

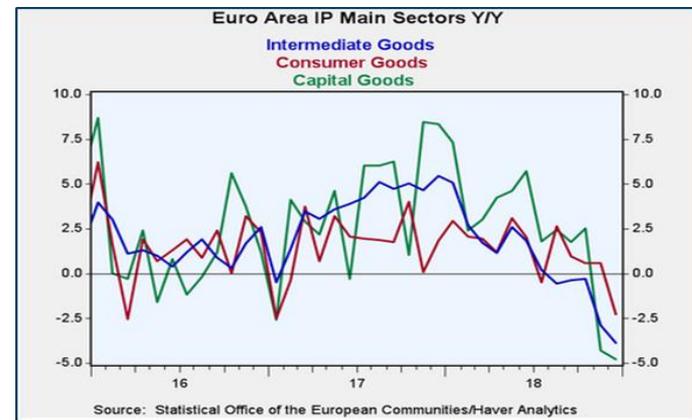
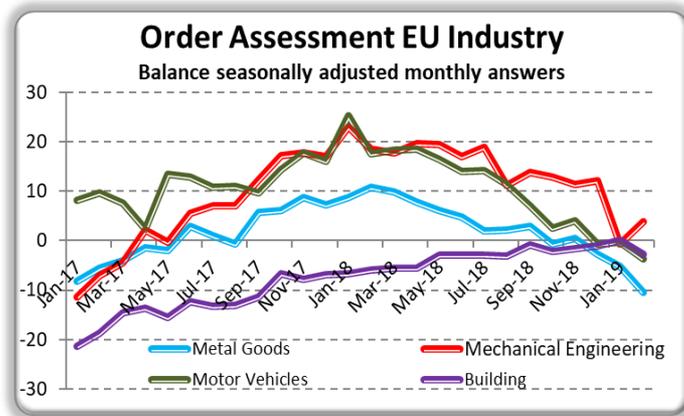
EU STEEL MARKET SITUATION AND OUTLOOK

CHALLENGES

86th Session of the OECD Steel Committee
Paris, 25-26 March 2019

STEEL USING SECTORS

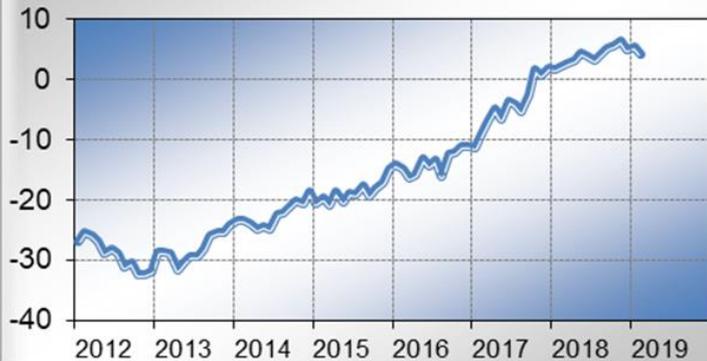
MANUFACTURING LOOKS FRAGILE AS ORDER BACKLOGS GET DEPLETED



STEEL USING SECTORS

EU Construction Confidence

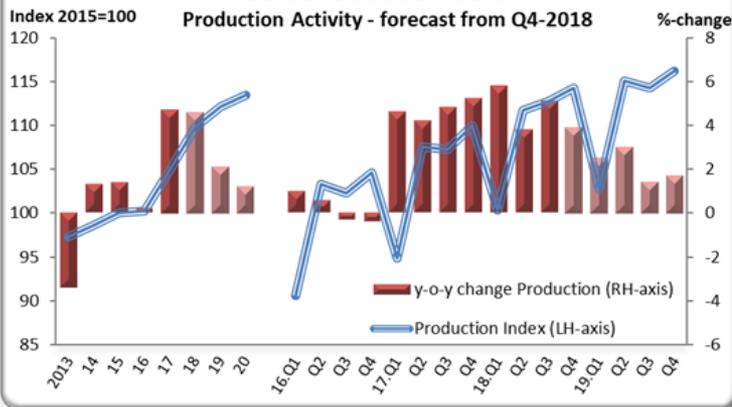
balance of positive and negative answers



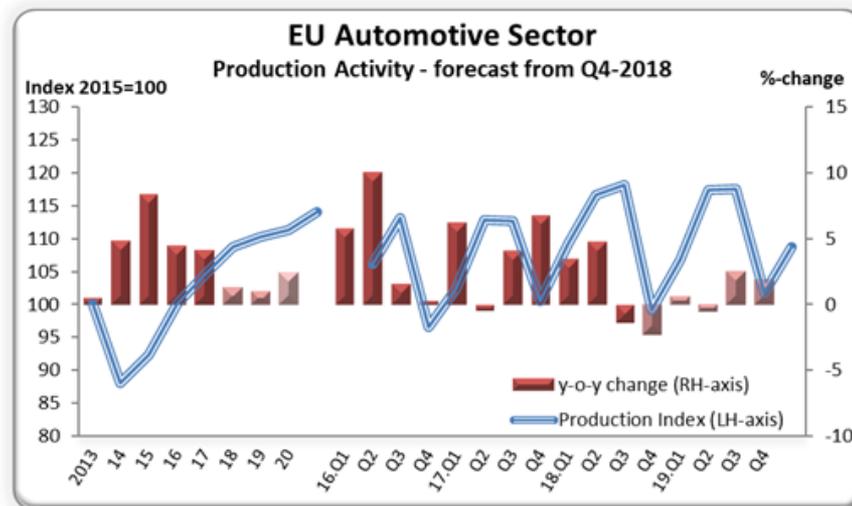
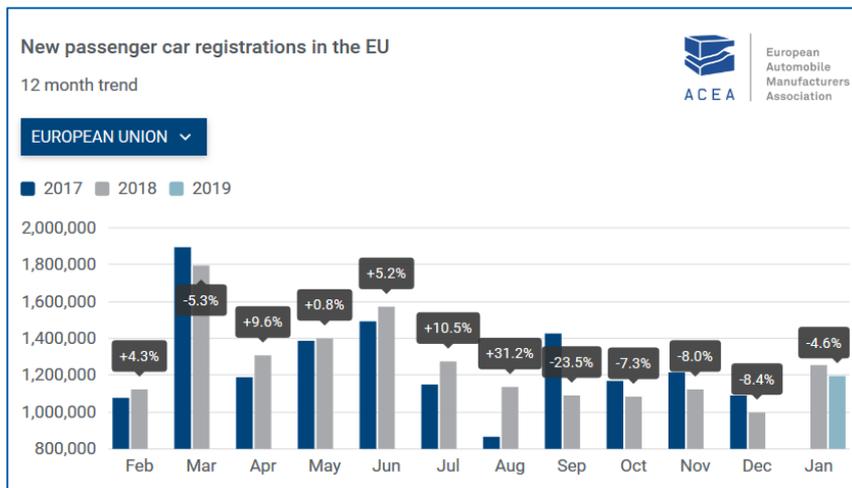
CONSTRUCTION SECTOR

- strong performance in 2018 (+4,8%)
- broad-based rebound across countries and subsectors
- construction sector fundamentals expected to remain mildly positive
- positive but slowing support from residential and non-residential building demand going forward
- civil engineering activity supported by projects geared at improving bottlenecks in EU's infrastructure
- **output growth 2019: 2.1%, 2020: 1.2%**

EU Construction Sector



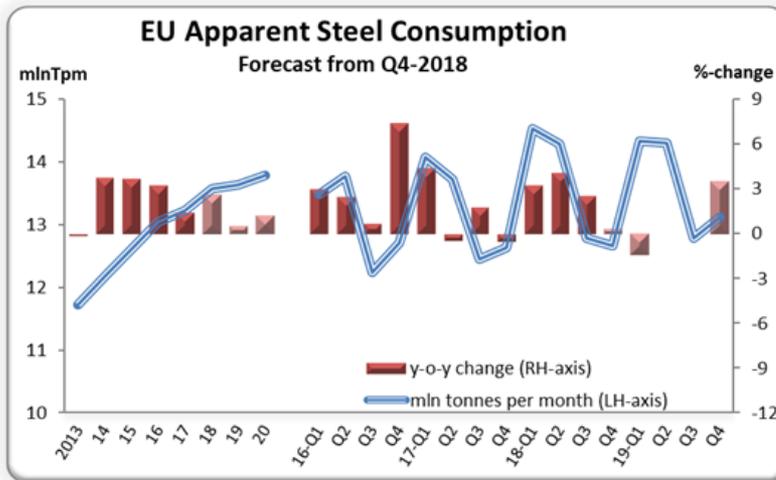
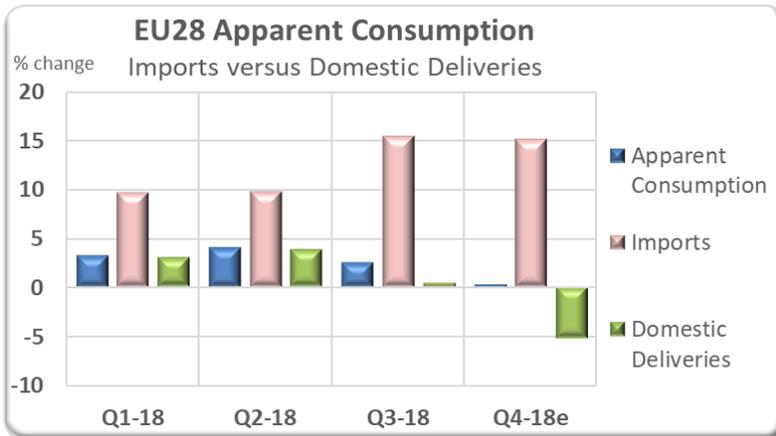
STEEL USING SECTORS



AUTOMOTIVE SECTOR: STUCK IN LOW GEAR

- Since September 2018 car sales on a falling trend
- All major markets affected
- Commercial vehicle demand also losing momentum
- Exports on a downward trend
- Production activity edged lower in H2-2018
- **Total output grew 1.3% in 2018**
- Passenger car and CV demand to moderate further in 2019-2020
- Trade is major uncertainty
- Outlook rather subdued
- EU manufacturers announced job cuts and cost saving plans
- **Output to grow 1% in 2019, followed by 2.4% in 2020**

EU STEEL MARKET



IMPORTS FLOOD EU MARKET IN 2018

Situation H2-2018

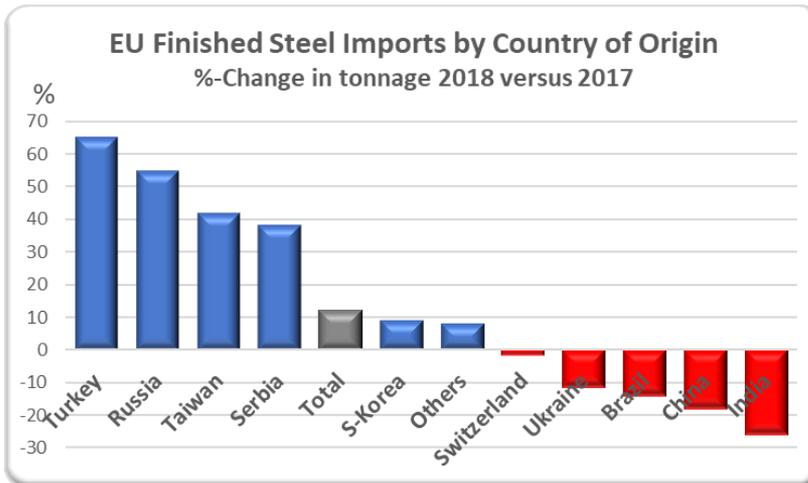
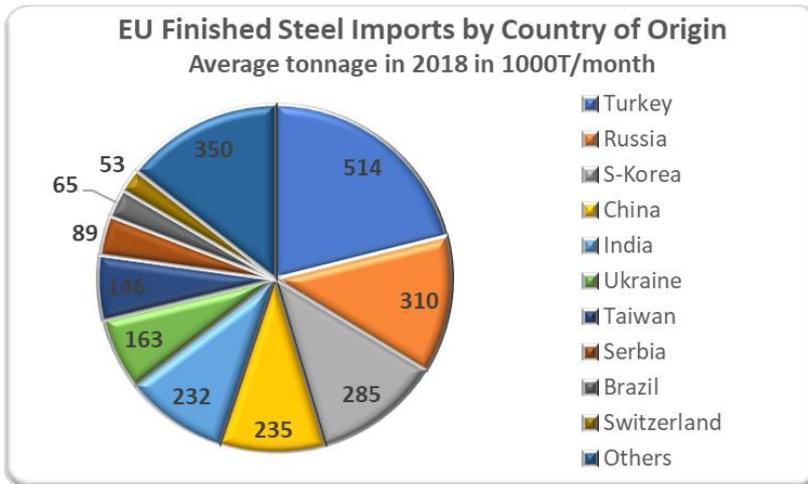
- Apparent steel consumption rose by 1.4% y-o-y (H1: 3.7%)
- Imports rose much more strongly: +15.3% y-o-y (H1: 9.8%) in spite of preliminary safeguards
- EU domestic supplies fell by -2.5% y-o-y (H1: +3.5%)
- Share imports in apparent steel consumption reached 25% in Q4-2018
- The 2.6% rise in steel demand in 2018 benefitted mostly 3rd country suppliers with imports rising by 12.3%

Outlook 2019 and 2020

- **apparent consumption forecast to increase by only 0.5% in 2019 followed by 1.2% in 2020**

EU STEEL TRADE

2018 IMPORTS BY COUNTRY OF ORIGIN



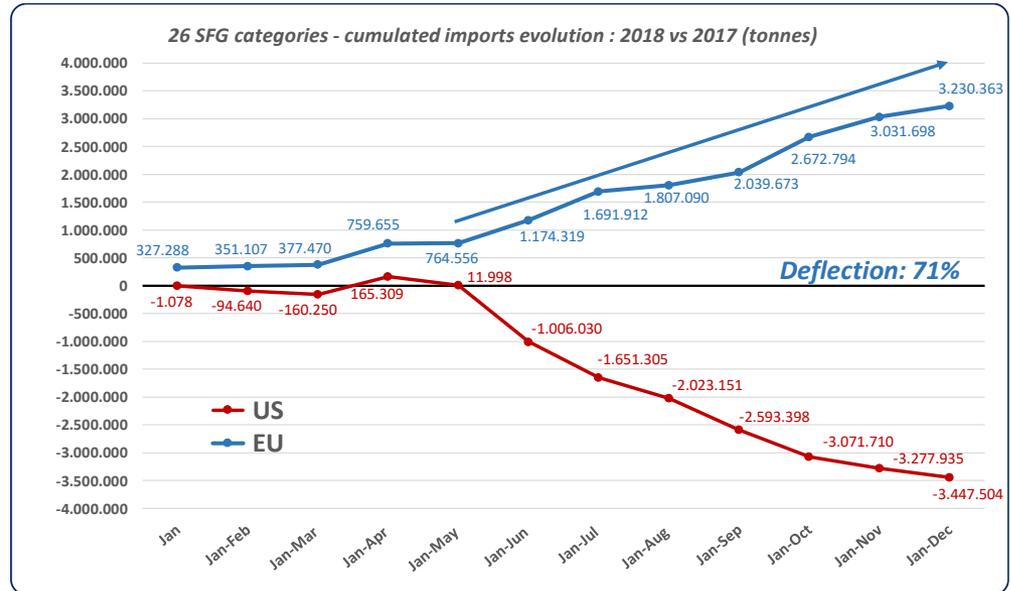
- top 5 Countries of origin represented 65% of total imports in 2018
- Turkey alone accounted for 21% of total EU imports (65% rise); by contrast, total exports Turkey to other countries rose by less than 5%; **42% of total finished exports from Turkey ended up in the EU (71% flat products)**
- imports from Russia, Taiwan and Serbia also rose strongly; imports from China, India, Brazil and Ukraine were lower than in 2017
- due to the rise in imports and a drop by -11% in exports, the EU **trade deficit deepened in 2018 to almost 17 million tonnes (2017: 10 mt)**

EU STEEL TRADE

NEED FOR STABILISATION OF TRADE FLOWS

EU STEEL SAFEGUARD:

- Global overcapacity, trade protection measures adopted by third countries, U.S. Section 232 measures
- 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 accelerated speculative quota use by certain exporters causing market-destabilising stockbuilding



| | Jan-May 18 vs 17 | Jun-Dec 18 vs 17 |
|------------|---------------------|---------------------|
| US Imports | 0% | -22% |
| EU imports | 5% | 15% |

Source: EU COMEXT , U.S. Census

Product scope: 28 finished steel product categories EU provisional steel safeguard

CONCLUSIONS AND MESSAGES

EU Steel Market and Trade

- EU steel demand conditions significantly weakened (close to zero growth in 2019)
- Market supply by imports outpacing domestic supply – record import market share finished products (25% Q4 2018)
- H2 2018 imports continued to surge (+18% y-o-y) notwithstanding the introduction of provisional safeguard measures in July
- Exports continue declining (-11% 2018)

Challenges and Messages

- U.S. Section 232: Trade deflection towards the EU market is a reality, impacting directly EU steel exports to the US and indirectly third country exports targeting the EU
- EU steel safeguard is a timely, balanced anticipation to intensification of steel protectionism in a context of persisting high excess steel capacities. It is designed to maintain historically high imports including a generous exemption list of self-declaring “developing countries “
- Raw materials export restrictions continue to be a major distortion in the global steel sector (Indonesia nickel export restriction supporting massive stainless steel export-oriented capacity build-up)