

## 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.

The views and opinions expressed in this article are solely those of World Steel Dynamics and not necessarily those of AIST.

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## The Yen's Depreciation a Positive for Steel Mills in Japan

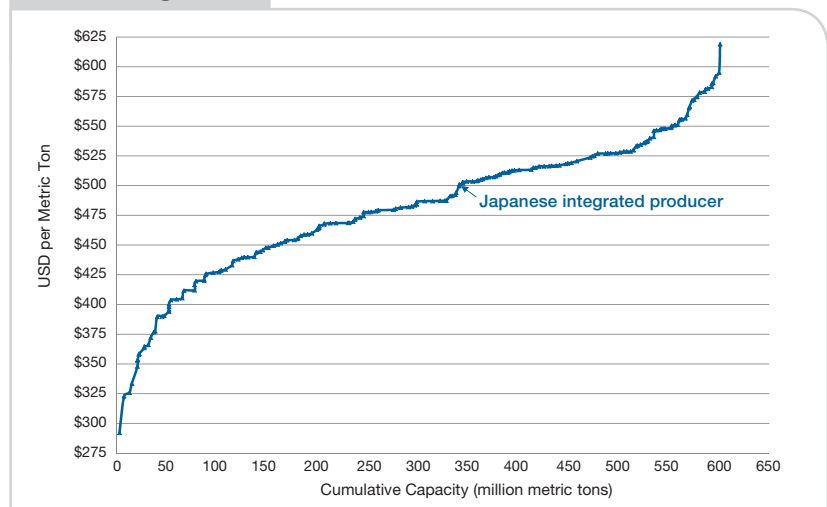
Japanese steel mills are in the midst of a significant improvement in cost position, given lower raw material prices and a weaker Japanese yen. In 2012, the combination of the strong yen — at about 80 per U.S. dollar — and higher raw material prices pushed the Japanese integrated mills' costs into the fourth quadrant of WSD's World Cost Curve; as a consequence, this was a "killer" for the leading Japanese steelmakers.

Now, with the yen at 99 per U.S. dollar, and raw material prices lower, the Japanese mills' costs have fallen 16% since January 2012. If steelmakers'

raw material prices fall further, which WSD expects, and if the yen weakens to about 110 per U.S. dollar, which WSD also expects, the leading Japanese steel mills will be competitive with the Russians in many markets because their plants are located at deepwater ports. By comparison, it costs MMK of Russia, a major hot rolled band exporter, about US\$80 per tonne to ship its product to Black Sea ports.

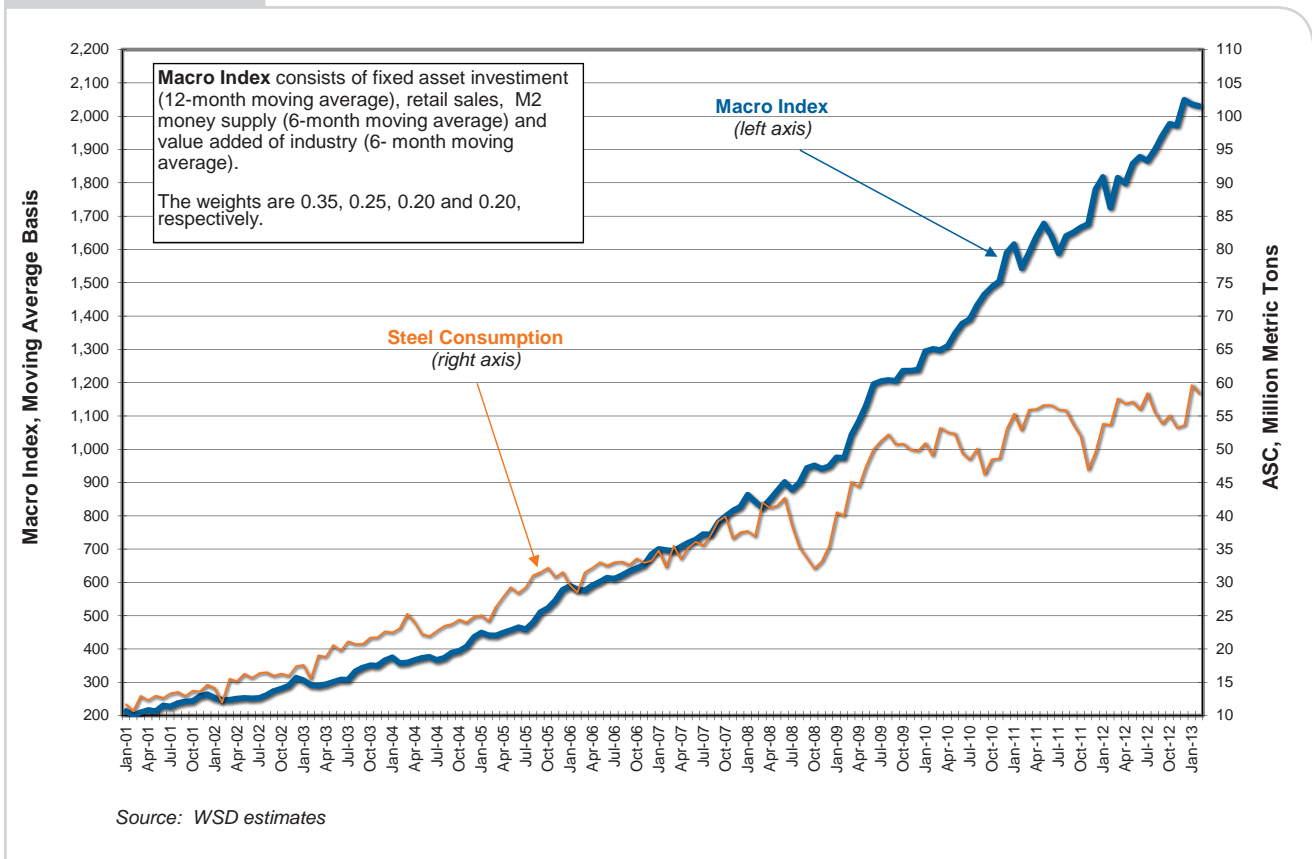
Figure 1 portrays, as of March 2013, the marginal cost to produce hot rolled band in Japan for the average-cost integrated producer. Please note that the figures are FOB the steel plant.

Figure 1



World Cost Curve: March 2013 marginal cost with overhead.

Figure 2



WSD's China Macro-Economic Steel Index (moving average basis) vs. apparent steel consumption (ASC).

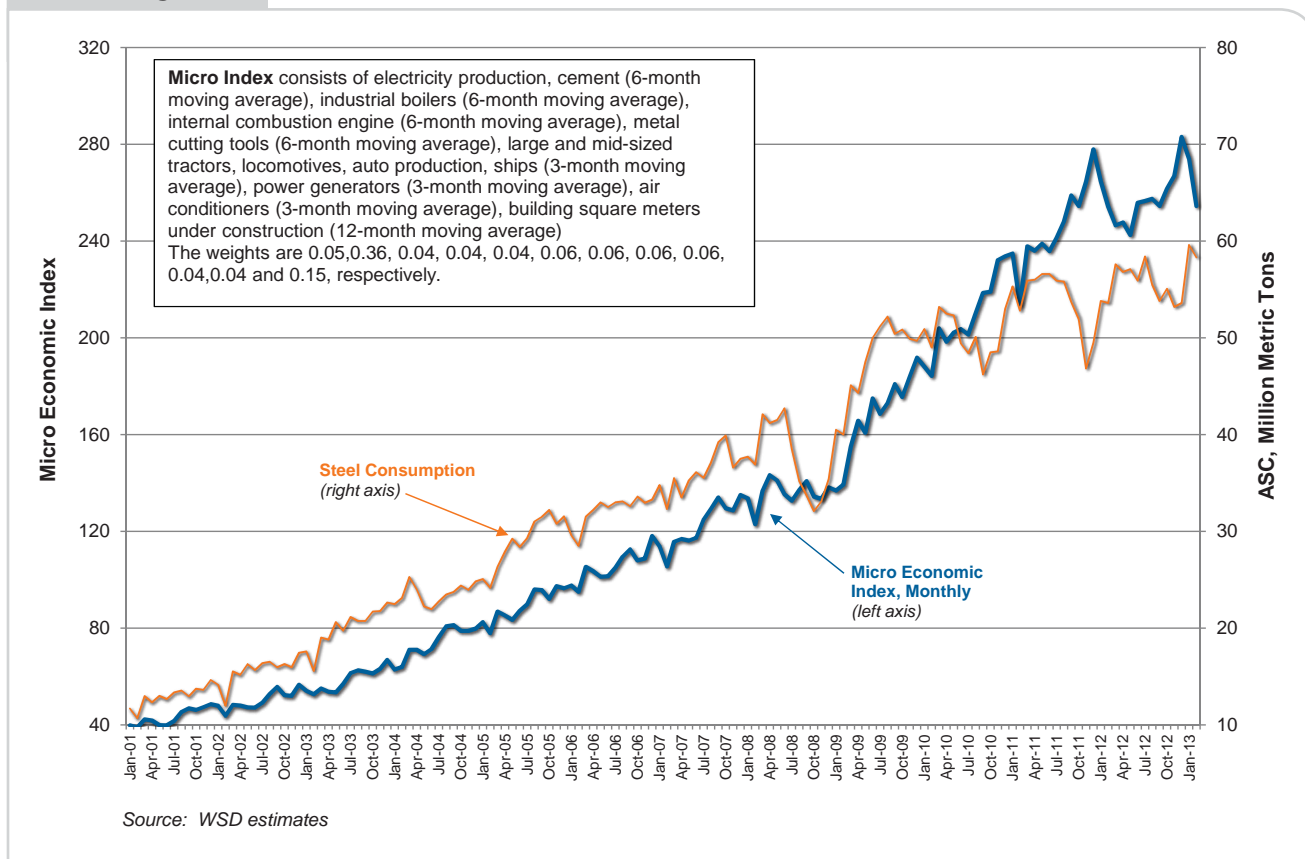
### Steel Demand Not Keeping Up

WSD's macro and micro indices for China cover various indicators that tie directly or indirectly into steel consumption. The macro index incorporates fixed asset investment (which, unfortunately, doesn't account for inflation and includes land sales and mergers and acquisitions activity), retail sales, M2 money supply, and value added by industry. The largest weightings are fixed asset investment and retail sales at 35% and 25%, respectively. The micro index includes the unit production of automobiles, ships, electricity, cement, tractors, locomotives, internal combustion engines, air conditioners, metal cutting

tools, industrial boilers and square meters of construction activity. The largest weighted factors are cement production and square meters of construction activity at 35% and 15%, respectively.

As indicated in the accompanying charts (Figures 2 and 3), steel consumption has lagged behind both the macro and micro indices. The weighted macro steel-consuming index has far outpaced steel demand in the country. In February 2013, the macro index was up 62% compared to three years ago, the micro index was up 38%, and apparent steel consumption was up 19%. ♦

Figure 3



WSD's China Micro-Economic Steel Index (moving average basis) vs. apparent steel consumption (ASC).

## Did You Know?

### GE and Manufacturing Institute Expand Skills Training Program for U.S. Veterans

GE, in collaboration with the Manufacturing Institute and the National Association of Manufacturers (NAM), announced that 190 new manufacturers have joined the Get Skills to Work (GSTW) coalition. The increase of employers participating in the initiative will further expand career opportunities for U.S. veterans in advanced manufacturing.

Many of the new coalition members are small- to mid-sized manufacturers, which often face a shortage of skilled workers. More than 82% of manufacturers report they cannot find people to fill their skilled production jobs.

The companies will receive access to online resources to help connect them with veterans who possess skills important to manufacturers. These tools include LinkedIn and the US Manufacturing Pipeline, which showcases digital "Military Manufacturing Badges" for veterans with experience in welding, machining, logistics and other key high-demand occupations. Also announced, companies participating in the coalition will have their jobs appear on the Fast Track program of the U.S. Chamber of Commerce.

Founded in 2012, the GSTW coalition helps veterans and employers translate military skills to in-demand advanced manufacturing positions, accelerate skills training for U.S. veterans, and empower employers with tools to recruit, onboard and mentor veterans. The addition of 190 new manufacturers represents a significant expansion of the coalition whose original members include GE, Boeing, Lockheed Martin, Alcoa and the Manufacturing Institute.

With support from its partners and growing member base, the GSTW program will help 15,000 veterans translate military experience to corresponding advanced manufacturing opportunities. The coalition is seeking additional partners and has set the goal of hiring 100,000 veterans by 2015.