



Short Range Outlook 2020-21

World Steel Association
7 June 2020

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Background to the forecast

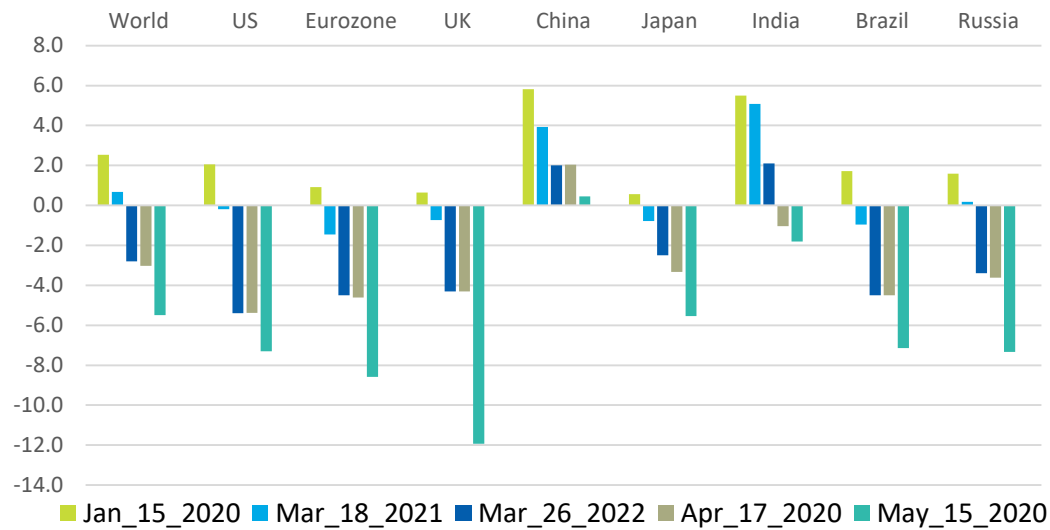
Unprecedented economic crisis

COVID -19 lockdowns to cause supply shock, demand shock, and financial shock

Short-lived forecasts, high uncertainty surrounding the COVID-19 pandemic

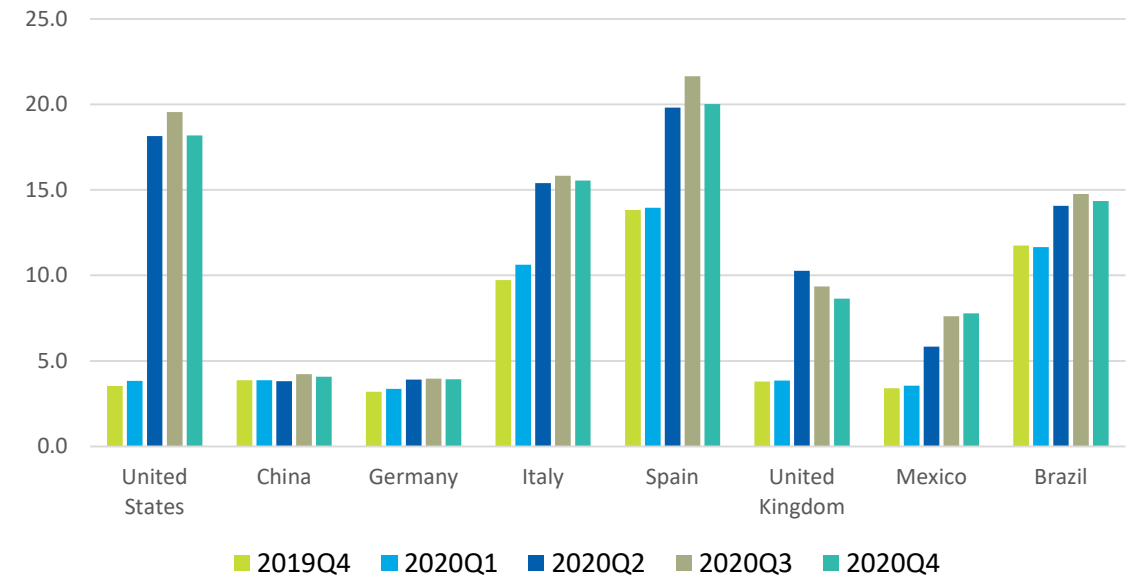
Assumption behind SRO: social distancing persists after reopening and no second wave

Revision of GDP growth for 2020



Source: IHS Markit

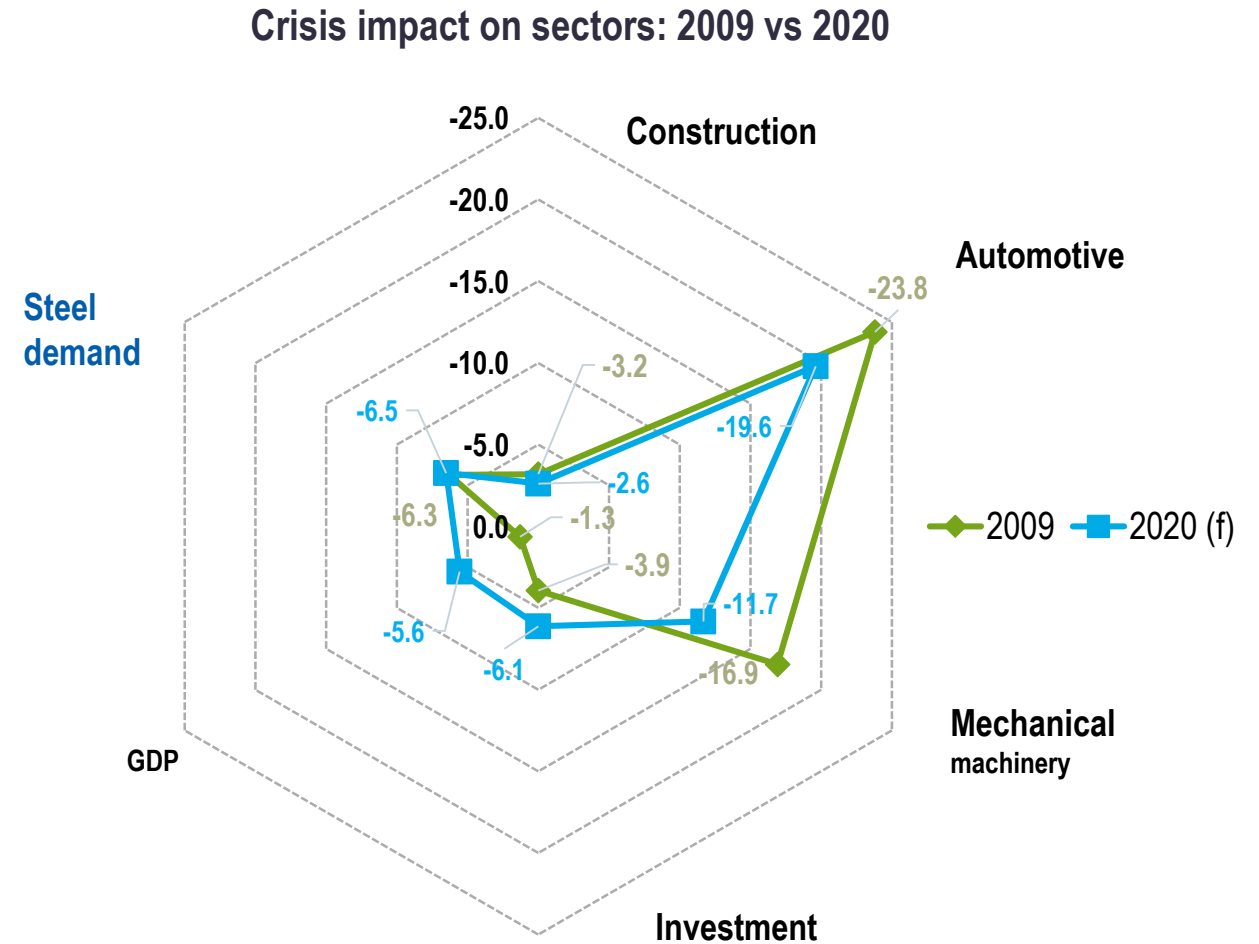
Unemployment, selected countries



Global financial crisis vs COVID-19 crisis

Comparison by sector

- COVID-19 impact on GDP and investment larger than GFC, but impact on global steel use similar
- The automotive sector hardest hit among steel using sectors followed by mechanical machinery



Global financial crisis vs COVID-19 crisis

Comparison by region

- Impact milder than GFC, for advanced economies, but from a low level

%

2009 vs 2020 Developed economies	GFC		SRO May 20	
	09/08	10/09	20/19	21/20
World	-6.3	14.1	-6.4	3.8
Developed	-33.3	24.9	-17.1	7.8
United States	-39.8	34.9	-22.9	5.7
European Union (28)	-35.0	20.9	-15.8	10.4
France	-28.3	18.8	-15.0	8.0
Germany	-33.4	28.5	-20.0	12.0
Italy	-39.7	27.8	-18.0	16.6
Spain	-34.0	10.0	-15.0	10.3
Japan	-32.3	20.4	-19.1	6.8
South Korea	-22.5	15.4	-12.7	5.9

Global financial crisis vs COVID-19 crisis

Comparison by region

- Impact on steel demand for some emerging economies much severer, in particular India & MENA

%

2009 vs 2020 Developing economies	GFC		SRO May 20	
	09/08	10/09	20/19	21/20
World	-6.3	14.1	-6.4	3.8
China	23.4	6.6	1.0	0.0
Emerging & Developing excl. China	-10.0	17.3	-11.6	9.2
India	12.5	12.2	-18.0	15.0
ASEAN (5)	-7.9	17.2	-2.4	3.7
MENA	4.9	-1.4	-15.2	11.3
Russia	-30.0	48.0	-10.0	6.5
Mexico	-14.4	17.0	-14.7	7.1
Brazil	-22.8	43.6	-19.8	11.4

Recovery will be slower for both developed and emerging than the post GFC era.

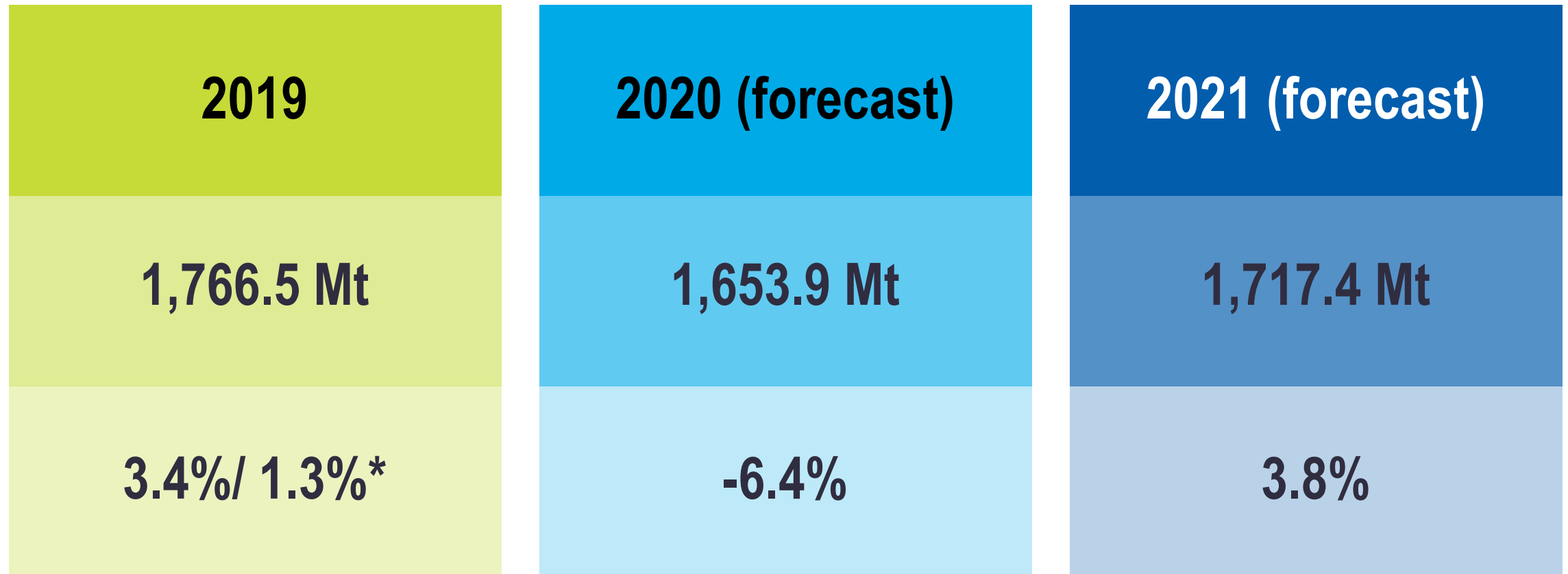


SRO overview

Global overview

Steel demand, finished steel (SRO May 2020)

Mt = Million tonnes



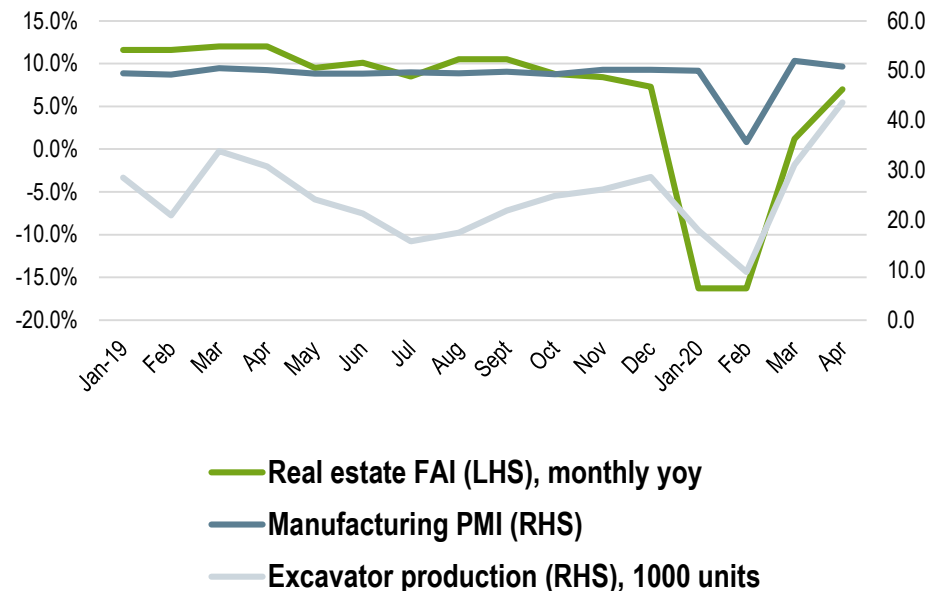
* World growth rates based on adjusted Chinese growth rates

China showing fast recovery from lockdown

	Mt			%			
	2019	2020	2021	19/ 18	20/ 19	21/ 20	2021 as % of 2007
World	1,766.5	1,653.9	1,717.4	3.4/ 1.3*	-6.4	3.8	140.2
China	907.5	916.5	916.5	8.5/ 4.0*	1.0	0.0	219.0

* Growth rates based on Chinese steel using sectors dynamics

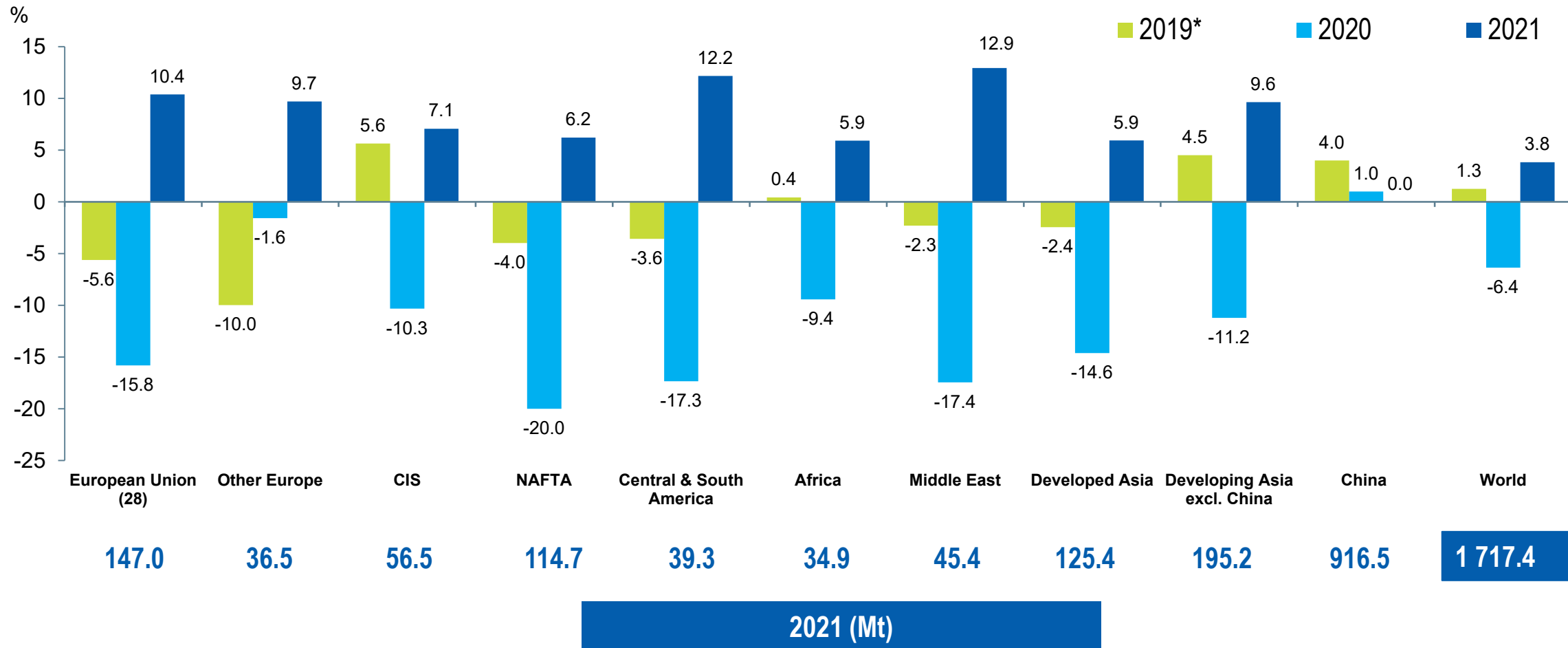
Recovery of key sectors



- Recovery from lockdown started late February
- Normal productivity in most sectors achieved by end April, but recovery in service sector sluggish
- Global recession preventing a strong manufacturing recovery
- However, government stimulus on infrastructure will support steel use in 2020, and in 2021

Regional overview

Steel demand, finished steel (SRO May 2020)



*World growth rates based on adjusted Chinese growth rates

Regional overview

Steel demand, finished steel (SRO May 2020)

	Mt			%		
	2019	2020	2021	19/18	20/19	21/20
Developed	393.6	326.1	351.7	-3.8	-17.1	7.8
Emerging & developing ex. China	465.4	411.3	449.1	0.6	-11.6	9.2

Regional overview

Steel demand, finished steel (SRO May 2020)

	Mt			%			
	2019	2020	2021	19/ 18	20/ 19	21/ 20	2021 as % of 2007
World	1,766.5	1,653.9	1,717.4	3.4/ 1.3*	-6.4	3.8	140.2
European Union (28)	158.1	133.1	147.0	-5.6	-15.8	10.4	72.4
Other Europe	33.8	33.3	36.5	-10.0	-1.6	9.7	120.6
CIS	58.8	52.7	56.5	5.6	-10.3	7.1	99.0
NAFTA	135.0	108.0	114.7	-4.0	-20.0	6.2	81.4
Central & South America	42.4	35.1	39.3	-3.6	-17.3	12.2	92.3
Africa	36.4	33.0	34.9	0.4	-9.4	5.9	153.1
Middle East	48.7	40.2	45.4	-2.3	-17.4	12.9	104.0
Asia & Oceania	1,253.3	1,218.6	1,243.2	6.5/ 3.3*	-2.8	2.0	181.6
China	907.5	916.5	916.5	8.5/ 4.0*	1.0	0.0	219.0
Developing Asia excl. China	200.5	178.1	195.2	4.5	-11.2	9.6	199.2
Developed Asia	138.7	118.4	125.4	-2.4	-14.6	5.9	78.5

* World growth rates based on adjusted Chinese growth rates

Summary and conclusion

- Steel demand to see a substantial decline in 2020; only a partial recovery expected in 2021
- Both developed and developing countries are being hit hard
- China's role as crisis buffer much reduced this time, compared to GFC
- Some emerging economies may fall back to a prolonged slump
- High downside risk related to potential COVID-19 second wave. Strong government stimuli could bring a quicker recovery
- Pandemic to be a portal to a new world, yet to be shaped

