

Berlin, 30 November 2017

Factsheet

“Global Forum on Steel Excess Capacity” and figures for the global steel market

1. *Global Forum*

The Global Forum on Steel Excess Capacity is rooted in the G20 Declaration of Hangzhou (China) of 4/5 September 2016.

The heads of state and government of the G20 decided at their Hangzhou summit that the issue of excess capacity on the global steel market was to be addressed as a separate matter. For this purpose, they decided to establish a ‘Global Forum’ whose work was to be actively facilitated by the Organisation for Economic Cooperation and Development (OECD). The ‘Global Forum’ was to address the following work packages:

- Improving communication and cooperation (exchange of information and data on excess capacity in the steel industry) between the governments of steel-producing countries;
- Developing specific and efficient steps that help strengthen the functioning of the steel market;
- Drawing up a report in 2017, to be presented to the G20 Ministers.

The Global Forum on Steel Excess Capacity is tasked with addressing the causes of excess capacity in the global steel market at multilateral level, and with pointing out ways in which this excess capacity could be reduced.

The Forum was formally established under the German G20 Presidency and convened for its first meeting on 16 December 2016, in Berlin. Work has continued ever since, with six expert meetings (at which industry was also represented) being held under the German G20 Presidency.

On 30 November 2017, the Global Forum met for its first ever Ministerial Meeting. This meeting was also one of the last important closing events for the German G20 Presidency.

The G20 Hamburg Declaration called upon the members of the Global Forum to enter into compliance with the obligations on information exchange they entered into under the Hangzhou mandate, and to do this by August 2017. The relevant data has been requested and the information submitted. The Declaration also called for a report setting out specific political solutions to be published in November 2017, and for a progress report to be published about the Forum’s additional work in 2018.

Wording of the Hamburg G20 Declaration with regard to steel.

“ (...) Therefore, we call on the members of the Global Forum on Steel Excess Capacity, facilitated by the OECD, as mandated by the Hangzhou Summit, to fulfil their commitments on enhancing information sharing and cooperation by August 2017, and to rapidly develop concrete policy solutions that reduce steel excess capacity. We look forward to a substantive report with concrete policy solutions by November 2017, as a basis for tangible and swift policy action, and follow-up progress reporting in 2018.”

Members of the Global Forum:

The G20 and other interested OECD countries are represented on the Global Forum (33 countries in total). The OECD acts as a facilitator in the process.¹

The Global Forum is based upon a three-year mandate (expiring in 2019), which can be extended by agreement between the members.

2. Facts and figures about the global steel market and excess capacity

In 2016, the global steel industry showed signs of a recovery and of moderate growth, which was underpinned by overall faster growth in the global economy. It seems that the cyclical recovery of the steel markets is broadening, with most regions likely to be posting higher demand for steel in both 2017 and 2018.

However, this temporary recovery in demand for steel is likely to result from mere **cyclical factors, whereas the underlying overall trend is expected to remain weak.** Steel intensity (the amount of steel used per unit of GDP) is falling. This trend will continue as a result of structural developments such as a transition towards a more efficient use of materials, which goes hand in hand with demand for lighter and more resilient types of steel. Other long-term developments such as digitisation will also come into play and put a damper on global demand for steel. **The World Steel Association is forecasting a long-term increase in the demand for steel of around 1% per year.**

At the same time, global capacity is significantly higher than global steel production; in fact the closure of production facilities in some states is unable to fully compensate for the ongoing growth in capacity. According to **OECD estimates, global excess capacity reached an all-time record of 737 million tonnes in 2016 (to put this in perspective: Germany produced some 42 million tonnes of steel in 2016).** This imbalance is set to become even more pronounced should the countries that have announced that they will reduce their capacities as planned follow through with this.

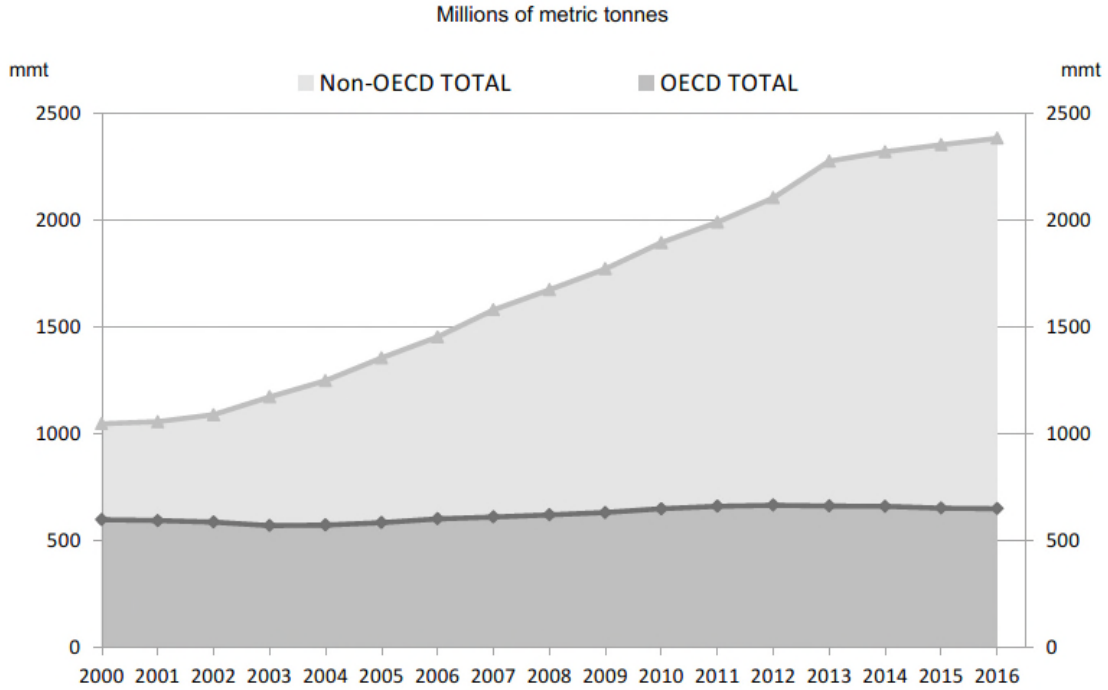
It is true that the figures posted by the members of the Global Forum for 2014-2016 suggest that there has been a slight reduction in capacity of 2.1% (2,031.4 million tonnes in 2016, representing a decrease by 43.7 million tonnes compared to 2014). However, this figure is still significantly higher than the comparative OECD figures for 2010. The decrease is also far too small to make up for the structural imbalance.

Over the past two years, global export volumes for steel have remained fairly stable, following a strong increase in 2014. In 2016, **global exports saw a slight decline to 314 million tonnes, which compares to the record level of 317 million tonnes reached in 2015.** Last year, many economies posted a decline in their steel exports:

¹This applies to the following countries: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, EU, Finland, France, Germany, Greece, Hungary, India, Indonesia, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, Poland, Russia, Saudi Arabia, Slovak Republic, South Africa, South Korea, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States + OECD.

China: -3.1% to 107.5 million tonnes, Japan: -0.7% to 40.5 million tonnes, the EU: -11.5% to 29.1 million tonnes, Korea: -1.8% to 30.5 million tonnes (reference: OECD).

Global crude-steel capacity



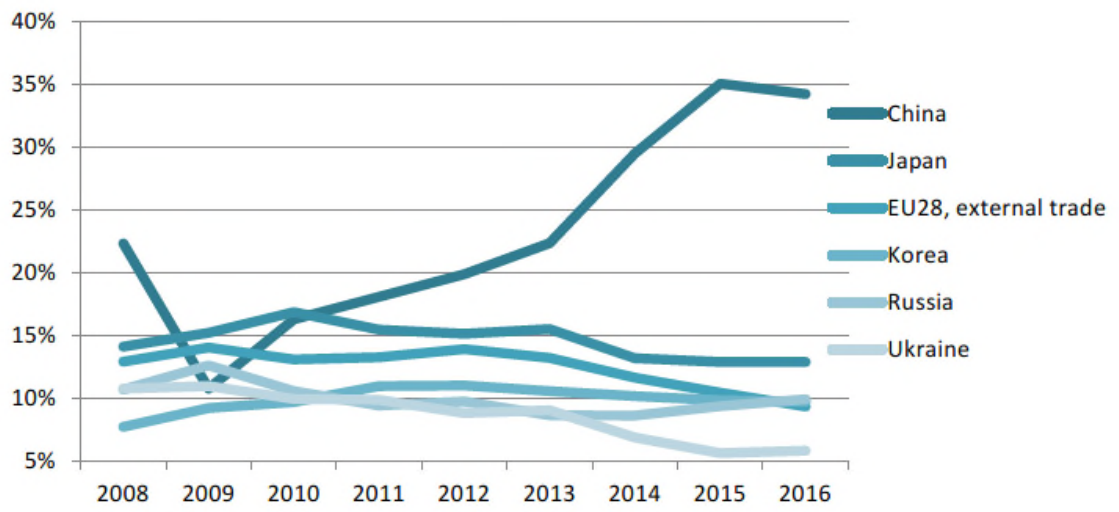
Reference: OECD Secretariat calculations

Global crude-steel exports by exporters (in %), 2015 and 2016

	Level, thousand mmt			% change, year-on-year		
	Dec 2016	2015	2016	Dec 2016	2015	2016
EU	13,066	166,173	162,293	13.6	-1.8	-2.3
Other Europe	3,111	34,003	35,958	8.6	-6.1	5.8
CIS	8,841	101,374	102,222	6.6	-4.3	0.8
North America	9,409	110,945	110,987	9.9	-8.4	0.0
South America	2,899	43,899	39,224	-11.3	-2.5	-10.6
Africa	1,053	12,791	12,189	9.6	-10.2	-4.7
Middle East	2,507	26,974	29,025	20.8	-3.8	7.6
Asia, of which:	92,661	1,090,598	1,106,253	4.0	-2.7	1.4
China	67,220	798,785	808,370	3.2	-2.9	1.2
Oceania	512	5,717	5,837	19.6	4.6	2.1
World	134,059	1,592,473	1,603,989	5.5	-3.3	0.7

Reference: OECD based on data from World Steel Association

Global market share of the world's largest steel exporters (in %), 2008-16



Source: OECD calculations based on data from ISSB.