82th Session of the OECD Steel Committee

Paris, 23 - 24 March 2017

EU Steel Market and Challenges

EU steel-using sectors: positive trend consumer-driven sectors sustained, investment-related sectors still slow

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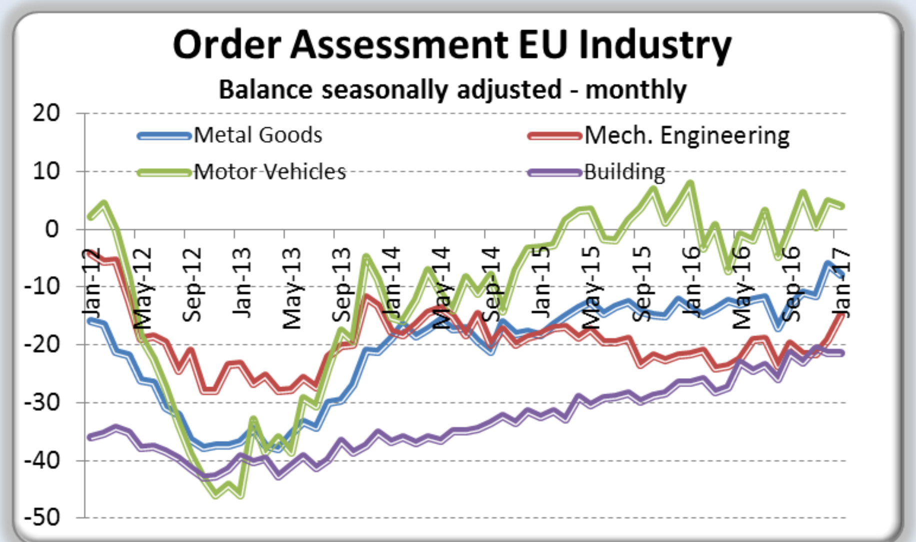

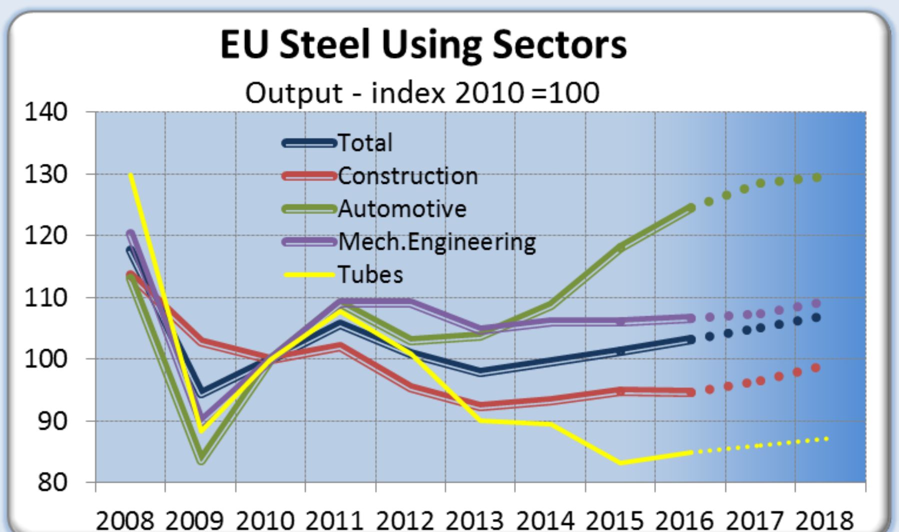

Growth gained strength in Q2

- Total activity steel-using sectors grew 1.8% in 2016
- Marked divergence in performance at the sector level
- Automotive remained star performer
- First signs of (mild) recovery investment goods?
- Business conditions 2017-2018 overall supportive to continued growth
- SWIP +1.9% in 2017 and 2% in 2018

Source: EUROFER

Construction: rebound foreseen for 2017-18, broadening basis for activity growth

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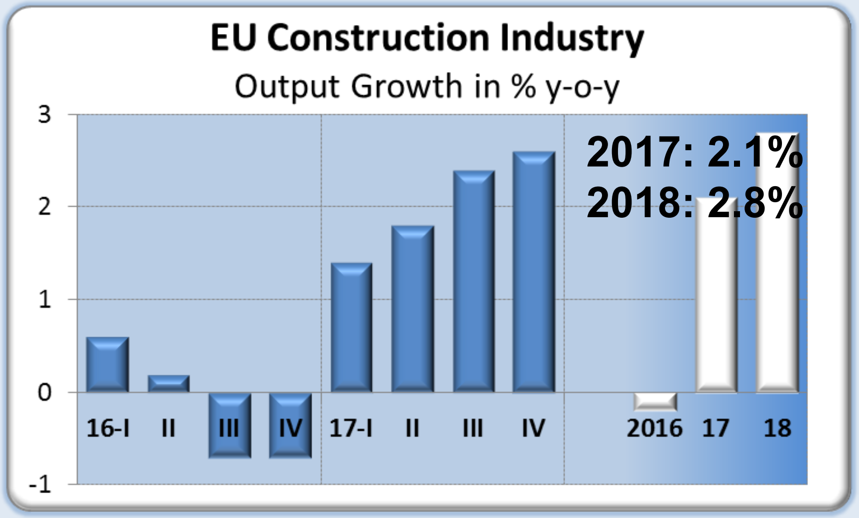
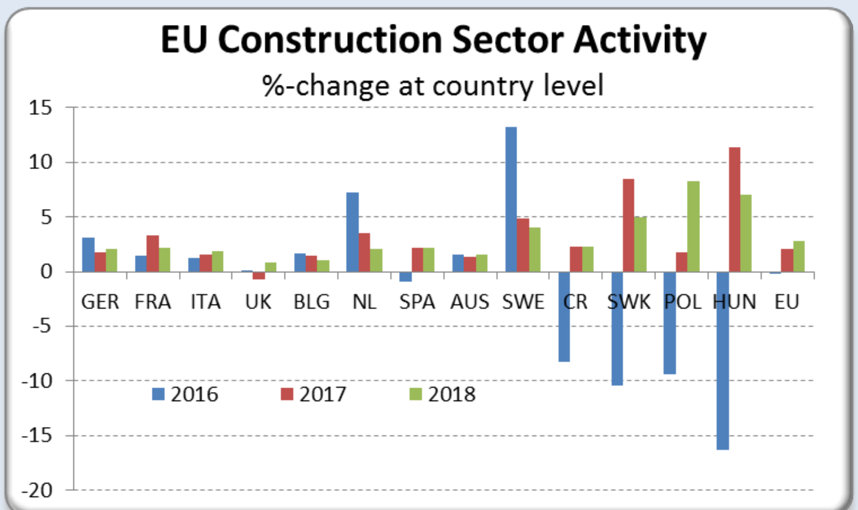


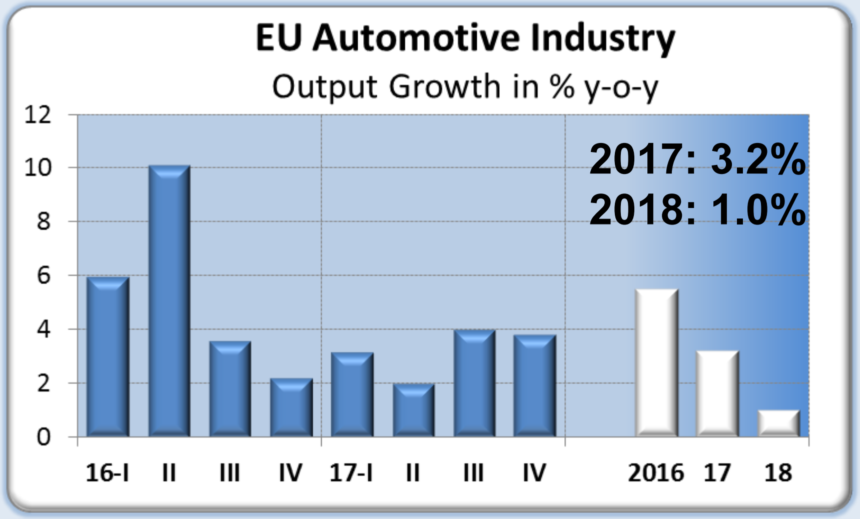


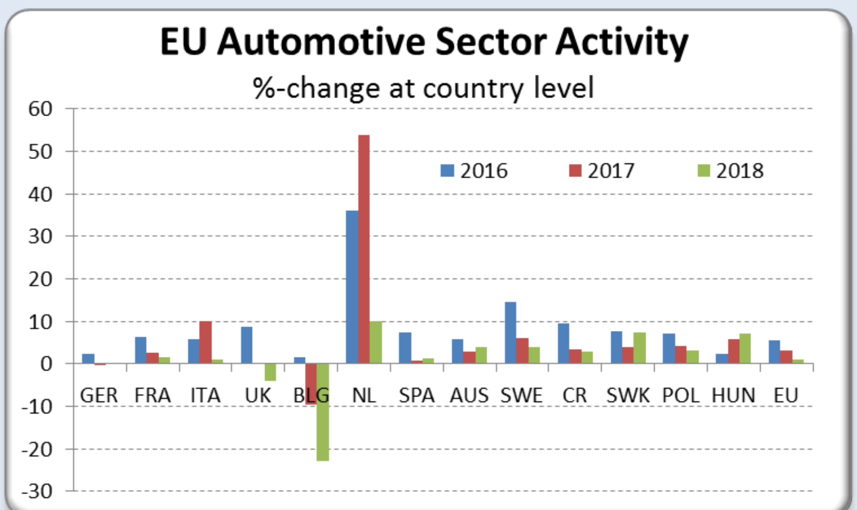
Current situation
- Negative trend in output in H2-2016
- Sharp contrast Western and Central EU
- W-EU: approx. 2% growth, C-EU: -11%
- Particularly sharp drop activity in Poland
- Total EU activity stabilised relative to 2015

Rebound foreseen for 2017-18
- Strength residential sector to continue
- More W-EU countries to recover, incl. France but UK weak
- Migrant inflows
- Rising demand from private and public services sectors
- Improving budget deficits allow several members states to invest in infrastructure debottlenecking projects
- Availability EU funds for Central EU
- EU output: +2.1% in 2017, +2.8% 2018

Source: EUROFER

Automotive: market dynamics remain positive, but activity growth seen flattening





Source: EUROFER

Current situation

- 2016: passenger car sales +6.8% y/y
- 2016 commercial vehicles +11.6% y/y
- Car exports: German sales moved sideways, UK exports +11%
- Less vigorous growth activity H2-2016
- On balance, 5.5% output growth in 2016

2017-18: continued but slower growth

- Positive fundamentals EU passenger car market: incomes, labour market, low fuel and financing costs
- Solid outlook commercial vehicle market
- Export markets: more protectionist US stance on automotive supply chain, emerging markets served by rising domestic production
- Output 2017: +3.2%, 2018: +1%

Steel Market: demand forecast to grow at a modest rate – imports key concern

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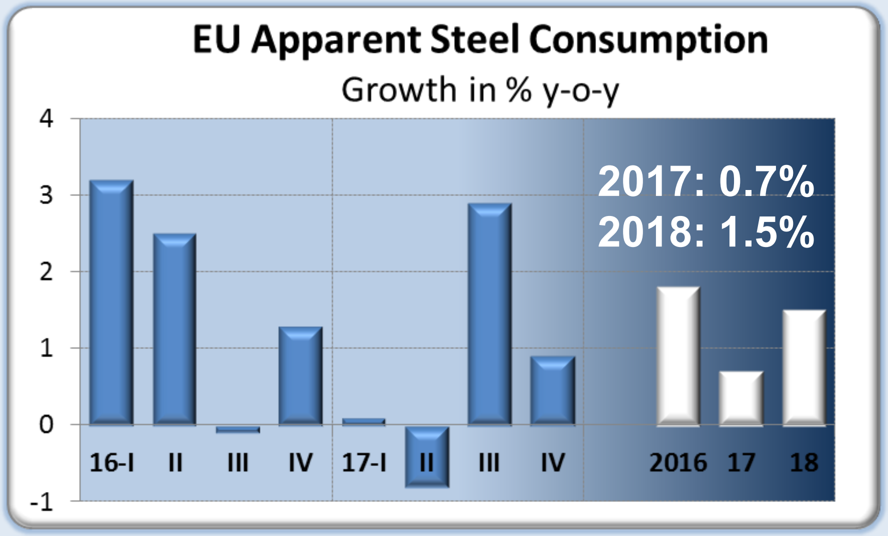

2016 slow rise demand-2017 flat

- Modest growth foreseen for apparent consumption – reflecting improving real steel consumption and mildly positive impact of the stock cycle
- 2017: +0.7%, 2018: 1.5%
- Key concern: gradual recovery EU steel market is being hampered by unfair trade
- Without structural solutions for excess global capacity and state subsidisation, overproduction will persist and distort world trade in steel
- Remedial measures to restore fair trade conditions must prevail

Source: EUROFER

25% market share of imports in Q4-2016 - historic peak

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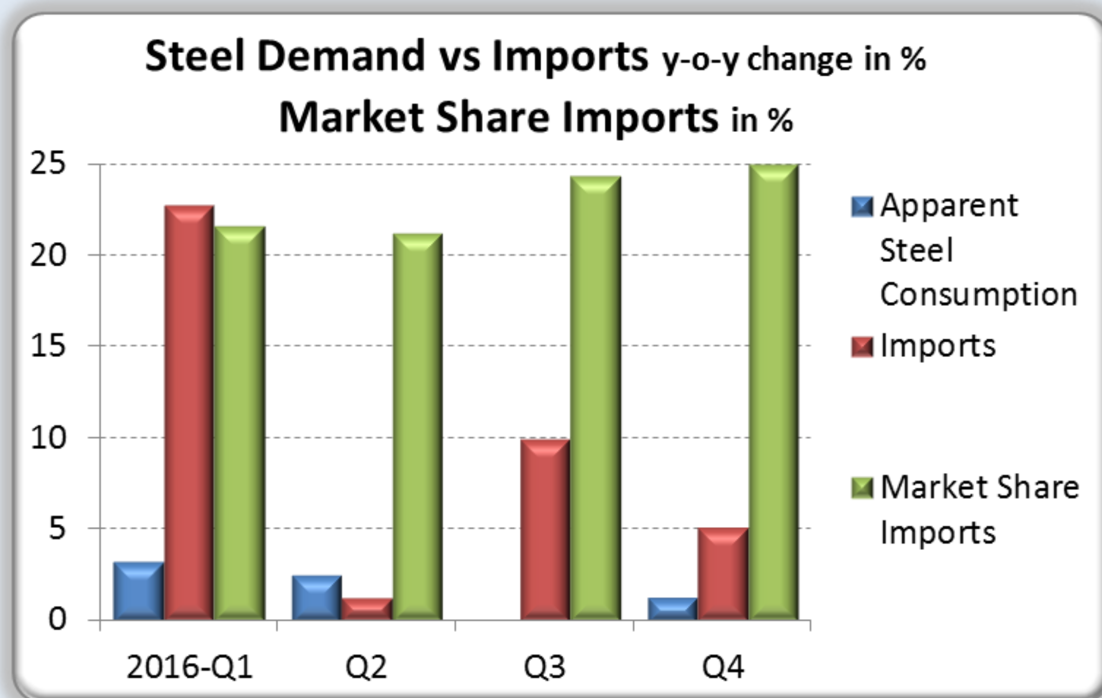

- Continued rise imports over the year
- Q4 imports at highest level since previous peak in 2007 but market share at a new record high
- Overall increase steel demand in 2016: 2.7 million tonnes
- Total rise imports in 2016: 3 million tonnes
- Export deliveries estimated to have fallen by 11% in 2016

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EU steel production decrease in 2016 (-2,3%) underpins the fact that EU steel industry is not gaining from the EU's steel demand growth (+1,8%)

Record EU import market share (25%) reflects decreasing Chinese imports being replaced by other sources notably India, South Korea, Turkey, Iran, Russia and Ukraine.

The trend of record EU imports and falling exports relates to production levels in third markets not aligned with stagnating or even decreasing domestic consumption in a context of worsening global excess capacity.

Developing and emerging countries continue increasing capacities, some actively supporting the domestic industry expansion while protecting the domestic market, to become a net exporter such as Iran and Algeria. China actively stimulating capacity increase through SOE's outside its domestic market.

Conclusions & Messages

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EUROFER calls on governments:

- to allow market forces to work properly and refrain from policies and measures supporting steelmaking capacity
- in particular, to eliminate:
  - support measures and subsidization promoting new capacities
  - state aid supporting uneconomic capacities to survive or delaying closure of failing companies,
  - market access and investment barriers that slow the restructuring where needed