

SAMPLE

THE WORLD'S  
LARGEST STEEL  
INDUSTRY

END USE  
SECTORS  
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ANALYSED

# STEEL SECTOR CONSOLIDATION FINALLY WITHIN REACH

China has been on a rollercoaster, not only in the last year, but the last twenty years. Now it is looking at the coming five years and is hoping for sufficient calm to achieve more of its goals in terms of restructuring and consolidating its growth. For the steel industry, the consolidation of power and the peaking of domestic steel demand are bringing China within reach of its longstanding, and often dismissed, goal for steel industry concentration.

## Steel sector consolidation finally within reach

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The start of 2021 has seen significant moves in this direction, which could have a long-lasting impact on the world's largest steel industry.

**Table 1. Supply and Demand (million tonnes)**

	2020	Y-o-y	2021 outlook	Y-o-y	Jan-Dec 2019 rev.
<b>Official crude steel output</b>		5.20%	1080.0	2.60%	1,001
<b>Apparent consumption</b>	985	9.20%	976	-0.90%	902
<b>End user demand</b>	980	8.40%	978	-0.20%	904

Source: Kallanish

**Figure 1. Daily steel production and demand 2010-2020 (tonnes)**



Source: NBS, Kallanish

Every year in China's steel industry is dominated by policy in one way or another, but 2021 has particular importance as the first year of the 14th Five-year Plan (2021-2025). Until the plan, and its derivative versions for each sector, are approved and published starting in March, the policies are grounds for speculation. One policy however is belatedly approaching realisation. China has been promising to increase the concentration of its steel industry since at least 2003, and yet in almost every year since then the industry has become less concentrated. China's changing political superstructure however has now led to the first real progress being made towards this goal.

The target, as it is written in the draft steel industry FYP, is for the top ten companies to produce 60% of China's steel by 2025. This is the same as the goal in the previous FYP, which was to be achieved by 2020. No target for production in 2025 has been publicised. From the country's scrap targets however, it can be surmised that the plan envisages China using around 300mt of scrap to produce around one third of its steel at that time, giving an approximate figure of 900mt of crude steel output. The target is therefore for the top ten steelmakers to produce some 540mt of crude steel in 2025. That compares to the top ten steelmakers in



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