How Long Will Steel Remain a Buyer’s Market?

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The Perfect Storm
Navigating Through the Turbulence of Risk and Change
Steel is a Buyer’s Market through 2010

- 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