

ECONOMIC REPORT

# Economic and steel market outlook 2022-2023

First quarter report  
Data up to, and including, third quarter 2021

February 2022

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**EUROFER**  
THE EUROPEAN STEEL ASSOCIATION

# Introduction

The positive trend in apparent steel consumption as well as in steel demand seen over the second quarter of 2021 took up also in the third quarter, albeit at a considerably slower pace, and is projected to continue in 2022. Ongoing global issues have cast uncertainty on the economic and industrial outlook, and most probably will continue to do so until the first half of 2022. In general, recovery in the EU appears to be increasingly uneven and exposed to downside risks, mainly the severe disruptions in the global supply chain (i.e., shortage of components and raw materials, skyrocketing energy prices, rising shipping costs, etc.), as well as potential new COVID-19 variants. Recovery in steel-using industries and in steel demand is therefore expected to continue, but at a moderate rate and subject to considerable uncertainty at least until the second quarter of 2022. This is conditional upon no additional external shocks materialising, and upon a significant ease of the current pressures on global supply chains.

## EU steel market overview

In the third quarter of 2021 EU apparent steel consumption increased for the fourth consecutive time in a row (+14.3%), however at a much lower rate than the exceptional one (+40.9%) recorded in the second quarter. The latter is best explained against the backdrop of extremely low consumption levels seen one year before, due to the severe disruptions caused by the COVID-19 pandemic that had marked the trough of the cycle. Albeit easing, the positive trend seen since the fourth quarter of 2020 continued also in the third quarter of 2021. Apparent steel consumption amounted to 36 million tonnes, compared to 40 million tonnes in the second quarter.

The whole of 2020 was considerably impacted by the pandemic and saw apparent steel consumption in the EU plummet (-10.7%) for the second consecutive year after a -5.1% drop in 2019. It is set to rebound (+13.8%, revised upwards from +13% in our previous Outlook) in 2021 and to grow much more moderately in 2022 and 2023 (+3.2% and +1.7% respectively), thanks to mild but continued improvement in demand from steel-using sectors. Nonetheless, the outlook is becoming increasingly uncertain due in particular to wide disruptions in the global supply chain and increasing energy prices, which are set to seriously impact demand from steel-using sectors at least until the second quarter of 2022.


Mirroring the continued improvement in demand, positive developments were also observed for domestic deliveries in the third quarter, albeit at a much lower rate (+6.6%) than the exceptional growth in volumes over the second quarter of 2021 (+40%). Over the entire 2020, deliveries fell (-9.6%) compared to 2019, marking the second consecutive decline year-on-year after 2019 (-4.2%).

Imports – including semi-finished products – into the EU continued their dramatic surge also in the third quarter of 2021 by recording +47.7% after +45% in the second quarter, as a result of stronger improvement in demand. Although these high figures partially reflect the comparison with the exceptionally low figures of the year before, nevertheless import penetration over the last two quarters has remained considerably high.

In 2020 imports from third countries fell (-17.1%) for the second consecutive year (-10.9% in 2019), reflecting the continued deterioration in steel demand and the huge impact of COVID-19 on the industry.

## EU steel-using sectors

After the record lows of 2020 due to lockdown measures, steel-using industries in the EU experienced a strong rebound in output until the second quarter of 2021, when they recorded an exceptionally high rate (+29.2%). A faster-than-expected recovery in some sectors (domestic appliances and automotive in particular) has allowed to recover the losses experienced due to the pandemic over the first half of 2021.



However, major issues along the global supply chain experienced since July 2021, and especially those affecting the automotive sector (rising transportation, energy and shipping costs, shortage of components, etc.), have impacted output over the third quarter. As a result, total steel-using sectors' output increased by a meagre +3.2%. Automotive, in particular, plunged by -14.4%, reflecting continued disruption along the supply chain as well as subdued demand from consumers.

This situation jeopardises the recovery and casts wide uncertainty on the overall steel-using industries' outlook, at least until the second quarter of 2022.

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# The EU steel market: supply

## Real steel consumption in the third quarter of 2021

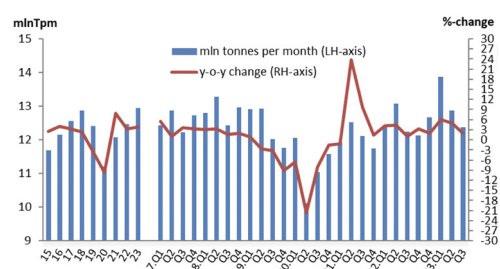
In the third quarter of 2021 real steel consumption continued to grow (+9.7%), albeit a much lower rate than the exceptional increase of +23.8% in the preceding quarter.

Real steel consumption is set to recover in 2021 (+7.8%, revised upwards from +7% in the previous Outlook) and, at a more moderate pace, in 2022 and 2023 (+3.2% and +3.8%, respectively). In 2020 real steel consumption declined for the second consecutive year (-9.7%, after -3.6% in 2019).

The two consecutive recessions of 2019 and 2020 were caused by the considerable slowdown in the activity of steel-using sectors (due to manufacturing and trade downturns) and to the COVID crisis and related effects, respectively. A counter-cyclical destocking trend from late 2019 continued throughout 2020. Normally, stocks increase in the first half of the year, but the opposite occurred in 2020. This pronounced destocking process was over at the end of 2020, and materialised robustly over the first two quarters of 2021, reflecting overall positive expectations for steel demand over the next quarters.

### EU REAL STEEL CONSUMPTION

Forecast from Q4-2021



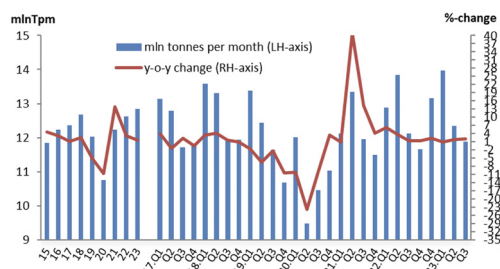
FORECAST FOR REAL CONSUMPTION - % CHANGE YEAR-ON-YEAR											
Period	Year 2021	Q1'22	Q2'22	Q3'22	Q4'22	Year 2022	Q1'23	Q2'23	Q3'23	Q4'23	Year 2023
% change	7.8	4.1	4.4	1.1	3.2	3.2	2.0	6.0	5.0	2.0	3.8

## Apparent steel consumption in the third quarter of 2021

The positive trend seen in apparent steel consumption in the first two quarters of 2021 continued over the third quarter, thanks to the ongoing rebound in industry and the positive evolution of steel demand. Despite continued, severe bottlenecks in the global supply chain, growth of 14.3% was recorded. In line with expectations, this is much lower than the exceptional +40.9% experienced in the second quarter, a figure that needs to be read in the context of the historical lows seen one year earlier at the most critical moment of the pandemic in the EU, when industrial activity was idled. In the third quarter of 2021 total volumes were 36 million tonnes, still below the pre-pandemic peak reached in the first quarter of 2019.

### EU APPARENT STEEL CONSUMPTION

Forecast from Q4-2021



## The EU steel market: supply

In 2021 apparent steel consumption is set to rebound (+13.8%, revised upwards from +13%) and to grow much more moderately (+3.2%) in 2022, when it is expected to return to above 2017 levels thanks to moderate but continued improvement in demand from steel-using sectors, provided no additional external shock will materialise. The outlook for 2023 foresees an annual growth of +1.7%. However, forecasts are becoming increasingly uncertain due to widespread disruptions in the global supply chain that have been materialising since the beginning of the third quarter of 2021 and are very likely to undermine demand from steel-using sectors.

The whole year 2020 was considerably impacted by the pandemic and saw apparent steel consumption in the EU plummet (-10.7%, almost unchanged compared to the previous Outlook) for the second consecutive year after the slump (-5.1%) in 2019.

### EU domestic and foreign supply

Domestic deliveries also recorded growth in volumes over the third quarter of 2021 (+6.6%), reflecting continued improvement in demand within the EU. This followed the exceptional growth over the second quarter which reflected the comparison with the Covid19-led lows over the second quarter of 2020 (+40%). Over the entire 2020, deliveries sharply decreased (-9.6%) compared to 2019, marking the second consecutive decline in yearly terms after 2019 (-4.2%).

Imports – including semi-finished products – into the EU continued their dramatic surge also over the third quarter by recording +47,7% after +45% in the second quarter, as a result of stronger improvement in demand after its pandemic-led decline till the first quarter of 2021 (-2,5%). Although these high figures partially reflect the comparison with the exceptionally low figures of the year before due to the impact of the pandemic, nevertheless import penetration over the last two quarters has remained considerably high.

In 2020 imports from third countries fell (-17.1%) for the second consecutive year (-10.9% in 2019), reflecting the continued deterioration in steel demand and the huge impact of COVID-19 on the industry.

EU APPARENT STEEL CONSUMPTION - IN MILLION TONNES PER YEAR										
Year	2014	2015	2016	2017	2018	2019	2020	2021 (f)	2022 (f)	2023 (f)
Million tonnes	136	142	147	148	152	144	129	147	152	154

FORECAST FOR EU APPARENT STEEL CONSUMPTION - % CHANGE YEAR-ON-YEAR											
Period	Year 2021	Q1'22	Q2'22	Q3'22	Q4'22	Year 2022	Q1'23	Q2'23	Q3'23	Q4'23	Year 2023
% change	13.8	6.2	3.7	1.4	1.4	3.2	2.3	0.9	1.8	2.0	1.7

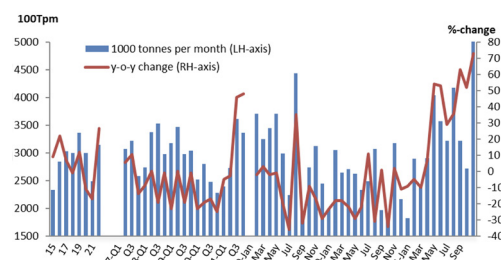
## Imports

Total imports of finished products into the EU rose considerably over the third quarter of 2021 (+45% year-on-year), mirroring improved demand across the EU.

In the first eleven months of 2021, imports of finished products rose by +39%, imports of flat products by +43% and imports of long products by +25%. Over the second quarter, imports from third countries of finished products, flat products and long products had increased by +47%, +49% and +42% respectively.

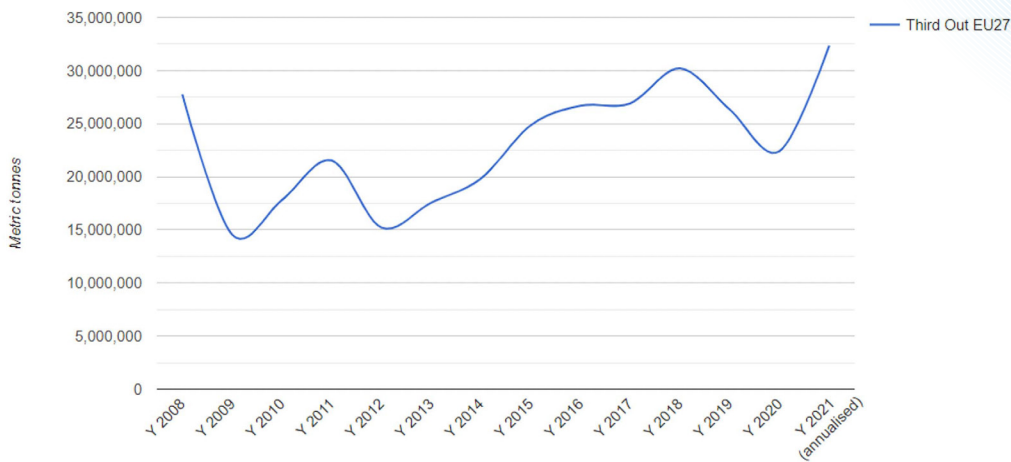
Imports were volatile across 2020 and 2021, continuing a trend seen in 2019. The year 2019 had already seen unusual monthly peaks, including an all-time record level of 4.4 million tonnes in August.

EU TOTAL STEEL IMPORTS  
2015-2020



## The EU steel market: supply

### EU TOTAL STEEL IMPORTS - FINISHED PRODUCTS 2008-2021 2008-2021 (YTD)



This was followed by much lower tonnages in the subsequent months down to subdued demand in historical terms, with more stable figures and reduced volatility up to April 2020 reflecting an exceptionally weak demand. Imports surged again for some products in July 2020 and showed some volatility from September to November, down to a 12-month low in December. Imports raised considerably once more in early 2021 and particularly over the second and third quarter up to very high levels, mirroring improvement in steel demand.

#### Imports by country of origin

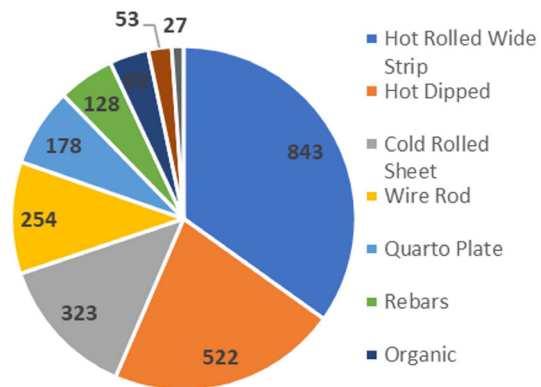
In the first eleven months of 2021, the main countries of origin for finished steel imports into the EU market were Turkey, the Russian Federation, South Korea, India and Ukraine. These five countries represented 56% of total EU finished steel imports. Turkey and the Russian Federation were the largest exporters of finished steel products to the EU (with a share of 15.5% and 12.8% respectively), followed by India (11.9%) Ukraine (8.3%) and South Korea (7.4%).

Over the third quarter of 2021, imports of finished products grew by +45%. Exceptional increases were registered in imports of finished products from Ukraine (+107%) and India (+83%), whereas imports from Turkey (+15%) and Russia increased modestly (+7%). By contrast, imports from South Korea fell by -8%.

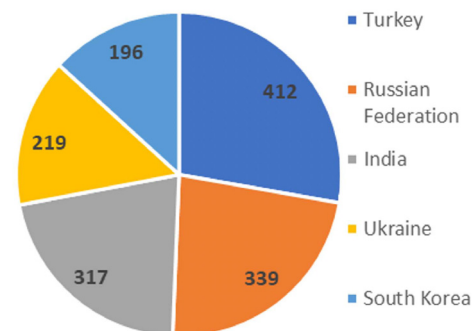
#### Imports by product category

Customs data show that both flat and long product imports increased (+43% and +25% respectively) in

### EU FINISHED STEEL IMPORTS BY PRODUCT 11M-2021, monthly '000 metric tonnes



### EU FINISHED STEEL IMPORTS BY COUNTRY 11M-2021, monthly '000 metric tonnes



## The EU steel market: supply

the first eleven months of 2021. The share of long products out of total finished steel product imports was 21%. Over the third quarter of 2021 imports of both flat and long products grew as well, by +52% and +24% respectively.

Within the flat product market segment, over the first eleven months of 2021 imports of all flat products rose considerably. Imports of hot dipped increased particularly (+68%), as well as imports of coated sheet (+58%) and hot-rolled wide strip (+57%). Imports of cold-rolled sheet increased more moderately (+24%), even more so imports of quarto (+6%).

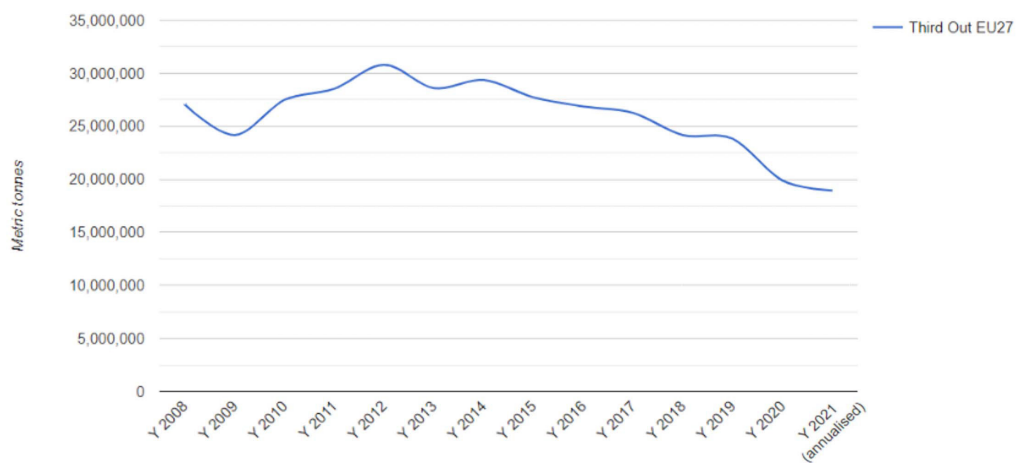
Correspondingly, all long product imports were higher in the first eleven months of 2021 when compared to the same period of the previous year. Imports increased particularly for rebars (+50%), wire rod (+24%) and heavy sections (+22%). Imports of merchant bars grew more moderately (+12%).

## Exports

In the third quarter of 2021 total EU exports of finished steel products to third countries decreased by -11%, after an increase of +10% in the second quarter. In particular, exports of both flat (-14%) and long products (-5%) dropped, inverting the positive trend of the second quarter (+7% and +15% respectively).

In the first eleven months of 2021, exports of finished products dropped by -5% and exports of flat products dropped by -7%, whereas exports of long products increased by a meagre +1%.

### EU TOTAL STEEL EXPORTS - FINISHED PRODUCTS 2008-2021 (YTD)

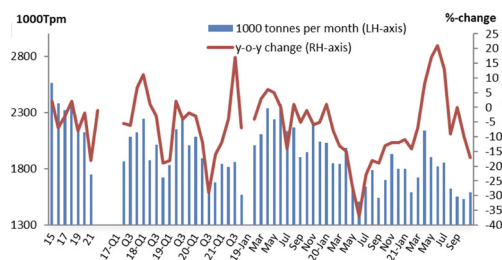


### Exports by country

The main destinations for EU steel exports over the first eleven months of 2021 were the UK, Turkey, the United States, Switzerland and China, followed by Egypt, India and the Russian Federation. The first five destinations together accounted for 55% of total EU finished product exports.

The most significant increases in EU exports were recorded in the US (+33%), Switzerland (+9%) and the UK (+6%), while the largest decreases were observed in Egypt (-36%), China (-19%) and Turkey (-15%).

### EU TOTAL STEEL EXPORTS





### Exports by product category

Over the first eleven months of 2021, flat product exports fell (-7%), whereas long product exports increased very moderately (+1%).

Flat products accounted for 65% of finished product exports overall.

Exports of most individual flat products decreased compared to the same period of the previous year, in particular hot rolled wide strip (-27%), quarto plate (-11%) and cold rolled sheet (-7%). Exports of strip mill products also dropped (-8%), while exports of hot dipped and coated sheet increased (both by +2%).

By contrast, exports of all long products rose with the exception of rebars (-32%). Exports of wire rod, merchant bars and heavy sections all increased (by +3%, +12% and +17% respectively).

### Trade balance

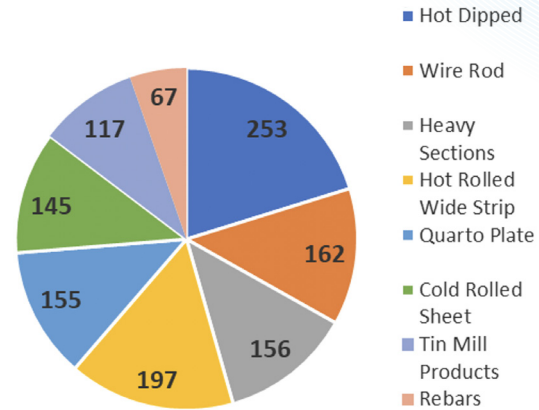
The EU's total steel product trade deficit (finished plus semis) amounted to 1.7 million tonnes per month over the first eleven months of 2021, mostly due to the pronounced rise in imports over the second and third quarter. The last two quarters resulted in record-high trade deficits of 1.8 million tonnes each, compared to 911 kilotonnes per month in the first quarter of 2021. For finished products, the trade deficit in the first eleven months of 2021 amounted to 1.1 million tonnes.

Per category, over the first eleven months of 2021 the flat segment registered a deficit of 1.1 million tonnes. For the first time since the third quarter of 2019, also the long segment registered a negative trade balance of 22 kilotonnes, due to the deficit recorded over the third quarter (59 kilotonnes). In the second quarter, flat products had experienced a deficit of 1.2 million tonnes, while long products a surplus of 34 kilotonnes.

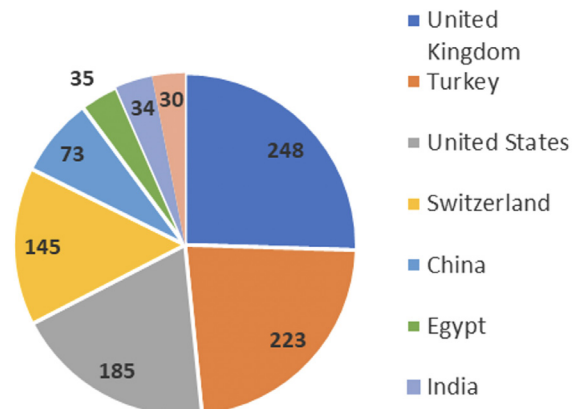
The biggest trade deficits - including semis - with individual trade partners were with Russia (709 kilotonnes), Ukraine (453 kilotonnes), India (337 kilotonnes), Turkey (217 kilotonnes) and South Korea (185 kilotonnes). The EU recorded a more moderate deficit with China (48 kilotonnes).

The major destination countries for EU finished steel exports with a trade surplus over the first eleven months of 2021 were the US (214 kilotonnes), Switzerland (83 kilotonnes), and the UK (80 kilotonnes).

**EU FINISHED STEEL EXPORTS BY PRODUCT**  
11M-2021, monthly '000 metric tonnes



**EU FINISHED STEEL EXPORTS BY DESTINATION**  
11M-2021, monthly '000 metric tonnes



# The EU steel market: final use

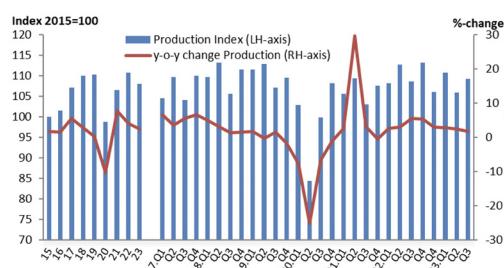
## Outlook for steel-using sectors

### Total steel-using sector activity in the third quarter of 2021

Despite the persisting pandemic and supply chain issues, steel-using sectors marked the third consecutive year-on-year growth (+3.2%). This trend peaked in the second quarter when steel-using sectors achieved a spectacular, one-off growth rate of +29.6%. This was due to the industrial recovery gaining momentum, but it was also a result of the comparison to record lows of the second quarter of 2020. Output in the steel-using sectors in the third quarter of 2021 recorded positive developments in most European countries, except in France, Italy, Spain and the Czech Republic.

### EU STEEL USING SECTORS

Production Activity - forecast from Q4-2021



By contrast, in 2020 total production activity in steel-using sectors dropped by -10.3%, due to the sharp slump in steel-using industrial output in the second quarter (-26.2%) linked to industrial stoppages caused by the pandemic.

### Total steel-using sectors forecast 2022-2023

Total steel-using sectors' output is expected to rebound in 2021 (+7.6%, revised downwards from +8.5% in the previous Outlook) and will grow more moderately in 2022 (+4%) and 2023 (+2.4%).

YEAR-ON-YEAR %-CHANGE IN EU STEEL WEIGHTED INDUSTRIAL PRODUCTION (SWIP) INDEX												
	% Share in total Consumption	Year 2021	Q1'22	Q2'22	Q3'22	Q4'22	Year 2022	Q1'23	Q2'23	Q3'23	Q4'23	Year 2023
Construction	35	6.7	5.5	3.2	2.1	1.3	3.0	-0.1	0.9	2.9	1.2	1.2
Mechanical engineering	14	11.4	3.6	2.1	3.2	4.7	3.4	1.7	2.2	3.8	0.6	2.1
Automotive	18	2.7	-3.3	9.2	21.9	16.4	10.3	8.6	7.0	4.9	3.6	6.0
Domestic appliances	3	9.2	-3.2	-0.6	2.3	0.3	-0.4	-1.2	0.3	0.7	-0.9	-0.3
Other Transport	2	-0.1	-0.6	0.7	4.8	6.5	2.8	7.5	4.8	3.3	3.2	4.6
Tubes	13	12.3	8.9	0.7	-1.1	0.1	2.1	-5.8	0.8	1.6	-2.1	-1.5
Metal goods	14	11.0	1.2	2.4	3.8	4.5	3.0	-1.2	-1.7	-2.4	-2.9	-2.1
Miscellaneous	2	7.6	2.4	1.0	2.7	3.0	2.3	-7.2	-6.4	-7.2	-7.6	-7.1
<b>TOTAL</b>	<b>100</b>	<b>7.6</b>	<b>2.5</b>	<b>3.0</b>	<b>5.4</b>	<b>5.3</b>	<b>4.0</b>	<b>3.0</b>	<b>2.7</b>	<b>2.4</b>	<b>1.6</b>	<b>2.4</b>

## Construction industry

### Construction industry activity in the third quarter of 2021

The positive trend in construction output seen over the first two quarters of 2021 continued, albeit at a slower pace, in the third quarter (+5.8%). After +1.5% in the first quarter, the construction sector saw a considerable rebound (+19.7%) in the second quarter, linked to the very low output figures of one year earlier due to the pandemic.

The figures for the first three quarters of 2021 reflect the ongoing quarter-on-quarter improvement in the construction activity and the restart in economic activity across the EU. The boost by vigorous governmental support schemes at EU and national level, has especially benefitted the private residential and civil engineering sub-sectors.

In line with real production volumes, in the third quarter of 2021 gross fixed investment in construction increased by +3.4% on a yearly basis, following from the exceptional rebound of +17.3% recorded over the second quarter. Growth was fuelled by residential investment (+4.1%, after +18.8%), boosted by very low mortgage rates and generous housing and renovation supporting schemes in place in many Member States. Positive developments were seen also in 'other construction' investment (+2.6%, after +15.7%), in particular in civil engineering. Its expansion should be stronger in the course of 2022, as governments are set to use it as a cyclical tool (thanks also to NextGenerationEU programmes) to bolster the economic recovery.

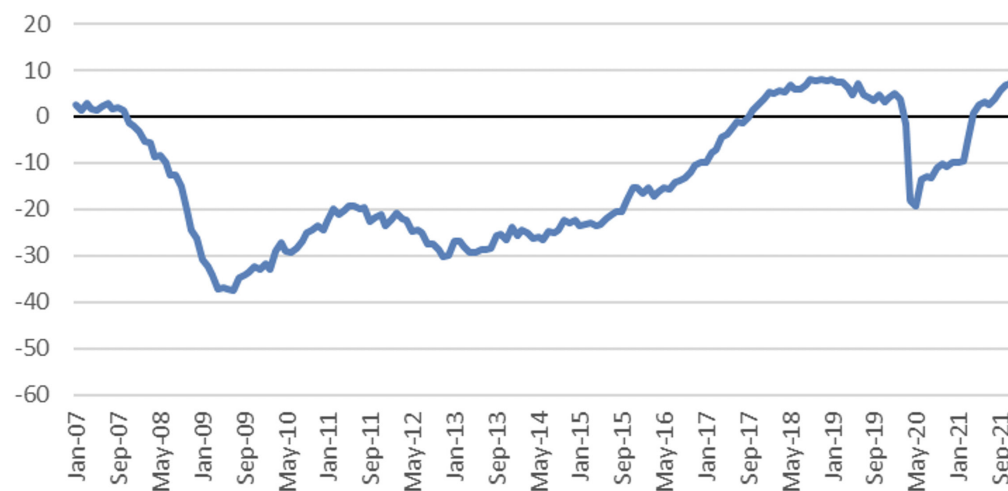
Construction activity fell in 2020 (-4.4%), after increasing (+2.5%) in 2019.

### Construction industry analysis forecast for 2022-2023

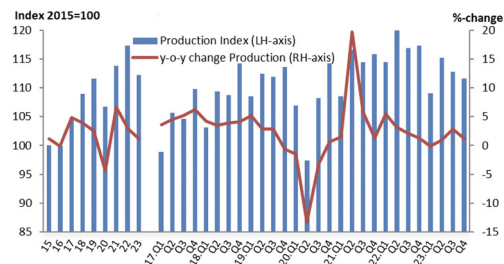
Construction output is set to rebound in 2021 (+6.7%, revised upwards from +6.4% in the previous Outlook) and to grow in 2022 (+3%) and in 2023 (+1.2%).

The EU construction confidence has been gradually improving since the lows seen in mid-2020, almost reaching 2018 levels. Residential construction was impacted by stoppages caused by lockdown measures, but in 2022 conditions will remain broadly supportive.

### CONSTRUCTION CONFIDENCE INDICATOR BALANCE OF POSITIVE AND NEGATIVE ANSWERS



### EU CONSTRUCTION SECTOR Production Activity - forecast from Q4-2021



This is due to slight improvements in economic conditions and incomes, and notably to governmental housing supporting schemes. There is already a dichotomy between the upper-segment housing market, which is boosted by higher demand of more comfortable homes due to tele-working, and the lower-income segment.

Non-residential construction has paid the highest toll to the pandemic with increasing vacancy rates, a trend that may continue if tele-working remains common in the post-pandemic scenario.

Civil engineering is expected to boost the construction sector's performance, thanks to public investment in infrastructure as a counter-cyclical tool to redress economic downturns. This segment will also be supported by EU-wide public policies (NextGenerationEU, etc.). Their effects are expected to be seen to a large extent in 2022, although it is not easy to quantify them.

The current global supply chain issues, however, have also started impacting the construction sector especially in terms of shortages of materials. This may have repercussions on the outlook for the sector over the next months.

## Automotive industry

### Automotive activity in the third quarter of 2021

In the third quarter of 2021 the automotive sector's output dropped by -14.4%, after the exceptional increase of +70.5% recorded in the previous quarter due to the comparison with the record lows of one year before. This has ended the positive growth trend seen since the fourth quarter of 2020, when the sector experienced a faster-than-expected rebound in activity from the lows seen in 2020.

### EU passenger car and commercial vehicle demand

Ongoing disruptions on the supply side, in particular the shortage of semiconductors affecting the supply of vehicles as well as hikes in energy prices and soaring shipping costs, went on taking a considerable toll on the automotive industry. This situation also contributed to continued depressed demand and consumer uncertainty. The latest passenger car registrations data show that car sales in the EU fell by -2.4% year-on-year in 2021, down to 9.7 million units, worsening the already weak performance of 2020. The second half of last year was especially negative: December figures marked the sixth consecutive monthly decline compared with the previous year.

Germany, the largest market in Europe, saw registrations falling by -10.1% year-on-year. Italy, by contrast, saw the highest increase with +5.5%, followed by Spain (+1%) and France (+0.5%).

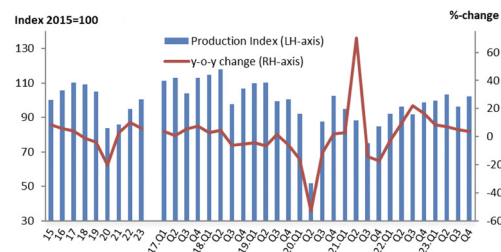
In annual terms, automotive output fell (-20.3%) in 2020 following the same negative trend of 2019 (-4%). The EU automotive sector had already experienced its worst slump during the euro area crisis of 2009-2012, when the recession was even bigger (-26.3%). Nonetheless, the automotive sector in 2020 has been hardest hit compared to all other steel-using sectors. Its output has been on a downward path since the third quarter of 2018: sluggish domestic and export demand, trade-related uncertainties, emissions rules, shifting patterns in ownership and model ranges had been felt all over 2019 before the onset of the pandemic.

### Automotive industry forecast 2022-2023

After a severe slump (-20.3%) in 2020 due to the pandemic, in 2021 automotive output is set to rebound by a modest +2.7% (revised downwards from +9% in our previous Outlook) and to recover more robustly (+10.3%) in 2022. Growth of +6% is foreseen in 2023.

The ongoing, serious disruptions in the supply chain have started to impact considerably the automotive industry around the third quarter of 2021 and are expected to persist up to the second quarter of 2022. In addition, subdued consumer confidence, due to modest disposable income developments, have continued to impact car demand from consumers.

**EU AUTOMOTIVE SECTOR**  
Production Activity - forecast from Q4-2021



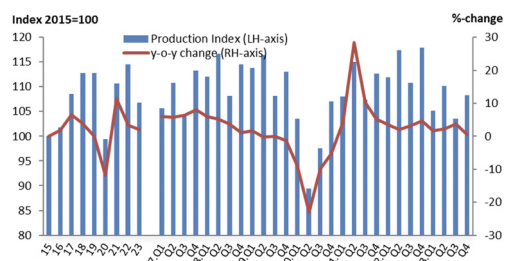
The latter is expected to remain weak at least until the macroeconomic picture and consumer disposable income substantially improve, and as long as uncertainties around the implementation of EV will continue. The launch of new models - many hybrid or fully electric, preparing the ground for the complete ban of petrol cars by 2035 – could be a supportive factor, combined with some improvement in real wages and labour market dynamics on the demand side. Full recovery in global trade and external demand from major markets such as the US, China and Turkey will remain a key factor for EU car exporters. However, political commitment (Fit for 55, etc.) at EU level towards the full adoption of EV by 2035 is not expected to impact consumer choices in the short-term, despite the fact that general car demand appears to be dependent on fragile consumer confidence throughout 2021 and up to the first half of 2022.

## Mechanical engineering

### Mechanical engineering activity in the third quarter of 2021

Output in the mechanical engineering sector increased by +10.2% in the third quarter of 2021, after the exceptional increase of +28.5% year-on-year over the second quarter (resulting from the comparison with the trough registered during the pandemic in the second quarter of 2020). The rebound recorded since the third quarter of 2020 has led to sharp quarter-on-quarter improvements, but activity had remained well below 2019 levels, when output in mechanical engineering had started its decrease due to the continued downturn in manufacturing.

**EU MECHANICAL ENGINEERING**  
Production Activity - forecast from Q4-2021



Recovery in orders and output is underway, but remains fragile and exposed to risks. Among those, the general uncertainty of the economic recovery as long as the COVID-19 threat is not over, and the ongoing global supply chain issues which are considerably disrupting industrial activity in the EU as well as in other world economies.

### Mechanical engineering forecast 2022-2023

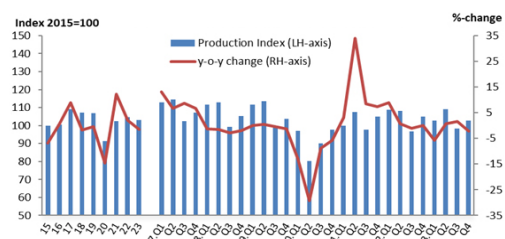
After a sharp fall (-11.9%) in 2020 following flat growth in 2019, mechanical engineering output is set to rebound (+11.4%) in 2021 and, at a much more moderate pace in 2022 (+3.4%) and 2023 (+2.1%). Despite the heavy toll of the pandemic, manufacturing has bounced back quickly - albeit at historically low levels of output - due to the relatively strong reliance of the EU mechanical engineering sector on export markets, the investment climate and global trade recovery. However, slowdowns in industrial activity and other indicators have been showing a quick turn in the cycle since August 2021. From then on, the combined effect of the pandemic's persistence and issues affecting the global supply chain have been weakening demand in key EU domestic markets, and the outlook - albeit overall moderately positive - is set to remain subject to uncertainty.

## Steel tube industry

### Steel tube industry activity in the third quarter of 2021

The third quarter of 2021 has confirmed the positive trend of the tube sector, recording the third consecutive increase in output (+8.4% year-on-year, after the previous +33.9% mostly due to the comparison with the pandemic period, and +3.1% of first quarter) after a series of six decreases in a row.

**EU STEEL TUBE SECTOR**  
Production Activity - forecast from Q4-2021



### Steel tube industry forecast 2022-2023

A rebound in steel tube output (+12.3%) is expected for 2021, followed by more moderate growth (+2.1%) in 2022, and a moderate drop (-1.5%) in 2023. Steel tube output fell for the third consecutive year in 2020, at a much faster rate than in 2019 (-14.6% vs -0.3%).

During 2020 output in the EU steel tube industry was heavily impacted by the industrial stoppages due to the COVID-19 outbreak. Likewise for other steel-using sectors, the rebound seen over the first three quarters of 2021 is set to ease in the fourth quarter as a result of uncertainty linked to ongoing global supply chain issues. However, demand for large welded tubes from the oil and gas sector is predicted to continue to improve – due to better prospects for oil and gas demand, also reflected by the recent, considerable hikes in energy prices – driven by the economic recovery in some energy-consuming world regions.

The recent recovery of global oil demand (including oil prices, although struggling to rise to levels comparable to other commodities, e.g. natural gas) is expected to produce some positive effects on output in 2022, provided that the economic scenario doesn't deteriorate further. Demand from the construction sector is also set to recover. On the contrary, tube demand from the automotive and engineering sectors is forecast to remain relatively weaker, even if they restore their production activity to high historical levels and critical supply chain disruptions are ultimately resolved. In addition, import pressure on steel tube markets in the EU will remain high, particularly for the commodity segment.

## Electrical domestic appliances industry

### Electrical domestic appliances industry activity in the third quarter of 2021

Over the third quarter of 2021 output in the electrical domestic appliances sector dropped by -3.2%, ending a very positive trend that had seen four consecutive quarters of expansion. Production activity already recorded year-on-year growth in the first and second quarter of 2021 (+17.2% and +29.1% respectively), further to growth already registered in the third and the fourth quarter of 2020. These positive developments reflect a bigger-than-expected recovery in output after the removal of lockdown measures and widespread remote working across the EU, which has likely boosted demand for home appliances and other related goods. However, despite the drop recorded in the third quarter the sector still records high output volumes in historical terms. On an annual basis, in 2020 output fell (-2.7%) after a meagre increase in 2019 (+0.3%).

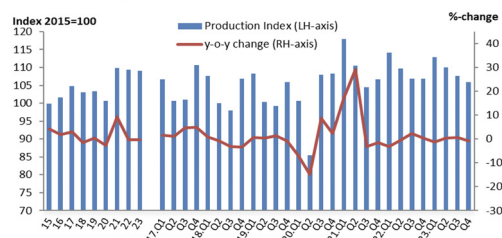
### Electrical domestic appliances industry forecast 2022-2023

Output in domestic appliances is set to continue to grow in 2021 (+9.2), thanks to very positive performances recorded over the first half of the year, and despite a considerable slowdown that is foreseen over the last two quarters. Output is expected to drop, albeit marginally, both in 2022 (-0.4%) and in 2023 (-0.3%)

This scenario is based on the assumption that working from home will remain widespread in the EU over the next two years, albeit not as much as it has been since March 2020. Therefore, demand will not have as much support as it had in 2021. In the longer term, developments linked to the so-called "Internet of Things" (i.e. smart applications that enable to connect home appliances, devices, etc.) should also benefit the sector, but the impact of these applications is not likely to be very visible before 2023.

Growth is expected to slow down considerably over the course of 2022, particularly over the first two quarters, also as a result of the huge disruptions along the global supply chain which are not expected to ease significantly before the second quarter of 2022 at least.

EU ELECTRICAL DOMESTIC APPLIANCE SECTOR  
Production Activity - forecast from Q4-2021



# EU economic outlook 2022-2023

## GDP growth

Despite growing uncertainty due to COVID variants and ongoing global supply chain issues, EUROFER's GDP forecast for the EU in 2021 is +5%, revised upwards from +4.7% in the previous Outlook. GDP growth estimates for 2022 are set at +4.1% and for 2023 at +2.8%. EUROFER's GDP actual growth figure for 2020 in the EU was -6%. This was the first recession since 2013 and the sharpest on record.

The continued rebound in economic and industrial activity observed in the EU after Q2 2020 – the pandemic-induced trough – has gained further speed over the first and the second quarter of 2021, driven by positive global demand led by the quick recovery in the US and China. Growth accelerated in Q1 2021 while the economic momentum has most probably peaked in Q2 2021, benefitting from the reopening of the service sector, the rebound in economic activity being almost entirely driven by the industry. However, leading indicators have been showing some easing already since August 2021, paving the way for a possible pronounced turnaround in the economic outlook. Serious downside factors are increasingly hampering it, particularly for the industry. Skyrocketing energy prices (natural gas in particular), materials and components shortages, high shipping costs are resulting in a major global supply chain disruption. As a result, inflationary pressures (commodity price rises and scarcity) are also source of concern, as this poses a threat to the sustainability of the ultra-accommodative monetary policy that has so far supported the post-COVID economic recovery in the EU. The fourth quarter of 2021 should reveal signs of subdued economic growth. Growing uncertainty is casting a shadow on the recovery for the fourth quarter of 2021 and at least the first two quarters of 2022.

GDP data covering the third quarter of 2021 see growth of +2.1% in the EU, the same as in the second quarter. GDP volumes increased in all major euro area economies on a quarter-on-quarter basis, at a higher rate in France and at a slightly lower rate in Germany and Italy. On a year-on-year basis, after the exceptional +13.8% recorded in Q2 – due to the comparison to record lows seen in Q2 2020 – the EU economy grew by +4.1% in the third quarter. In Germany, growth was relatively modest (+2.6%), while it was +3.9% in Italy, +3.4% in Spain and +3.3% in France.

As a warning sign, preliminary GDP figures for the fourth quarter of 2021 in Germany revealed a quarter-on-quarter drop of -0.5%.

Inflationary concerns have been mounting since August-September 2021, due to rising energy prices (particularly for natural gas) that have triggered nine-year peaks in inflation rates starting from October 2021. Latest monthly inflation data have revealed record highs in Germany and Spain (5.7% and 6.7% in December 2021 respectively). As a consequence, central banks are planning to change their accommodative monetary policy stance that has so far been extremely supportive of economic recovery. The FED in the US is expected to raise its policy rates already in March 2022, while monetary policy change is not yet in sight in the euro area, although a reduction in volume of PEPP by the ECB has been scheduled from March 2022.

Inflation - originally perceived as temporary - is expected to moderate only over the second half of 2022. Continued inflationary pressures essentially stem from the persisting bottlenecks affecting the supply chain and scarcity of components.

Over the last months, however, inflation has become a reason for concern, as it has proven to be not a temporary phenomenon as initially thought. As a potential spill over effect on the green transition, fossil fuels prices are expected to remain at high levels until replacement with affordable renewable energy sources.

During the pre-covid economic slowdown of 2019 and – to a lesser extent – since the onset of the pandemic, GDP growth had been mainly led by domestic demand and private consumption in particular. This dynamic has proven resilient and gradually replaced exports as the main engine of growth during 2018 and 2019, notably in largely export-driven economies such as Germany. Government consumption, used as a macroeconomic tool to alleviate the slump in demand and to support the economy, was the only GDP component which provided positive contribution to growth also during the second half of 2020. By contrast, private fixed investment has slowed down considerably over the first three quarters of 2021, after a substantial rebound over the second half of 2020 reflecting improved economic confidence. Concerning private consumption, it has not proven sufficient to offset the negative developments of exports and other GDP components, and is also constrained by ongoing consumer uncertainty. Deposits in the euro area have continued to grow in the first three quarters of 2021 as a result of lower consumption for each unit of increased disposable income, reflecting subdued consumer confidence. Persistent uncertainty due to the pandemic, serious inflationary concerns and supply chain disruptions have induced major forecasters to review their global GDP outlook for 2021 and 2022. As a result, the IMF and the OECD have slightly lowered their latest global GDP projections for 2021 and 2022. In particular, the IMF reports +5.9% vs +6% in its January 2022 outlook and +4.4% for 2022, while the OECD +5.6% in 2022 (vs 5.7% in October) and +4.5% in 2023 in its December 2021 update.

## Confidence indicators

After the restart of the industry and along with the post-pandemic economic recovery, a spectacular improvement in confidence has been seen until the end of the second quarter of 2021. This has led to well above pre-pandemic levels peaking at 118 in July, a 14-year high, before easing in August and September following widespread concerns over supply chain issues and inflation. Data since the third quarter of 2020 had signalled an increasingly two-speed economy: whilst manufacturing output growth was sustained, and to the strongest degree in over two-and-a-half years, service sector activity has continued to deteriorate.

**ECONOMIC SENTIMENT INDICATOR, EU**  
(long-term average=100)



This divergence has substantially narrowed in recent months when activity in the service sector restarted, albeit not at its full potential. However, the latest IHS Markit Eurozone PMI Composite Output Index indicated that, further to a brief acceleration in November, economic growth in the euro area eased to a nine-month low during December, resuming a slowdown trend amid a resurgence of COVID-19 infections. This had a notable effect on the service sector, restricting increases in both activity and new business. Meanwhile, manufacturing output growth remained subdued as supply-related disruptions continued to heavily affect production schedules. As a result, the IHS Markit Eurozone PMI Composite Output Index fell to 53.3 in December, down from 55.4 in November, to signal the softest expansion in combined manufacturing and services output since March.



After the pronounced drop in industrial production in the EU (-8.3%) in 2020, EUROFER forecasts a rebound (+7.2%) in 2021 and a more moderate growth in 2022 and 2023 (+4% in both years).

EU industrial production, after the unprecedented year-on-year fall in the second quarter of 2020 (-20.5%) due to the pandemic, has bounced back significantly, recording quarter-on-quarter growth for five consecutive quarters (+1,3% and +0,3% in the first two of 2021, respectively). Despite these improvements, positive year-on-year growth (+3,4%) was registered only in the first quarter of 2021, while in the second quarter growth has scored +24,5%, due to the comparison with the exceptionally low output levels observed one year before. Over the third quarter, thanks to the continued momentum of the industry – before supply chain disruption started to impact industrial activity – growth continued, i.e. +6.2% in the EU, +2.8% in Germany, +3.3% in Spain, +2.6% in France and +5% in Italy.

In absolute levels, industrial output has recovered from the exceptional losses due to the pandemic but remained below the all-time highs recorded during the strong cycle of 2017. Latest available monthly data show that industrial output has been impacted by global supply chain disruptions: in line with the economic cycle, it peaked in August and decreased in September and October across all major euro area economies, especially in Germany. Industrial output is likely to remain subdued all along the first half of 2022 as a result of ongoing supply chain disruptions and increasing energy costs. Global supply chain conditions are expected to be back to normal around the end of the second quarter of 2022.

## Economic fundamentals

According to WTO data, the substantial improvement in world trade started in the fourth quarter of 2020, gaining further speed in the second quarter of 2021. Since August 2021 world trade has been easing again because of worryingly rising transportation costs and oil energy prices.

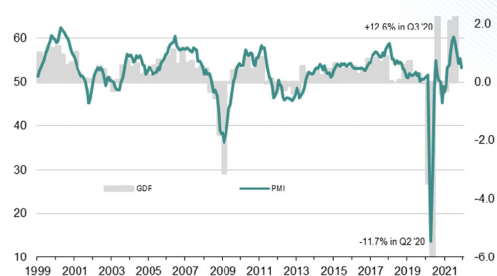
World merchandise export volumes rose by +24% in the third quarter, after the exceptional rise of +47% in the second quarter of 2021 (due to the comparison with record lows in trade volumes in the second quarter of 2020) and +17% in the first quarter.

All world regions recorded considerably increased volumes of exports in the third quarter of 2021. Europe's exports growth (+17%) was lower than North America's (+21%) and Asia's (+24%). World imports growth also slowed down (+25% vs. +44% in the second quarter of 2021).

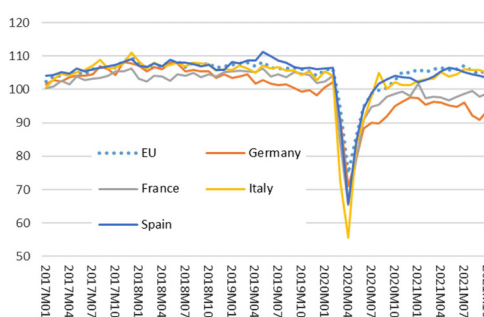
Despite the long-lasting impact of the COVID-19 pandemic on the economy, labour market fundamentals have continued to prove resilient in most EU countries. However, job creation continued to be affected by lower levels of production activity in industry and by persistent uncertainty about short-term business conditions.

The EU unemployment rate, which had remained around late 2019 levels, started to rise peaking at 7.8% in September 2020 to gradually ease to 6.8% in August 2021 and to 6.5% in November. The unemployment indicator continues to conceal considerable variations across Member States and across economic sectors:

**IHS MARKIT EUROZONE COMPOSITE  
PMI OUTPUT INDEX**  
Eurozone GDP q/q%



**INDUSTRIAL PRODUCTION INDEX, S.A.,  
MONTHLY DATA (2015=100)**



employment in services was particularly impacted, given that the sector was able to restart at a large scale only in the second quarter of 2021. Consumers have been suffering from substantial decreases in their in disposable income due to job losses, temporary lay-off or reduction of working time. This dynamic has slashed consumption growth. Despite government support and increased social expenditure to mitigate the impact of the pandemic, uncertainty will continue to weigh down on consumer confidence until at least the first half of 2022. Another major source of concern that has recently materialised is the rise in commodity prices, which is due to continue to impact household energy costs and limit their purchasing power while increasing their savings propensity.

Government investment and public expenditure are expected to play a rather robust, countercyclical role and could provide a strong contribution to the growth of domestic demand, although the most noticeable effects will only be visible from 2022.

EUROFER MACROECONOMIC DATA, EU				
ANNUAL % CHANGE, UNLESS OTHERWISE INDICATED				
	2020	2021	2022	2023
GDP	-6.0	5.0	4.1	2.8
Private consumption	-7.6	3.6	5.8	3.1
Government consumption	1.0	3.7	0.8	0.6
Investment	-6.6	7.1	4.4	3.9
Investment in mach. equip.	-11.4	8.8	5.2	4.4
Investment in construction	-5.1	7.4	3.5	3.3
Exports	-10.2	9.8	6.5	5.0
Imports	-9.4	9.1	6.9	5.4
Unemployment rate (level)	7.6	7.5	7.1	6.9
Inflation	0.4	2.5	2.8	1.5
Industrial production	-8.3	7.2	4.0	3.9

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## Glossary of terms

Sector definitions according to NACE Rev.2

### Building & Civil Engineering

- 41 \_\_\_\_\_ Construction of buildings
- 42 \_\_\_\_\_ Civil engineering
- 43 \_\_\_\_\_ Specialised construction activities
- 25.1 \_\_\_\_\_ Manufacture of metal structures and part of structures
- 25.2 \_\_\_\_\_ Manufacture of tanks, generators, radiators, boilers

### Mechanical Engineering

- 28 \_\_\_\_\_ Manufacture of machinery and equipment
- 27.1 \_\_\_\_\_ Manufacture of electric motors, generators, transformers
- 25.3 \_\_\_\_\_ Manufacture of steam generators, except central heating hot water boilers

### Automotive

- 29 \_\_\_\_\_ Manufacture of motor vehicles and trailers

### Domestic Appliances

- 27.51 \_\_\_\_\_ Manufacture of electric domestic appliances

### Other Transport Equipment

- 30 \_\_\_\_\_ Manufacture of other transport equipment
- 30.1 \_\_\_\_\_ Building and repair of ships
- 30.2 \_\_\_\_\_ Manufacture of railway locomotives and rolling stock
- 30.91 \_\_\_\_\_ Manufacture of motorcycles

### Steel Tubes

- 24.2 \_\_\_\_\_ Manufacture of steel tubes

### Metal Goods

- 25 \_\_\_\_\_ Manufacture of fabricated metal products excluding 25.1-25.2-25.3

### Other sectors

- 26 \_\_\_\_\_ Manufacture of computer, electronic and optical products
- 27 \_\_\_\_\_ Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus excluding 27.1 and 27.5

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## EU steel market definitions

**SWIP:** Abbreviation for Steel Weighted Industrial Production index. It is used as a proxy for real steel consumption. Activity in the steel-using sectors is weighted with the relative share of each sector in total steel consumed by all sectors.

**Real steel consumption:** Real consumption is the use of all steel products used by steel-using sectors in their production processes, also referred to as the 'final use' of steel products, adjusted for the stock cycle.

**Apparent steel consumption:** Apparent consumption is also referred to as 'steel demand'. It is total deliveries of all steel products and qualities by EU producers plus imports less 'receipts' into the EU, minus exports to third countries. In other words, apparent consumption is deliveries by EU producers plus imports minus receipts (that is, imports by EU producers themselves of material that is further processed), minus exports to third countries. EUROFER's definition of apparent consumption includes all qualities, including stainless, and all finished products and semi-finished products. If apparent consumption exceeds real steel consumption, the surplus is stocked in the distribution chain. If apparent consumption is less than real steel consumption, inventories are being withdrawn.

**Steel industry receipts:** In both the apparent consumption and market supply statistics, the imports component of the calculation is written, in the EUROFER definition, as 'imports less receipts'.

The 'receipts' in this instance mean imports by EU producers themselves of finished or semi-finished steel products that are further processed by the producer and transformed into other products. In the publicly available EUROFER figures, only finished products are shown and thus impacted by the receipts calculation.

This correction is important because it prevents double-counting that would artificially inflate the size of the market. If an EU producer imports a tonne of hot rolled strip that it further processes into a tonne of cold rolled which it then delivers to the EU market - in an uncorrected calculation the import of one tonne would then become one imported tonne plus one EU-processed and delivered tonne. The imported tonne is thus corrected out in the import side of the market supply and apparent consumption figures.

**Narrow definition:** EUROFER applies the so-called "narrow definition" which excludes steel tubes and first transformation products from the product scope used for calculating steel consumption. Hence, the steel tube sector is a steel-using sector under this definition.

**Steel intensity:** The ratio of real steel consumption to steel weighted production in the steel-using sectors. This reflects the usually slightly negative impact on consumption of innovation in steel products, inter-material substitution, improvements in process efficiency and design, etc.

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## **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 the United Kingdom and Turkey are associate members.

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

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## **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, CO<sub>2</sub>-mitigating technologies, improving resource efficiency and fostering sustainable development in Europe.



**EUROFER**  
THE EUROPEAN STEEL ASSOCIATION

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