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## **A. POTENTIAL MARKET CONSIDERATION**

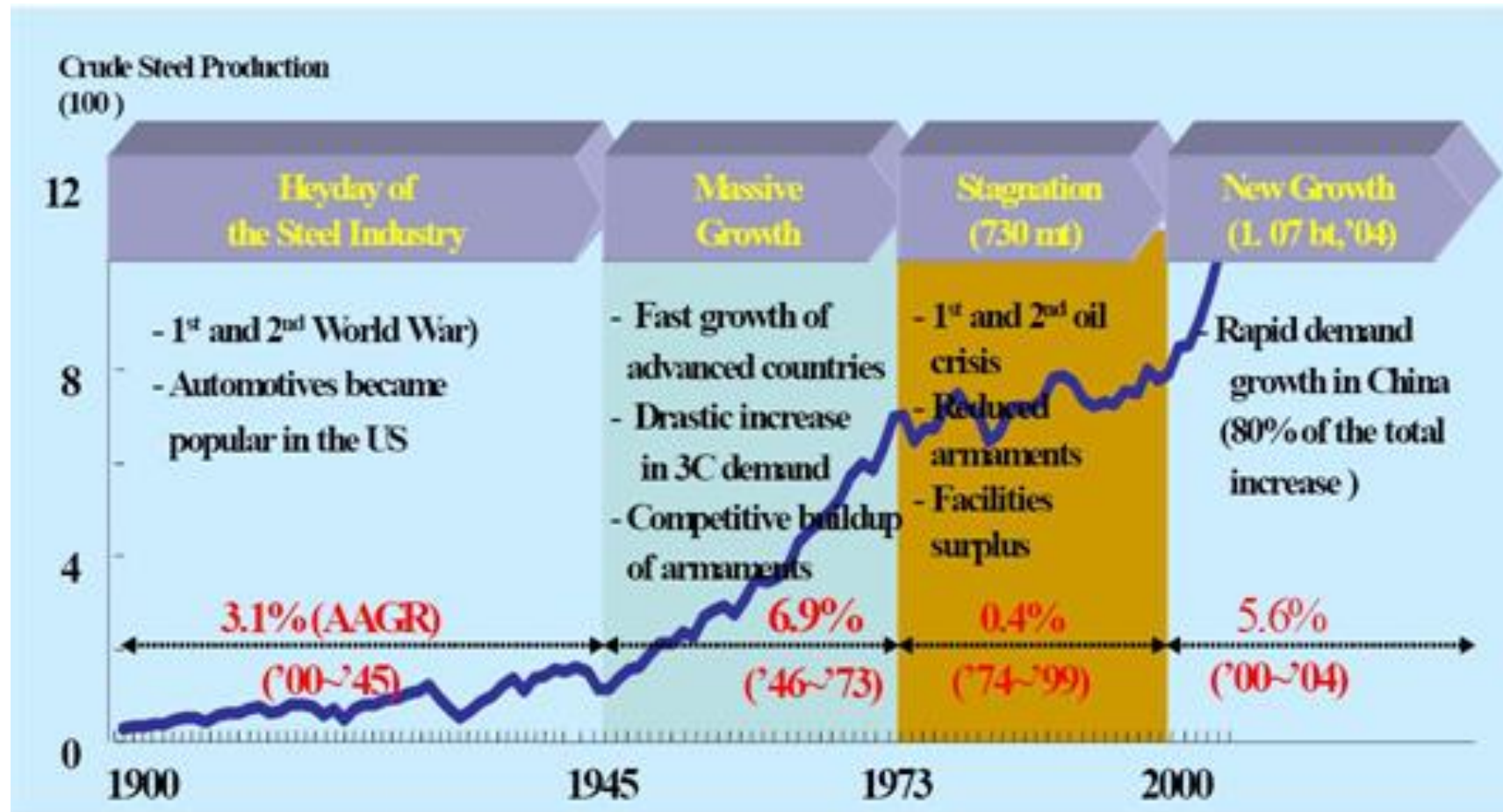
### **MARKET ANALYSIS**

- I. GLOBAL MARKET**
  - II. DOMESTIC MARKET**
  - III. MARKET PROJECTION**
  - IV. DATA OF PRICE & COST**
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# POTENTIAL MARKET CONSIDERATION

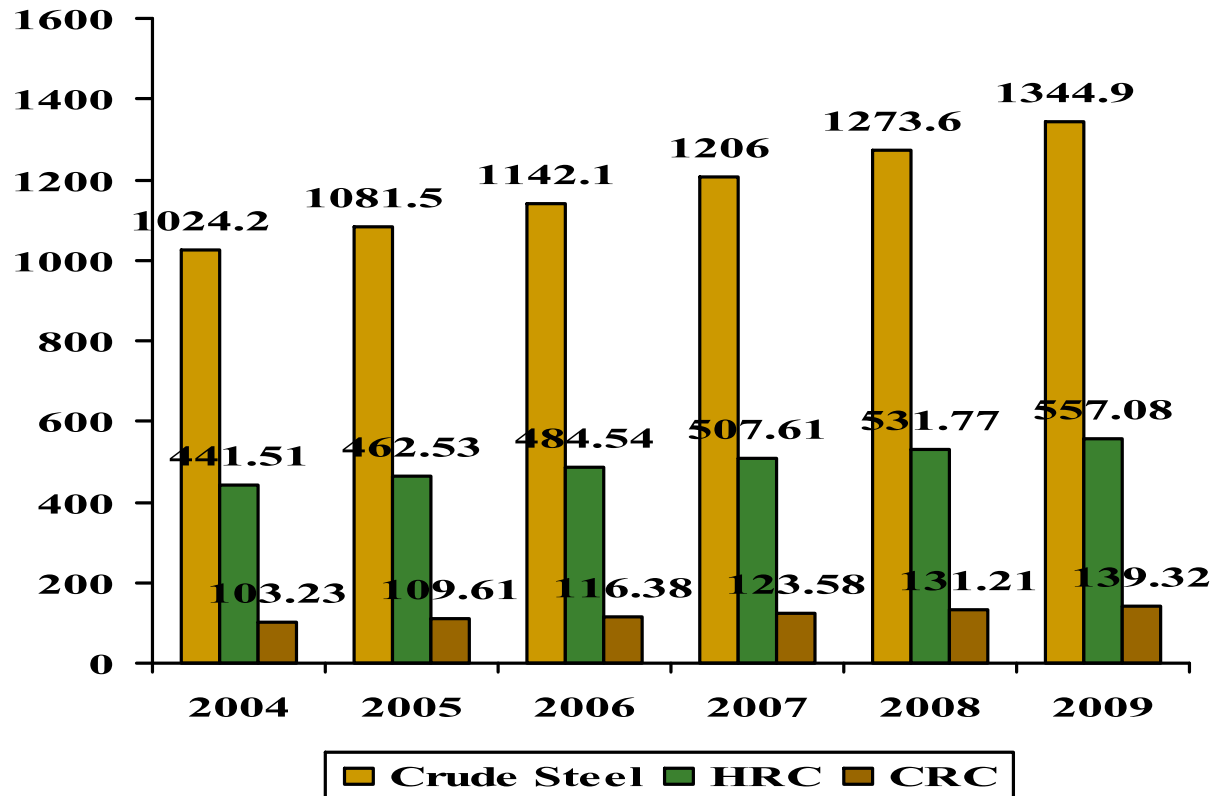
- The growth of world production is 5.6% annually in the last five years and will continue to grow of 3.5% until 2015.
- The prospect of national steel industry is still promising, since the national steel consumption will be increase along with the rise of economic growth. Currently, Indonesia steel consumption just to reach 26,2 kg per capita with GDP US\$. 963 per capita.
- Indonesia have many potential natural resources (iron ore, natural gas & coal) for the development of steel industry cluster.
- In addition to that, intermediate & down-stream industry that need raw materials from up-stream industry have been developed.
- The price of steel products with higher value added than its raw material will be a positive point for investment in up-stream industry.
- The availability of skilled and relatively low cost labor.

# WORLD STEEL PRODUCTION GROWTH



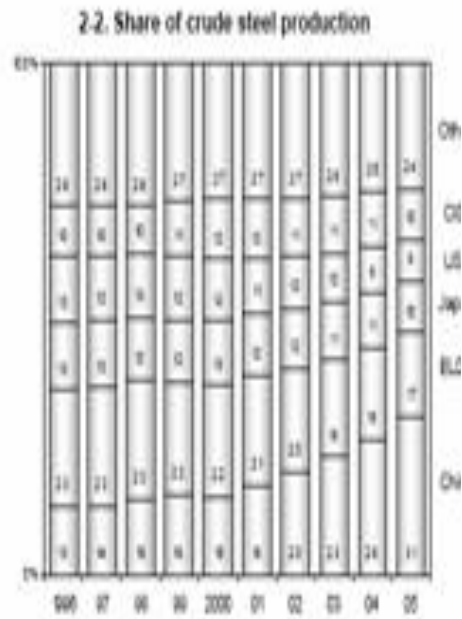
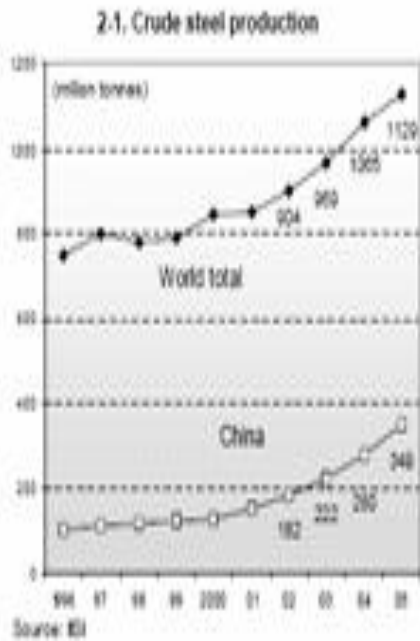
Period of 1974-1999 is called as a stagnant period so since 2000 is called as a new growth period of steel industry

# WORLD STEEL DEMAND

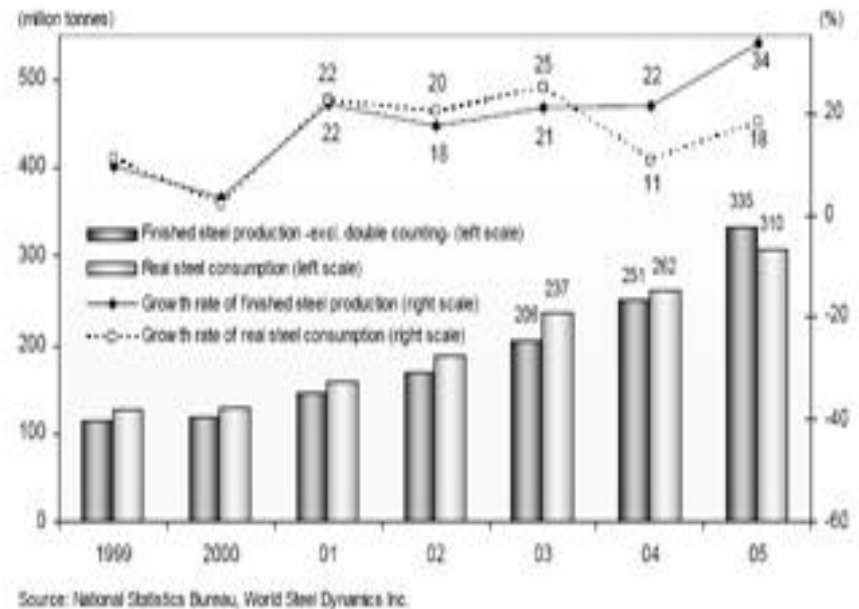


- The realization and growth projection of world steel demand amount to 5,6% CS, 4,8% HRC dan 6,2% CRC.

# TREND OF GLOBAL STEEL INDUSTRY



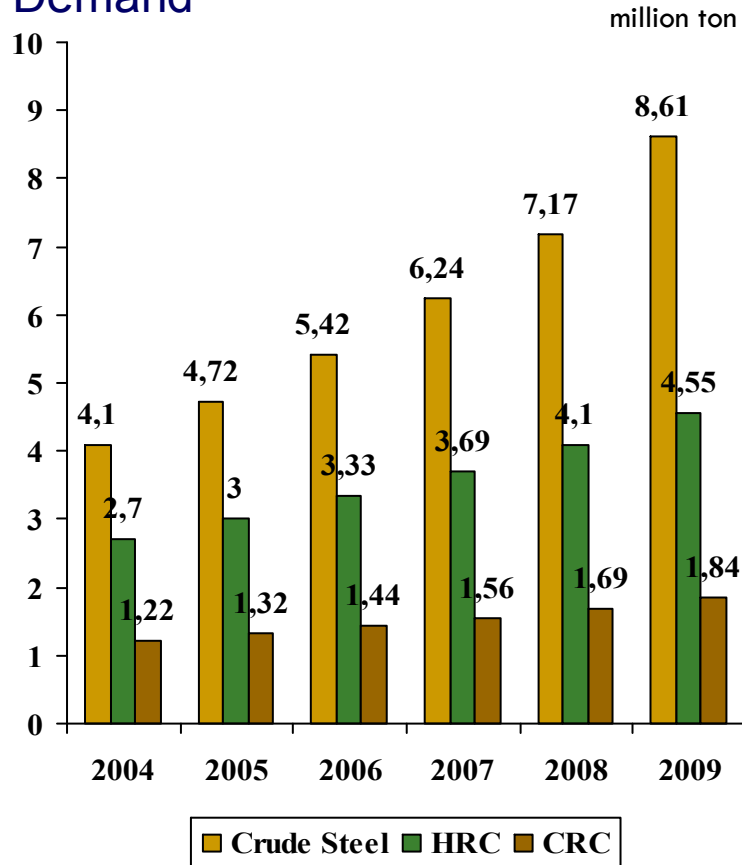
China become net exporter ...



The domination of production moved to Asia ..

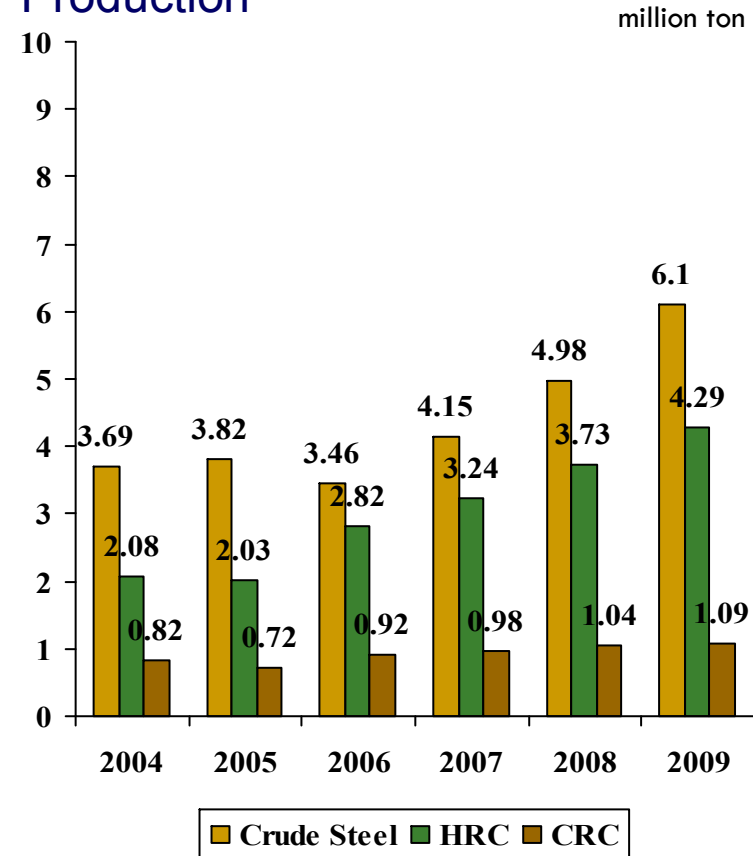
# DEMAND AND PRODUCTION DATA

## Demand



- The realization and growth projection of national steel demand amount to 15% CS, 11% HRC and 8.5% CRC.

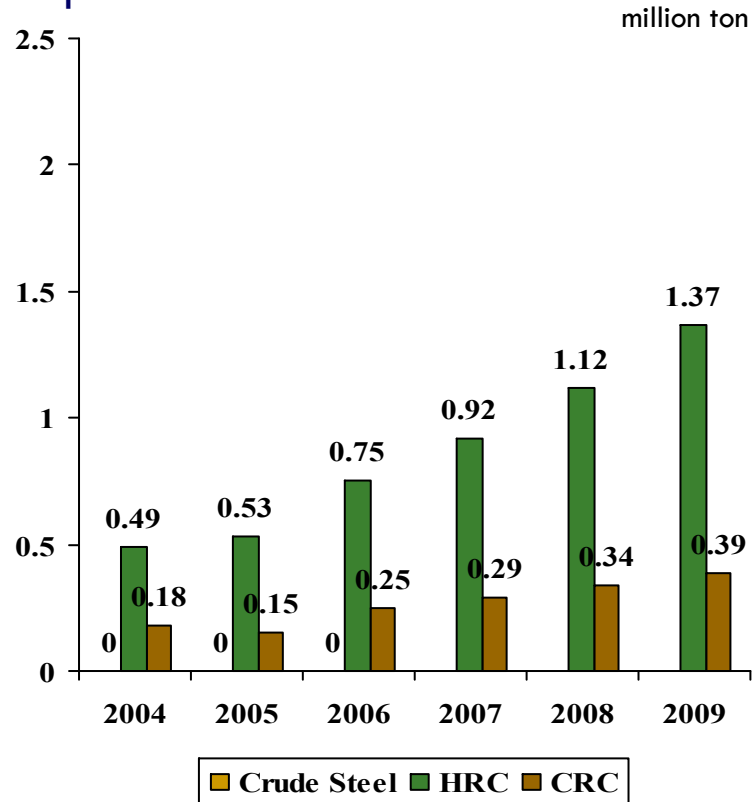
## Production



- The realization and growth projection of national steel production amount to 20% CS, 15% HRC and 6,0% CRC.

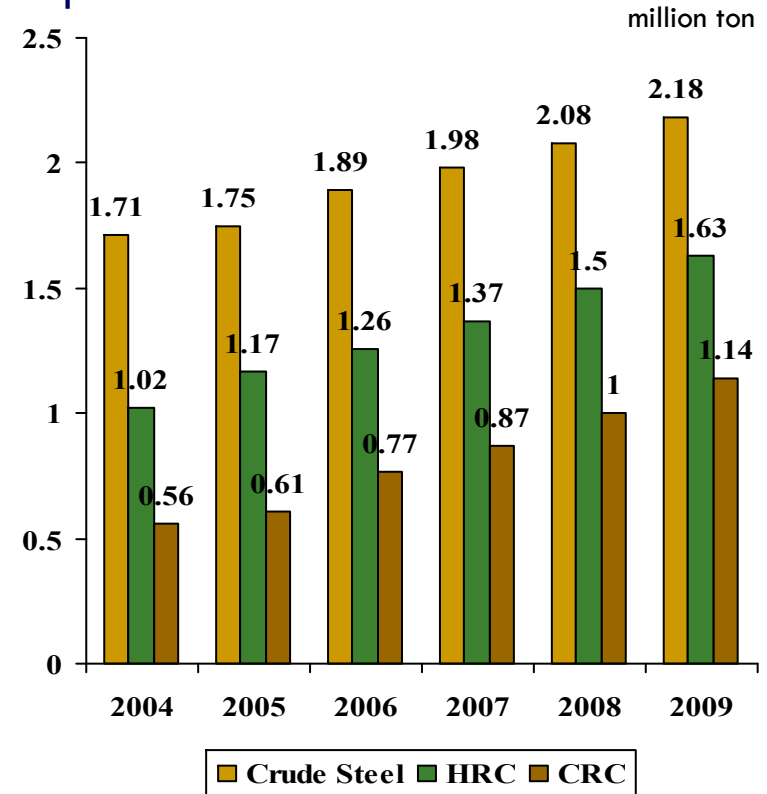
# EXPORT AND IMPORT DATA

## Export



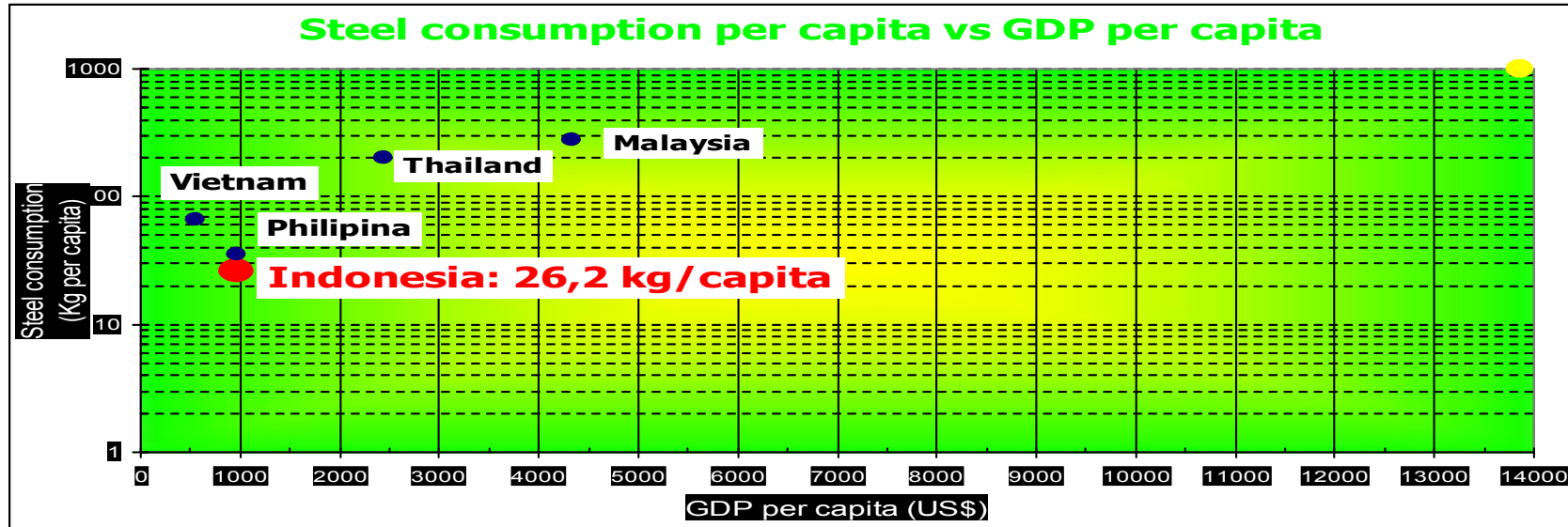
- The realization and growth projection of national steel export amount to 23% HRC dan 15.8% CRC.

## Import



- The realization and growth projection of national steel import amount to 5.0% CS, 9% HRC dan 14.0% CRC.

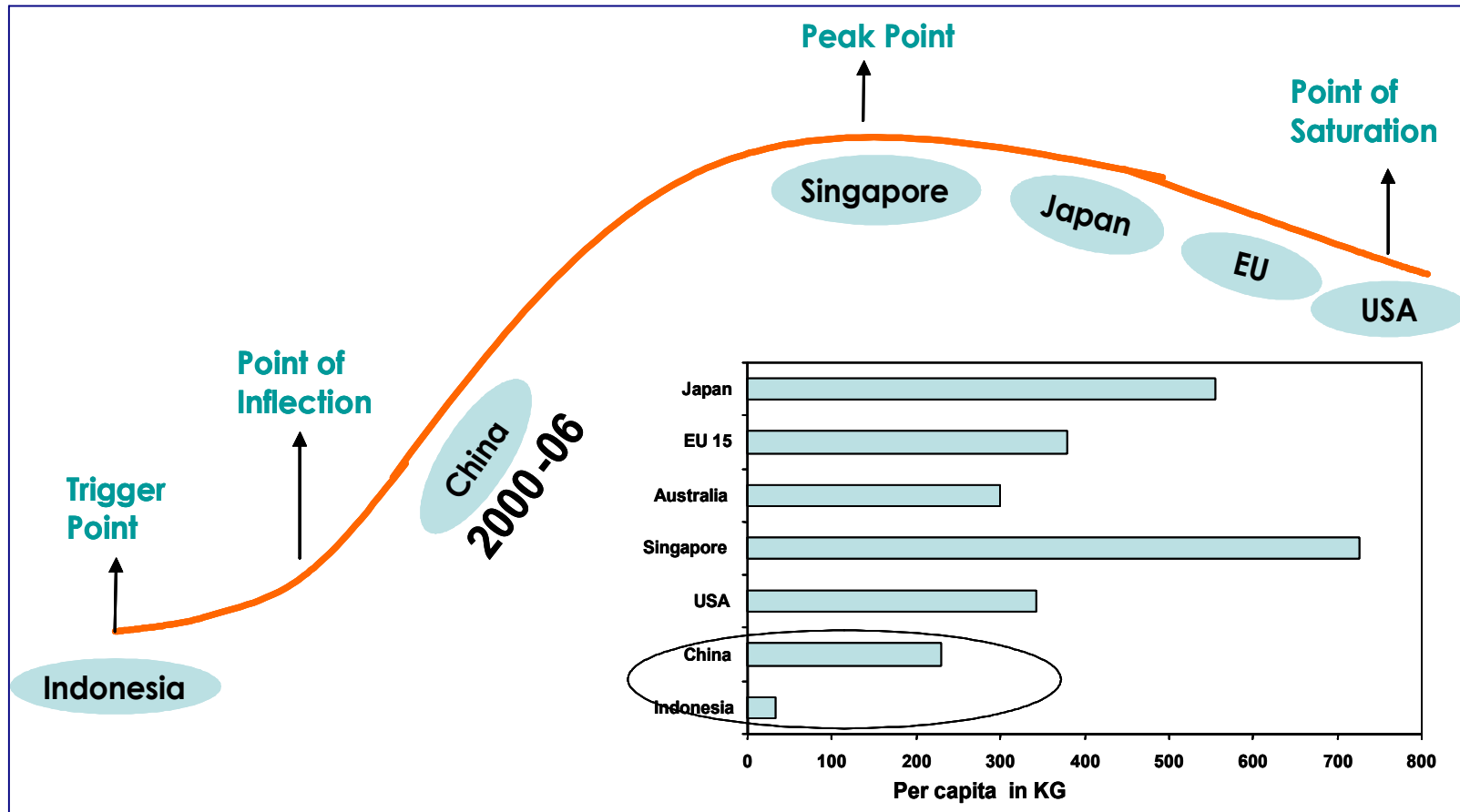
# STEEL CONSUMPTION PER CAPITA IN ASEAN COUNTRIES



- There is strong correlation between steel consumption/capita and GDP/capita (US\$.963/capita in Indonesia)
- The criteria for industrial country, the steel consumption/capita average 100 Kg by GDP amount to US\$ 3000/capita)

No.	COUNTRY	CONSUMPTION KG/CAPITA
1	INDONESIA	26.2
2	PHILIPPINE	35.8
3	VIETNAM	65.9
4	THAILAND	204
5	MALAYSIA	278.9
6	SINGAPORE	691

# THE POSITION OF INDONESIA STEEL INDUSTRY



# PRODUCTION CAPACITY, CONSUMPTION AND UTILIZATION RATE

BUSINESS GROUP	INSTALLED CAPACITY (TON)	PRODUCTION (TON)	CONSUMPTION (TON)	UTILIZATION 2006
<b>27101 : BASIC IRON &amp; STEEL INDUSTRY</b>	<b>9.434.000</b>	<b>4.943.113</b>	<b>6.938.275</b>	<b>52%</b>
▪ Raw Material (crude iron) : Sponge Iron	2.654.000	1.267.679	1.531.319	48%
▪ Basic Steel : Billet, Bloom, Slab & Ingot	6.780.000	3.675.443	5.406.956	54%
<b>27102 : STEEL MILLING INDUSTRY</b>	<b>12.340.000</b>	<b>6.222.741</b>	<b>8.111.870</b>	<b>50%</b>
▪ Concrete Iron	3.645.000	1.601.600	1.915.943	44%
▪ Wire Rod	1.375.000	601.895	646.797.	44%
▪ Steel Iron Profile	1.255.000	512.400	565.773	41%
▪ Hot Rolled Coil/Plate	3.400.000	2.142.683	2.799.818	63%
▪ Cold Rolled Coil/Sheet	1.370.000	722.250	1.306.669	53%
▪ Coated Steel	1.295.000	641.913	876.870	50%
<b>27103 : PIPE &amp; SEAM PIPE INDUSTRY</b>	<b>1.800.000</b>	<b>689.723</b>	<b>1.046.454</b>	<b>38%</b>
▪ Steel Pipe				

The utilization of production capacity in averages only reach 49%

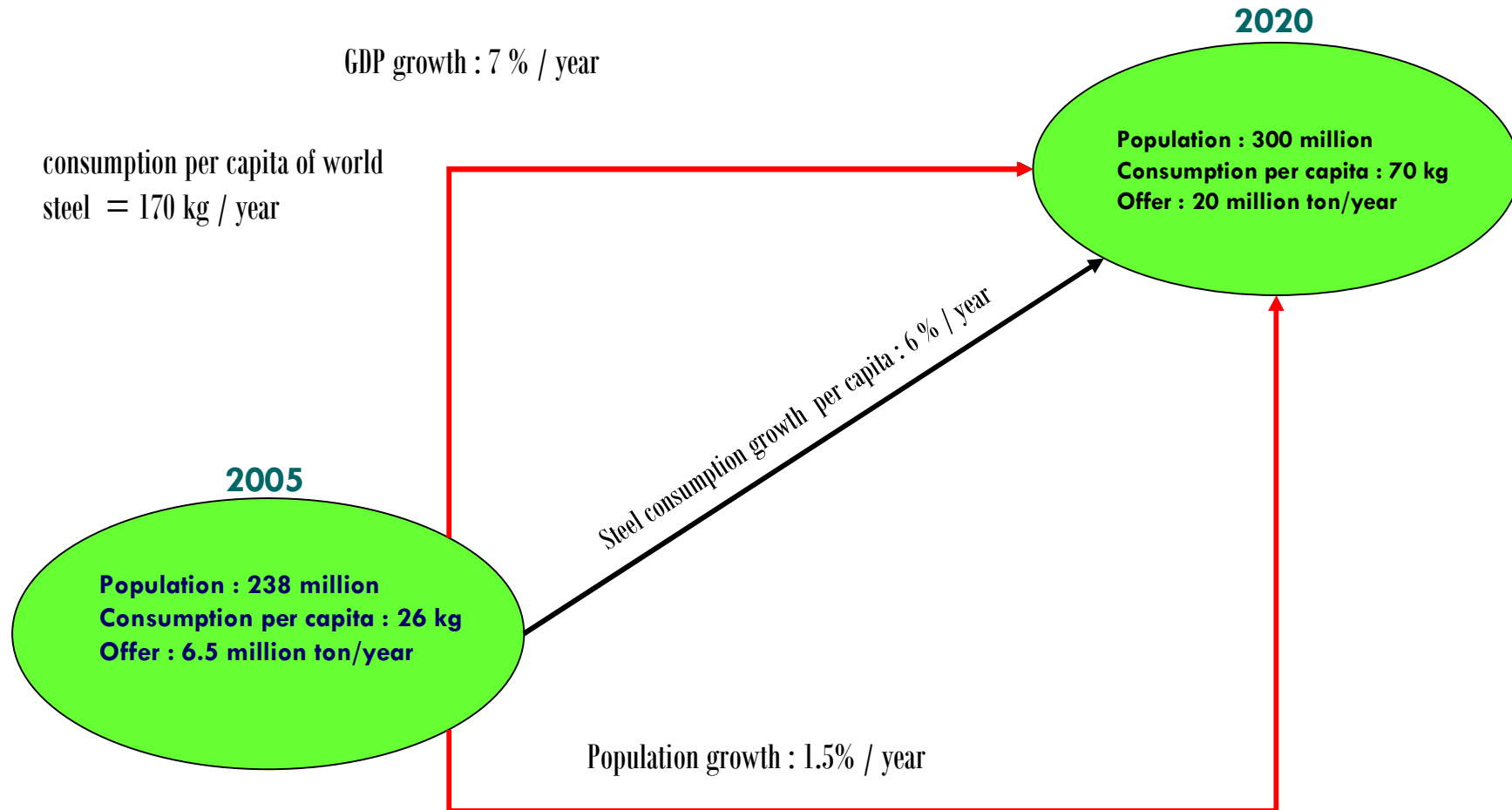
## II. DOMESTIC MARKET

Source : BKPM, modification data

## THE EXISTING STEEL INDUSTRY, CAPACITY & UTILIZATION

No.	COMPANY	MAIN PRODUCTION	CAPACITY (000 Ton)	UTILIZATION (%)
1	PT KRAKATAU STEEL	HRC	2,100	73.2
		CRC	650	58.7
		Wire Rod	450	47.7
		Billet	675	39.5
		Slab	1,850	68.3
2	PT KRAKATAU WAJATAMA	Concrete Steel/Profile	150	72.8
3	PT LATINUSA	Tin Plate	130	64.2
4	PT GUNUNG GARUDA	Heavy Profile	250	72.6
5	PT GUNUNG RAJA PAKSI	HRC/Plate	600	101.5
6	PT MASTER STEEL	Concrete Steel/Profile	360	40.9
7	PT JAKARTA CAKRA TUNGGAL	Billet	420	47.2
8	PT FUMIRA	Zinc Plating Steel	210	43.1
9	PT BLUESCOPE STEEL INDONESIA	Aluminum Plating Steel	150	62.7
10	PT GUNAWAN DIAN JAYA	HRC/Plate	350	68.8
11	PT ISPAT INDO	Billet	700	76.4
		Wire Rod	650	82.4
12	PT INTER WORLD	Billet	210	33.9

# PREDICTION OF NATIONAL STEEL CONSUMPTION 2020



# THE PROJECTION OF STEEL IRON CONSUMPTION GROWTH 2007 – 2015

Business Group	2007	2008	2009	2010	2011	2012	2013	2014	2015
27101	7.795.846	8.263.597	8.759.412	9.284.977	9.842.076	10.432.600	11.058.556	11.722.070	12.425.394
27102	9.114.497	9.661.367	10.241.049	10.855.512	11.506.843	12.197.253	12.929.088	13.704.834	14.527.124
27103	1.175.796	1.246.343	1.321.124	1.400.392	1.484.415	1.573.480	1.667.889	1.767.962	1.874.040

- By assumption the economic growth in averages amount to 5,4%/year, so the consumption of national steel iron is projected will grow 6%/year
- If it is assumed that the production capacity is no increased and all of domestic consumption are fulfilled from domestic producer and excluding export, so the utilization of the existing production facilities will reach 100% respectively in 2011, 2013 and 2015.

# PRICE LIST OF RAW MATERIAL AND ENERGY FOR WORLD STEEL INDUSTRY

2006	Thermal Coal \$/Ton	Coking Coal \$/ton	Iron Ore Cent/dmtu	Natural Gas \$/1000m3	Steel Scrap \$/Ton	Electricity Cent/KWH
<b>January</b>	46.3	90.22	77.35	275.8	185-190	5.79
<b>February</b>	51.1	90.22	77.35	275.8	215-220	5.87
<b>March</b>	53.3	90.22	77.35	275.8	210-215	5.82
<b>April</b>	56.7	94.23	77.35	293.0	220-225	5.85
<b>May</b>	56.4	94.23	77.35	293.0	240-250	5.91
<b>June</b>	56.1	94.83	77.35	293.0	255-260	6.35
<b>July</b>	56.5	n/a	77.35	302.4	250-255	6.50
<b>August</b>	54.6	n/a	77.35	302.4	245-250	6.56
<b>September</b>	50.5	n/a	77.35	302.4	230-245	6.27
<b>October</b>	47.2	n/a	77.35	311.4	230-245	6.12
<b>November</b>	49.3	n/a	77.35	311.4	230-245	5.97
<b>December</b>	53.3	n/a	77.35	311.4	245-250	5.96

## IV. DATA OF PRICE AND COST

Source : [www.steelonthenet.com](http://www.steelonthenet.com)

## PRICE LIST OF RAW MATERIAL AND PRODUCT FOR STEEL INDUSTRY

NO.	Name of Goods	Price (US\$/MT)
1.	Iron Ore (Pellet)	112 (2006)
2.	Pig Iron	210 (2005)
3.	Slab	520 (2005)
4.	Steel Scrap	250 (2006)
5.	HRC/P	560/743 (2006)
6.	CRC/S	658 (2006)
7.	Wire Rod	501 (2006)
8.	Structural Section & Beam	718 (2006)

## COMPARISON OF LABOR COST OF STEEL INDUSTRY (International Estimation)

Country	Cost US\$/day (2005)	Country	Cost US\$/day (2005)
Australia	24.6	Kazakhtan	1.0
Brazil	3.2	Korea	14.1
Canada	23.7	Mexico	2.5
China	1.1	Spain	17.6
Republik Czech	6.1	Sweden	29.7
France	25.3	Taiwan	6.4
Germany	34.1	Ukraine	0.8
India	0.9	United Kingdom	26.0
Italiy	21.7	USA	23.8
Japan	21.4		

