CIS: Commonwealth of Independent States

Another Substantial Driver of the Global Supply Imbalance

CIS encompasses Russia and several adjacent nations following the dissolution of the Soviet Union in 1991. During 2016 CIS manufactured 102.4mn mt of steel and consumed 54.7mn mt resulting in a sizeable regional surplus of 47.7mn mt, albeit less than Asia's 63.5mn mt of excess production. We have bifurcated CIS into two sub-sectors below to better analyze the underlying data.

- Russia manufactured 70.8mn mt of crude steel against apparent demand of 42.4mn mt resulting in a national steel surplus of 28.4mn metric tonnes.

- CIS (ex-Russia) manufactured 31.6mn mt of crude steel against apparent demand of 12.3mn mt resulting in 19.3mn mt of additional steel.

Figure 24: CIS Supply / Demand (000's of metric tonnes)

Global Steel Production (Supply)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	% Global
Russia	72,387	68,510	60,011	66,942	68,852	70,209	69,008	71,461	70,898	70,806	4%
% Δ YoY	2%	-5%	-12%	12%	3%	2%	-2%	4%	-1%	0%	
CIS (ex Russia)	51,782	45,835	37,680	41,258	43,811	40,529	39,400	34,618	30,654	31,602	2%
% Δ YoY	7%	-11%	-18%	9%	6%	-7%	-3%	-12%	-11%	3%	
CIS	124,169	114,345	97,691	108,200	112,663	110,738	108,408	106,079	101,552	102,410	6%
% Δ YoY	4%	-8%	-15%	11%	4%	-2%	-2%	-2%	-4%	1%	

Global Steel Consumption (Demand)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	% Global
Russia	46,959	40,896	28,477	41,444	47,981	49,488	49,671	49,253	44,558	42,452	3%
% Δ YoY	13%	-13%	-30%	46%	16%	3%	0%	-1%	-10%	-5%	
CIS (ex Russia)	18,299	16,139	12,275	14,032	15,257	16,191	16,767	14,099	12,147	12,285	1%
% Δ YoY	18%	-12%	-24%	14%	9%	6%	4%	-16%	-14%	1%	
CIS	65,258	57,035	40,752	55,476	63,238	65,679	66,438	63,352	56,705	54,737	3%
% Δ YoY	14%	-13%	-29%	36%	14%	4%	1%	-5%	-10%	-3%	

Global Steel Supply/Demand (000's)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Russia	25,428	27,614	31,534	25,498	20,871	20,721	19,337	22,208	26,340	28,356
Other CIS (ex Russia)	33,483	29,696	25,405	27,226	28,554	24,338	22,633	20,519	18,507	19,317
CIS	58,911	57,310	56,939	52,724	49,425	45,059	41,970	42,727	44,847	47,673

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

Currencies in the countries that encompass the developing markets of CIS are characteristically weaker (e.g. Russian Ruble) providing CIS with a competitive advantage over competing countries with stronger currencies (e.g. the United States). This is particularly true with respect to the scrap steel trade, whereby a strengthening U.S. dollar typically results in lower U.S. exports of scrap metal and, alternatively, a weaker U.S. dollar where U.S. scrap exports become more attractive to leading scrap importers such as Turkey.

South America (SA)

SA steel production was 40.2mn mt versus apparent demand of 40.6mn mt in 2016 resulting in a deficit of ~400K mtpa. Brazil is the largest producer in SA, manufacturing 31.3mn mt of steel in 2016 versus consumption of 20.2mn mt.

Figure 25: South American Supply / Demand (000's of metric tonnes)

Global Steel Production (Supply)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	% Global
South America	48,231	47,490	37,775	43,888	48,164	46,379	45,822	45,043	43,899	40,219	2%
% Δ YoY	6%	-2%	-20%	16%	10%	-4%	-1%	-2%	-3%	-8%	

Global Steel Consumption (Demand)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	% Global
South America	43,303	46,644	35,445	47,748	50,564	51,723	54,516	51,215	47,423	40,617	2%
% Δ YoY	10%	8%	-24%	35%	6%	2%	5%	-6%	-7%	-14%	

Global Steel Supply/Demand (000's)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
SOUTH AMERICA	4,928	846	2,330	(3,860)	(2,400)	(5,344)	(8,694)	(6,172)	(3,524)	(398)

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

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