



Volume Trends in the Regional Markets

Asia

Chronically oversupplied due largely to elevated production in China and Japan Asia is responsible for the majority of steel production and apparent demand at 69% and 65% of the global market, respectively. In 2016 Asia manufactured 1.125bn mt of steel yet consumed only 1.061bn resulting in a regional surplus of 63.5mn mt. This is largely a result of the influence of China (and also Japan) on the global market. China comprised 50% of global steel generation in 2016.

- China produced 808.4mn mt of steel versus apparent demand of 709.4mn mt resulting in a domestic surplus of 98.9mn metric tonnes of steel;
- Japan recorded a surplus of 37.3mn metric tonnes based on production of 104.8mn mt less apparent demand of 67.5mn mt;
- India's supply/demand trends appear fairly balanced; and,
- South Korea manufactured 68.6mn mt of steel in 2016 against apparent demand of 59.5mn mt resulting in a steel surplus of 9.1mn metric tonnes.

Figure 23: Asian Supply / Demand (000's of metric tonnes)

Global Steel Production (Supply)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	% Global
China	489,712	512,339	577,070	638,742	701,968	731,040	822,000	822,308	803,825	808,966	50%
% Δ YoY	16%	5%	13%	11%	10%	4%	12%	0%	-2%	1%	
Japan	120,203	118,739	87,534	108,599	107,601	107,232	110,595	110,666	105,134	104,775	6%
% Δ YoY	3%	-1%	-28%	25%	-2%	0%	3%	0%	-5%	0%	
India	53,468	57,791	63,527	68,976	72,471	77,264	81,299	87,292	88,026	95,477	6%
% Δ YoY	8%	8%	10%	8%	5%	7%	5%	7%	2%	8%	
South Korea	51,517	53,625	48,572	58,914	68,519	68,073	66,061	71,543	69,670	68,576	4%
% Δ YoY	8%	4%	-9%	21%	16%	1%	-4%	8%	-3%	-2%	
Asia	758,385	784,090	811,866	918,450	995,456	1,026,801	1,123,648	1,139,223	1,112,871	1,124,704	69%
% Δ YoY	17%	3%	4%	13%	8%	3%	9%	1%	-2%	1%	

Global Steel Consumption (Demand)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	% Global
China	435,860	485,480	574,420	612,060	667,930	687,610	765,750	740,380	700,350	709,400	44%
% Δ YoY	17%	7%	20%	7%	8%	3%	11%	-3%	-5%	1%	
Japan	85,900	82,200	56,000	67,400	69,600	88,800	70,800	72,900	67,800	67,500	4%
% Δ YoY	3%	-3%	-33%	20%	3%	-1%	3%	3%	-7%	0%	
India	55,491	56,209	64,360	69,082	73,154	77,426	80,656	86,404	89,419	91,681	6%
% Δ YoY	10%	1%	15%	7%	6%	6%	4%	7%	3%	3%	
South Korea	57,404	61,011	47,302	54,573	58,741	56,322	53,919	57,834	58,125	58,456	4%
% Δ YoY	10%	6%	-22%	15%	8%	-4%	-4%	7%	1%	2%	
Asia	716,195	747,717	813,794	890,486	963,564	993,132	1,081,132	1,074,123	1,037,877	1,061,188	65%
% Δ YoY	9%	4%	9%	9%	8%	3%	9%	-1%	-3%	2%	

Global Steel Supply/Demand (000's)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
China	53,852	46,859	2,690	26,683	34,038	43,430	56,250	81,926	103,475	98,966
Japan	34,309	35,539	31,534	42,199	38,001	38,432	39,795	37,766	37,334	37,275
India	(2,023)	1,582	(833)	(106)	317	(172)	643	888	(393)	3,796
South Korea	(5,887)	(7,396)	1,289	4,341	9,778	12,751	12,142	13,709	11,545	9,122
ASIA	42,190	36,373	(1,928)	27,964	31,892	33,669	42,516	65,100	74,994	63,516

Source: Deutsche Bank, Bloomberg Finance LP, the World Steel Association

Collectively, China and Japan's 136.2mn mtpa of excess production more than satisfied the rest of Asia's 85.6mn mt deficit in 2016. That said, the remaining 63.5mn mt of excess steel originating in Asia has serious implications for other developed steel markets such as NA and EU, two regions that have become favored targets to ship excess steel. As this influx of less expensive (and likely government-subsidized) steel makes its way ashore it has the effect of bloating steel inventories and expanding supply, which in turn pressures the domestic manufacturers' ability to sustain adequate levels of pricing above cost. More, since steel is a commodity and producers tend to compete on price, the lower-priced product is often able to steal market share from the domestic steel mills. This has the effect of constraining capacity utilization (fixed cost absorption) on account of lower volumes, decreasing profitability. Furthermore, Chinese steel producers are also state-owned and lack an organized system of bankruptcy. Accordingly, these producers may continue to operate at a loss until they are effectively rescued with obscure government funding. This further exasperates the plight of developed markets like NA and the EU where companies can run out of money and are forced involuntarily into bankruptcy.