

**VII international conference
CIS ferrous raw material markets 2011**

**Development of the Chinese steel
industry:
influence on the global market for steel
and raw materials**

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2011

Metal Expert Consulting – researches of the ferrous metal, chemical and coal industries

- Market researches
- Optimization of market and commodity strategies
- Business and strategic planning
- Development of draft projects, justification of investments (pre-feasibility and feasibility studies)

Some of our customers:



We often undertake researches of raw material markets:

Ukraine. Research of the iron ore market, port and transport infrastructures.

Research and forecast for the Russian and Ukrainian iron ore markets.

Outlook for iron ore exports via the Azov-Black Sea ports.

Research of the Russian market for low-ash steam coal (T and A ranks).

Research of the Russian market for medium-volatile coking coal.

Research of the Kazakh market for iron ore, DRI/HBI and steel products.

The outlook for steel production and consumption in Turkey, North Africa and the Middle East...

Trends of the Chinese steel market

China is the most dynamic, high-capacity and... unpredictable market!

Different views on steel production potential of China (million tonnes):

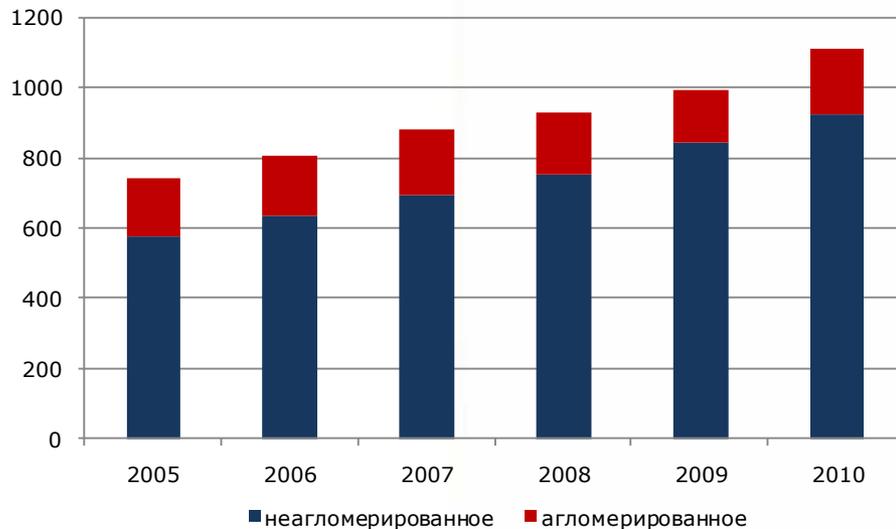


The gap between the steel consumption forecasts for 2015 included into the best- and worse-case market development scenarios is 300 million tonnes

Iron ore market

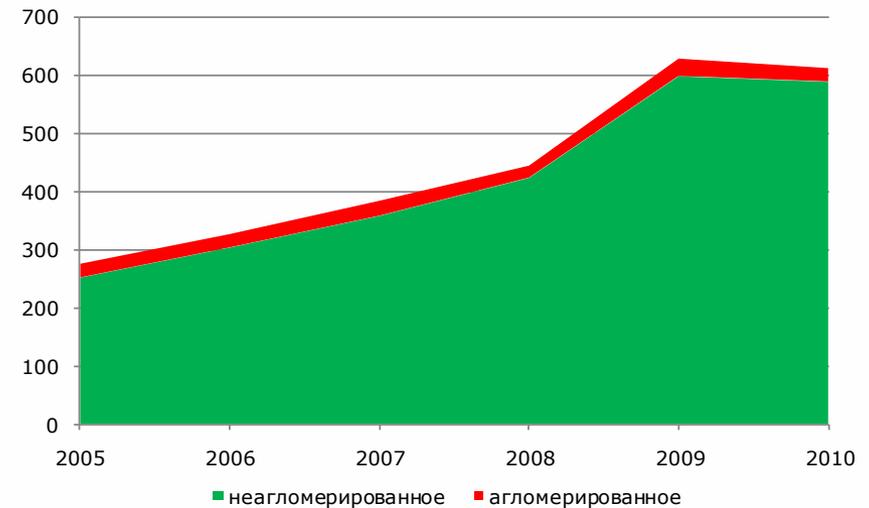
The global trade in iron ore has been growing steadily in recent years to reach 1.1 billion tonnes in 2010

Global trade in iron ore, million tonnes



Estimate of Metal Expert Consulting

Imports to China, million tonnes



Source: Chinese customs statistics

In 2010, iron ore imports to China fell by 3%, while the country's pig iron output added 8%

In 2011, iron ore imports to China went up again:

In 8 months, 447.6 million tonnes was supplied to the country, up 10.5% y-o-y.

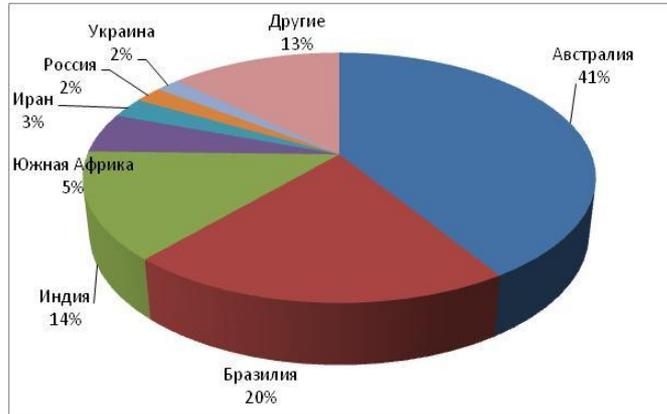
In 2011, imports are expected to reach 670 million tonnes.

2009



The number of countries from which China imports iron ore is expanding year by year.

8 months of 2011

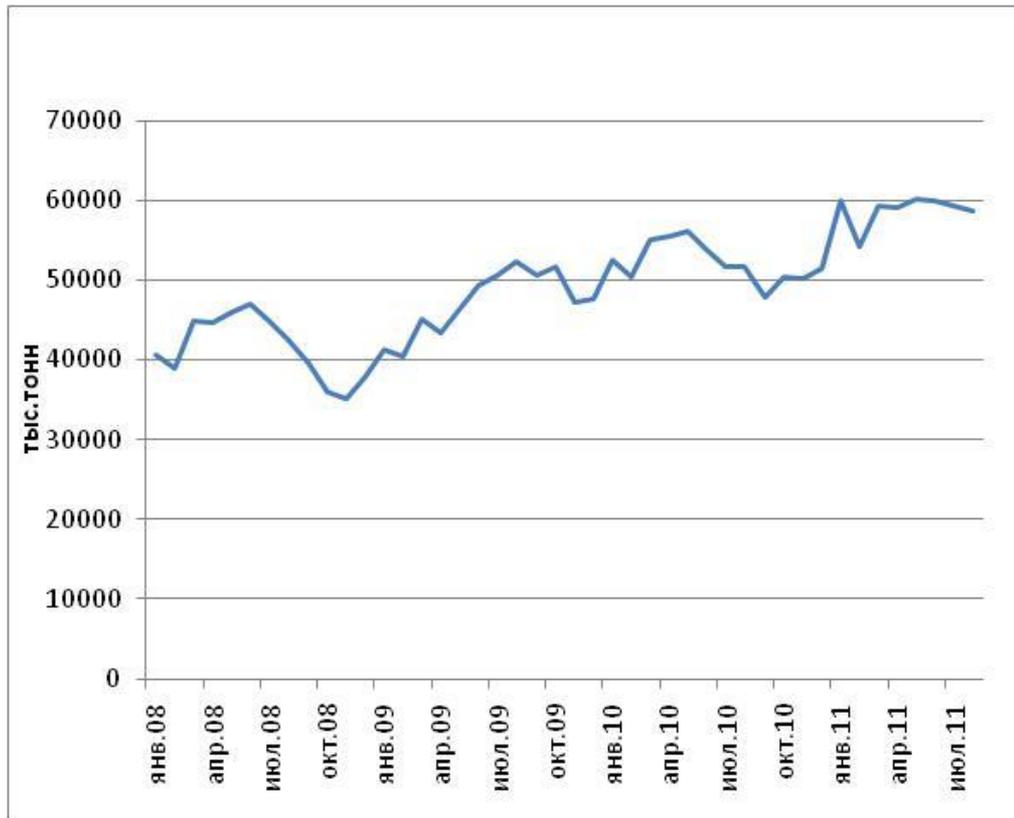


2010



The current situation in the market:

Steel production has been largely unchanged in China since March



No substantial slow-down of the growth rates has been seen so far: in January-August 2011, the output climbed 10.4%

The upturn in ferrous metal production recorded in January-August 2011 t caused a 75 million tonne gain in ore demand

The current situation in the market:

Previously, ore imports were growing along with steel production in the country
 In recent months, iron ore output has reached an all-time high in the country



Stronger demand was almost entirely satisfied with domestic ore (about 72 million tonnes)

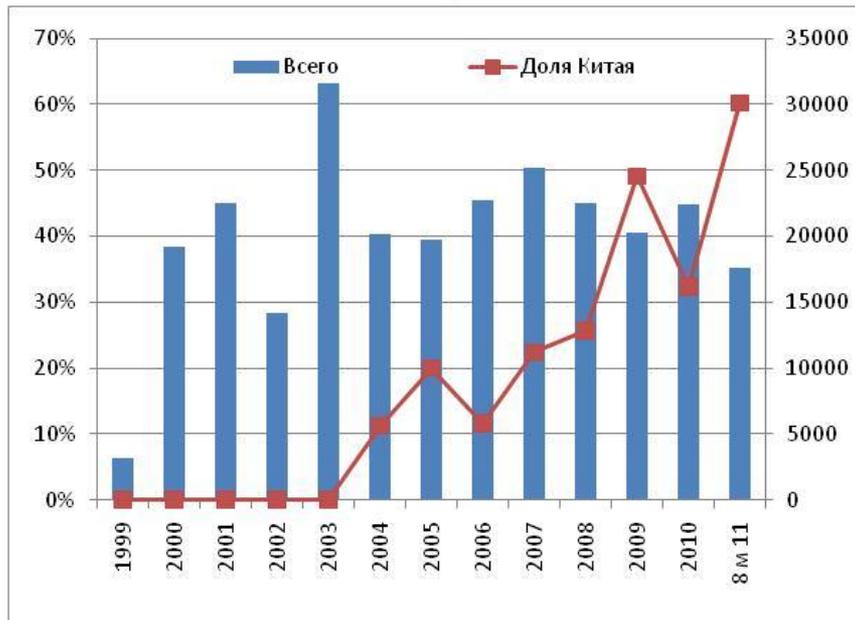
Imports surged by 35-37 million tonnes.

Port stocks grew by 25-30 million tonnes.

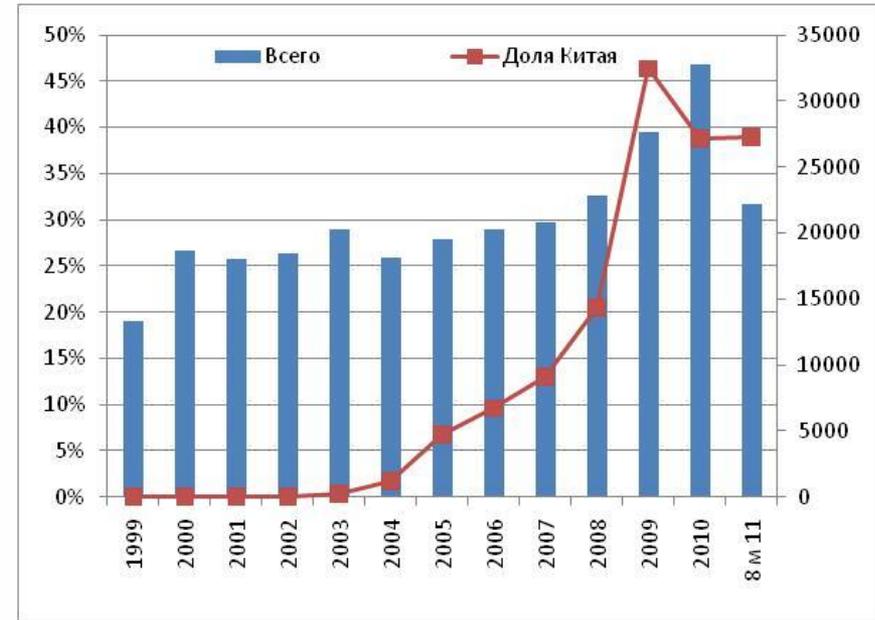
The Chinese market is highly important to CIS producers

Earlier, just unsold amounts were supplied to China
 Now, China is the largest export outlet for CIS products

Russia



Ukraine



In 2011, the aggregate exports from Russia and Ukraine to China amounted to 29 million tonnes roughly

Medium-term forecast of the market development

At present, all investment projects on production expansion are based on the following:

- Mining companies report record profits
- The iron ore market is an oligopoly, so prices may be high there in future
- The material demand will keep strengthening owing to:
 - Recovery of the developed economies
 - Vigorous growth of developing countries and, particularly, the further rise in the material demand from China

A great many factors affect the segment, but changes in the Chinese market balance will be the determinant one: will steel production and consumption meet the target of 1 billion tonnes?

Important market trends that should be taken into consideration:

- The growth of consumption will decelerate dramatically in China, so it will hardly reach the level of 900-1,000 million tonnes
- In future, China will diversify purchases of the material by:
 - sourcing it from independent suppliers
 - enhancing investments in overseas mines
 - stepping up its own output
- In China's consumption of iron ore, the share of steel scrap will be swelling resulting in increasingly more electric steel in production

By 2014-2015, against 2010:

- domestic output will add
200 million tonnes
- imports from affiliated mines will increase by
200-250 million tonnes
- in view of scrap usage, iron ore consumption will shrink by
50-70 million tonnes
- ore demand from Chinese steelmakers will rise
...?

In the Far Eastern market, the share of CIS iron ore will be falling

Nowadays, the global market is a seller market - suppliers can easily sell all products they offer.

Following the increase in supply, iron ore suppliers based in the European part of the CIS will start reducing their share in the Far Eastern market

Iron ore exports from the CIS to Europe, and Middle East will be increasing

***Thanks for your attention.
For further information, please contact***

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