WSD WORLD STEEL DYNAMICS® 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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Non-Chinese steel industry profitability environment: WSD forecast extended to 2018

WSD is now extending to 2018 its forecast for the non-Chinese steel industry's profitability environment for hot rolled band (Table 1). As indicated:

- 2015 will probably continue to be a "shake-out" year, including pricing "death spiral" conditions, because of low-priced offerings on the world market by mills in a number of countries and declining steel production (which will be working to drive down the international prices of steel scrap and iron ore).
- 2016 is an improvement, not because underlying steel demand is much better, but because the mills cannot, in many cases, continue to offer hot rolled band at a price below their margin cost. Hence, with operating costs down due to lower prices for steelmakers' raw materials and some price recovery, the industry makes the transition to the "bad times" from the shake-out times. However, profits, or the lack thereof, are so low that the industry remains in an "M&A frenzy" and accelerated rationalizations and closings of steel plants.
- 2017 is a year in which steel mills improve to the "fair times" to "good times" due to the combination of: (a) somewhat lessened export deliveries from China for a variety of reasons, including trade case restraints; (b) somewhat reduced ECO capacity*; and (c) a good pickup of fixed asset investment outside of China — all of which conspire to push the non-Chinese ECO operating rate above 90%.
- 2018 has the potential to be a good times to "boom times" environment for steel mills, including perhaps a steel shortage, as steel demand turns up even more strongly. Of course, this assumes that there are no

* ECO capacity — which is efficient, economic and ecological capacity — is defined as the amount of steel production that can be achieved before a significant rise in the cost to produce the last metric ton occurs. In fact, as production rises to the ECO capacity figure, there is a drop in unit costs due to a spreading of fixed costs.

Table 1

Shifting Probability Odds for Non-Chinese Steel Industry: 2015–2018 (in %)

Scenario	2015	2016	2017	2018
Shake-out times	70	30	15	10
Bad times	25	40	20	15
Fair times	5	20	35	20
Good times	0	5	20	35
Boom times	0	5	10	20

Source: WSD estimates.

further macro-economic events in the coming years, including financial crises that zap the global economy. WSD assumes that the financial contagion worry in a number of countries will have eased back significantly by 2018, which is a positive for fixed asset investment growth even if interest rates are somewhat higher.

Does the Chinese steel price allocate resource? The answer is "yes."

As indicated in Table 2, the Chinese steel mills' ex-works spot price for key steel products, when excluding the 17% value-added tax (VAT), is amazingly low. Hot rolled band (HRB) as of 5 August 2015 was only US$281/metric ton, with cold rolled coil just US$81/metric ton higher at US$362/metric ton. The rebar price was only US$292/metric ton and plate only US$286/metric ton.

These low prices, WSD claims, are the consequence of China's "competitive" marketplace, in the academic sense of the word, due to too many producers and production that's "sticky" on the downside when the price drops (for a variety of reasons).

According to WSD's World Cost Curve calculations for July 2015, the median-cost mill's marginal cost of US$335/metric ton to produce HRB is US$54/metric ton below the current price of HRB at US$281/metric ton.

Is this a sustainable condition? WSD thinks not. WSD believes that the invisible hand — i.e., price allocates resource — in China is more powerful and faster-moving than elsewhere in the world, including the U.S.

If Chinese steel demand declines as WSD expects in the next few years, it's likely that Chinese steelmaking capacity will be pared more substantially than many expect. ✦

Table 2

Daily Benchmark Prices,* China (dollars per metric ton)

Ex-works	21 Jul	22 Jul	23 Jul	24 Jul	27 Jul	28 Jul	29 Jul	30 Jul	31 Jul	3 Aug	4 Aug	5 Aug
Hot rolled band (5 mm thick x 1,200–1,500 mm wide)	278	277	275	274	276	276	276	276	276	279	280	281
Cold rolled coil (0.7 mm x 1,200–1,500 mm wide)	371	370	368	367	367	365	364	363	362	362	362	362
Rebar No. 5** (16 mm diameter)	269	268	267	267	269	271	273	275	276	284	289	292
Standard plate (24 x 2,400 x 6,000 mm)	278	277	277	277	278	279	279	279	280	282	283	286
Scrap (including value-added tax) (6–10 mm thick)	203	203	203	204	204	204	205	207	207	209	211	214
Exchange rate (RMB per US$)	6.2090	6.2090	6.2090	6.2090	6.2090	6.2080	6.2080	6.2090	6.2100	6.2090	6.2086	6.2096

*Ex-works (the same as FOB mill). Hot rolled band (HRB) is the first product off the hot strip mill.
**Since 30 April 2015, it has been changed to the price of HRB400 rebar from HRB335 rebar.
Source: www.steelhome.cn.

Personnel Spotlight is a free service featuring news of recent appointments, promotions, retirements and obituaries relevant to the steel industry. To submit material for consideration, please email a press release and high-resolution photo(s) to khickey@aist.org.

BlueScope Steel Ltd.

Kraehe

Bevan

BlueScope Steel Ltd. chairman, **Graham Kraehe**, announced his intention to retire from the board of directors, effective at the conclusion of the annual general meeting on 19 November 2015. He will be replaced by **John Bevan**, currently a non-executive director of the company.

Kraehe was appointed BlueScope's inaugural chairman after the company demerged from BHP Billiton in 2002, and he has led the company throughout great volatility in the global steel sector.

As well as his chairmanship of BlueScope, Kraehe is a director of Djerriwarrh Investments. He was previously chairman of Brambles, chairman of National Australia Bank, and a director of News Corp. and the Reserve Bank of Australia. His executive career spanned 30 years as chief executive officer (CEO) of a number of businesses in the diversified industrial and wine sectors, including Pacific BBA and Southcorp. He has held many business and community roles, including national president of the MTIA (now Australian Industry Group) and chairman of the Future Directions Forum. In 2013, he was appointed to the Australian Prime Minister's Business Advisory Council. In 2003, he was made an Officer of the Order of Australia for services to industry and the environment.

Bevan was CEO of Alumina Ltd. from 2008 to 2014. Before joining Alumina, he spent 29 years in a variety of senior management roles with BOC Group, including as a director on the BOC Group plc board, chief executive — process gas solutions with responsibility for the bulk and tonnage business for the entire BOC group, chief executive Asia, and country lead roles in the U.K., Thailand and Korea. Bevan is also a non-executive director of Ansell Ltd. and a member of the board of Nuplex Industries Ltd. He brings to BlueScope extensive experience in international business and heavy industrial operations.

Electralloy

Trikoulis

Electralloy, a leading custom producer of specialty and stainless steels, announced the appointment of **Stelios Trikoulis** to sales manager for Northeastern U.S. and Eastern Canada. Trikoulis will be taking over for **Tom Atkinson**, district sales manager, who is retiring after 43 years of service with the company.

Trikoulis brings more than 10 years of metal sales experience to the job, including a strong background in distribution. He has held multiple positions in the distribution industry and is knowledgeable in the areas of stainless and nickel-grade alloys.

Trikoulis graduated from Quinnipiac University with a degree in marketing. Upon graduation, Trikoulis worked for The Richardson Trident Co./Metals USA for nine years.

EVRAZ North America

Engel

EVRAZ North America has appointed **Tony Engel** to senior vice president and chief financial officer (CFO). He replaces **Glenda Minor**, who is retiring.

Engel was most recently vice president of finance and CFO of Agrium Retail, a publicly listed US$14-billion global agricultural solutions provider. In addition to his finance and accounting responsibilities, Engel was also involved in a full enterprise resource planning implementation and multiple acquisitions. Prior to Agrium, Engel was vice president of finance and CFO of Wild Oats Markets, a US$1.2-billion organic food distributor. He began his career at PricewaterhouseCoopers after earning bachelor's degrees in finance and accounting from Ball State University.

Insteel Industries Inc.

Rutkowski

Insteel Industries announced that **Joseph A. Rutkowski** has been appointed to its board of directors.

Rutkowski has been a principal at Winyah Advisors LLC, a management consulting company, since 2010. Previous to Winyah, he served in various capacities with Nucor Corp. for 21 years, most recently as executive vice president of business development from 1998 to 2010. Rutkowski previously served as vice president of Nucor from 1993 to 1998, general manager of Nucor Steel–Hertford County from August 1998 to November 1998, general manager of Nucor Steel–South Carolina from 1992 to 1998, manager of melting and casting of Nucor Steel–Utah from 1991 to 1998, and manager of Nucor Steel–Nebraska from 1989 to 1991. In 2003, he served as president of the Association of Iron and Steel Engineers (AISE). He also serves as a director of Cliffs Natural Resources Inc. Rutkowski holds a B.S. degree in mechanics and materials science from Johns Hopkins University.