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• **Macroeconomic situation**
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Macroeconomic situation

Global economic growth was slightly under expectations in 2012. It is projected to increase in 2013 and 2014 although more gradual than previous forecast just by 1/10. Policy actions have lowered risks of financial crisis in EU and USA.

Source: IMF, World Economic Outlook, Update Jan 2013.
Manufacturing PMI surveys continue to suggest that global manufacturing activity is gaining momentum. In January the Global manufacturing PMI increased for the fifth consecutive month and reached the highest level since March 2012.
US economy shrank in Q412 due to special factors. In fact consumption and investment grow at stronger pace Q4 than Q3. In Europe economy is still weak but there are signs of turning point in consumer and business confidence. While Japan has slid into recession, stimulus is expected to boost growth in the near term.

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<td>1.4</td>
<td>1.9</td>
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Source: IMF, World Economic Outlook, Update July 2013, Worldsteel monthly monitor December 2012
Growth in E&D economies is on track to 5.5% in 2013. Leading indicators continue to suggest a turning point in China and in India and weakening growth in Russia.
Global growth is projected to increase during 2013, as factor underlying soft global activity are expected to ease. If crisis risks don’t materialize and financial conditions continue to improve, global growth could be stronger than projected.
Construction sector evolution

Construction industry remains as main tractor for long products. In first part of 2012, construction remained depressed in EU, showed some pickup in NAFTA, significant performance in South America and strong momentum in emerging Asia although at slower pace in Q3.
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Steel consumption situation

World finished steel consumption is sustaining a consistent uptrend since 2009 and is forecasted to continue into 2013.

Source: worldsteel
World long products consumption is showing a stronger pace of growth and is gaining share in total steel consumption.
Asian markets are supporting a consistent long-term in longs. Markets in South America and Mena countries are also contributing to this growth.
In 2012 long products recovered in North America and accelerate their fall in EU. Asia and other areas kept growing at good pace to contribute to a total growth of 5.8%
Reinforcing bars are the big winners gaining share in long product consumption mix.

Source: Estimation
Good construction activity in emerging and developing countries powered a remarkable 9.8% growth in reinforcing bars world consumption. North America was still suffering of poor business conditions in construction sector and number for EU shows how but business was there
Long products by product. Sections – 2012 vs 2011

Drop in consumption again was significant in EU. North America and SE Asia stayed flat. Good numbers came from emerging economies were sections were gaining his place in construction markets.
Improvement of economy dynamics in North America was reflected on very strong number for MB. Rest of the markets stayed gloomy and world consumption went down 5.8%.
Industrial production improved in N America fuelling WR numbers. The world numbers were weighted down by market fall in EU, CIS and Eastern Europe.
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World reinforcing bars market growth is supported mainly from developing economies. Reinforcing bars consumption is consistently moving from advanced to emerging markets.
Reinforcing bar producers should always adjust their production, maintaining a reasonable demand/supply balance in any market they are present.

Source: Estimation
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After a long period of consistent uptrend, price of rebars appears to have entered a sideway movement, sustained by a strong raw material price.
Reinforcing bars CFR price and spread

After the market drop in 2009 prices are recovering nicely due to increasing demand, but strength in raw materials is keeping margins very tight for rebar producers and need to be recovered.
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Summary & Outlook

- Global economy seems to be turning the point and now heading upwards, with developing economies being clearly at the front seat. MENA, Asia, Central and South American markets are growing strong. Markets in N America are also showing some momentum and EU will be back showing positive signs at the end of 2013.

- Long product consumption kept growing in 2012 supported by markets in Asia, Mena and South America. Reinforcing bars grew stronger than any other long products average, clearly taking share from sections. Reasonable industrial production level helped wire rod growth. Although in H2 2012 markets slowed down, signs point know for markets regaining momentum in 2013.

- Margins for long products have been squeezed even further in recent month. Mills should to adjust their productions, keeping a reasonable demand/supply balance in any market they are present. Recovery of margins is first priority.

- As consequence of general improving demand, raw materials cost and margin pressures, price levels will move up, although volatility and short term change in price direction will be present in the trade.
Thank you for your attention