

Ukrainian steel export: myths and reality

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Andrii Tarasenko
Chief analyst GMK Center



Myths about Ukrainian export

Ukraine is often called as “a danger for steel market”

Myth #1: Ukraine has enormous export potential

Myth #2: Ukraine has significant advantages in costs

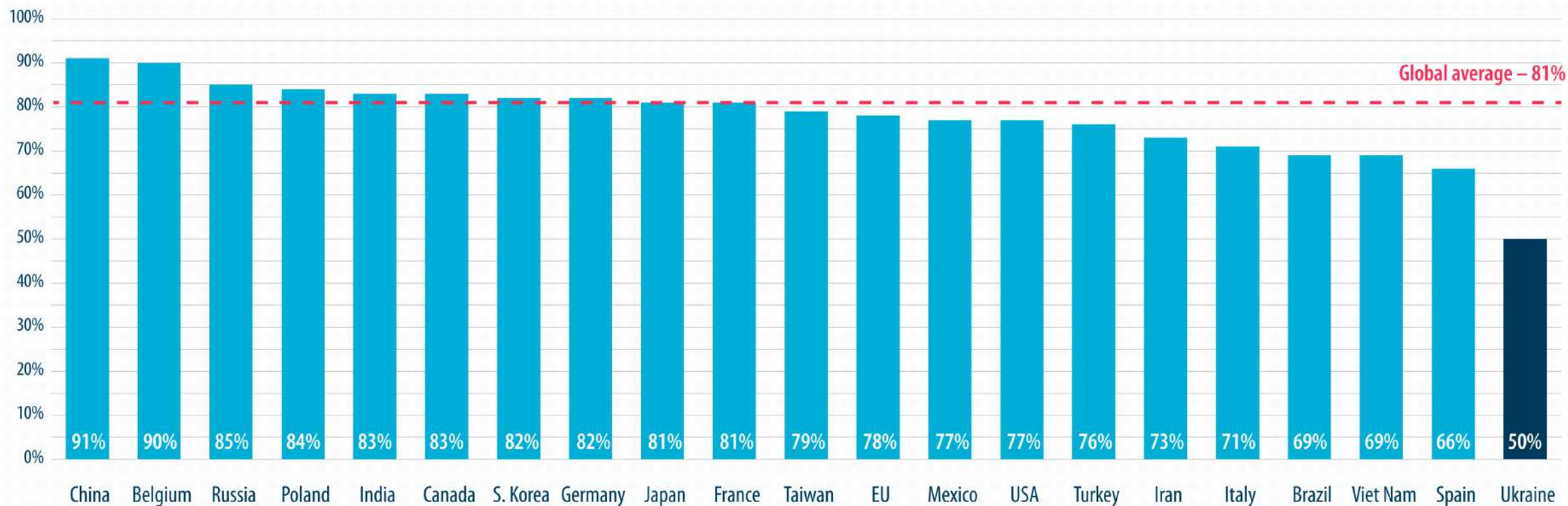
Myth #3: Ukrainian companies use dumping

Myth #4: Ukraine has advantage in logistics to EU

Myth #1:

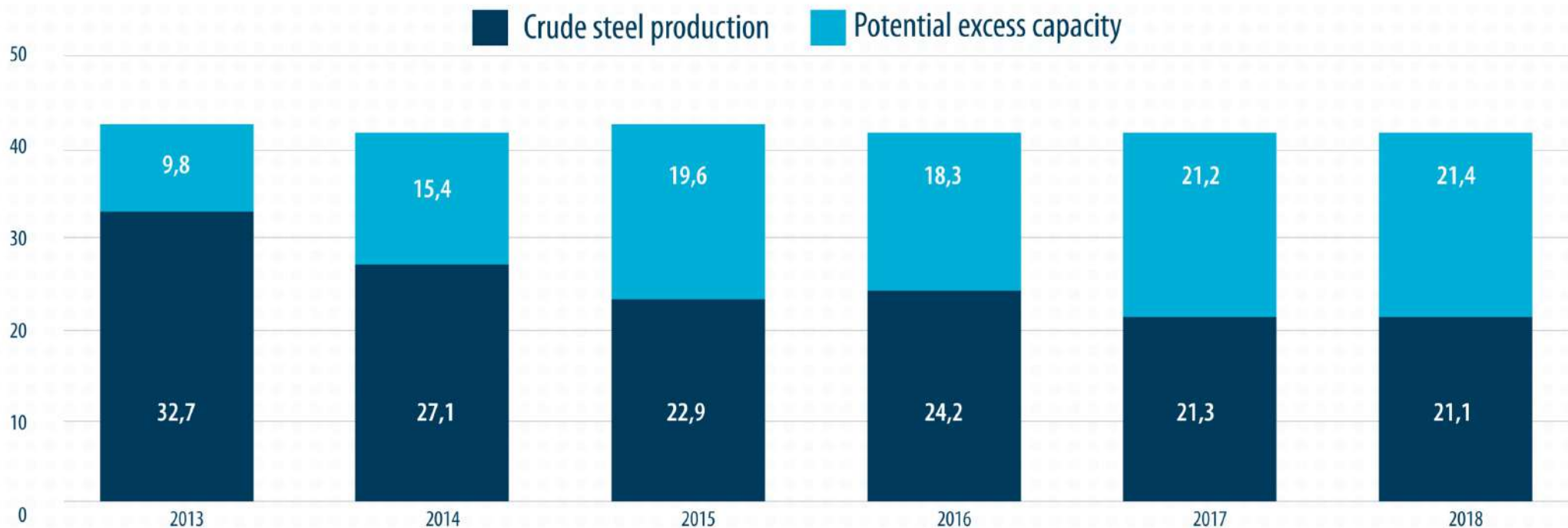
**Ukraine has enormous
export potential**

Crude steelmaking capacity utilization rate: Ukraine vs Global average



The least utilized among TOP-20 steel producing countries – is Ukraine. Its **50%** only.

Excess capacity in Ukraine: OECD view



Ukraine is among the TOP-5 countries with largest excess capacity level, according to OECD.

OECD data: Nominal crude steelmaking capacity in Ukraine – **42,5 mln tons** – unchanged since 2013.

Crude steel production in Ukraine in 2018 – **21,1 mln tons**, 35% lower than in 2013.

Excess capacity in Ukraine: uncontrolled territories

Nominal crude steelmaking capacity in Ukraine by company, mln tons

Total nominal capacity
about **31,3** mln tons

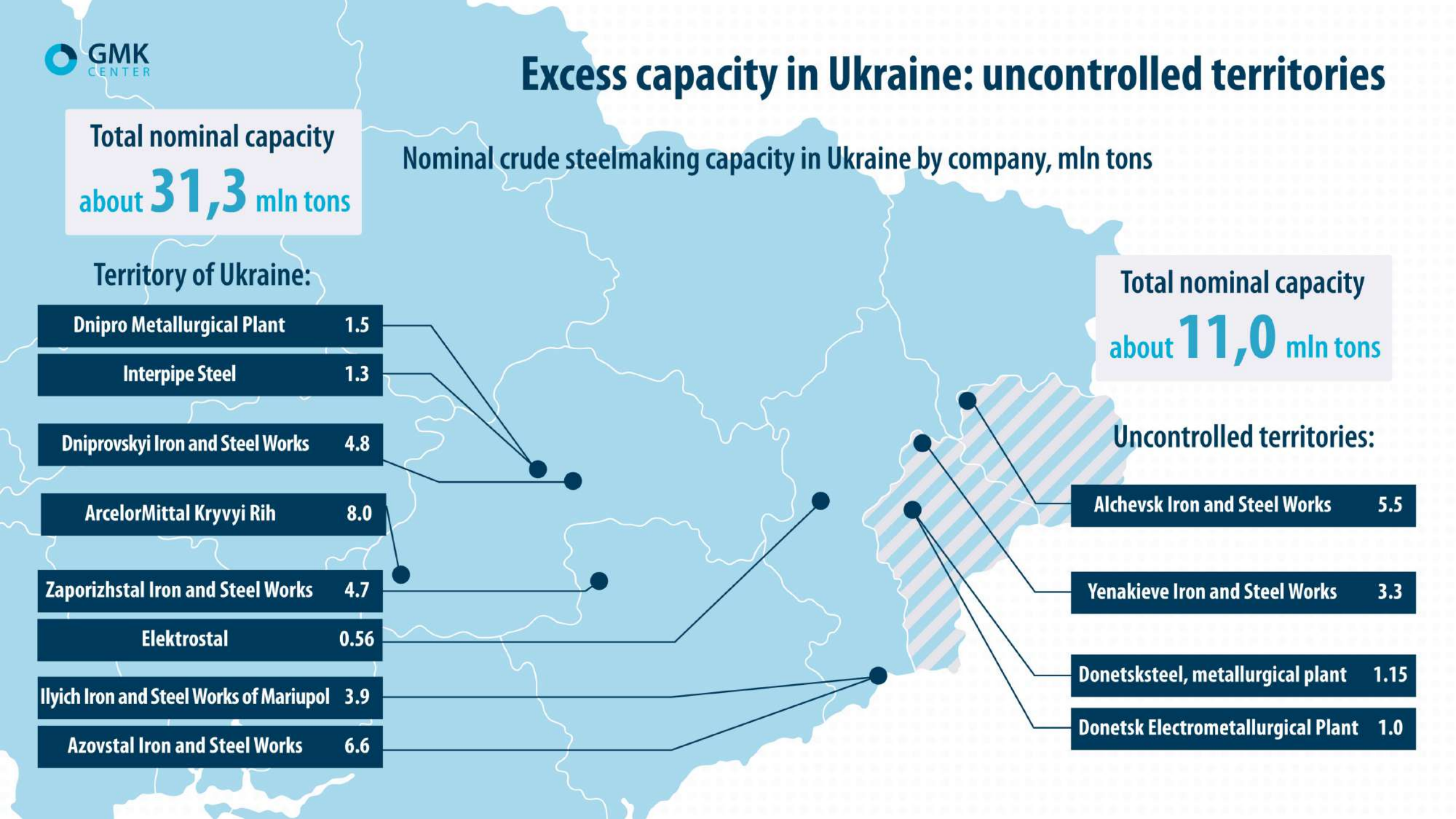
Territory of Ukraine:

Dnipro Metallurgical Plant	1.5
Interpipe Steel	1.3
Dniprovskiy Iron and Steel Works	4.8
ArcelorMittal Kryvyi Rih	8.0
Zaporizhstal Iron and Steel Works	4.7
Elektrostal	0.56
Ilyich Iron and Steel Works of Mariupol	3.9
Azovstal Iron and Steel Works	6.6

Total nominal capacity
about **11,0** mln tons

Uncontrolled territories:

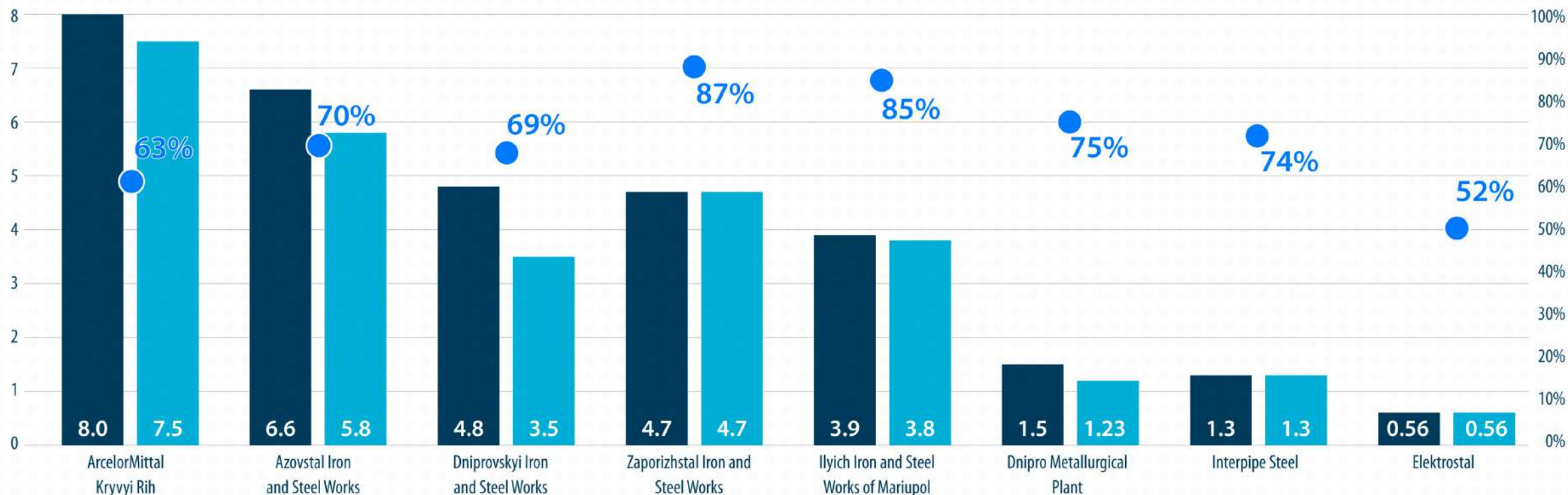
Alchevsk Iron and Steel Works	5.5
Yenakieve Iron and Steel Works	3.3
Donetsksteel, metallurgical plant	1.15
Donetsk Electrometallurgical Plant	1.0



Excess capacity in Ukraine: nominal capacity vs effective

Nominal and effective crude steelmaking capacity by company

■ Nominal capacity, mln tons
 ■ Effective capacity, mln tons
 ● Utilization rate



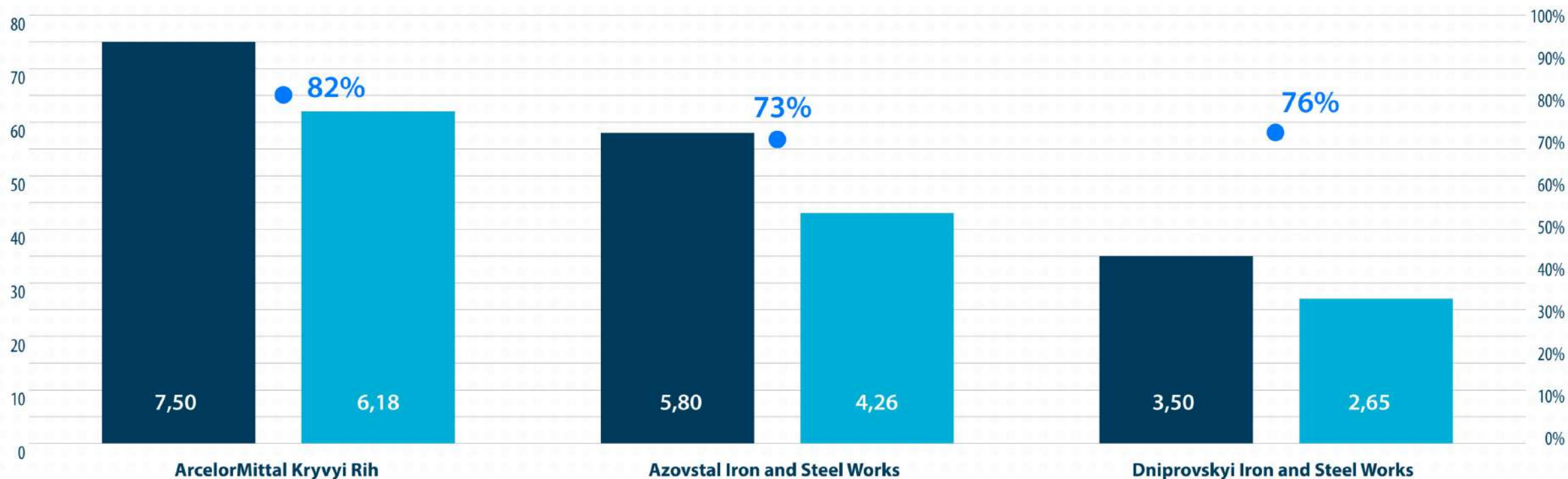
Nominal capacity of **31,3 mln tons** vs **28,3 mln tons** of effective capacity.

Ukrainian companies had healthy level of utilization – **73%** as an average in 2018.

Excess capacity in Ukraine: lack of rolling capacity

Effective crude steelmaking capacity and rolled steel capacity, mln t

■ Crude steel ■ Rolled steel ● Crude steelmaking capacity limitation by rolled capacity



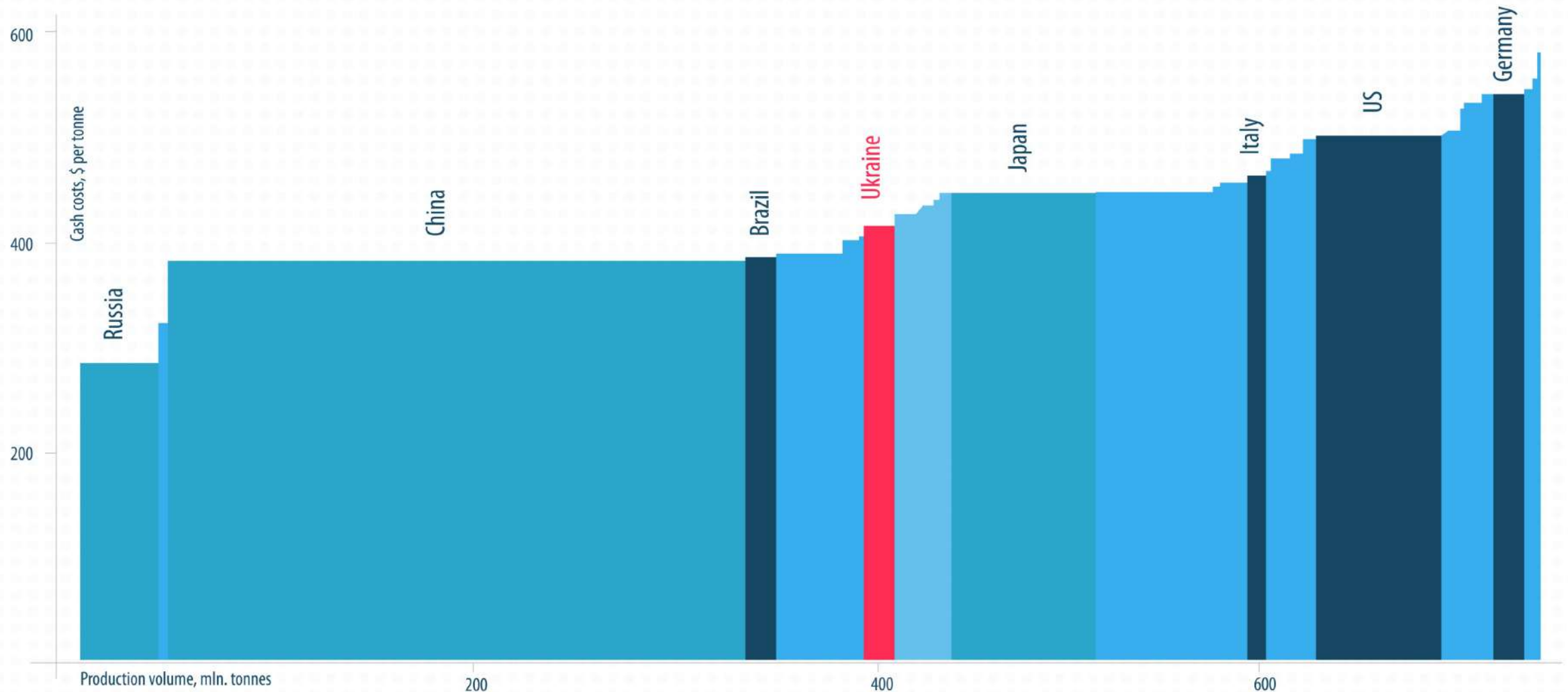
Three companies (AMKR, Azovstal and Dniprovskiy Iron and Steel Works) have bottleneck in rolling production. Raising of crude steel production on these companies could be achieved by steel semi-products only.

Myth #2:

**Ukraine has advantages
in costs**

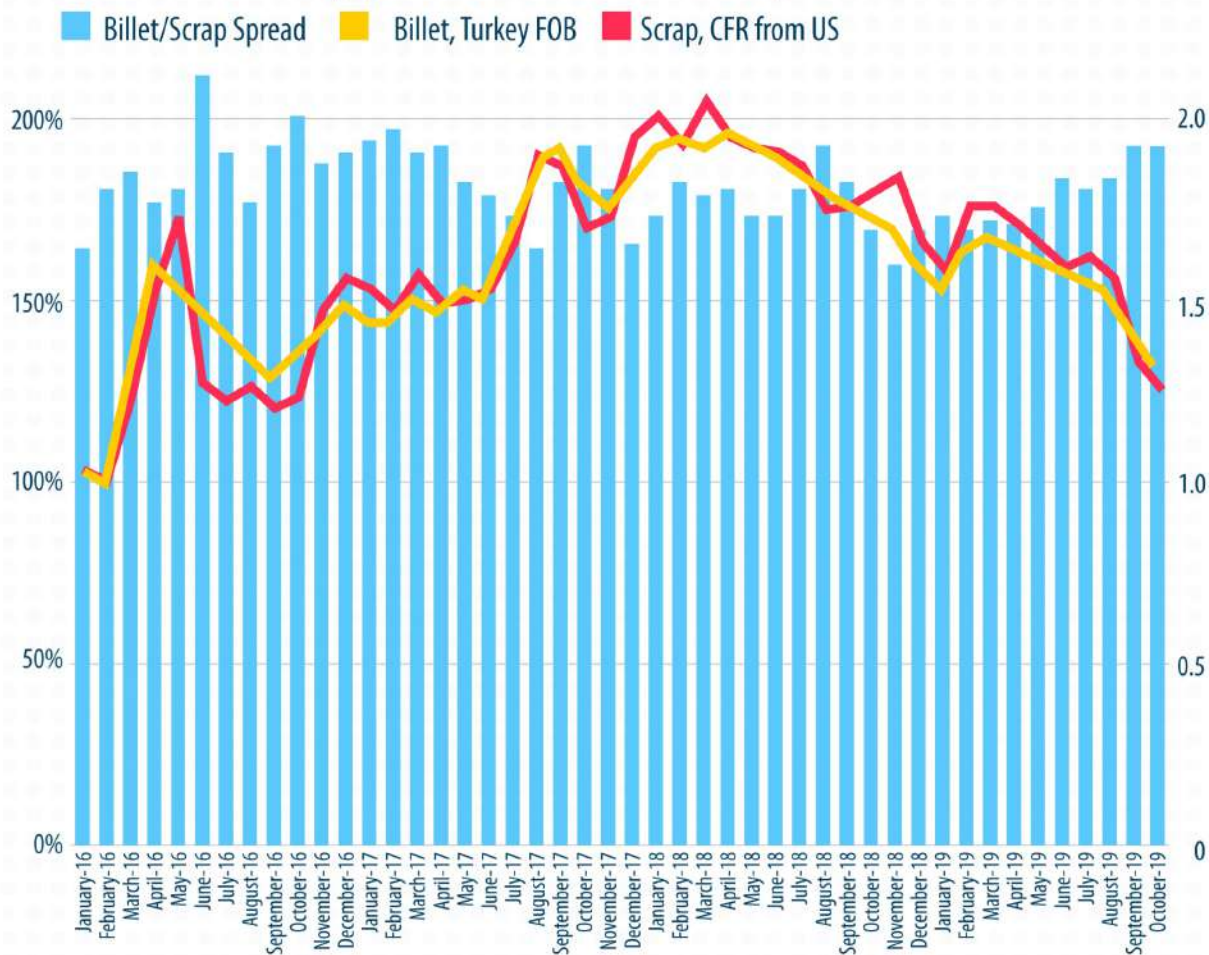
Position of Ukraine on cost curve is risky

HRC cost curve (2018))



Price competitiveness of Ukrainian longs vs Turkish

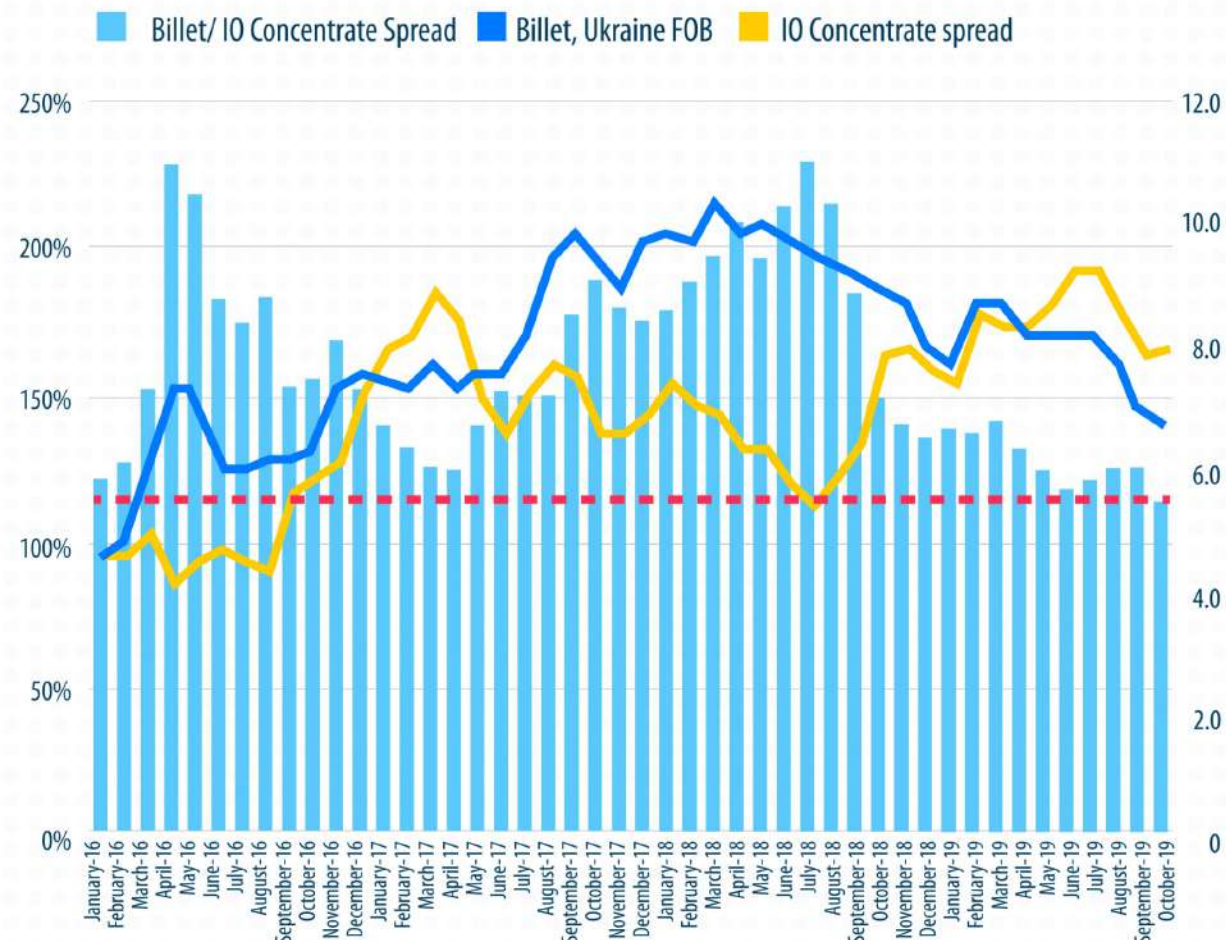
Billet and Scrap price indexes in Turkey



Billet/Scrap – normal level
Normal margin

Source of information: Metal Expert

Billet and Scrap price indexes in Ukraine



Billet/Iron ore – the lowest level since 2016
Negative margin

Myth #3:

**Ukrainian companies use
dumping**

Ukraine is the liberalization leader in steel industry

Instruments used to develop the steel industry

Countries that have used the instrument	China	India	Japan	U.S.	Russia	South Korea	Turkey	EU	Brazil	Canada	South Africa	Egypt	Indonesia	Vietnam	Philippines	Ukraine
Instrument																
Grants	+		+		+	+		+		+						
Export subsidies, other forms of export support	+		+							+	+					
Tax benefits	+		+		+	+		+	+		+		+			
Special economic zones	+		+													
Soft loans	+				+	+		+	+	+	+					
Capital infusion and debt conversion	+					+			+							
Reimbursement of the cost of raw materials	+											+				
Control over prices for raw materials, including raw materials export restrictions	+	+			+	+	+		+					+		+
Preferences for local manufacturers	+						+				+					
Encouraging mergers & acquisitions	+		+			+										
Boosting domestic consumption markets	+	+	+	+	+	+		+					+	+	+	
Import restrictions		+	+	+	+		+	+	+	+		+	+	+	+	
Assistance in the sectoral infrastructure development		+			+	+	+		+			+	+			

Export restriction measures against Ukrainian steel products

1 Defensive measures (4)



Egypt

Square billet,
rebar



EU

Rolled products
and pipes



US

all steel
products



EAEU

HRC

2 Antidumping measures (31 in 13 countries)



Brazil

Flats- \$52
Steel pipes – \$145-708



Egypt

Rebar – 17-27%



Canada

HRC – 77%
Plate – 15-21%
Steel pipes – 37,4%



EU

Seamless
pipes – 8-25%
HRC - €60,5



India

CRC – min price \$576



US

FeSiMn – 163%
Rebar – 41,69%
HRC – 90,3%
Steel pipes –
7,47%
Wire rod – 44%



EAEU

Steel pipes – 19-20%
Seamless stainless steel – 4-19%
FeSiMn – 26,35%
Rebar – 9,3-10,1%
Angle – 38%



Mexico

FeSiMn – 16,6%
Rebar – 41,69%
HRC – 25-60%
Seamless pipes



Pakistan

CRC – 19%



S.Korea

FeSiMn – 19,06%



Thailand

HRC – 32-71,5%



Indonesia

HRC – 12,3%



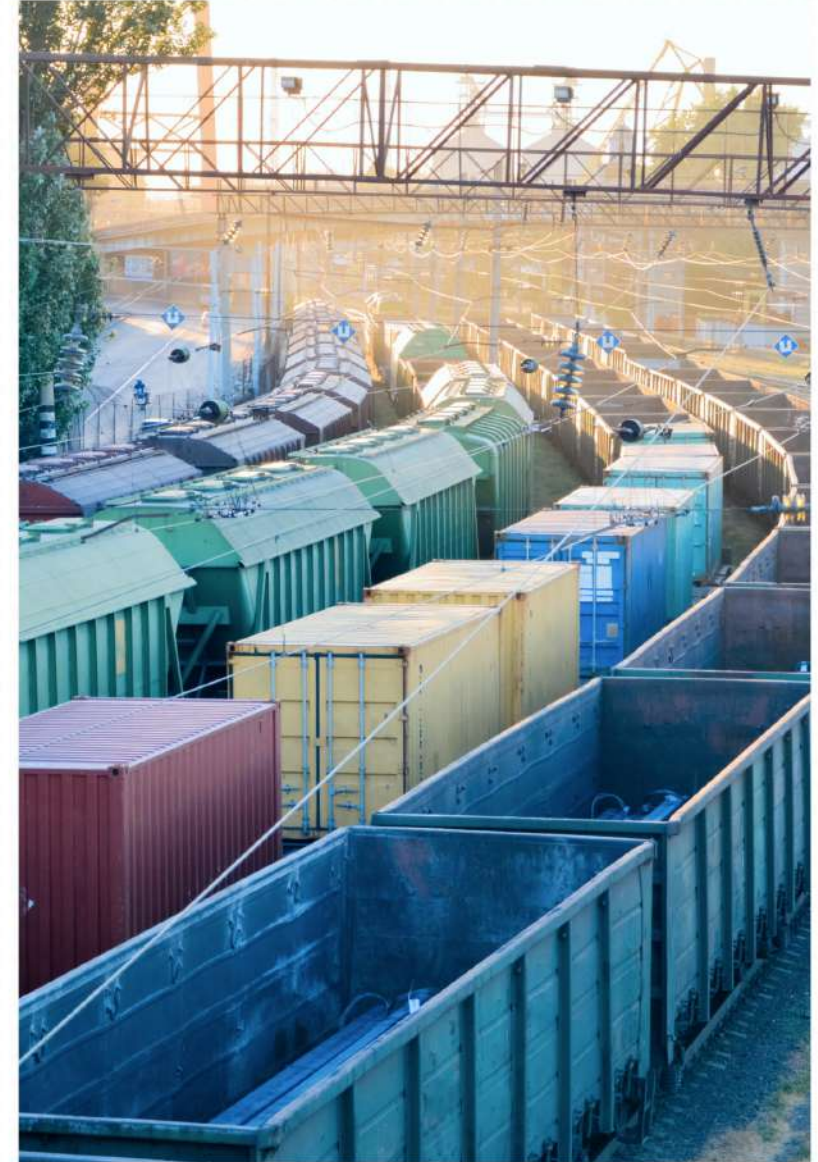
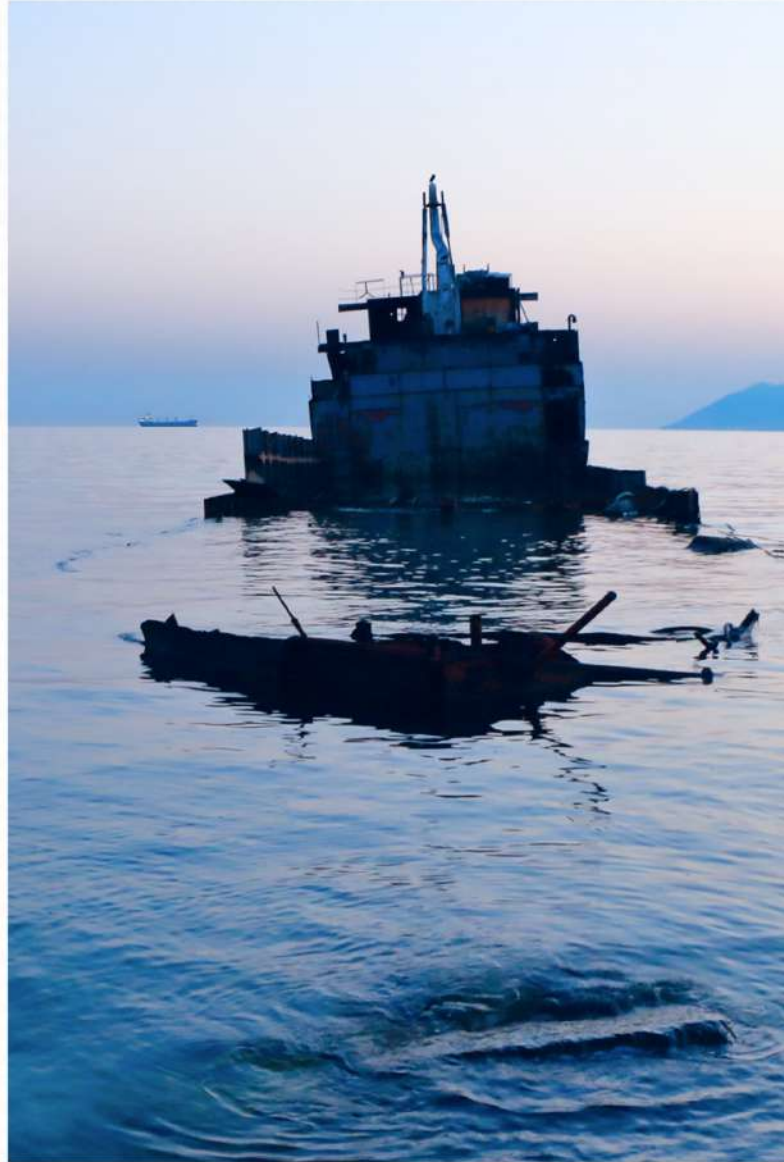
Taiwan

HRC – 49,29%

Myth #4:

**Ukraine has logistics
advantage**

Ukrainian infrastructure limits export possibilities



Ukraine is not a danger for steel market players

1. Ukraine has about 10% export potential, that is difficult to realize in current conditions
2. Ukraine will have problems in the downward phase of the cycle when competition intensifies
3. Ukraine is the liberalization leader in steel industry, but faces with number of export restrictions
4. Ukraine rather has disadvantages in logistics.



**Thank you
for your attention!**