The Covid-19 pandemic: impacts on the Japanese steel market
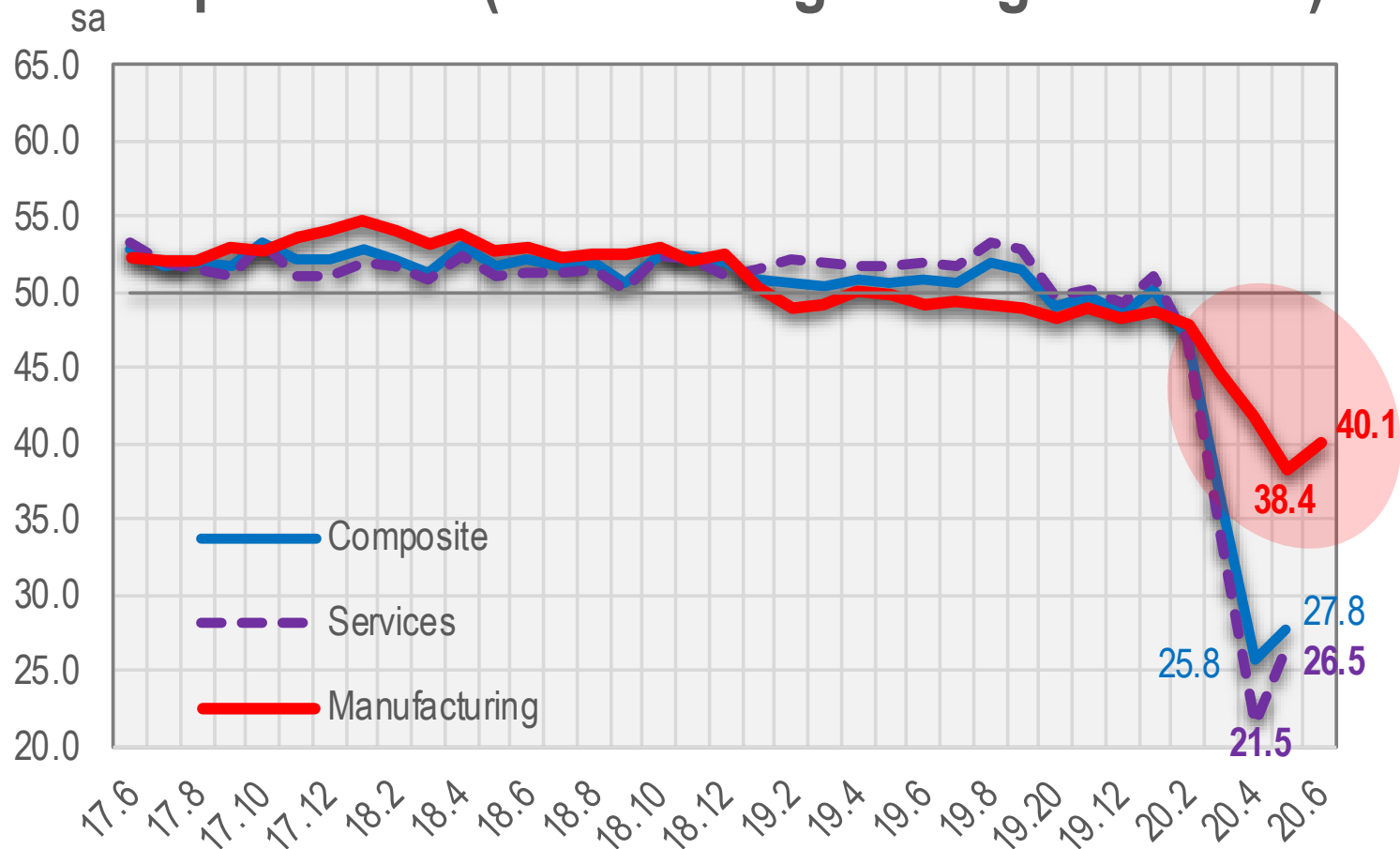
The Japan Iron and Steel Federation (JISF)

GFSEC Stakeholder Focus Event 7 July 2020

Japan's economy has been in severe situation due to the impact of **the COVID-19 pandemic**
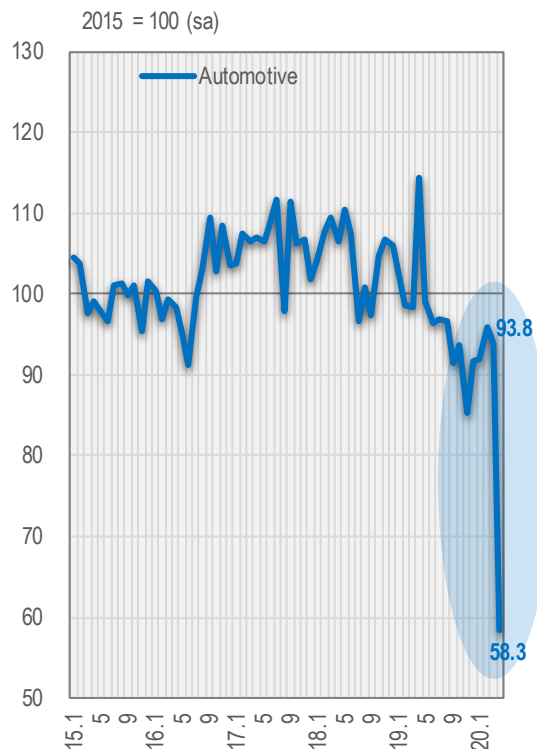
Japan's PMI (Purchasing Managers' Index)

sa

Composite

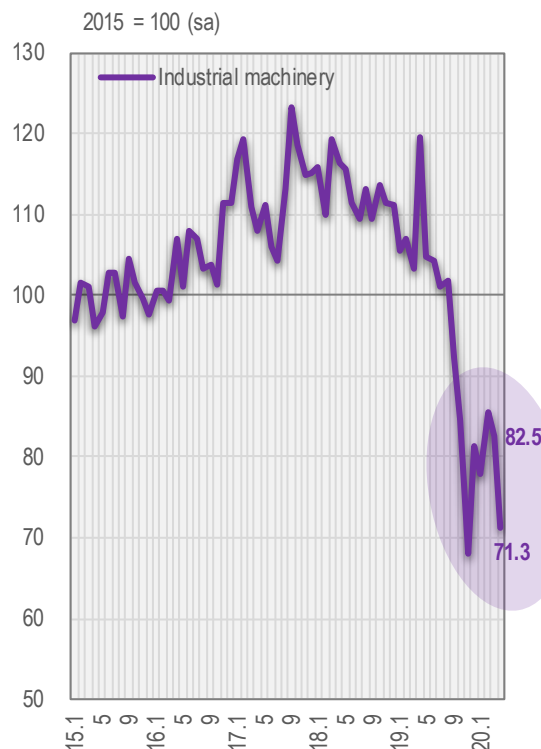Services

Manufacturing

40.1

38.4

27.8

26.5

25.8

21.5

Demand from key steel-using sectors has decreased significantly due to **the COVID-19 pandemic**

Indices of ordinary steel orders Automotive

2015 = 100 (sa)

Indices of ordinary steel orders Industrial machinery

2015 = 100 (sa)

Indices of ordinary steel orders Electrical machinery

2015 = 100 (sa)
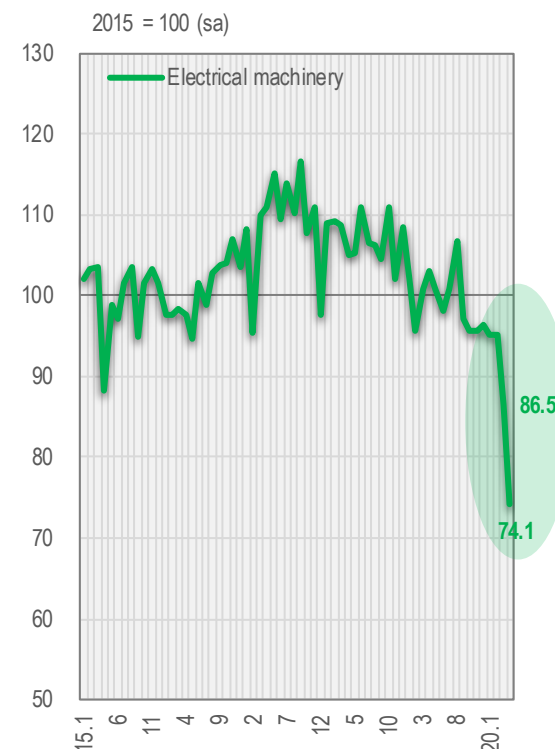
Source: JISF

Optimal production scheme and efficient business operations

- To cope with reduced demand caused by **the COVID-19 pandemic**, Japan's major steel firms have temporarily adjusted production volume with measures such as banking.

- **Ahead of the outbreak of COVID-19**, the Japanese steel industry had proceeded **structural adjustment** measures based on long term analysis.

- Based on the short and long term outlook, the Japanese steel industry has announced adjustments of steel output with **8** out of **25 blast furnaces** across Japan.

Japan's crude steel production in the past few months has fallen back to levels observed in the global financial crisis

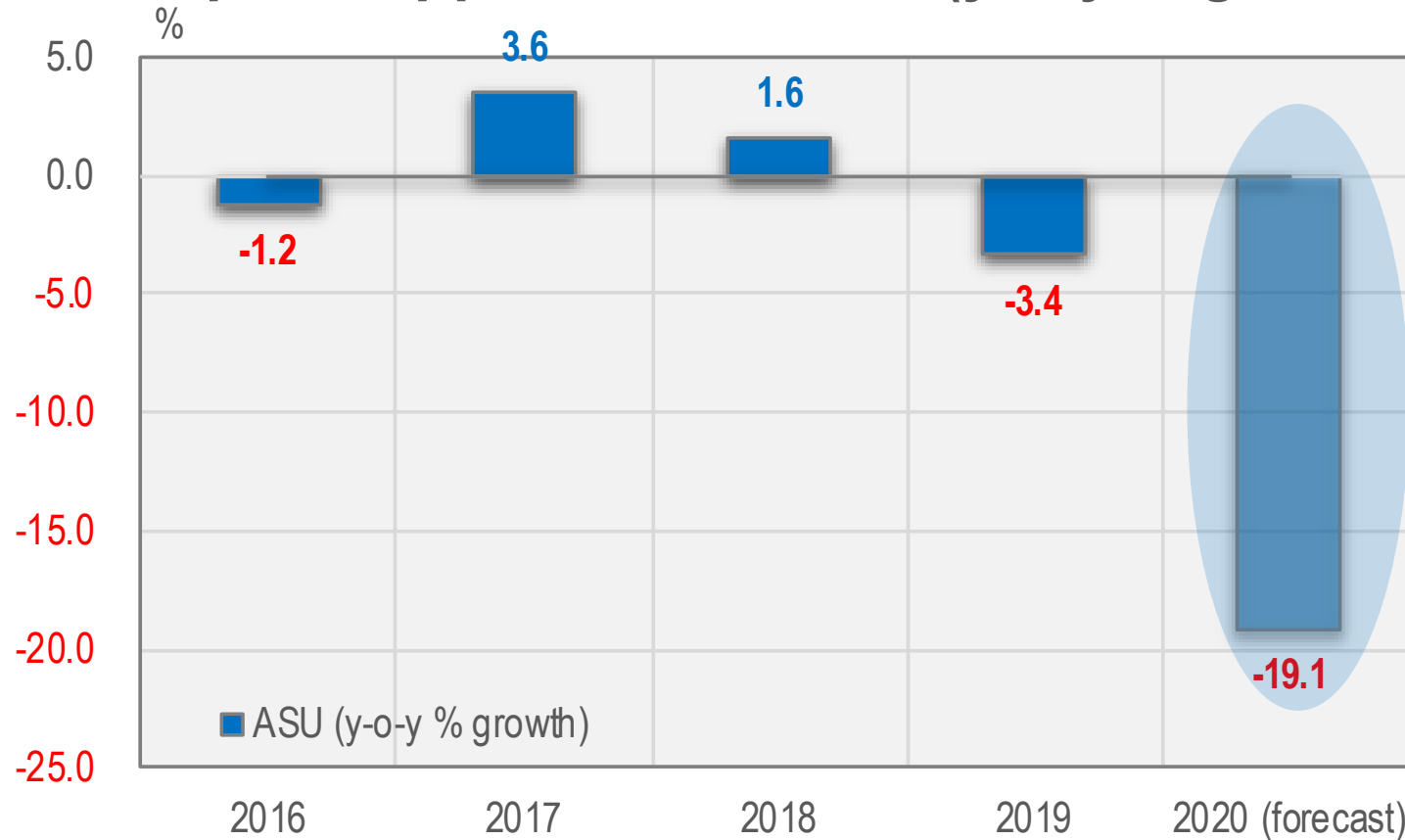## Japan's crude steel production (monthly)
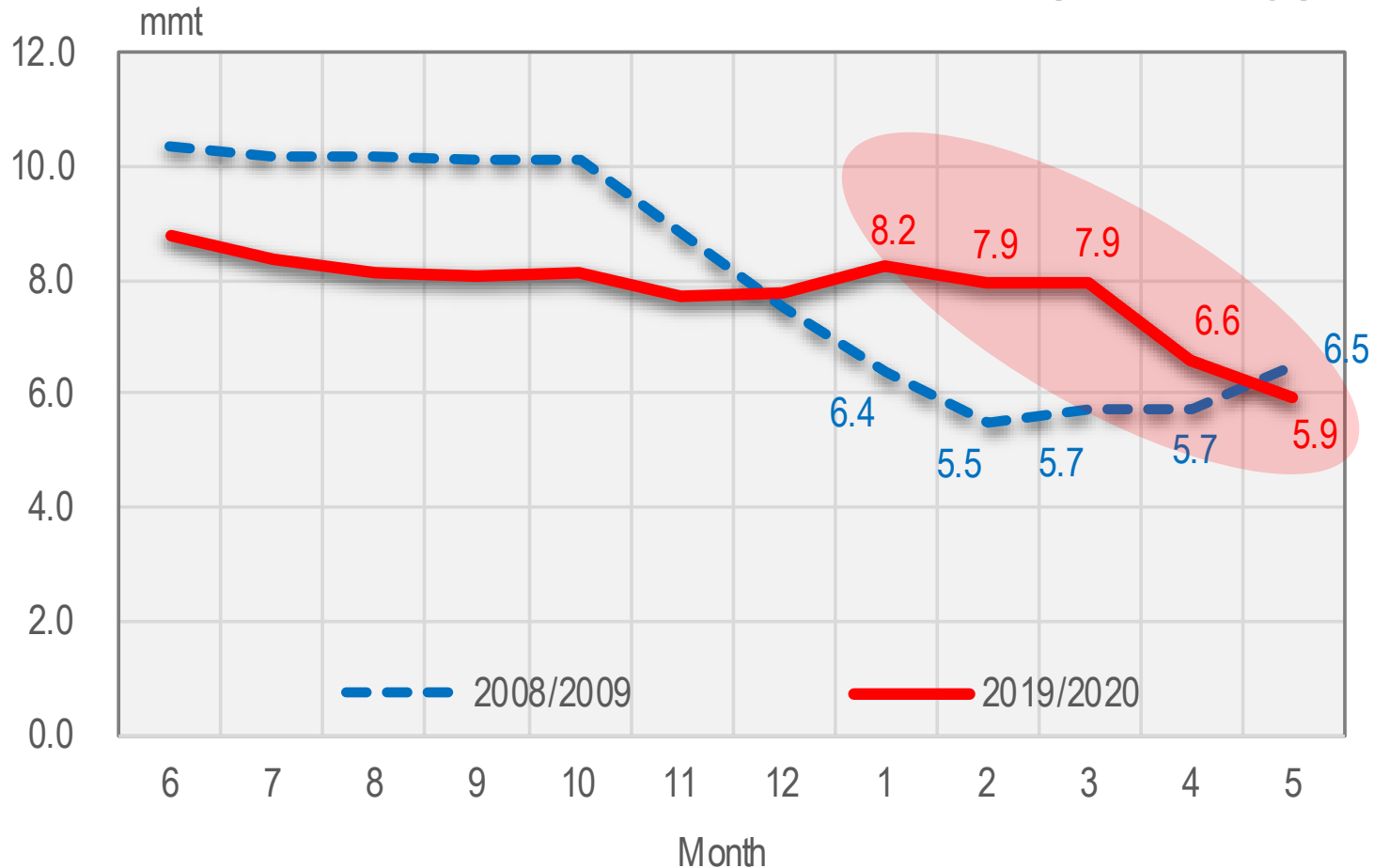
Japan's steel demand is likely to **contract by double digits** in 2020

Japan's apparent steel use (y-o-y % growth)

Source: JISF

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- **The COVID-19 pandemic** has surely led to a sharp decline in Japan's steel demand.

- Meanwhile, the Japanese steel industry has made efforts to form **an optimal production scheme** and **efficient business operations** ahead of the outbreak of COVID-19 based on long-term analysis.

- **Over-supply** in many markets caused by a large inflow of steel products

- Rising **protectionist measures** in steel trade

- **Cross-border investment** with optimistic demand forecast creating **new excess capacity**

Thank you for your attention