EU STEEL MARKET SITUATION AND OUTLOOK

CHALLENGES

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**ONGOING SLUMP IN EU'S MANUFACTURING SECTOR**

**AUTOMOTIVE SECTOR**

- After strong performance in 2016 – 1H2018, weak domestic and export demand strongly hitting vehicles output since 2H2018 (-5% Q1 2019)
- Chances of EU car sales growing in 2019 are remote
- Output: -1.4% (2019) and +2.2% (2020)

**CONSTRUCTION SECTOR**

- Construction activity continues growing but at a lower level from the strong activity since 2017 (+4.8% 2018)
- Construction outperforming other steel-using sectors
- Output: +2.9% (2019) and +1.3% (2020)

Source: EUROFER
**EU STEEL MARKET**

**NEGATIVE TREND STEEL CONSUMPTION IN 2019**

First half 2019:
- Apparent steel consumption fell by –2.5% y-o-y in Q1 ‘19 reflecting negative trend real steel use and lower stockbuilding
- Similar tendency Q2 ’19
- Overall EU finished steel imports stabilised in Q1 2019 (-1%) and decreased in Q2 2019 19%
- EU import surveillance data signal very high imports in July (opening of new safeguard quota year)

Outlook remainder 2019 and 2020:
- Apparent consumption forecast to fall by -0.6% (2019) due to poor steel market fundamentals
- Mild increase in final steel + stock cycle may lead to apparent consumption growing by +1.4% (2020)
- Persistent risk of import distortions destabilising supply demand balance

Source: EUROFER, COMEXT
EU Steel demand depressed

- Following healthy EU steel demand growth in 2017 – 1 half 2018 (3 to 4%), demand from manufacturing industries turned negative in 4 quarter 2018
- EU steel prices in a downward trend over the last 12 months (-20% hot-rolled)
EU STEEL PRODUCTION ADJUSTING TO DEMAND AND IMPORT PRESSURE

EU steel producers individually adjusting production in response to depressed steel demand situation notably flat products

Announced production cuts totalling at least 5 million tonnes per year

Bremen (0,4)  
Dunkirk (0,4)  
Gijon (0,8)  
Eisenhuttenstadt (0,2)  
Krakow (1,5)  
Slovakia (0,7)  
Taranto (1,0)

Source: Company and press announcements
EU FINISHED STEEL IMPORT SURGE IN 2018 – IMPORT TREND REVERSING IN 2019

- EU finished steel imports surged in 2018 (+12%); 2019 YTD import (-6%)
- Flat carbon negative trade balance peaked in 2018 (-8.2 million tonnes)
- Long carbon positive trade balance erased by massive imports in 2018 (+34%)

Source: COMEXT
EU STEEL SAFEGUARD

EU steel safeguard: need for stabilisation of imports

- Global overcapacity, protectionist measures adopted by third countries
- Further increasing imports threaten to disrupt (again) the EU market
- Anticipating trade diversion from U.S. Section 232 measures at the same time ensuring the traditional trade flows maintained (tariff-rate quota)
- Concern of speculative quota use by certain exporters causing market-destabilising stockbuilding

THE SAFEGUARD REVIEW IMPROVES THE MANAGEMENT OF THE QUOTA LEVEL OF THE QUOTA NEEDS FURTHER ADJUSTMENT TO THE DEPRESSED STEEL DEMAND
EU Steel Market and Trade

- **EU steel demand significantly weakened** (negative steel demand from manufacturing)
- **EU production adjusting to the depressed demand situation**
- **Need for further stabilisation of imports** - EU safeguard tariff-rate quota better managed but need for further quota level adjustment reflecting decline in demand

Challenges and Messages

- **Addressing global excess capacity effectively** - Continuation of the Global Forum on Steel Excess Capacity implementing fully the original mandate - Need for stricter disciplines on subsidies supporting capacities and other market-distorting government measures (WTO reform)
- **Measures to achieve a level playing field in relation to EU environmental regulation** - Need for measures such as carbon border adjustment/taxation integrating international trade in the EU carbon pricing regime applied to energy-intensive industries like steel