MISF

15th REPORT ON
STATUS & OUTLOOK OF
THE MALAYSIAN IRON AND STEEL INDUSTRY
2024/2025

24 Oct 2024

Outlines

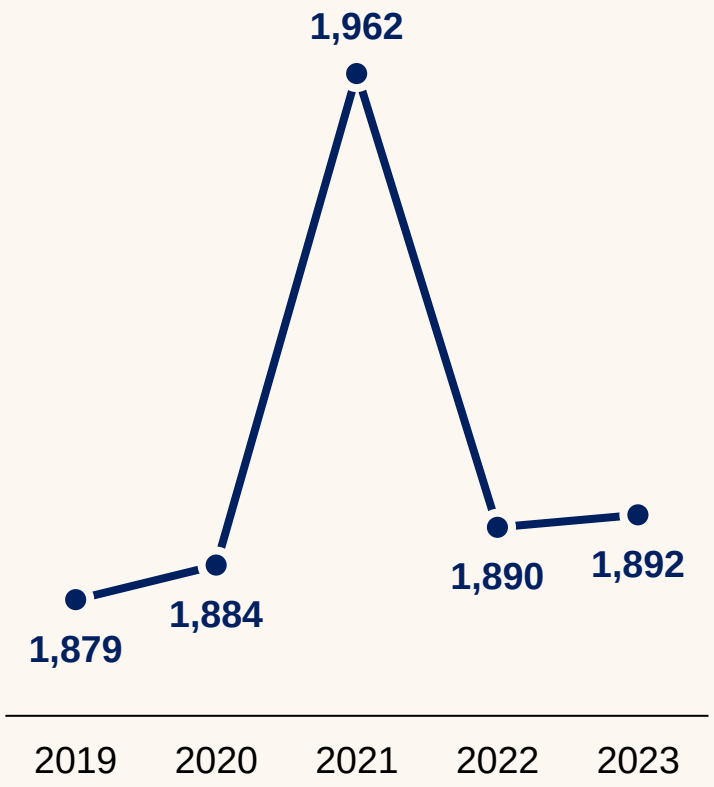
- Global Steel Market Trend
- ASEAN-6 Steel Market Trend
- Malaysia’s Steel Market Trend
- Challenges & Recommendations

Global Steel Market Trend

Global | ASEAN | Malaysia

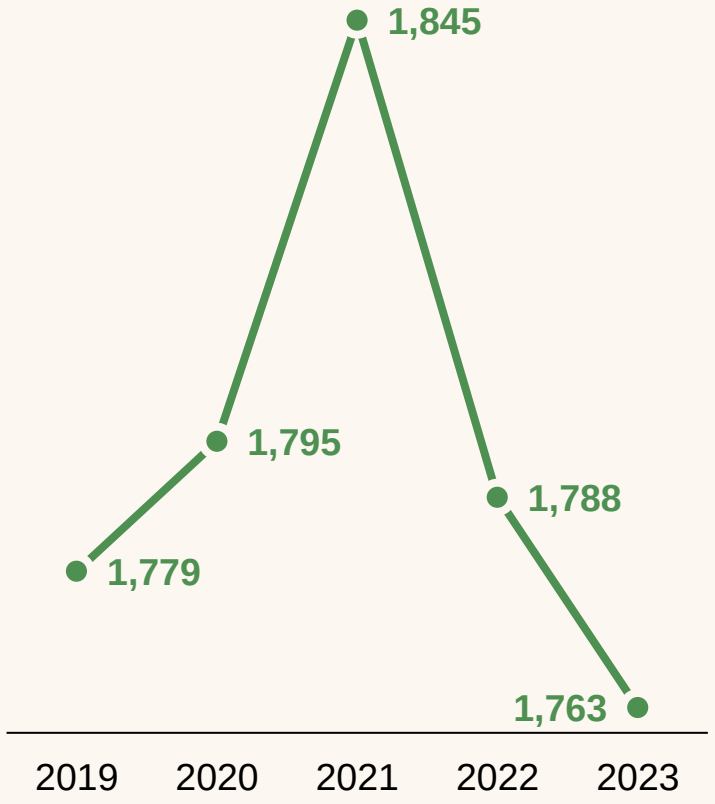
Crude steel production

Million MT



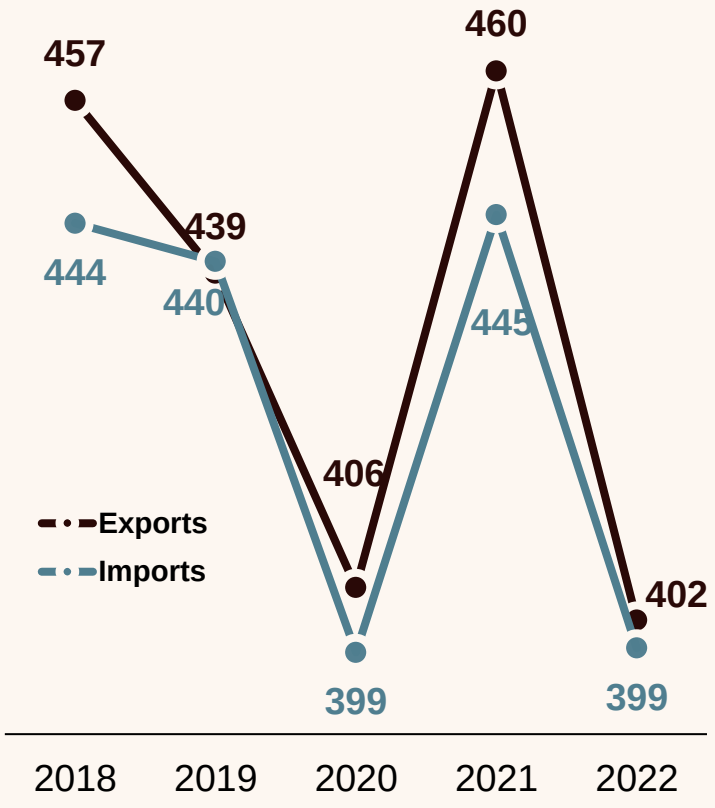
Apparent steel consumption (ASC)

Million MT



Exports and imports of finished and semi-finished steel products

Million MT



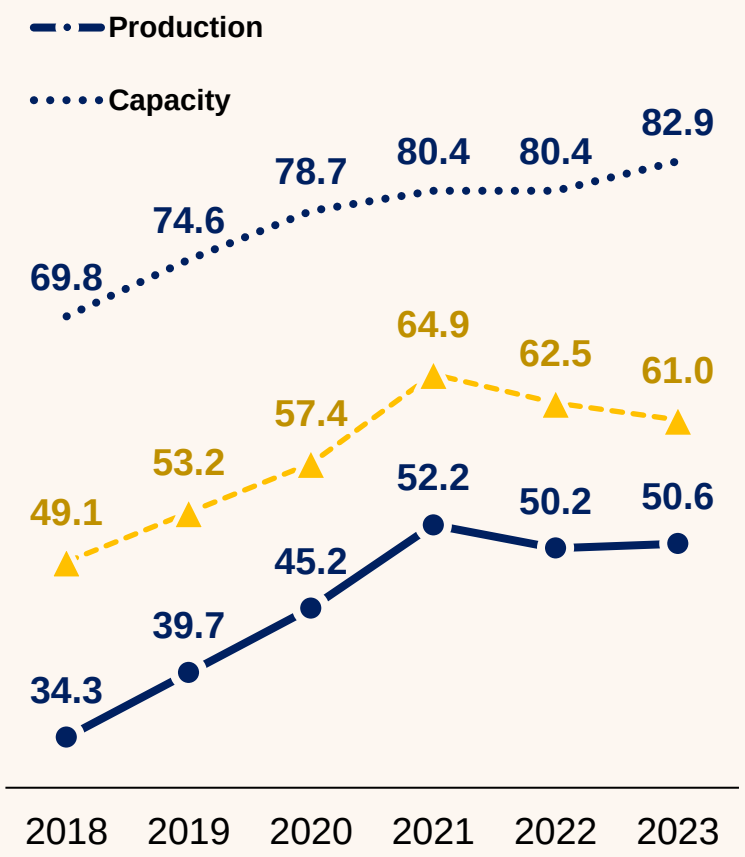
Source: World Steel Association; OECD

ASEAN-6 Steel Market Trend

Global | ASEAN | Malaysia

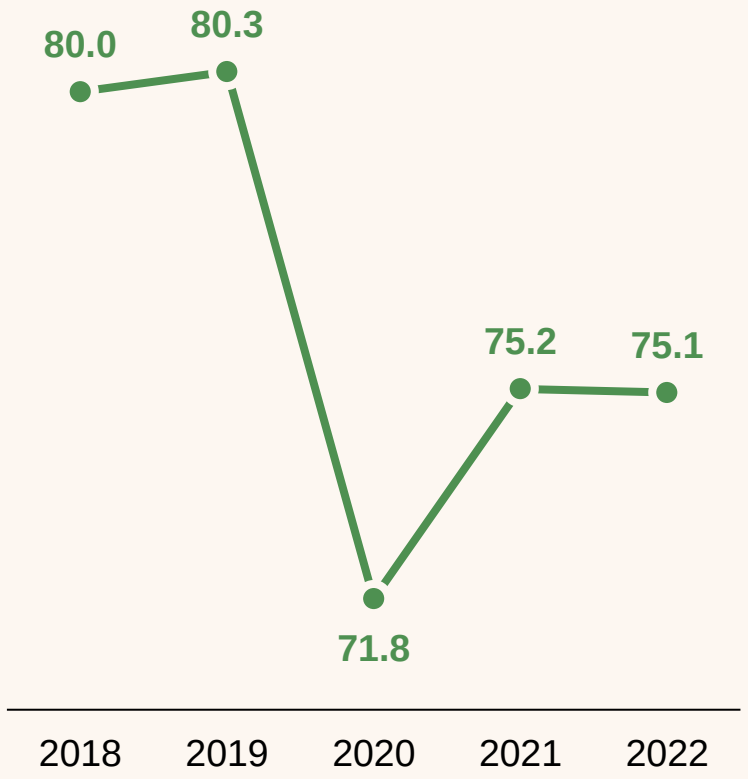
Crude steel production

Million MT



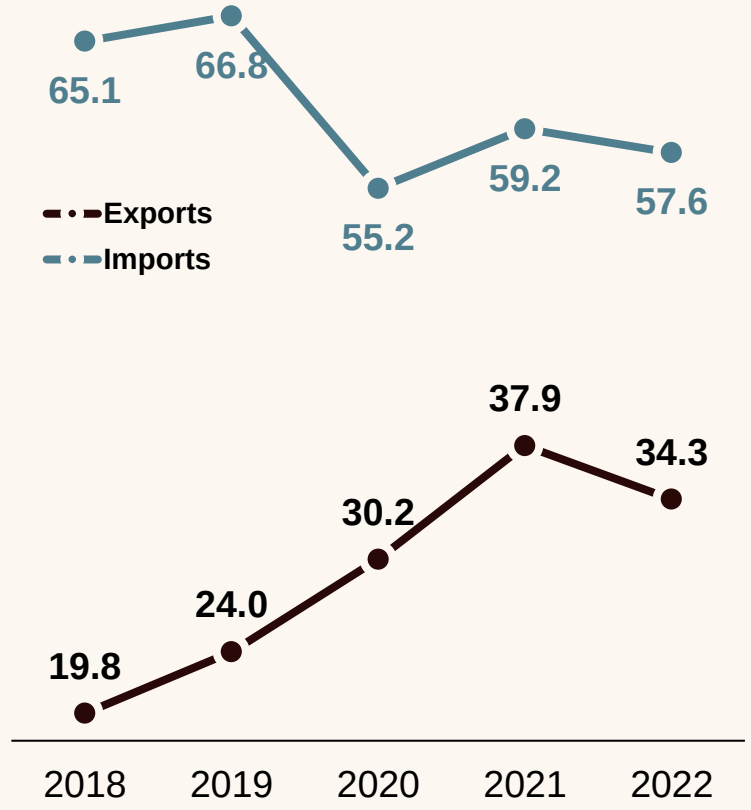
Apparent steel consumption (ASC)

Million MT



Total exports and imports of iron and steel products

Million MT



Source: World Steel Association; OECD; SEAISI

Key Performance of the Malaysian Iron and Steel Industry in 2022

221 kg

Malaysia's ASC per capita was 221 kg and was ranked 4th among ASEAN-6 and 41st out of 120 countries in the world. It was below the world's average of 224 kg.

72.6%

of Malaysia's crude steel was produced through blast furnace route.

27.4%

of Malaysia's crude steel was produced through electric arc furnace route.

86.6%

of total iron and steel imports over crude steel production, indicating Malaysia's high imports dependency, albeit reducing over the years from 108.1% in 2019.

1ST

source of imports came from the Southeast Asia region.

27.1%

of total iron and steel imports originated from Southeast Asia, followed by China (23.6%) and Taiwan (13.9%).

99.9%

of total iron and steel exports over crude steel production, fluctuating between 95.6% and 113.1% in 2019-2022.

1ST

export market for Malaysia was the Southeast Asia region.

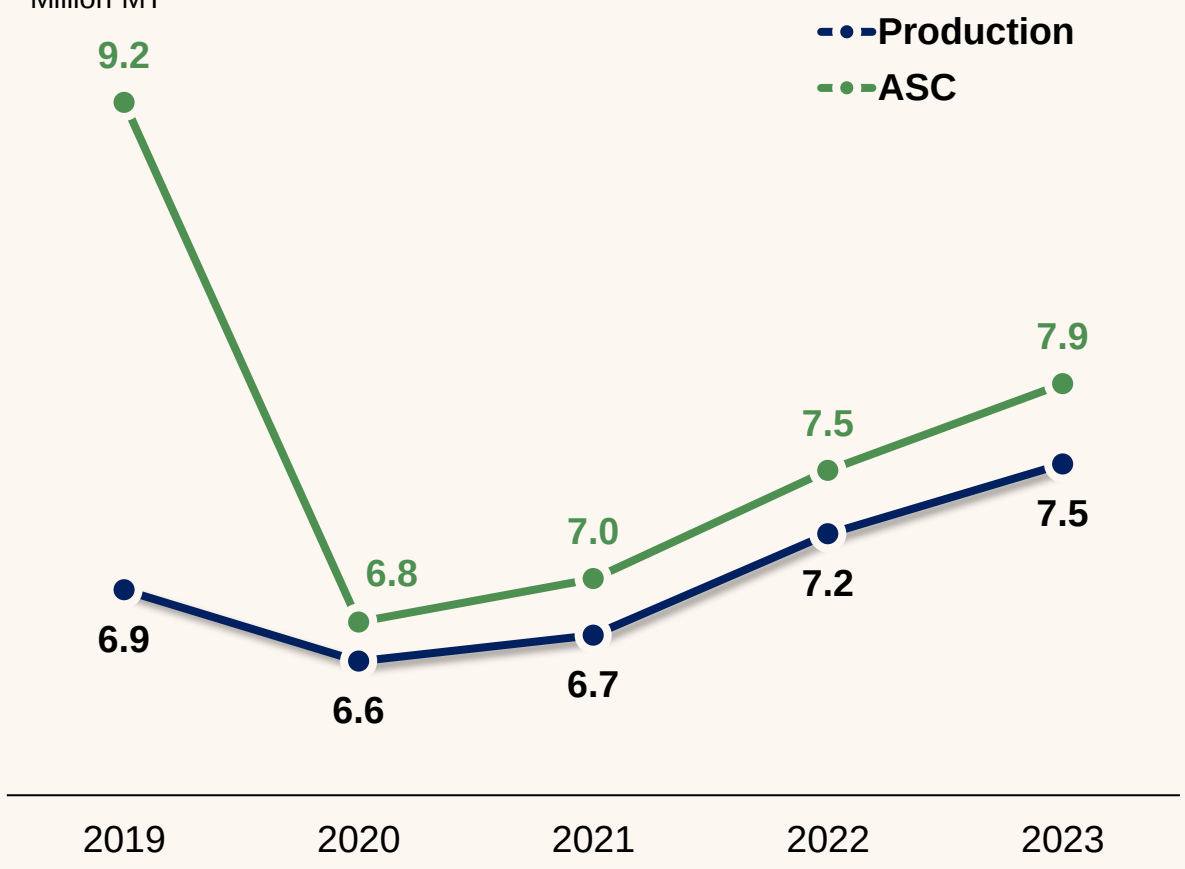
37.3%

of total iron and steel exports to Southeast Asia, followed by China (10.9%) and the European Union (25) (10.0%).

Malaysia's Steel Market Trend

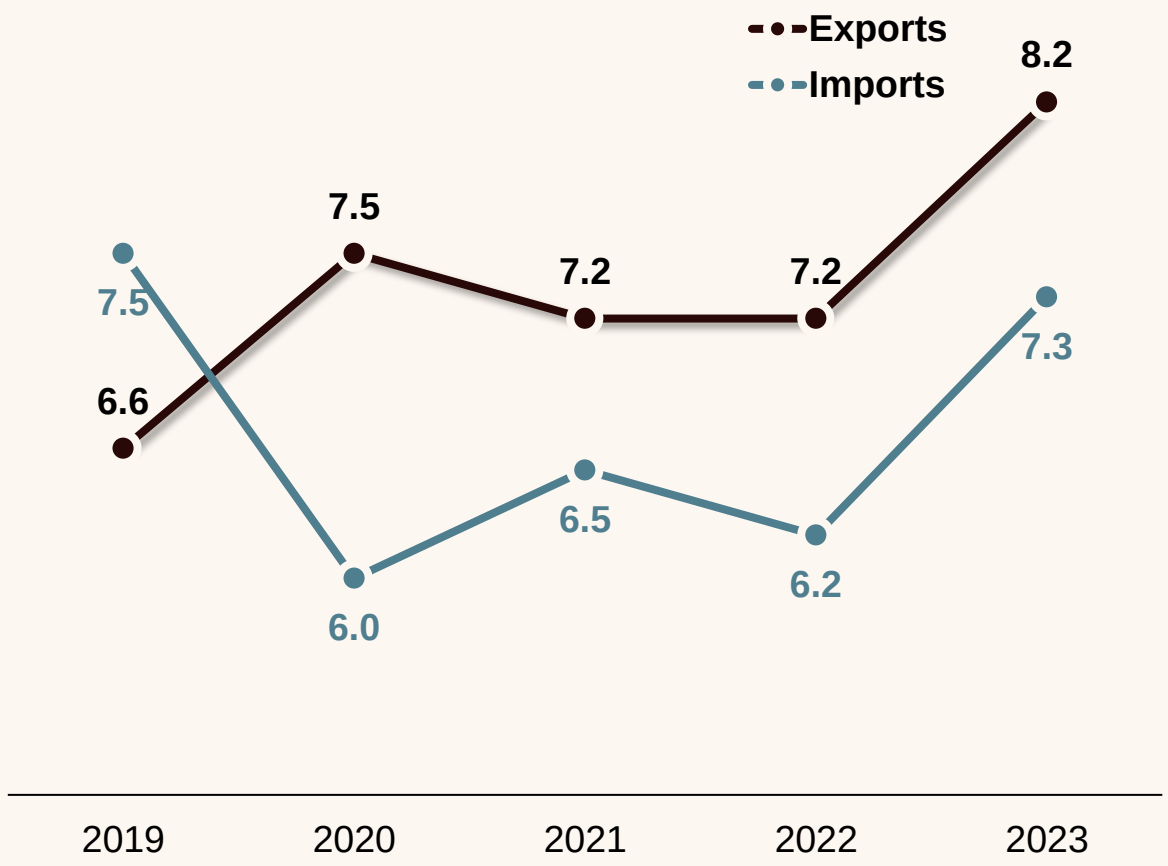
Crude steel production & apparent steel consumption (ASC)

Million MT



Exports and imports of iron and steel products

Million MT



Source: MISIF; SEAISI; DOSM

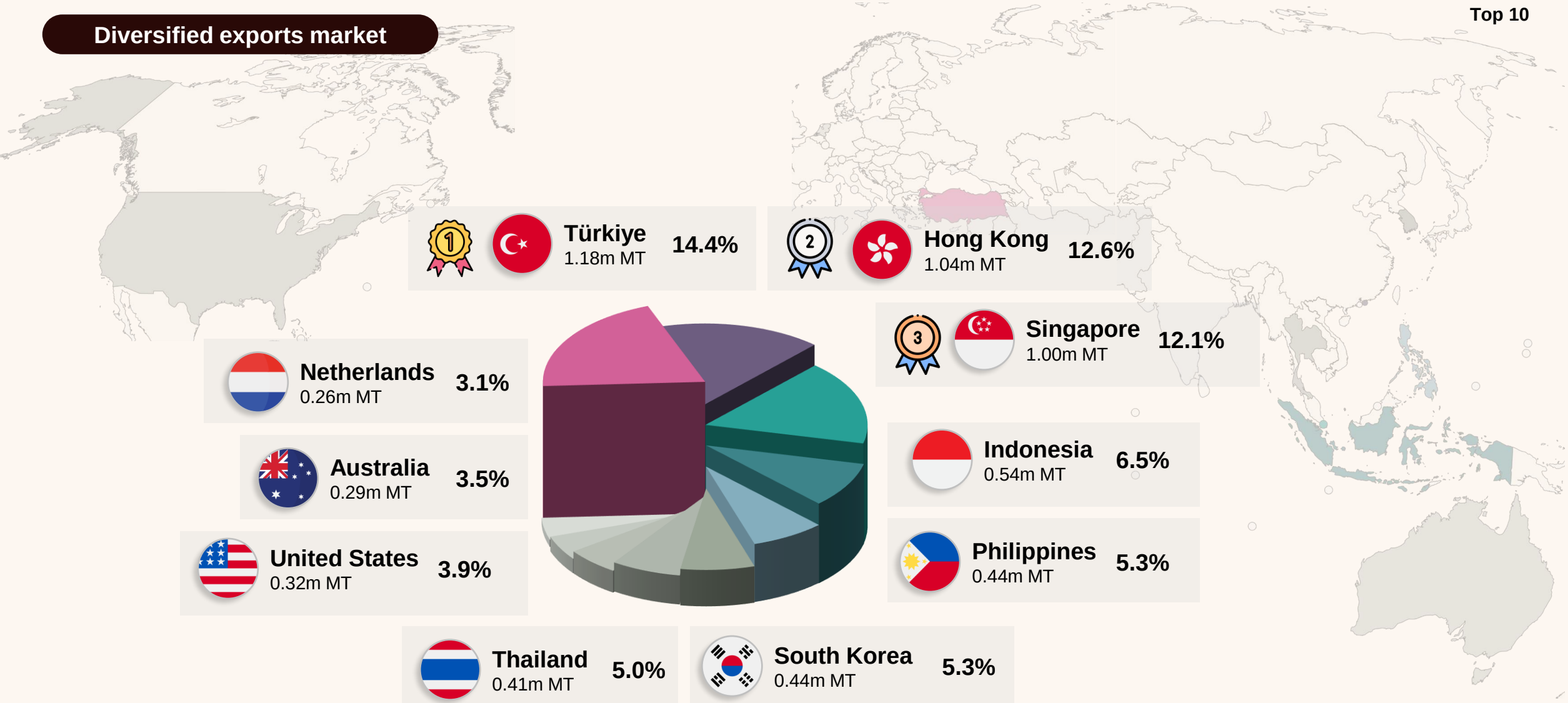
Malaysia’s Major Export Destinations, 2023

Global | ASEAN | Malaysia

Trade

Top 10

Diversified exports market



Türkiye 1.18m MT **14.4%**

Hong Kong 1.04m MT **12.6%**

Singapore 1.00m MT **12.1%**

Netherlands 0.26m MT **3.1%**

Australia 0.29m MT **3.5%**

United States 0.32m MT **3.9%**

Indonesia 0.54m MT **6.5%**

Philippines 0.44m MT **5.3%**

Thailand 0.41m MT **5.0%**

South Korea 0.44m MT **5.3%**

Source: MISIF; SEAISI; DOSM; World Steel Association

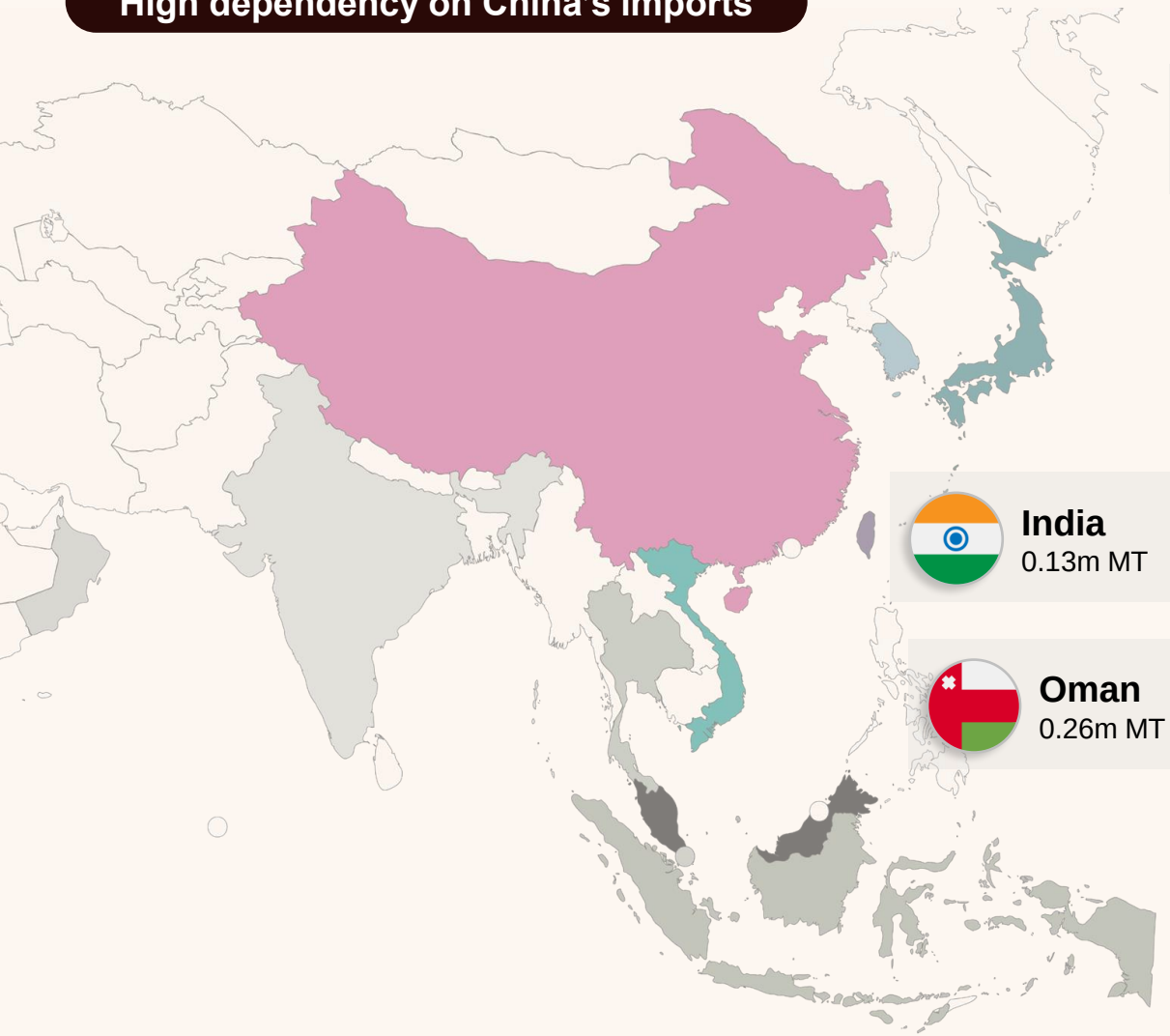
Malaysia's Major Sources of Imports, 2023

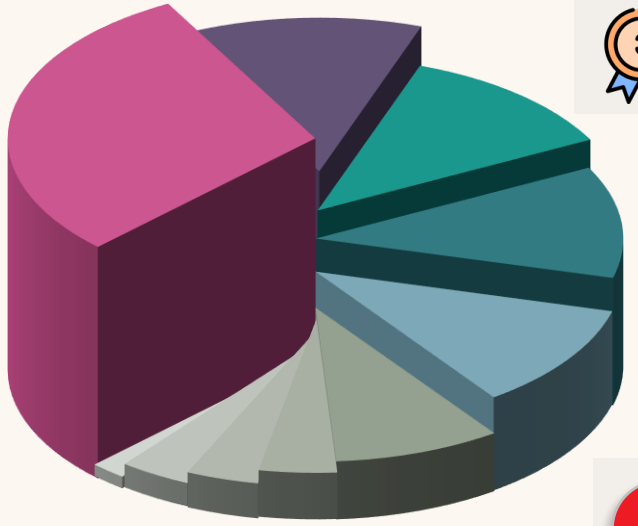
Global | ASEAN | Malaysia

Trade

Top 10

High dependency on China's imports





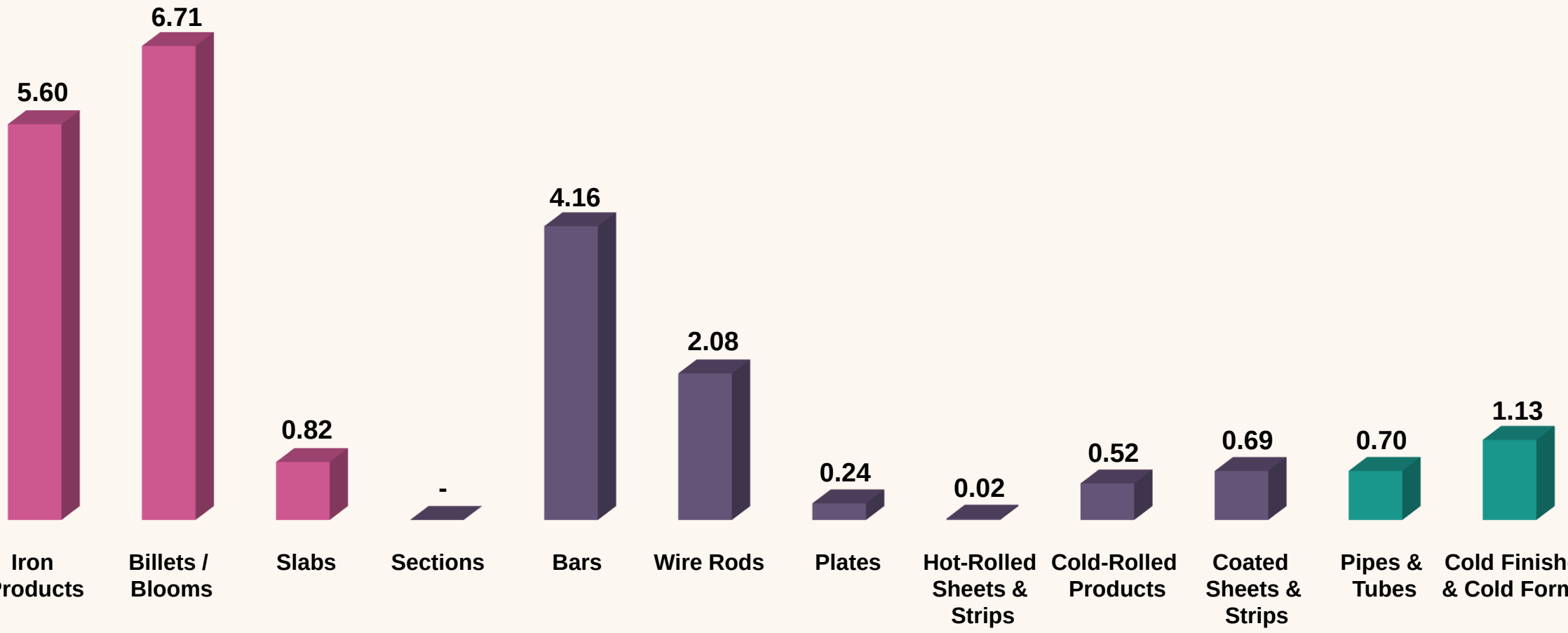
- **China** 2.04m MT — **27.9%**
- **Taiwan** 0.92m MT — **12.6%**
- **Vietnam** 0.83m MT — **11.3%**
- **Japan** 0.81m MT — **11.1%**
- **South Korea** 0.76m MT — **10.4%**
- **Indonesia** 0.61m MT — **8.3%**
- **Thailand** 0.28m MT — **3.8%**
- **Singapore** 0.26m MT — **3.6%**
- **Oman** 0.26m MT — **3.6%**
- **India** 0.13m MT — **1.8%**

Source: MISIF; SEAISI; DOSM; World Steel Association

Malaysia's Steel Production, 2023

Production | Imports | Exports | Apparent Steel Consumption

Million MT



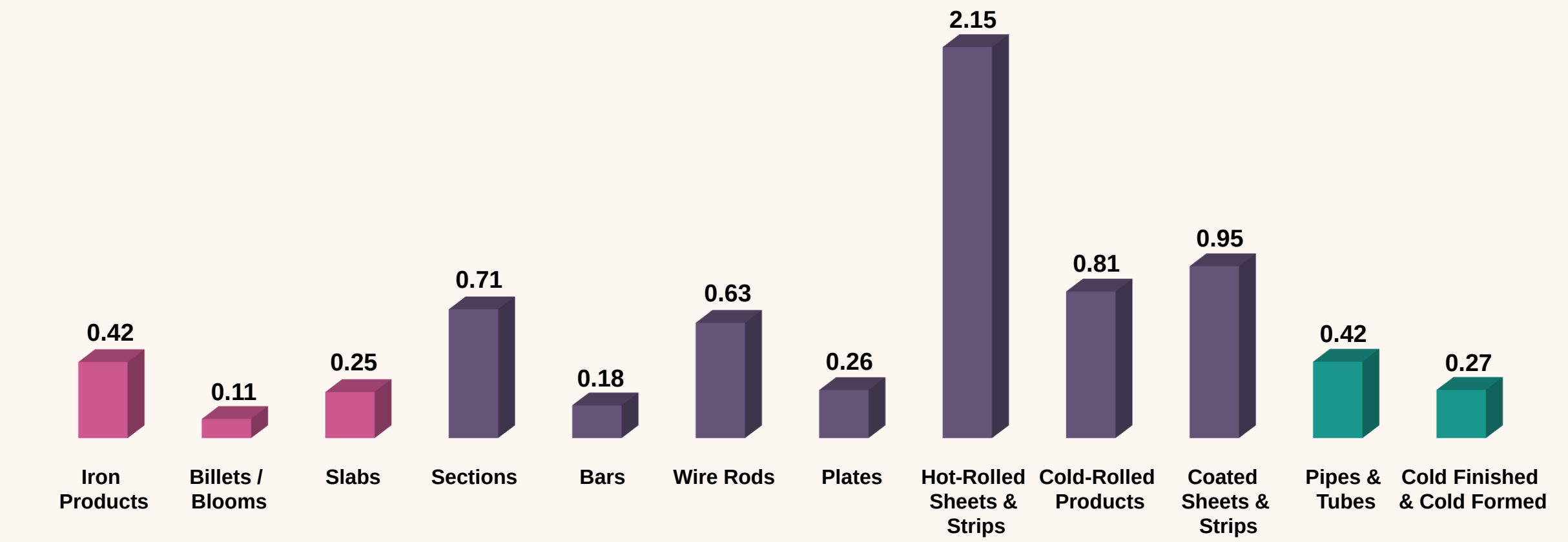
Upstream | Midstream | Downstream

Source: MISIF; DOSM

Malaysia's Steel Imports, 2023

Production | Imports | Exports | Apparent Steel Consumption

Million MT



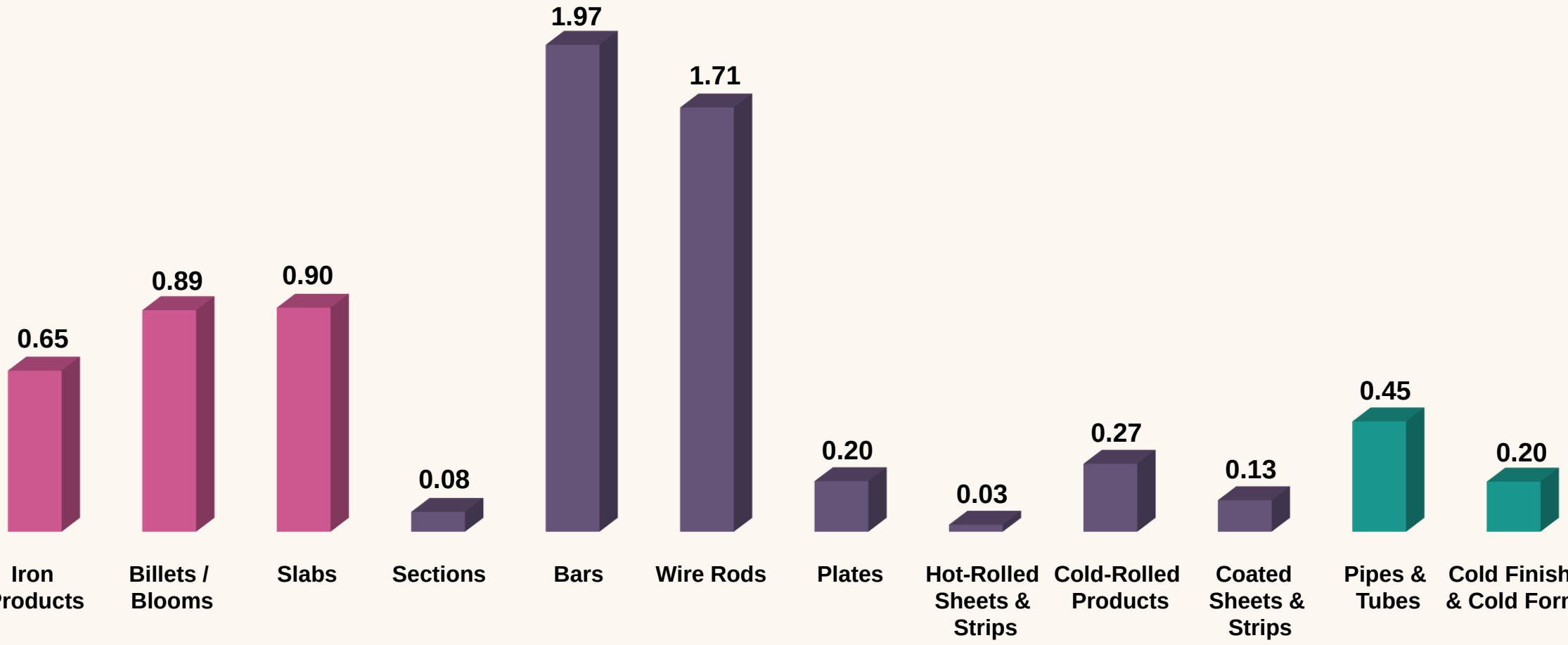
Upstream | Midstream | Downstream

Source: MISIF; DOSM

Malaysia's Steel Exports, 2023

Production | Imports | Exports | Apparent Steel Consumption

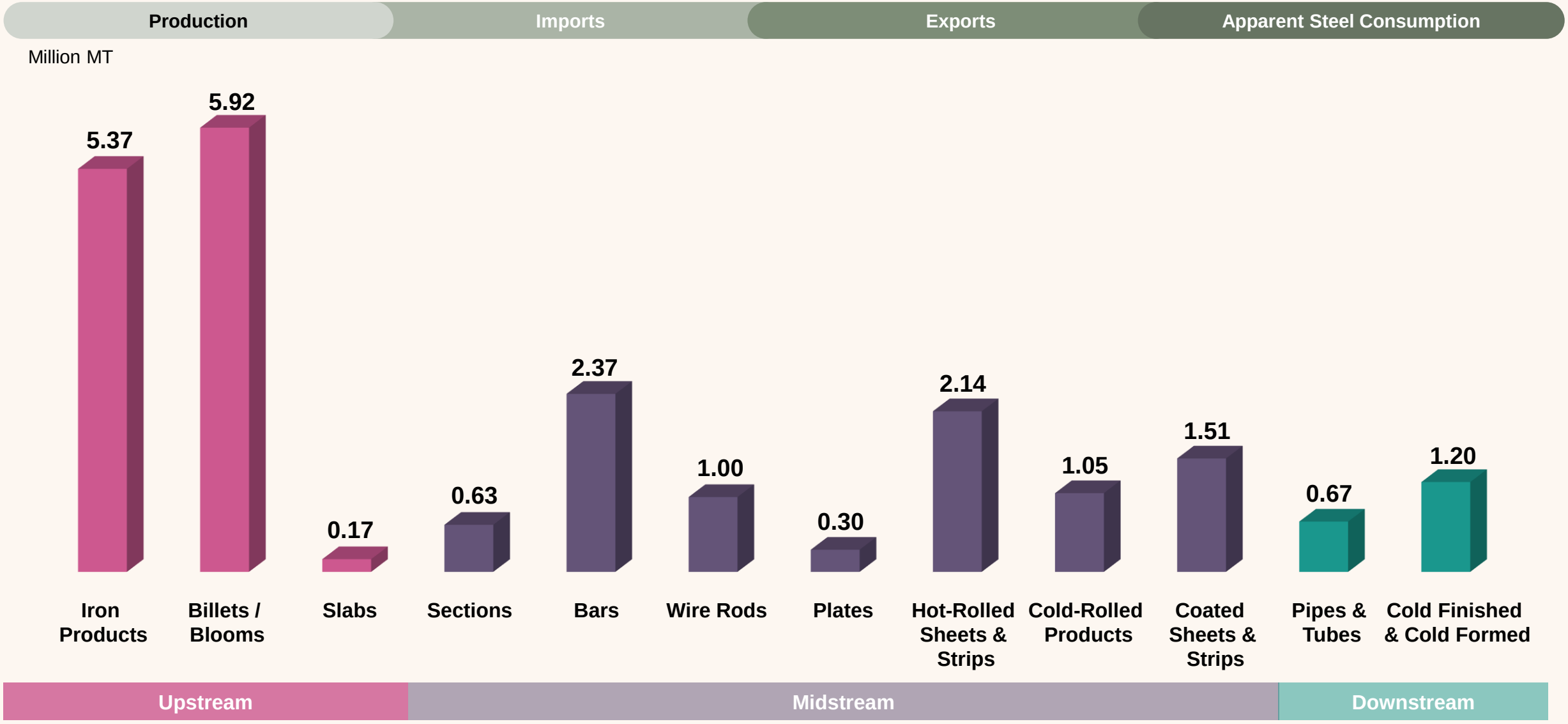
Million MT



Upstream | Midstream | Downstream

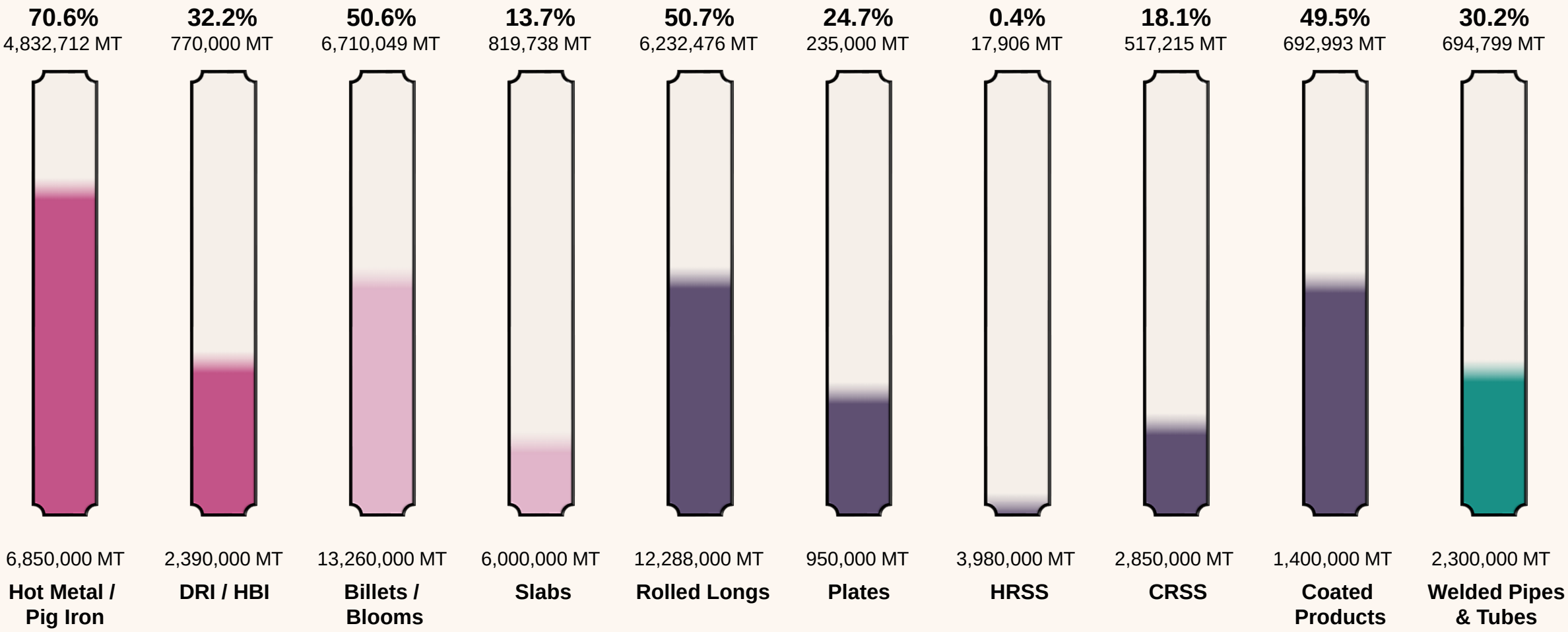
Source: MISIF; DOSM

Malaysia's Steel Consumption, 2023



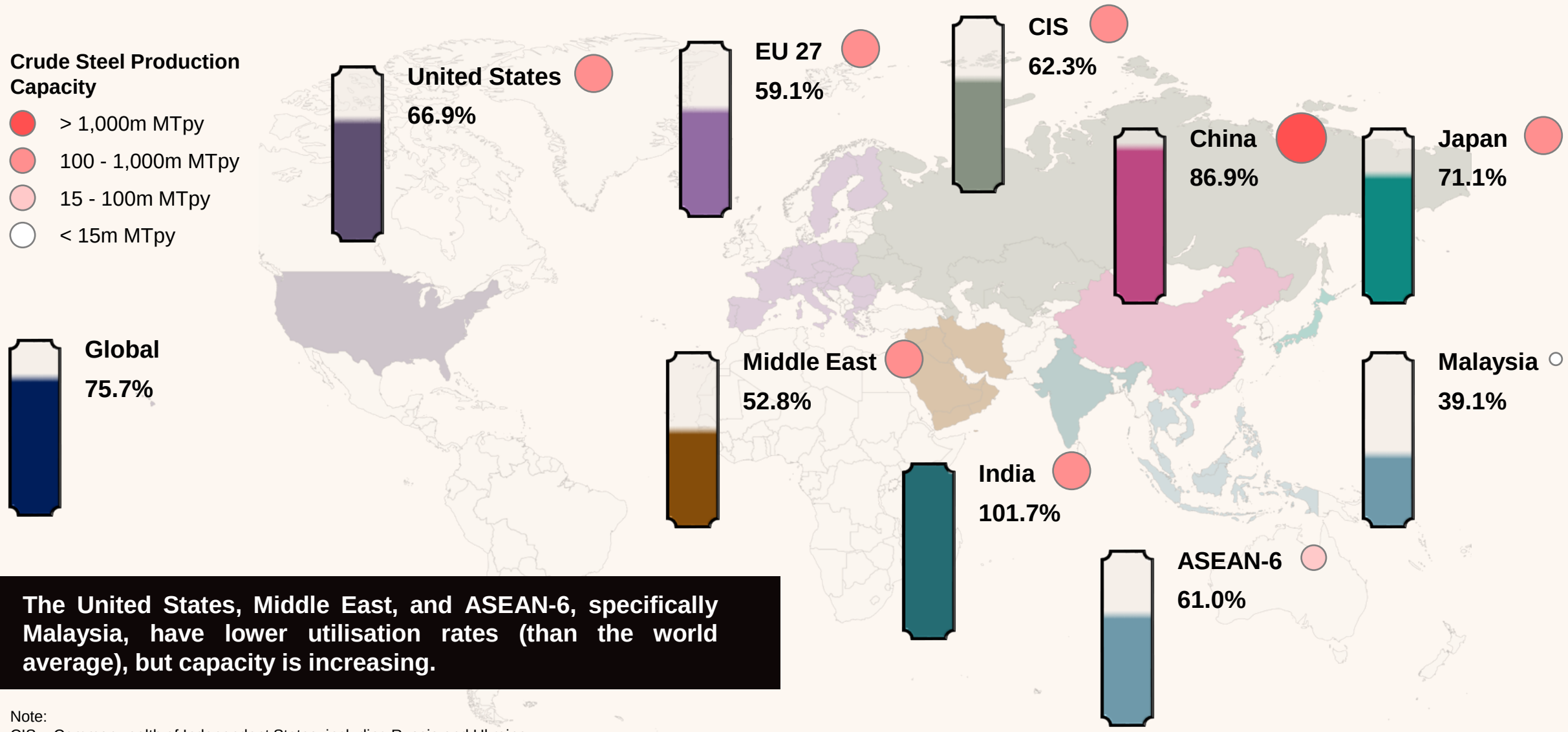
Source: MISIF; DOSM

Malaysia’s Capacity Utilisation, 2023



Source: MISIF

Malaysia vs. World: Capacity Utilisation, 2023



The United States, Middle East, and ASEAN-6, specifically Malaysia, have lower utilisation rates (than the world average), but capacity is increasing.

Note:
CIS = Commonwealth of Independent States, including Russia and Ukraine.
ASEAN-6 = Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam.
Source: World Steel Association; OECD; MISIF

Challenges & Recommendations

Sustainability Agenda is Taking Centre Stage

A Feedback Loop to Limit Industry's Progression on Sustainability

Sustainability Agenda

Demand

External Pressures:

- Paris Agreement
- EU's Carbon Border Adjustment Mechanism (CBAM)
- ESG Enforcement

Internal Pressures:

- New Industrial Master Plan (NIMP) 2030
- National Energy Transition Roadmap (NETR)

Supply

Industry's Challenges:

- Business Performance
- Availability of Green Technology Ecosystem
- Availability of Green Investment
- Availability of Green Talent

Structural Issues

Overcapacity

- Malaysia has the lowest capacity utilisation (39.1%) in ASEAN-6, well below the global average.
- Low production in flat and downstream products.
- ASEAN capacity expansion is estimated at 104.4m MT by 2030, with dominance in BF.
- MITI implemented a 2-year moratorium on all manufacturing licenses – questions on its coverage and timelines.

Low Green Technology Adoption

- Malaysia has ambitious climate goals (45% reduction by 2030, net zero by 2050).
- Iron and steel industry is a major contributor to CO_2 emissions (7,543.2 Gt CO_2 in 2019, 2.8% of total). BF production is a key culprit (63.2% production from BF).
- ASEAN crude steel capacity in BF is expected to grow significantly (CAGR 19.3% from 2022 to 2030 vs 2.5% for EAF).

Limited Access to Quality Scrap

- Scrap steel is crucial for low-carbon steel production in Malaysia.
- Global trade dynamics and regulations restrict scrap availability, especially in regions with export limitations (tariffs, quotas).
- While stricter import and inspection requirements limit domestic scrap supply for steelmakers, Malaysia imposed a 15% duty on scrap exports.

Address Challenges to Ease Structural Issues

1 Interconnectedness

2 What to consider when making a business decision?

- **Business Sustainability and Profitability** – Can achieve long-term profitability while investing in green initiatives?
- **Availability of Green Technology Ecosystem** – What innovative solutions can reduce the carbon footprint?
- **Availability of Green Finance** – Are there green financing options available?
- **Availability of Talent** – Do we have adequate skilled manpower and talent?

Navigating Implementation: Key Considerations

1 Business Performance

- Structural Overcapacity and Intense Competition
- High Cost of Doing Business
- Scarcity of Scrap
- Policy Disparities
- Unforeseen Policy Changes
- Unfair Trade Practices

2 Availability of Green Technology Ecosystem

- Current Lack of Green Technology Adoption
- Limited Access to Hydrogen and Natural Gas
- Absence of Comprehensive Steel Decarbonisation Pathway

3 Availability of Green Investment

- High Financial Requirements from Financial Institutions
- Lack of Government-Industry Collaboration for Financial Support
- Lack of Locally Funded R&D

4 Availability of Green Talent

- Limited Targeted Training Programs
- Persistent Negative Perceptions

From Plan to Action: Implementing for Success

To tackle the challenges in

Business Performance

- Facilitation of Mergers & Acquisitions (M&A)
- Targeted Moratorium on Manufacturing License
- Government’s Initiatives to Reduce Electricity Cost
- “Buy Malaysia First” Policy
- Encouraging Industrialised Building Systems (IBS) Adoption in Private Projects
- Securing Scrap for Local Consumption
- Combat Unfair Trade Practices and Enhance Regulatory Compliance
- Comprehensive Carbon Pricing Framework

Green Technology Ecosystem

- Setting a Clear Direction for the Green Transition Roadmap
- Promoting Green Energy Consumption

Green Investment

- Incentives for Investment in Carbon Emission Reduction
- Incentives for the Development of High-Grade Steel Products
- Reinvestment Allowance for Technological Advancement
- Strengthening Government’s Role in R&D for Green Steel

Green Talent

- Fostering Regional Technological Knowledge Exchange
- Exploring Foreign Green Talents


MISF
Thank You