

# CIS STEEL MARKET OUTLOOK 2015–2019

\* - Ukraine and Georgia are included in the CIS region according to the World Steel Association classification, that reflects geographical division, not political



This document, «CIS Steel Market Outlook 2015–2019», is an attempt to assess in more detail the steel market of the CIS countries. As part of the steel market study, the document analyzes the apparent steel consumption indicator in terms of finished products.

The list of CIS countries is defined as follows: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine. The World Steel Association's classification was used to define the list of countries, which includes Ukraine and Georgia in the CIS. This classification is based on the geographical, not political, principle of division.

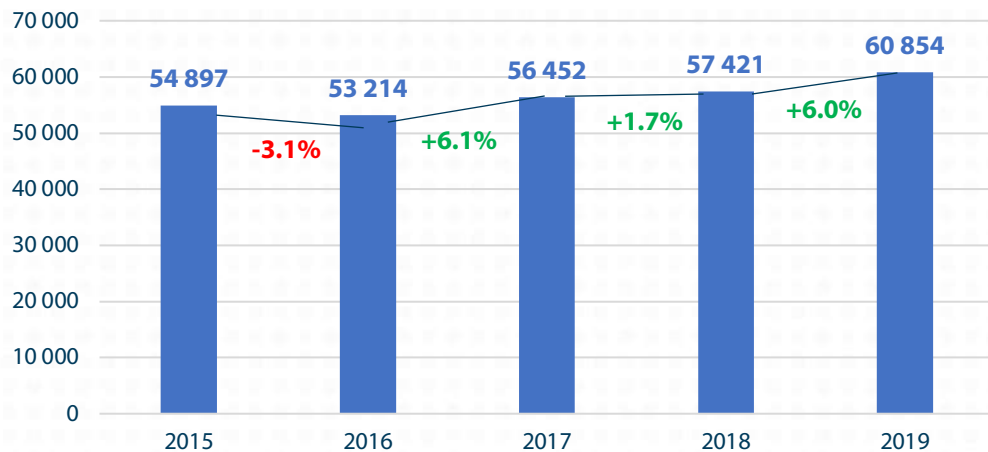
In this document, countries are presented in descending order of apparent consumption of steel, from larger to smaller.

The analyzed period covers 2015–2019. The consumption detailing includes a breakdown of the following products: rebar, wire rod, shaped products, hot-rolled flat products (coil and plate), cold-rolled coil, coated coil (hot-deep-galvanized coil, painted and other coated), welded pipes, seamless pipes, other products.

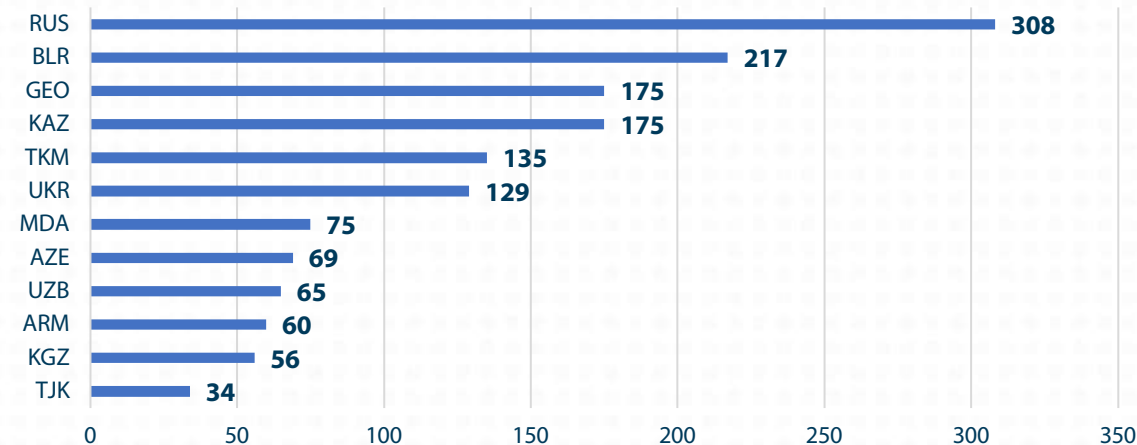
Apparent consumption was calculated based on volumes of exports and imports of steel products according to the UN Comtrade Database, and production volumes according to data of companies, local statistics authorities and media.

In this document, Turkmenistan's market is not analyzed in detail due to incomplete data on imports of steel products into the country in the UN Comtrade Database in 2017–2019. We estimate apparent consumption of steel in Turkmenistan in 2015 at 800 ths tons. We assume that the approximate volume of steel consumption in Turkmenistan in 2016-2019 kept at the same level as in 2015. In the calculation of the total apparent steel consumption in the CIS region, the indicator of Turkmenistan is assumed unchanged throughout the analyzed period, at the level of 2015.

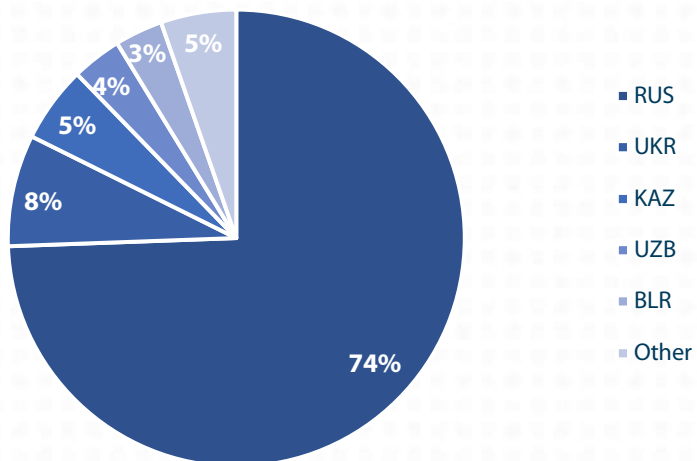
## Apparent Steel Consumption in CIS, ths tons of finished products



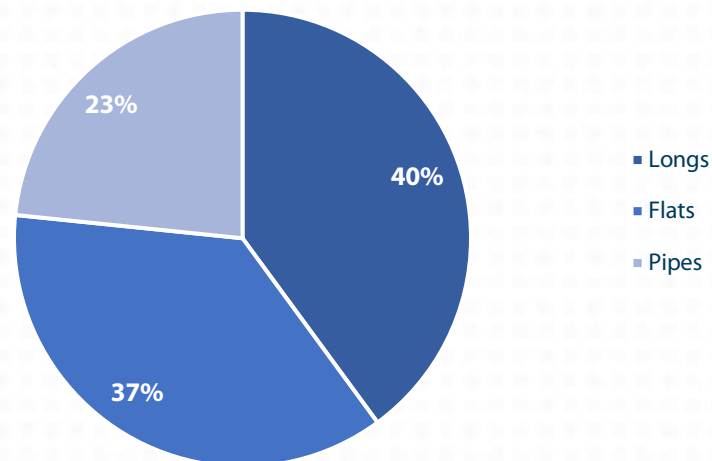
## Apparent Steel Consumption per capita, kg annually, finished products



## Apparent Steel Consumption in CIS by country



## Apparent Steel Consumption in CIS by product





In 2015–2019, the CIS market showed good dynamics. Russia has a decisive impact on steel consumption in the region, with its share of  $\frac{3}{4}$  of the total CIS market volume. Usually, Russia, Ukraine and Kazakhstan are the only focus of CIS market analysis. Markets of other CIS countries get undeservedly little attention due to their small size, since there are no small markets on the world map.

A 7.9% increase in steel consumption in Russia in 2019 prompted a 6.0% increase in the CIS market. In other countries, except for Kazakhstan and Uzbekistan, steel consumption declined last year.

Uzbekistan showed the steadiest growth in 2015–2019 (+42%). With the development of the country's automotive sector, consumption of flat products is growing. The large market for flat products is covered by imports. Yet, it is planned to launch Tashkent Metallurgical Plant in 2020, which will produce hot-deep galvanized coil and coated coil of semi-finished products.

In 2015–2019, Ukraine showed one of the best consumption growth rates in the region (+37%). However, this growth is rather a recovery due to the low base of 2015 after a slump in the domestic market. Although Ukraine retains the potential for further growth, with the second largest market in the region, the country's steel consumption per capita is quite low (129 kg), lower than that of Russia (308 kg), Belarus (217 kg), Kazakhstan (175 kg), Georgia (175 kg) and Turkmenistan (135 kg).

All CIS countries, except for Kyrgyzstan and Tajikistan, have their own steel production; most of them have electric arc steelmaking oriented to manufacture of long products. Only Russia, Ukraine and Kazakhstan produce flat products. According to the OECD, the total crude steelmaking capacity of the region in 2018 was 142.4 million tons, of which a total of 90% accounted for Russia and Ukraine.

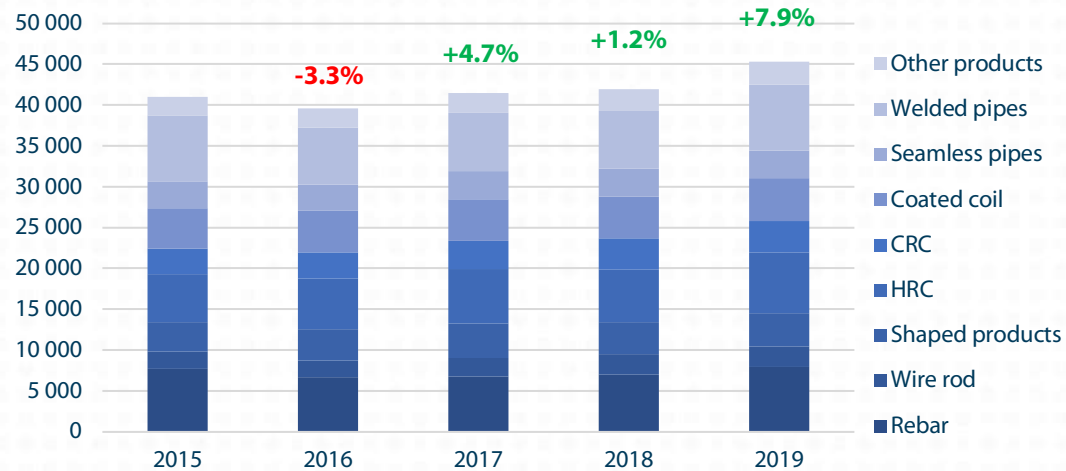
The product structure shows approximately the same consumption of long and flat products on average in the region. Their share in the total consumption is 40% and 37% respectively. Yet the general structure of products in the region is presented, to a greater extent, in the Russian market. Long products dominate the markets in Georgia, Armenia, Tajikistan and Azerbaijan (around 60% on average). This is because steel markets of these countries are more dependent on the construction sector.

The share of oil country tubular goods is over 30% in the markets of Kazakhstan and Turkmenistan, due to the development of the oil and gas sector in these countries. In most other countries, the share of oil country tubular goods does not exceed 15%, and the average statistics are influenced by Russia's indicators.

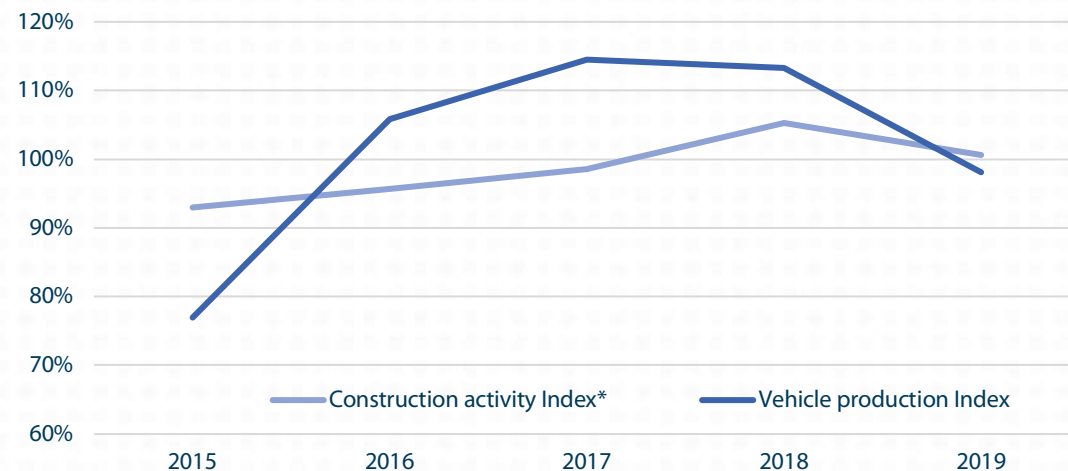
In its Short Range Outlook (June 2020), the World Steel Association expects a 10.3% fall in the CIS's steel consumption in 2020.



## Apparent Steel Consumption in Russia, ths tons of finished products



## Steel-using sectors' performance in Russia



\* - Scope of work performed within Construction

Apparent steel consumption in Russia showed one of the best dynamics in the world in 2019. Demand for steel grew by 7.9% to 45.3 million tons. The construction sector supported the market. The growth rate of key consuming industries does not however correspond to such a high growth rate of the steel market.

Trading companies announced in the media that the level of apparent consumption in 2019 didn't reflect the real situation in the market. According to them, a considerable part of production remained in warehouses, which is not reflected in apparent consumption, the market increased reserves in expectation of consumption growth in 2020.

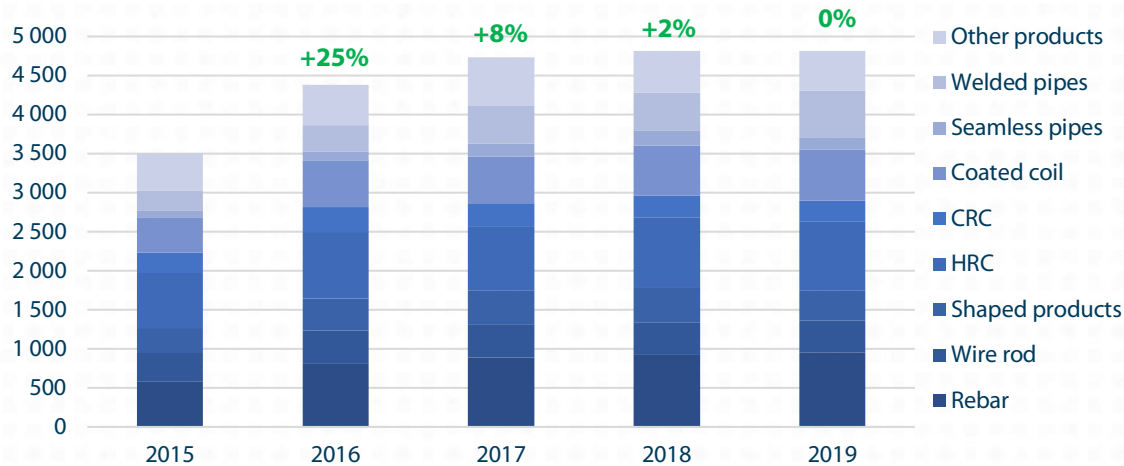
Indeed, \$170 billion of government investments are anticipated to come in infrastructure projects by 2025. Their implementation would reportedly require additional 40 million tons of steel, i.e. an average of +20% annually. However, the COVID-19 epidemic may adversely affect the implementation of infrastructure construction plans in 2020.

Consumption of products for the oil and gas sector may also drop as a result of falling oil and gas prices and restrictions imposed by OPEC+.

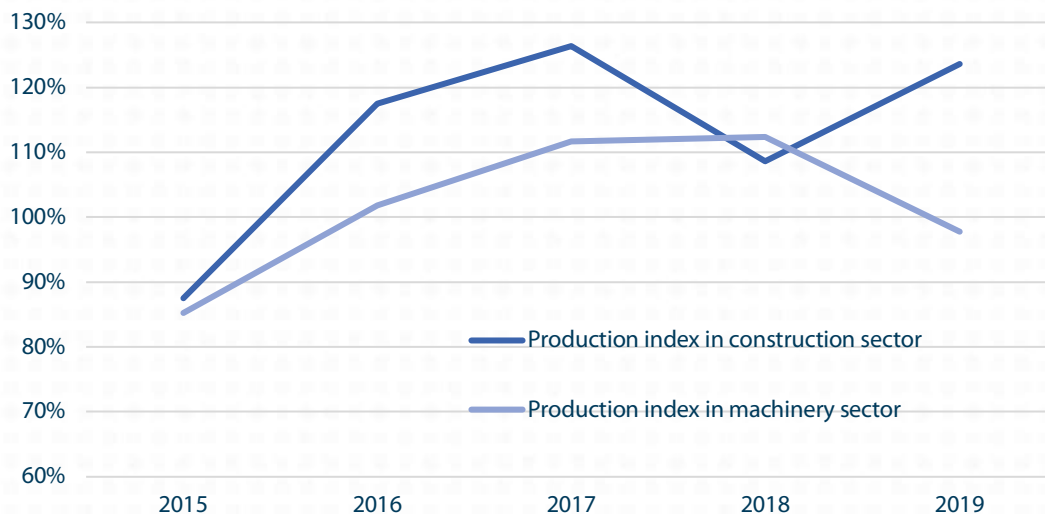
According to forecasts of the World Steel Association, steel consumption in Russia will decline by 10% in 2020 and will not fully recover even in 2021 notwithstanding a 6.5% increase.

Steel consumption per capita in Russia in 2019 was 308 kg annually.

## Apparent Steel Consumption in Ukraine, ths tons of finished products



## Steel-using sectors' performance in Ukraine



Steel consumption in Ukraine in 2018–2019 stagnated. In 2019, the market volume remained at the past year's level.

Firstly, the construction industry is developing due to less steel-intensive sectors, while the growth in construction (+23.6%) recorded by statistical authorities was not reflected in the growth in steel consumption.

Secondly, a global trend towards a decline in industrial production affected Ukraine (-0.5%). Thirdly, 2019 was the year of the presidential and parliamentary elections, which made many companies postpone investment plans for a while.

Multidirectional dynamics were observed for various products in 2019. Specifically, rebar consumption increased by 3.2%, whereas demand for wire rod decreased by 1.7%. The market for structural shapes slumped (-12.8%).

Consumption of HDGC (+3.8%) and organic coated coils (+3.5%) grew. Demand for these products is mainly covered by imports. In general, the share of imports in the Ukrainian market remained at the past year's level, around 30%.

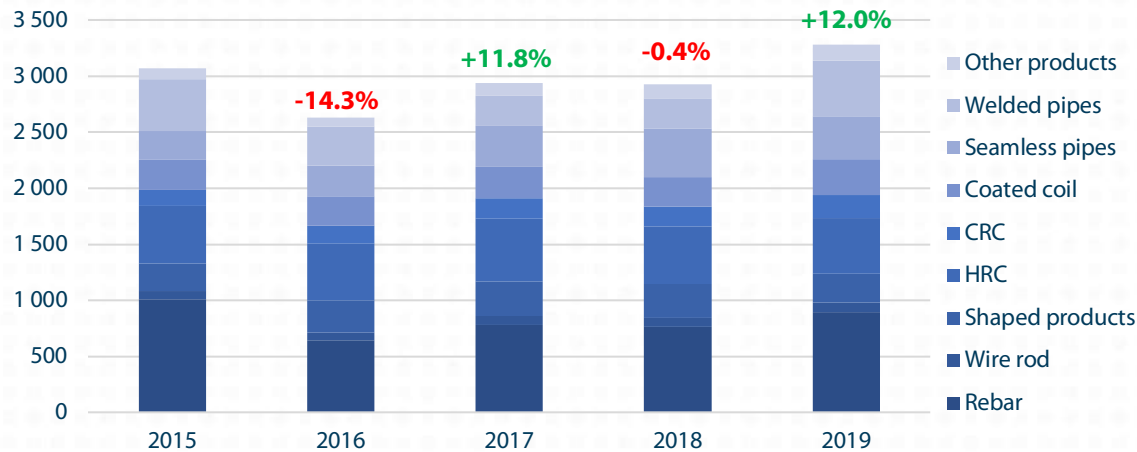
Consumption of seamless pipes decreased by 17.3% in 2019 because of a change in investment policy of the state-owned oil and gas company, Ukrigasvydobuvannya. The company announced a cut in investment in new drilling and, as a result, reduced purchases of pipes by 60%.

Consumption of welded pipes significantly increased. Market participants have noted an increase in demand for welded hollow sections in the construction sector.

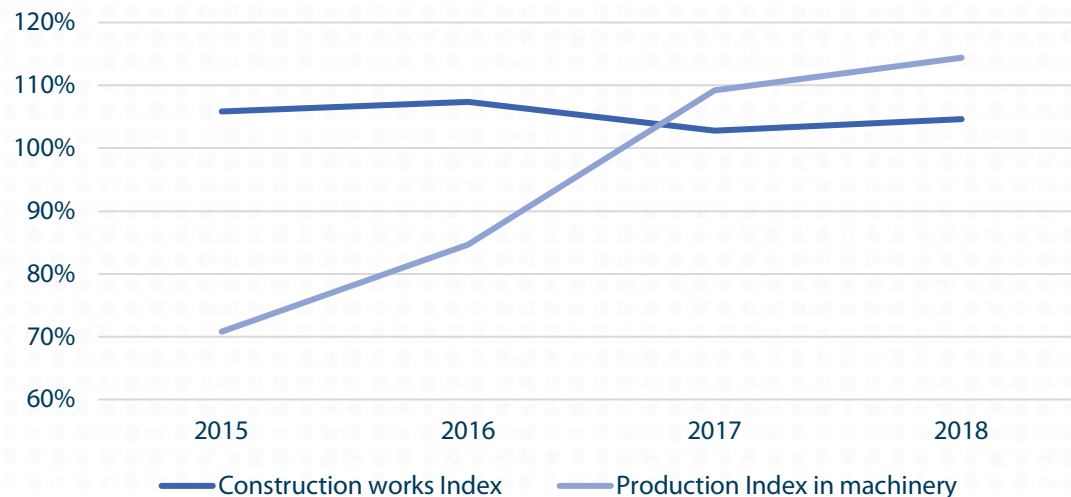
Steel consumption per capita in Ukraine was at the level of 129 kg annually in 2019.



## Steel Consumption in Kazakhstan, ths tons of finished products



## Steel-using sectors' performance in Kazakhstan



In 2019, steel consumption in Kazakhstan increased by 12.0% to 3.3 million tons. The consumption growth has been recorded since 2017. Demand for steel is supported by government programs.

Specifically, Kazakhstan has been carrying out a government program of preferential auto loans to individuals since 2015. In 2015–2019, ₸62 billion (\$155 million) was allocated for its implementation. Given the fact that loan repayments are used again to issue loans, a total of ₸81.8 billion (\$204.5 million) in preferential loans was issued. This amount was spent for the purchase of 17,644 locally produced cars. Legal entities and entrepreneurs can buy Kazakh-made vehicles under a leasing program.

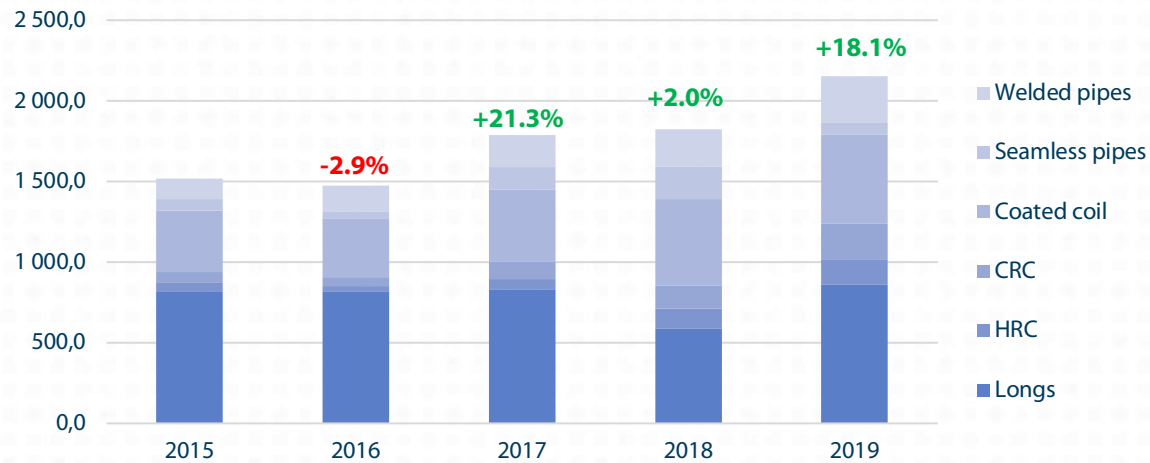
In 2015–2019, an infrastructure construction program was implemented in Kazakhstan. The Nurdy Zher Housing Construction Program was launched in 2017. Its funding for 2020–2025 amounts to ₸4,837 billion (\$12 billion). The program provides for the creation of a rental housing fund, subsidization of mortgage interest, subsidization of loans to developers, running of engineering and technical infrastructure to construction sites, including for individual construction.

The highest growth in Kazakhstan is recorded in consumption of cold-rolled products (+45.9% in 2016–2019) and seamless pipes (+51.5% for the same period). Conversely, rebar consumption in 2019 is 11.2% lower than in 2015, although the construction output is growing by 5% on average annually.

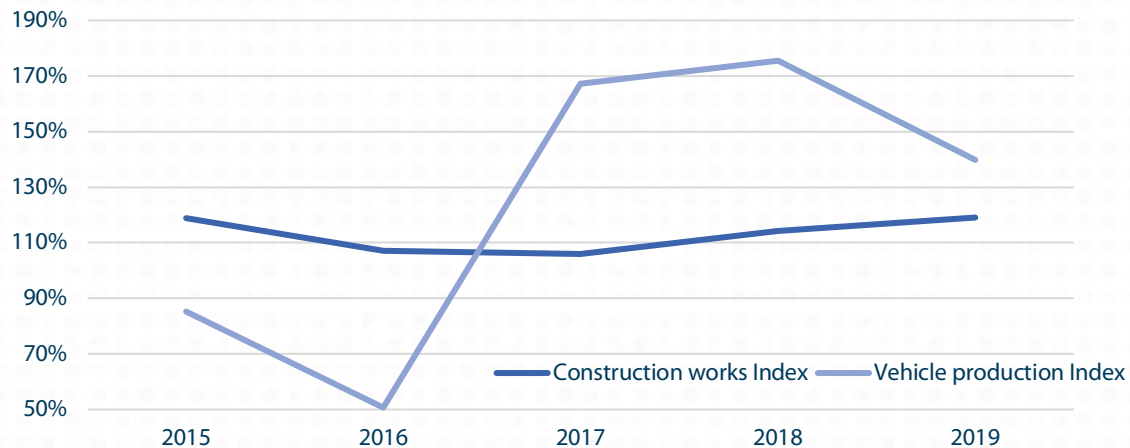
Steel consumption per capita in Kazakhstan is 175 kg annually.



## Apparent Steel Consumption in Uzbekistan, ths tons of finished products



## Steel-using sectors' performance in Uzbekistan



In 2019, steel consumption in Uzbekistan increased by 18.1% to 2.152 million tons.

The stagnation trend in the steel market of Uzbekistan changed in 2017 with an increase in automotive production in the country. The automotive sector is a key driver of demand for steel. The automotive production growth slowed a bit in 2019 amid a global downturn in car sales last year. In 2019, Uzbekistan adopted the Concept for the Development of the Automotive Industry of the Republic of Uzbekistan until 2025. The concept provides for a 40% increase in production of vehicles by 2025.

In 2020, the crisis will hit Uzbekistan's automotive industry.

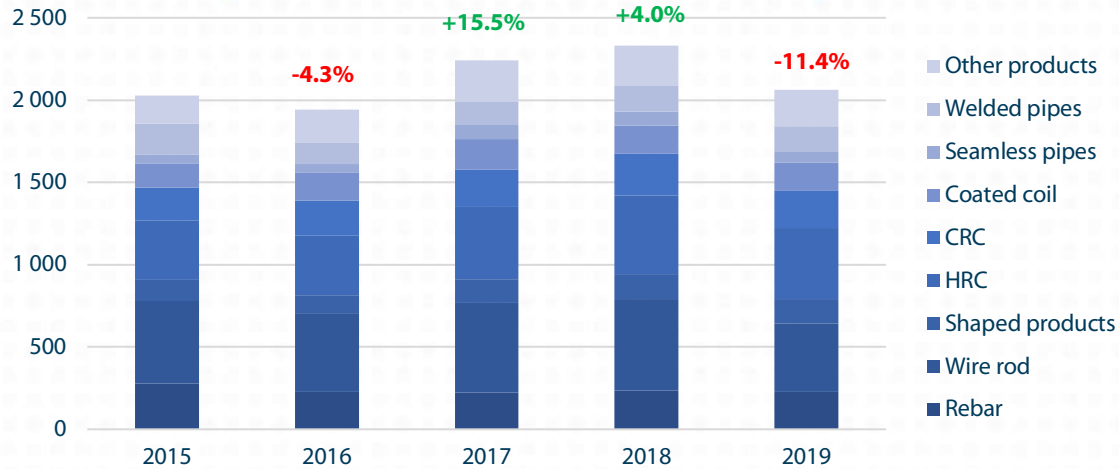
Growing steel consumption in Uzbekistan is due to flat products. Specifically, an almost fourfold increase to 160 ths tons was reported in HRC consumption over the past 3 years, CRC showed the same dynamics of up to 220 ths tons, while coated coil demonstrated a 1.5 fold increase to 550 ths tons. In other words, there is a large flat products segment in Uzbekistan covered by imports.

With this fact in mind, there are plans to commission Tashkent Metallurgical Plant in 2020, which will produce hot-deep galvanized coil and coated coil. Investment in construction amounted to €327 million. The plant's capacity (500 ths tons annually) will make it possible to meet the country's need for coated coil.

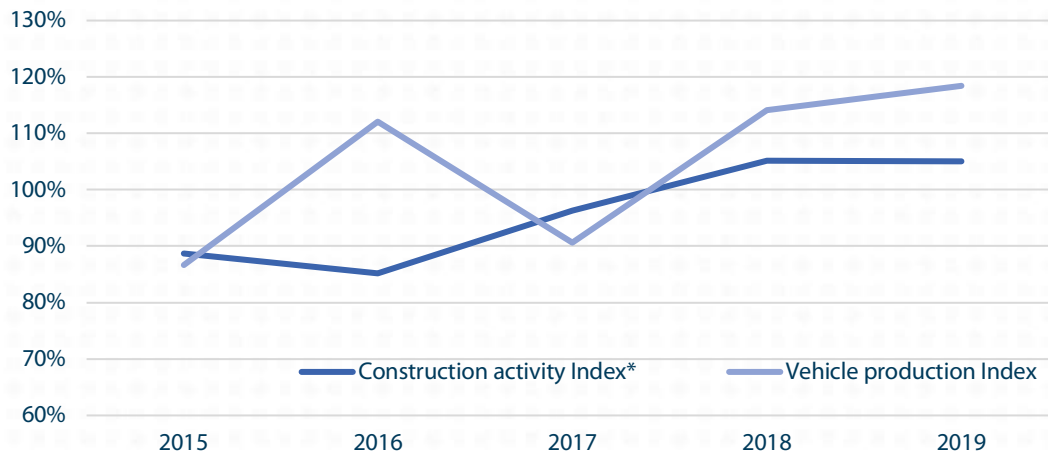
The construction output in 2015–2019 increased by 10% annually. Yet, consumption of long products remains approximately at the same level of 800 ths tons.

Steel consumption per capita in Uzbekistan is 65 kg annually.

## Steel Consumption in Belarus, ths tons of finished products



## Steel-using sectors' performance in Belarus



\* - Scope of work performed within Construction

In 2019, steel consumption in Belarus fell by 11.2% to 2.1 million tons. This is the average level of consumption over the past 5 years.

In 2015–2017, the construction output declined by 10% on average annually. The growth in construction was recorded only since 2018, although the State Housing Construction Program for 2016–2020 has been being implemented since 2016. Under this program, 16.1 million square meters of housing were commissioned in 2016–2019. The program applies only to persons in need of better housing conditions. Support is provided in the form of preferential loans, as well as subsidization of part of the interest rate or the principal amount of the loan.

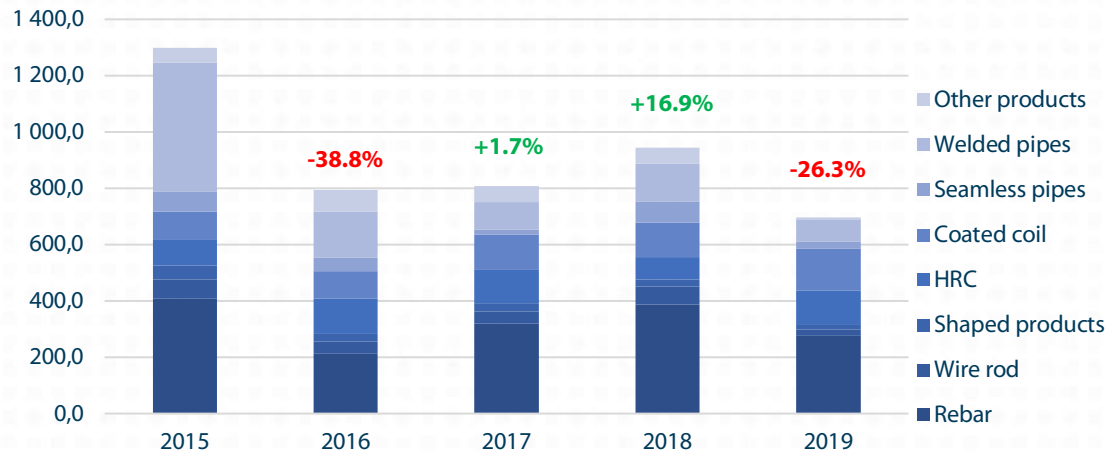
Vehicle engineering consumes a considerable share of rolled products in Belarus. The growth in steel consumption in 2017–2018 was mainly due to flat products, which is confirmed by the mechanical engineering sector's dynamics. Over 2 years, from 2016 to 2018, production of tractors grew by 18%, production of heavy trucks by nearly 80%. It has to be mentioned that this was a recovery growth, since Belarus's mechanical engineering survived the crisis in 2015, with a fall in the output of more than 50%.

Production of tractors and trucks in 2019 decreased by 3% and 21% respectively. A decline in steel consumption equally affected all segments.

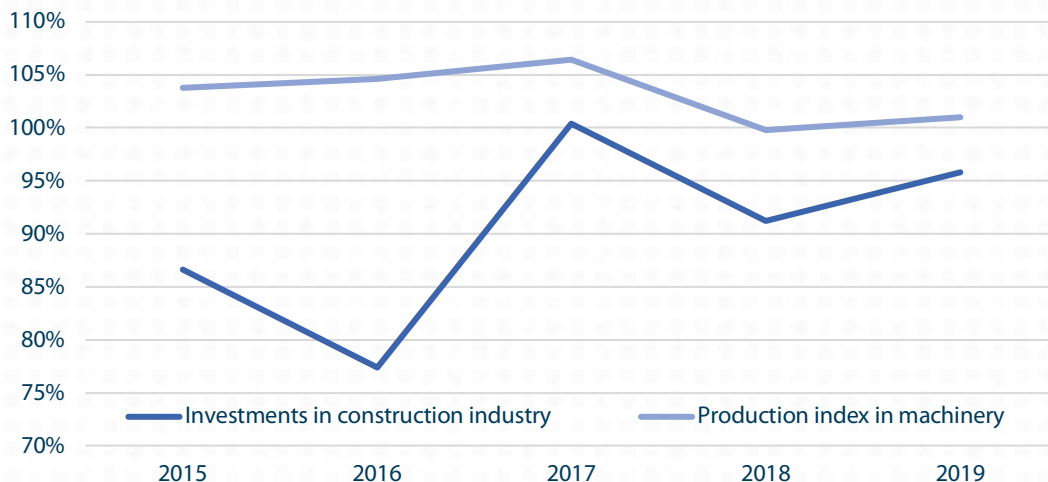
Steel consumption per capita in Belarus is 217 kg annually.



## Apparent Steel Consumption in Azerbaijan, ths tons of finished products



## Steel-using sectors' performance in Azerbaijan



Steel consumption in Azerbaijan averages 800 ths tons annually. A dramatic growth in pipe consumption in 2015 was due to the implementation of the TANAP project. Last year, demand for steel fell by 26.3%.

A last year's drop in consumption was recorded for all commodity items, for which growth was reported in 2018. Hence, the market returned to its normal output.

Investments in the construction sector of Azerbaijan are declining every year. This can explain stagnation of the steel market in the country. Rebar consumption in 2019 decreased by 29% to 276 ths tons against a 21% increase a year earlier. The need for long products is met mainly through domestic production, whereas there are no capacities for production of flat products in Azerbaijan.

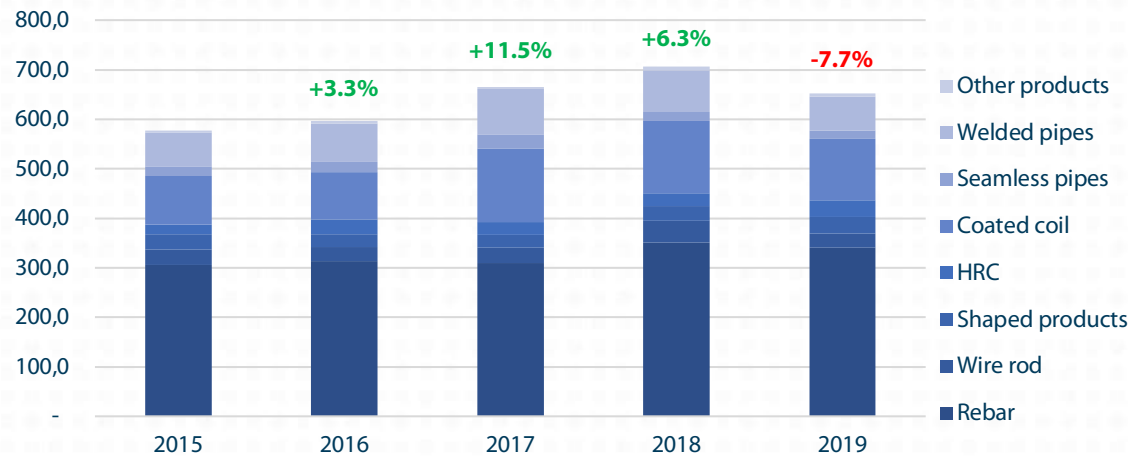
Flat products sector showed quite opposite trends in 2019. Consumption of hot-rolled coil increased by 55% to 120 ths tons against a 39.6% drop a year earlier. These movements may be random.

The coated coil segment is the only type of products that shows steady growth. Apparent consumption in 2019 amounted to around 150 ths tons.

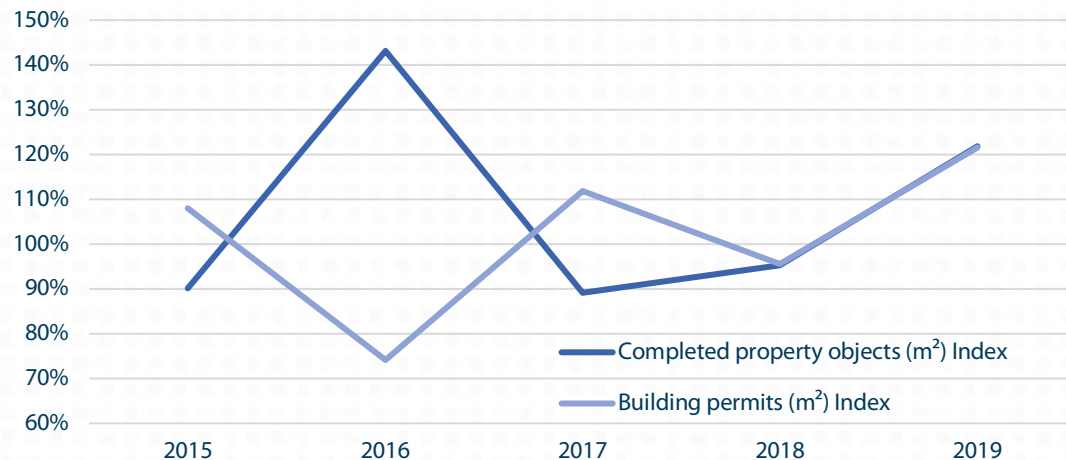
Consumption of welded pipes in 2019 declined by 41% to 78 ths tons, seamless pipes by 66% to 25 ths tons. There is a likelihood that the pipe market was negatively affected by deteriorated prospects in the oil and gas market.

In 2019, steel consumption per capita in Azerbaijan was 69 kg annually.

## Apparent Steel Consumption in Georgia, ths tons of finished products



## Construction sector's performance in Georgia



The steel market of Georgia showed steady growth in 2015–2018. Last year, 2019, was an exception to this trend, with a 7.7% fall in consumption to 650 ths tons. It is hard to explain the last year's fall, since the construction development indicators in Georgia showed a good growth. In 2019, the total area of sites, for which construction permits were issued, increased by 21%, and the area of commissioned objects by 22%. The dynamics of these two indicators are always similar, with the exception of certain time lags. The growth in the number of issued permits in 2019 is a good stepping stone to the growth in steel consumption in 2020–2021.

Construction is the largest steel consumer in Georgia. The construction sector accounts for around 90% of total consumption. This is no surprise. The positive construction trends are due to the desire of Georgia to develop the tourism industry and related infrastructure.

In 2018, infrastructure investment in Georgia totaled \$640 million and \$755 million was planned for 2019.

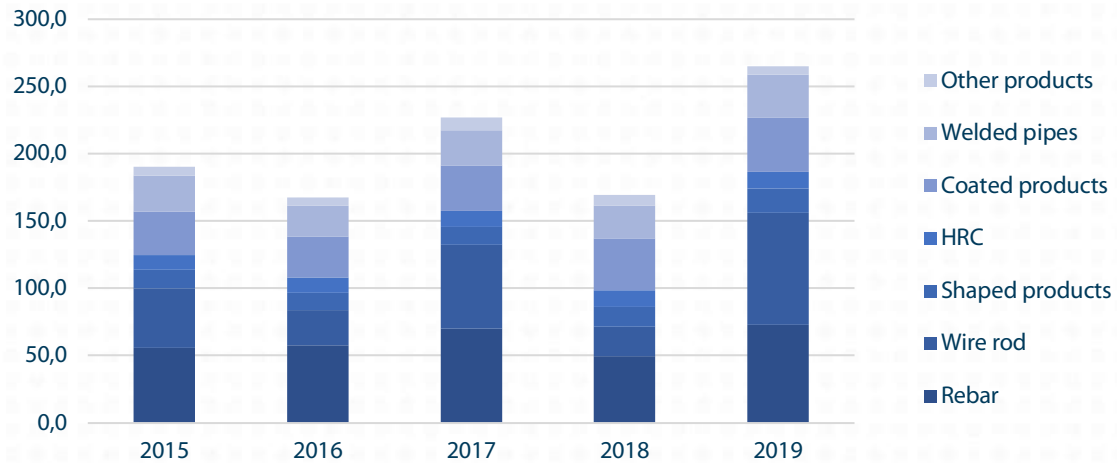
There were 2.5 ths infrastructure projects that implemented in 2017–2019 in Georgia. One of them is the construction of Anaklia port (\$2.5 billion), was launched in 2017. The port is to receive the first ships in 2021. It is planned to build a new terminal in Kutaisi airport and expand the terminal in Batumi. The North-South road will be built as part of the "One Belt, One Way" China-funded project (\$415 million). Private funds are being raised for the development of resort towns. One of the tasks is to create infrastructure for winter recreation and thus expand the holiday season for the whole year.

Steel consumption per capita in Georgia is one of the highest in the region and amounted to 175 kg annually in 2019.

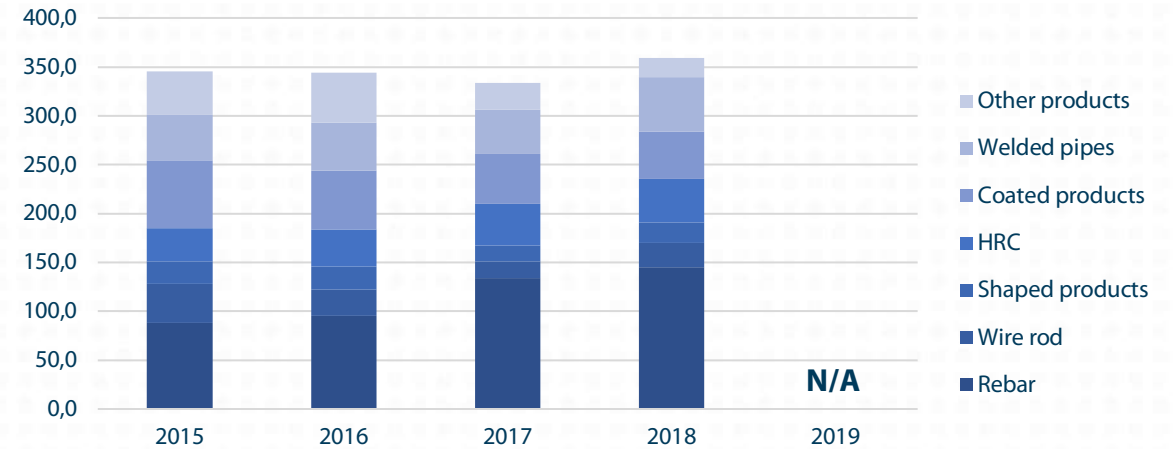


## Steel Market of other CIS-countries

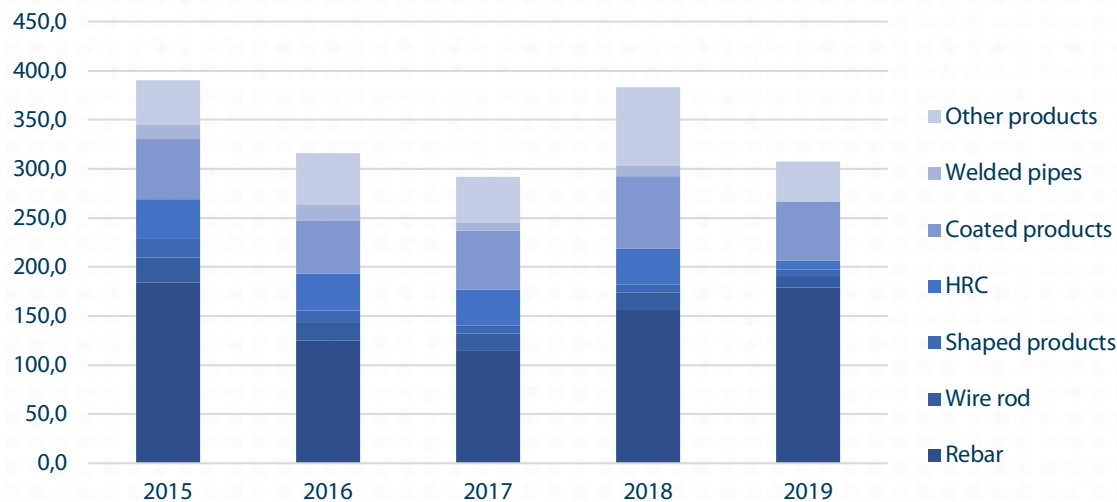
**Apparent Steel Consumption in Moldova, ths tons of finished products**



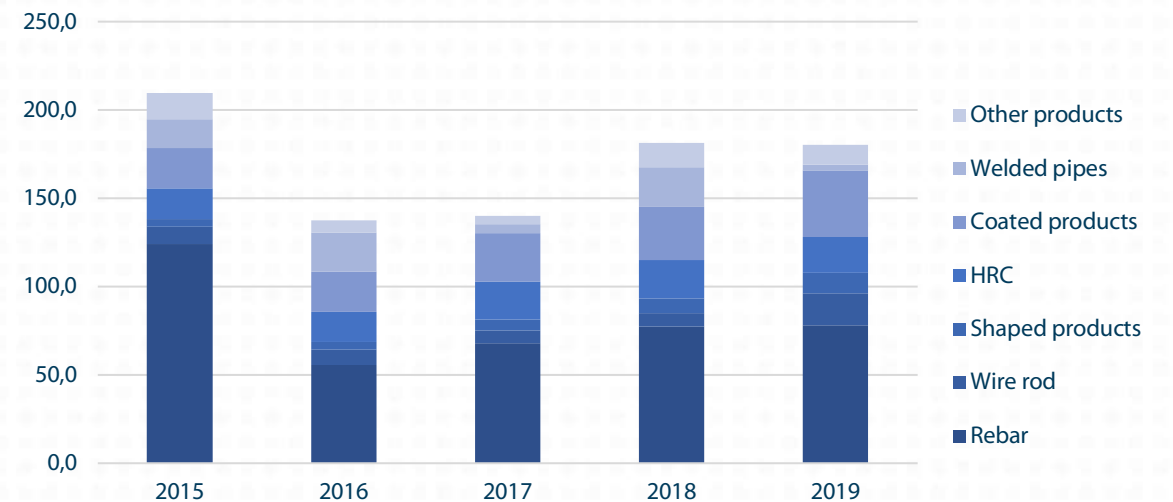
**Apparent Steel Consumption in Kyrgyzstan, ths tons of finished products**



**Apparent Steel Consumption in Tajikistan, ths tons of finished products**



**Apparent Steel Consumption in Armenia, ths tons of finished products**





**Industrial analytics**  
**Market research**  
**Information services**

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