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## How Long Will Steel Remain a Buyer's Market?



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engineering and construction contracting association

## The Perfect Storm

**Navigating Through the Turbulence of Risk and Change**



# Steel is a Buyer's Market through 2010

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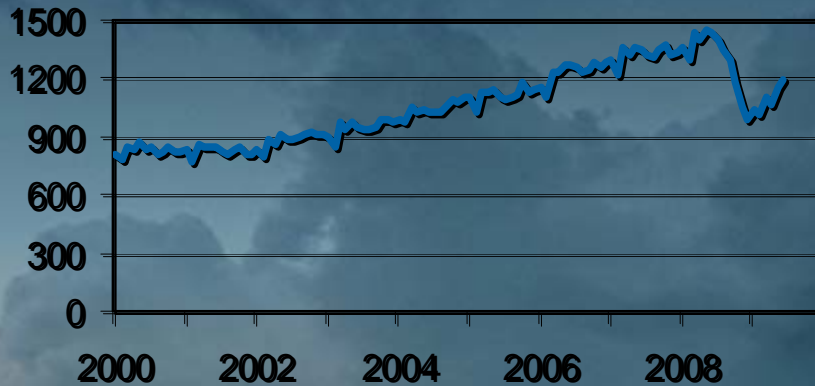
- One-third of all non-Chinese capacity remains idle
  - China making ~600 million metric tonnes
  - Rest of world made ~900 in mid-2008, now ~600
- Steel prices cannot sustain large increases until capacity utilization recovers.
- An uneasy stability rules through 2010
- Eventually the global recovery means more demand for steel
  - steady restarts of furnaces
  - gradual price increases for 2011 through 2012



# Total Raw Steel Production Reacted Swiftly and Deeply

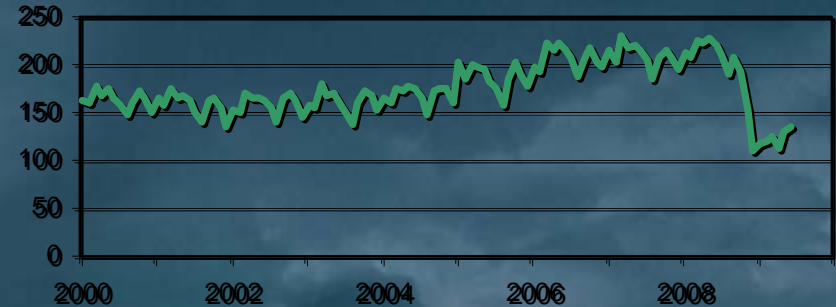
## World

(Millions of metric tonnes, annual rate)



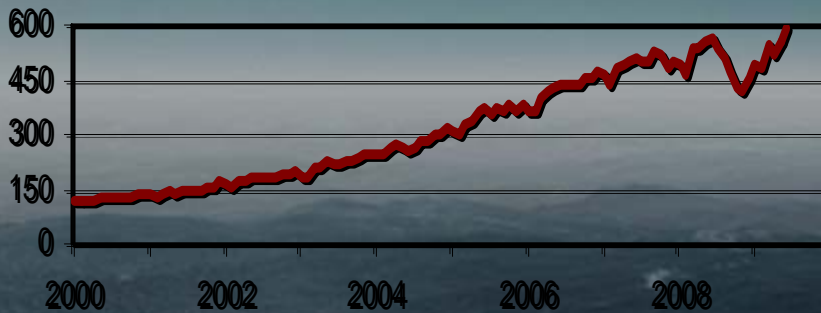
## Europe

(Millions of metric tonnes, annual rate)



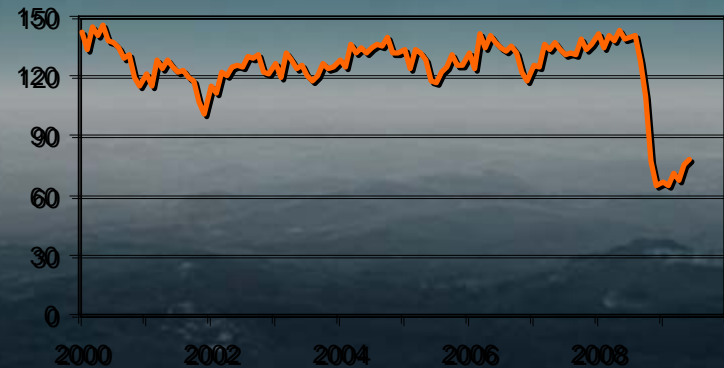
## China

(Million of metric tonnes, annual rate)



## North America

(Millions of metric tonnes, annual rate)



# Events That Will (Re)Shape the Global Steel Industry in the Mid and Long Term

- More futures hedging will be possible
- The ore contract is dying
- Currency appreciation hurts Chinese and European competitiveness
- Prices will probably spike back to 2008 peaks in the middle of the next decade, and stay high for several years

