Update on ASEAN Steel Industry Development Scenario

Presented by:
TAN AH YONG
Secretary General
South East Asia Iron and Steel Institute (SEAISI)
CONTENTS:

- Macroeconomic Scenario
- Steel Consumption and Production
- Steel Situation in Individual ASEAN Countries
- Analysis of Steel Imports
- Significant Developments in 2016
- Conclusions
IMF revised down the projection of economic growth for many countries and regions in its October World Economic Outlook. Global growth in 2016 was revised down from 3.16% in April 2016 to 3.08% in October 2016. However, the global economy is projected to recover to 3.44% in 2017 and 3.57% in 2018.

Advanced economies’ GDP growth rate in 2016 was also revised downward from 1.78% in April 2016 to 1.38% in October 2016 and the growth rate is expected to increase to 1.66% in 2017 and maintain at the same rate in 2018.

China’s growth is projected to register 6.6% in 2016 and will slow down to 6.2% in 2017 and 6% in 2018.

Forecast of India’s economic growth in 2016 has been revised upward to 7.62% and is projected at 7.6% and 7.7% in 2017 and 2018 respectively.

ASEAN-5’s GDP growth in 2016 was revised upward slightly from 4.7% in April 2016 to 4.8% in October 2016. The growth is projected to increase to 5.1% in 2017 and 5.2% in 2018.

Source: IMF World Economic Outlook updated October 2016
**Economic Indicators**

Q2 2016 GDP growth (% y-o-y)

- Philippines: 7.0%
- Vietnam: 5.8%
- Indonesia: 5.2%
- Malaysia: 4.0%
- Thailand: 3.5%
- Singapore: 0.2%

Source: Trading Economics, SEAISI
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- Conclusions
### World and Asia finished steel demand

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016 (f)</th>
<th>2017(f)</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>1,498.708</td>
<td>1,501.345</td>
<td>1,509.574</td>
<td>-3.0</td>
</tr>
<tr>
<td>Asia</td>
<td>976.087</td>
<td>980.763</td>
<td>977.269</td>
<td>-3.3</td>
</tr>
<tr>
<td>Developing Asia</td>
<td>832.178</td>
<td>836.117</td>
<td>832.962</td>
<td>-3.3</td>
</tr>
<tr>
<td>China</td>
<td>672.340</td>
<td>665.612</td>
<td>652.299</td>
<td>-5.4</td>
</tr>
<tr>
<td>India</td>
<td>80.053</td>
<td>84.354</td>
<td>89.137</td>
<td>5.3</td>
</tr>
<tr>
<td>ASEAN (5)</td>
<td>65.124</td>
<td>70.511</td>
<td>74.955</td>
<td>4.9</td>
</tr>
<tr>
<td>Thailand</td>
<td>16.734</td>
<td>17.536</td>
<td>17.799</td>
<td>-3.5</td>
</tr>
<tr>
<td>Vietnam</td>
<td>18.254</td>
<td>21.357</td>
<td>23.493</td>
<td>26.4</td>
</tr>
<tr>
<td>Developed Asia</td>
<td>143.909</td>
<td>144.646</td>
<td>144.308</td>
<td>-3.5</td>
</tr>
<tr>
<td>Japan</td>
<td>62.950</td>
<td>62.700</td>
<td>63.600</td>
<td>-7.0</td>
</tr>
<tr>
<td>South Korea</td>
<td>55.800</td>
<td>56.383</td>
<td>54.640</td>
<td>0.5</td>
</tr>
</tbody>
</table>

- Global steel demand will increase by 0.2% to 1,501 million tonnes in 2016 and by 0.5% to 1,510 million tonnes in 2017.
- China’s steel demand will drop by 1% to 665.6 million tonnes in 2016 and further contract by 2% in 2017 to 652.3 million tonnes.
- India is expected to register solid growth rates in steel demand of 5.4% and 5.7% in 2016 and 2017 respectively.
- Steel consumption in ASEAN-5 is projected to increase strongly by 8.3% in 2016 to 70.5 million tonnes and further expand by 6.3% to 75 million tonnes in 2017.

Source: SRO October 2016, World Steel Association
ASEAN steel consumption surged strongly, by 19.3% y-o-y, in the first half of 2016, contributed by significant increases in both domestic production and imports.

### Apparent Steel Consumption in ASEAN (million tonnes)

<table>
<thead>
<tr>
<th></th>
<th>H1 2015</th>
<th>H1 2016</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>13,609,669</td>
<td>16,512,018</td>
<td>21.3%</td>
</tr>
<tr>
<td>Import</td>
<td>23,698,228</td>
<td>26,807,233</td>
<td>13.1%</td>
</tr>
<tr>
<td>Export</td>
<td>4,374,151</td>
<td>4,041,833</td>
<td>-7.6%</td>
</tr>
<tr>
<td>Consumption</td>
<td>32,933,746</td>
<td>39,277,418</td>
<td>19.3%</td>
</tr>
</tbody>
</table>

Notes:
- Production: Hot rolled steel products
- Import & Export: Hot rolled + Cold rolled + Coated sheets & strips + Pipes & Tubes

Source: SEAISI’s estimation
**Strong growth rate in steel demand in most of the countries in ASEAN-6**

### Apparent Steel Consumption

<table>
<thead>
<tr>
<th>ASEAN</th>
<th>H1 2015</th>
<th>H2 2015</th>
<th>2015</th>
<th>H 1 2016</th>
<th>% growth H1 15/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>5,778,793</td>
<td>5,596,674</td>
<td>11,375,467</td>
<td>6,421,801</td>
<td>11.1%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>4,740,141</td>
<td>5,259,994</td>
<td>10,000,135</td>
<td>5,580,148</td>
<td>17.7%</td>
</tr>
<tr>
<td>Philippines</td>
<td>3,628,891</td>
<td>5,130,809</td>
<td>8,759,700</td>
<td>4,704,135</td>
<td>29.6%</td>
</tr>
<tr>
<td>Singapore</td>
<td>2,173,056</td>
<td>1,842,466</td>
<td>4,015,522</td>
<td>1,297,037</td>
<td>-40.3%</td>
</tr>
<tr>
<td>Thailand</td>
<td>8,308,538</td>
<td>8,245,865</td>
<td>16,554,403</td>
<td>9,880,297</td>
<td>18.9%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>8,304,326</td>
<td>9,949,674</td>
<td>18,254,000</td>
<td>11,394,000</td>
<td>37.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32,933,746</strong></td>
<td><strong>36,025,482</strong></td>
<td><strong>68,959,227</strong></td>
<td><strong>39,277,418</strong></td>
<td><strong>19.3%</strong></td>
</tr>
</tbody>
</table>

- All countries in ASEAN-6, except Singapore, enjoyed double-digit growth rates in steel demand in the first half of 2016.
- Vietnam registered the highest growth rate (37.2%) followed by the Philippines (29.6%). Both Indonesia (11.1%) and Thailand (18.9%), as expected, saw their steel demand rebounding in the first six months of 2016 while Malaysia recorded a surprisingly robust 17.7% increase in steel consumption during the same period.
- Singapore is the only country that experienced a 40.3% y-o-y drop in steel demand.

Source: SEAISI’s estimation
ASEAN’s steel output in H1 2016 picked up strongly, by 21% y-o-y, following a significant reduction in steel production in H1 2015.

<table>
<thead>
<tr>
<th>Production</th>
<th>H1 2014</th>
<th>H1 2015</th>
<th>H1 2016</th>
<th>% growth 14/15</th>
<th>% growth 15/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Products</td>
<td>10,497,827</td>
<td>10,455,975</td>
<td>12,847,864</td>
<td>-0.4%</td>
<td>22.9%</td>
</tr>
<tr>
<td>Flat Products</td>
<td>4,472,388</td>
<td>3,153,694</td>
<td>3,664,154</td>
<td>-29.5%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Total</td>
<td>14,970,215</td>
<td>13,609,669</td>
<td>16,512,018</td>
<td>-9.1%</td>
<td>21.3%</td>
</tr>
</tbody>
</table>

Remarks: Flat products production consists of hot rolled flat products only.

Source: SEAISI’s estimation
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Demand picked up 11% y-o-y

Domestic output increased significantly, by 21% y-o-y

Production of long steel increased moderately, by 5.5%, while production of hot rolled flat steel jumped substantially, by more than 30% y-o-y.

Imports, on the other hand, declined 7% for both long and flat steel.

Long steel export increased marginally while export of flat steel dropped by nearly half.

Source: SEAISI's estimation
Indonesia’s flat steel demand picked up significantly

- Indonesia’s long steel demand was relatively unchanged, declining 0.3% y-o-y.
- Production increased moderately, by 5.5% y-o-y.
- Import declined 7% y-o-y.
- Indonesia’s demand for flat steel registered a double digit growth of 19% y-o-y.
- Increase in demand was met by domestic production, which jumped 38% y-o-y.
- Import dropped 7% y-o-y while export volume declined by nearly half compared with H1 2015.

Source: SEAISI’s estimation
Steel demand in the first half of 2016 jumped 18% y-o-y

However, production rose slightly, by 2% y-o-y

Import increased by 10% y-o-y

Export volume declined by nearly half compared with H1 2015

<table>
<thead>
<tr>
<th></th>
<th>H1 2015</th>
<th>H1 2016</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>2,060,000</td>
<td>2,101,000</td>
<td>2.0%</td>
</tr>
<tr>
<td>Import</td>
<td>3,632,841</td>
<td>4,003,892</td>
<td>10.2%</td>
</tr>
<tr>
<td>Export</td>
<td>952,700</td>
<td>524,745</td>
<td>-44.9%</td>
</tr>
<tr>
<td>Consumption</td>
<td>4,740,141</td>
<td>5,580,148</td>
<td>17.7%</td>
</tr>
</tbody>
</table>

Source: SEAISI's estimation
Malaysia’s surge in flat steel consumption met by imports

- Malaysia’s long demand showed little growth, increasing only 0.8% y-o-y.
- Domestic production increased moderately, by 4% y-o-y.
- Slightly more than half of the demand was served by import, and the volume remained unchanged.
- Export volume remained small.

- Demand for flat steel surged significantly, by 56.5% y-o-y.
- Domestic production, however, dropped 6.5% y-o-y.
- The bulk of the surge in demand was served by imports which increased by nearly 20% y-o-y.
- Export dropped by more than half in volume compared with H1 2015.

Source: SEAISI’s estimation
Steel demand in the Philippines continued to expand robustly, by 30% y-o-y, in the first half of 2016.

Both flat steel and long steel demand increased significantly, by 52.4% and 21% y-o-y respectively.

Domestic production increased 14.6% y-o-y in the first half of 2016 but import surged even more, by 45.7% y-o-y.

**PHILIPPINES**

Unit: million tonnes

<table>
<thead>
<tr>
<th></th>
<th>H1 2015</th>
<th>H1 2016</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>1,875,612</td>
<td>2,150,000</td>
<td>14.6%</td>
</tr>
<tr>
<td>Import</td>
<td>1,753,279</td>
<td>2,554,135</td>
<td>45.7%</td>
</tr>
<tr>
<td>Export</td>
<td>0</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Consumption</td>
<td>3,628,891</td>
<td>4,704,135</td>
<td>29.6%</td>
</tr>
</tbody>
</table>

Source: SEAISI's estimation
Philippines’ long and flat steel demand grew significantly

- Philippines’ long steel demand increased 21.3% y-o-y
- This was served mainly by domestic production, which increased significantly, by 14.6% y-o-y
- Import also increased significantly, by 300,000 tonnes, when compared to the first half of 2015.

- Flat steel demand picked up by 52.4% y-o-y and the volume was fully served by imports.
- The major import items were coated sheet and pipes & tubes

Source: SEAISI’s estimation
Singapore is the only country in ASEAN-6 that experienced a significant decline in steel demand in the first half of 2016, dropping 40% y-o-y.

- Domestic demand dipped moderately, by 3.2% y-o-y.
- Import decreased sharply, by nearly 30% y-o-y.
- Export surged slightly, by 1.7% y-o-y.

### Singapore’s Steel Situation in H1 2016

<table>
<thead>
<tr>
<th></th>
<th>H1 2015</th>
<th>H1 2016</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>255,658</td>
<td>247,461</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Import</td>
<td>2,881,086</td>
<td>2,029,506</td>
<td>-29.6%</td>
</tr>
<tr>
<td>Export</td>
<td>963,688</td>
<td>979,930</td>
<td>1.7%</td>
</tr>
<tr>
<td>Consumption</td>
<td>2,173,056</td>
<td>1,297,037</td>
<td>-40.3%</td>
</tr>
</tbody>
</table>

Source: SEAISI's estimation
Singapore’s long steel demand shrank sharply

- Singapore’s long steel demand shrank sharply, by 52% y-o-y.
- Domestic output declined moderately, by 3% y-o-y
- Import also declined significantly, by 37% y-o-y
- Export increased 17% y-o-y

Flat steel demand also shrank in the first half of 2016

- Import dropped 14.6% while export retreated 22% y-o-y
- Overall demand dipped 10% y-o-y

Source: SEAISI's estimation
Thailand’s steel demand in the first half of 2016 picked up sharply, by 19% y-o-y.

Domestic production expanded 33% y-o-y.

Import increased 10% y-o-y.

Export rose 7.3% y-o-y.

### THAILAND

<table>
<thead>
<tr>
<th></th>
<th>H1 2015</th>
<th>H1 2016</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>3,190,182</td>
<td>4,255,618</td>
<td>33.4%</td>
</tr>
<tr>
<td>Import</td>
<td>5,624,425</td>
<td>6,167,736</td>
<td>9.7%</td>
</tr>
<tr>
<td>Export</td>
<td>506,069</td>
<td>543,057</td>
<td>7.3%</td>
</tr>
<tr>
<td>Consumption</td>
<td>8,308,538</td>
<td>9,880,297</td>
<td>18.9%</td>
</tr>
</tbody>
</table>

Unit: million tonnes

Source: SEAISI's estimation
Long steel and flat steel demand both picked up significantly in the first half of 2016

- Thailand’s long steel demand in H1 2016 jumped significantly, by nearly 40% y-o-y
- The increase in demand was mainly served by domestic production, with volume almost doubling when compared with H1 2015
- Import and export both increased by 5% y-o-y
- Production volume for flat steel remained unchanged
- Import and export increased 10-11%
- Total demand surged 8.5% y-o-y

Source: SEAISI’s estimation
Vietnam’s steel demand continued to increase robustly, by 37% y-o-y in the first half of 2016.

- Both long and flat steel consumption increased strongly.
- Domestic production surged 27.5% y-o-y.
- Import rose sharply, by 39% y-o-y.
- Export also increased significantly, by 22% y-o-y.

<table>
<thead>
<tr>
<th></th>
<th>H1 2015</th>
<th>H1 2016</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>3,285,994</td>
<td>4,189,047</td>
<td>27.5%</td>
</tr>
<tr>
<td>Import</td>
<td>6,345,293</td>
<td>8,829,749</td>
<td>39.2%</td>
</tr>
<tr>
<td>Export</td>
<td>1,326,961</td>
<td>1,624,796</td>
<td>22.4%</td>
</tr>
<tr>
<td>Consumption</td>
<td>8,304,326</td>
<td>11,394,000</td>
<td>37.2%</td>
</tr>
</tbody>
</table>

Source: SEAISI’s estimation
Vietnam’s long and flat steel demand both surged substantially

- Vietnam’s long steel market expanded significantly, by 30% y-o-y in the first half of 2016
- Domestic output surged 27.5% y-o-y
- Import rose 31% y-o-y
- Export increased moderately, by 7% y-o-y

- Demand for flat steel increased sharply, by 44% y-o-y
- Import rose 41% y-o-y and export also jumped significantly, by 28% y-o-y

Source: SEAISI’s estimation
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ASEAN: still a major import region for steel products

- Total import increased 20% y-o-y in the first half of 2016

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Import</strong></td>
<td>33.0</td>
<td>39.4</td>
<td>42.1</td>
<td>50.1</td>
<td>54.6</td>
<td>57.2</td>
<td>61.4</td>
<td>28.8</td>
<td>35.2</td>
</tr>
<tr>
<td>- Semi-finished Steel</td>
<td>9.6</td>
<td>9.6</td>
<td>8.1</td>
<td>9.8</td>
<td>9.7</td>
<td>10.8</td>
<td>12.7</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>- Section, bar &amp; wire rods</td>
<td>4.7</td>
<td>5.9</td>
<td>6.9</td>
<td>8.4</td>
<td>11.2</td>
<td>12.4</td>
<td>13.8</td>
<td>6.3</td>
<td>6.4</td>
</tr>
<tr>
<td>- Hot-rolled sheets &amp; strips</td>
<td>9.6</td>
<td>11.4</td>
<td>13.9</td>
<td>16.5</td>
<td>17.8</td>
<td>18.4</td>
<td>19.2</td>
<td>7.9</td>
<td>10.5</td>
</tr>
<tr>
<td>- Cold-rolled products</td>
<td>3.7</td>
<td>4.7</td>
<td>4.9</td>
<td>5.2</td>
<td>5.1</td>
<td>4.9</td>
<td>5.0</td>
<td>1.9</td>
<td>1.8</td>
</tr>
<tr>
<td>- Coated sheets &amp; strips</td>
<td>3.0</td>
<td>4.8</td>
<td>5.1</td>
<td>6.2</td>
<td>6.6</td>
<td>6.6</td>
<td>7.4</td>
<td>3.0</td>
<td>3.5</td>
</tr>
<tr>
<td>- Others</td>
<td>2.4</td>
<td>3.1</td>
<td>3.4</td>
<td>4.0</td>
<td>4.2</td>
<td>4.0</td>
<td>3.3</td>
<td>4.1</td>
<td>7.5</td>
</tr>
</tbody>
</table>

**Breakdown by country**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>8.9</td>
<td>12.0</td>
<td>12.2</td>
<td>14.8</td>
<td>15.6</td>
<td>14.7</td>
<td>14.4</td>
<td>6.9</td>
<td>9.1</td>
</tr>
<tr>
<td>Vietnam</td>
<td>8.5</td>
<td>8.0</td>
<td>6.8</td>
<td>8.0</td>
<td>9.2</td>
<td>11.7</td>
<td>15.8</td>
<td>6.9</td>
<td>9.8</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5.5</td>
<td>7.3</td>
<td>9.2</td>
<td>11.7</td>
<td>12.0</td>
<td>12.3</td>
<td>11.0</td>
<td>5.2</td>
<td>6.2</td>
</tr>
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<td>5.0</td>
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<td>6.4</td>
<td>7.2</td>
<td>7.4</td>
<td>3.8</td>
<td>4.1</td>
</tr>
<tr>
<td>Singapore</td>
<td>3.7</td>
<td>4.0</td>
<td>5.2</td>
<td>5.2</td>
<td>6.0</td>
<td>5.2</td>
<td>5.1</td>
<td>2.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Philippines</td>
<td>2.8</td>
<td>3.1</td>
<td>3.8</td>
<td>4.6</td>
<td>5.4</td>
<td>6.1</td>
<td>7.7</td>
<td>3.0</td>
<td>4.1</td>
</tr>
</tbody>
</table>

**Main sources of import**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>23%</td>
<td>28%</td>
<td>26%</td>
<td>26%</td>
<td>25%</td>
<td>23%</td>
<td>20%</td>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>China</td>
<td>13%</td>
<td>19%</td>
<td>20%</td>
<td>26%</td>
<td>30%</td>
<td>42%</td>
<td>52%</td>
<td>50%</td>
<td>53%</td>
</tr>
<tr>
<td>South Korea</td>
<td>11%</td>
<td>13%</td>
<td>16%</td>
<td>15%</td>
<td>13%</td>
<td>12%</td>
<td>10%</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>Russia</td>
<td>13%</td>
<td>10%</td>
<td>7%</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>10%</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>India</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Intra-ASEAN</td>
<td>10%</td>
<td>8%</td>
<td>8%</td>
<td>6%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: SEAISI's estimation
Long steel import

H1 2016

Major sources of Section import in ASEAN

- China: 65%
- ASEAN: 12%
- Korea: 13%
- Japan: 6%
- Others: 4%

Unit: tonnes

Source: SEAISI's estimation

Major sources of Bar import in ASEAN

- China: 88%
- ASEAN: 3%
- Korea: 1%
- Taiwan: 1%
- Japan: 6%
- Others: 1%

Unit: tonnes

Source: SEAISI's estimation
Major sources of Wire rod import in ASEAN

- China: 80%
- Japan: 7%
- Korea: 7%
- EU27: 0%
- ASEAN: 2%
- Others: 2%

Source: SEAISI's estimation
Flat steel import

H1 2016

Major sources of HRP import in ASEAN

- China: 62%
- Japan: 16%
- Korea: 11%
- Taiwan: 4%
- Others: 1%

Unit: tonnes

Major sources of HRC import in ASEAN

- China: 28%
- Japan: 31%
- Korea: 15%
- Taiwan: 14%
- Others: 11%
- ASEAN: 1%

Source: SEAISI’s estimation
Flat steel import

H1 2016

Major sources of CRC import in ASEAN

- Japan: 42%
- Korea: 19%
- China: 15%
- Others: 6%

Major sources of Coated sheet import in ASEAN

- China: 54%
- Japan: 19%
- Korea: 11%
- Taiwan: 5%
- ASEAN: 11%

Source: SEAISI’s estimation
Significant Developments

Delay / Closure of Operations

- Formosa Ha Tinh Steel Corporation was unable to blow-in its first blast furnace in June 2016 as planned due to environmental issues with the Vietnamese government.

- Megasteel Sdn Bhd, Malaysia’s largest integrated steel producer of flat steel products, with capacity to produce 3.2 million tonnes of HRC and 1.45 million tonnes of CRC per annum, fully shut down its operation on 30 August 2016.
**Investment Activities**

- PT Gunung Garuda commissioned a new electric furnace and slab caster at its Bekasi works in West Java at the end of June 2016. The melt shop has the capacity to produce 1.2 million tonnes of crude steel which will be cast into slabs for further processing into structural steels, pipe and heavy plate.

- PT Krakatau Steel plans to commission its new 1.2 million tonnes/year capacity blast furnace in December 2016. The company also held a ground breaking ceremony in August for the construction of a second hot strip mill with a capacity of 1.5 million tonnes a year which will bring its total HRC capacity to 3.9 million tonnes per year.

- On 27 August 2016, China’s Hebei Xinwuan Steel Group and MCC Overseas Limited signed a MoU with the state government of Sarawak of Malaysia to conduct a preliminary feasibility study for the establishment of a 5 million tonnes/year integrated steel plant in the Samalaju Industrial Park at Bintulu.

- Hoa Sen Group plans to build a large steelworks in the central coastal province of Ninh Thuan with maximum capacity reaching 16 million tonnes/year. Initial capacity in the first sub-phase will be 1.5 million tonnes/year which will be doubled to 3 million tonnes by end-2019. In its first phase the proposed plant will produce long products.
Threat from Imports

- Steel exports from China continue to flood the ASEAN market. In 2015, China’s steel export to ASEAN totalled 31.87 million tonnes, an increase of 33% year-on-year. For the first nine months of 2016, the volume was 28.36 million tonnes, up 20% year-on-year.

- Major items of steel exports from China to ASEAN:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>Jan-Sep'15</th>
<th>Jan-Sep'16</th>
<th>y-o-y %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bar</td>
<td>11,943,076</td>
<td>8,628,499</td>
<td>10,741,650</td>
<td>24%</td>
</tr>
<tr>
<td>Wire rod</td>
<td>5,127,348</td>
<td>3,753,791</td>
<td>3,811,705</td>
<td>2%</td>
</tr>
<tr>
<td>Hot roller coil</td>
<td>4,218,324</td>
<td>3,184,543</td>
<td>4,025,327</td>
<td>26%</td>
</tr>
<tr>
<td>Coated steel</td>
<td>3,536,183</td>
<td>2,653,832</td>
<td>3,729,110</td>
<td>41%</td>
</tr>
<tr>
<td>Plates</td>
<td>2,250,553</td>
<td>1,743,468</td>
<td>2,140,470</td>
<td>23%</td>
</tr>
<tr>
<td>Pipes &amp; tubes</td>
<td>1,587,544</td>
<td>1,232,580</td>
<td>1,240,469</td>
<td>1%</td>
</tr>
<tr>
<td>Section</td>
<td>1,406,201</td>
<td>1,055,599</td>
<td>1,298,083</td>
<td>23%</td>
</tr>
</tbody>
</table>
Trade Measures

- Indonesia, Malaysia, Thailand and Vietnam continue to be active in instituting trade measures against steel imports in 2016, the bulk of which are targeted against imports from China.

- For the year up to 31 October 2016, a total of 16 anti-dumping actions were taken by the four countries, with seven (7) cases of initiation of investigations; three (3) reviews; five (5) final determinations; and one (1) preliminary determination. 14 of these cases have China as the target country/one of the target countries.

- During the same period, a total of eight (8) safeguard actions were reported in the four countries, with two (2) cases of initiation of investigations; one (1) termination of investigation; one (1) review; one (1) extension; one (1) final determination; and two (2) preliminary determinations.
CONTENTS:

- Macroeconomic Scenario
- Steel Consumption and Production
- Steel Situation in Individual ASEAN Countries
- Analysis of Steel Imports
- Significant Developments in 2016
- Conclusions
Conclusions

- Steel demand in ASEAN-6 continues to expand with apparent steel consumption in the first half of 2016 surging 19.3% year-on-year to 39.3 million tonnes.

- All the countries, except Singapore, registered double-digit growth rates in steel consumption in the first six months of 2016, with Vietnam leading the pack with a year-on-year growth rate of 37.2%.
Conclusions (cont)

- While the exceptionally strong year-on-year consumption growth rate recorded in the first half of 2016 was partly attributable to the low base effect of consumption in the corresponding period of 2015, the growth was also propelled by the continuing expansion of steel demand in Vietnam and the Philippines as well as by the recovery in steel demand in Indonesia and Thailand and the stronger than expected growth in steel demand in Malaysia.
Conclusions (cont)

- Steel prices have recovered somewhat from their record lows in October 2015 although price volatility is still a matter of concern

- The worst appears to be over for the global steel industry and the steel industry in ASEAN is slowly stabilising with many steel companies gradually returning to profit path
The industry in the region, however, continues to face serious threat from the influx of steel exports from China and regional steel groupings are still trying to press for a long term solution to the problem.
Thank you!