

81th Session of the OECD Steel Committee

Paris, 8 – 9 September 2016

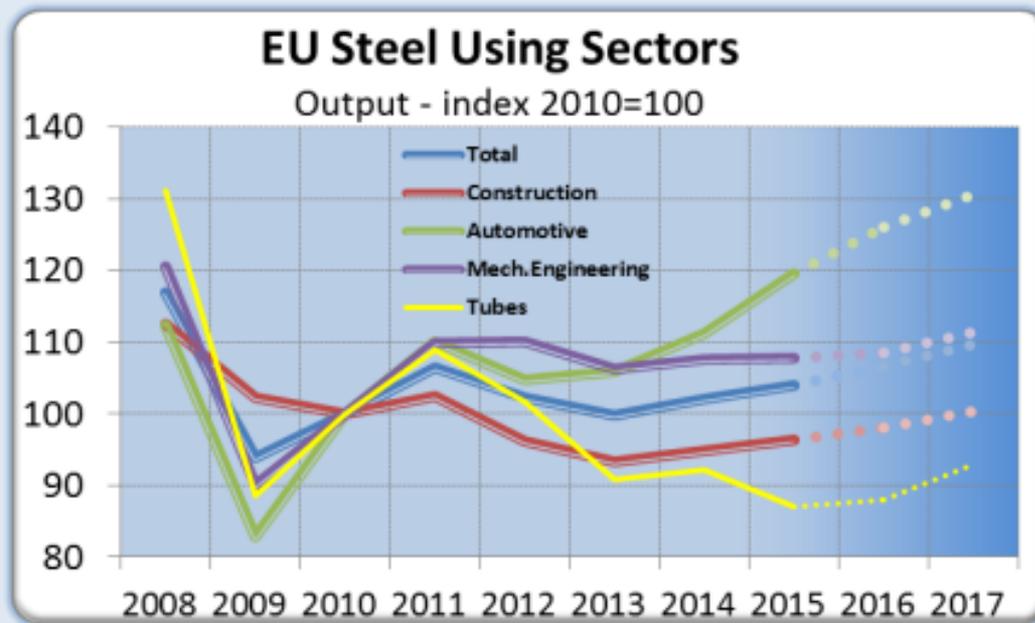
EU Steel Market and Challenges

EU recovery will proceed amid a higher-risk economic framework



- Consumer recovery remains intact
- Fiscal stance turning mildly supportive
- Brexit seen dampening investment
- Signs of improvement net trade in Q1
- ECB adopts wait-and-see approach
- GDP growth 1.8% in 2016 and in 1.7% in 2017

EU steel-using sectors: consumer-driven rebound drives 2016 growth, investment goods to improve



Overall steady growth

- Vigorous growth automotive output, no seasonal slowdown construction
- Slightly better performance investment-led sectors in H2'16: mechanical engineering and tube sector
- **SWIP: +2.4% in 2016**
- **SWIP +3% in 2017**

Construction: housing activity remains key driver in 2016 – other sectors to strengthen in 2017

EU Construction Industry

Output Growth in % y-o-y

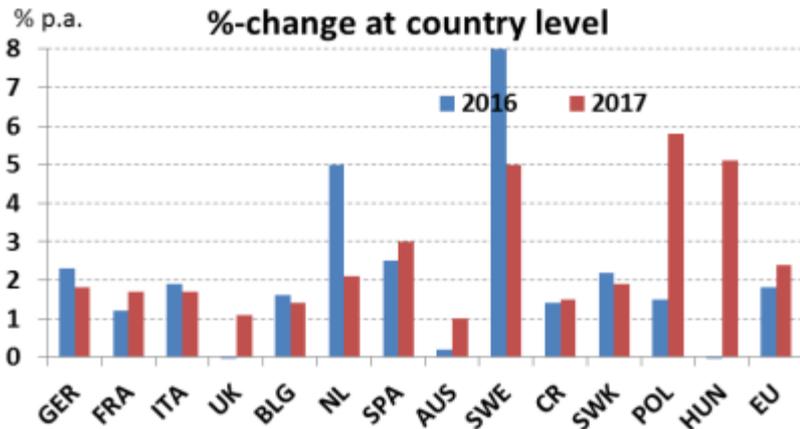


2016-17: healthy outlook

- Rising demand for new housing and renovation of residential building stock
- Private property demand supported by easy financing, labour market and rising incomes in several countries
- Public housing for migrants
- Non-residential activity to strengthen in 2017 on rising demand for offices, hospitality and logistic property across EU
- Public investment in infrastructure
- **Output +1.8% in 2016, +2.4% in 2017**

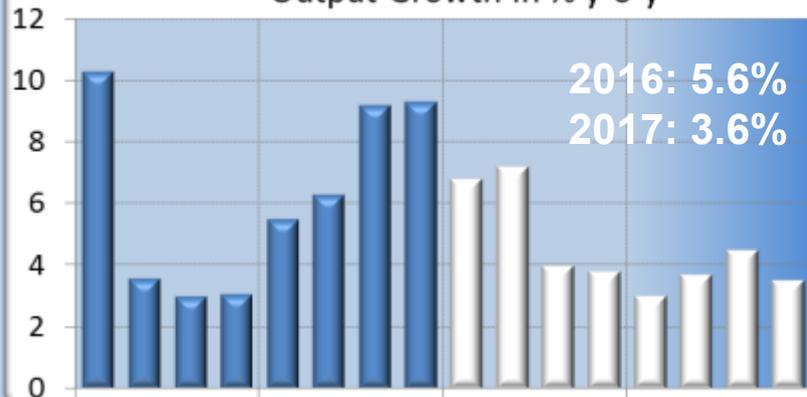
EU Construction Sector Activity

%-change at country level



Automotive: EU output growth 2016 revised up, growth to continue in 2017

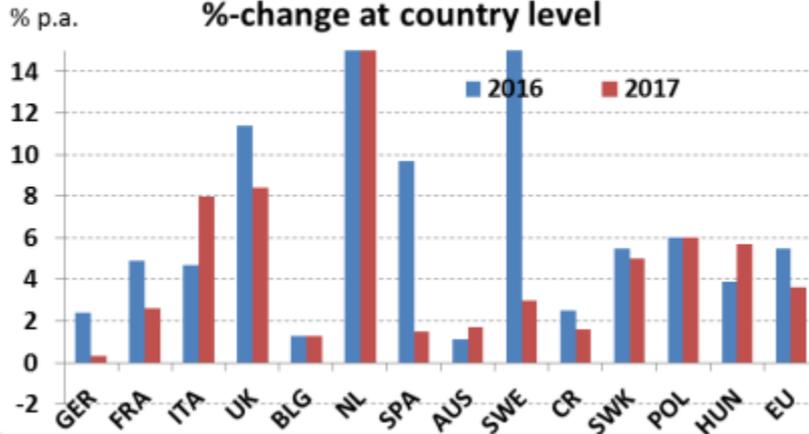
EU Automotive Industry
Output Growth in % y-o-y



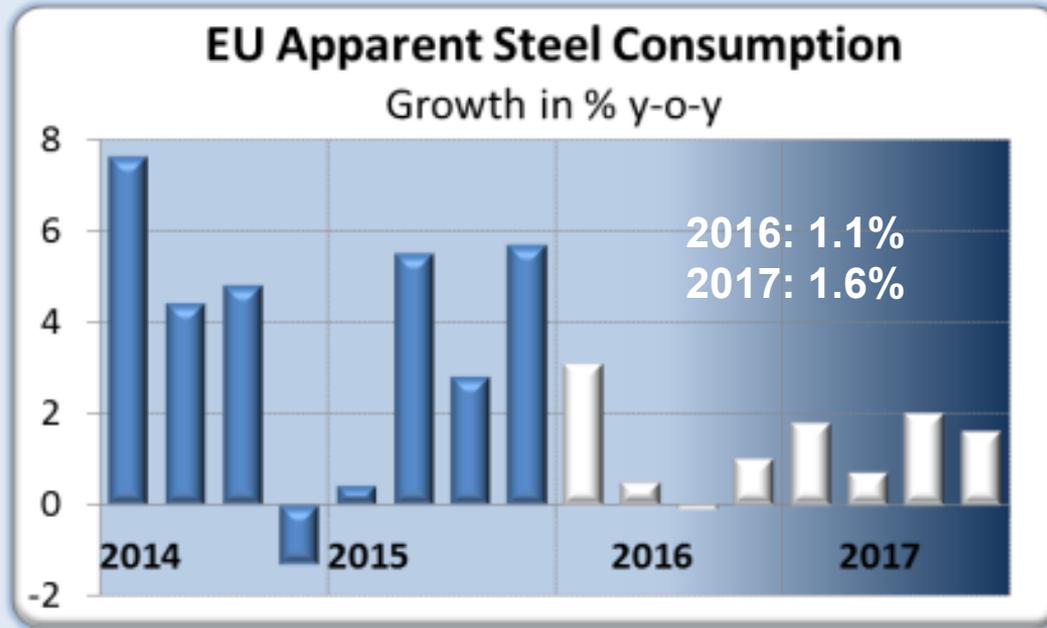
2016-17: growth to continue

- Robust fundamentals EU passenger car demand: labour market, rising income, low interest rates, incentives and still lower fuel cost
- Uncertainty car exports: US nearing peak?, tax cut China to disappear, Russian demand to remain depressed
- Robust prospects commercial vehicle demand
- **2016: +5.6% growth in output**
- **2017: +3.6%**

EU Automotive Sector Activity
%-change at country level

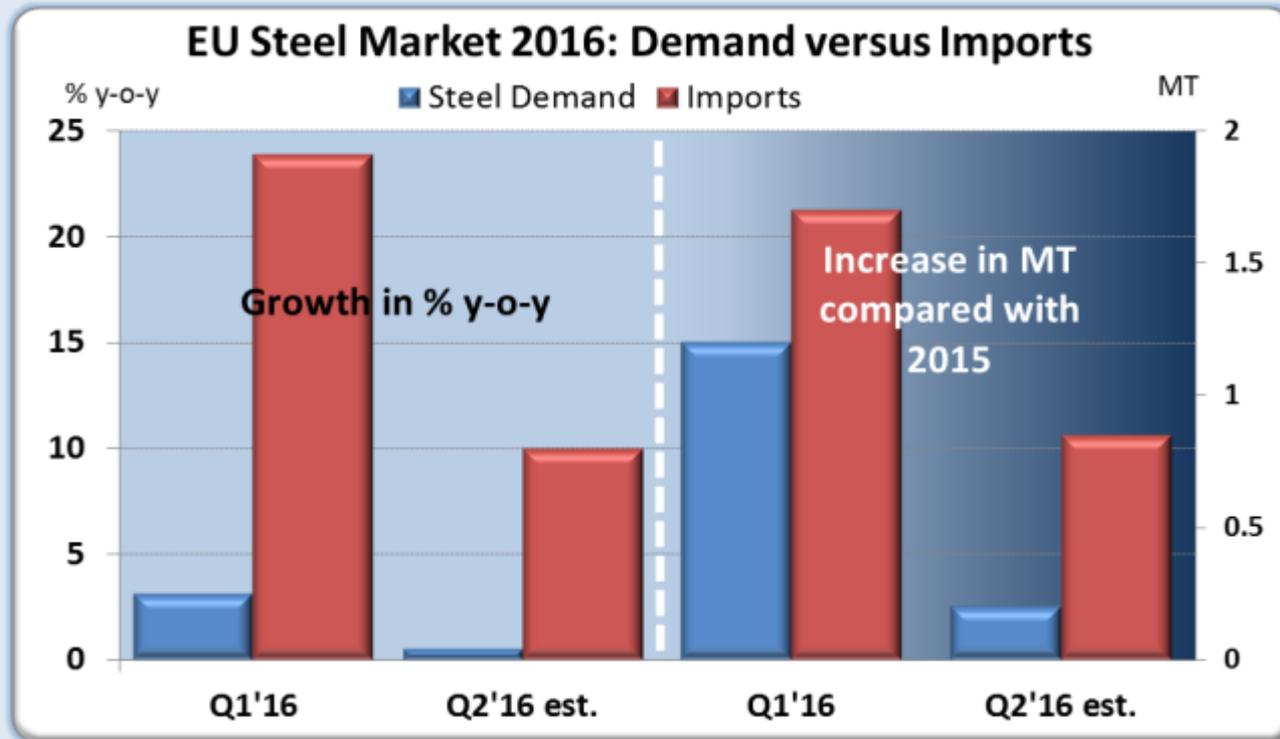


Steel demand: Gradual but slow rise in demand - imports remain key uncertainty for 2016-2017



- Apparent consumption grew 3.1% y-o-y in Q1'16
- But imports rose 24% y-o-y
- Exports sharply down (-19% y-o-y)
- Fairly similar conditions in Q2, growth imports mitigated somewhat
- Apparent consumption expected to stabilise in H2'16 as stock reductions flatten out rise in real consumption
- **Total steel demand 2016: +1.1% ; 2017: +1.6%**

Market supply: Imports take again increase in demand in H1-2016



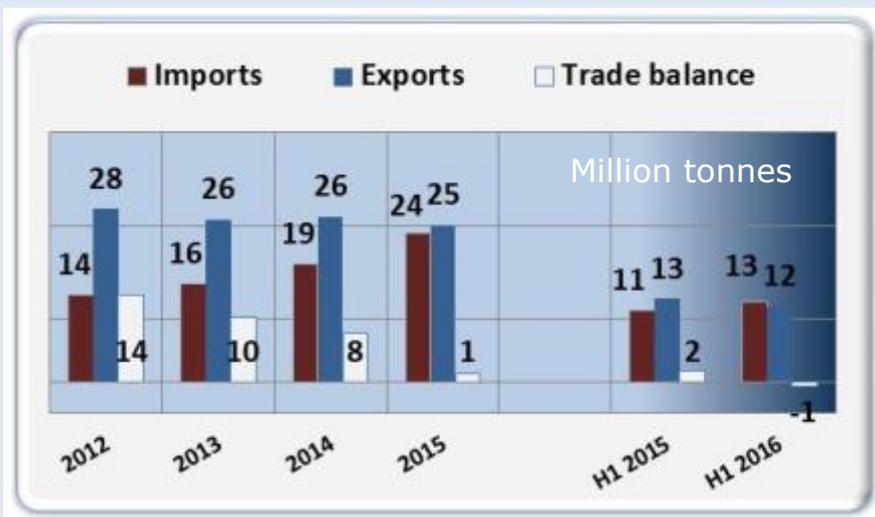
- **Apparent consumption** H1'16: +1.8% (+1.4 mln tonnes) compared with H1'15
- **Imports** H1'16: +10% (+2.2 mln tonnes) compared with H1'15
- EU domestic deliveries fell slightly

Trade balance: massive import surge since 2012 (+72%) turned EU into net importer (1H 2016)

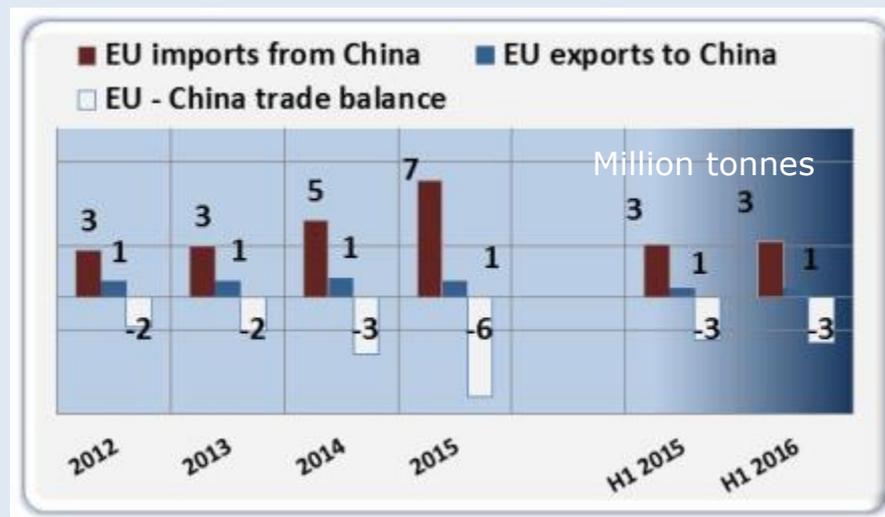
Finished steel products

	2015 (yoy)	1H 2016 (yoy)
• EU imports	+27%	+11%
• EU exports	- 5%	- 9%
• EU imports from China	+53%	+5%
• EU exports to China	-16%	-3%

EU finished steel trade



EU-China finished steel trade



EU domestic steel demand

- **Gradual recovery of EU steel consumption fuelled by overall improved steel using activity, continuation of EU demand growth (since 2014) in contrast with bottoming out of global steel demand growth in 2016**
- **Rising imports “overshooting” improving EU demand, EU mills losing market share in the domestic and export markets (while forced production reduction -6% Jan – Jul 2016)**

Global Excess Capacity

- **Measurement of national/regional excess capacity to differentiate between (i) overcapacity in function of domestic production (including production for exports) and (ii) overcapacity in function of domestic demand (including imports)**
- **Is a “one size fits all” approach to reduce “excess” capacity globally realistic in light of national/regional steel markets being regulated and functioning differently?**