February 2024

ECONOMIC AND STEEL MARKET OUTLOOK

2024 2025

Q1 REPORT

Data up to, including, Q3 2023

EUROFER
THE EUROPEAN STEEL ASSOCIATION

EXECUTIVE SUMMARY

The negative trend in the steel market observed in the first half of 2023 is showing persistence while getting more acute. The severe consequences of the war in Ukraine and the deteriorating overall economic outlook continued to take their toll on apparent steel consumption also in the third quarter of the year. After a significant recession (-8.3%) in 2022, persistent downside factors such as ongoing conflicts, uncertainty surrounding energy prices and high inflation – albeit slowing down -, combined with a worsened economic outlook, are set to negatively impact again apparent steel consumption in 2023, for which the forecast indicates a more pronounced contraction (-6.3%) compared to the previous outlook (-5.2%). This would mark the fourth annual recession in the last five years.

This downward trend is set to weigh also on the rebound which was anticipated for this year. In 2024, conditional on more favourable developments in the industrial outlook and increased steel demand, apparent steel consumption is projected to recover at a lower rate than previously estimated (+5.6%, formerly +7.6%).

The overall evolution of steel demand remains subject to very high uncertainty. Quarterly improvements in apparent steel consumption are not expected before the first quarter of 2024.

EU STEEL MARKET OVERVIEW

In the third quarter of 2023, apparent steel consumption dropped for the sixth consecutive quarter (-3.9%), after -8% in the preceding quarter. The total volume decreased to 30.4 million tonnes, marking the third lowest level since the outbreak of the pandemic in the second quarter of 2020. The current downturn in EU apparent steel consumption began in the second quarter of 2022, due to war-related disruptions, unprecedented rises in energy prices and production costs. Demand conditions have been worsening considerably since the second half of 2022, and this negative cycle is expected to persist at least until the fourth quarter of 2023, as a result of growing global economic uncertainty, high interest rates and overall manufacturing weakness.

Domestic deliveries continued to mirror weak demand and decreased (-2.9%) for the sixth consecutive time in the third quarter of 2023, although at a less pronounced pace than in the second quarter (-7.1%). In 2021, deliveries had rebounded significantly (+11.9%), after the sharp drop in 2020 (-9.6%) and the already negative performance in 2019 (-4.2%). As a result of the unfavourable developments in the last two quarters of the year, in 2022 domestic deliveries markedly dropped (-9.1%).

Imports into the EU including semi-finished products remained unchanged in the third quarter of 2023, after the decrease seen in the preceding quarter (-10.2%). However, it is worth noting that the drops in imports recorded in preceding quarters are essentially a reflection of weak demand conditions. Therefore, the share of imports out of apparent consumption has remained considerably high in historical terms, even in the third quarter of 2023 (27%).

EU STEEL-USING SECTORS

In the third quarter of 2023, for the first time the Steel Weighted Industrial Production index (SWIP) went to negative territory (-0.3%), after a meagre increase (+0.4%) in the second quarter of 2023. Until then, EU steel-using sector's output had continued to grow, showing unexpected resilience despite the protracted impact of Russia's invasion of Ukraine, overall manufacturing weakness and global geopolitical tensions along with above-average energy prices.

The latest developments of the SWIP index were a combination of a continued downturn in the construction, mechanical engineering, domestic appliances and metalware sectors, only partly compensated by the continued growth in the automotive. The construction sector entered recession in the third quarter of 2022 and saw its fifth consecutive quarterly drop (-1.2%, after -3.4%) in the third quarter of 2023. Its recessionary trend is expected to continue. The positive trend in SWIP, started after the pandemic, continued until the second quarter of 2023 in spite of soaring energy prices impacting production costs, component shortages and lower output that took their toll on total production activity in steel-using sectors in the second half of 2022.

The deterioration of the economic and industrial outlook in the EU – particularly due to high inflation and the subsequent interest rate hike by the European Central Bank (ECB) – has had a limited impact on steel-using sectors' output so far. The construction sector, which accounts for 35% of steel consumption in the EU, was the only significant exception.

CONCLUSIONS

The ongoing economic uncertainty is set to continue affecting the steel market growth over the upcoming quarters:

1. Despite EU industry having proven quite resilient up to the second quarter of 2023, the remainder of 2023 appears to be characterised by a worsening combination of uncertainties in energy prices, weak demand, inflation, geopolitical tensions and economic challenges driven by high interest rates.

2. While output grew more than expected (+3%) in 2022, SWIP growth for 2023 is forecasted to slow down (+0.7%, slightly less than previously estimated, +0.6%), albeit with wide differences among individual EU economies and industrial sectors.

3. In 2024, steel-using sectors' growth is projected to further decelerate (+0.2%, revised downwards from +0.4%), mainly due to the second recession in a row in the construction sector, before picking up moderately (+1.5%) in 2025.

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THE EU STEEL MARKET: SUPPLY

REAL STEEL CONSUMPTION

THIRD QUARTER 2023

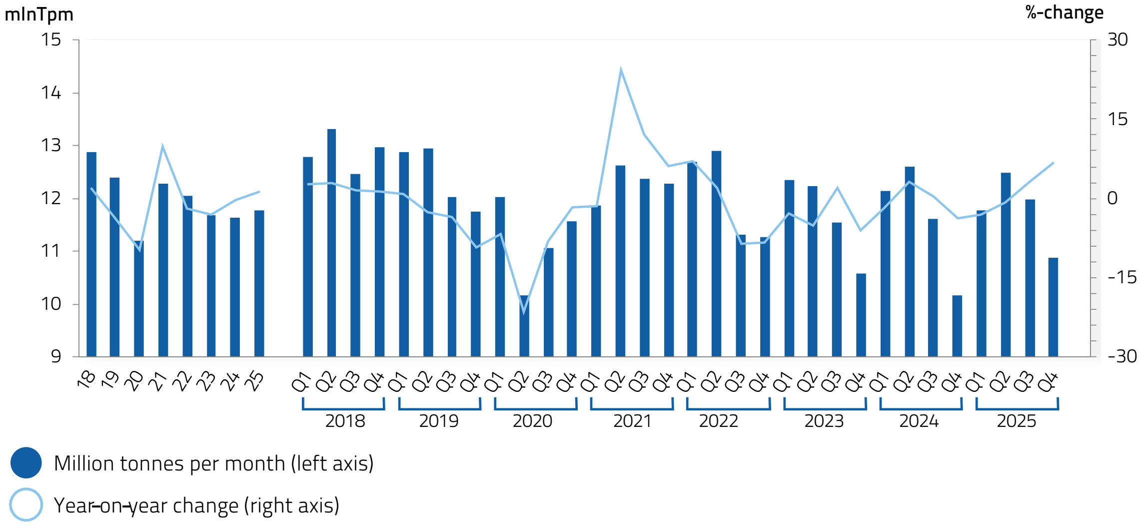
In the third quarter of 2023 real steel consumption increased (+2.1%), after the contraction seen in the second quarter (-5.2%).

Real steel consumption had rebounded strongly in 2021 (+9.7%, after -9.7% in 2020), fell in 2022 (-2%) and is expected to decrease even more significantly in 2023 (-3.1%, previous estimates +0.3%), and marginally also in 2024 (-0.4%). Real consumption is projected to recover moderately only in 2025 (+1.3%).

The two consecutive recessions of 2019 and 2020 were caused by a considerable slowdown in the activity of steel-using sectors due to a downturn in manufacturing and trade, and the COVID crisis, respectively. The counter-cyclical destocking trend that started in late 2019 persisted throughout 2020. It only began to reverse in the first quarter of 2021 when growth in steel demand was expected to continue. The trend of weak demand conditions has continued in the first three quarters of 2023, given the protracted impact of the war in Ukraine and growing global geopolitical tensions, high inflation and uncertainty on the global industrial outlook and energy prices. Although de-stocking has continued - reflecting poor demand perspectives - around very high historical levels, real consumption growth was negative both in 2022 and 2023.

EU Real Steel Consumption

Forecast from Q4-2023



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

Period	**2023**	Q1'24	Q2'24	Q3'24	Q4'24	**2024**	Q1'25	Q2'25	Q3'25	Q4'25	**2025**
% Change	**-3.1**	-1.6	3.1	0.4	-3.8	**-0.4**	-3.0	-0.8	3.1	6.8	**1.3**

APPARENT STEEL CONSUMPTION

THIRD QUARTER 2023

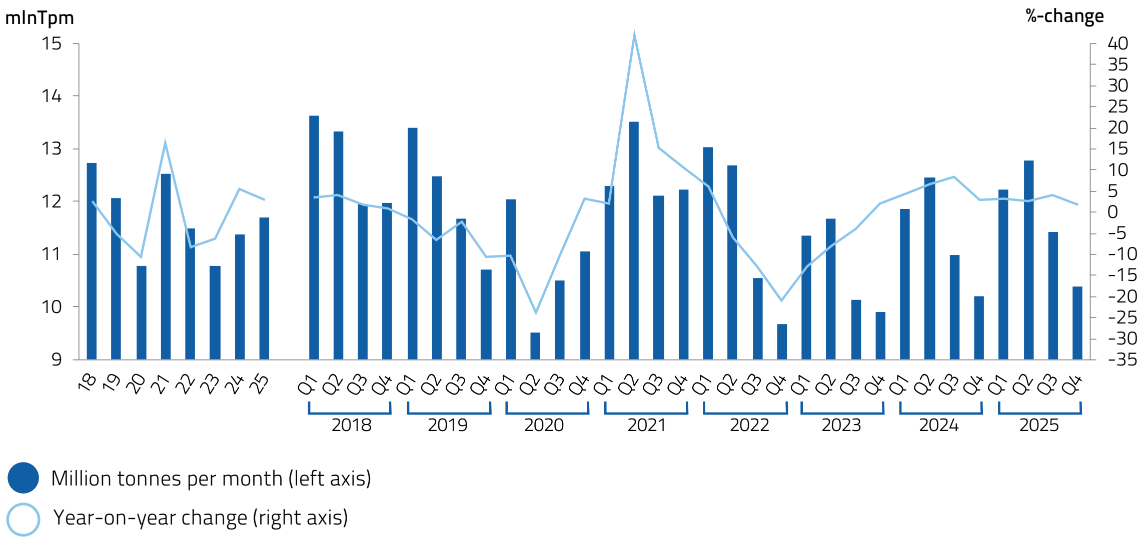
In the third quarter of 2023, apparent steel consumption dropped for the sixth consecutive quarter (-3.9%, after -8% in the preceding quarter). The total volume decreased to 30.4 million tonnes, marking the third lowest level since the outbreak of the pandemic in the second quarter of 2020.

The current downturn in EU apparent steel consumption began in the second quarter of 2022, due to war-related disruptions, unprecedented rises in energy prices and production costs. Demand conditions have been worsening considerably during the second half of 2022, and this negative cycle is expected to continue at least until the fourth quarter of 2023, as a result of growing global economic uncertainty, high interest rates and overall manufacturing weakness.

In 2021, apparent steel consumption had rebounded (+16.3%) after plummeting dramatically due to the pandemic in 2020 (-10.7%). However, the severe consequences of the conflict in Ukraine on steel-using industries and the worsened overall economic outlook have taken their toll on apparent steel consumption. This resulted in a recession (-8.3%, revised downwards from -7.2%) in 2022, due to quarterly drops in the second, third and fourth quarters of the year. These protracted downside factors are set to impact again apparent steel consumption in 2023, in a more pronounced way than expected (-6.3%, previous outlook -5.2%). This would represent the fourth annual recession in the last five years. In 2024, conditional on more favourable developments in the industrial outlook and improvement in steel demand, apparent steel consumption is set to recover (+5.6%) albeit at a slower pace than previously forecasted (+7.6%).

The overall evolution of steel demand remains subject to very high uncertainty. Quarterly improvements in apparent steel consumption are anticipated to start only from the first quarter of 2024.

EU Apparent Consumption
Forecast from Q4-2023



EU DOMESTIC AND FOREIGN SUPPLY

In the third quarter of 2023, domestic deliveries continued to mirror weak demand and decreased (-2.9%) for the sixth consecutive time, at a less pronounced pace than in the first quarter (-7.1%). In 2021, deliveries had rebounded significantly (+11.9%), after the sharp drop in 2020 (-9.6%) and the already negative performance in 2019 (-4.2%). As a result of the unfavourable developments in the last two quarters of the year, in 2022 domestic deliveries markedly dropped (-9.1%).

Imports into the EU including semi-finished products remained unchanged the third quarter of 2023, after the drop seen in the preceding quarter (-10.2%). However, it is worth noting that the drops in imports recorded in recent quarters essentially reflected weak demand conditions. Therefore, the share of imports out of apparent consumption has remained considerably high in historical terms, even in the third quarter of 2023 (27%).

EU apparent steel consumption - in million tonnes per year

Year	2015	2016	2017	2018	2019	2020	2021	2022	**2023 (f)**	**2024 (f)**	**2025 (f)**
Million tonnes	142	147	149	153	145	129	150	138	129	137	140

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

Period	**2023**	Q1'24	Q2'24	Q3'24	Q4'24	**2024**	Q1'25	Q2'25	Q3'25	Q4'25	**2025**
% Change	**-6.3**	4.4	6.6	8.4	3.0	**5.6**	3.2	2.5	4.4	1.8	**2.9**

IMPORTS

In the third quarter of 2023, total steel imports (including semis) into the EU recorded flat developments year-on-year, following the drop seen in the second quarter (-10%). During the first eleven months of 2023, imports of all steel products fell (-11%) compared to the corresponding period of the previous year. In 2022, total imports fell (-7.3%) compared to 2021, when they dramatically increased (+32%).

Imports of finished products also fell (-10%) in the third quarter of 2023, following an equivalent decrease in the preceding quarter. Over the same period, imports of flat products dropped (-5%, as in the second quarter), along with imports of long products (-29%, vs. -24% in the preceding quarter).

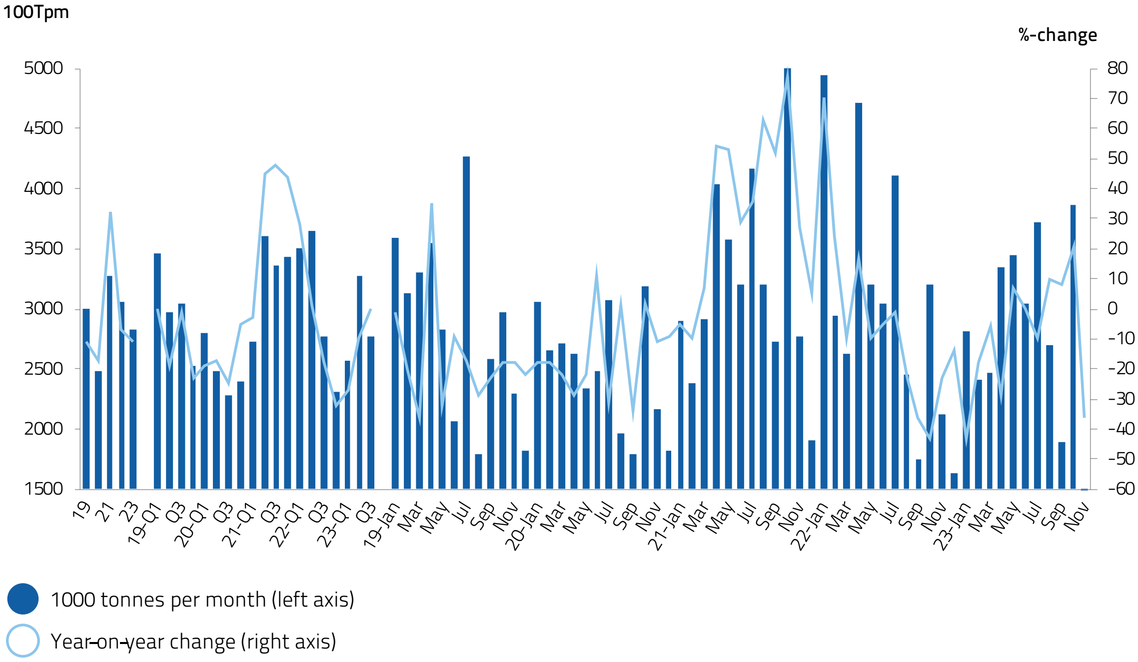
In the first eleven months of 2023, imports of finished products dropped (-13% year-on-year), and so did imports of both flat and long products (-9% and -25%, respectively). In 2022, imports of finished products decreased overall (-5%). Specifically, imports of flat products fell (-9%), whereas imports of long products increased (+11%).

Imports have displayed consistent volatility throughout 2023, mirroring the fluctuations seen in the three preceding years. After the outbreak of COVID-19, imports surged again for certain products and showed some volatility over the second half of 2020. However, the increase became much more pronounced during 2021, particularly over the second and third quarters, reaching high levels in historical terms. This development mirrored buoyant steel demand conditions up to end-2021, while volatility continued over the fourth quarter of 2021 and throughout

2022. Reflecting much weaker demand since the first quarter of 2022, imports have been declining in volumes over the second half of 2022 and until the second quarter of 2023, albeit continuing to show volatility. However, over the entire year 2022, imports remained at elevated historical levels, resulting in very high total import shares out of apparent consumption (27.3%), as well as in a widening trade deficit vis-à-vis third countries.

EU Total Steel Imports

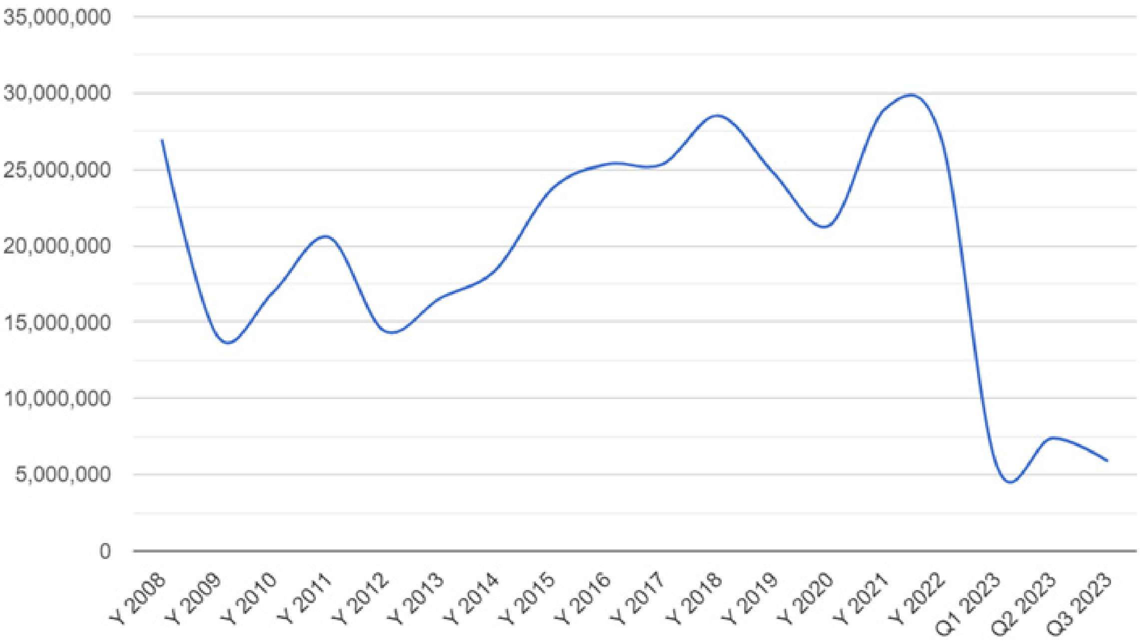
Finished products



Total Imports from third countries

Finished Steel Products

(metric: tonnes)



IMPORTS BY COUNTRY OF ORIGIN

In the first eleven months of 2023, the main countries of origin for finished steel imports into the EU market were, in descending order: India, South Korea, China, Vietnam, Taiwan, Turkey and Japan. The top five exporting countries in the first eight months of 2023 together represented 58% of total EU finished steel imports. India has maintained its role of leading exporting country to the EU (with a share of 13.7%), closely followed by South Korea (13.1%), then China (11.4%), Vietnam (10.2%) and Taiwan (9.5%).

Over the first eleven months of 2023, imports from major exporting countries continued to show diverging developments: imports of finished products from Turkey and China plunged (-51% and -13% respectively), whereas imports from India (+7%), Japan (+32%), Vietnam (+38%), Taiwan (+12%) and South Korea (+6%) increased.

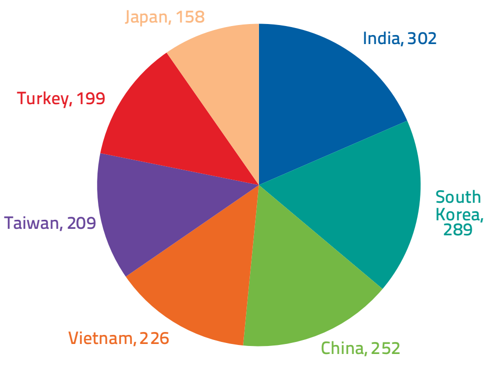
IMPORTS BY PRODUCT CATEGORY

According to customs data, imports of both flat and long products into the EU market decreased (-9% and -25%, respectively) in the first eleven months of 2023. The share of long products out of total finished steel product imports was 21%. Overall, imports of finished products also dropped (-13%).

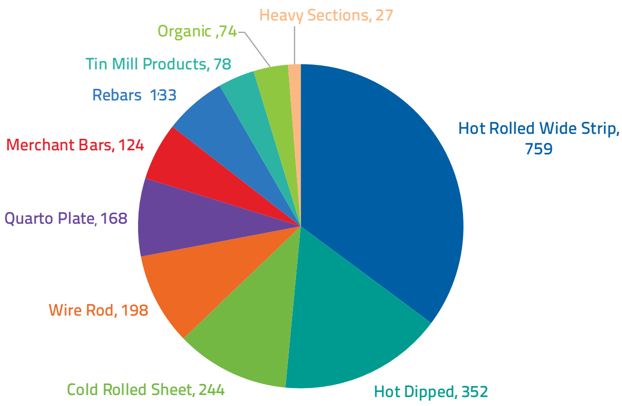
Within the flat product market segment, imports of all flat products decreased during the first eleven months of 2023 compared to the same period in 2022. In particular, cold-rolled sheet dropped markedly (-27%), as well as hot dipped (-22%), coated sheet (-24%) and organic (-30%). The only exceptions were imports of quarto plate and hot-rolled wide strip, which increased (+11% and +9%, respectively).

Regarding long products, imports during the first eleven months of 2023 showed moderately positive developments only for heavy sections (+2%). In contrast, imports of rebars, wire rod and merchant bars all markedly declined (-31%, -26%, and -24%, respectively).

EU Finished Steel Imports by Country
11M-2023, monthly '000
(metric: tonnes)



EU Finished Steel Imports by Product
11M-2023, monthly '000
(metric: tonnes)

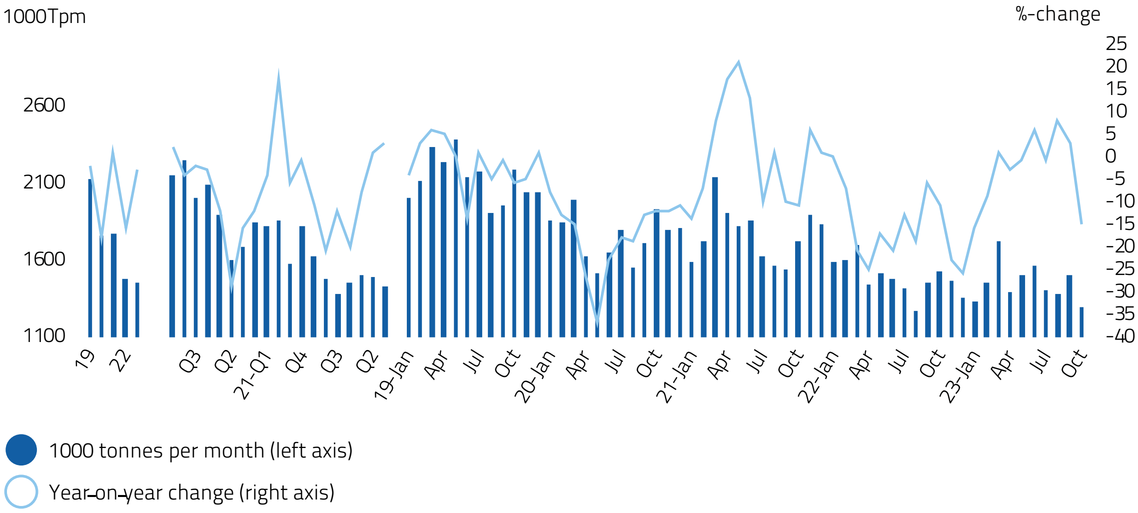


EXPORTS

In the third quarter of 2023 total EU exports of steel products to third countries marginally increased (+3%, after +1% in the preceding quarter). Similarly, exports of finished steel products rose (+3%, after +1%), and so did exports of long products (+21%, after +14%). On the contrary, exports of flat products dropped (-5%, as in the preceding quarter). During the first eleven months of 2023, total exports declined (-3%), as well as exports of finished products (-4%) and flat products (-9%), whereas exports of long products increased (+8%).

Throughout the entire year of 2022, exports of finished products fell (-14%), due to a decline in both flat and long product exports (-10% and -22%, respectively).

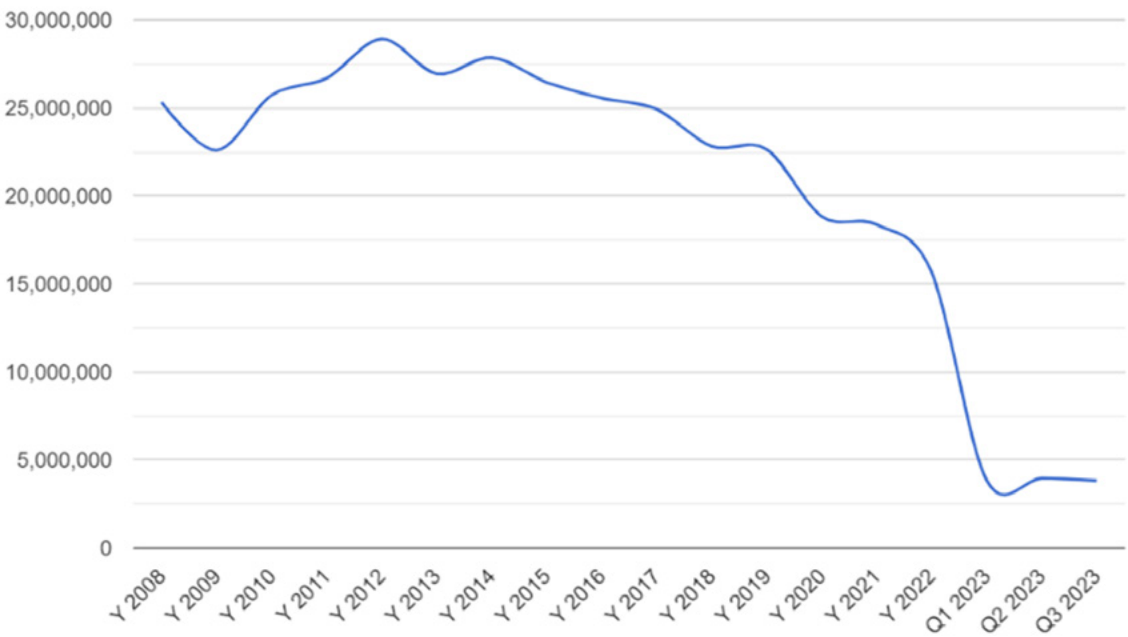
EU Total Steel Exports



Total Exports to third countries

Finished Steel Products

(metric: tonnes)



EXPORTS BY COUNTRY

During the first eleven months of 2023, the main destinations for EU steel exports were the United Kingdom, Turkey, the United States, Switzerland and Egypt, followed by Ukraine, China, Brazil, India and Norway. The first five destinations together accounted for 55% of total EU finished product exports.

Among the major export destinations, exports of finished products experienced an exceptional increase to Ukraine (+100%), due to improved trade functioning and compensating for the very low figures recorded in the same months of 2022 when Russia invaded Ukraine. Additionally, exports rose to Egypt (+10%), whereas they declined to Brazil (-8%) the United States (-9%), Switzerland (-16%), the United Kingdom (-9%), Turkey (-7%), Norway (-22%), China (-25%) and India (-6%).

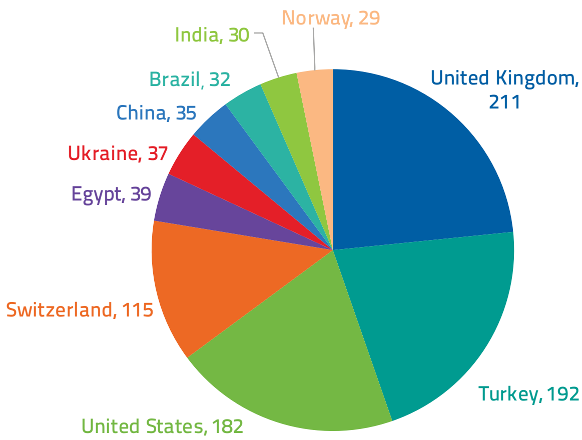
EXPORTS BY PRODUCT CATEGORY

During the third quarter of 2023, flat product exports marginally increased (+3%), while long product exports rose at a higher rate (+21%), whereas flat product exports decreased (-5%). Overall, exports of finished products moderately increased (+3%).

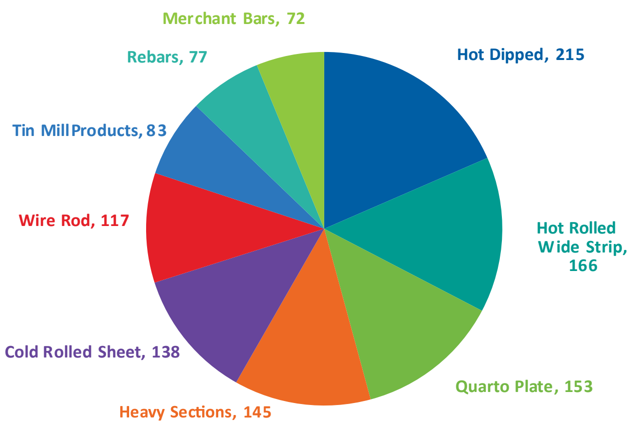
In the first eleven months of 2023, exports of finished products declined (-4%) and so did exports of flat (-9%), while exports of long products increased (+8%). During the same period, flat products accounted for 65% of finished product exports overall. In 2022, exports of finished products dropped (-14%), due to a decrease in the exports of both flat products (-11%) and long products (-22%).

In the first eleven months of 2023, exports of all individual flat products decreased compared to the same period of the previous year. In particular, hot rolled wide strip and tin mill product exports recorded the most severe drops (-22% and -16%, respectively), followed by organic (-15%) and quarto plate (-7%). Only exports of cold rolled sheet marginally increased (+2%). Exports of long products showed diverging developments, as exports of wire rod and merchant bars dropped (-9% and -5%, respectively), while exports of rebars and heavy sections increased (+41% and +13%, respectively).

EU Finished Steel Exports by Destination
11M-2023, monthly '000
(metric: tonnes)



EU Finished Steel Exports by Product
11M-2023, monthly '000
(metric: tonnes)



TRADE BALANCE

In the third quarter of 2023, the EU's total steel product trade deficit (finished plus semis) decreased to 1.3 million tonnes per month (1,345 kilotonnes), down from 1.8 million tonnes per month (1,796 kilotonnes) in the second quarter of 2023.

In the first eleven months of 2023, the total trade deficit amounted to 1.5 million tonnes (1,521 kilotonnes). In 2022, the total trade deficit reached 1.6 million tonnes per month (1,582 kilotonnes) compared to 1.5 million tonnes (1,517 kilotonnes) in 2021.

As for finished products, the trade deficit of the third quarter of 2023 was 698 million tonnes per month, shrinking from 1.1 million tonnes (1,161 kilotonnes) in the second quarter. In the first eleven months of 2023, trade deficit for finished products stood at 941 kilotonnes per month. In 2022, the trade deficit for finished products amounted to 1 million tonnes per month (1,020 kilotonnes), compared to 908 kilotonnes in 2021.

In the third quarter of 2023, flat products recorded a deficit amounting to 799 kilotonnes per month, after 1.2 million tonnes per month (1,169 kilotonnes) recorded in the preceding quarter. Long products recorded a small surplus for the second consecutive quarter, (101 kilotonnes, after 8 kilotonnes in the second quarter of 2023). During the first eleven months of 2023, trade deficits for flat and long products amounted to 941 and 0 kilotonnes per month respectively.

The largest trade deficits for finished products with individual trade partners during the first eleven months of 2023 were with South Korea (272 kilotonnes per month), India (242 kilotonnes), Taiwan (220 kilotonnes), Vietnam (197 kilotonnes), China (173 kilotonnes), and Japan (166 kilotonnes).

The major destination countries for EU finished steel exports with a finished product trade surplus during the first eleven months of 2023 were the United States (178 kilotonnes per month), Switzerland (80 kilotonnes), the United Kingdom (79 kilotonnes) and Turkey (7 kilotonnes).

THE EU STEEL MARKET: FINAL USE

OUTLOOK FOR STEEL-USING SECTORS

TOTAL ACTIVITY IN THE THIRD QUARTER OF 2023

In the third quarter of 2023, for the first time after the post-pandemic rebound, the Steel Weighted Industrial Production index (SWIP) contracted (-0.3%) after a meagre increase (+0.4%) in the previous quarter. Until then, EU steel-using sector's output has continued to grow showing unexpected resilience despite the protracted impact of Russia's invasion of Ukraine, overall manufacturing weakness and global geopolitical tensions, along with above-average energy prices.

The latest developments of the SWIP index were a combination of a continued downturn in the construction, mechanical engineering, domestic appliances and metalware sectors, only partly compensated by the continued growth in the automotive. The construction sector entered recession in the third quarter of 2022 and saw its fifth consecutive quarterly drop (-1.2%, after -3.4%) in the third quarter of 2023. Its recessionary trend is expected to continue. The positive trend in SWIP, started after the pandemic, continued up to the second quarter of 2023, in spite of soaring energy prices impacting production costs, component shortages and lower output that took their toll on total production activity in steel-using sectors in the second half of 2022.

The deterioration of the economic and industrial outlook in the EU – particularly due to high inflation and the subsequent interest rate hike by the European Central Bank (ECB) – has had a limited impact on steel-using sectors' output so far. The construction sector, which accounts for 35% of steel consumption in the EU, was the only significant exception.

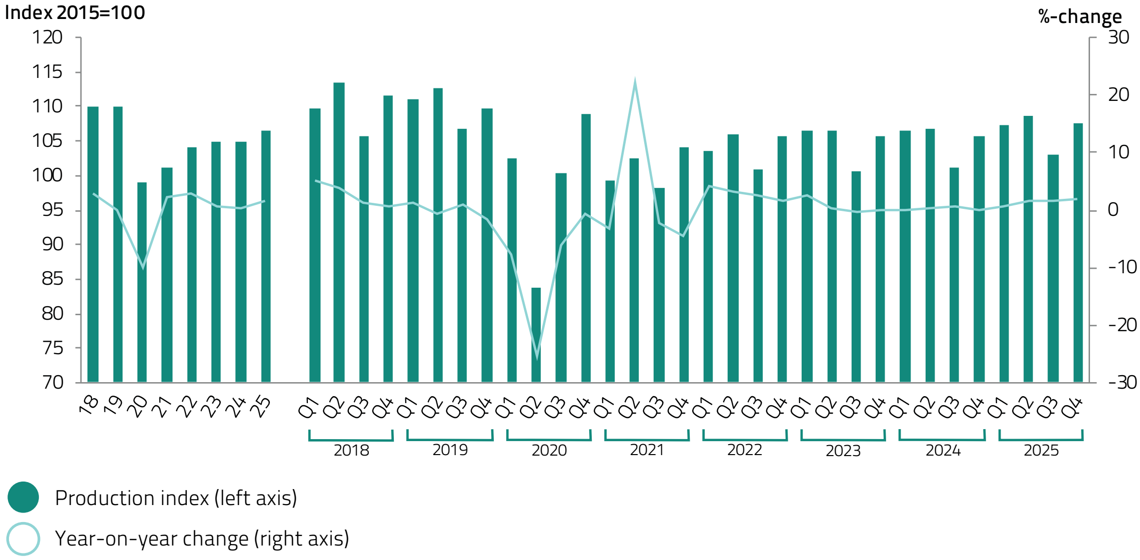
The ongoing economic uncertainty is set to continue taking its toll on growth also over the upcoming quarters. The year 2024 is expected to be characterised by unpredictability, stemming from energy price levels, continued weakness in steel demand, inflation and interest rate-driven economic challenges.

TOTAL FORECAST 2024-2025

Despite persisting downside factors, steel-using sectors' output is forecasted to continue growing in 2023 (+0.7%, previous outlook +0.6%), albeit with wide differences among individual European economies. In 2024, steel-using sectors' output growth is projected to further slowdown (+0.2%), mainly due to the second recession in a row in the construction sector, before picking up again in 2025 (+1.5%).

Total steel-using sectors' output had increased more than expected (+3.3%) in 2022, following the rebound in 2021 (+6.9%) after the sharp decline recorded in 2020 (-10.1%) due to impact of COVID-19.

EU Steel Using Sectors
Production Activity - Forecast from Q4-2023



Year-on-Year %-Change in EU Steel Weighted Industrial Production (SWIP) Index

	% Share in total consumption	**Year 2023**	Q1'24	Q2'24	Q3'24	Q4'24	**Year 2024**	Q1'25	Q2'25	Q3'25	Q4'25	**Year 2025**
Construction	35	**-2.1**	-1.7	-1.0	0.0	1.2	**-0.4**	1.6	1.8	2.2	2.5	**2.0**
Mechanical engineering	14	**1.6**	-2.0	-1.6	0.1	1.4	**-0.5**	2.0	2.9	2.3	2.3	**2.4**
Automotive	18	**8.8**	1.7	1.2	-0.9	-1.7	**0.1**	-0.3	-0.4	1.0	0.5	**0.2**
Domestic Appliances	3	**-3.1**	0.7	3.8	5.0	3.3	**3.1**	2.0	3.3	3.0	1.3	**2.4**
Other Transport	2	**8.5**	-1.6	5.4	-2.0	3.1	**1.2**	1.9	0.3	2.0	3.3	**1.9**
Tubes	13	**-2.4**	1.4	1.9	0.6	1.4	**1.3**	-0.8	0.8	1.1	0.8	**0.5**
Metal Goods	14	**-3.3**	-1.9	-0.4	1.4	1.3	**0.1**	1.4	1.8	0.7	1.4	**1.3**
Miscellaneous	2	**2.0**	1.8	2.6	-0.5	0.5	**1.1**	0.8	0.0	2.6	0.8	**1.0**
Total	100	**0.7**	0.0	0.4	0.5	0.0	**0.2**	0.8	1.6	1.7	1.8	**1.5**

CONSTRUCTION INDUSTRY

ACTIVITY IN THE THIRD QUARTER OF 2023

The increase in construction material prices, coupled with labour shortages in certain EU countries, growing economic uncertainty and higher interest rates impacted construction output for the fifth consecutive quarter (-1.2% in the third quarter of 2023, after -34% in the second). This negative trend is expected to persist, extending up to H1 2024, mainly due to the impact of continued monetary policy tightening via higher mortgage rates on housing demand.

In line with real production volumes, the recession in the sector has been confirmed also by the latest quarterly developments in investment in construction, which recorded a drop both in the second and in the third quarter of 2023 (-1.4% and -1.3% on a yearly basis, respectively).

As expected, also residential investment dropped for the fourth consecutive quarter, hit by rising mortgage interest rates (-4.5% in the third quarter of 2023, after -4.7% in the preceding quarter), resulting from monetary policy tightening by the ECB to curb inflation. Conversely, more positive developments were seen in 'other construction' investment (+2.1%, as in the preceding quarter), particularly in civil engineering, that have proven resilient in the current construction downturn but could not offset the fall in residential investment. Its expansion is projected to continue during 2024, but at a much slower pace due to lower public expenditure in construction.

FORECAST 2024-2025

Governments have been using public construction spending as a countercyclical tool since the COVID-led recession of 2020 to bolster recovery. However, while overall construction activity is expected to continue benefitting to a limited extent from governmental housing support and public construction schemes, the impact of these publicly-funded construction schemes is expected to significantly decrease in 2024 due to multiple downside factors, including the shortage of construction materials, their rising prices as well as reduced fiscal room for construction spending in EU countries. These issues have resulted in declining construction confidence as confirmed by latest available data (December 2023).

Looking at construction sub-sectors, rise in interest rates – as a consequence of policy rate hikes by the ECB and other central banks – has already impacted residential construction demand. Civil engineering is expected to continue providing the strongest contribution to the construction sector's performance, but to a lower extent. This segment will continue to be supported by EU-wide public policies (NextGenerationEU, etc.), but their effects have become increasingly uncertain and difficult to quantify due to the recent deterioration of the economic outlook. The suspension of the Stability and Growth Pact has been extended until the end of 2023, which will leave room for government spending in infrastructure. However, the visible effects in terms of construction output related to these projects will be lagged over time.

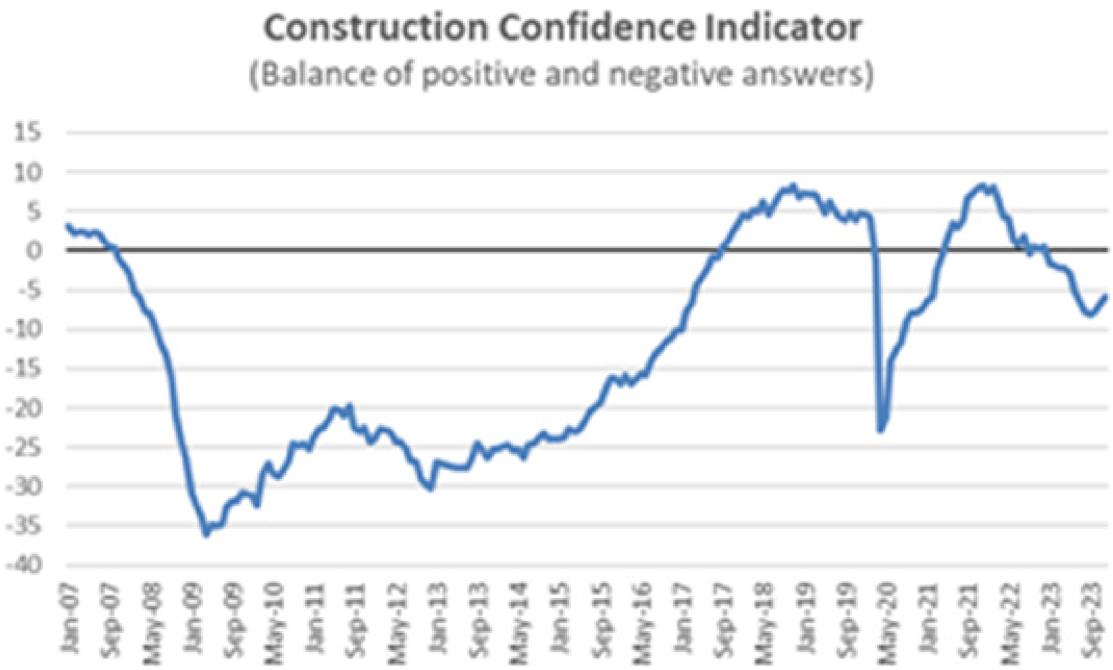
As regards the private non-residential construction subsector (offices, commercial buildings, etc.), the subdued business investment outlook remains unfavourable to investment in non-residential projects in the near future.

As a result, the construction sector is expected to undergo a more pronounced recession in 2023 (-2.1%, revised downwards from -1.7%), followed by another annual drop, albeit milder, in 2024 (-0.4%) and recovery (+2%) in 2025.

PAST TRENDS

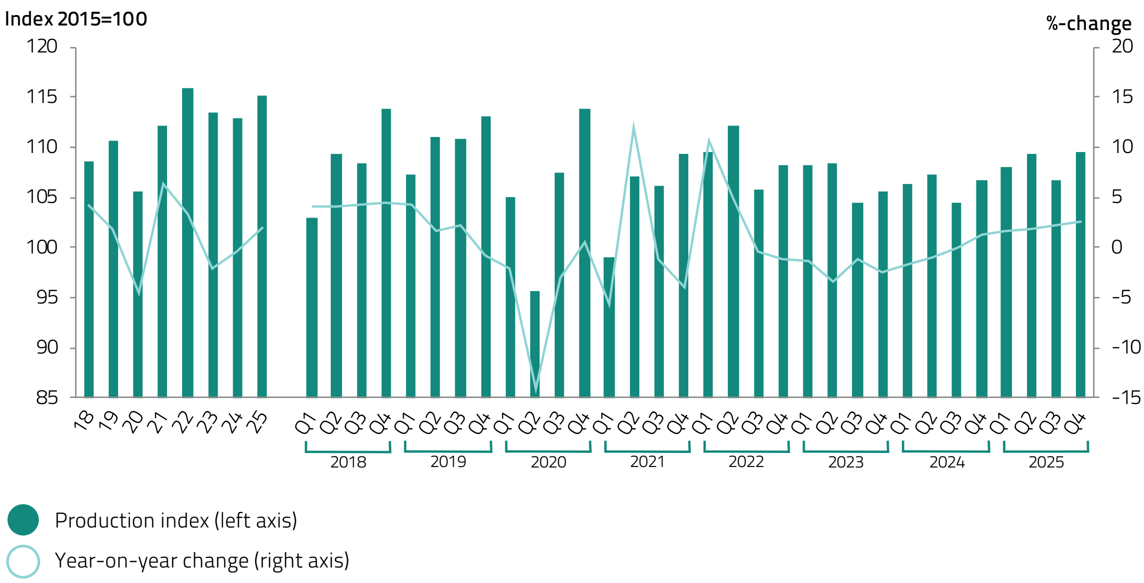
The positive trend in construction output observed since the fourth quarter of 2020 (eight consecutive quarters of growth) came to an end in the third quarter of 2022 (-0.4%) and the downturn has continued since, as reflected in the data of the last two quarters (drops in output of -3.4% and -1.2%, respectively). The sector had experienced a vigorous rebound in 2021 (+6.3%), largely boosted by generous governmental support schemes at EU and national level benefitting the private residential and civil engineering sub-sectors, after the decline in 2020 (-4.8%) due to the pandemic.

Construction confidence in the EU had substantially improved since the lows seen in mid-2020 due to the pandemic, almost reaching 2018 levels in the course of 2021. However, issues all along the supply chain and the overall deterioration of the economic and industrial outlook have been impacting the sector since February 2022. The private non-residential construction subsector (offices, commercial buildings, etc.) has continued to pay the highest toll to the pandemic in 2020 and also partly in 2021 with increasing vacancy rates, and recovered only partially since then.



EU Construction Sector

Production Activity - forecast from Q4-2023



AUTOMOTIVE INDUSTRY

ACTIVITY IN THE THIRD QUARTER OF 2023

In the third quarter of 2023, the automotive sector's output increased for the sixth consecutive time (+5.4%, following +11.5% in the previous quarter). This sustained rebound has been continuing since the second quarter of 2022, partly due to the comparison with the very low output volumes seen in 2021 and 2022.

However, output in the sector remains well below the levels seen before the pandemic and even below those seen before the pre-COVID recession in 2019, due to rising trade tensions and a downturn in the manufacturing sectors.

Consumer resilience – despite subdued disposable income growth and uncertainty over Electric Vehicles (EVs) implementation – has somewhat fuelled demand in the last four quarters, leading to a rebound in the sector's output since the second half of 2022.

EU PASSENGER CAR VEHICLE DEMAND

Despite ongoing supply chain issues, war-related disruptions, low consumer confidence and squeezed incomes due to high inflation and economic uncertainty – which has impacted vehicle output and consumer demand throughout 2022 – there has been a consistent improvement in demand during 2023. This trend was supported by easing energy prices. However, in December 2023, the EU car market experienced the first contraction (-3.3%) after 16 consecutive months of growth, with 867,052 units in sales. This decline is primarily attributed to the comparison with the exceptionally positive performance recorded in December 2022. It is worth noting that significant increases were observed in markets such as France (+14.5%) and Spain (+10.6%). In contrast, the German car market substantially contracted (-23%) in December 2023.

In the entire year of 2023, the EU car market grew (+13.9%) compared to 2022, reaching a full-year volume of 10.5 million units sold. Double-digit gains were observed in most European car markets, including three of the largest: Italy (+18.9%), Spain (+16.7%), and France (+16.1%). In contrast, Germany recorded a more modest (+7.3%) year-on-year increase, influenced by its weaker December performance.

Battery-electric cars emerged as the third-most-popular option for buyers in 2023. In December, their market share rose to 18.5%, contributing to a 14.6% share for the full year, surpassing diesel, which remained steady at 13.6%. Petrol cars continued to dominate with a market share of 35.3%, while hybrid-electric cars secured the second position with a 25.8% market share.

FORECAST 2024-2025

In 2023, despite the overall subdued investment outlook, automotive output is expected to rebound more robustly (+8.8%, revised upwards from +7%). However, output levels will remain relatively low in historical terms, far below the levels seen in 2018 and 2019. The sector is projected to experience only a marginal increase – but no recession - in output in 2024 (+0.1%, vs. a previously estimated recession of -4.6%).

Demand is projected to remain weak until the macroeconomic picture and consumer disposable income substantially improve. This has now become less likely given the worsening economic outlook and more subdued economic growth perspectives. However, demand has shown resilience. Uncertainties around the implementation of EVs and delays in the launch of new models - many are hybrid or fully electric, preparing the ground for the ban of petrol cars by 2035 – have proven unsupportive factors of consumer demand. Coupled with the lack of facilities such as recharging points, they have also delayed investment decisions by carmakers.

Full recovery in global trade and external demand from major markets such as the United States - where the IRA is expected to boost production of EVs in the US -, China and Turkey will remain a key factor for EU car exporters. In the longer-term, political commitment at EU level towards the full adoption of EVs by 2035 should prove somewhat supportive, despite the fact that general car demand appears to be dependent on fragile consumer confidence throughout 2023 and possibly 2024.

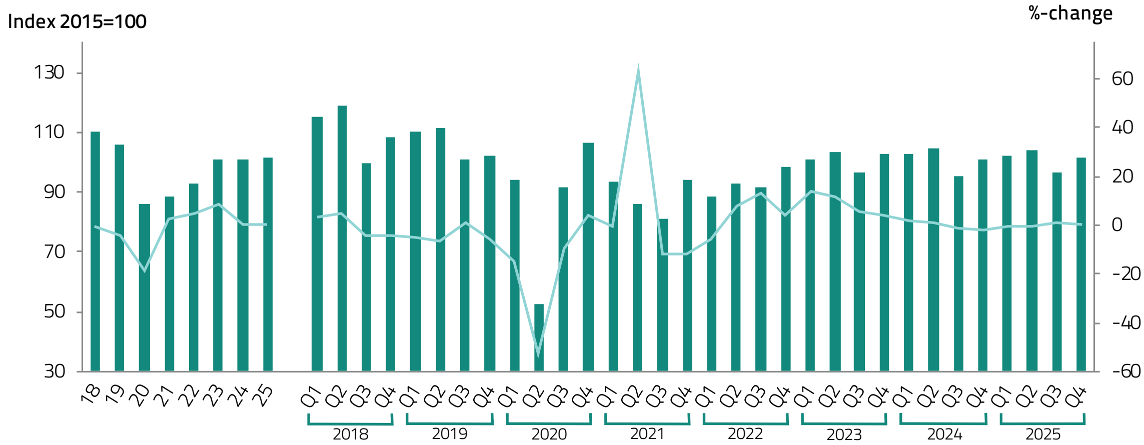
PAST TRENDS

Automotive was hit more than any other steel-using sectors during the pandemic in 2020, resulting in a very severe slump (-18.7%). Subsequently, output modestly rebounded (+2.8%) in 2021. In 2022, the sector's output experienced higher growth (+4.7%), mostly due to the very low output levels seen for several quarters since 2021.

Despite the ongoing rebound, the sector has continued to be affected by severe supply chain issues, which have taken a heavy toll on output. Additionally, the overall uncertain outlook of the sector, coupled with ongoing consumer uncertainty and low confidence, has impacted the demand side as well. Since the third quarter of 2018, downside factors such as sluggish domestic and export demand, trade-related uncertainties, emissions rules, shifting patterns in ownership and model ranges, have been felt across the sector. The continued supply chain issues that materialised over the summer of 2021 increasingly resulted in shortage of components and semiconductors, rise in energy prices and in production costs, and slowdown in global trade (automotive is a largely export-oriented sector).

EU Automotive Sector

Production Activity - forecast from Q4-2023



Production index (left axis)

Year-on-year change (right axis)

MECHANICAL ENGINEERING

ACTIVITY IN THE THIRD QUARTER OF 2023

In the third quarter of 2023, output in the mechanical engineering sector experienced a marginal drop (-0.1%), after ten consecutive quarterly increases (+1.8% in the preceding quarter). Driven by the post-COVID industrial recovery, the rebound brought output back to absolute high levels, even above those recorded before 2019.

However, the sector's growth remains exposed to ongoing downside risks, including the prolonged impact of Russia's invasion of Ukraine and the continued deterioration of the economic and industrial outlook, as observed throughout 2023. Consequently, the sector's output is anticipated to shrink also in the fourth quarter of 2023, with a projected return to positive territory expected only in the second half of 2024.

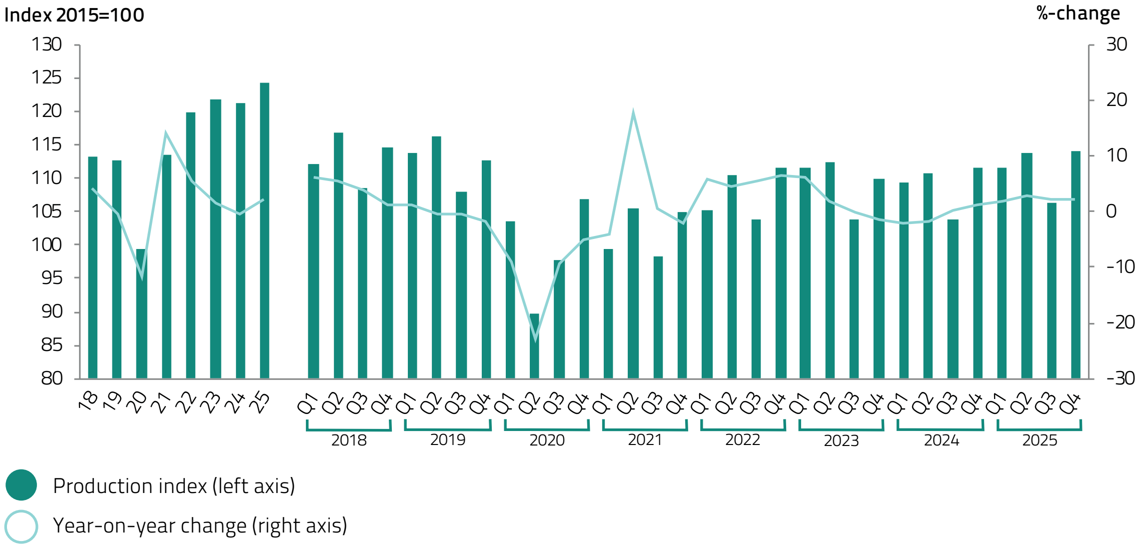
FORECAST 2024-2025

Mechanical engineering output is expected to experience only moderate growth in 2023 (+1.6%, revised upwards from +0.5%). This sluggish performance is due to the continued weakness of the overall manufacturing sector, the impact of high interest rates and inflation-led economic uncertainty. Despite expected overall improvements in the economy and industry in first half of 2024, the sector is projected to achieve a drop in output in 2024 (-0.5%), before recovering in 2025 (+2.4%).

PAST TRENDS

In 2022, the sector grew robustly (+5.6%) thanks to a positive performance in the first half of the year, despite the impact of war-related disruptions and a severe energy shock. It followed a more robust rebound (+14.3%) in 2021 after the sharp decline (-11.8%) in 2020 due to the pandemic. Mechanical engineering output had already experienced a small drop (-0.3%) in 2019, due to global trade tensions and a downturn in the manufacturing sectors.

EU Mechanical Engineering Sector
Production Activity - forecast from Q4-2023



STEEL TUBE INDUSTRY

ACTIVITY IN THE THIRD QUARTER OF 2023

In the third quarter of 2023, output in the steel tube sector increased (+1.3%, after a drop of -4.5% in the preceding quarter). The positive trend in the sector driven by the post-pandemic recovery in 2021 was abruptly interrupted by war-related disruptions and supply chain issues in the second half of 2022. The energy crisis has also considerably affected the sector, including for pipeline project developments in the EU.

FORECAST 2024-2025

In 2023, output in the EU steel tube sector is expected to experience a milder-than-expected drop (-2.4%, revised from -4.4%), followed by a moderate recovery (+1.3%) in 2024 and an anaemic growth in 2025 (+0.5%). In the longer term, demand for large welded tubes from the oil and gas sector is not expected to improve substantially as the EU has accelerated its transition towards LNG shipping for its energy needs, thereby reducing its reliance on gas transported via pipelines.

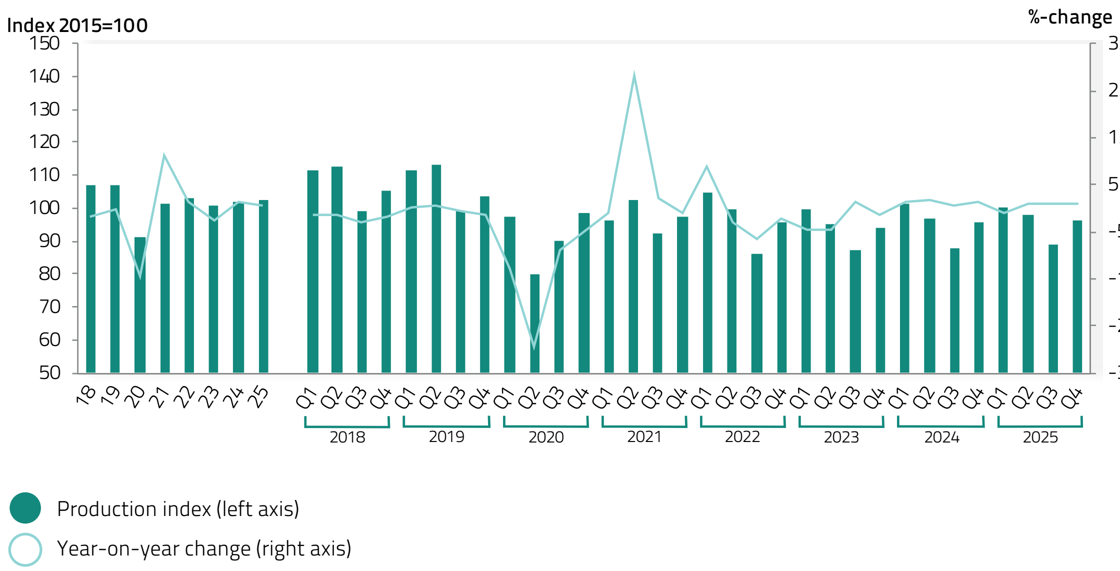
On one hand, global oil demand is not expected to boost the launch or the implementation of new pipelines in the short-term, due to high geopolitical uncertainty and a poor global economic outlook. Oil demand is likely to ease also in 2024 in the EU, aligning with low economic growth expectations. On the other hand, demand from the construction sector is also set to ease and thus provide a modest contribution to growth in output, whereas tube demand from the automotive and engineering sectors is forecast to remain relatively stronger.

PAST TRENDS

In 2022 the sector's output grew moderately (+1.4%), after a marked rebound in 2021 (+11.1%). In 2020, output in the EU steel tube industry was heavily impacted by the industrial shutdown due to the pandemic. Likewise for other steel-using sectors, the rebound seen during 2021 eased considerably throughout 2022 as a result of severe global supply chain issues and the disruptions linked to Russia's war in Ukraine. These factors have further delayed ongoing projects and impacted the availability of materials.

Steel Tubes

Production Activity - forecast from Q4-2023



ELECTRIC DOMESTIC APPLIANCES

ACTIVITY IN THE THIRD QUARTER OF 2023

In the third quarter of 2023, the electrical domestic appliances sector experienced the ninth consecutive marked decline in output (-2.8%, after -4.4%). These figures are in line with the declining trend observed since the second quarter of 2021, which marked the end of a bigger-than-expected post-COVID recovery in output.

This trend is expected to reverse in the fourth quarter of 2023 and the sector is expected to experience a rebound in 2024.

FORECAST 2024-2025

Output in the domestic appliances sector experienced a recession in 2022 (-5.6%) and is projected to replicate, although more moderately, in 2023 (-3.1%, revised downwards from -2.7%), before recovering in 2024 (+3.1%). Growth is also forecasted for 2025 (+2.4%).

Growth in output is expected only from the fourth quarter of 2023, due to the prolonged weakness of the manufacturing sectors and subdued economic outlook that has continued to hinder industrial activity and impact consumer demand.

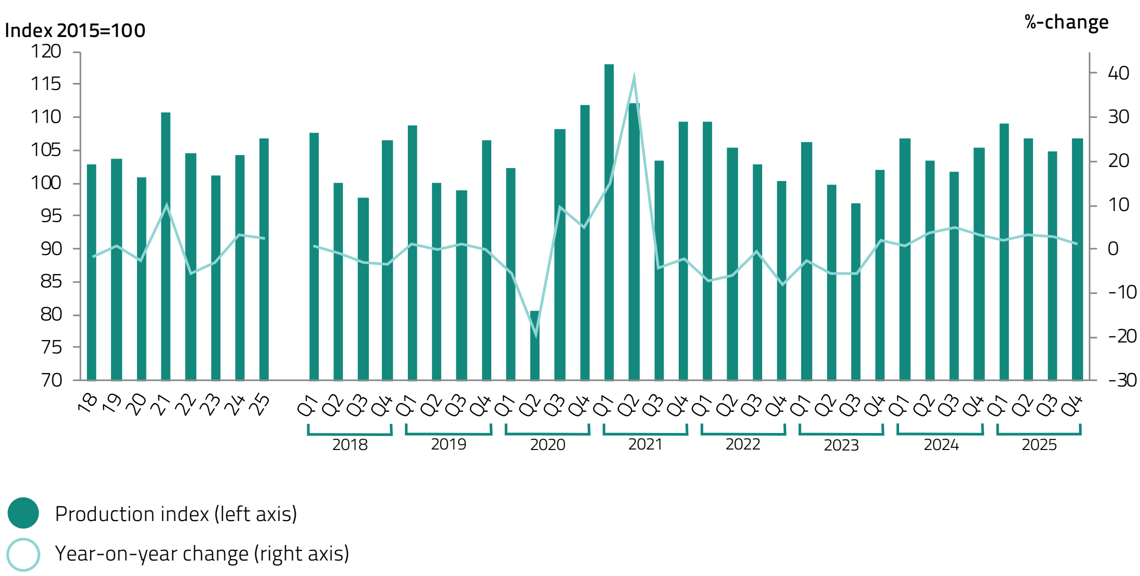
However, some supportive factors will partly offset these downside factors, and continue providing some incentives to growth. Remote working will remain widely practiced across the EU in the next years, albeit to a much lesser extent than during the pandemic. In the longer term, developments linked to the so-called 'Internet of Things' (smart applications that enable the connection of home appliances and devices) should also benefit the sector, although their impact is not likely to be visible before the first quarter of 2024.

PAST TRENDS

Widespread remote working across the EU boosted demand for home appliances and other related goods over the second half of 2020 and the first half of 2021, but afterwards the sector cycle has considerably eased. This was due to multiple downside factors such as gradual return to offices after the pandemic, supply chain issues, rising energy costs, the war in Ukraine and the recent deterioration in the EU industrial outlook over the first half of 2023.

On an annual basis, in 2020 output fell more moderately (-2.7%) compared to other EU steel-using sectors and rebounded (+9.9%) in 2021, thanks to very positive performances recorded over the first half of the year.

Electric Domestic Appliances
Production Activity - forecast from Q4-2023



EU ECONOMIC OUTLOOK 2023-2024

GDP GROWTH

Thanks to a higher-than-expected resilience of the economy and a positive, albeit declining, contribution from the services sector, the EU economy is set to avoid recession in 2023. However, growth is expected to be much lower than in 2022 (+0.6% vs. +3.4%). This is the result of a protracted impact of multiple downside factors, namely high inflation (albeit on a downwards path throughout 2023) and subsequent monetary tightening, war-related uncertainty and geopolitical tensions, high energy and commodity prices, all factors weighing on business investment. EUROFER's GDP forecasts for the EU in 2023 has remained unchanged compared to the previous outlook (+0.6%, in line with the European Commission Autumn 2023 Economic Forecast). Overall economic uncertainty still lingers for 2024. EU economic growth is expected to gain some ground, but downside risks remain: the continued war in Ukraine, persistently high inflation and interest rates and additional geopolitical tensions in the Middle East are likely to weigh further on economic confidence and also on energy prices. These factors result in a lower GDP growth forecast compared to EUROFER's previous outlook (+0.8% vs. +1.1%; +1.3% according to the European Commission). A so-called 'soft landing', which is a combination of lower inflation without economic recession, appears to be the most likely scenario for the current year.

However, the impact of these downside factors is set to be asymmetrical across EU individual economies. Germany is projected to experience a mild recession in both 2023 (-0.2%) and 2024 (-0.1%). Austria, Sweden, Czech Republic and Hungary are also expected to face recession in 2023 (-0.5%, -0.2%, -0.5% and -0.9% respectively), before recovery in 2024. For France and Italy, forecasts predict real GDP growth in both 2023 (+0.8% and +0.7%) and 2024 (+0.6% and +0.7%, respectively). Spain is expected to have a more pronounced GDP growth in 2023 (+2.4%) and 2024 (+1.4%).

The latest IMF World Economic Outlook (January 2024) forecasts global GDP growth of +3.1% both in 2023 and 2024 and +3.2% in 2025, with +0.5%, +0.9% and +1.7% in the euro area for 2023, 2024, and 2025 respectively. For Germany, the IMF projects -0.3% in 2023 and +0.5% in 2024. The OECD, in its latest Outlook (November 2023), estimates euro area GDP growth to be +0.6% in 2023, +0.9% in 2024 and +1.5% in 2025, while predicting for Germany a minimal recession (-0.1%) in 2023 and recovery (+0.6%) in 2024.

Throughout 2023, domestic demand, particularly private consumption, has been providing very modest contribution to GDP growth, given persistently high inflation that reduces household disposable income. This has been partially offset by the significant amount of savings that households were able to cumulate during the pandemic. Services are expected to continue to provide the primary contribution to GDP growth, while manufacturing is expected to remain weak, contrary to the post-pandemic rebound experienced in 2021 and up to the first quarter of 2022.

MAJOR EU ECONOMIES

In the third quarter of 2023, the EU economy recorded flat developments after minimal growth in the preceding quarter (+0.1%). Similarly, on a year-on-year basis, the EU's real GDP growth was also flat, after +0.5% in the second quarter.

Germany avoided technical recession between the second and the third quarter of 2023, but recorded limited negative growth (-0.1%) in the third quarter. Its economy continued to pay the toll to high inflation and monetary policy tightening affecting its manufacturing sector, especially the automotive industry.

Other major euro area economies had diverging developments. Spain achieved positive GDP growth (+0.3% quarter-on-quarter, after +0.4% in the preceding quarter, and +0.4% year-on-year). By contrast, Italy, whose manufacturing sector is deeply integrated with the German one, saw a deterioration of the economic environment, as real GDP dropped (-0.4%) quarter-on-quarter in the second quarter, recovered modestly (+0.1%) in the third quarter while marginally growing (+0.1%) year-on-year. France saw a limited real GDP contraction (-0.1%) in the third quarter of 2023 resulting in year-on-year growth (+0.6%). In line with the latest leading indicators, which continue to signal weakness in the manufacturing sector (see confidence indicators on page 27), it appears very unlikely that EU economies will see growth gaining speed before the second quarter of 2024, as the economic outlook remains very uncertain with a fragile growth conditional upon several downside factors.

ENERGY PRICES

During 2023, energy prices have continued to decrease from the all-time peaks seen in July 2022. The TTF Natural Gas Price Index went from peaking at € 342 per MW/h in August 2022 - which was 20 times the average value observed in 2021 – to a current value of around € 30 per MW/h in January 2024. The reasons behind these developments include a lower gas demand outlook due to the economic slowdown, a relatively mild winter, the EU's price cap, a higher consumption of wind and other renewables during 2023 and a rather successful transition from Russian pipeline gas to shipborne liquefied natural gas (LNG) from other suppliers. On the other hand, the ongoing turmoil in the Middle East and global geopolitical tensions could push future increases in oil prices, despite expectations of global low demand. Such a scenario could hinder economic growth. Potential new disruptions along the global supply chain could impact overall costs for industries and business as well.

INFLATION

Inflation became a primary concern and reached highs unseen since 1985 in the EU in October 2022, peaking at 11.5%, but has been easing considerably since then. Data from November 2023 (3.1%) confirm this downward trend. However, the latest available data from December for the euro area point to a new rise in inflation from 2.4% to 2.9%, while remaining around or above 5% in some Member States. In Germany inflation stood at 3.8%, in France at 4.1%, in Spain at 3.3%, whereas only in Italy it slowed down significantly (0.5%). On the other hand, it reached 5.7% in Austria and 5.4% in Croatia.

Although energy prices have decreased considerably (from +41% in June 2022 to -6.7% in December 2023), core inflation has slowed down only modestly, decreasing from 6.6% in March to 4.1% in December. This points to the fact that inflationary developments seem to be driven more by endogenous factors than by external ones. Prices have continued to cool off throughout 2023 and are expected to see moderate developments also in 2024, despite potential inflation-igniting factors still on the background. EUROFER estimates an inflation rate of 5.7% in 2023, slowing down to 2.3% in 2024 (2.5% in the previous outlook) before settling below the 2% ECB inflation target in 2025 (1.5%), albeit remaining above 4% in some Member States. This means that, despite ongoing moderation, inflation is still set to remain above the ECB target throughout 2024. However, inflationary concerns have been materialising again in recent weeks due to rising tensions in the Red Sea that could lead to considerable disruptions for the EU industry's supply chain.

MONETARY POLICY

Due to the highest inflation rate over the last 35 years, central banks in advanced economies were bound to quickly reverse their hyper-expansionary monetary policy stance. The ECB has raised its policy rate from zero up to 4.50% since July 2022, with the last hike in September 2023. This has inevitably reduced the room for supportive fiscal policies, in particular government spending by EU member states, as borrowing costs will be higher, especially for highly-indebted economies. A policy rate cut by the ECB is not expected before the summer of 2024.

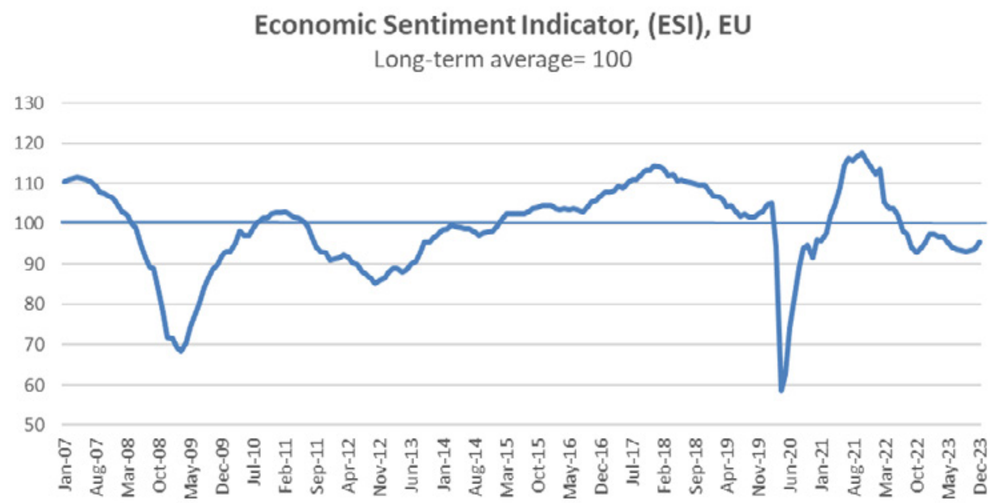
In addition, the ECB terminated its PEPP (the COVID-led exceptional Asset Purchase Programme), which helped keep government bond yields low for highly-indebted countries. Despite the ongoing downside factors, the deterioration of the economic outlook and the need of continued public support to the economy, the Stability and Growth Pact – suspended until the end of 2023 – has been enforced again (in its newly-approved version) from 1 January 2024.

CONFIDENCE AND LEADING INDICATORS

ECONOMIC SENTIMENT INDICATOR (ESI)

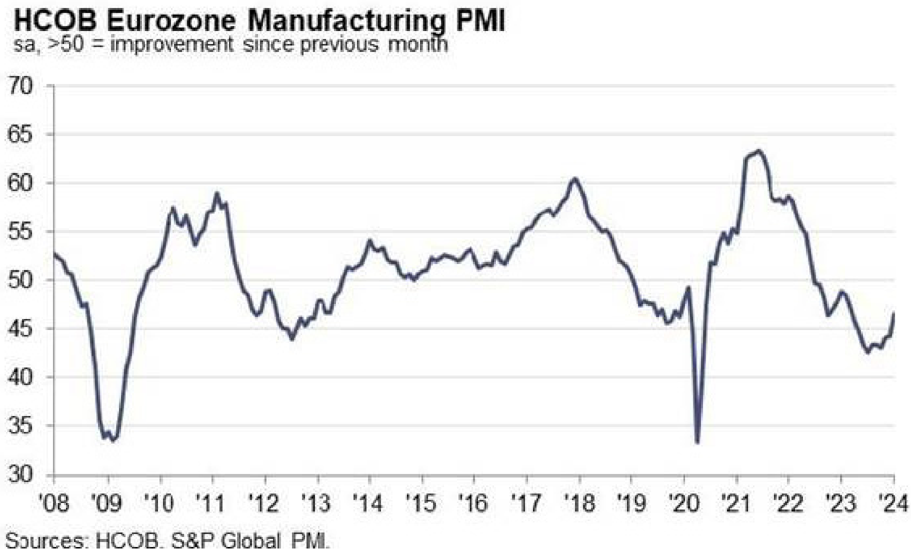
Overall economic confidence in the EU, measured by the Economic Sentiment Indicator (ESI), has been on a downward path since early 2022 due to widespread concerns over war-related issues, high inflation and deteriorating economic outlook. It hit a 10-month low in July 2022 (92.6, the lowest level since October 2013), and later rose up to 95.6 in December 2023. However, it has consistently lingered near the lowest levels observed since the second half of 2013.

The HCOB manufacturing output PMI Index rose from 47.6 in December to 47.9 in January, but remained below the 50.0 expansion territory, signalling another month of deteriorating operating conditions for industries across the euro area.



GLOBAL SUPPLY CHAIN PRESSURE INDEX (GSCPI)

In the first eleven months of 2023, global supply chain issues have been easing, primarily driven by softening demand conditions due to inflationary pressures affecting consumer demand. The Global Supply Chain Pressure Index (GSCPI), which had peaked to 4.35 in July 2021 due to global supply chain disruptions, remained in negative territory up to December 2023 (-0.15, down from -0.13 in November). The latest monthly data, however, do not yet reflect the growing concerns about accessibility for freights in the Red Sea and Persian Gulf due to geopolitical tensions in the Middle East.

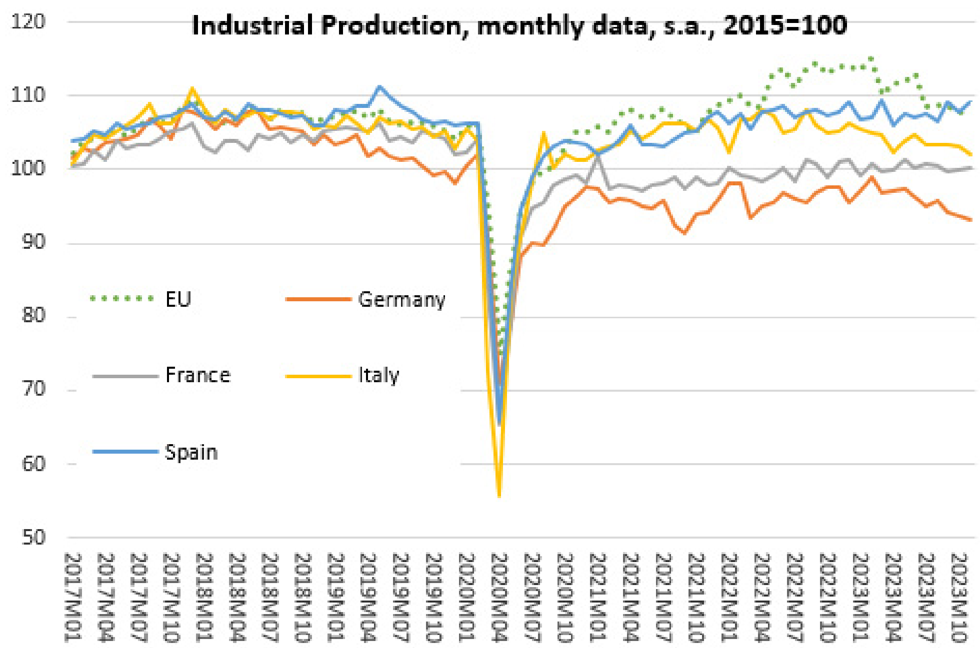


INDUSTRIAL PRODUCTION

On a quarterly basis, EU industrial production proved to be resilient throughout 2022, despite the ongoing impact of the war and energy crisis. However, manufacturing output in the EU plunged in the first three quarters of 2023, with quarter-on-quarter drops of -0.8% and -3% in the second and third quarters, respectively. In year-on-year terms, over the third quarter of 2023, industrial production substantially dropped in the EU (-3.9%, after -0.2% in the second quarter). Among major EU economies, only France experienced marginal industrial output growth (+0.2%), while Germany, Spain and Italy saw a decrease (-1.7%, -0.4% and -2.7%, respectively).

The latest available monthly data (up to November 2023) indicates that output levels are still decreasing and remain below the all-time highs recorded before the pandemic in some major EU economies. In October, industrial output in the EU experienced a decline (-4.3%), followed by a further drop (-4.5%) in Germany, France (-0.8%) and Italy (-2.9%) in November, whereas it increased in Spain (+1.2%). Consequently, industrial output in Italy and Spain has returned back to pre-pandemic levels, but this is not the case for France, and particularly for Germany. Industrial output is expected to remain affected by a combination of factors. These include the uncertainty associated with ongoing conflicts and geopolitical tensions, such as the situation in Ukraine and, more recently, in the Middle East, high inflation and higher interest rates, as well as future developments in energy prices, which are still not entirely predictable.

The EU experienced a pronounced drop in industrial production (-8.1%) in 2020, followed by a vigorous rebound in 2021 (+8.2%), and achieved modest but resilient growth in 2022 (+1.7%). However, in 2023 industrial output is expected to decline (-1.3%) due to continued downside factors and overall manufacturing weakness. Subsequently, a modest rebound of +1% (previously estimated at +1.9%) is projected for 2024.



OTHER ECONOMIC FUNDAMENTALS

LABOUR MARKET

Despite the impact of multiple downside factors (energy crisis and war in Ukraine, inflation, rise in interest rates) on the overall economy, labour market fundamentals have continued to prove resilient in most EU countries. Although job creation has continued to be affected by lower levels of production activity in industry and persistent uncertainty about short-term business conditions, the unemployment rate in the EU has decreased from 7.9% in January 2021 (in the aftermath of the pandemic) to 5.9% in November 2023. The labour market proved quite resilient and reacted slowly to the deterioration of the macroeconomic environment, spurred by the positive employment dynamics of the services sector. However, unemployment levels have continued to conceal considerable differences across member states (still above 10% in Spain and Greece) as well as economic sectors.

EUROFER Macroeconomic data, EU
Annual % change, unless otherwise indicated

	2021	2022	2023	2024	2025
GDP	5.8	3.4	0.6	0.8	1.9
Private Consumption	4.4	4.2	0.4	1.1	2.2
Government Consumption	4.5	1.6	0.6	1.0	0.9
Investment	6.9	2.8	1.1	0.8	2.4
Investment in equipment	7.7	3.7	4.0	2.0	2.1
Investment in construction	6.1	1.8	-0.7	-0.2	1.6
Exports	11.4	7.4	0.3	1.7	3.7
Imports	10.9	7.8	-1.0	2.2	3.7
Unemployment rate (level)	7.7	6.9	6.8	6.8	6.4
Inflation	2.5	7.8	5.7	2.3	1.5
Industrial production	8.1	1.6	-1.8	0.4	3.1

PRIVATE CONSUMPTION

Consumers have been suffering from substantial decreases in their in disposable income due to inflation rates at their 30-year highs and subsequent rises in interest rates. This dynamic has slashed domestic demand, and private consumption is expected to provide a very modest contribution to GDP growth in 2023 and also in 2024. This trend is primarily a result of the inflation-led decrease in household disposable income, although households have continued to cumulate savings throughout 2021 and, to a much lesser extent, in 2022 and 2023.

Despite government support and increased social expenditure to mitigate the impact of the pandemic first and then the energy crisis for households and industries, uncertainty will continue to weigh down on consumer confidence at least until the end of 2023, due to slashed growth outlook triggered by existing downside factors.

Government investment and public expenditure are anticipated to maintain their countercyclical role and could make a substantial contribution to the growth of domestic demand. However, room for manoeuvring is now reduced due to the conclusion of the ECB asset purchase programme. The NextGenerationEU package will continue to be implemented until 2026, but its most noticeable effects are expected to become apparent only from the first half of 2024.

GLOSSARY OF TERMS

SECTOR DEFINITIONS ACCORDING TO NACE REV.2

BUILDING AND CIVIL ENGINEERING

41 Construction of buildings

42 Civil engineering

43 Specialised construction activities

25.1 Manufacture of metal structures and parts 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

25.3 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, electricity distribution and control apparatus excluding 27.1 and 27.5

EU STEEL MARKET DEFINITIONS

SWIP: abbreviation for Steel Weighted Industrial Production index. It is 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: Real consumption is the use of all steel products used by steel-using sectors in their production processes, also referred to as the 'final use' of steel products, adjusted for the stock cycle.

Apparent steel consumption: Apparent consumption is also referred to as 'steel demand'. It is total deliveries of all steel products and qualities by EU producers plus imports less 'receipts' into the EU, minus exports to third countries. In other words, apparent consumption is deliveries by EU producers plus imports minus receipts (that is, imports by EU producers themselves of material that is further processed), minus exports to third countries. EUROFER's definition of apparent consumption includes all qualities, including stainless, and all finished products and semi-finished products.

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.

Steel industry receipts: In both the apparent consumption and market supply statistics, the imports component of the calculation is written, in the EUROFER definition, as 'imports less receipts'.

The 'receipts' in this instance mean imports by EU producers themselves of finished or semi-finished steel products that are further processed by the producer and transformed into other products. In the publicly available EUROFER figures, only finished products are shown and thus impacted by the receipts calculation.

This correction is important because it prevents double-counting that would artificially inflate the size of the market. If an EU producer imports a tonne of hot rolled strip that it further processes into a tonne of cold rolled which it then delivers to the EU market - in an uncorrected calculation the import of one tonne would then become one imported tonne plus one EU-processed and delivered tonne. The imported tonne is thus corrected out in the import side of the market supply and apparent consumption figures.

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)

EUROFER AISBL is located in Brussels and was founded in 1976. It represents the entirety of steel production in the European Union. EUROFER full members are steel companies and national steel federations throughout the EU. The major steel companies and national steel federations of Turkey, Ukraine and the United Kingdom are also members.

The European Steel Association is recorded in the EU transparency register: 93038071152-83. VAT: BE0675653894. The RLE or RPM is Brussels.

ABOUT THE EUROPEAN STEEL INDUSTRY

The European steel industry is a world leader in innovation and environmental sustainability. It has a turnover of around €130 billion and directly employs 306,000 highly-skilled people, producing on average 152 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.

EUROFER
THE EUROPEAN STEEL ASSOCIATION

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