



ECONOMIC AND STEEL MARKET OUTLOOK 2018-2019

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INTRODUCTION

In 2017 the EU manufacturing industry and construction sector benefited from an investment-led domestic upturn and improving exports. A healthy outlook for these steel users bodes well for EU steel demand in 2018 and 2019. The supply side situation could, however, continue to be negatively affected by import distortions.

EU steel market overview

EU28 apparent steel consumption grew by 1.1% year-on-year in the third quarter of 2017. Domestic deliveries rose by 4.4% year-on-year. By contrast, the second quarter had been characterised by a contraction in domestic deliveries from EU suppliers due to a sharp increase in third country imports.

Imports grew by around 8% year-on-year over the first half of 2017, but the trend turned negative in the third quarter. Total steel imports fell by almost 14% year-on-year.

This decline has occurred in the context of improving in global steel prices – largely driven by the Chinese market – which narrowed the gap between EU domestic prices and imports. Other restraining factors include the tempering of imports, particularly from China, but also other countries affected by the imposition of anti-dumping and anti-subsidy measures by the European Commission. However, other third country suppliers have increased exports to the EU, substituting for this drop.

Similar market conditions are expected to have shaped the supply-demand situation in the fourth quarter of 2017.

Overall, apparent steel demand in the EU28 is estimated to have risen by 1.9% in 2017.

Prospects for the continued recovery of EU steel demand are positive. The expected strength of most steel-using sectors bodes well for the demand side of the EU steel market. The supply side situation could, however, continue to be negatively affected by import distortions.

EU steel-using sectors

2017 has been a strongly expansionary year for steel-using sectors in the EU. The performance across countries and steel-using sectors became increasingly synchronised over 2017. In particular, growth dynamics in Central Europe improved significantly compared with the overall rather weak momentum of 2016.

Individual sectoral performances are varied. The steel tube sector posted the strongest year-on-year jump in production activity, followed by the mechanical engineering sector, electrical domestic appliances and construction. As had been anticipated, growth in automotive output moderated somewhat.

The outlook for 2018 and 2019 is positive, although activity in steel-using sectors will settle back into a more restrained pace of expansion owing to waning momentum in the tube sector and automotive industry. Underlying economic conditions remain conducive to a steady pace of expansion in other sectors.

Output in the EU's steel-using sectors is forecast to grow by 2.2% in 2018 and by 1.8% in 2019.

EU economic context

EU economy remained on a favourable growth track in the second half of last year. GDP growth was driven by robust investment, solid private consumption and strong exports.

Conditions look right for the EU economy, and it is expected to maintain an above-trend growth rate in 2018. Economic sentiment in the euro area and EU28 went from strength to strength over the course of 2017 and January this year saw continued strength in confidence. Investment is expected to remain a key driver of growth, reflecting robust domestic and external demand. Private consumption will also continue to perform well. However, exports may be impacted by the enduring relative strength of the euro and an expected – though mild – softening in global trade growth.

The EU economy is forecast to return to a more sustainable growth rate in 2019 as EU monetary policy tightening may begin to dampen investment growth.

EUROFER forecasts EU GDP growth of 2.2% in 2018 and of 1.9% in 2019.

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EU ECONOMIC OUTLOOK 2018-2019

GDP GROWTH

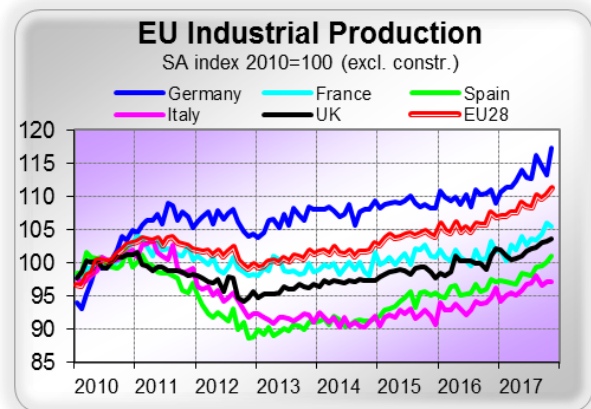
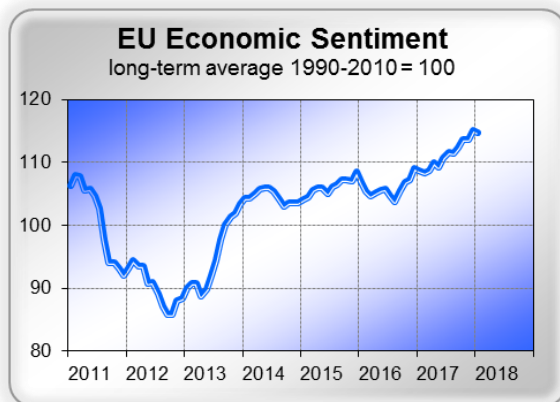
As suggested by very positive survey data, the EU economy remained on a favourable growth track in the second half of last year. Economic performance was boosted by strong sentiment levels across all economic sectors, tailwinds from faster global growth, improving labour market conditions, sustained low interest rates and easy access to finance.

As a consequence, GDP growth was driven by robust investment, solid private consumption and strong exports. The GDP breakdown by country shows that the growth pattern across EU member states has become even more synchronised over the past few quarters.

The current estimate for EU28 GDP growth in 2017 is 2.4%.

CONFIDENCE INDICATORS

Economic sentiment in the euro area and EU28 has been going from strength to strength over the course of 2017. The monthly business and consumer survey conducted by the European Commission revealed new record levels in December. Industrial confidence continued the rally that began in late 2016. January 2018 data show most indicators remaining very close to the December peak level.



In January 2018 the IHS Markit surveys on the assessment of activity in manufacturing and the services sector registered their highest readings for nearly twelve years.

While earlier in 2017 hard data on industrial production had been lagging the more positive trend in surveys, that gap had been closing steadily over the later months of 2017. Production growth in the EU28 manufacturing industry was 3.1% year-on-year over the first eleven months of 2017 and even rose to an average monthly growth rate of almost 4% year-on-year in the second half.

IHS Markit surveys signal record output growth in several EU manufacturing sectors, such as general machinery and equipment, technology equipment and in motor vehicles and automotive parts.

INVESTMENT

The fact that industrial activity has been has been enjoying a healthy growth spell in 2017 reflects the welcome boost from an investment-led upturn in the advanced economies and a recovery in the emerging economies in general, and in the commodity exporting countries in particular.

EU investment is estimated to have increased by almost 4% in 2017, in spite of widely-held fears that political uncertainty in the EU might impact the propensity to invest in the business sector.

Globally, investment is also increasingly taking the baton of economic growth, thereby bolstering international demand for capital goods.

GROWTH OUTLOOK FOR 2018

Conditions look right for the EU economy, maintaining an above-trend growth rate in 2018. Investment is expected to remain a key driver of growth, reflecting robust domestic and external demand. The supply-demand balance is forecast to shift into the favour of producers and will have a positive impact on selling prices and margins. Full order books and increasing capacity utilisation rates across most corporate sectors, and a positive outlook for business conditions set the stage for a continuation of the investment wave. Private consumption will also continue to perform well. Exports however, may be impacted by the ongoing strength of the euro and an expected mild weakening in global trade growth.

GROWTH OUTLOOK FOR 2019

The EU economy is foreseen to return to a more sustainable growth rate in 2019 as EU monetary policy tightening may start to dampen investment growth and the boost of pent-up demand for capital goods may lose some strength. Private consumption growth is also expected to moderate following a prolonged period of relatively strong growth.

On balance, EUROFER's Q1-2018 outlook forecasts EU GDP growth at 2.2% in 2018 and at 1.9% in 2019.

Economic indicators				
Year-on-year change in %				
EUROFER Forecast	2016	2017 (e)	2018 (f)	2019 (f)
GDP	1.9	2.4	2.2	1.9
Private consumption	2.3	2.1	1.8	1.6
Government consumption	1.7	1.0	1.2	1.1
Investment	1.7	3.9	3.8	3.0
Investment in mach. equip.	2.9	3.6	4.0	2.9
Investment in construction	0.7	3.7	3.0	2.7
Exports	3.3	5.2	5.0	4.5
Imports	4.3	5.2	5.2	4.5
Unemployment rate	9.3	8.4	7.9	7.4
Inflation	0.3	1.7	1.7	1.8
Industrial production	2.2	3.1	2.8	2.0

(e) = estimate (f) = forecast

THE EU STEEL MARKET: FINAL USE

OUTLOOK FOR STEEL-USING SECTORS

2017 has been a strongly expansionary year for steel-using sectors in the EU. The performance across countries and steel-using sectors became increasingly synchronised over 2017.

CONSTRUCTION INDUSTRY

EU construction output is estimated to have grown by 4.3% in 2017, the best performance by the sector since 2007.

Construction industry output

EU construction activity was strong in the third quarter of 2017. Output growth amounted to 4.6% year-on-year, more or less the same pace of expansion registered in the first half of the year. Business conditions in the EU construction sector have improved markedly in 2017 owing to high levels of consumer and business sentiment, easy access to finance and improved budget deficits in EU member states have allowed governments to raise investment in public construction works.

Construction industry growth in 2017

The recovery of the construction sector has become more evenly distributed across EU countries and construction sectors over the course of 2017. Italy remained the weakest construction market in the EU and failed to see an acceleration in activity growth.

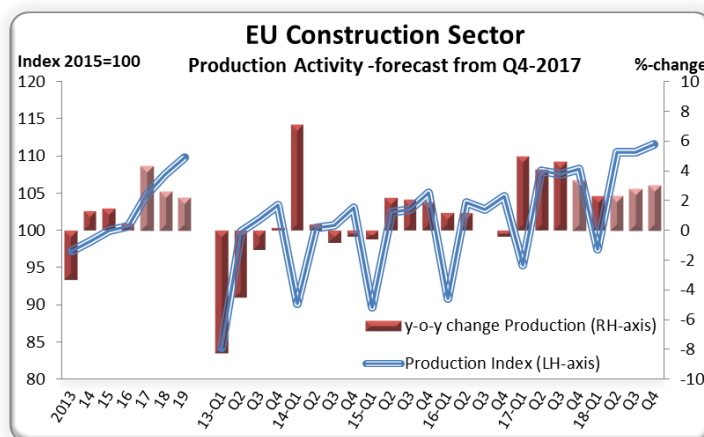
While in Western Europe the residential housing sector remained the key driver of construction activity growth, evidence is becoming stronger that non-residential and infrastructure activity is also picking up speed.

Economic growth in most EU member states has become more investment-led. After the global financial crisis, the EU construction sector entered a prolonged cyclical downturn as investment and confidence collapsed.

The Eurozone crisis worsened business conditions in the construction sector even further.

With the EU economy regaining momentum, prospects for construction are brightening. Demand for construction that had been unfulfilled during the recession is now being unleashed. Construction activity in Central Europe is still largely dominated by infrastructure works, supported by EU funds for infrastructure projects and national public investment programmes.

Activity in the EU construction sector is estimated to have grown by another 3.4% year-on-year in the fourth quarter of 2017. On balance, EU construction output is estimated to have grown by 4.3% in 2017, the best performance of the sector since 2007.

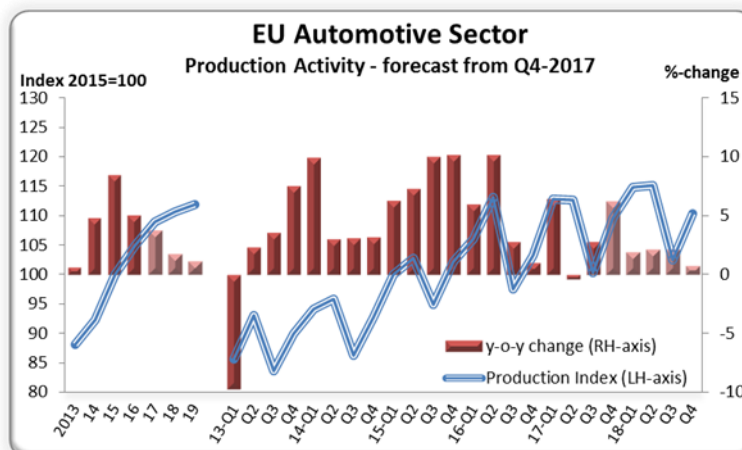


Construction industry forecast 2018-2019

Construction demand will increase further in 2018 and 2019. Housing demand will be driven by robust levels of consumer confidence, as well as the low cost of, and easy access to, finance. Migrant inflows will also drive demand for new housing and services. Pent-up demand for commercial and industrial construction dating back to the financial and Eurozone crises will support non-residential activity growth.

The improving financial situation of most EU member states will allow for stronger public investment in construction. However, supply-side bottlenecks in the construction sector such as capacity restraints and labour shortages may dampen potential output growth in several countries.

Total EU output is forecast to rise by 2.6% in 2018 and by 2.2% in 2019. Brexit uncertainty is expected to heavily impact activity in the UK.



AUTOMOTIVE INDUSTRY

The EU automotive sector posted stronger-than-expected growth in 2017.

EU passenger car and commercial vehicle demand

Total EU passenger car registrations grew by 3.4% over the whole year 2017. December sales showed a negative result, which was basically the result of one working day less in 2017 than in the preceding year. Car sales grew in all large markets; only the UK registered a negative trend. Growth was particularly vigorous in the Central European countries.

The growth dynamics of the EU commercial vehicle market slowed further in the fourth quarter of 2017. Total registrations rose by 3.4% year-on-year over the whole year. Demand in Spain, France and Germany grew sharply over this period, whereas demand in the UK fell by 4.4% and in Italy by 2.3%.

EU car exports increased by 2.3% year-on-year in value terms over the first three quarters of 2017; EU manufacturers exported some 4.2 million passenger cars. The value of EU commercial vehicle and bus exports increased by 4.3% year-on-year over this period; this growth was largely driven by the truck segment.

Automotive sector growth in 2017

Activity in the automotive sector grew by 2.8% in the third quarter of 2017, basically the same average quarterly growth as registered over the first half of the year.

Production growth is estimated to have accelerated in the fourth quarter of last year, to 6.2% year-on-year, reflecting a strong expansion in France, the Netherlands and most Central European production hubs. As a consequence, growth of total EU production activity - including automotive parts and components - in 2017 is revised upwards to 3.7%.

Automotive industry forecast 2018-2019

Saturation effects will lead to slowing growth of domestic sales in the EU, in particular in Germany and France. The UK market is expected to remain stuck in low gear. This is a particular concern for German OEMs, which together supply around 30% of the UK's new cars. On balance, economic fundamentals in the EU market will remain supportive to a further but more moderate growth of car demand, reflecting strong consumer sentiment, low cost of credit and positive income effects.

EU commercial vehicle demand growth is also expected to soften further due to saturation effects

Lower demand from key overseas market will limit exports of vehicles and components. The current strength of the euro and the continued capacity build-up in third countries is not supportive to fulfilling export potentials.

Total EU automotive output is forecast to rise by 1.7% in 2018 and by 1.1% in 2019. The UK and European automotive OEMs are highly integrated and interdependent; Thus, Brexit remains a key risk to the outlook both in the UK and in the EU.

MECHANICAL ENGINEERING

In 2017 the mechanical engineering sector benefited from a boom in capital expenditure. The sector posted its best performance since 2011.

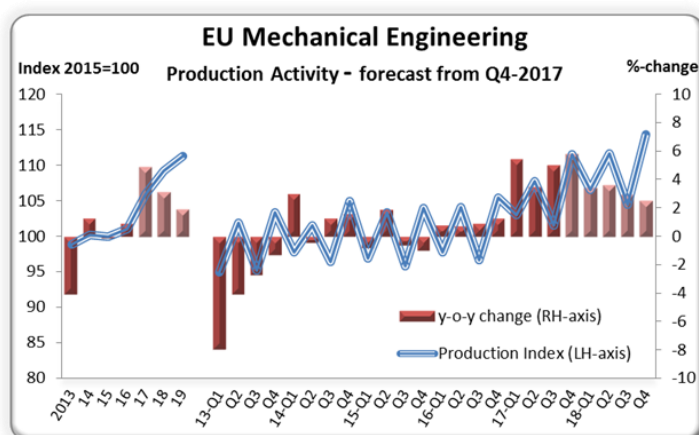
Mechanical engineering output

Activity in the EU mechanical engineering industry grew 5% year-on-year in the third quarter of 2017. EU domestic and export demand for machinery and equipment continued to expand robustly. Production activity improved across all reporting EU member states.

Mechanical engineering growth in 2017

In 2017 the output of the mechanical engineering sector benefitted from a boom in capital expenditure. EU investment in machinery and equipment is estimated to have grown by 3.6%, a clear acceleration compared with 2016.

Globally, the capex cycle is also showing improvement, both in the advanced world as well as in



emerging regions. As a consequence, there is clear evidence of renewed spending on construction and real estate, as well as of increased investments in extraction, commodity processing and intermediate goods industries, such as energy and petrochemicals.

Strong order books and a continued positive assessment of production over the short term underpin the estimate for production growth in the fourth quarter which is currently pencilled in at 5.8% year-on-year.

All in all, production activity is forecast to have increased by 4.9% over the whole year 2017, the best performance by this sector since 2011.

Mechanical engineering forecast 2018-2019

Prospects for 2018 remain healthy. EU investment in machinery and equipment is expected to again post solid growth. Business conditions in the corporate sector have improved significantly, with rising profits and capacity utilisation providing solid support to demand for this sector's goods and services. 2017 ended with new, multi-year record levels of sentiment in industry. Tailwinds from faster global economic growth and low interest rates look set to remain in place in 2018. However, the strength of the euro may start to have a more visible impact on the Eurozone's export performance.

EU mechanical engineering activity is forecast to grow by 3.1% in 2018.

Output growth is expected to slacken in 2019 as the boost from pent-up demand in the EU domestic market loses momentum. Brexit represents a significant risk to both the UK and continental EU. Another uncertainty is the risk of increasing global protectionism hurting trade and related investments.

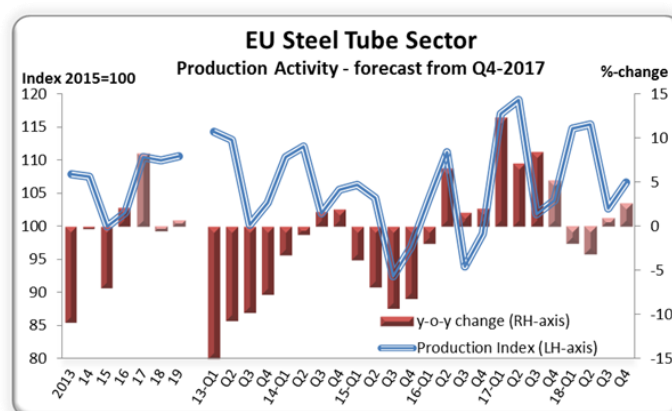
EU mechanical engineering activity is forecast to rise by 1.9% in 2019.

STEEL TUBE INDUSTRY

The steel tube industry saw positive results in the quarters for 2017 for which data is available. However, this upswing is flattered by low production levels in the corresponding 2016 period.

Steel tube industry output

EU steel tube production activity grew by 8.4% year-on-year in the third quarter of 2017. While this growth was flattered by relatively low production levels in the corresponding period of 2016, steel tube producers benefited from solid order books. Output growth was particularly vigorous in Germany and Spain.



Steel tube industry growth in 2017

A key factor contributing to the continued healthy performance of the EU's steel tube sector is robust project activity in the international pipeline market and the related order backlog at the EU's main large welded tube producers. Another factor has been the improvement in business

conditions in the downstream client sectors of small and medium-sized welded tubes, such as the construction, mechanical engineering, automotive and other transport equipment, and metal goods industry. OCTG demand improved incrementally, boosted by growth in the global rig count.

With favourable business conditions expected to have continued in the fourth quarter of 2017, production activity in the EU steel tube sector is estimated to have increased by another 5.2% year-on-year in this period.

On balance, total EU tube output is expected to have risen by 8.3% in 2017, which resulted in the best annual production volume of total steel tubes in the EU since 2012.

Steel tube industry forecast 2018-2019

In 2018, steel tube production in the EU is forecast to decline moderately as order books for pipeline construction projects at EU large welded tubes mill dry up. So far there is little evidence that significant volumes will be opened for tender in 2018. Moreover, legal uncertainty related to the European Commission's proposal for new EU anti-monopoly legislation also applies to offshore pipeline segments on EU territory. This could complicate Russia's plans for gas pipelines from Russia to Western Europe. As a consequence, the boost from this market is expected to disappear in 2018 and 2019. Meanwhile, demand for small welded tubes is forecast to continue to increase, supported by the overall positive business situation in the main downstream client industries.

Total EU steel tube output is expected to contract by 0.5% in 2018, followed by a 0.7% increase in production activity in 2019.

ELECTRICAL DOMESTIC APPLIANCES INDUSTRY

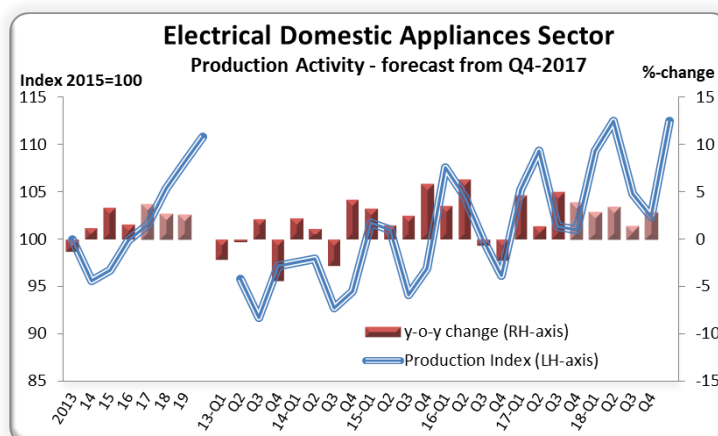
The electrical domestic appliances industry's output grew sharply in the third quarter of 2017.

Electrical domestic appliances output

Production activity in the EU's electrical domestic appliances sector picked up strength in the third quarter of 2017. Output grew by 5% year-on-year following rather modest growth in the second quarter. Output growth was positive in almost all reporting countries in the EU, though it was disappointing in Italy. Production activity grew rather strongly in the UK.

Electrical domestic appliances industry growth in 2017

The electrical domestic appliances market in the EU performed satisfactorily in the third quarter of 2017. This reflects continued high levels of consumer confidence, as well as easing access to, and the low cost of, finance. This is in combination with the ongoing



recovery of new housing and residential modernisation activity and the strength of residential property markets in general. Production activity in the fourth quarter of 2017 is estimated to have grown by 3.9% year-on-year.

This implies that total production growth over the whole year 2017 amounted to 3.7% and as such showed a better performance than previously expected.

Electrical domestic appliances industry forecast 2018-2019

Prospects for the European electrical domestic appliances market are relatively healthy. Although private consumption growth is expected to temper somewhat over the forecast horizon, the strength of the residential property markets looks set to be maintained.

Both new residential building activity and renovation and maintenance work are expected to remain on track for solid growth. Nevertheless, the EU appliances market in general, and the Western European market in particular, is characterised as mature due to the high penetration and long replacement cycles of electrical domestic appliances. Market dynamics will be positively affected by rising demand for smart features in household appliances as interest in connectivity-enabled smart devices that can be connected to the end-user's smartphone and monitored remotely is increasing.

At the same time, competition remains fierce, with market players from Asia and Eastern Europe increasingly gaining market share as consumers become more familiar with brands such as Haier, Hisense, and Gorenje. The level of competition is expected to intensify during the forecast period with the entry of several new players, possibly resulting in price wars, and mergers and acquisitions.

Production activity in the EU is forecast to rise by 2.7% in 2018 and by 2.6% in 2019.

TOTAL STEEL-USING SECTORS OUTPUT

Production activity in EU steel-using sectors again grew fairly strongly in the third quarter of 2017. Total output rose by 4.6% year-on-year, the same quarterly pace of expansion as registered on average over the first two quarters of 2017.

Year-on-year %-change EU Steel Weighted Industrial Production (SWIP) index												
	% share in total Consumption	Q117	Q217	Q317	Q417	Year 2017	Q118	Q218	Q318	Q418	Year 2018	Year 2019
Construction	35	5.0	4.1	4.6	3.4	4.3	2.3	2.3	2.8	3.0	2.6	2.2
Mechanical engineering	14	5.4	3.5	5.0	5.8	4.9	3.4	3.6	2.9	2.5	3.1	1.9
Automotive	18	6.4	-0.4	2.8	6.2	3.7	1.9	2.1	2.1	0.7	1.7	1.1
Domestic appliances	3	4.6	1.4	5.0	3.9	3.7	2.9	3.4	1.4	2.9	2.7	2.6
Other Transport	2	6.4	0.0	-0.8	3.3	2.3	1.6	3.5	3.3	3.1	2.8	2.9
Tubes	13	12.3	7.1	8.4	5.2	8.3	-1.9	-3.1	0.9	2.6	-0.5	0.7
Metal goods	14	6.1	3.0	5.0	6.2	5.0	3.0	3.5	2.9	2.2	2.9	2.3
Miscellaneous	2	4.4	0.8	3.8	2.6	2.9	1.2	2.8	2.5	1.4	2.0	3.0
TOTAL	100	6.4	3.0	4.6	4.9	4.7	1.9	2.1	2.5	2.3	2.2	1.8

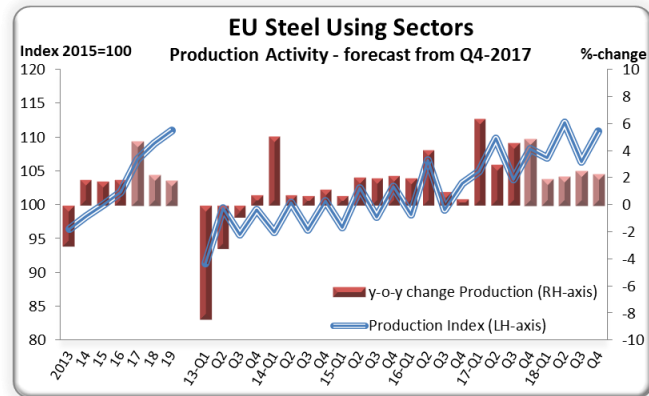
Total steel-using sector growth in 2017

The performance across countries and steel using sectors had already become more synchronised over the first half of 2017. This tendency strengthened even further in the third quarter. Growth dynamics in Central Europe have particularly improved compared with overall rather weak momentum in 2016.

As far as individual sectoral performances are concerned, the steel tube sector again posted strongest year-on-year jump in production activity, followed by the mechanical engineering, electrical domestic appliances and construction sectors. As expected, growth in automotive output soothed somewhat.

Fairly similar trends are expected to have shaped the fourth quarter performance of steel-using sectors in the EU.

Total output in 2017 is forecast to have risen by 4.7%, the strongest annual growth since 2011.



As expected, growth in automotive output soothed somewhat.

Total steel-using sector forecast 2018-2019

The outlook for 2018 and 2019 is positive, although activity in steel using sectors will settle back into a more moderate pace of expansion owing to waning momentum in the tube sector and automotive industry. Underlying economic conditions remain supportive to a steady pace of expansion in the other sectors.

Output in EU steel-using sectors is forecast to grow by 2.2% in 2018 and by 1.8% in 2019.

REAL STEEL CONSUMPTION

Real steel consumption growth dynamics in the third quarter of 2017 were solid.

EU real steel consumption grew by 3.5% year-on-year in the third quarter of 2017, on a par with the robust growth of production activity of the main steel using sectors in the EU.

Over the first three quarters of last year, end-user consumption of steel products grew by approximately 4% year-on-year, a rate of expansion which is well aligned with the increase in activity in the downstream steel using industries over this period.

Real steel consumption growth in 2017

With surveys and incoming figures for the fourth quarter of 2017 pointing to another period of above-trend growth in the EU economy and no signs of any slowdown of industrial dynamics, it is estimated that real steel consumption in the final quarter of 2017 increased again by some 4% year-on-year. This implies that for 2017 total growth in real steel consumption of 4.2% can be estimated, the best annual growth rate since 2012. This is partially the result of the temporary growth spurt in the production of steel tubes in the EU.

Real steel consumption forecast 2018-2019

Although economic factors will remain supportive to further growth in real steel consumption in the EU, the pace of expansion will slow to a more sustainable rate in 2018 and 2019. This is basically the result of production growth momentum in the tube sector coming to a stand-still and a further moderation in activity growth of the automotive industry.

EU real steel consumption is forecast to grow by 1.8% in 2018 and by 1.6% in 2019 and as such continue its gradual, return to higher end-user consumption levels.

Steel intensity will continue to exert a slightly negative influence on real consumption growth.

Forecast for real consumption - % change year-on-year

Period	Q1-17	Q2-17	Q3-17	Q4-17	Year 2017	Q1-18	Q2-18	Q3-18	Q4-18	Year 2018	Year 2019
% change	6.6	2.5	3.5	4.4	4.2	1.6	1.8	2.2	1.5	1.8	1.6

THE EU STEEL MARKET: SUPPLY

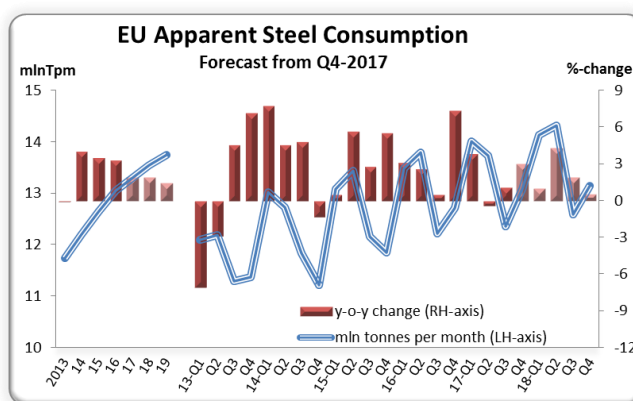
The supply-side of the EU steel market analysis factors in stock effects and the impact of domestic and foreign supply.

APPARENT STEEL CONSUMPTION

Apparent steel consumption concerns the supply of all steel products delivered to the EU28 market by domestic producers in the EU or third country exporters.

Apparent steel consumption in 2017

EU28 apparent steel consumption grew by 1.1% year-on-year in the third quarter of 2017. In contrast to the second quarter which was characterised by a contraction in domestic deliveries from EU suppliers due to a sharp increase in third imports, domestic deliveries rose by 4.4% year-on-year.



EU domestic and foreign supply

Having grown by around 8% year-on-year over the first half of 2017, the trend in third country imports turned negative in the third quarter of last year. Total steel imports fell by almost 14% year-on-year. This has to be seen in a context of an improvement in global steel prices – largely driven by the Chinese market – which narrowed the gap with EU domestic prices over imports. Another factor was the weakening of imports from China and some other countries that had anti-dumping and anti-subsidy measures placed on them by the European Commission after investigations. However, this also triggered other third country suppliers to increase exports to the EU.

Fairly similar market conditions are expected to have shaped the supply-demand situation in the fourth quarter. EU28 apparent steel demand is estimated to have risen by 1.9% in 2017.

Apparent steel consumption forecast 2018-2019

Prospects for a continued recovery in EU steel demand are positive. The expected strength of most steel using sectors bodes well for the demand side of the EU steel market. The supply side situation could be negatively affected by import distortions.

EU apparent steel consumption - in million tonnes per year											
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017 (f)	2018 (f)	2019 (f)
Million tonnes	121	148	158	141	141	146	152	157	160	163	165

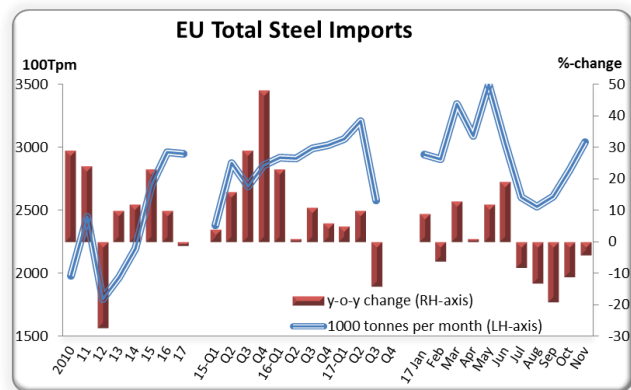
Forecast for EU apparent steel consumption - % change year-on-year

Period	Q117	Q217	Q317	Q417	Year 2017	Q118	Q218	Q318	Q418	Year 2018	Year 2019
% change	3.8	-0.4	1.1	3.0	1.9	1.0	4.3	1.9	0.5	1.9	1.4

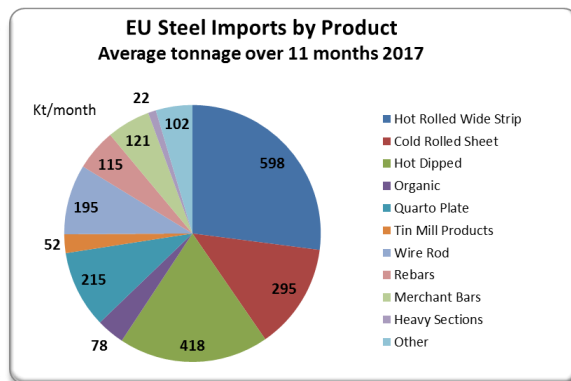
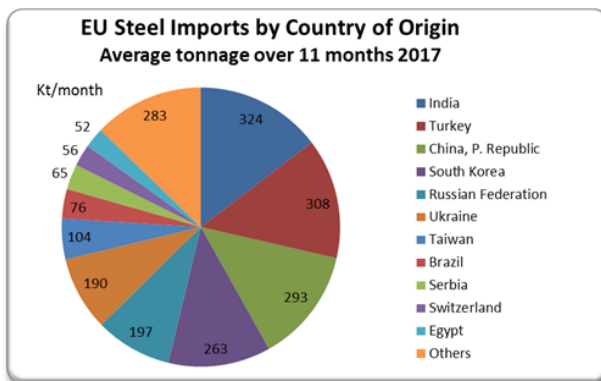
IMPORTS

Following the peak in monthly steel imports – including semi-finished steel products or ‘semis’ – in May third country imports into the EU softened somewhat over the June-August period but resumed a growing trend from September.

As a consequence total imports over the first eleven months of 2017 fell by just 1% year-on-year and remained very close to the 2016 record level. Based on SURV2 data for December finished steel imports decreased by the same rate over the whole year 2017.



Imports by country



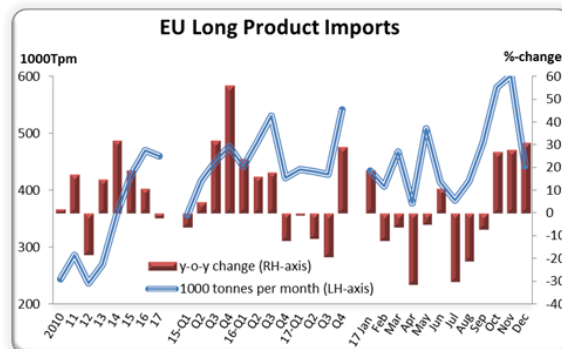
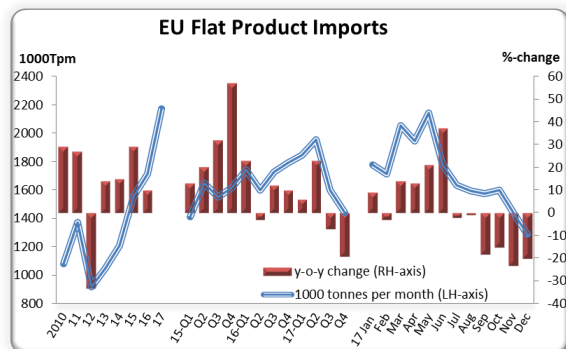
As far as the main countries of origin are concerned, India and Turkey were, in terms of volume, the largest steel exporters to the EU in 2017, followed by China, South Korea and Russia. These five countries represent almost 80% of total finished steel imports into the EU.

Finished product imports from India almost doubled in 2017 and imports from Turkey rose by 65%, thereby replacing impeded imports from China. Russia, Ukraine and Brazil’s imports into the EU decreased as these countries faced anti-dumping duties imposed by the EU Commission on certain products found to have been dumped. Smaller exporters, such as Serbia, Egypt and Taiwan benefitted from the gap left by the partial withdrawal of the countries that had measures imposed on them from the EU market, reflecting the continued existence of global excess capacity looking for outlets.

Imports by product category

The split of total finished imports into flat and long product imports shows that in 2017 flat product imports stabilised at the 2016 level, whereas long product imports fell by 2% compared with 2016.

Both flat and long product imports were on a negative year-on-year trend in the second half of

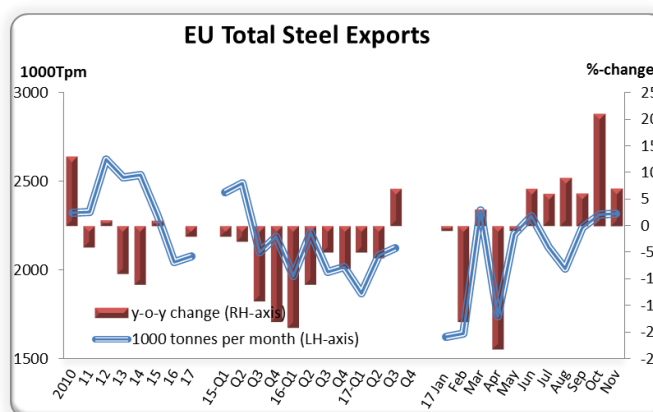


2017. The anti-dumping and anti-subsidy measures imposed by the EU Commission in 2017 had a positive impact on the overall reduction in imports from third countries. Global steel market supply and demand also gradually became better balanced owing to improving demand conditions and production cuts in China.

At the individual product level, imports of hot-rolled coil, quarto plate and tin mill products fell by 16%, 18% and 10% in 2017, respectively. Imports of all other major flat products rose sharply: cold-rolled sheet imports grew by 21% and hot-dipped galvanised sheet imports increased by 27% over the whole year 2017. Most long product imports showed a downward tendency. This was particularly the case with heavy sections and rebar, while wire rod imports rose by 5%.

EXPORTS

Total EU exports of steel products to third countries rose by 1% year-on-year over the first eleven months of 2017. While semis exports more or less doubled compared with the same period of 2016, total finished product exports decreased by 3% year-on-year. This reflected a 4% rise in flat product exports and a 15% contraction in long product exports.

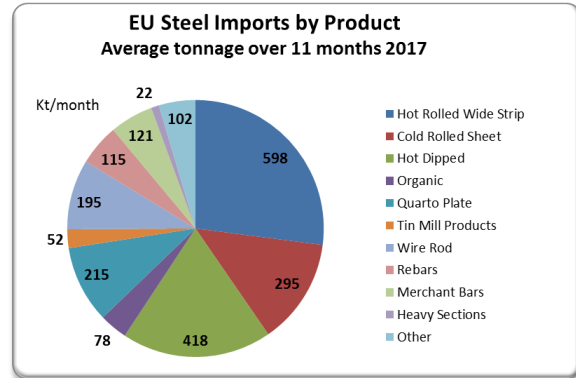
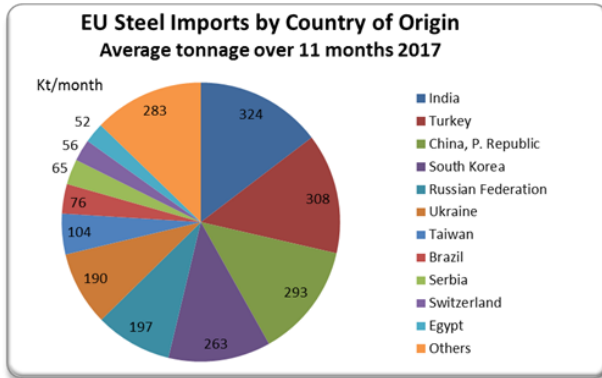


Exports by country

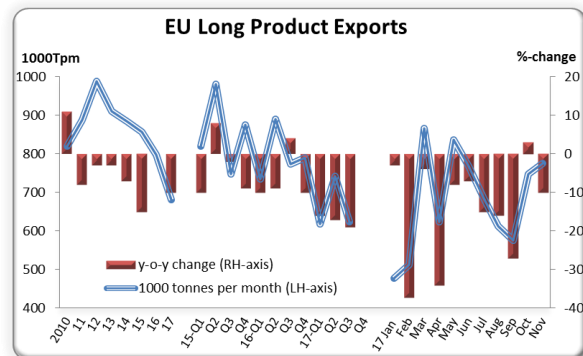
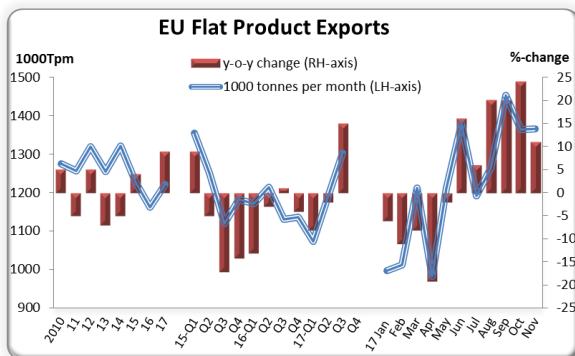
Turkey and North America were the main export destinations for EU flat and long product exports.

EU rebar producers have been able to book some tonnage from the volume opened up to exporters by Algeria's Ministry of Commerce in the final months of 2017. This helped to soften the overall reduction in EU long product exports, but could not prevent rebar exports from falling by almost 50% year-on-year over the first eleven months of last year.

The main destination countries for EU flat exports over the first eleven months of 2017 were Turkey and North America. The main destinations for long product exports were North America, Algeria and Turkey.



Exports by product category



Finished steel product exports accounted for 92% of total EU exports over the first eleven months of 2017; the remaining 8% was semis. Flat product exports made up for 65% of total finished exports and long product exports for the remaining 35%.

Trade balance

The slight reduction in imports and increase in exports resulted in a relative improvement in the EU's net trade deficit to an average of 870 kilotonnes per month over the first eleven months of 2017 compared with the 2016 monthly average of 913 kilotonnes.

The trade deficit in semis fell from on average 691 kilotonnes per month in 2016 to 560 KT over the January-November 2017 period. There was a sharp rise in the deficit in finished products, from on average 222 kilotonnes per month in 2016 to 310 kilotonnes per month over the first eleven months of this year.

The deficit for flat products decreased modestly, from on average 550 kilotonnes per month in 2016 to 528 kilotonnes per month, while the trade surplus in long products decreased from an average of 328 kilotonnes per month in 2016 to 218 kilotonnes over the first eleven months of 2017.

GLOSSARY OF TERMS

SECTOR DEFINITIONS ACCORDING TO NACE REV.2

Building & Civil Engineering

- 41 Construction of buildings
- 42 Civil engineering
- 43 Specialised construction activities
- 25.1 Manufacture of metal structures and part of structures
- 25.2 Manufacture of tanks. generators. radiators. boilers

Mechanical Engineering

- 28 Manufacture of machinery and equipment
- 27.1 Manufacture of electric motors. generators. transformers
- 25.3 Manufacture of steam generators. except central heating hot water boilers

Automotive

- 29 Manufacture of motor vehicles and trailers

Domestic Appliances

- 27.51 Manufacture of electric domestic appliances

Other Transport Equipment

- 30 Manufacture of other transport equipment
- 30.1 Building and repair of ships
- 30.2 Manufacture of railway locomotives and rolling stock
- 30.91 Manufacture of motorcycles

Steel Tubes

- 24.2 Manufacture of steel tubes

Metal Goods

- 25 Manufacture of fabricated metal products excluding 25.1-25.2-25.3

Other sectors

- 26 Manufacture of computer. electronic and optical products
- 27 Manufacture of electric motors. generators. transformers and electricity distribution and control apparatus excluding 27.1 and 27.5

EU STEEL MARKET DEFINITIONS

SWIP: abbreviation for Steel Weighted Industrial Production index. used as a proxy for real steel consumption. Activity in the steel using sectors is weighted with the relative share of each sector in total steel consumed by all sectors.

Real steel consumption: consumption of all steel products used by steel-using sectors in their production processes, also referred to as “final use” of steel products.

Apparent steel consumption: also referred to as “steel demand”. It concerns the supply of all steel products delivered to the EU28 market by domestic producers in the EU or third country exporters. If apparent consumption exceeds real steel consumption, the surplus is stocked in the distribution chain. If apparent consumption is less than real steel consumption, inventories are

being withdrawn. In formula: total deliveries + imports from third countries – exports to third countries – steel industry receipts

Steel industry receipts: deliveries for further processing from within the steel industry itself – subtracted to avoid double-counting of steel consumption

Narrow definition: EUROFER applies the so-called “narrow definition” which excludes steel tubes and first transformation products from the product scope used for calculating steel consumption. Hence, the steel tube sector is a steel using sector under this definition

Steel intensity: the ratio of real steel consumption to steel weighted production in the steel using sectors. This reflects the usually slightly negative impact on consumption of innovation in steel products, inter-material substitution, improvements in process efficiency and design, etc.

ABOUT THE EUROPEAN STEEL ASSOCIATION (EUROFER)

The European Steel Association (EUROFER) AISBL is an international not-for-profit organisation under Belgian law, based in Brussels.

EUROFER was founded in 1976 and represents the entirety of steel production in the European Union. EUROFER members are steel companies and national steel federations throughout the EU. The major steel companies and national steel federations in Switzerland and Turkey are associate members.

EUROFER is recorded in the EU transparency register: 93038071152-83

ABOUT THE EUROPEAN STEEL INDUSTRY

The European steel industry is a world leader in innovation and environmental sustainability. It has a turnover of around €170 billion and directly employs 320,000 highly-skilled people, producing on average 170 million tonnes of steel per year.

More than 500 steel production sites across 22 EU Member States provide direct and indirect employment to millions more European citizens. Closely integrated with Europe's manufacturing and construction industries, steel is the backbone for development, growth and employment in Europe.

Steel is the most versatile industrial material in the world. The thousands of different grades and types of steel developed by the industry make the modern world possible. Steel is 100% recyclable and therefore is a fundamental part of the circular economy. As a basic engineering material, steel is also an essential factor in the development and deployment of innovative, CO₂-mitigating technologies, improving resource efficiency and fostering sustainable development in Europe.