

Economic press release

2022 negative trends deepen despite economic resilience, steel demand to contract also in 2023

Brussels, 02 February 2023 – All downside factors that have materialised in the first half of last year have persisted, continuing to impact the European steel market. Apparent steel consumption is forecast to see a deeper-than-expected drop of -4.6% for 2022 (previously set at -3.5%). The outlook for 2023 also remains negative (-1.6%), paving the way for the fourth steel demand recession in five years. A modest recovery will be in sight in 2024 (+1.6%), though subject to high uncertainty. Despite a more general resilience of the EU economy, in the third quarter of 2022 apparent steel consumption reached its lowest level after the pandemic.

“We are witnessing what we have been warning against in the past months: energy crises, inflation, supply chain issues, unparalleled decarbonisation costs combined with massive cheap imports from third countries, are a toxic cocktail for industry. The health of the steel sector is the litmus test for the whole EU industry, given the numerous value chains with steel at their core”, said Axel Eggert, Director General of the European Steel Association (EUROFER). “This should ring the alarm bell for the development prospects of Europe’s cleantech economy: for it to be successful, its foundations must lay on and boost EU green steel demand. The U.S. has already addressed this, as the Inflation Reduction Act clearly shows”, he added.

EU steel market overview

In the third quarter of 2022, apparent steel consumption plummeted again (-11.2%), recording the lowest volume since the pandemic (32.2 million tonnes). Further significant drops are expected also in the last quarter of 2022 and at least until the first half of 2023, most likely leading to two consecutive recessions (-4.6% in 2022 and -1.9% in 2023), which will be the third and the fourth respectively in only five years. A better outlook is due in 2024 (+1.6%), but it will remain conditional on the evolution of energy prices, Russia’s war in Ukraine and their impact on inflation and global supply chains.

In parallel with sluggish demand, domestic deliveries collapsed as well (-10.5%) for the third consecutive quarter. So did imports, recording a sharp decrease (-17.2%) reverting for the first time the expansionary trend which was uninterrupted since 2021.

EU steel-using sectors

A stronger-than-expected resilience of steel-using sectors has allowed for the continuation of a steady growth trend (+4% in the third quarter), started after the pandemic. The good

performance of construction, mechanical engineering and transport sectors – especially automotive, experiencing a marked rebound (+20.7%) -, could offset the negative dynamic of domestic appliances (-0.3%). Steel-using sectors' growth is expected to come to an end in the fourth quarter of 2022. However, 2022 should still see a general output expansion (+2.1%).

The consequences of high energy prices, the continuation of the war in Ukraine and its related disruptions, are set to drag on and weigh more heavily in the first half of 2023. This could lead to the second recession (-0.6%) in Steel Weighted Industrial Production (SWIP) since 2013. A gradual recovery is expected in 2024 (+1.6%), if a positive scenario is confirmed and confidence is back.

Notes for editors

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About the European Steel Association (EUROFER)

EUROFER AISBL is located in Brussels and was founded in 1976. It 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 the United Kingdom and Turkey are associate members.

The European Steel Association 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 €125 billion and directly employs around 310,000 highly-skilled people, producing on average 153 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.