

Economic press release

Hard data for first quarter of 2020 underlines severe impact of COVID-19 pandemic on European steel

Key messages

- The COVID-19 pandemic has slashed steel consumption forecasts as well as the overall economic outlook across the EU and the world.
- EU28 apparent steel consumption fell by 12% year-on-year in the first quarter of 2020.
- Total output in steel-using sectors fell by -7.2% in the first quarter of 2020 after falling by -1.3% in the fourth quarter of 2019.

Main body of press release

Brussels, 05 August 2020 – The COVID-19 pandemic has slashed steel consumption forecasts as well as the overall economic outlook across the EU and the world. Shutdown measures implemented by governments starting from March 2020 hugely impacted manufacturing activity and steel-using industrial sectors – with future data likely to show further sharp declines as it becomes available.

“The coronavirus pandemic has cut the legs out from under the European steel industry, causing severe damage to the whole sector and its value chains”, said Axel Eggert, Director General of the European Steel Association (EUROFER). “The data now available confirm that the downturn that had begun in 2019 has been compounded by the crisis – with the sector now in a state of emergency”.

EU steel market overview

EU28 apparent steel consumption fell by 12% year-on-year in the first quarter of 2020 – the fifth consecutive quarter of decline – following a drop of 10.8% in the fourth quarter of 2019. Total apparent consumption amounted to 37.6 million tonnes in this first quarter.

The figure for the first quarter of 2020 reflects the early statistical impact of the crisis compounding deterioration in steel demand due to the negative factors that had already materialised in the preceding quarters. Together, this has led to a sharp reduction in steel consumption.

The continued downturn in steel demand led to the fifth consecutive fall year-on-year in domestic deliveries in the EU in the first quarter of 2020 (i.e. -8%, same rate as in the fourth quarter of 2019).

After a considerable drop of 24% in the fourth quarter of 2019, the downward trend in imports from third countries continued in the first quarter of 2020, with a year-on-year fall of 20%. This equated with 8.4 million tonnes in absolute volumes, accounting for 21.2% of EU consumption.

EU steel-using sectors

The Covid-19 outbreak has further hit EU industrial sectors at a time when these had already been experiencing a severe downturn and were coping with serious challenges. Over the course of 2019, business conditions in the manufacturing industry have continued to deteriorate. This downward trend has gained speed in the second half of 2019, particularly in the automotive industry, while the construction sector has continued to outperform other major steel-using sectors.

This resulted in a pronounced slowdown in output growth in steel-using sectors. As a result of this trend, total output in steel-using sectors fell by -7.2% in the first quarter of 2020 after falling by -1.3% in the fourth quarter of 2019. The annual 2019 figure (formerly, a decrease of -0.2% compared to 2018) has been revised compared to EUROFER's previous Market Outlook, so that steel-using sectors' output increased by a meagre 0.3% in 2019 (after +2.9% in 2018).

EU economic context

The outlook for the global economy has been hugely impacted by the COVID-19 pandemic. The outbreak has resulted in the shutdown of major economic activities across the EU, particularly the manufacturing and automotive sectors from the second half of March until late April/early May, including steel mills.

In its latest Economic Outlook (June 2020) the IMF predicted an unprecedented global recession of -4.9%, thus reviewing downwards its April forecast (-3%), with the US economy experiencing recession of -8% and the euro area of -10.2%, all followed by a rebound in 2021. The European Commission released its Summer Forecast in early July with a slightly less pessimistic outlook, i.e. a recession of 8.3% in the EU and of 8.7% in the euro area, against Eurostat's figures for the first quarter of 2020 that already show a drop of -3.2% quarter-on-quarter (-2.6% year-on-year) in the EU in the first quarter.

Even after the return to normal business conditions, the EU economy will still be particularly vulnerable as it is exposed to fluctuations in international trade. As the largest contribution to growth during the previous cycle came from exports, a slowdown in export markets will further exacerbate the difficulties that EU economies are likely to face.

Notes for editors

Contact

Charles de Lusignan, Spokesman and Head of Communications,
+32 2 738 79 35, (charles@eurofer.eu)

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 members are steel companies and national steel federations throughout the EU. The major steel companies and national steel federations in Switzerland and Turkey are associate members.

The European Steel Association is recorded in the EU transparency register: 93038071152-83.

About the European steel industry

The European steel industry is a world leader in innovation and environmental sustainability. It has a turnover of around €170 billion and directly employs 330,000 highly-skilled people, producing on average 160 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.