

# Ask WORLD STEEL DYNAMICS

World Steel Dynamics (WSD) is a leading steel information service in Englewood Cliffs, N.J. WSD's steel experience, steel database and availability of steel statistics are the principles for performing steel forecasts, studies and analysis for international clients. WSD seeks to understand how the "pricing power" of steel companies the world over will be impacted by changes in the steel industry's structure. To submit your questions for WSD, e-mail [WSD@aist.org](mailto:WSD@aist.org).



**WORLD  
STEEL  
DYNAMICS**

**Q: WSD frequently mentions the Russian and Ukrainian steel producers playing an important role in global steel market developments. Could you please expand on what makes producers in that part of the world so important?**

**A:** The Russian steel industry is unique and influential. For sure, it has characteristics unlike any other group:

- Its flat rolled steel market structure is oligopolistic. Three companies – Severstal, Novolipetsk and Magnitogorsk – account for the bulk of deliveries. These leading companies tend to have strong balance sheets.
- Given the above-average collapse of steel demand in Russia during the past year, the Russian steel companies are required to export their product to a sizable extent. In the case of steel sheet production, perhaps 50% of the companies' output in the remainder of 2009 will be exported (with the figure for Ukrainian steelmakers estimated at 65%).
- Costs are among the lowest in the world, reflecting the weakened ruble and access to company-owned, and/or favorably priced, raw materials and energy.
- Steel plants tend to be located long distances from the ports of export – with a freight cost in some cases of \$25 per tonne or more.
- The Russian steel companies consider themselves vulnerable to trade actions, given the many anti-dumping and countervailing duty suits filed against them in recent years.

- The mills have ramped up steel production fairly rapidly this year. Russian production peaked in August 2008 at 6.34 million tonnes. It hit a low of 3.31 million tonnes in December 2008 and then recovered to 4.87 million tonnes in June 2009. WSD expects that production by the fourth quarter of 2009 may approach and perhaps exceed 5.7–6.0 million tonnes per month, down 10% or less from the August 2008 peak.
- Steel mills in Russia, at times, have offered hot rolled band at relatively low prices when considering that their hot rolled band product quality is good. Earlier this year, the Russian steel mills were offering hot rolled band for export at a price of about \$350 per tonne, FOB the port of export, which was only about \$20 per tonne above the price at the low for the Ukrainian mills (whose product quality is poor given low coil weights and poor tolerances). ♦

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## CIS HRB Equivalent Demand ('000 Tonnes)

	----- Annualized Equivalent -----					
	Shipment	Import	Export	Net import	ASC	Y/Y chg
Q1 08	49,305	3,345	17,225	-13,880	35,424	9.8%
Q2 08	49,554	4,147	17,914	-13,767	35,788	0.1%
Q3 08	46,676	5,285	14,349	-9,063	37,613	10.5%
Q4 08	28,717	3,009	11,597	-8,588	20,129	-38.5%
Q1 09	32,754	2,876	15,299	-12,423	20,331	-42.6%
Q2 09f	35,127	2,841	14,864	-12,023	23,104	-35.4%
Q3 09f	36,227	2,902	15,083	-12,181	24,046	-36.1%
Q4 09f	32,403	2,870	14,972	-12,102	20,301	0.9%
Q1 10f	44,321	2,885	15,010	-12,124	32,197	58.4%
Q2 10f	45,606	2,879	14,996	-12,117	33,489	45.0%
Q3 10f	44,331	2,881	14,999	-12,118	32,213	34.0%
Q4 10f	38,008	2,881	14,999	-12,118	25,890	27.5%

## CIS LP Equivalent Demand ('000 Tonnes)

	----- Annualized Equivalent -----					
	Shipment	Import	Export	Net import	ASC	Y/Y chg
Q1 08	53,283	5,270	19,043	-13,773	39,510	-4.7%
Q2 08	53,750	6,100	18,934	-12,834	40,916	-7.8%
Q3 08	49,592	6,758	15,358	-8,600	40,992	-5.1%
Q4 08	30,625	3,221	11,640	-8,420	22,206	-45.3%
Q1 09	33,839	2,858	11,129	-8,271	25,568	-35.3%
Q2 09f	35,667	3,328	11,049	-7,721	27,946	-31.7%
Q3 09f	36,936	3,328	11,049	-7,721	29,215	-28.7%
Q4 09f	33,250	3,328	11,049	-7,721	25,528	15.0%
Q1 10f	44,094	3,328	11,049	-7,721	36,373	42.3%
Q2 10f	44,587	3,328	11,049	-7,721	36,866	31.9%
Q3 10f	43,530	3,328	11,049	-7,721	35,809	22.6%
Q4 10f	37,553	3,328	11,049	-7,721	29,831	16.9%

## CIS Total Equivalent Demand ('000 Tonnes)

	----- Annualized Equivalent -----					
	Shipment	Import	Export	Net import	ASC	Y/Y chg
Q1 08	102,587	8,615	36,267	-27,653	74,935	1.6%
Q2 08	103,305	10,248	36,848	-26,601	76,704	-4.3%
Q3 08	96,268	12,044	29,707	-17,663	78,605	1.8%
Q4 08	59,342	6,230	23,237	-17,007	42,335	-42.3%
Q1 09	66,592	5,734	26,427	-20,694	45,899	-38.7%
Q2 09f	70,794	6,169	25,913	-19,744	51,050	-33.4%
Q3 09f	73,163	6,230	26,133	-19,902	53,261	-32.2%
Q4 09f	65,652	6,198	26,021	-19,823	45,829	8.3%
Q1 10f	88,415	6,214	26,059	-19,845	68,570	49.4%
Q2 10f	90,193	6,208	26,046	-19,838	70,355	37.8%
Q3 10f	87,861	6,210	26,049	-19,839	68,023	27.7%
Q4 10f	75,561	6,209	26,048	-19,839	55,722	21.6%

Source: WSD Estimates.  
f = forecast

**Do you have a question for World Steel Dynamics? Submit it today to [WSD@aist.org](mailto:WSD@aist.org).**