

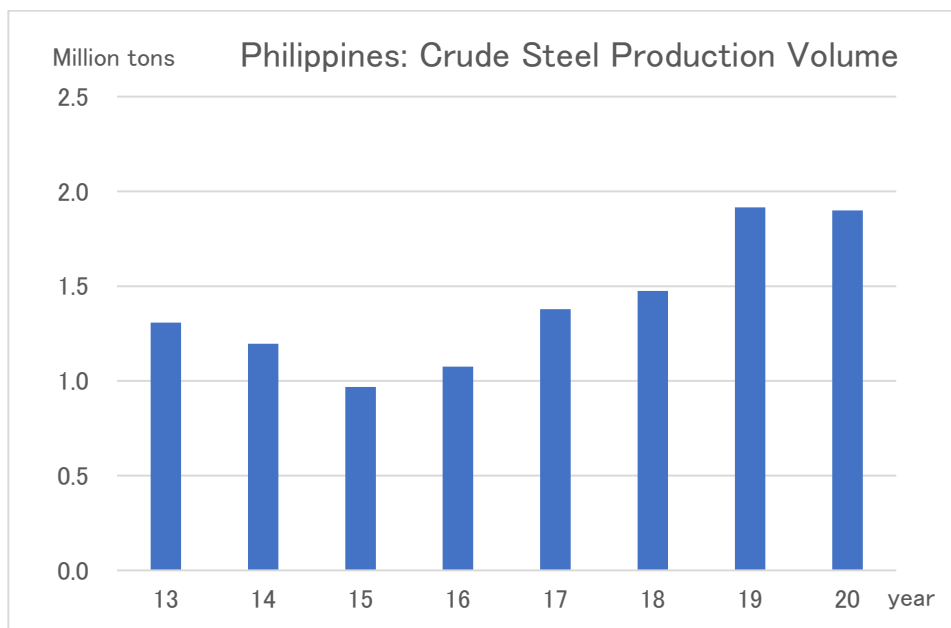
## Philippines: Steel industry

<Industry overview> Crude steel production is expanding, up 80% in 10 years

In the Philippines steel industry, crude steel production continues to grow. Crude steel production volumes increased by about 80% in 10 years from 1.05 million tons in 2010 to 1.92 million tons in 2020. Economic growth and the Duterte administration's large-scale infrastructure development plan, "Build Build Build", boosted growth.

<Crude steel production volume> Growth trend

As mentioned above, the Philippines' crude steel production has been on an expansionary trend recently. It saw continued growth for 4 consecutive years from 2016, expanding to 1.92 million tons in 2019, an increase of 29.8% from the previous year. 2020 (estimated) was affected by the Covid-19 pandemic, decreasing by about 1% from the previous year to 1.91 million tons, though it has grown by about 50% in 7 years compared to 2013.



(Note) 2020 is an estimate by WSA.

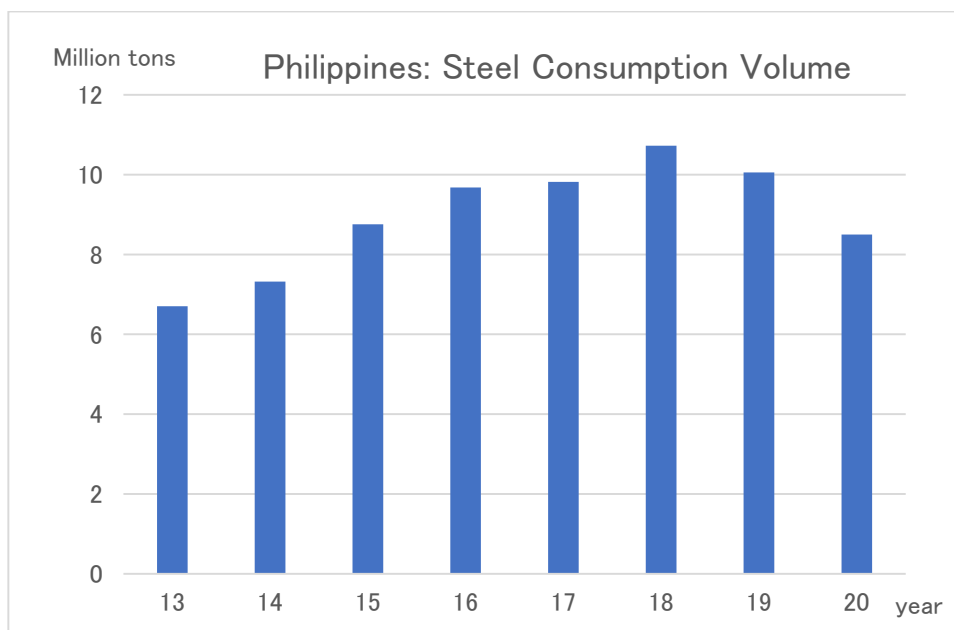
(Data compiled by Ashu Research based on Southeast Asian Iron and Steel Institute: SEAISI and WSA materials and various reports)

< Steel material consumption volume > Down in 2019 for the first time in 12 years, hurt by Covid-19 in 2020

Steel material consumption volumes (\* Apparent consumption of steel equivalent to steel material) saw negative growth in 2019 for the first time in 12 years. Although growth continued with the Philippine government’s infrastructure development plan, steel consumption fell by 6.2% in 2019 from the previous year to 10.06 million tons. 2020 was also sluggish with full-year consumption volumes (estimated) down about 16% from the previous year to about 8.5 million tons. Due to the Covid-19 outbreak, the Philippines government imposed a curfew in March 2020, which led to a significant reduction in infrastructure work and building construction.

Steel consumption is expected to recover in 2021. According to local media reports in June 2021, consumption volume for the full year has prospects to recover to around 9 million tons, an increase of about 6% from the previous year.

\*The apparent consumption of steel in terms of steel material equivalent is calculated by adding the total of “Production + Import-Export”.

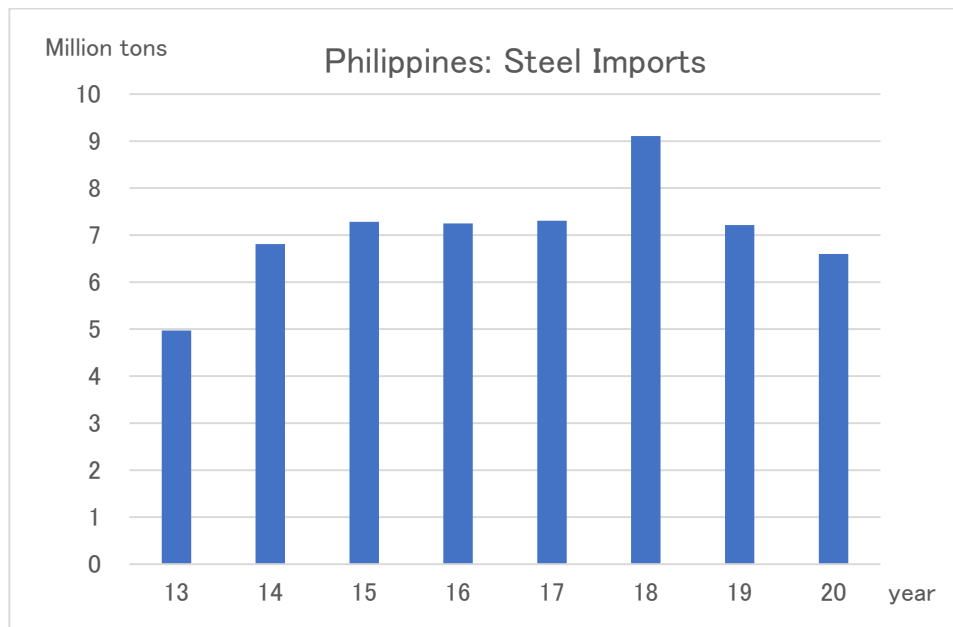


(Note) 2020 is an estimated value by Ashu Research based on various media reports.

(Data compiled by Ashu Research based on WSA materials and various reports)

< Imports > Shrinking for two consecutive years from 2019

Philippines' steel imports fell for two consecutive years from 2019 in line with the decline in consumption volume. In 2019 it fell by 20.8% from the previous year to 7.21 million tons. In 2020, it fell by 8.5% to 660,000 tons.



(Data compiled by Ashu Research based on WSA materials)

< Industry map > SteelAsia Manufacturing, Capitol Steel, and TKC Metals are the three largest companies

SteelAsia Manufacturing, Capitol Steel, and TKC Metals are well-known as the top three steelmakers in the Philippines. The largest company, SteelAsia Manufacturing, produces steel bars and other products for infrastructure, commercial malls, and offices. Capitol Steel also manufactures steel bars and other products for infrastructure. TKC Metals, on the other hand, is strong in billets and rebar.

### Philippines: Major Steel Company

Company name	Main Products	Production capacity
SteelAsia Manufacturing	Steel bar	2.1 million tons (listed on HP as of September 2021)
Capitol Steel	Steel bar	n.a.
TKC Metals	Billet, rebar	n.a.

(Data compiled by Ashu Research based on each company's website and materials from the International Trade Administration of the U.S. Department of Commerce)

Local manufacturers are expanding their production capacity. In March 2021, SteelAsia Manufacturing revealed plans to commence operations for its first steel shaping factory in the country by 2023. Construction is underway in Lemery, Batangas, Luzon. The factory will produce H-beams, I-beams, steel sheet piles, etc., with an annual production capacity of 1.1 million tons. The operation of the new plant is expected to hire 1,500 new employees. In addition, domestic production of shaped steel, which has relied on imports so far, is expected to reduce the trade deficit. After starting work in 2019, construction was temporarily halted due to the Covid-19 outbreak. The reheating furnaces and other equipment to be installed in the plant, have placed the order with steel factory equipment companies including, Fives of France, and the SMS Group of Germany.

In October 2020, Global Ferronickel Holdings Group (FNI), a major nickel miner, announced the construction start of a carbon steel production plant in Marivels, Bataan, Luzon in the first quarter of 2021. The total investment will be up to 50 million US dollars, and the annual production capacity is 600,000 tons. Commercial production is scheduled to begin in 2022. The company intends to capture the growing demand for rebar in the Philippines as the government continues infrastructure development. FNI announced that it would enter the rebar business in 2019 in a joint venture with a Hong Kong company. However, construction has been delayed from the original schedule due to Covid-19.

Plans by Chinese manufacturers to build factories are also underway. According to local reports in September 2019, Jiangsu province steelmaker, Panhua Group, plans to invest a total of 3.5 billion US dollars to build a steel mill in the Phividec Industrial Estate on Mindanao Island. In addition to constructing a steel mill with an annual production capacity of 10 million tons on a site area of 3 million square meters, it will also develop ports and processing factories.

(Ashu Research: September 2021)