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DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY
STEEL COMMITTEE

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RECENT DEVELOPMENTS IN TURKISH STEEL AND RAW MATERIALS MARKETS

Note by the Turkish Iron and Steel Producers Association

15-16 December 2008, Kuala Lumpur

This document will be presented under Session One of the workshop on Steel and Related Raw Materials.

(Please note that this document is only available in pdf)

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RECENT DEVELOPMENTS IN TURKISH STEEL AND RAW MATERIALS MARKETS

65TH SESSION OF OECD STEEL COMMITTEE

Dr. Veysel YAYAN
Secretary General
Turkish Iron and Steel Producers Association

OECD Steel Commitee Meeting

15-16 December 2008, Kuala Lumpur

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General Remarks

Global economies and steel industry is passing through a period of economic uncertainties, after a strong 3 quarters in 2008.

The impact of global financial crisis on steel industry is becoming more apparent in the last quarter of 2008, sharp drops are seen in production, consumption and foreign trade.

Rapidly changing circumstances make it difficult to estimate the short term performance of the steel industry from now on.

The uncertainties in the global economies and markets also negatively affected the outlook of the Turkish steel industry, since Turkey is an important steel trader in the world.

World Steel Association also cancelled its Autumn 2008 short range demand forecast due to the rapidly changing circumstances and uncertainties.

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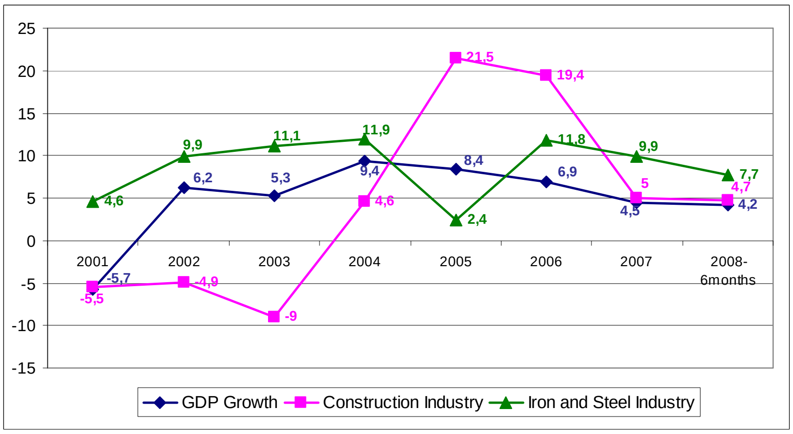
Economy



	2001	2002	2003	2004	2005	2006	2007	2008-6months
GDP Growth	-5,7	6,2	5,3	9,4	8,4	6,9	4,5	4,2
Construction Industry	-5,5	-4,9	-9	4,6	21,5	19,4	5	4,7
Iron and Steel Industry (10months)	4,6	9,9	11,1	11,9	2,4	11,8	9,9	7,7

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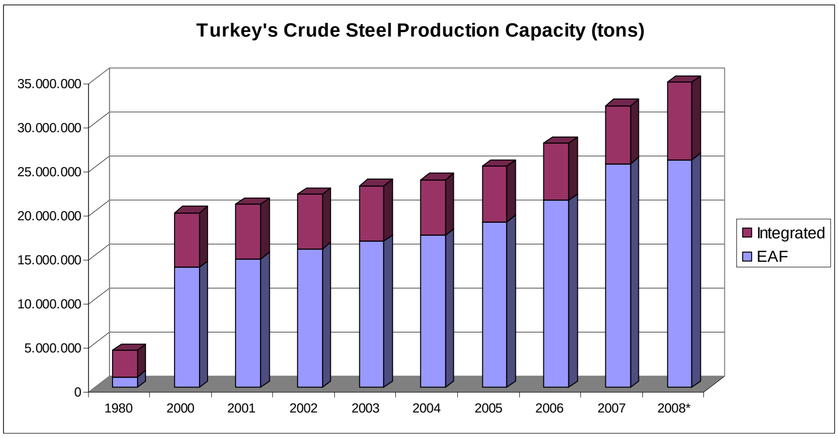
Crude Steel Production Capacity



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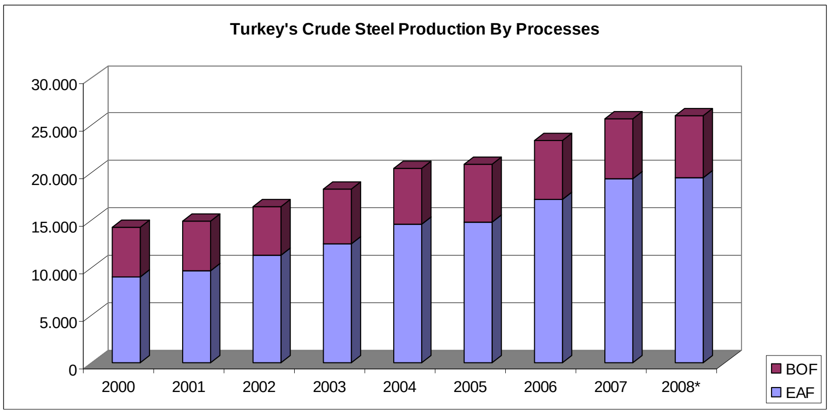
Crude Steel Production



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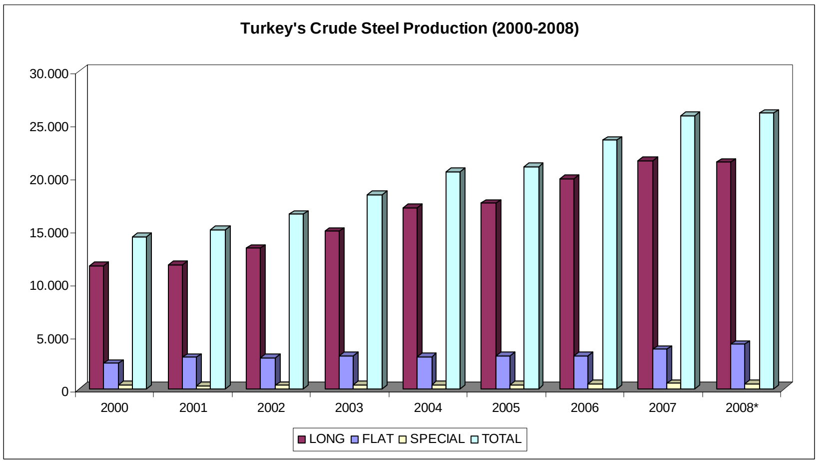
Crude Steel Production



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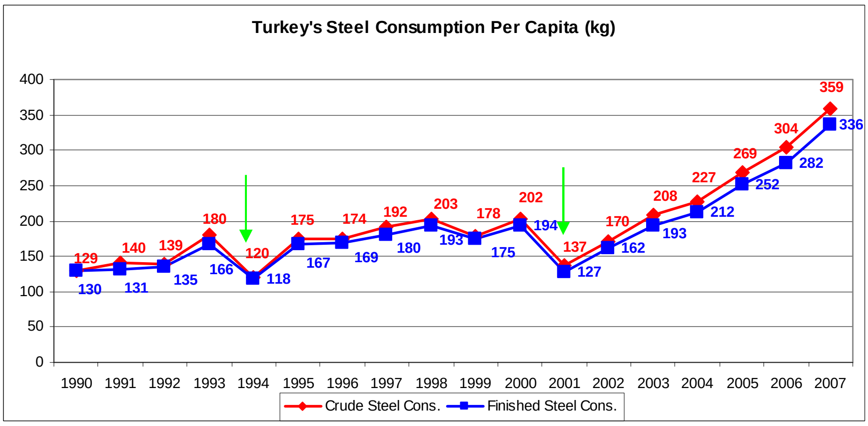
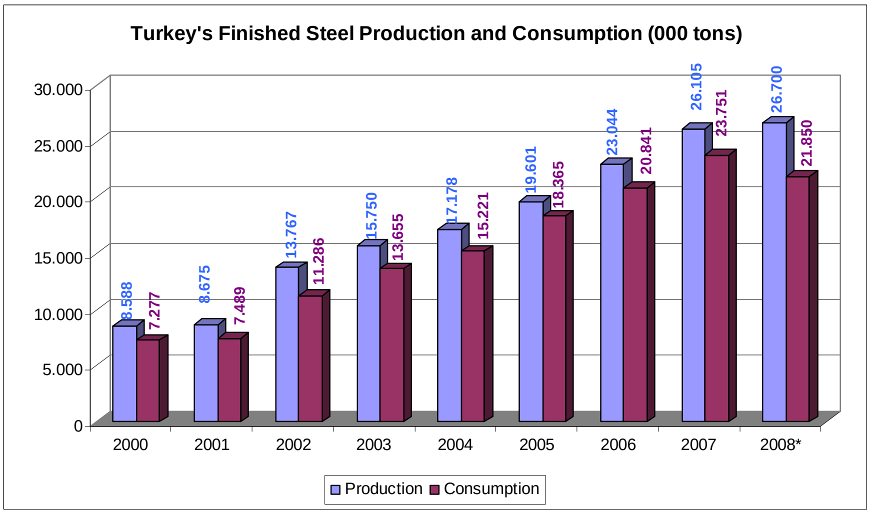
Steel Consumption Per Capita

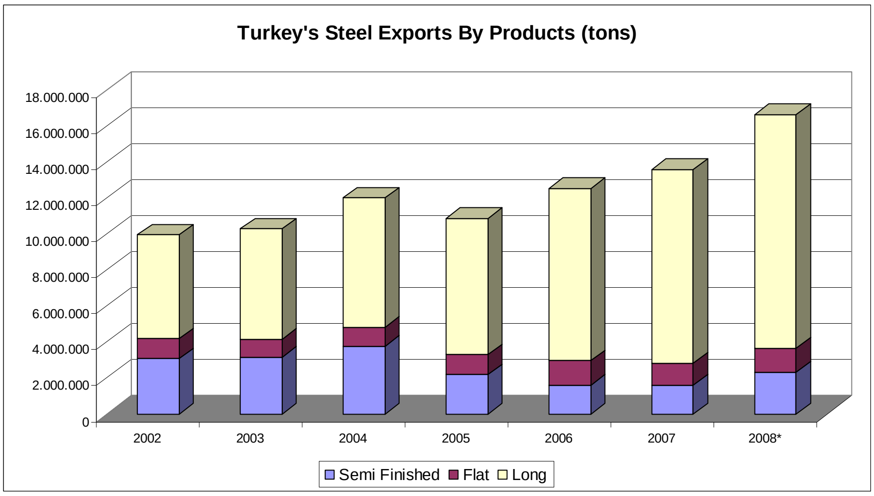


Finished Steel Production and Consumption ('000 tons)



** estimated*

Turkey’s Steel Exports by Products



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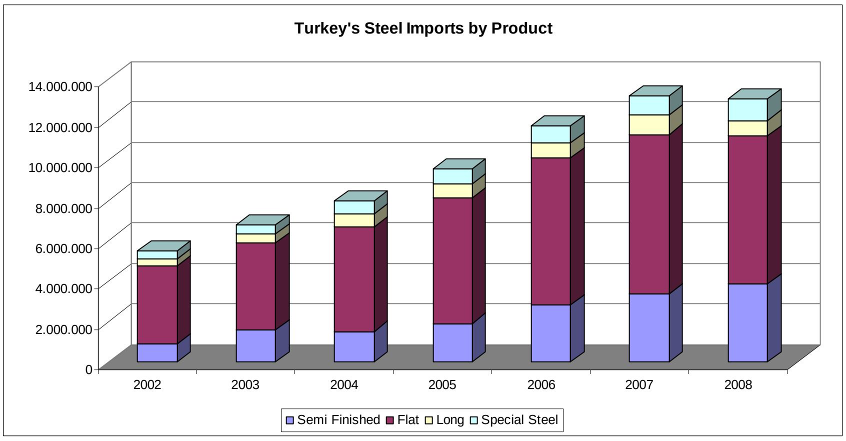
Turkey’s Steel Imports by Products



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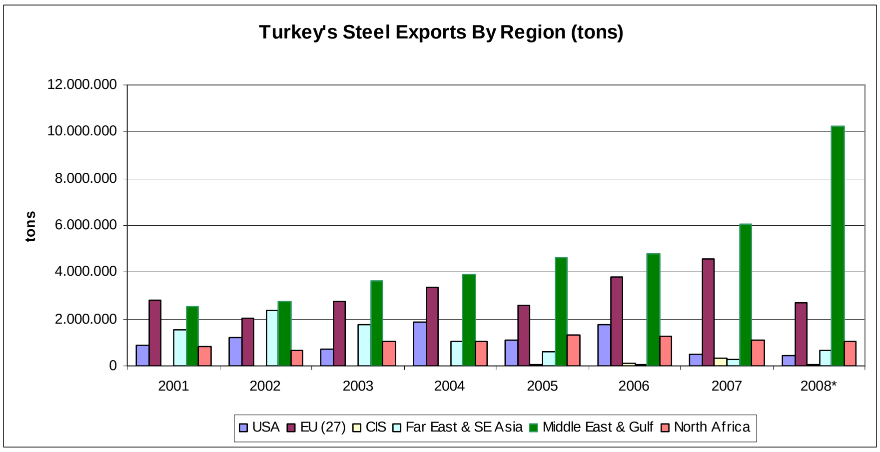
Turkey's Steel Exports by Regions



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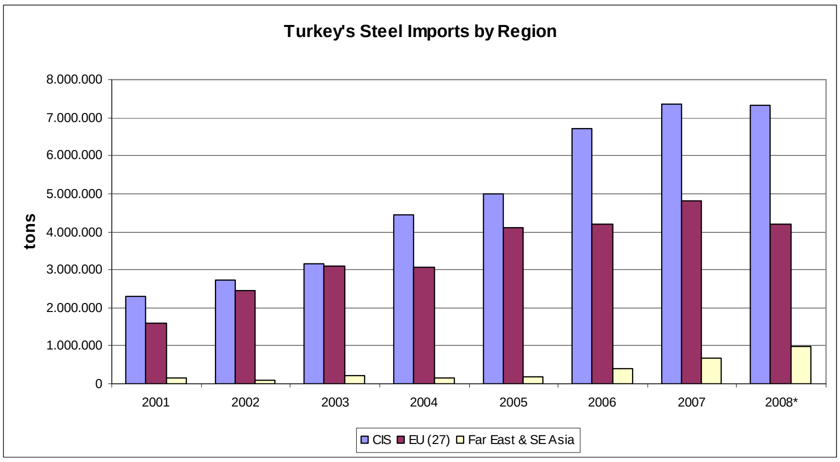
Turkey's Steel Imports by Regions



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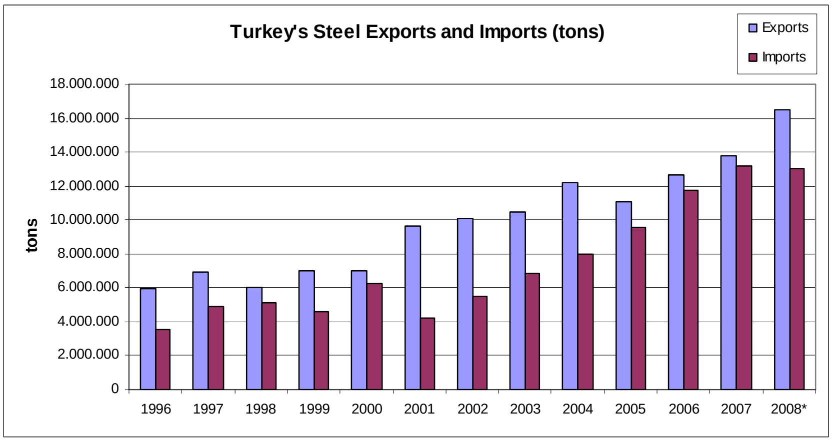
Turkey's Steel Foreign Trade

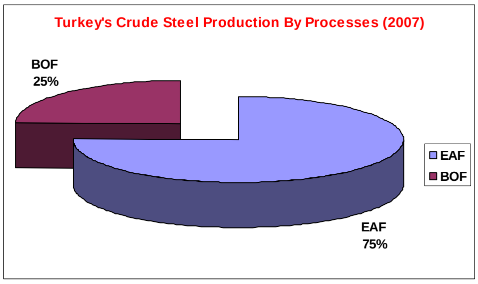


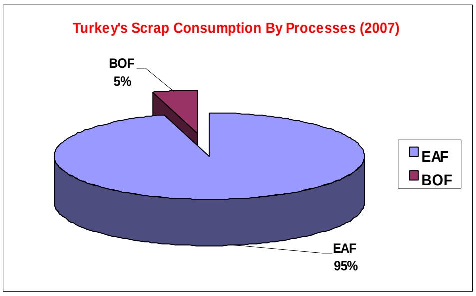
	2000	2001	2002	2003	2004	2005	2006	2007	2008*
Exports	6.975.175	9.675.692	10.104.647	10.450.346	12.195.636	11.074.398	12.665.710	13.765.258	16.500.000
Imports	6.223.370	4.227.358	5.493.512	6.819.621	7.994.438	9.594.112	11.718.933	13.206.030	13.043.000

** estimated*

13

Turkey's Crude Steel Production and Scrap Consumption by Processes





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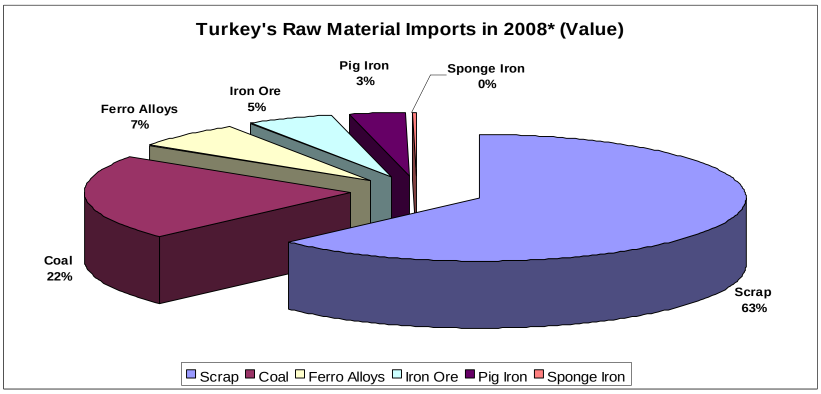
Turkey's Raw Materials Foreign Trade



USD '000	Imports	Exports	Export - Import
Scrap	9.276.065	143.789	-9.132.276
Coal	3.234.079	29.560	-3.204.519
Ferro Alloys	982.147	80.652	-901.495
Iron Ore	793.583	467	-793.116
Pig Iron	492.567	5.513	-487.054
Sponge Iron	29.605	49	-29.556
TOTAL	**14.808.046**	**260.030**	**-14.548.016**

** estimated*

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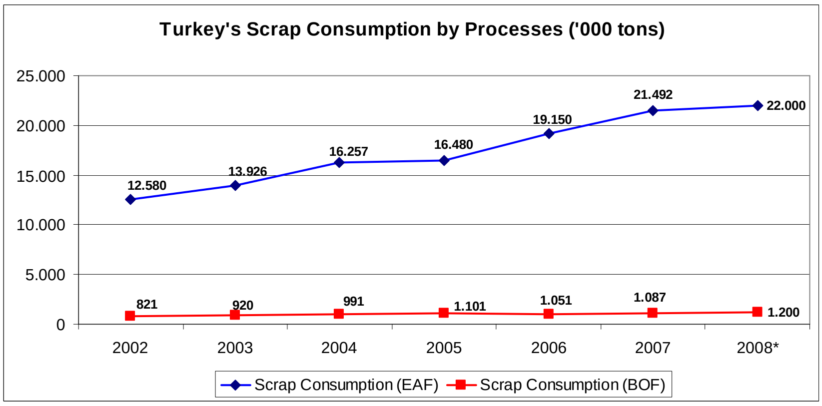
Turkey's Scrap Consumption



	2002	2003	2004	2005	2006	2007	2008*
Scrap Consumption (EAF)	12.580	13.926	16.257	16.480	19.150	21.492	22.000
Scrap Consumption (BOF)	821	920	991	1.101	1.051	1.087	1.200
TOTAL	**13.402**	**14.846**	**17.248**	**17.582**	**20.201**	**22.578**	**23.200**

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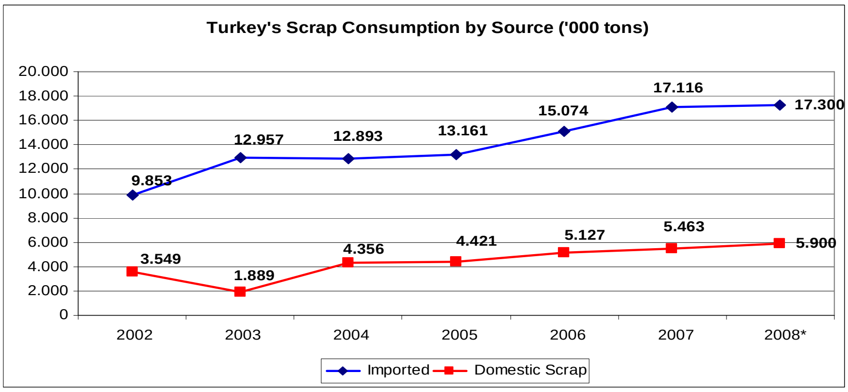
** estimated*

Turkey's Scrap Consumption

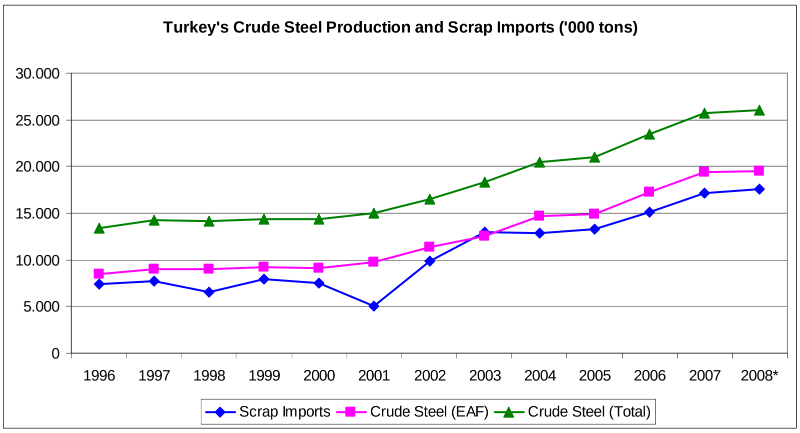


	2002	2003	2004	2005	2006	2007	2008*
Imported	9.853	12.957	12.893	13.161	15.074	17.116	17.300
Domestic Scrap	3.549	1.889	4.356	4.421	5.127	5.463	5.900
TOTAL	**13.402**	**14.846**	**17.248**	**17.582**	**20.201**	**22.578**	**23.200**

17

** estimated*

Crude Steel Production and Scrap Imports



'000 tons	2000	2001	2002	2003	2004	2005	2006	2007	2008*
Scrap Imports	7.457	5.055	9.853	12.957	12.893	13.316	15.074	17.116	17.300
Crude Steel (EAF)	9.096	9.703	11.334	12.546	14.646	14.847	17.252	19.362	19.500
Crude Steel (Total)	14.325	14.981	16.467	18.299	20.478	20.964	23.437	25.754	26.000

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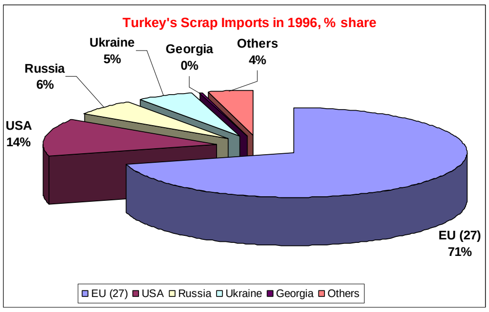
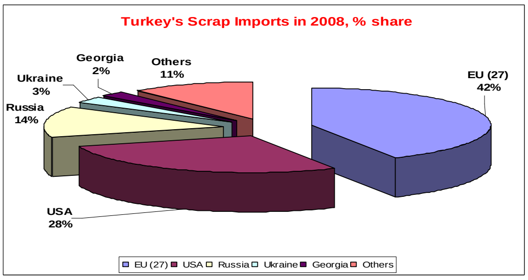
** estimated*

Turkey's Scrap Imports (tons)



	1996	2008*
EU (27)	5.258.559	7.300.000
USA	1.002.930	4.800.000
Russia	428.091	2.450.000
Ukraine	403.633	450.000
Georgia	14.428	410.000
Others	313.508	1.900.000
TOTAL	**7.421.149**	**17.300.000**



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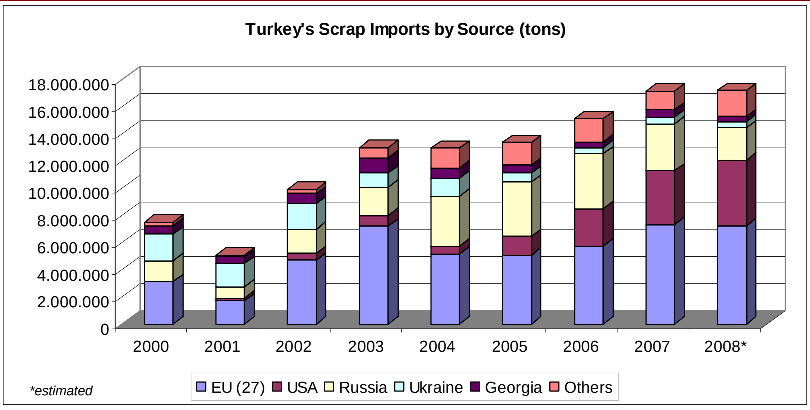
Turkey's Scrap Imports



	2000	2001	2002	2003	2004	2005	2006	2007	2008*
EU (27)	3.099.909	1.686.596	4.689.788	7.185.716	5.138.059	5.038.754	5.738.242	7.301.954	7.300.000
USA	2.036	186.727	495.905	780.287	572.173	1.369.829	2.714.789	3.949.644	4.800.000
Russia	1.552.126	875.889	1.799.531	2.052.196	3.660.087	4.011.422	4.048.426	3.441.270	2.450.000
Ukraine	1.939.557	1.685.187	1.852.104	1.063.168	1.322.849	674.351	429.040	501.113	450.000
Georgia	607.353	506.596	760.098	1.123.608	760.758	578.100	444.259	529.053	410.000
Others	256.334	114.432	255.799	752.510	1.438.622	1.643.347	1.699.253	1.392.841	1.900.000
TOTAL	**7.457.315**	**5.055.427**	**9.853.225**	**12.957.485**	**12.892.548**	**13.315.803**	**15.074.009**	**17.115.875**	**17.300.000**

Facts and Forecasts

• 2008 was a year of intensive restructuring and conversion investments from long to flat product production for Turkish steel industry, which enabled flat steel production capacity to increase around 20 %.

• Turkish steel industry has been carrying all of those investments from its own resources.

• Turkey's crude steel production increased 11 % during the first 9 months of 2008 due to the strong demand both in domestic and export markets.

• However, during the last quarter of the year, production started to decrease drastically because of the collapse of demand in Turkey and export markets.

• At the end of 2008, it is expected that crude steel production increase of Turkish steel industry will be around 5 %.

Facts and Forecasts

• The global financial crisis negatively affected some of the flat steel production investments. Despite that, flat steel production capacity is expected to continue to increase in 2009 as well, which will affect total steel production capacity positively.

• It is expeted that Turkey's steel production will be stable in the first quarter of 2009, but expected to show an increasing trend during the second half of 2009.

• The slowdown in Turkish domestic market will be limited compared to the global markets, new flat steel capacities will lessen the necessity of steel imports and domestic steel production to increase more than 5 % in 2009.

• Steel exports are forecasted to decline compared to the 2008 level. After the strong first 3 quarters in 2008, exports slowed down drastically during the last quarter of 2008.

Points to Focus

Points that world steel industry should focus:

•Government subsidies resulting in new artifical capacities in some countries should be removed, accept for the ones aiming to improve the environmental performance.

• Access to raw materials should be easier and all kinds of barriers should be eliminated.

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Facts and Forecasts

•Turkish steel industry now entirely privatized, does not have any government subsidies and make all of its investments from its own resources.

• Private structure of Turkish steel industry enable it to react more rapidly to the changes in market conditions.

• Global steel industry showed that it is experienced in crisis management with its rapid reaction this year.

• Reflections of all those measures will be seen on prices in 2009 when demand is expected to recover.

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Conclusion

In sum, it can be said that 2009 will be worse than the first half of 2008, but better than the second half of 2008.