



# The Iron Dragon: A Snapshot of Recent Trends in Chinese Steel Industry

## CHINA

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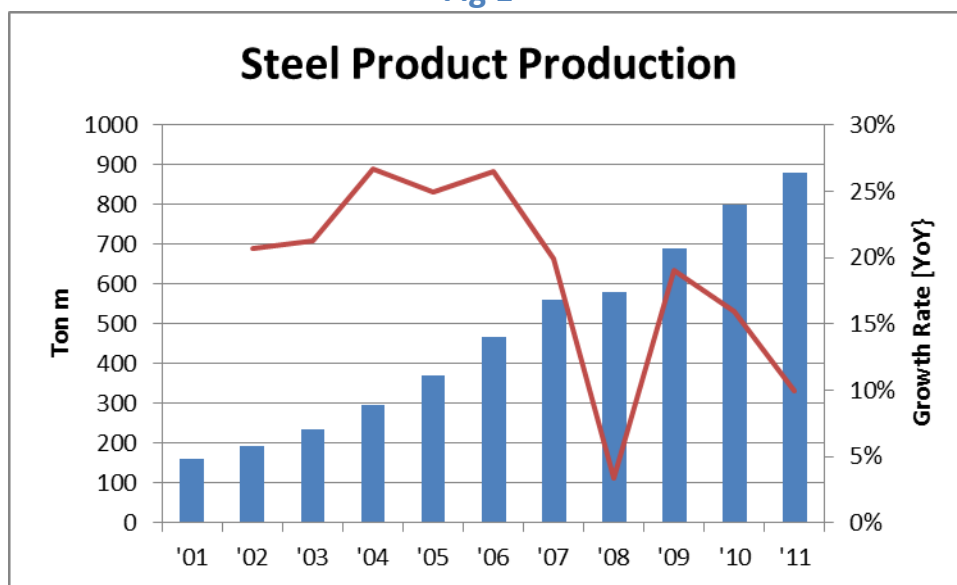


### Sectoral Snapshot

## The Iron Dragon: A Snapshot of Recent Trends in Chinese Steel Industry

China’s 2011 steel production which reached 878 million tons in 2011 accounted for 45% of the world’s production last year. While domestic production has been growing over the last five years, its growth rate has slowed down since the 2008 global financial crisis (fig 1). The capacity utilization averaged 83% before 2008 and dropped to 80% after 2008.

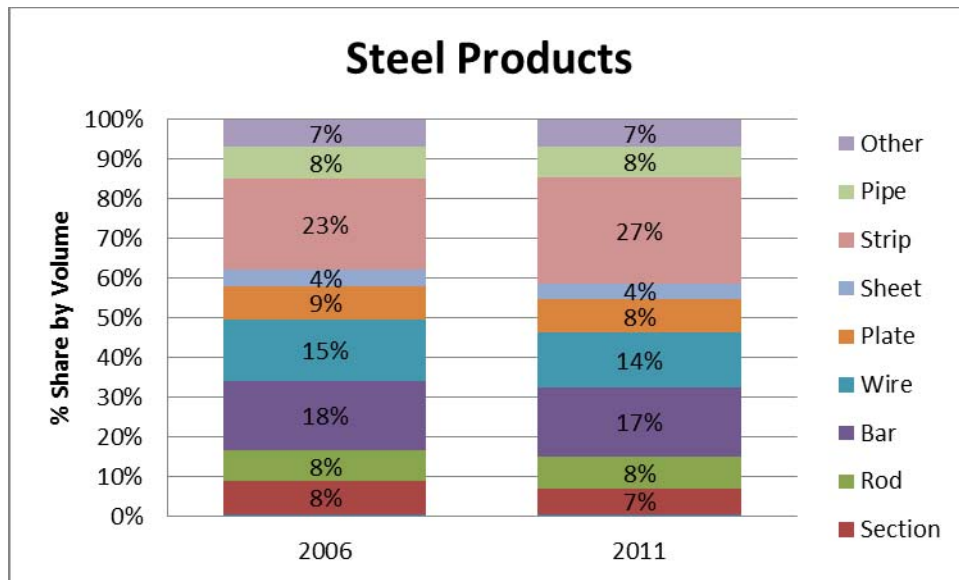
Fig 1



Source: CEIC Data

Production of steel strips has become more important over the past five years; this product represented 27% of the production of steel products during 2011, a 4-point increase compared to the share recorded in 2006 (fig 2)..

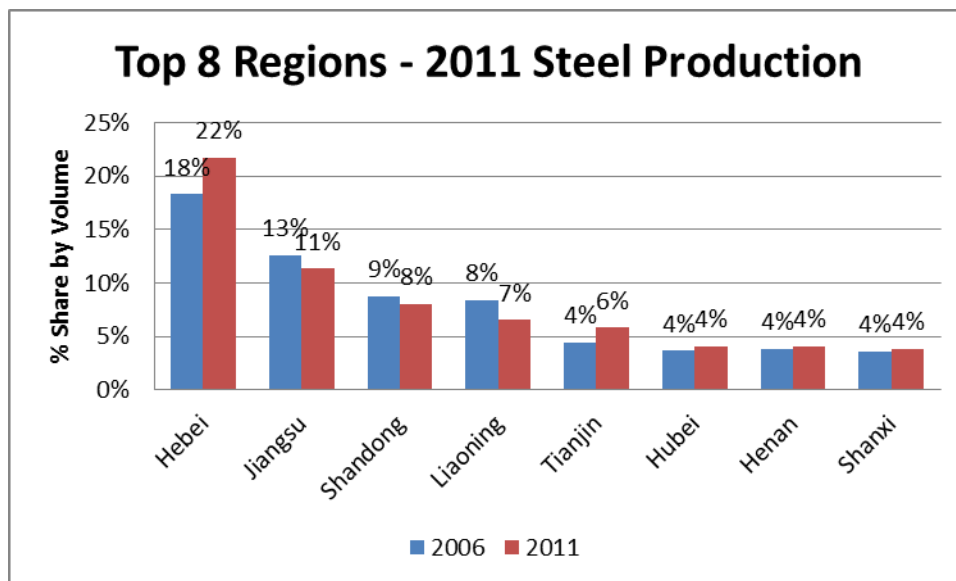
Fig 2



Source: CEIC Data

The province of Hebei, the country’s top steel producer, accounted for 22% of Chinese steel production in 2011 (fig 3). The production increases in Hebei and Jiangsu during the same 5-year period accounted for 36% of the national production increase.

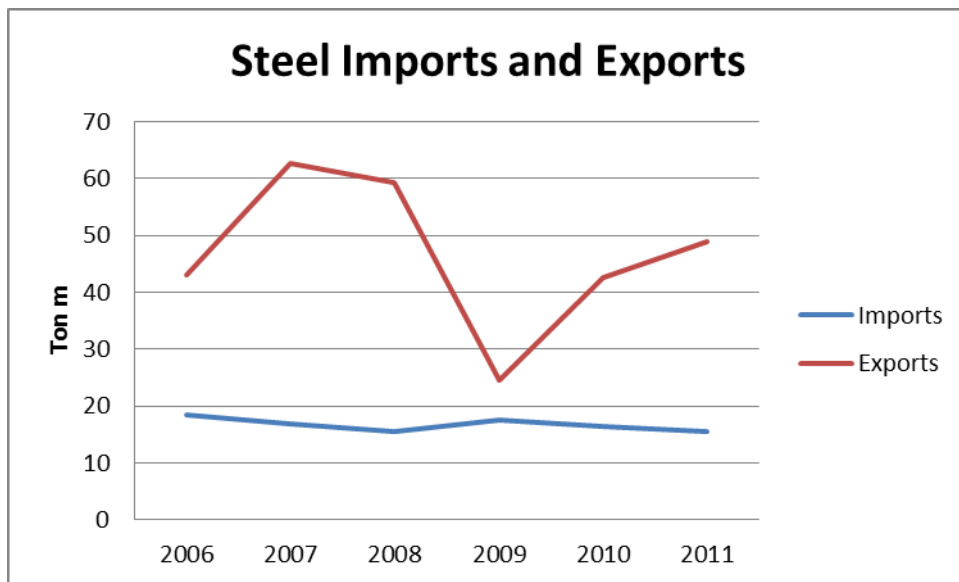
Fig 3



Source: CEIC Data

Steel imports and exports, 16 and 49 million tons, represented only 2% and 6% of steel consumed during 2011, respectively (fig 4).

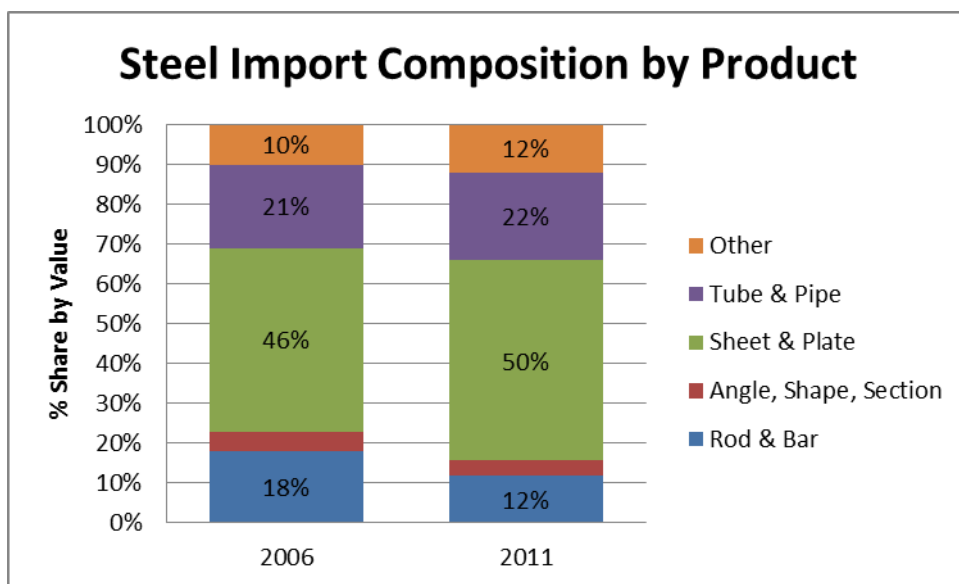
Fig 4



Source: CEIC Data

As compared to 2006, in 2011 the share of steel sheets and plates in value of imports to China has gone up while share of rods and bars declined (fig 5).

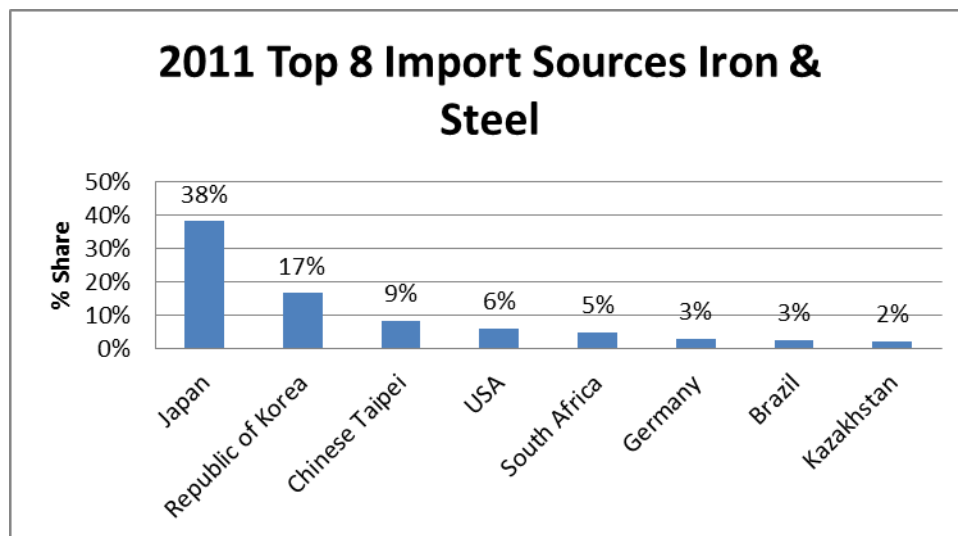
Fig 5



Source: CEIC Data

Japan has been the main supplier of foreign iron and steel products for China, representing 38% of the imports in 2011 (fig 6). Other far less important players were Republic of Korea and Chinese Taipei, with 17% and 9% of Chinese imports, respectively .

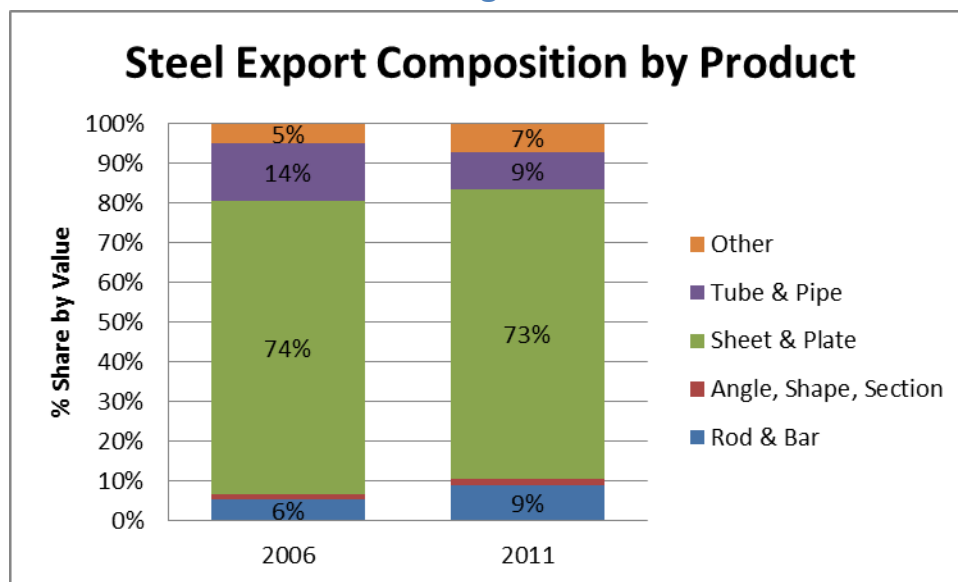
Fig 6



Source: CEIC Data

While Rods & Bars lost their share among imported products, this category showed an interesting increase in export share, from 6% in 2006 to 9% in 2011 (fig 7). On the other hand, exports of Tube and Pipe accounted for only 9% of total steel exports during 2011, a 5-point decrease compared to its share in 2006.

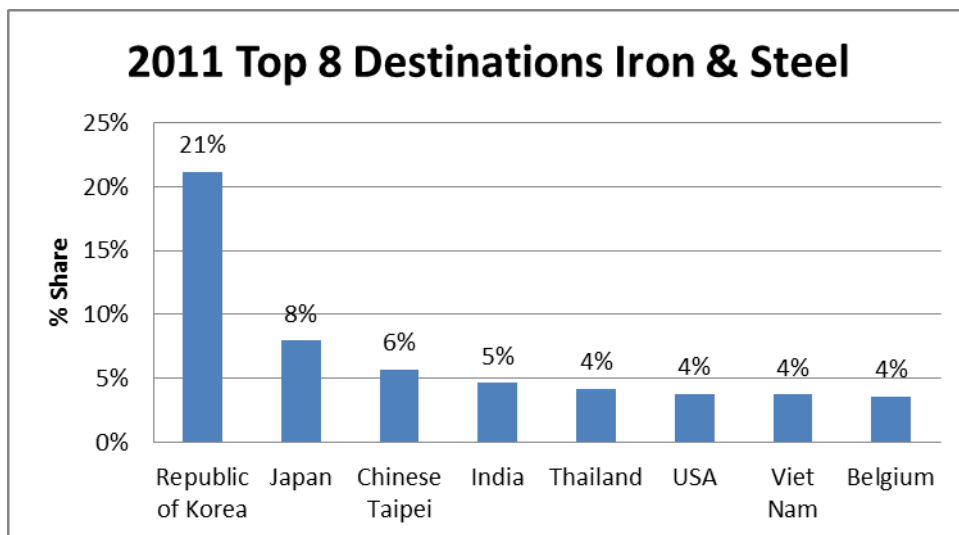
Fig 7



Source: CEIC Data

Republic of Korea is the most important client of Chinese iron and steel. In 2011, 21% of total exports were sent to this country (fig 8).

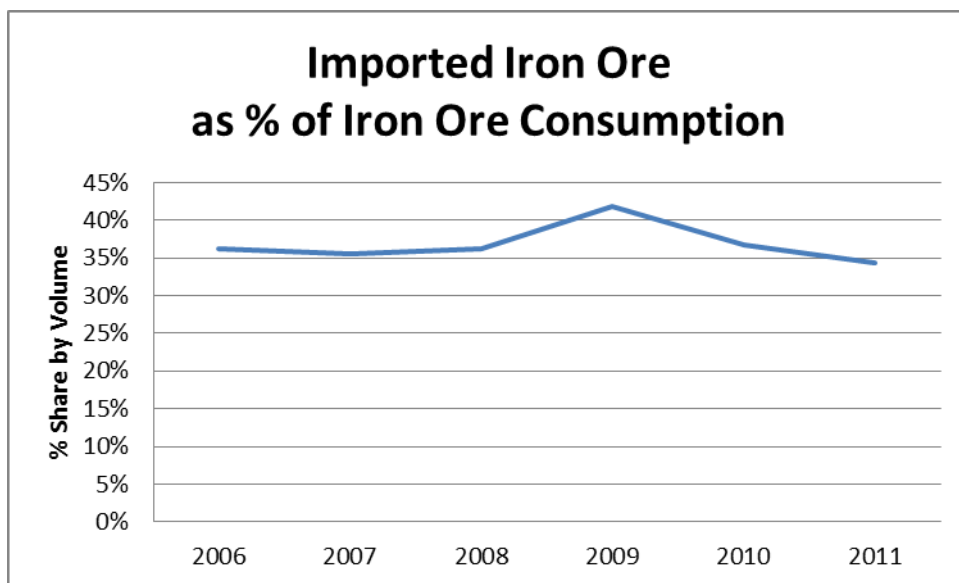
Fig 8



Source: CEIC Data

China’s main concern is the dependency on foreign iron ore, the raw material of steel, which accounted for 34% of the ore consumed in the country last year (fig 9).

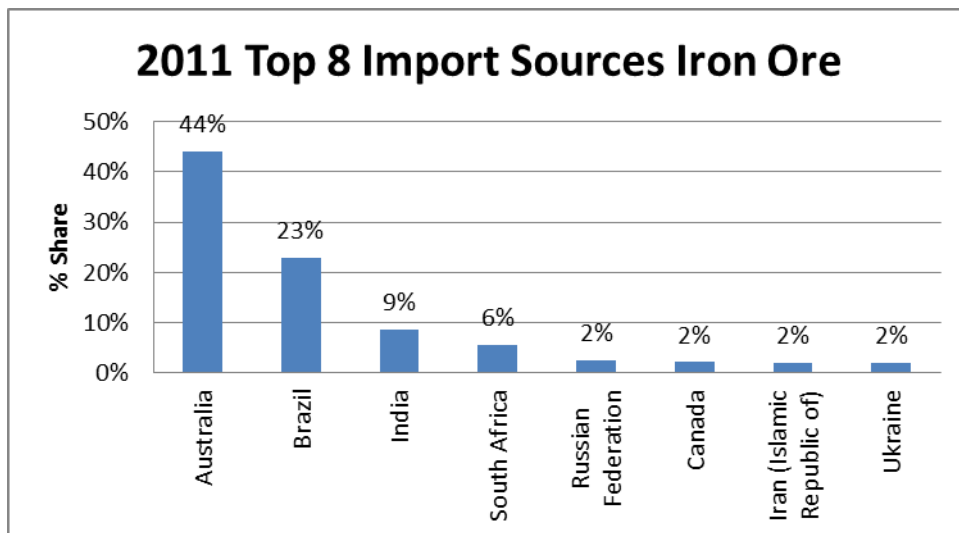
Fig 9



Source: CEIC Data

Australia is the main source of foreign iron ore, with 44% of total purchases during 2011, followed by Brazil, India, and South Africa (fig 10). It is interesting to note that for the Indian Iron and Steel industry (see India Sector Brief Issue 4), China is the top Export (primary and semi-finished products) origin and Import (Bars and Rods) destination.

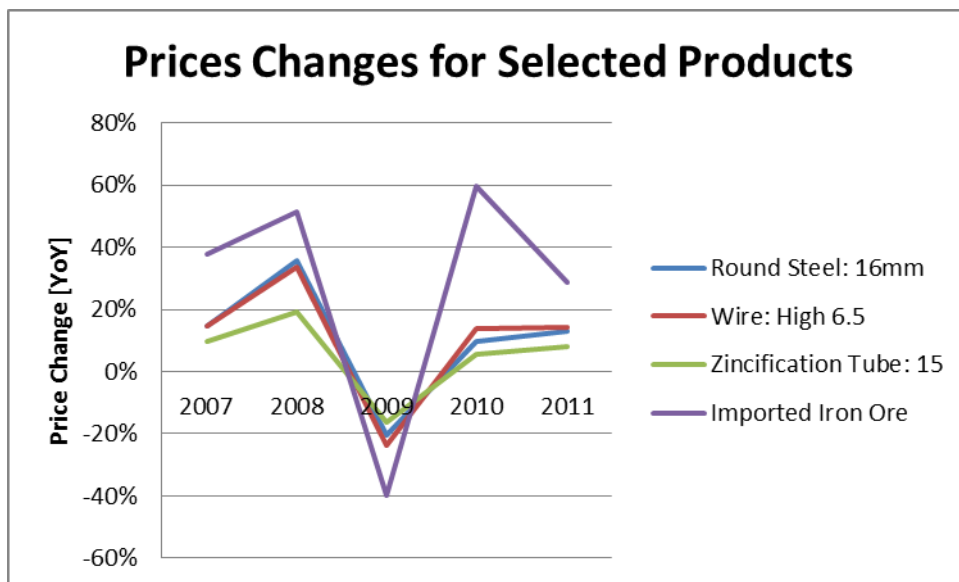
Fig 10



Source: CEIC Data

All steel products experienced a drop in price only during 2009 (fig 11). Imported iron ore prices have been volatile over the last five years.

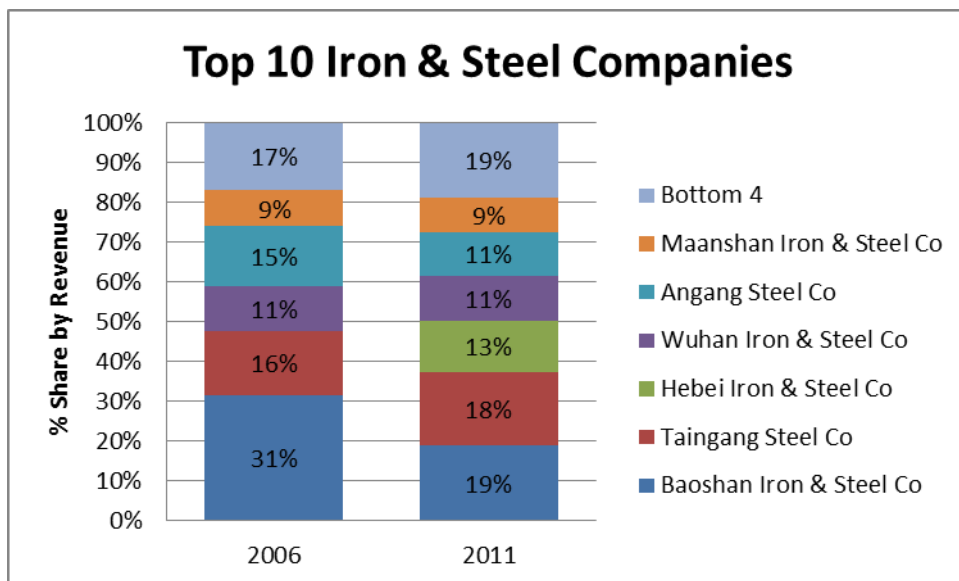
Fig 11



Source: CEIC Data

The major domestic producers of iron and steel in China, all state-owned, are Baoshan Iron & Steel Co, Taingang Steel Co, and Hebei Iron & Steel Co. Baoshan Iron & Steel Co has lost market share over the years. In 2006 the Baoshan Iron & Steel Company’s revenues represented 31% of the revenues of the top 10 largest steel companies in the country, while in 2011 its share dropped to only 19% of top 10 revenue (fig 12).

Fig 12



Source: CEIC Data

The emergence of the Iron Dragon in China has coincided with an increasing movement away from raw ore and semi- finished products to production of finished steel products. This is a trend that we have seen in other industries as well over the second half of the last decade in particular.