EUROFER
The European Steel Association

ECONOMIC REPORT

ECONOMIC AND STEEL MARKET OUTLOOK 2019-2020

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EUROFER AISBL • Avenue de Cortenbergh, 172 • B-1000 Brussels • Belgium
+32 3 738 79 20 • mail@eurofer.be • www.eurofer.eu • EU Transparency Register: ID 93038071152-83

INTRODUCTION

Apparent steel consumption fell by 7.7% year-on-year in the second quarter of 2019, after a drop of 1.6% in the first quarter. The negative trend in steel demand is the result of the ongoing slump in EU's manufacturing sector due to weakened exports and investment that has become more pronounced during the second quarter of this year. Leading indicators forecast a continuation of the downturn for the remainder of the year, with no rebound before the second quarter of 2020.

The current downslide of the manufacturing sector in the EU is not likely to bottom out soon: escalating trade wars between the US and several of its main trading partners and persistent uncertainty regarding Brexit have the potential to severely impact global trade conditions, lead to a further deterioration in business sentiment and curb investment growth. In this scenario, the EU steel sector would be severely impacted, also having to cope with growing import distortions as well as higher volatility as a result of the increase of safeguard measures' quota both this year and next.

EU STEEL MARKET OVERVIEW

EU28 apparent steel consumption fell by 7.7% year-on-year in the second quarter of 2019 and amounted to 39.3 million tonnes. The stock cycle turned negative in the second quarter of 2019, contrary to the seasonal pattern, which further exacerbated the negative trend in final steel use. In fact, the inventory cycle in the second half of last year showed lower than usual seasonal inventory reductions which resulted in relatively high stock levels in early 2019. Worsening business conditions in the steel-using sectors since the start of this year have triggered a steeper-than-expected reduction in stocks over the second quarter of 2019. The current downturn in steel demand led to fall of 4% year-on-year in domestic deliveries in the EU in the second quarter of 2019, following a decrease of 3% in the first quarter. After the drop of 1% year-on-year recorded in the first quarter of this year, third country imports decreased considerably in the second quarter (by 19%), and amounted to 8.5 million tonnes, accounting for 21.7% of EU steel demand.

Developments in total imports conceal distortions at the individual product level. These are essentially caused by the design of the current safeguard mechanism, and which has resulted in a rush to maximise quarterly quota allowances by several key exporters to the EU such as Turkey and China. This has been particularly visible for metallic coated sheets for automotive applications, rebar and wire rod.

Since the second quarter of 2019, the challenges that the EU sector has to face have become more severe, with even more negative repercussions on market conditions. After recording falls over the first two quarters of 2019, early indications for the third and final quarter of this year signal a further year-on-year reduction in real steel consumption, resulting in a total decrease in real steel consumption by 0.5% over the year 2019. For 2020 a low-level stabilisation is expected. The expected reduction of apparent steel consumption in 2019 of 3.1% year-on-year and persisting import pressure is, in essence, expected to predominantly penalise EU steel producers in their financial performance.

Market conditions are expected to improve slightly from the second quarter 2020, although risks related to import distortions and continued global overcapacity are likely to continue undermining the stability of the EU steel market. Apparent consumption is expected to recover in 2020 with a growth rate of 1.4%, basically as a result of a modest re-stocking.

EU STEEL-USING SECTORS

Business conditions in the manufacturing industry have been deteriorating since the peak of the previous cycle, around the end of 2017. However, there was an acceleration in this downward trend in the second quarter of 2019, particularly in the automotive industry, while the construction sector has continued to record growth in output. This has resulted in a pronounced slowdown in output growth in steel-using sectors. Total output in steel-using sectors fell by 0.2% year-on-year in the second quarter of 2019, having registered positive growth in the first quarter.

The downturn in industrial activity does not only affect Europe, but has reached a global scale, reflecting growing trade tensions and uncertainty – which increasingly hamper business investment. Although a substantial rebound is not in sight, some recovery in EU steel-using sectors is expected over the course of 2020.

However, external risks will continue to cast a shadow over the coming quarters. Global trade fundamentals have clearly changed for the worse, due to the US government's new tariffs on goods imported from its main trading partners, triggering a retaliation with similar tariffs on US products. As a consequence, the EU's manufacturing sector is experiencing a serious downturn, given its large exposure to global trade. A no-deal Brexit and a further escalation in protectionist trade measures would make the outlook even more negative. On the other hand, an orderly Brexit and easing trade disputes between the US and its main trading partners would help restore business confidence and support activity in steel-using industries.

Output in the EU's steel-using sectors is forecast to grow by 0.4% in 2019 and by 0.6% in 2020.

EU ECONOMIC CONTEXT

The outlook for the global economy has further deteriorated over the second quarter of 2019 and downside risks have become stronger, coupled with the intensified slowdown in international trade that has considerably affected industrial activity and led to disruptions in downstream supply chains. The EU economy appears to be particularly vulnerable as it is largely exposed to fluctuations in international trade; most of its contribution to growth during the previous cycle came from exports. On the other hand, economic growth, albeit slowing, continued to be supported by final consumption – which has partly offset declining contribution from exports. Services, contrary to the weakness of the industrial sectors, have proven more resilient, also due to the fact that they are far less exposed to both internal and external competition.

The EU economy continues to be subject to downside risks, such as a possible escalation of the trade dispute between the US and its main trading partners, followed by a no-deal Brexit, through a further deterioration in business sentiment and lower investment growth. GDP growth has been slowing down both at the world level and in the eurozone since the peak in the international economic cycle in the second half of 2017. This slowdown has gained speed during 2019, particularly in Germany – the eurozone's largest economy – as a result of the continued slump in manufacturing in general and the automotive industry in particular. As a result, the EU recorded its lowest year-on-year growth rate since the second half of 2013 in the second quarter of this year. The macroeconomic outlook is not likely to improve significantly, reflecting continued uncertainty and weakness in most industrial sectors, although the EU economy is not expected to slide into a recession thanks to expansionary monetary and – to a lesser extent – fiscal policies.

EUROFER's third quarter 2019 forecast for EU GDP growth is 1.2% both in 2019 and in 2020.

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GDP GROWTH

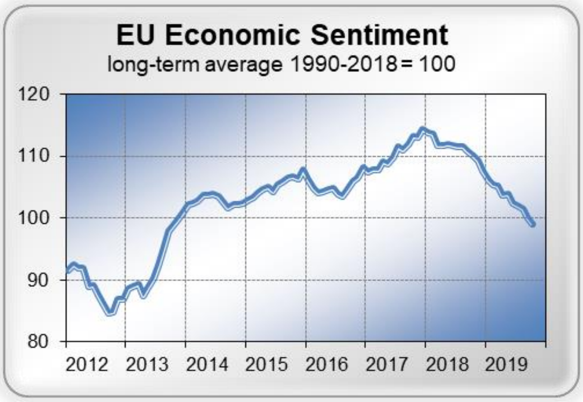
In the second quarter of 2019 EU economic growth clearly lost speed compared to the first quarter of this year. GDP rose, in real terms, by a meagre 0.2% quarter-on-quarter both in the EU28 and in the eurozone, a significantly lower rate than the 0.5% in the EU28 and 0.4% in the eurozone registered in the preceding quarter. Real GDP growth also lost speed in year-on-year terms.

Modest GDP growth was mainly led by a marginal contribution from fixed investment and private consumption, whereas exports provided a negative contribution for the first time since the first quarter of 2018, stemming from ongoing global uncertainties and weak international trade conditions. The construction sector recorded a drop in investment of 0.2% in the second quarter of 2019 in the EU28 and zero growth in the eurozone, compared with positive growth figures over the first quarter. Moreover, the slowdown in the manufacturing sector continued in the second quarter, resulting in the lowest level of manufacturing production activity since July 2017.

At the individual country level, the weakness of the German economy clearly has begun to weigh down on EU economic growth. German real GDP growth was even marginally negative in the second quarter and the latest leading indicators signal the increasing likelihood of a recession in the final quarter of the year. By contrast, the Spanish economy remained on a path of solid growth, albeit slightly slower than in the first quarter, thereby continuing to outperform other major eurozone economies. Economic conditions in Italy showed no improvement, as economic growth was almost flat for the third consecutive quarter. Meanwhile, the French economy continued to grow steadily; GDP growth remained unchanged at 0.3% in the second quarter. In contrast, the 0.2% GDP drop in the UK signals an abrupt change in the country's economic performance. While GDP growth in the first quarter of the year had been partly fuelled by precautionary stock building, support from business and consumer spending faltered due to growing Brexit uncertainty.

CONFIDENCE INDICATORS

Economic sentiment indicators for the EU fell to their lowest levels since many years over the past few months in a reflection of widespread uncertainty with regard to resurfacing global recession fears, rising trade tensions and the still largely unknown consequences of Brexit.

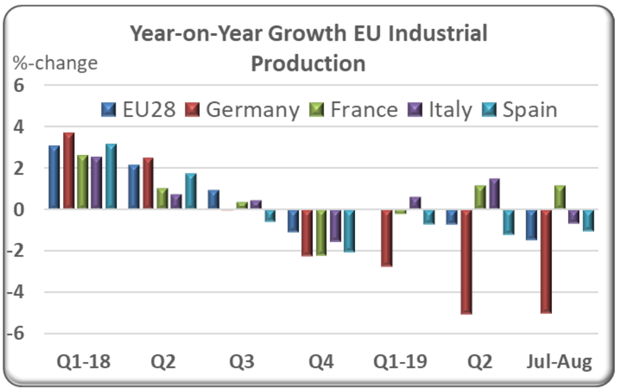


The European Commission's business and consumer survey for October shows that economic sentiment in the EU fell to its lowest level since December 2013. Over the past few months industrial confidence registered a sharp decrease due to a markedly more pessimistic view of industry managers on past production activity, new order intakes and stocks of finished products. In contrast, sentiment improved slightly among consumers whereas it was more or less stable in services, construction and in the retail sector. Germany registered a steep fall in industrial confidence, suggesting that the German manufacturing recession could deepen over the final quarter of 2019.

IHS Markit Eurozone PMIs signal similar tendencies. The IHS Markit Flash Eurozone PMI Composite Output Index remained in October at 50.2, just above the 50 no-change mark and its lowest level since June 2013. As in previous months, weakness was centred in the manufacturing sector. IHS Markit's Flash Eurozone Manufacturing PMI remained at 46.2 - its lowest reading since October

2012 - having deteriorated in September by the strongest degree in almost seven years, led by Germany.

The continued decline in industrial confidence mirrors the protracted weakness in industrial activity in the EU. The deterioration in industrial production (excluding construction) intensified over the past months. The year-on-year decline in German industrial production deepened in the second quarter and over the July-August period. Spain was the only large EU country that registered a slight increase in output in recent months.



Weakening hard data and indicators and the fact that Germany is leading the manufacturing downturn do not bode well for industry in the EU. Against this background, any short-term improvement in industrial activity should be ruled out. Lower production levels and increasing evidence of rising product stock levels in the manufacturing supply chain amid trade war concerns and persisting Brexit-related uncertainty are bound to have a negative impact in investment decisions going forward.

ECONOMIC FUNDAMENTALS

For the time being, the global trade outlook continues to weigh down on economic growth perspectives of the EU and represents the main source of uncertainty.

In the first quarter of 2019 global trade had been showing some tentative signs of stabilisation. The stabilisation was largely driven by some of the emerging markets in Asia, which also were largely responsible for the previous deterioration in international trade conditions, as well as by North America. However, May and June data for global trade volumes show that exports from all major global trading areas – with the exception of low growth in exports from China – declined on a monthly basis. In addition, imports have decreased in all major economic areas. These latest developments reveal a deterioration in global trade conditions and weak demand, which is likely to worsen in the light of possible further escalation in the trade tensions between the US and China, where imports have decreased constantly since January this year. Further escalation would imply that economic damage is likely to increase.

EU28 Economic indicators

Year-on-year change in %

EUROFER Forecast	2017	2018	2019 (f)	2020 (f)
GDP	2.6	1.9	1.2	1.2
Private consumption	2.1	1.6	1.4	1.4
Government consumption	1.1	1.1	1.6	1.2
Investment	3.4	3.1	2.4	1.2
Investment in mach. equip.	4.7	3.7	2.1	1.3
Investment in construction	5.3	5.0	2.9	2.2
Exports	5.9	3.0	1.9	1.9
Imports	5.2	3.4	2.6	2.2
Unemployment rate	8.2	7.5	6.9	6.7
Inflation	1.7	1.9	1.4	1.6
Industrial production	3.2	1.6	-0.5	0.7

(f) = forecast

Due to the worsening outlook for international trade, the EU economy will depend more strongly on the resilience of domestic demand for the remainder of 2019 and in 2020.

The outlook for private consumption remains relatively robust. Labour market fundamentals continued to improve, albeit at a slower pace than before in most EU countries. However, job creation is increasingly affected by lower levels of production activity in industry and by persistent uncertainty on near-term business conditions. Nevertheless, the EU28 unemployment rate fell to 6.2% in August, a new record low since the start of the series in January 2000. The current tightness of the labour markets is driving a pick-up in wages. In combination with low headline inflation, consumers benefit from real gains in disposable income, which should be supportive to private consumption growth for the time being. It remains to be seen whether the gains will fully translate into consumption; should consumers gradually become more cautious, they may consider increasing their saving rate. Private consumption is expected to grow by 1.4% in 2019 and in 2020.

Prospects for investment have worsened. The combined effect of cooling global GDP growth, increasing trade frictions, policy uncertainty and the ongoing profit squeeze in the corporate sector will lead to entrepreneurs putting the brake on business investment in machinery and equipment. Lower investment will exacerbate the slump in industrial activity. Meanwhile, several economic institutes have signalled that the risk of a global economic recession is rising. Particularly with regard to the US and Germany, recession fears are resurfacing. Should this risk materialise, the manufacturing sector in the EU will bear the brunt, particularly in those economies that rely heavily on exports.

Meanwhile, the outlook for construction investment is still rather benign and reflects the solid activity in the real estate and construction sector. Together with still easy access to financing, this will moderate the slowing trend in total investment growth.

Government investment and public expenditure could have a mildly positive impact on domestic demand. After years of austerity, the role of fiscal policy as stimulator could make some progress, also due to the exhaustion of monetary policy stimulation. Supporters of this approach appear to be gaining ground now that the budget situation has improved significantly across the EU Member States and interest rates payable on government debt are very low or even negative. In France and the Netherlands fiscal stimuli are already being applied. However, it remains to be seen whether this type of stimulation may turn the tide, because most economies are at their end of the current economic growth cycle.

Meanwhile, the ECB decided in its September meeting to deliver a strong easing package in recognition of the increased risks for the EU economy stemming from a protracted slowdown, persistent threats to global trade and downward revisions for inflation. The package will consist of further negative deposit facility rates, strengthened forward guidance, more quantitative easing and easing Targeted Longer-Term Refinancing Operations (TLTRO) conditions. The ECB also called for more active fiscal policies. However, monetary policy stimulation is generally assessed as nearing its point of exhaustion.

GROWTH OUTLOOK FOR 2019-2020

On balance, the EU's economic perspectives for the remainder of 2019 and 2020 weakened markedly over the third quarter. The main reason is the export-driven slowdown gaining strength amid increasing economic uncertainty, with a strongly negative impact on the manufacturing sector in the EU. GDP growth is forecast to be 1.2% in 2019.

Given that the primary drivers of the export-driven downturn - a slowing global economy and increasing trade frictions – are unlikely to see any improvement anytime soon, the base case economic scenario for 2020 is assessed to be a stabilisation of the status quo with regards to the various import tariffs and trade restrictions currently being applied by several administrations.

However, chances that a more negative scenario could develop have increased lately. Triggers could be a "no-deal" Brexit pushing the UK into a recession, a deepening German recession due to the Trump administration applying tariffs to EU automotive imports and a manufacturing-led recession in the EU. These would be the basic ingredients for a further sharp deterioration in international trade conditions and a global economic recession.

This would feed into the economy via a further deterioration in business sentiment and slower investment growth. Equally, it would intensify the manufacturing slump in the EU, and lead most certainly to negative spill-over effects in services and through weakening employment hit consumer demand.

EUROFER's fourth quarter 2019 forecast for EU GDP growth is 1.2% in 2020.

THE EU STEEL MARKET: FINAL USE

OUTLOOK FOR STEEL-USING SECTORS

The manufacturing slump in the EU deepened in the second quarter of 2019. The automotive sector registered the sharpest fall in production activity since the first quarter of 2013. In most other sectors output fell as well. The main exception was the construction industry where growth remained quite robust. Persistent headwinds will weigh on the steel using sectors over the coming quarters.

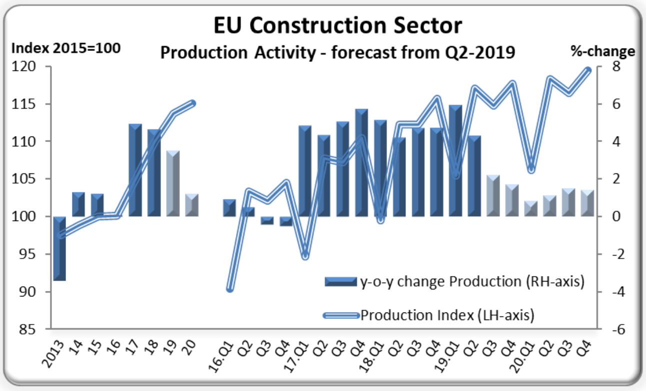
CONSTRUCTION INDUSTRY

The momentum of the EU construction sector continued over the second quarter of 2019. The growth rate was a bit lower than in the exceptionally strong first quarter, but remained very close to the average quarterly growth rate of production registered in 2017 and 2018. The sector is set for a third consecutive year of relatively strong production growth.

Construction industry output

EU production activity in the construction sector rose by 4.3% year-on-year in the second quarter of 2019, a bit lower than the spectacular 5.9% recorded in the first quarter. The second quarter marked the tenth quarter in succession of robust expansion in the EU construction sector. The sector also remained over this period the best performing key steel using sector.

Construction industry activity in the second quarter of 2019

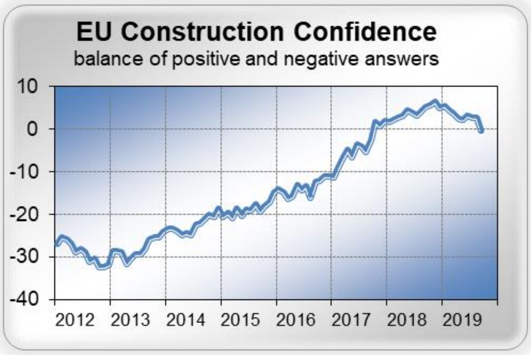


In the second quarter of 2019, construction activity grew in all reporting countries except Slovakia. Output growth was particularly pronounced in Austria, Croatia, Hungary, the Netherlands, Poland and Spain. Equally, construction production activity expanded, albeit at lower rates, in all other reporting countries, with Germany, Sweden and the UK recording lower growth rates compared to those reported in the first quarter, and France and Italy recording higher growth rates. In contrast, in Slovakia construction output fell for the second consecutive quarter.

In line with actual construction production volumes, gross fixed investment in construction in the second quarter grew in real terms by 3.1% year-on-year, compared with 4.8% in the preceding quarter. This translated into a marginal drop of 0.2% quarter-on-quarter, which is most probably a first sign of the cooling-off of the sector further to the rather strong cycle of the previous quarters. Looking at the performance of individual countries, as in previous quarters Eastern European countries generally recorded higher growth rates.

Construction industry forecast 2019-2020

Prospects for the EU construction sector continue to be relatively positive, although some slowdown is already expected. The EU construction confidence indicator has remained well above its long-term average over the first half of this year, but has continued to decline since the peak of the overall economic cycle around of mid-2018. This trend has continued according to latest monthly figures (October 2019) signalling that business players expect lower activity levels, even though the outlook should remain positive. The expected slowdown is not only due to demand-related factors such as weakening economic fundamentals and a general cooling of market dynamics after several years of strong growth.



The slowdown will become more visible during 2020 resulting in lower growth rates in construction production in most EU countries. However, the construction industry will outperform the other steel-using sectors with regards to the expected trend in production activity.

The residential construction market is expected to remain relatively buoyant as in several countries demand continues to outweigh supply. In some countries, such as Spain, housing demand continues to be strong and has still room for growth, having not yet recovered from the losses due to the housing market collapse of 2009. Across the EU, improving real wages – that have been growing at higher rates than the overall economy – as well as the low cost of mortgage financing thanks to unprecedented accommodative ECB monetary policy – will continue to provide stimulus to demand for both new housing and repair and maintenance work. On the other hand, in many EU countries the residential construction cycle has already peaked in 2017 and thus will have less room for further growth, also due to low population growth, particularly in Western Europe.

The private non-residential construction sector has also been growing in recent quarters, but at lower rates than residential and civil engineering, hampered by subdued business confidence and corporate investment, despite cheaper-than-ever borrowing costs thanks to the ECB's monetary policy, which would signal that business investment is no longer particularly reactive to interest rates at record lows. The downturn in the manufacturing industry in Europe will most likely contribute to delay investment decisions, as well as the pronounced slowdown in EU exports which will impact export-related business investment. Moreover, the global trade downturn and Brexit-related uncertainty have also the potential to delay investment decisions.

In contrast, the role of civil engineering as a growth engine for the construction sector is expected to strengthen over the forecast period, as it will continue to record higher growth rates than both residential and non-residential construction. Civil engineering activity is gaining speed in several countries, thanks to improving investment in infrastructure projects, to higher efficiency in project implementation, as well as improved public finances in many Member States and to lower government debt service costs, which leaves more room for higher public construction spending. In Eastern European countries, construction activity growth remained driven by strong and steady infrastructure demand. The pace of EU-funded investment also accelerated as in the second quarter of 2019 these countries have on average spent 40% of their total allocated resources under the European Commission's 'Network Infrastructure in Transport and Energy' theme.

Total EU construction output is forecast to increase by 3.5% in 2019 and by 1.2% in 2020.

AUTOMOTIVE INDUSTRY

The EU automotive sector is suffering its worst slump since the Eurozone crisis. Sluggish domestic and export demand, trade-related uncertainties, emissions woes, shifting patterns in ownership and model ranges are taking their toll on production activity. The year-on-year drop in output deepened in the second quarter.

EU passenger car and commercial vehicle demand

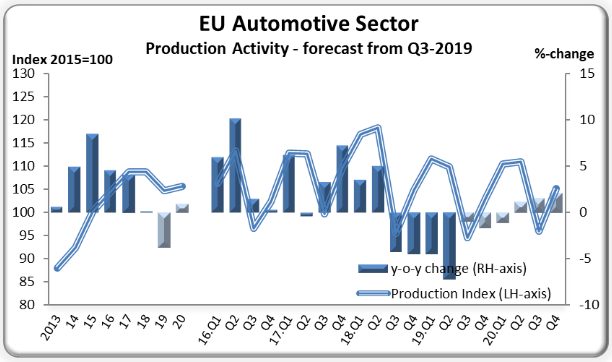
On balance, EU passenger car sales registered positive growth over the third quarter of 2019. This was mainly the result of a 14.5% increase in September compared with the same month of 2018 when sales plunged following the introduction of the WLTP testing regime. Total third quarter registrations grew by 2.3% year-on-year. This limited the reduction in EU car registrations to 1.6% year-on-year over the first nine months of 2019. Germany was the only large EU market that registered a rise in sales over this period, whereas in the Spanish market new car purchases were on a sharply declining trend.

Meanwhile, registrations of commercial vehicles continued to grow robustly in July and August, but registered a sharp drop in September. Over the first nine months of 2019, registrations of commercial vehicles rose by 4.6% year-on-year. Germany saw the strongest gains in total commercial vehicle sales in over this period..

Vehicle exports to third countries continued to lose ground over the third quarter of 2019 in sync with the persistent weakening of demand in key global markets. This resulted in exports of German and UK manufactured cars falling by double-digits over the first three quarters of 2019.

Automotive sector activity in the second quarter of 2019

Production activity in the EU automotive industry fell by 7.2% year-on-year in the second quarter of 2019. Falling demand for new passenger cars in Europe and in key export markets such as the US, China and Turkey, combined with the final reverberations of WLTP and model changes had a sharply negative impact on production activity in most EU countries. Production in Germany, Italy and especially in the UK registered a severe contraction, whereas output in central Europe still showed growth compared to the same period of 2018. On balance, EU output fell by more than 6% year-on-year over the first half of 2019.



Automotive industry forecast 2019-2020

It remains to be seen whether the mildly positive year-on-year trend in EU new passenger car sales registered in the third quarter will hold in the remainder of the year. The fact that sales were extremely weak in the fourth quarter of 2018 should provide for a mildly positive base effect which combined with the resilience in consumer confidence would support the expectation of the market in 2019 having stabilising around level seen in the previous year.

In 2020, the EU passenger car market could register a modest increase as demand continues to recover from its recent lows. With WLTP distortions having faded out by then, the launch of new models - many of them electric vehicles – could be a driving force. Meanwhile, the outlook for private consumption remains relatively robust owing to the expected strength of the labour market and further gains in disposable income.

However, subdued car demand from major markets such as the US, China and Turkey does not bode well for EU car exports. With many advanced economies being close to saturation in terms of vehicle density, the ageing population implies lower demand. Global demand is therefore increasingly driven by the emerging markets, but rising domestic production in these regions implies that they increasingly will be able to satisfy their domestic demand and will rely less and less on imports of cars produced elsewhere.

The commercial vehicle market segment looks set to remain relatively stable in the remainder of 2019 and in 2020. Demand for light commercial vehicles is expected to remain rather buoyant whereas registrations of heavy commercial vehicles – having grown significantly over the past few years – may lose momentum. Across the market segments, demand for low-emission vehicles will continue to increase.

Trade-related risks remain considerable; US threats to impose tariffs on EU automobiles and automotive parts and components still hangs over the industry. This would disproportionately impact German and a significant part of the Central European industry, which have extensive trade linkages with the US market and are closely integrated into European auto supply chains.

On balance, the outlook for the EU automotive sector remains weak. Automotive OEMs in the EU will not only have to face challenges related to the demand-side of the market, but also have to deal with approaching emissions regulation changes in both the car and commercial vehicle segments with even the threat of fines for non-compliance. This may lead rather radical changes in model ranges, with the entry-level segments coming under particular pressure.

EU automotive production is forecast to fall by 3.8% in 2019 and to rise by 0.9% in 2020.

MECHANICAL ENGINEERING

In line with expectations, production activity in the EU mechanical engineering sector registered negative growth in the second quarter of 2019 as the lack of new orders started to take its toll on production activity.

Mechanical engineering output

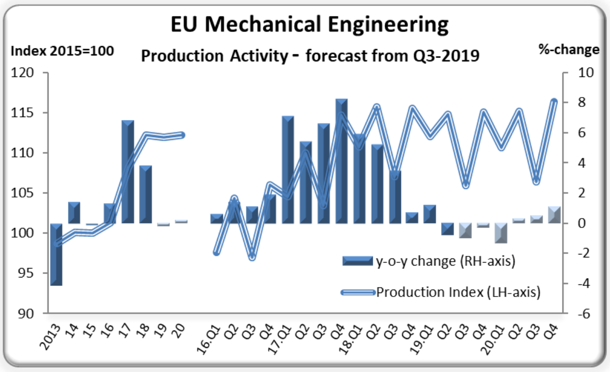
Production activity in the EU mechanical engineering industry fell 0.8% year-on-year in the second quarter of 2019 as the negative impact of slowing capital investment growth in the EU, weaker international trade, slowing global economic growth, protectionist policies and continuing Brexit uncertainty outweighed positive support to output growth from orders that were still in the production pipe line. As a consequence, growth of production activity over the first half of the year almost came to a standstill.

Industrial activity in the EU rapidly lost momentum over a relatively short time span. Since Q3-2018, manufacturing output is on falling year-on-year trend. Manufacturing activity has been dragged lower by the downturn in international trade, the automotive slump and weakening business investment as a result of the significant loss in confidence in the corporate sector. With production requirements decreasing and efforts being made to reduce supply chains stocks accordingly, manufacturers' buying levels are falling sharply. Strongly increased pessimism on the business climate in general due to trade-related and Brexit uncertainty as well as on incoming orders and near-term production activity led to investment decisions being postponed.

Mechanical engineering activity in the second quarter of 2019

Production activity fell by 0.8% year-on-year in the second quarter of 2019, thereby hiding strongly diverging trends at the individual country level.

Growth was generally negative in the western European countries, led by Germany, Netherlands, Belgium, Italy, Spain and the UK.



In contrast, production activity in Central Europe continued to grow at a rather robust pace. This basically reflects a different product focus and a lower export dependency than the majority of producers in Western Europe.

Mechanical engineering forecast 2019-2020

Due to the relatively strong reliance of the mechanical engineering sector in the EU on export markets and the investment climate, prospects for the remainder of 2019 and for 2020 are far from bright. The combined effect of cooling global GDP growth, increasing trade frictions, weakened demand in key domestic markets in the EU, policy uncertainty and the ongoing profit squeeze in the manufacturing sector in general, and the automotive industry in particular, will put the brake on investment decisions. In Germany – the largest producer of mechanical engineering goods in the EU with a widespread supplier network in the EU – the outlook is grim due to the pronounced slump in its domestic manufacturing and automotive sectors. Germany is also impacted by its relatively strong dependence on export markets, such as the US, China and Turkey.

International trade conditions will remain rather subdued for the time being. Slowing global growth will go hand in hand with a downturn in the global investment cycle. Amid currently high levels of uncertainty, companies in most downstream sectors are likely to shy away from investment in new machinery and equipment and will instead favour maintenance, debottlenecking and upgrading of existing machinery.

Trade uncertainty is not expected to fade anytime soon. The US and China remain embroiled in a trade dispute with each country applying tariffs on commodities such as agricultural products, consumer goods, vehicles and machinery and equipment. Both the US and China report that they are continuing to work together to reach a trade agreement and delete tariffs as soon as possible. However, as seen during the past year, the outcome of the negotiations remains highly uncertain, since both countries are unlikely to give ground on positions taken in the dispute. Nevertheless, if a final agreement were to be reached in the short term, this would have a positive impact on international trade and global demand for machinery and equipment.

Business conditions are expected to improve slightly in 2020 as the manufacturing sector in the EU begins to recover from the slump in 2019. However, it will take time before a rebound in orders feeds through in production activity. Brexit finally coming to a conclusion should have a mildly positive impact on business confidence. This should have a positive impact on investment intentions. Easy credit conditions will also continue to provide support to capital goods investment. This should both reduce uncertainty for exports and prop up a rebound in international trade.

Production activity is forecast to stagnate this year and next, with a drop in output of 0.2% in 2019 and an increase of 0.2% in 2020.

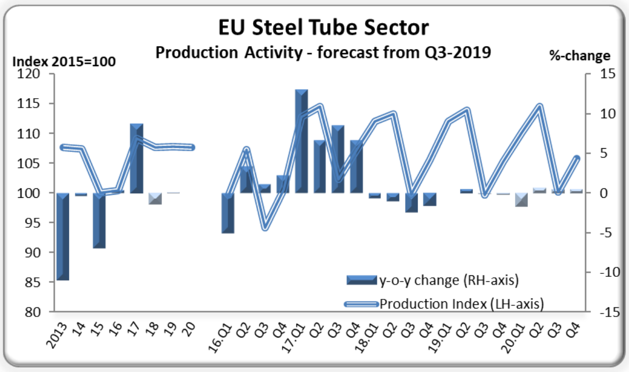
STEEL TUBE INDUSTRY

Production activity in the EU steel tube industry remained relatively close to the year earlier level in the second quarter of 2019. The output levels of steel tube manufacturers have become more closely aligned with downstream sectors such as construction, automotive, the metal goods and mechanical engineering sector now that the negative impact from the sharp drop in demand for large welded tubes from the energy sector has faded.

Steel tube industry output

In the second quarter of 2019, output in the EU steel tube industry registered a very modest increase in production activity compared with the same quarter of 2018, a fairly similar situation to the business scenario recorded in the first quarter. At the individual country level, the divergence in output trends remained rather significant. In Central Europe production activity registered an increase, whereas in Spain and Austria steel tube output fell rather sharply.

Steel tube industry activity in the second quarter of 2019



Particularly the continuation of robust growth in the construction sector in the EU had a positive impact on demand for steel tubes and hollow profiles for construction applications in the second quarter of 2019. This helped mitigate the negative impact of deteriorating demand conditions in other sectors, such the automotive industry, mechanical engineering and the metal goods sector. Due to the sharp downward correction in the output of large welded tube in the German steel tube industry over the course of 2018 – as a response to the boom in demand for large welded tubes from the energy sector coming to a halt at the end of 2017 – the steel tube sector has found a new equilibrium.

Steel tube industry forecast 2019-2020

Output in the EU steel tube industry is expected to remain stagnant in both 2019 and 2020.

The outlook for demand for large welded tubes from the oil and gas sector is expected to remain weak. The most important regional project from which EU large welded tube producers could benefit is the Nord Stream 2 project. However, precious little progress has been made over the past few months in solving the political and commercial issues hampering completion of the project. With the pipeline approaching almost the Danish border, Russian President Vladimir Putin urged Denmark to ignore U.S. pressure and “show it has sovereignty” by allowing the Nord Stream 2 gas pipeline to go through its territory. So far, Denmark has not yet issued a permit for the construction of the pipeline in its territorial waters. Meanwhile, Royal Dutch Shell has asked the U.S. Congress not to enact sanctions against the Nord Stream 2 project. The US Senate passed a bill last July to place sanctions on companies and individuals involved in building the Nord Stream 2 gas pipeline from Russia to Germany. The Trump administration claims that the project would strengthen Moscow's economic grip on Europe. Russian gas producer Gazprom leads the project while other participants, who provide financial support, include Shell, Germany's Uniper and Wintershall, Austria's OMV and France's Engie. Rather than becoming more reliant on Russian gas, the US would prefer that Europe uses more LNG. Record investments of $50 billion have turned 2019 into a banner year for LNG, with Canada and the United States being the main drivers.

The demand outlook from the other downstream steel tube market segments is expected to remain fairly sluggish. Demand from the construction sector looks set to continue to increase, albeit most likely at a somewhat reduced growth rate, on a par with the expected slowdown in output growth in the construction sector. Tube demand from the automotive and engineering sectors is forecast to remain rather weak, in spite of a very slight growth expected for production activity in these sectors.

Import pressure on steel tube markets in the EU will remain high; this will be particularly true for the commodity segment.

Total steel tube output in the EU is expected to stabilise at the 2018 level in 2019 and 2020.

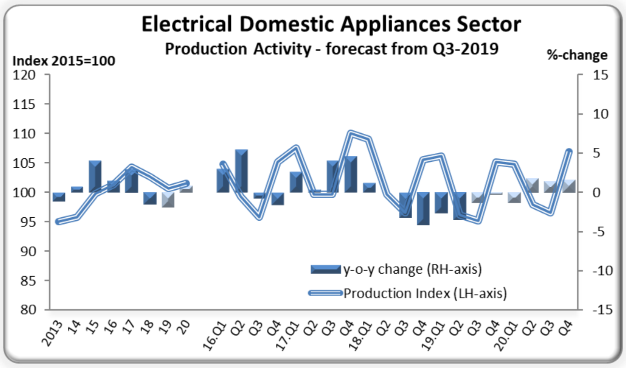
ELECTRICAL DOMESTIC APPLIANCES INDUSTRY

Production activity in the electrical domestic appliances sector continued to drop in the second quarter of 2019, with a steeper fall than in the first quarter (i.e. by -3.5% vs. -2.6%).

Electrical domestic appliances output

Production activity in the EU's electrical domestic appliances sector fell by 3.5% year-on-year in the second quarter of 2019, which was the fourth consecutive quarter without growth. Revised output data for the second half of 2018 signalled that the reduction in output over the whole year 2018 was more negative than previously expected, resulting in an annual decrease of 1.5%. This has exacerbated the negative trend in production of the electrical domestic appliances sector in the EU since the third quarter of 2018.

Electrical domestic appliances industry activity in the second quarter of 2019



As in the previous quarter, the 3.5% year-on-year drop in production activity in the electrical appliances sector concealed diverging trends at the individual country level. The negative trend continued in major economies such as Germany, France, Italy, Spain and Austria, whereas production increased markedly (i.e. at double-digit growth rates) in Slovakia, in the UK and – at a lower rate – in Poland and the Netherlands. The positive market conditions that had materialised during the exceptional economic upturn of 2017 - supported by rising consumer confidence and improving wages - faltered in the first quarter of last year and translated into a severe decline that has continued since the second quarter of 2018.

Electrical domestic appliances industry forecast 2019-2020

EU demand for electrical domestic appliances is largely driven by replacement demand; this is particularly true for Western European markets. Within the European domestic appliances market, consumer patterns vary significantly among individual countries. This is partly a result of the highly-fragmented retail market in the EU and the large variety of products, brands and retail channels, which are also evolving very rapidly. Additional new sales also depend strongly on demographic trends such as the increase in single-person households and sales of items that are related to housing and real estate markets. In Central and Eastern Europe (i.e. as traditionally opposed to "mature" Western economies) new sales are still growing, whereas replacement demand is only just emerging.

In any case, economic fundamentals will remain, on balance, supportive to overall private consumption, which should help demand for electric appliance products across the EU. Tightened labour markets and insufficient labour supply have triggered an up-tick in wages, which are now rising at their fastest pace in a decade – at a higher rate than the overall economy. This, coupled with very low inflation still below the ECB target of 2%, underpins consumer spending and is likely to continue to do so. In line with this scenario, private consumption in the EU has not only provided a positive contribution to GDP growth over the last five years but is expected to be one of the most resilient GDP components during the pronounced slowdown over the forthcoming quarters. As a result, private consumption is expected to continue to grow at a steady pace of 1.4% in 2019 and 2020. Prospects for sales activity in the real estate markets are rather positive, although rising house prices may discourage first-time buyers to enter the market, despite government supports schemes for this group of buyers in some countries, as well as cheaper-than-ever housing loans due to interest rates at record lows.

Demand perspectives for each of the key market segments vary. Built-in kitchen appliances and energy-efficient appliances are expected to experience strongest growth in the short to medium term. The availability of smart household appliances in European markets is increasing, and so is demand - particularly among younger generations. Demand for these products will also be backed by EU policies aimed at promoting the digital economy in Europe, so-called smart buildings and higher energy efficiency.

The domestic appliances market will also continue to be characterised by increasing international competition among brands – and among retailers – as well as by pressures on prices. The continued negative performance of the sector in recent quarters can also be explained by some overcapacity, to which manufacturers are reacting by increasingly trying to achieve economies of scale, aiming at minimising transport costs and locating production as close as possible to end markets and consumers.

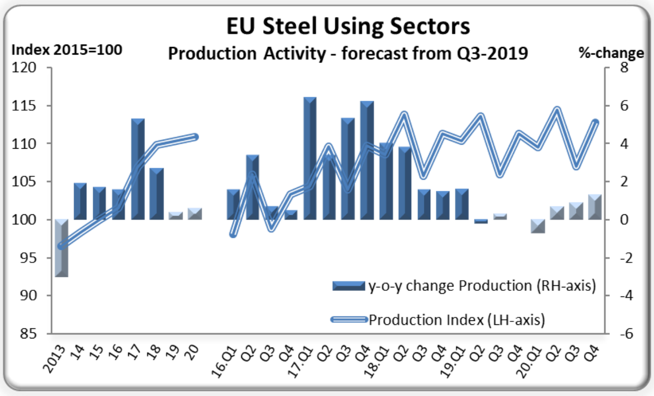
Production activity in the EU is forecast to fall by 1.9%, the second consecutive drop in output, and then to recover in 2020 by 0.8%.

TOTAL STEEL-USING SECTORS OUTPUT

Total production activity in EU steel-using sectors fell by 0.2% year-on-year in the second quarter of 2019; while growth in construction output was still solid, production activity in almost all other steel-using sectors registered a year-on-year decline.

Total steel-using sector activity in the second quarter of 2019

Production activity in the steel-using sectors of the EU has rapidly lost momentum over the past few months. Since the second quarter of 2019, manufacturing output has been falling on a year-on-year trend.



Manufacturing activity has been dragged lower by the downturn in international trade, the automotive slump and weakening business investment as a result of the significant loss in confidence in the corporate sector due to trade war worries and Brexit-related uncertainty. Since mid-2018, automotive production activity is under severe pressure. The introduction of the WLTP (Worldwide Light vehicle Test Procedure) already curtailed output in the second half of last year. Since then, the downward trend is exacerbated by falling domestic and foreign demand, emission woes and the electric challenge that OEMs are facing. Meanwhile, total production activity in the steel-using sectors has held up somewhat better owing to the resilience in the construction sector, because it is largely shielded from the current negative impact of weakening dynamics in foreign trade.

Overall output in the steel-using sectors in the second quarter of 2019 registered negative growth in Germany, Italy, Spain, the Netherlands and the UK. Production growth was in positive territory in the other reporting countries.

Year-on-year %-change EU Steel Weighted Industrial Production (SWIP) index												
	% Share in total Consumption	Year 2018	Q1'19	Q2'19	Q3'19	Q4'19	Year 2019	Q1'20	Q2'20	Q3'20	Q4'20	Year 2020
Construction	35	4.6	5.9	4.3	2.2	1.7	3.5	0.8	1.1	1.5	1.4	1.2
Mechanical engineering	14	3.8	1.2	-0.8	-1.0	-0.3	-0.2	-1.3	0.3	0.5	1.1	0.2
Automotive	18	0.1	-4.5	-7.2	-1.0	-1.7	-3.8	-1.1	1.1	1.5	2.1	0.9
Domestic appliances	3	-1.5	-2.6	-3.5	-1.3	-0.3	-1.9	-1.3	1.8	1.4	1.6	0.8
Other Transport	2	8.4	10.9	8.8	3.8	1.6	6.3	0.9	0.9	0.9	1.7	0.0
Tubes	13	-1.4	0.0	0.5	-0.1	-0.2	0.1	-1.7	0.6	0.5	0.5	1.0
Metal goods	14	3.2	0.4	-1.6	-2.3	-1.8	-1.3	-1.7	-0.3	0.6	1.0	-0.1
Miscellaneous	2	1.7	1.1	-0.7	-0.7	-0.7	-0.3	-1.7	0.0	0.4	0.7	-0.2
TOTAL	100	2.7	1.6	-0.2	0.3	0.0	0.4	-0.7	0.7	0.9	1.3	0.6

Total steel-using sectors forecast 2019-2020

Internal and external headwinds will continue to weigh on production activity in EU steel-using sectors. Slowing global economic growth and weaker global trade will not only have a negative impact on exports but also on EU investment via sharply weakened business confidence levels. Uncertainty in the EU is compounded by a continued lack of clarity on the impact of Brexit and of emission-reduction policies on the economic and financial sustainability of energy-intensive industry sectors.

All in all, the outlook for EU's manufacturing base is rather dark, even though most sectors are expected to see a slight improvement in production activity in 2020. The situation for those countries and sectors that are more exposed than average to international trade prospects remains particularly uncertain. Import tariffs imposed by the US authorities on automotive imports from the EU would deal a seriously blow to the EU automotive supply chain.

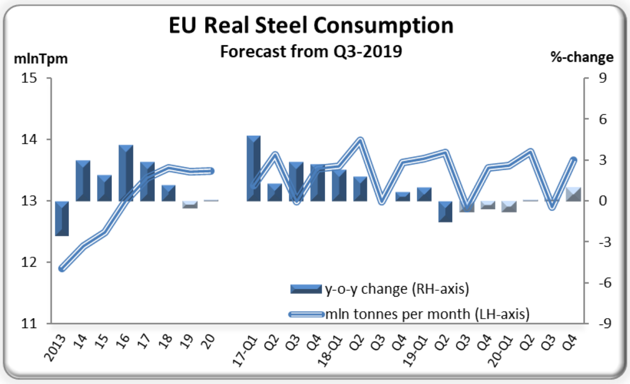
Continued strength in construction will cushion negative trends in other steel-using sectors.

Output in the EU's steel-using sectors is forecast to grow by a meagre 0.4% in 2019 and by 0.6% in 2020, the slowest growth since 2013.

REAL STEEL CONSUMPTION

Real steel consumption fell by 1.5% year-on-year in the second quarter of 2019 and stood at 41.4 million tonnes.

Real steel consumption in the second quarter of 2019



The continued slowdown in production activity of steel-using sectors, coupled with reduced steel intensity, led to a fall of 1.5% year-on-year in real steel consumption in the second quarter of 2019. In the first quarter real steel consumption had fallen by 1% year-on-year.

Due to the ongoing economic slowdown and widespread business uncertainty, steel intensity – the ratio of steel consumption to steel-weighted production in steel using industries – has continued to decrease, reflecting the fact that during economic downturns steel using industries tend to reduce the steel content in their final output unit.

Real steel consumption forecast 2019-2020

Faltering output growth in EU steel-using sectors over the 2019-2020 period – despite some recovery over the second half of 2020 – in combination with the continued downward trend in steel intensity will result in a drop of real steel consumption of 0.5% in 2019. This will mark the first negative growth in EU real steel consumption in annual terms since 2013, which will only be followed by a marginal increase of 0.1% in 2020. This implies that real consumption levels will remain unchanged.

Business conditions in downstream steel-using sectors should somewhat improve during 2020. The construction sector will prove resilient and continue to record output growth, while other steel-using sectors, automotive in particular, will continue to experience a downturn in production, but at lower rates, followed by a modest recovery from the second quarter of 2020. The negative impact of decreasing steel intensity is also expected to soften.

As a result, real steel consumption will reach 161.7 million tonnes in 2019 and 161.9 million tonnes in 2020.

Forecast for real consumption - % change year-on-year											
Period	Year 2018	Q1'19	Q2'19	Q3'19	Q4'19	Year 2019	Q1'20	Q2'20	Q3'20	Q4'20	Year 2020
% change	1.2	1.0	-1.5	-0.8	-0.6	-0.5	-0.8	0.1	0.2	1.0	0.1

THE EU STEEL MARKET: SUPPLY

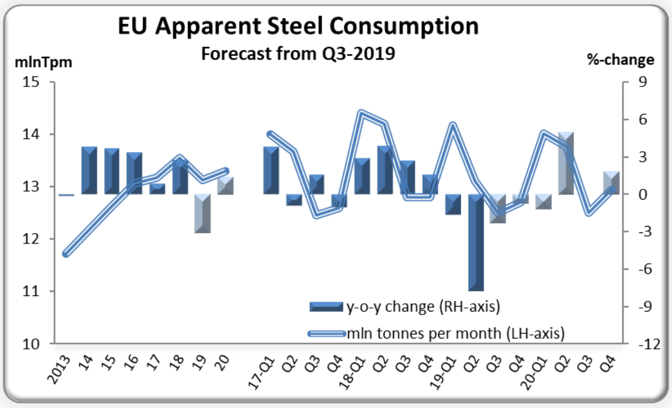
The supply-side of the EU steel market analyses factors in the impact of domestic and foreign supply, as well as stock effects in the distribution chain and at end-users.

APPARENT STEEL CONSUMPTION

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

Apparent steel consumption in the second quarter of 2019

EU28 apparent steel consumption fell by almost 8% year-on-year in the second quarter of 2019 – the sharpest quarterly drop since the third quarter of 2012 - and amounted to 39.3 million tonnes. Uncertainty about near-term business conditions and relatively high stock levels in the steel supply at the end of the first quarter chain triggered a stock reduction. Normally the stock cycle over the second quarter is characterised by stock building



EU domestic and foreign supply

Imports of steel products from third countries into the EU market decreased markedly over the second quarter as a result of the safeguard measures applied by the EU. The year-on-year reduction in imports of total steel products – including semi-finished products – amounted to 19%. However, imports jumped to all-time record level of 4.4 million tonnes in August, followed by a much lower tonnage in September. This resulted in an average monthly level of 3.1 million tonnes over the first eight months of the year, just short of the record level registered in 2018.

Meanwhile, domestic deliveries by EU steel suppliers fell by 3.8% year-on-year in the second quarter of 2019, a slightly stronger reduction than registered in the first quarter of the year. This implies that EU steel suppliers were able to gain market some market share lost to third country suppliers in recent months. However, business conditions in the EU steel market have become extremely difficult as price pressure stemming from still high levels of imports has intensified amid wildly fluctuating monthly imports, falling steel demand and destocking.

Apparent steel consumption forecast 2019-2020

The negative trend in steel demand looks set to continue over the coming quarters. Preliminary data for the third quarter of 2019 signal that apparent steel consumption may have declined by approximately 2.5% year-on-year. A further drop in steel demand is expected for the final quarter of 2019 and the first quarter of 2020.

Only from the second quarter of 2020 onward may a modest recovery occur. However, real steel consumption is expected to stagnate at around the 2019 level. Thus the rebound is only the result of a less steep reduction of steel inventories in the steel supply chain. It is therefore to be characterised as a ‘technical recovery’ rather than a real improvement in the demand and supply side fundamentals of the EU steel market. Apparent consumption is expected to rise by 1.4% in 2020.

The combination of falling steel demand and the persistence of high and increasingly volatile monthly steel imports flooding the EU market will continue to pose a serious risk for EU steel producers. The final safeguard may have undergone some improvements in its design, but it keeps the door open for historically high import volumes; imports which under the safeguard are allowed to increase further, even as market conditions deteriorate. Another issue is that any growth of EU steel demand in early 2020 will benefit mainly imports due to the transfer mechanism of unused quota.

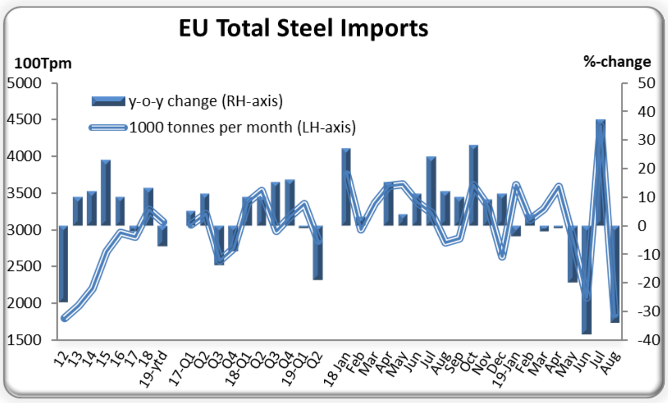
The EU market therefore remains at risk of being destabilised by third country imports, at the detriment of EU domestic producers. The root cause of the challenges faced by the EU sector today is global overcapacity. Global overcapacity is still running far ahead of growth in worldwide production. Moreover, excess capacity is still being built up without solid economic justification in countries such as China, Indonesia, Iran, Russia, or Turkey. The safeguard alone will not be sufficient to counter this threat.

EU apparent steel consumption - in million tonnes per year											
Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 (f)**	**2020 (f)**
Million tonnes	148	158	141	141	146	152	157	158	163	158	160

Forecast for EU apparent steel consumption - % change year-on-year											
Period	**Year 2018**	**Q1'19**	**Q2'19**	**Q3'19**	**Q4'19**	**Year 2019**	**Q1'20**	**Q2'20**	**Q3'20**	**Q4'20**	**Year 2020**
% change	**2.8**	**-1.6**	**-7.7**	**-2.3**	**-0.7**	**-3.1**	**-1.2**	**5.0**	**0.0**	**1.8**	**1.4**

IMPORTS

Total imports of steel products into the EU28 – including semi-finished products – fell by 19% in Q2 2019. Over the first eight months of 2019, the fall in EU imports from third countries was 16%. As a result, import volumes were still 0.8% higher than the average monthly level of imports over the second half of 2018. Since January this year, monthly data have shown increasing volatility.

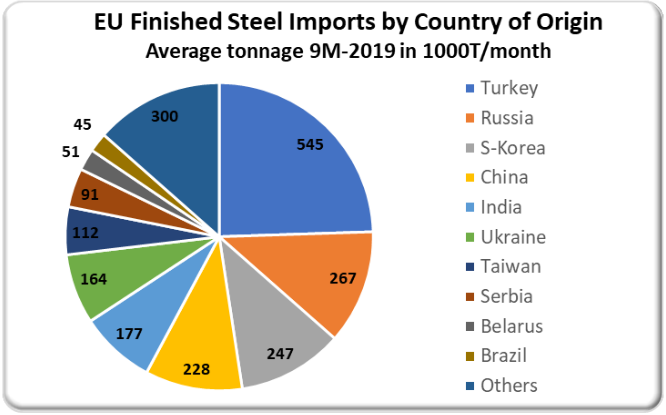


Finished product imports fell by 35% year-on-year in August, due to a 39% year-on-year drop in flat product imports and a 20% reduction in long product imports.

Including SURV2 data for September, the average monthly import volume of finished products over the first nine months of 2019 amounted to 2.23 million tonnes. Compared to the average level of monthly imports recorded over the second half of last year, total finished product imports were 4% lower. By contrast, semis imports increased by 9%.

Imports by country of origin

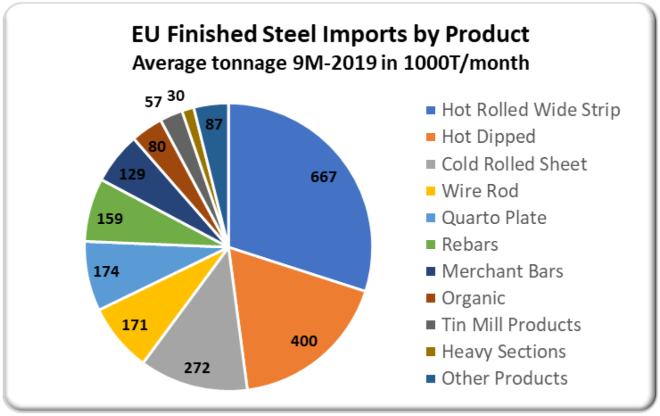
According to SURV2 data for September, over the first nine months of 2019 the main countries of origin for finished steel imports into the EU market were Turkey, Russia, South Korea, China and India. These five countries represented 66% of total finished steel imports into the EU.



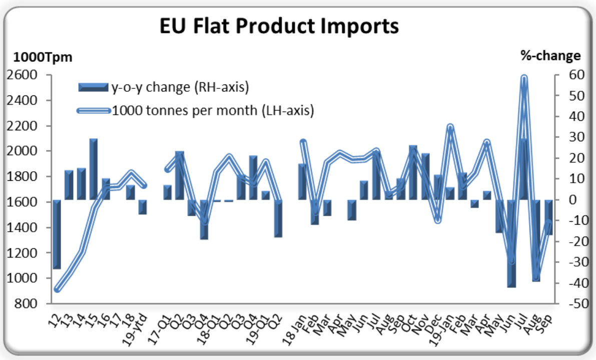
Turkey remained the largest exporter of finished steel products to the EU, accounting for 25% of total EU finished steel imports. Moreover, Turkey was the only large exporter to the EU market that increased its export volumes (i.e. by 13%). This was quite the opposite in the other countries of origin for EU finished steel imports, such as Brazil, India, Taiwan, China, Russia, Switzerland and South Korea shipped lower volumes to the EU than in the same period of 2018, while imports from the Ukraine and Serbia remained relatively stable, with very moderate declines (i.e. less than by 1%).

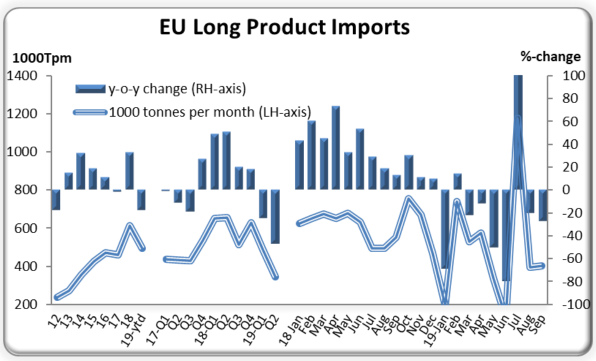
Imports by product category

The decline in EU imports of finished steel products that had followed a substantial increase during 2018 continued up to September 2019.



Customs data show that flat product imports dropped by 18% year-on-year over the second quarter of 2019, as opposed to the increase of 4% recorded in the first quarter of 2019; this resulted in a drop of 7% in the first nine months of 2019. Meanwhile, long product imports fell by 47% on a yearly basis in the second quarter of 2019 – in to the comparison to the very high import levels registered in the second quarter of 2018 - further to the fall of 25% already recorded in the first quarter. The share of long products out of total finished steel product imports was 22%.



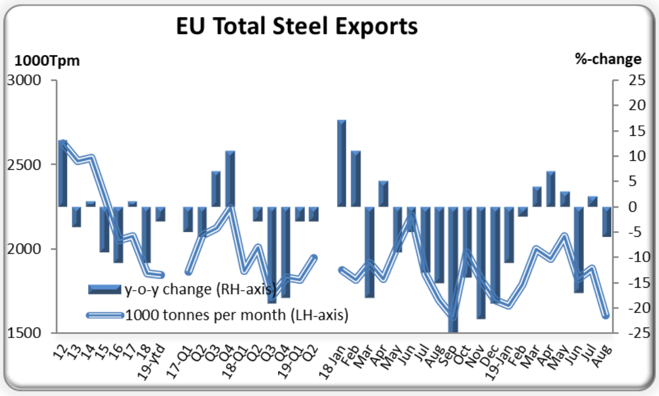


Within the flat product market segment, imports of organic coated sheet imports rose by 7% over the first nine months of 2019, while hot-rolled wide strip fell by -6%, % and imports of hot-dipped galvanised sheet showed flat developments. Imports of other flat products decreased, such as cold-rolled sheet (-10%), quarto plate (-15%) and tin mill products (-12%). The only exception was grain oriented, with an increase of 16%.

All long product imports were significantly lower over the first half of 2019 than in the same period of 2018. The sharpest fall was recorded for wire rod, i.e. -26%. Equally, imports of heavy sections and merchant bars and heavy sections dropped by 23% and 8% respectively.

EXPORTS

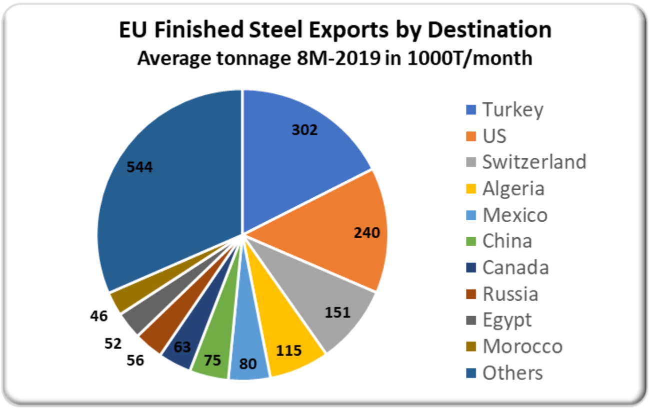
Total EU exports of steel products to third countries fell by 3% year-on-year over the first eight months of 2019. Exports had fallen by 3% year-on-year over the first and second quarter of 2019; customs data for July and August signal the continuation of this trend – albeit with monthly fluctuations over this period.



Underlying trends at the product group level show that exports of semis – ingots and slabs – registered a year-on-year drop of 25% over the first eight months of 2019. Exports of flat products rose by 4% year-on-year whereas long product exports fell by 9% year-on-year.

Exports by country

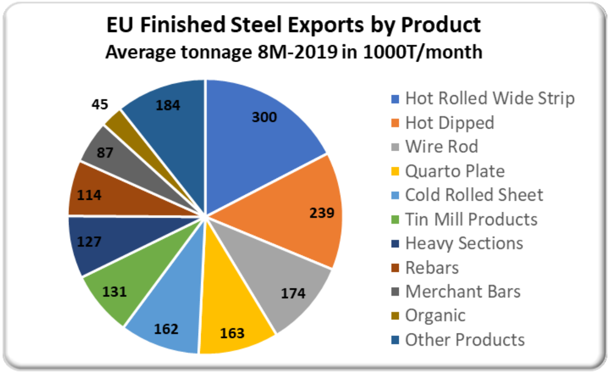
The main export destinations for EU steel exports over the first eight months of 2019 were Turkey, the United States and Switzerland, followed by Algeria and Mexico, similar to the pattern in key export destinations seen earlier in the year. These five countries together accounted for 52% of total EU finished product exports over this period. The only large foreign market that registered an increase in EU exports was Algeria; finished product exports rose by 59% year-on-year over the first eight months of 2019 after four years of sharp declines. Exports to the US contracted by 13% year-on-year and exports to Switzerland by 5% year-on-year. Meanwhile, exports to Turkey – the EU's largest single export market – remained close to the level of the previous year, with a drop of 1% year-on-year over the first five months of 2019. Over the same period, exports to Switzerland decreased by 2% year-on-year.



Exports by product category

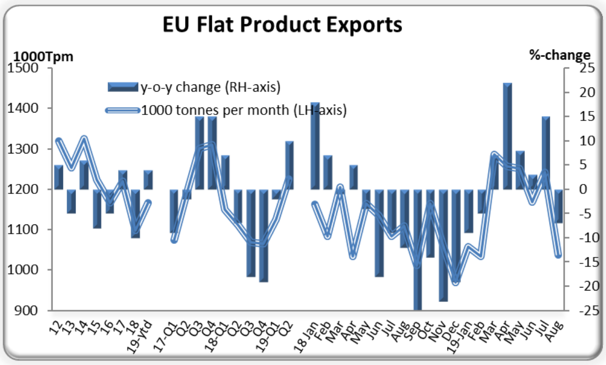
The share of semi-finished steel products within the product mix of total EU steel exports was almost 7% over the first eight months of 2019. Exports of semis registered a decline of 25% year-on-year over this period

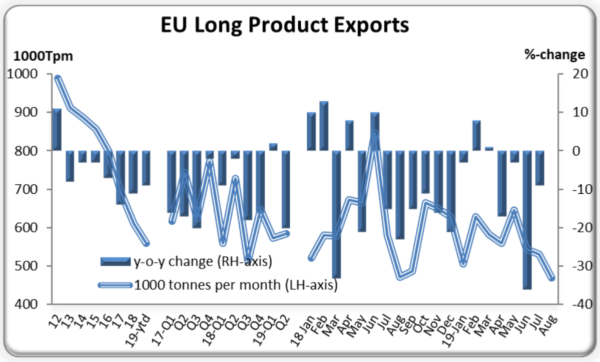
Flat product exports accounted for 63% of total exports and long product exports accounted for the remaining 30%.



Generally speaking, flat products exports performed better than exports of long products, but could not prevent total exports from falling over the first eight months of 2019. Within the flat product segment, exports of hot-rolled wide strip and tin mill products rose rather robustly, whereas organic coated sheet exports also registered a year-on-year rise. Meanwhile, the drop in exports of cold-rolled sheet was quite significant, whereas exports of other flat products such as hot-dipped metal coated sheets and quarto plate fell only slightly.

Total long product exports fell by 2% year-on-year over the first eight months. Only rebar exports were slightly higher than in the same period of 2018, while a decline was registered in exports of wire rod, merchant bars and heavy sections.





Trade balance

EU's trade deficit amounted to 1.3 million tonnes per month over the first eight months of 2019 due to a deficit of 0.7 million tonnes in semis and deficit of 0.6 million tonnes in finished products. There was a marginal trade surplus in long products thanks to a surplus in heavy sections.

As far as the trade deficit with individual trade partners is concerned, the largest trade deficit in finished products was with Turkey at 0.26 million tonnes per month, followed by South Korea with a deficit of 0.24 million tonnes and a deficit of 0.22 million tonnes with Russia. Russia and Ukraine remain two countries which have not only a trade surplus with the EU in finished products but also in semis of 0.34 million tonnes and 0.23 million tonnes, respectively. Together they account for 87% of EU's total trade deficit in semi-finished steel products. The major destination countries for EU finished steel exports with a trade surplus over the first eight months of 2019 remained the US, Switzerland and Algeria.

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 the 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 around 330,000 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, CO_2-mitigating technologies, improving resource efficiency and fostering sustainable development in Europe.