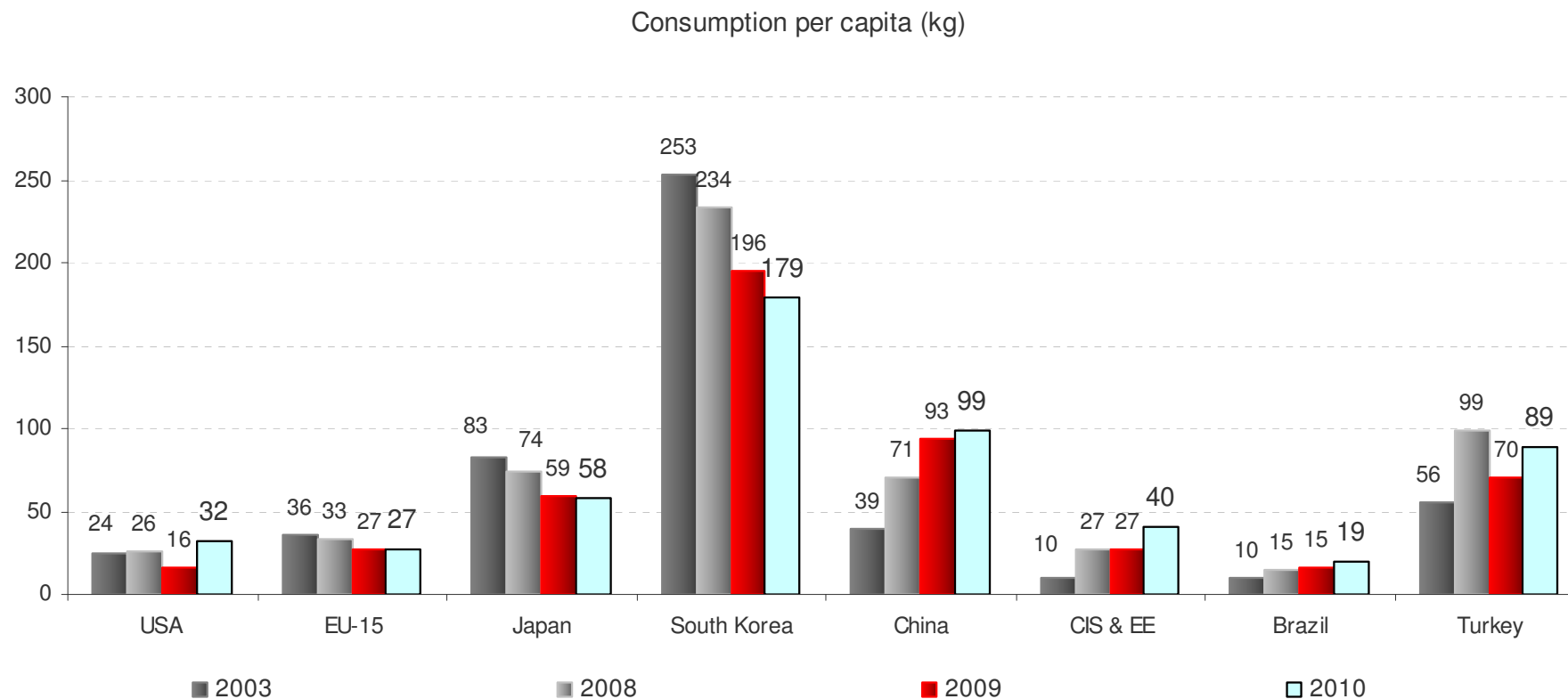


Distribution of consumption per area over the years



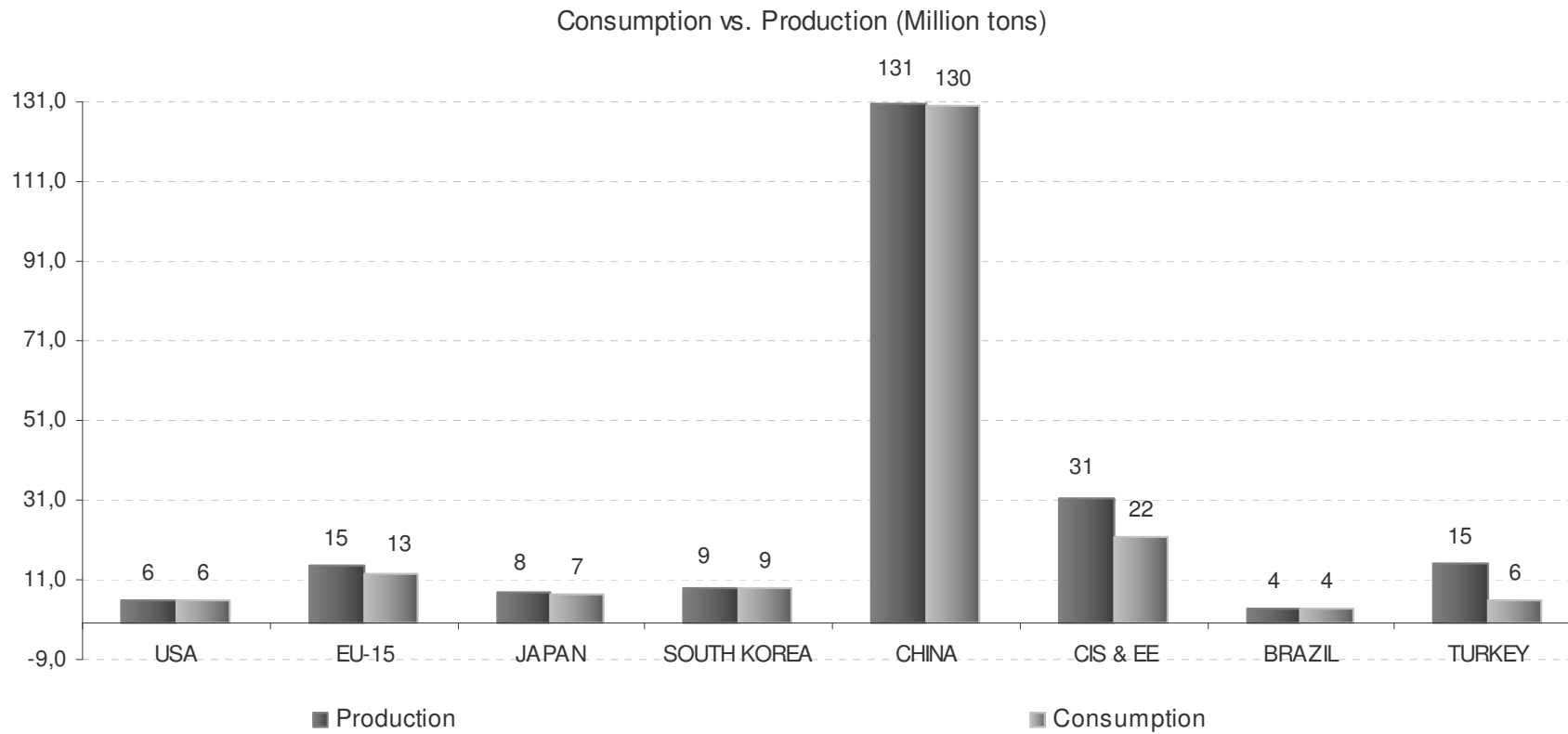
Rebars market

World rebar consumption per capita: 2003, 2008, 2009, 2010



Rebars market

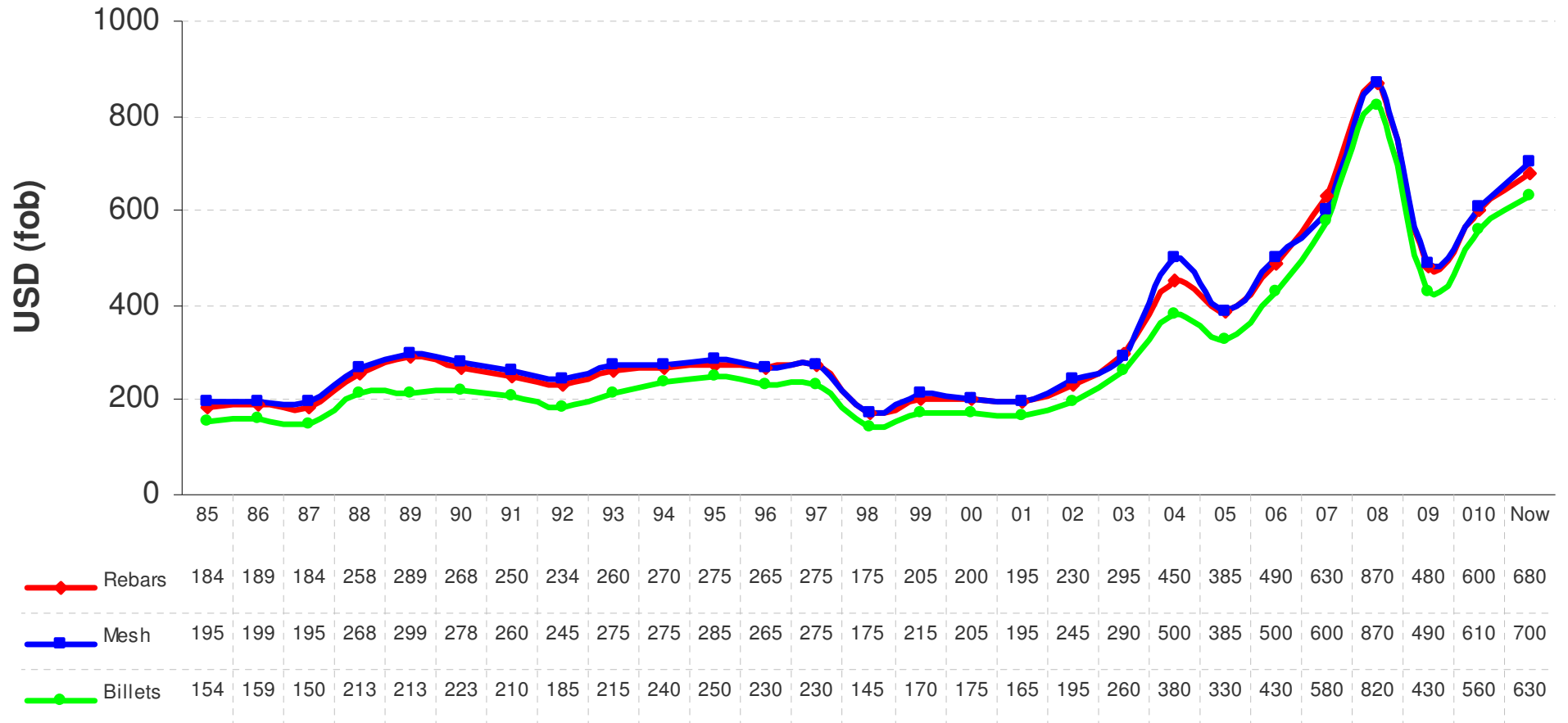
World rebar consumption vs. production in 2010



[05] International price situation

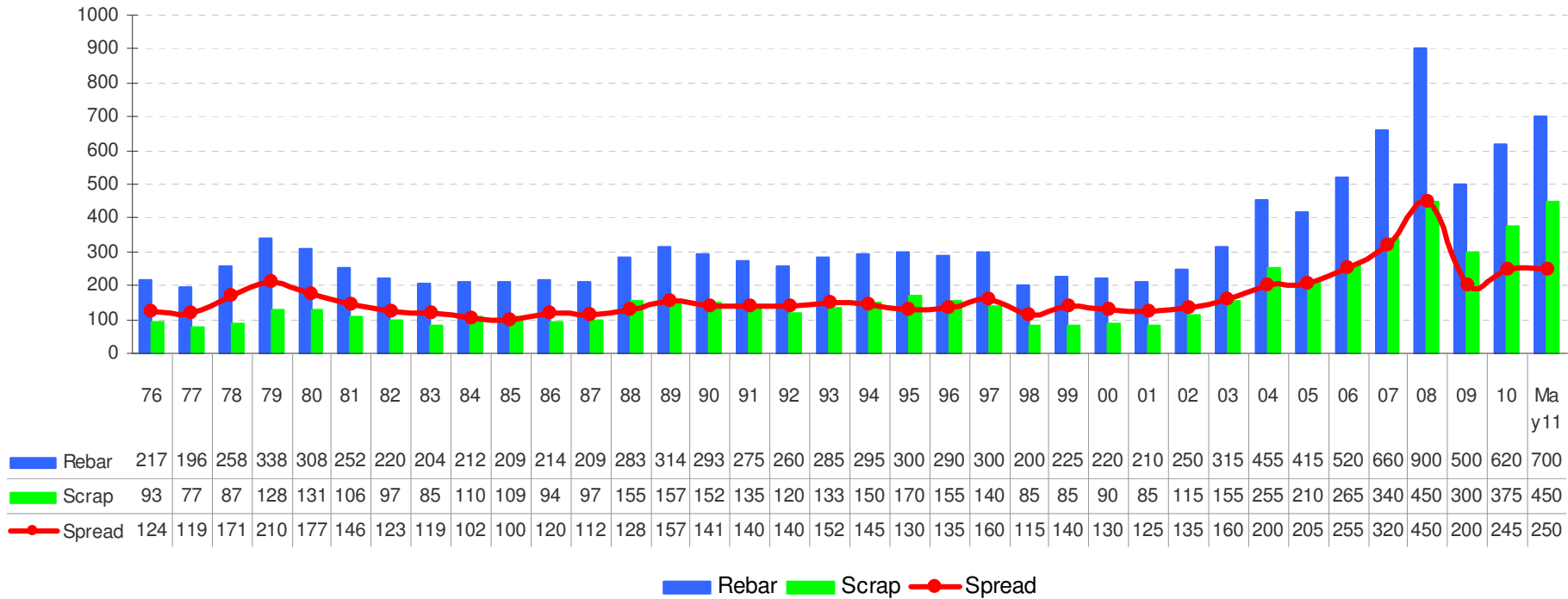
International price situation

Evolution of prices per product (USD fob)



International price situation

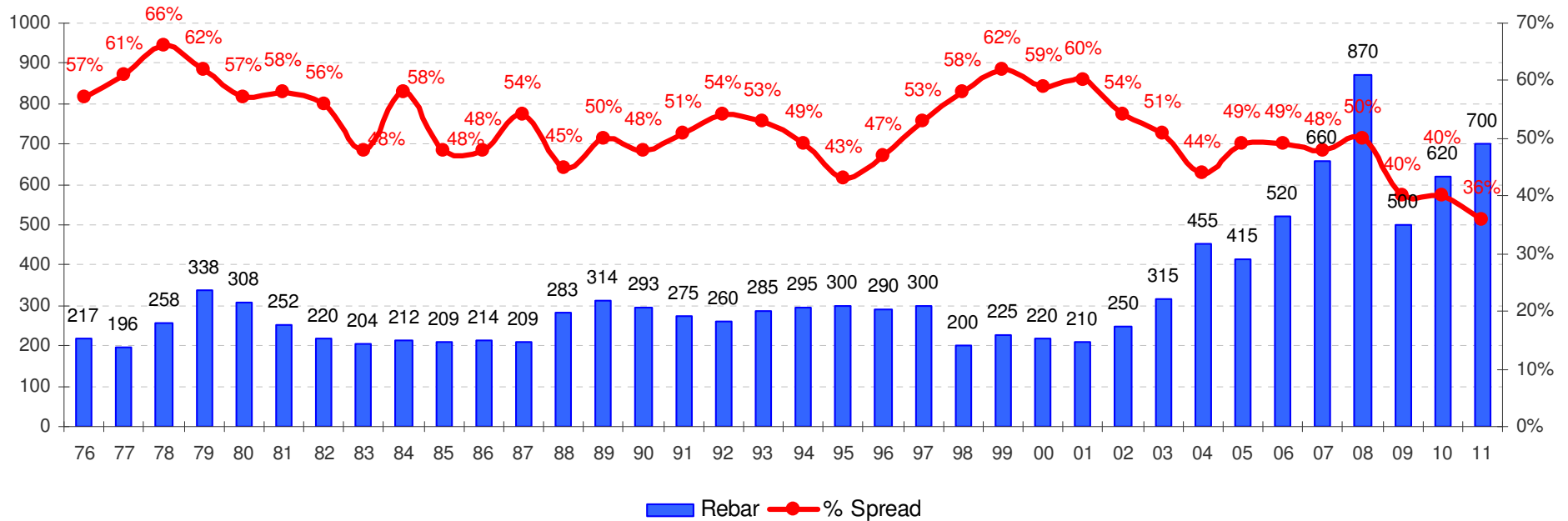
International rebars market (C&F in \$/ton)



International price situation



International rebar market (spread vs. rebar price in %)



[06] Outlook

Outlook for the nearest future

- ✓ Global economic recovery is gathering pace. Long products demand will stay consistent although political unrest in N Africa and M East is not helping in Mediterranean markets. N America market is accelerating and Latin America, Africa and SE Asia will stay strong. Reconstruction in Japan will create extra demand in Asia. Europe as a whole still stays as the slowest market although North and NE is performing much better and being the engine for South and S West.
- ✓ Scrap price show higher lows in a long term uptrend, due to restricted availability and strong hands holders. Purchases from relevant buyers could lift the price in coming weeks. Mills will be under pressure to widen their margins both ways.
- ✓ Mills located in slowest areas are monitoring regional markets in order to maintain levels of production in accordance with demand. Margins are still under pressure an improved profitability is required.

CONCLUSION :

DEMAND FOR STEEL LONG PRODUCTS IS NOW CONSISTENT AND GLOBALLY IMPROVING.

LONG TERM PRICE OF STEEL LONG PRODUCTS IS IN UPTREND.

Thank you for your attention