
Steel demand to stay high despite global slowdown – OECD

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The OECD's steel committee in a release said that World steel market will remain strong while global steelmaking capacity will rise from 1,560 million tonnes in 2007 to 1,849 million tonnes in 2010, representing an 18.6% increase.

Industry and government officials at the OECD's steel committee meeting said that despite signs of a global slow down, demand for steel will increase with consumption in emerging economies like India, China, Brazil and Russia growing in two digits

Mr Risaburo Nezu of Japan who is the current chairman of the OECD Steel Committee said that "Global steel demand growth continues to be led by emerging economies, to meet the requirements of expanding industrial sectors and infrastructure growth. Demand growth in many mature economies has slowed in line with weaker economic activity. Global steelmaking capacity continues to increase rapidly. This could impact the market negatively if demand growth slows more than expected."

He said that "In China, apparent steel use rose by 13% in 2007 to a level of 408 million tonnes. Growth in machinery and automotive manufacturing, shipbuilding and construction are likely to continue to support steel demand going forward."

It said that "In India, apparent steel use increased to 51 million tonnes in 2007, an 11.3% increase from the previous year. A growing industrial sector and expanding infrastructure building should continue to support steel use in India."

In Russia, apparent steel use reached almost 40 million tonnes in 2007 and demand should continue to be supported by the oil and gas industry as well as rising household incomes.

The committee said that "Global steelmaking capacity continues to expand rapidly, a trend that is being supported by generally higher producer profitability and positive demand prospects. This development has been enhanced by increased flows of foreign direct investment, as steel companies expand their operations, particularly to emerging economies which allow such investment and where steel consumption is increasing rapidly. Although demand and cost related considerations are the main factors determining the location of investment by the steel industry, concern has been expressed that differences in existing and prospective CO2 compliance standards may also play a role."

The committee added that "Global steelmaking capacity is projected to rise from 1,560 million tonnes in 2007 to 1,849 million tonnes in 2010, representing an 18.6% increase. Most of this increase will take place in Asia. China will account for around half of the global capacity addition in the 2007-10 period. Several emerging economies such as India, Vietnam and to a lesser extent, Thailand, also have ambitious plans to expand capacity."

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