



The Japan Iron and Steel Federation (JISF)

24 October 2019



1. Current situation
2. Contributions and future significance of the GFSEC



Capacity might evolve faster than demand

	Annual growth rate in ASEAN 5 (% per annum)	
	Demand	Capacity
2000-2004	9.4%	0.8%
2005-2009	1.7%	5.2%
2010-2014	8.6%	6.7%
2015-2019	4.6%	9.1%
2020-2024	?	?

Note: ASEAN-5 denotes the aggregate of Indonesia, Malaysia, Philippines, Thailand and Vietnam, according to the classification by the World Steel Association.

Source: JISF calculation based on data from the World Steel Association and the OECD



Downward steel prices

+ Infrastructure investment

– Manufacturing investment

+ Long products



– Flat products



Upward raw material prices



- Over-production of steel by maximizing utilization, consuming huge amount of raw materials
- Unstable supply of alternative raw material (steel scrap)
- Speculation triggered by change in inventory



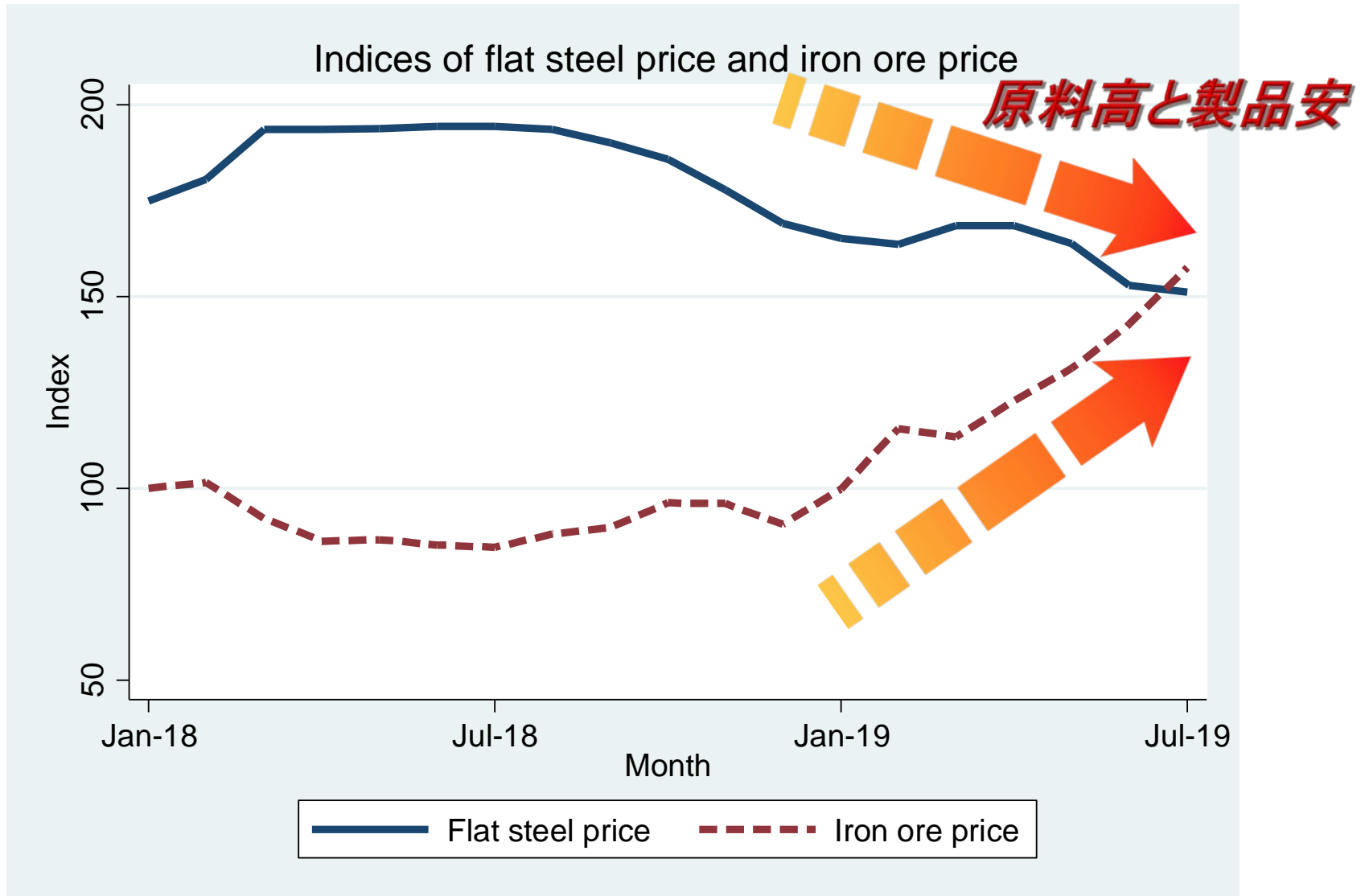
- Price increase in raw materials



Cost-push for steel making companies



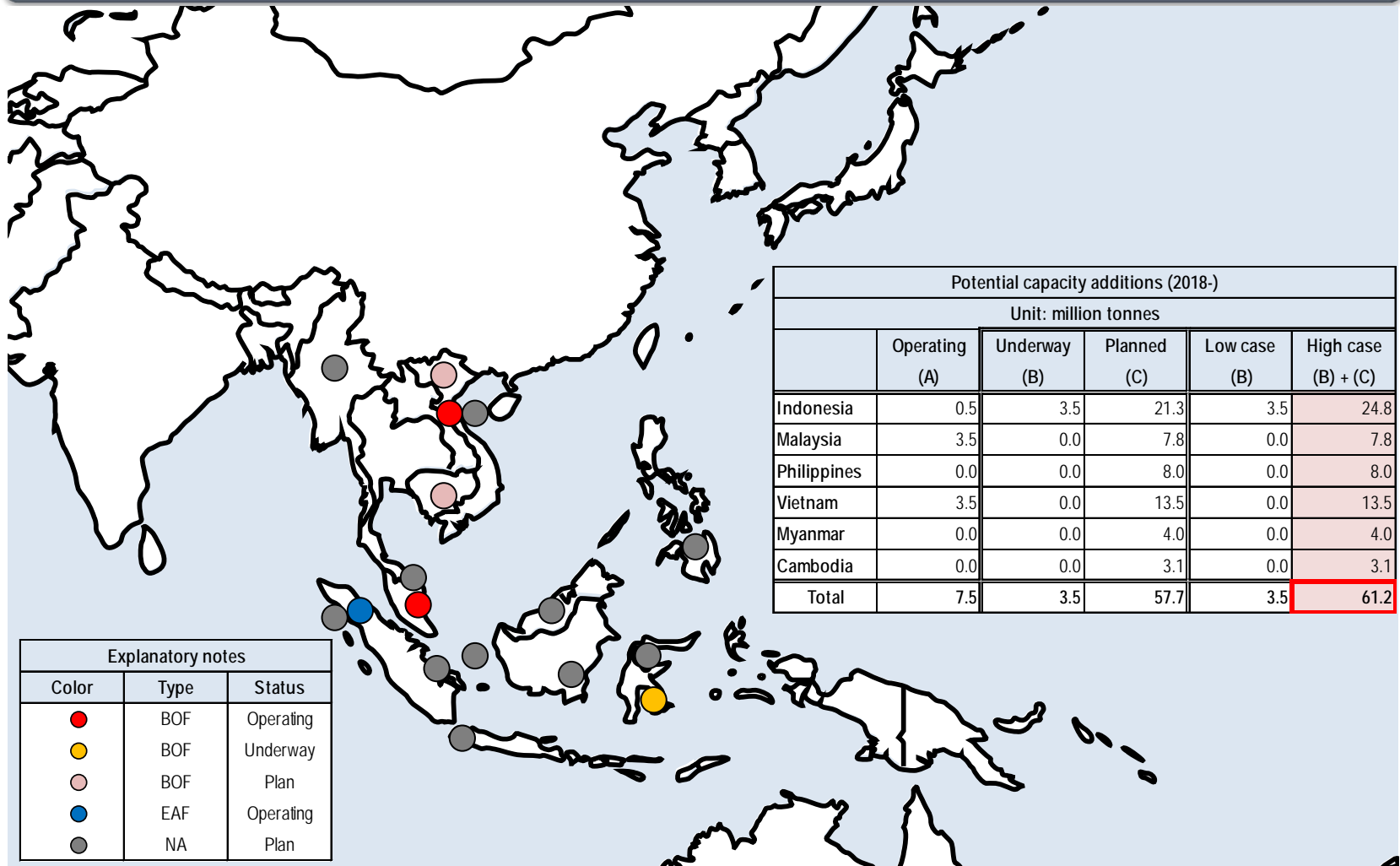
Raw material price goes **up** while steel price goes **down**





Optimistic steel demand forecasts drive cross-border investments

Overseas investment (upstream projects)



Note: This map includes new investment projects that are, underway or planned, and which are scheduled to become operational in 2018 or later — including projects that have started operation in 2018, as well as projects for which the start date is not available.

Source: JISF based on the information from the OECD (2018; 2019).



Importance of **accurate** and **healthy** steel demand forecast

Overseas

Accurate steel demand forecast

← Infrastructure
Manufacturing



Players

- Domestic producers
- Newcomers
- Imports

Healthy market
= Free from friction
(e.g. local mills vs. newcomers)



Investment



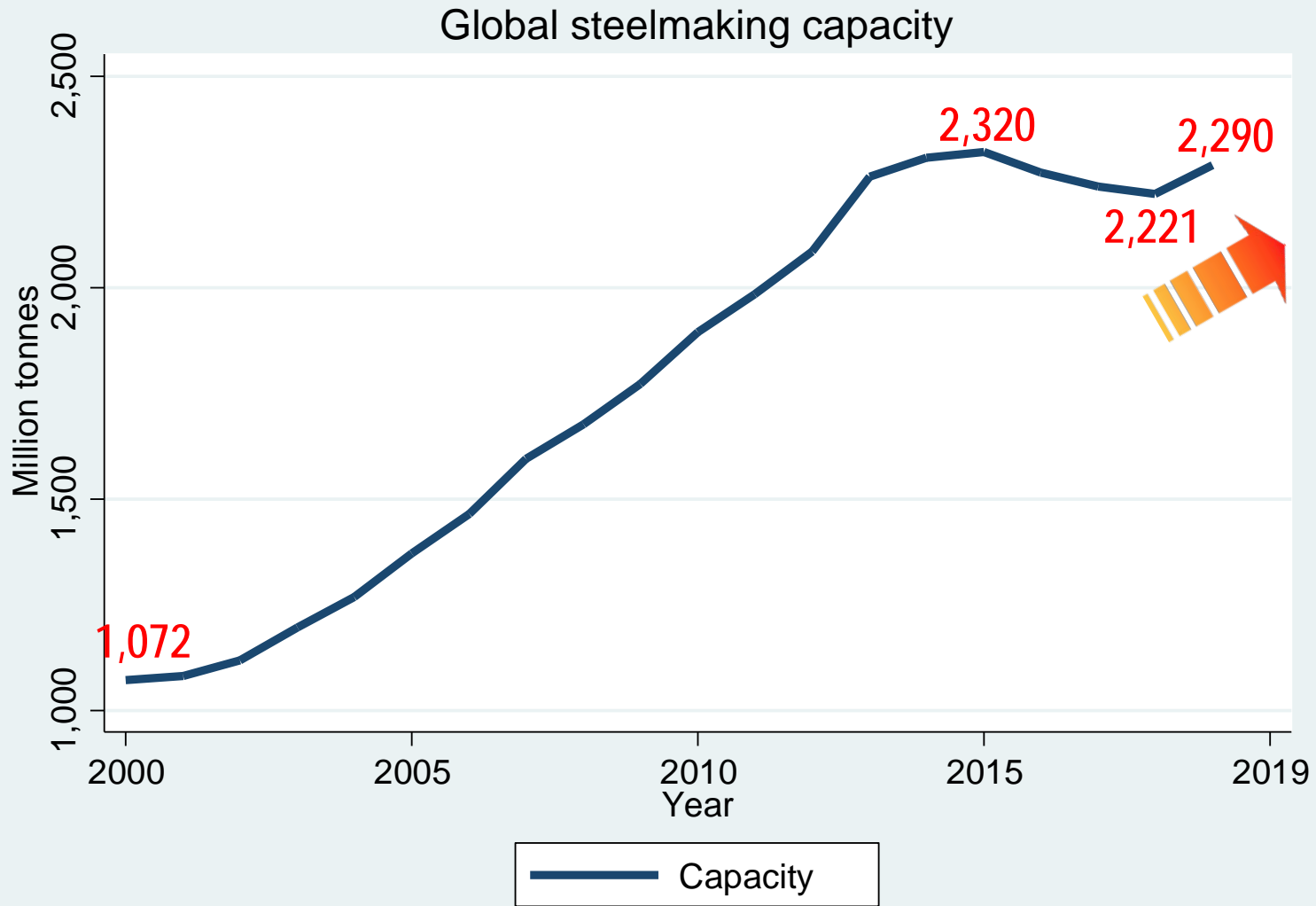
Home country



2. Contributions and future significance of the GFSEC



Capacity has declined steadily since 2016, although it increased in 2019 after three years of decline



Source: OECD



Besides, the forum has contributed to:

- *Raise **awareness** of the issue of excess capacity among **policy makers** and **the industry***
- *Raise **transparency of progress** made to address excess capacity in **major steel-producing countries***



Roles of the GFSEC

As the *only multilateral forum* led by governments are:

1. *To increase transparency by monitoring capacity development; and*
2. *To strengthen mutual cooperation by exchanging information and experiences, and developing review process*



Concluding remarks

- The Global Forum has helped the global steel industry to **address the excess capacity problem**
- **New types of risks** have come out
 - ✓ Upward raw material prices and downward steel prices
 - ✓ Cross-border investment with optimistic demand forecast
- The multilateral function of the Global Forum **should be maintained under the participation of all major steel-producing countries.**



Thank you for your attention