**Turkish Steel Industry**

After entirely compensating the losses of the crisis period by growing 15 %, production growth in the world steel industry slowed down to 6.8 % in 2011. Compared to the previous years, it is observed that Chinese effect in the world steel industry growth continued to ease. Chinese steel production growth leveled off to 9-10 % levels during the last 2 years after growing consistently by 20 % in 2000’s. In comparison to 2010, production of Japan and Spain dropped and growth rate of the USA, India, Russia, Germany, Ukraine, Brazil and France, stayed below the world average. While world crude steel production growth dropped from 15 % to 6.8 % in 2011, Turkey achieved 2 percentage points higher growth rate of 17 % compared to 2010. With this growth rate of around 2 times higher than the Turkish economy growth, Turkey became the top growing country among the 30 largest steel producers.

**Production**  
Turkey’s crude steel production reached a record high of 34.1 million tons in 2011 up by 17 % yoy. Owing to the high production growth performance, which is also the highest among the top steel producers of the world, Turkey’s crude steel production surpassed the pre-crisis production of 2007 by 32.2 %. In this respect, Turkey has been the 4th producer in terms of carrying its production beyond the pre-crisis level after China, India and South Korea. However, it is observed that the production of Spain, France, Ukraine, USA, Japan, Germany, Italy and Russia has not caught the pre-crisis levels yet.

Turkey’s billet production grew by 11.8 % to 24.4 million tons in 2011. With the support of new capacities came on stream, slab production continued its sharp rise by 33 % to 9.7 million tons after growing by 53 % in 2010.

As new steel production facility investments are all focused on EAF route, EAF mills accounted for 88 % of the total crude steel production upsurge of 4.96 million tons. While total crude steel production of EAF mills rose by 20.9 % to 25.28 million tons, expansion in the crude steel production of BOF route stayed at 7.2 % to 8.83 million tons.

**Capacity**  
Increasing by 10 % in 2011, Turkey’s crude steel production capacity reached around 47 million tons level, up from 42.7 million tons in 2010. However, capacity utilization rate, which dropped below 70 % level in 2009 and slightly improved to 71 % in 2010, recovered to 76 % level in 2011.

**Finished Steel Production & Consumption**  
Turkey’s total finished steel production increased by 21.5 % yoy from 26.30 million tons to 31.94 million tons in 2011. Turkey’s total finished steel production growth was higher than the 17 % rise in crude steel production. With the help of new capacities, highest production growth rate was seen in flat products, reaching 9.08 million tons up by 36.9 %. Long steel production rose by 16.3 % to 22.87 million tons up from 19.67 million tons. Long steel products accounted for 71.6 % of the total finished steel production in 2011, while the share of flat steel products was 28.4 %. In 2011, Turkey’s total finished steel production grew by 5.64 million tons and flat steel production growth accounted for 57 % of that expansion.

Turkey’s total apparent finished steel consumption was 26.93 million tons in 2011 up by 14.1 % from 23.60 million tons. While total consumption in long steel products which are generally used by construction industry grew by 17.7 % to 13.72 million tons, total consumption in flat steel products which are generally used by automotive, machinery and white goods industries reached 13.2 million tons up by 10.6 %. In 2011, long steel accounted for 51 % of the total 26.93 million tons of steel consumption and flat steel accounted for 49 % of the total.

Furthermore, due to the strong production upsurge, Turkey’s flat steel production/consumption ratio went up to 69 % in 2011 compared to 40 % in 2005. The production/consumption ratio in long products, which was around 174 % in 2005, dropped down to 167 % in 2011 after touching the highest point of 215 % in 2008.

**Turkish Economy**  
Despite uncertainties in the world economy, social problems in some Middle East countries and deepening debt crisis in the EU, 2011 was a year that Turkish economy has caught high growth rate. Although concerns on the global economic development bothers markets from time to time, Turkish economy kept its position at the forefront among the developing countries and EU economies, due to the high economic growth rate and continued fiscal discipline.

Turkish economy achieved 9.6 % growth rate during the first 3 quarters. Inflation completed the year in two digit rates. Producer Price Index (PPI) rose by 13.33 % and Consumer Price Index (CPI) rose by 10.45 %. Accelerated growth helped the unemployment rate to drop around 9.1 % as of November 2011.

As a result of Turkey’s exports reaching 135 billion USD up by 18.5 % and imports expanding to 241 billion USD up by 29.8 %, Turkey’s foreign trade deficit soared by 47.7 % to 105.9 billion USD. Sharp growth in foreign trade deficit caused the expansion of the current account deficit by 61 % to 77.9 billion USD.

**Export**  
Turkey’s total iron and steel exports, including the articles of steel and steel pipes, reached 18.54 billion USD up by 5.3 % in terms of tonnage, and by 25.2 % to 16.63 billion USD in terms of value. Turkey’s semi finished steel export dropped sharply by 34.3 % to 2.45 million tons in 2011.

Most remarkable export growth was seen in flat products due to the increasing capacity and production, which grew by 51 % to 2.3 million tons in terms of tonnage and by 65 % to 1.94 billion USD in terms of value. Long products export, which is the largest product group that Turkish steel industry traditionally exports, rose by 14 % to 10.5 million tons and 38 % to 7.36 billion USD. In this respect, while share of semi finished products in Turkey’s total steel export declined from 21 % to 13 %, share of flat steel products stepped up from 9 % to 12 % and share of long products from 52 % to 57 %.

In terms of regions, because of the social and political instabilities, largest export drops in Turkey’s total steel products export excluding articles of steel and steel pipes, is seen in Middle East and North Africa Regions. Turkey’s steel products exports to Middle East and Gulf Region, which is the biggest export market of Turkish steel fell by 13.6 % to 6.36 million tons. Exports to North Africa Region, which had been the second biggest export market for Turkish steel products declined by 27.5 % to 1.56 million tons, moving the region to the third place among the biggest export markets. In 2011 EU became the 2nd largest export market for Turkish steel products, with the help of the first half strong performance. Export to the EU rose by 59 % to 2.28 million tons.

**Import**  
Although Turkey’s total steel export dropped by 3.3 % to 10.68 million tons in terms of tonnage, value of the imported steel increased by 18.5 % to 11.82 billion USD because of the continued recovery in the unit price levels.

Due to the production increase of 37 %, flat steel was the main product group which showed the sharpest import drop. Turkey’s total flat steel import declined by 5.9 % to 6.43 million tons in terms of tonnage, but flat steel import value increased by 11.8 % to 6.36 billion USD. Despite being Turkey’s largest export product and in this respect Turkey is one of the biggest exporters of long products in the world, long product import also rose surprisingly by 13.2 % to 1.36 million tons. In addition to the long products, tube and pipe import growth of 21 % to 366.000 tons was another remarkable development in Turkey’s total steel import.

In terms of steel product imports by regions excluding articles of steel and pipe, EU Region stayed at the top of the list exporting Turkey 4.22 million tons of steel, followed by CIS countries with 4.13 million tons of export. EU accounted for 42.5 % of Turkey’s total steel import and CIS accounted for 41.5 % of the total. In this respect, Turkey realized 84 % of its total steel import from those two regions.

**Steel Trade Balance**  
Turkey’s export/import ratio improved from 133 % in 2010 to 141 % in 2011. Turkey’s net steel export rose from 6.55 million tons to 7.86 million tons in terms of tonnage and from 3.31 billion USD to 4.81 billion USD. Steel trade deficit with the EU dropped by 11.4 % yoy to 2.62 billion USD, while steel trade deficit with the CIS expanded to 2.87 billion USD, up by 10.2 %.

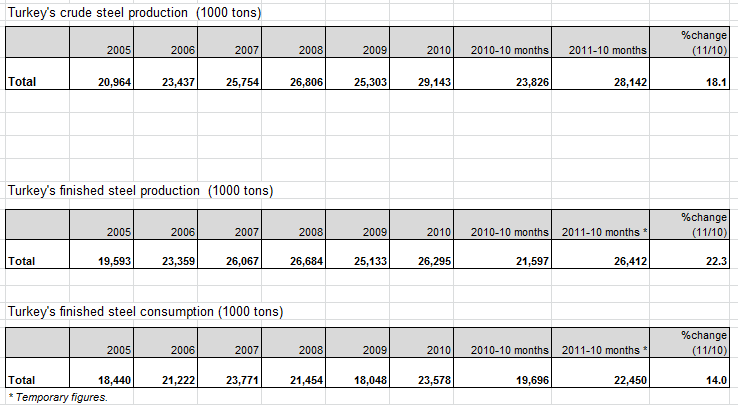
**Scrap**  
Due to the crude steel production growth of 5 million tons in 2011, Turkey’s total ferrous scrap consumption also rise by around 5 million tons from 25.26 million tons to 30.79 million tons, up by 22 %. Although Turkey’s total crude steel production growth was 17 % and mainly scrap consuming EAFs’ crude steel production growth was 20.9 %, total scrap import rose by just 11.8 %, because of the increase in local scrap production. Despite sharp rise in consumption, share of imported scrap in Turkey’s total scrap consumption dropped from 76 % in 2010 to 70 % in 2011 and this allowed local scrap share to increase around 30 % of the total consumption. Turkish steel industry consumed 21.46 billion tons of imported scrap and 9.3 million tons of local scrap.

Despite scrap import from the EU region dropped by 6.4 % to 9.9 million tons, EU kept its position as the largest scrap supplier to Turkey accounting for 46 % of all scrap that Turkey imported in 2011. Scrap import from the USA rose by 36 % to 5.82 million tons. After the USA, third largest country in Turkey’s scrap import was Russia whose scrap export to Turkey grew by 51 % to 2.33 million tons.

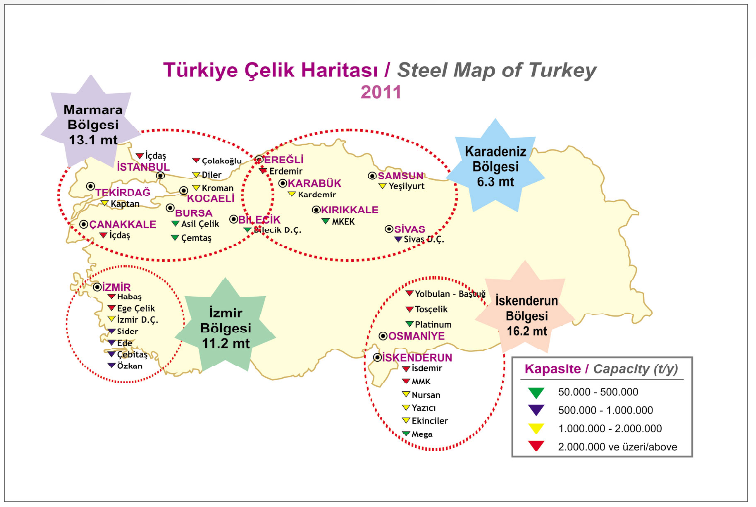
**Forecasts**  
Turkey’s crude steel production is expected to grow by 11 % to around 38 million tons. Steel consumption is forecasted to rise by 8 %. Planned urban transformation and infrastructure projects, is expected to continue to support Turkey’s economic growth and thus steel consumption, despite some slowdown arising from the concerns on the global economy which might have a cooling effect on Turkish economy. New production capacities will not only support establishment of new industry branches consuming steel products but also provide import substitution.

Depending on new capacities coming on stream and activity levels in the domestic market, steel production has the potential to surpass the expected levels. Shrinking demand in the export markets and continued import substitution in flat products are forecasted to continue supporting local sales of the Turkish steel industry. As Turkish steel industry has the opportunity to utilize its domestic market more efficiently, production growth will not make pressure on the industry and probable expansions in the export markets will support the production further. Despite uncertainties in the world economy and slowing demand in the main export markets, steel price levels are anticipated to continue increasing tendency in 2012, parallel to the input costs and demand.

**Current Figures**

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**Map of Iron and Steel**

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