

2010

eurofer Annual Report 2010

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EUROFER
European Confederation of Iron and Steel Industries

Steel is one of the most attractive, most robust and most sustainable materials in the world. Thousands of different types of steel facilitate and improve our daily lives in innumerable applications. Steel sets trends in lifestyle: it is the material of design and innovation in many aspects of our lives, for example in vehicles, buildings, medical devices and household equipment. Steel is also 100% recyclable and therefore contributes significantly to the long-term conservation of fundamental resources for future generations.

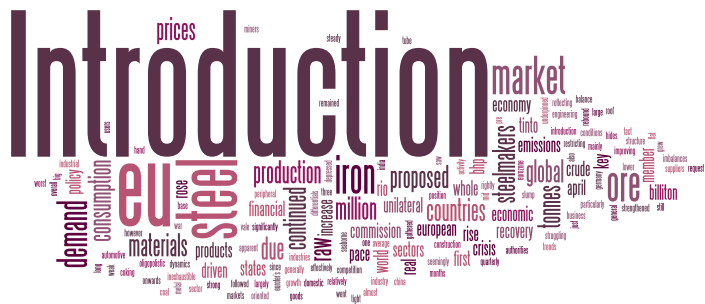
EUROFER, the European Confederation of Iron and Steel Industries, founded in 1976, and located in Brussels, represents 100% of steel production in the European Union. Its members are steel companies and national steel federations throughout the EU. The major steel companies and national steel federations in Switzerland and Turkey are associated members.

The objectives of EUROFER are the co-operation amongst the national federations and companies in all matters that contribute to the development of the European steel industry, and the representation of the common interests of its members vis-à-vis third parties, notably the European institutions and other international organisations.

The European steel industry is a world leader in its sector with a turnover of about EUR 190 billion and direct employment of about 360 thousand highly skilled people, producing 200 million tonnes of steel per year. More than 500 steel production sites in 23 EU Member States provide direct and indirect employment and a living for millions of European citizens.

For more information, please consult our website:

www.eurofer.eu



In 2010, the European economy as a whole continued its steady pace of recovery from the worst financial and economic crisis since World War II. However, this recovery hides large differentials in dynamics between EU member states, business sectors as well as steelmakers. While the rebound of the EU economy was mainly driven by Germany and other export-oriented countries with a strong industrial base domestic demand in the EU in general, and particularly in the peripheral Eurozone countries struggling with economic and financial imbalances, saw relatively weak growth.

Also the EU steel market gathered pace. While demand in the first half of 2010 was driven by stock replenishment, real consumption strengthened significantly from mid 2010 onwards, largely due to improving activity at key flat products users such as the automotive and engineering industries and the metal goods and steel tube sectors. Due to the continued slump in the construction sector, demand for long products generally remained depressed. On balance, real steel consumption rose by just above 4% and apparent consumption by 21% in the whole of 2010. These trends continued in the first months of 2011.

Overall, EU crude steel production rose in 2010 by almost 25% to 172 million tonnes from 136 million tonnes in 2009. This is still 15% lower than the 204 million tonnes pre-crisis average (2005 to 2007).

While global crude steel production grew by 13.4%, raw materials prices went through the roof again, with a 65% increase for iron ore and 55% for coking coal, reflecting very

tight market conditions due to the seemingly inexhaustible rise in demand for raw materials from countries such as China and India on the one hand and the oligopolistic position of the key suppliers in these markets on the other. The introduction of quarterly prices by the three big iron ore miners Vale, BHP Billiton and Rio Tinto in April 2011 underpinned the fact that the industry structure is effectively restricting competition in the seaborne iron ore market. Rightly the Commission and other authorities followed EUROFER's request to prohibit the proposed iron ore joint venture of the Australian assets of BHP Billiton and Rio Tinto. Despite the failure of the proposed JV, the level of concentration in the iron ore market remains a concern for global steel producers.

While the disproportionate rise of raw materials prices hit EU and non-EU steelmakers alike, unilateral EU climate and energy policy is at the expense of EU manufacturers alone. This is highly improper as unilateral measures on EU steelmakers – which are amongst the most CO₂-efficient in the world – directly lead to carbon leakage. This policy will rather increase than prevent global emissions from steel production.

Technically unachievable steel benchmarks proposed by the European Commission and adopted by the EU member states will require even the best performing steelmaker to buy additional emission allowances on the market – a move which is in harsh contradiction with the letter and the spirit of the emissions trading directive. Consequently, EUROFER had no other choice than to announce in April of this year that it will initiate legal action.



Wolfgang Eder
President



Gordon Moffat
Director General



In the first half of 2010, the global economy rebounded markedly, led by the emerging markets. Particularly in Asia, dominated by China and India, there was a strong resurgence in economic activity, supported by improving trade and domestic demand. The performance of the industrialised economies was much more hesitant.

The world economy lost some momentum around mid-year due to weaker support from the inventory cycle, government support measures gradually coming to an end and monetary policy tightening in the developing countries. On balance, global GDP grew 3.8% in 2010 as a whole.

In early 2010, the EU economy continued to improve at a snail's pace, with GDP growing by just 0.1% quarter-on-quarter. Export growth and inventory replenishment provided the main support to growth. Despite a positive contribution from government expenditure, internal momentum remained weak, reflecting sluggish private consumption and investment, particularly in construction.

In the second quarter of 2010, the EU economy posted its strongest quarterly growth since late 2006. GDP growth accelerated to 1% quarter-on-quarter in Q2, driven by the exceptionally strong export-led performance of the German economy. Much in contrast, the countries affected most by the public financial crisis continued to post very weak growth figures.

In line with the global trend, the rate of economic expansion in the EU slowed down in the second half of 2010. The boost coming from exports tapered off after summer; this was compounded by the strengthening of the euro against the US dollar. Also the impulse from stock replenishment weakened substantially whereas monetary policies became less expansionary.

The main beneficiary of the robust improvement in trade was the manufacturing sector, particularly in those EU countries focussing on exports and supported by favourable competitive characteristics of industry such as high productivity levels, strong customer orientation and a differentiated product mix.

This is the reason why Germany and a number of smaller export-oriented countries registered a marked rebound in manufacturing activity. With a rise in activity of close to 11%, Germany clearly outpaced all other large Eurozone countries and was predominantly responsible for the 6% increase in EU industrial production in 2010. Meanwhile, industrial activity in the debt-ridden peripheral Eurozone countries remained lacklustre. During the year, the rebound in the manufacturing sector gradually broadened out, from initially only the automotive sector and its supplier networks to other important steel-using sectors such as the engineering industries, steel tube and metal goods sector.

EU industry kept its strength in early 2011. Positive production and order data and indicators remaining rather bullish appear to confirm that the manufacturing rebound is solidly entrenched. There is clear evidence of investment demand in the EU picking up again. This is the reason that GDP growth will rebalance from being only export-driven to also investment-driven in 2011. Rising investment will help to offset weak government spending and private consumption. On balance, there will be a continuation of a muted recovery.

However, uncertainties are still high and currently risks appear to be more skewed to the downside. The EU continues to be haunted by problems with public finances. The ECB raising interest rates to tame inflation could exacerbate existing country differentials in economic and financial health across the EU. Oil supply shocks due to geopolitical unrest spreading in the Arab world in North Africa and Middle East Fears would undoubtedly have a negative impact on the global economy.



Crude Steel Production

In 2010, crude steel production in the EU amounted to 172 million tonnes, an increase of almost 24% compared with 2009. Improving steel market fundamentals allowed steel producers to gradually step up production. Particularly flat product producers were able to improve capacity utilisation rates. However, owing to the sharp reduction in output in the final months of 2008 and during the first half of 2009, the gap with pre-crisis output levels remained significant: 2010 production was still 38 million tonnes or 18% below the 2007 level. The share of EU production in global crude steel output remained 12%.

Crude steel production ('000 metric tonnes)

Source: EUROFER

	2008	2009	2010	%
Austria	7594	5662	7206	4,2
Belgium	10673	5635	7973	4,6
Bulgaria	1330	726	744	0,4
Czech Republic	6387	4594	5179	3,0
Finland	4418	3078	4023	2,3
France	17879	12840	15414	8,9
Germany	45833	32670	43830	25,4
Greece	2477	2000	1821	1,1
Hungary	2097	1403	1678	1,0
Italy	30590	19848	25701	14,9
Latvia	635	692	655	0,4
Luxembourg	2582	2141	2548	1,5
Netherlands	6853	5194	6651	3,9
Poland	9728	7129	7993	4,6
Portugal	1630	1587	1351	0,8
Romania	4917	2686	3613	2,1
Slovakia	4489	3747	4588	2,7
Slovenia	641	430	606	0,4
Spain	18640	14358	16343	9,5
Sweden	5164	2778	4817	2,8
United Kingdom	13520	10079	9706	5,6
EU 27	198076	139278	172439	100

Supply-Demand Balance

Improving activity in the steel using industries resulted in demand –side fundamentals in the EU improving from the second quarter of 2010 onwards, following 9 consecutive

quarters of decline. Supported by the rebound in manufacturing activity, real steel consumption growth strengthened from -4.1% y-o-y in Q1-2010 to +8.5% in the final quarter of the year. On balance, real steel consumption in the EU steel market rose 3.9% in 2010 as a whole, having registered a 27% decline over the 2008-2009 period.

As far as the supply-side is concerned, particularly the first half of 2010 saw a strong recovery in apparent steel consumption, driven by inventory replenishment. Stocks had been depleted drastically during 2009 and improving business conditions triggered restocking along the steel supply chain. The effect of stock building eased after summer in a reflection of stocks in the distribution chain and at end-users having been sufficiently replenished for the prevailing level of business activity. Cash constraints, still difficult access to credit facilities and limited visibility on the market situation in the remainder of the year were the key factors in steel buyers taking a pause. However, the likelihood of steel producers trying to recoup higher cost of steel making materials such as iron ore, coking coal and scrap also triggered some speculative buying, resulting in rising bookings from the distribution chain in late 2010. Imports are still at reduced levels compared to 2006-2008, albeit on a rising trend for most semi-finished and flat products. On balance, apparent consumption in the EU grew around 21% in 2010.

Trade

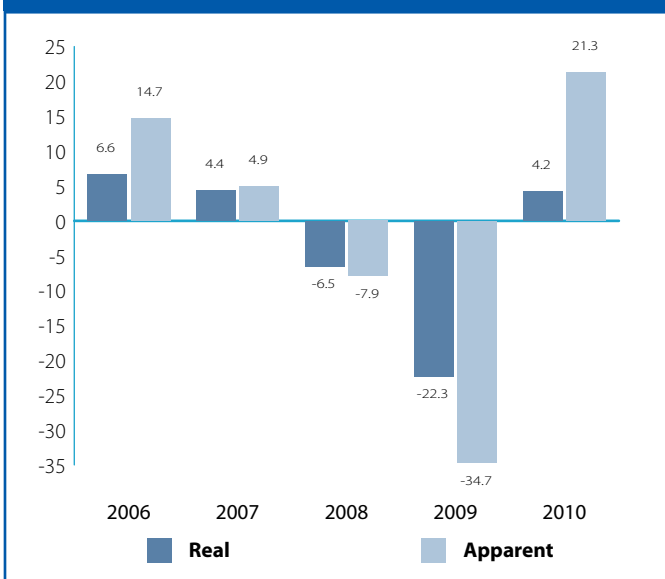
Customs figures for EU steel trade show imports from third countries into the EU rising by almost 30% in 2010 as a whole, a faster rise than seen in apparent consumption or in deliveries by EU producers. This growth figure hides significantly diverging trends at the product level. The strongest increase in imports in 2010 was registered for semis, rising 42% compared with 2009. Also flat product imports increased sharply, and were 29% higher than in 2009. In contrast, long products imports stabilised at the year earlier level. As far as the main countries of origin are concerned, Russia and the Ukraine accounted for 50% of total steel imports into the EU, and for almost 90% of semis imports. China remained an important flat product exporter to the EU, accounting for 25% of total flat product imports. Chinese flat products exports rose 166% compared with 2009. In the 2nd half of 2010, flat product imports from Turkey showed a market increase, rising 144% compared the level registered in the 1st half. The share of total steel imports in EU apparent steel consumption amounted to almost 16% in 2010.



EU steel exports grew 5.7% in 2010, reaching an average monthly level of 2.3 million tonnes per month. This implies that the EU maintained a trade surplus over 2010, although net export volumes were 50% lower than in 2009. At the product level, different trends could be observed. The EU remained a net importer of semis, with import volumes of slabs and billets rising by almost 150% in 2010. The trade surplus in flat products is very modest and was reduced by 40% last year. This implies that net trade is dominated by long products; the trade surplus rose 10% in 2010 to almost 7 million tonnes. With respect to the main export destinations for long products, since several years Algeria has been the largest single country of destination. Algeria together with Turkey, the US and Switzerland accounted for almost 50% of total long product exports in 2010.

Real and Apparent Consumption: Yearly Variation (in %)

Source: EUROFER



Deliveries of Steel (all qualities except stainless steel)

Market conditions in the EU market improved significantly during 2010. The rebound in demand for steel products was initially driven by inventory replenishment in the steel distribution chain and later in the year increasingly by strengthening activity at the end-user level. Total deliveries of finished steel products into the domestic market grew almost 18%. This growth figure hides significant delivery growth

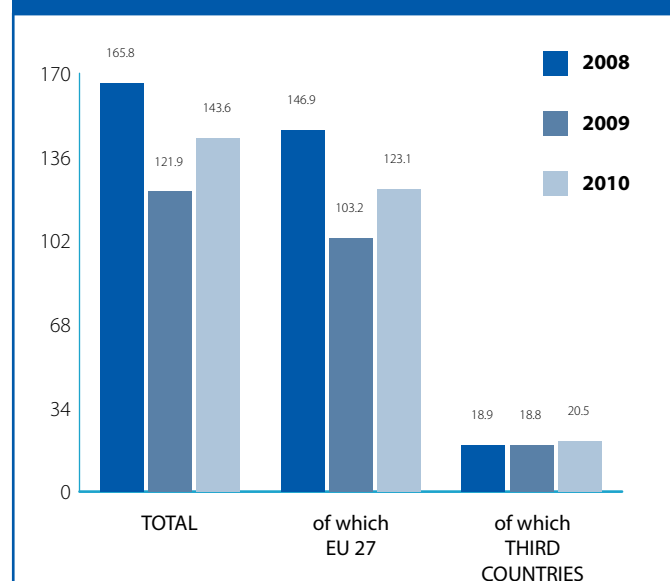
differentials at the product level: the performance of the flat product market segments was generally much stronger than the long product market segment which depends heavily on the – still depressed – construction industry. EU producers also increased their deliveries to export markets, more so of long products than of flat products.

Total Steel Deliveries +17.8%
of which to the EU27 market +19.3%
of which to export markets +9.0%

In 2010, total flat product deliveries increased by more than 24%. Deliveries by EU producers into the domestic market increased 26.5% compared with the low level registered in 2009. Deliveries to the automotive industry strengthened from early 2010 onwards, followed by most other market segment from mid-2010. The weakest segment was organic coated sheets for construction applications. Export deliveries rose by just over 12%.

Carbon Steels: Total Deliveries (million tonnes)

Source: EUROFER

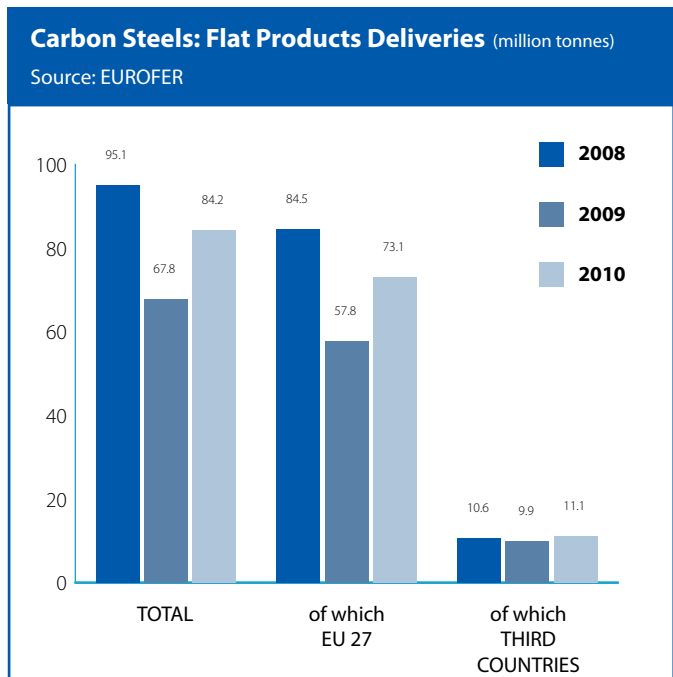


Total Flat Product Deliveries +24.2%
of which to the EU27 market +26.5%
of which to export markets +12.1%

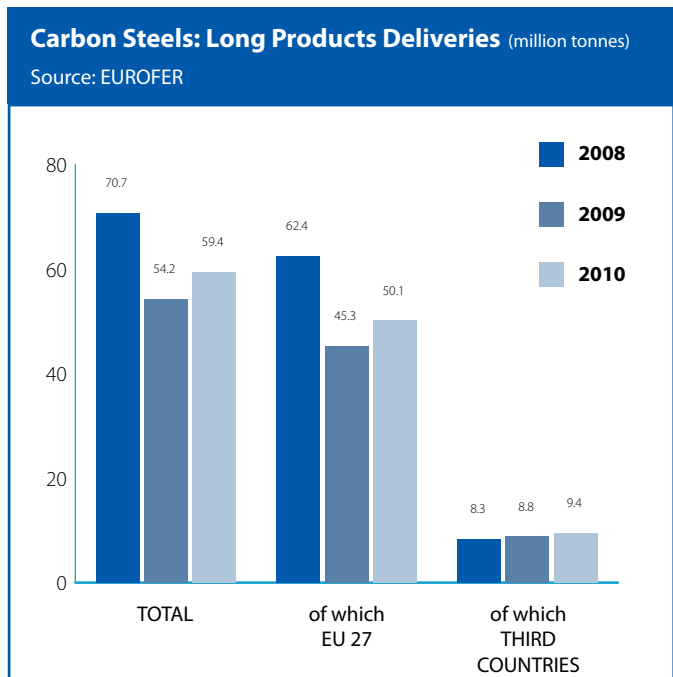
Deliveries of long products into the domestic EU market increased by almost 11%, having fallen by more than 24% in 2009. Demand for long products was driven by stock replenishment rather than by strengthening real consumption. The main exception was the quality wire rod and merchant bars segment where the main customers are in the automotive and engineering sector. Export deliveries rose 6.8%. This resulted in



an increase of just below 10% of total deliveries.



Total Long Product Deliveries +9.6%
of which to the EU27 market +10.6%
of which to export markets +6.8%

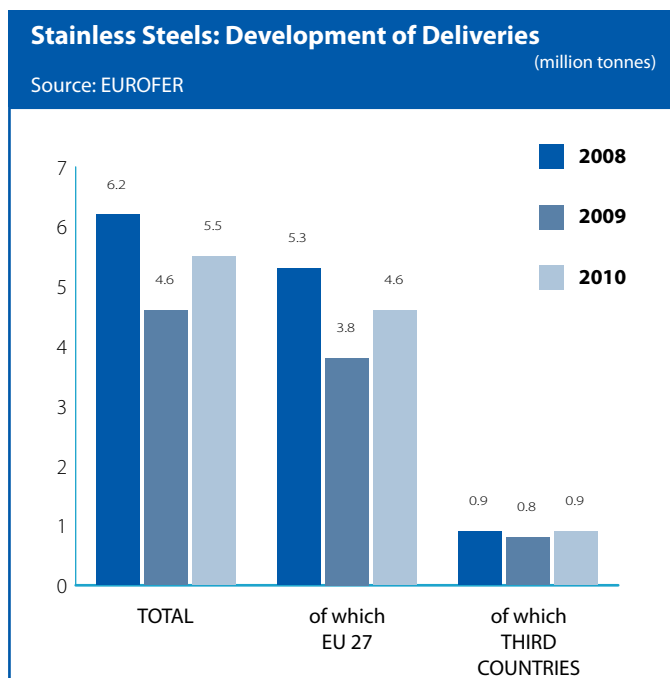


Stainless Steels

After collapsing by 29% in 2009, the European market supply of stainless steels increased by 27,5% in 2010 as the economy continued to recover gradually from the global recession. The recovery was particularly strong during the first months of the year as the increase of activity in many end-user sectors was coupled with the customers' anticipation of rising alloy costs. Both elements led to a re-activation of demand and a re-stocking phase in the supply chain. Consequently, year-on-year, stainless steel melting by the Union producers increased by 53% in the 1st half-year 2010 to reach 4,1 Million tonnes.

As from May 2010, a fall in nickel prices combined with the expected seasonal slowdown of activity in the 3rd quarter led to a reduction of stainless steel sales. This evolution was more pronounced in the flat products segment than in long products. Although a slight improvement of demand occurred after the summer holiday period, sold volumes remained well below previous peak levels as some of the incentive packages which helped to sustain activity in several EU countries had come to an end and the customer-base performed some de-stocking in anticipation of the year end.

Whilst EU producers deliveries to the Community market grew by 21,5% in 2010 (but remained 13% below the year 2008 performance), the imports from third countries grew much faster by 67% to approach one Million tonnes, representing 17,8% of market supply and being over pre-crisis levels. This



Raw Materials

scrap iron prices steel spot

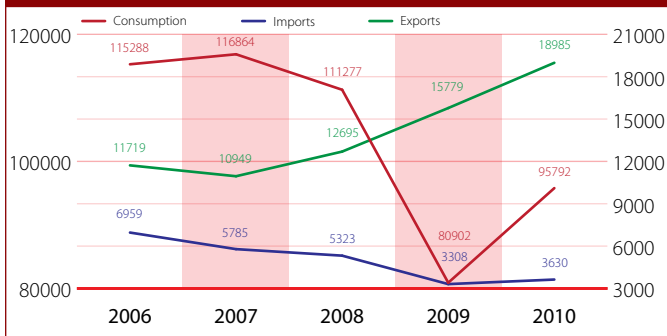


hit the highest level since the scrap price surge in 2008.

Softer demand from May onwards due to slowing steel production in Europe pushed prices down again until they bottomed out during summer. The scrap price moved up again in August and September on relatively tight supply conditions since buying activities increased again at the end of the holiday season. Meanwhile, the seasonal slowdown in the manufacturing sector and temporary shutdowns kept supply of new scrap such as auto bundles and stampings at a reduced level. Following a temporary weakening in October, prices started to strengthen in late 2010 on stronger Turkish buying and a general restocking in advance of the winter.

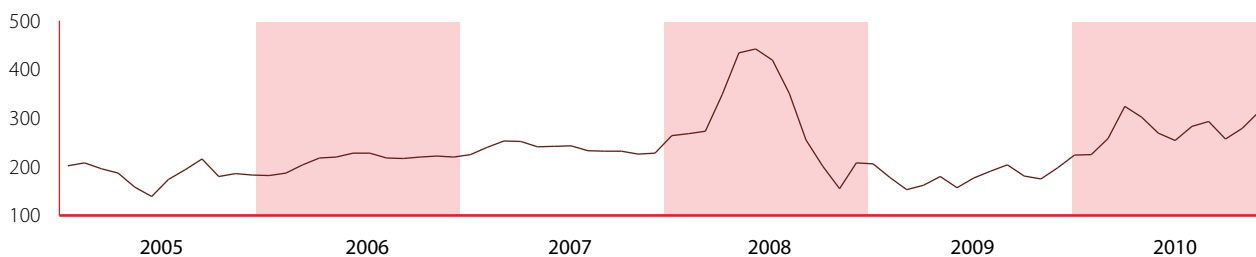
Scrap: Imports, Exports & Consumption (million tonnes)

Source: EUROFER



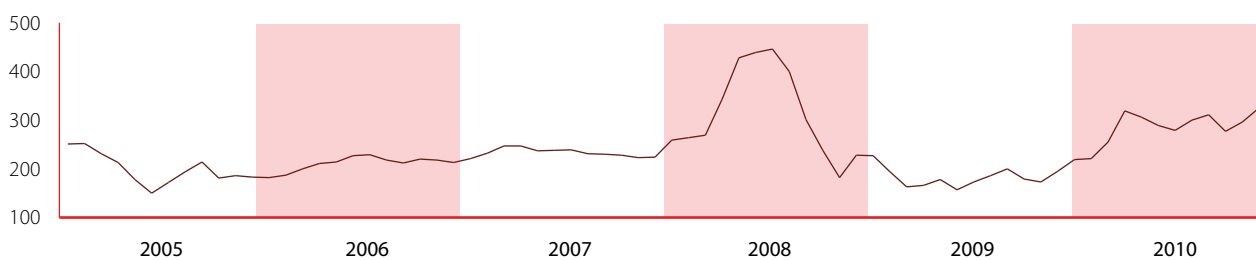
Scrap - Demolition Quality: Price Index EU Market

Source: EUROFER



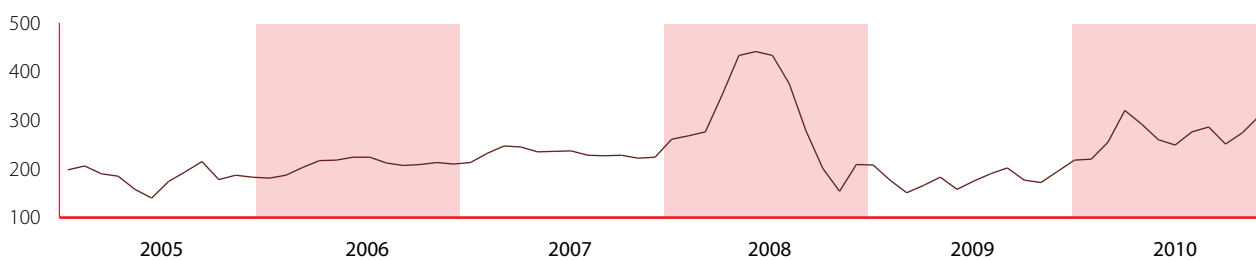
Scrap - New Arisings: Price Index EU Market

Source: EUROFER



Scrap - Shredded: Price Index EU Market

Source: EUROFER



Index (2001 = 100) calculated on the basis of the average price in €/tonne for the following countries: France, Germany, Italy, Spain, UK.



Employment in the EU Steel Sector

Coming out of the economic crisis, EUROFER observed a significant impact on the European steel industry workforce.

In the first half of 2009, many European companies reduced the number of production days, or mothballed capacity, with significant cuts in production and employment.

By the end of 2009, EUROFER estimated that 17% of the steel sector's workforce had been negatively impacted by temporary crisis measures (temporary lay-offs, short-time work) and announced redundancies since the beginning of the crisis.

End 2010, direct employment in the EU steel industry stood at 355 400 (estimated) down from 403 631 people (beginning 2009).

Sectoral Social Dialogue Committee on Steel

In 2010, the social partners in the European steel industry, namely the European Metalworkers' Federation (EMF) and the European Confederation of Iron and Steel Industries (EUROFER), exchanged views in three main areas:

Structural Change: The economic and steel market situation as well as the outlook was discussed. Data collected by EUROFER and EMF on the social impact of the crisis was exchanged. A

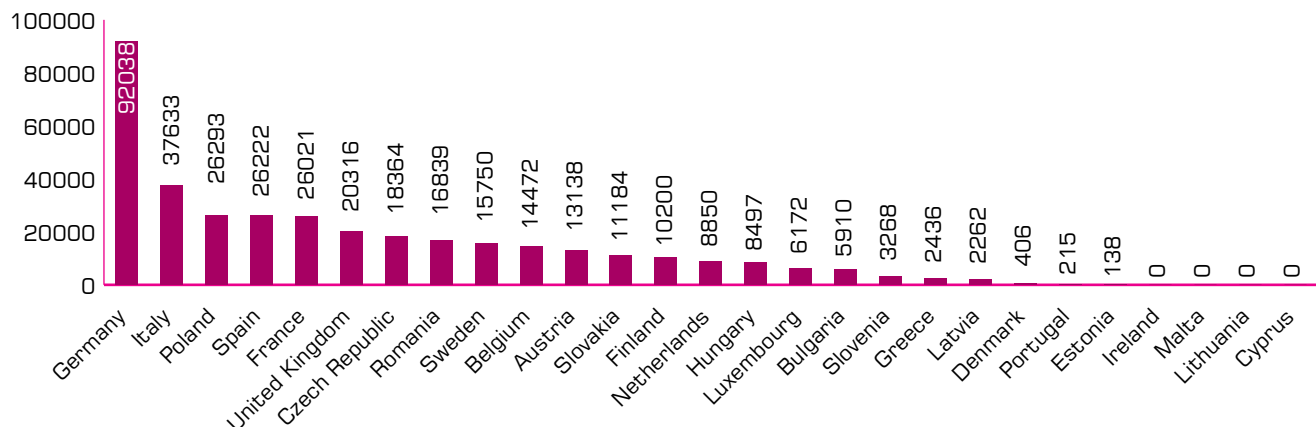
joint statement on EU Climate Change Policy was released in April, highlighting the need to ensure a sustainable implementation of the EU Emissions Trading System (EU ETS) in order to safeguard competitiveness and employment in the steel sector.

Training and Education: A new initiative was launched on the different training strategies undertaken by steel companies in view of both demographic and technological changes. A compilation of manpower data on employment was undertaken in this respect by EUROFER. The qualitative approach is being developed in 2011.

Also, the EMF and EUROFER jointly launched a project, financially supported by the Commission, looking into the possible setting up of a European Sector Council on Jobs and Employment for the steel industry. The main objective is to identify the existing structures in each Member State including those organisations active at national and sub-national levels, such as education and training institutions and public authorities responsible for the steel sector. A final Conference is foreseen in July 2011 to assess the possibility to create a formal EU sector council on jobs and skills for the European steel industry.

Health and Safety (H&S): Exchange of information was given by the newly created ESTEP WG5 sub-group on safety issues entitled "Safety in the EU Steel Industry".

Employment in the EU steel industry (EU 27 • end 2009: 363 356)
Source: EUROFER





Members

Companies

ArcelorMittal	http://www.arcelormittal.com
Acciaieria Arvedi	http://www.arvedi.it
Acerinox	http://www.acerinox.es
Badische Stahlwerke	http://www.bsw-kehl.de
Böhler Uddeholm	http://www.bohler-uddeholm.com
Celsa	http://www.gcelsa.com
CMC Zawiercie	http://www.cmc.com
DanSteel	http://www.dansteel.dk
Deutsche Edelstahlwerke	http://www.dew-stahl.com
Dillinger Hütte	http://www.dillinger.de
Duferco	http://www.duferco.com
Evraz Vitkovice Steel	http://www.vitkovicesteel.com
Feralpi Group	http://www.feralpi.it
FNsteel Group	http://www.fnsteel.com
Georgsmarienhütte	http://www.gmh.de
Grupo Alfonso Gallardo	http://www.grupoag.es
Halyvourgiki	http://www.halyvourgiki.com
Helliniki Halyvourgia	http://www.hlv.gr
ISD Dunafer	http://www.dunaferr.hu
ISD Huta Czysta	http://www.isd-hcz.com.pl
JSC Liepājas Metalurģis	http://www.metalurģis.lv
Lech-Stahlwerke	http://www.lech-stahlwerke.de
Lucchini Group	http://www.lucchini.it
Marienhütte	http://www.marienhuetten.at
Metinvest Trameal	http://www.trameal.it
Nedstaal BV	http://www.nedstaal.nl
Outokumpu	http://www.outokumpu.com
Ovako Group	http://www.ovako.com
Riva Group	http://www.rivagroup.com
Ruukki	http://www.ruukki.com
Saarstahl AG	http://www.saarstahl.de
Salzgitter AG	http://www.salzgitter-ag.de
Sidenor	http://www.sidenor.gr
Siderurgia Nacional - Empresa de Productos Longos SA	
SIJ - Slovenian Steel Group	http://www.sij.si
SSAB	http://www.ssab.com
Štore Steel	http://www.store-steel.si
Tata Steel Europe	http://www.tatasteeleurope.com
ThyssenKrupp AG	http://www.thyssenkrupp.com
Trinecké Železárny	http://www.trz.cz
U.S. Steel Košice	http://www.usske.sk
voestalpine	http://www.voestalpine.com
Vorskla Steel Denmark	http://www.vorsklasteel.com
ŽDB Group	http://www.zdb.cz



National Associations

AUSTRIA	Fachverband der Bergwerke und Eisen erzeugenden Industrie http://www.wk.or.at/bergbau-stahl
BELGIUM	Groupement de la Sidérurgie - GSV http://www.steelbel.be
BULGARIA	Bulgarian Association of the Metallurgical Industries - BAMI
CZECH REPUBLIC	Hutnictví Železa http://www.hz.cz
FINLAND	Metallinjalostajat http://www.teknologiateollisuus.fi/
FRANCE	Fédération Française de l'Acier http://www.ffa.fr Chambre Syndicale des Producteurs d'Aciers Fins et Spéciaux http://www.spas.fr
GERMANY	Wirtschaftsvereinigung Stahl http://www.wvstahl.de Edelstahl-Vereinigung http://www.stahl-online.de/stahl_zentrum/edelstahl_vereinigung_e_v.htm
GREECE	Hellenic Steelmakers' Union - ENXE
HUNGARY	Magyar Vas-és Acélipari Egyesülés http://www.mvae.hu
ITALY	Federacciai http://www.federacciai.it
POLAND	Hutnicza Izba Przemysłowo-Handlowa http://www.hiph.com.pl
ROMANIA	Uniunea Producatorilor de Otel din Romania – UniRomSider
SPAIN	Unión de Empresas Siderúrgicas - UNESID http://www.unesid.org
SWEDEN	Jernkontoret http://www.jernkontoret.se
UNITED KINGDOM	UK Steel http://www.uksteel.org.uk

Associate Members

Çolakoglu Metalurji	http://www.colakoglu.com.tr
Demir Çelik Üreticileri Derneği - DÇÜD	http://www.dculd.org.tr
Diler Demir Çelik Endüstrisi ve Ticaret	http://www.dilerhld.com/diler_demircelik/index.html
Erdemir - Ereğli Demir ve Çelik Fabrikaları	http://www.erdemir.com.tr
HABAŞ - Sinai ve Tibbi Gazlar İstihsal Endüstrisi	http://www.habas.com.tr
İçdas Çelik Enerji - Tersane ve Ulaşım Sanayi	http://www.icdas.com.tr
IDÇ - İzmir Demir Çelik Sanayi	http://www.idcsteel.com
İsdemir - Iskenderun Demir ve Çelik Fabrikaları	http://www.isdemir.com.tr
Kremikovtzi	http://www.kremikovtzi.com
Swiss Steel	http://www.swiss-steel.com

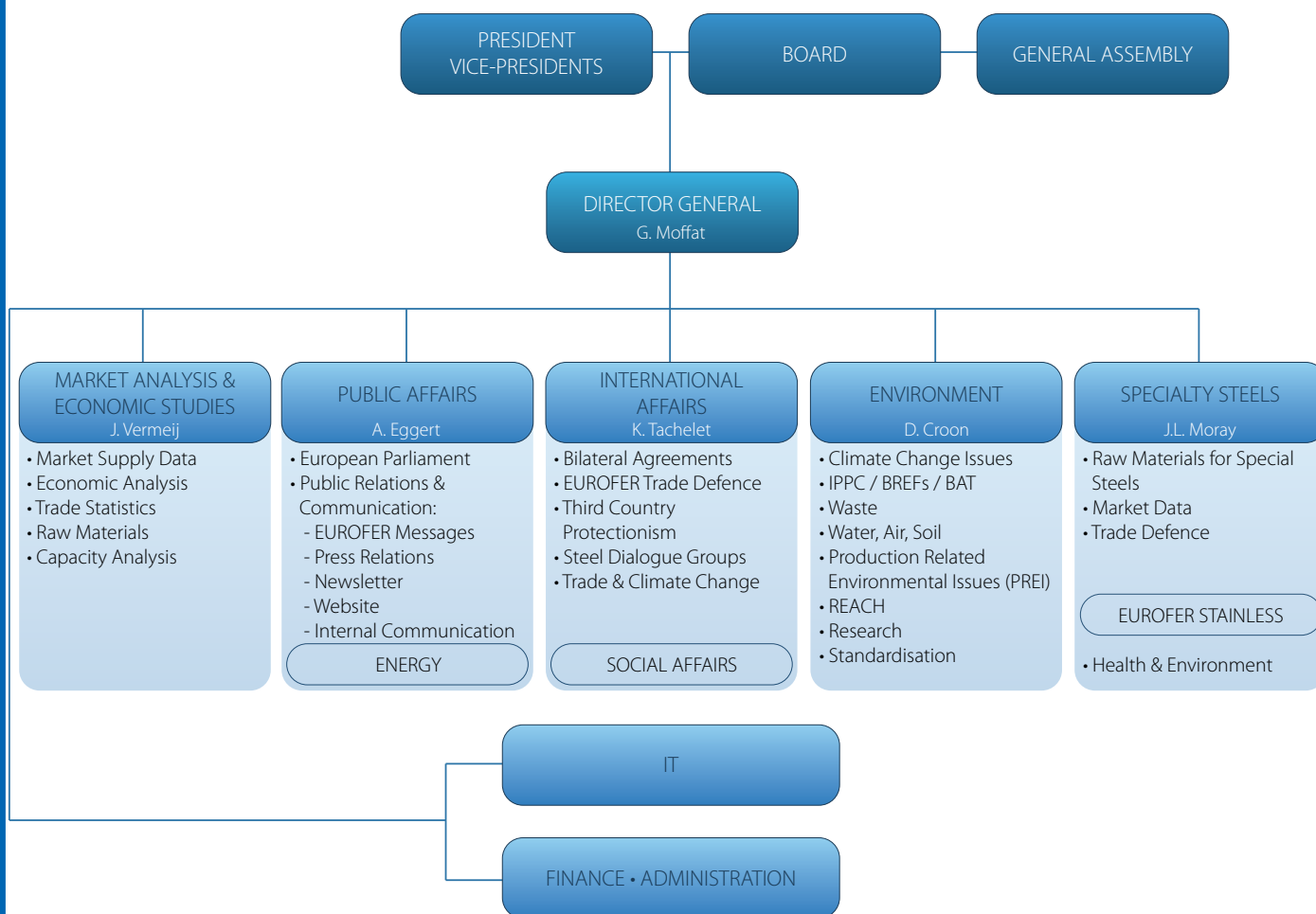


Committees

Alloy Engineering Long Products
 Climate Change
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 EUROFER Stainless Health & Environment Group
 European Parliament Coordination – EPCC
 External Relations
 Human Resources
 Investments and Capacities

Market Trends
 Market Analysis
 Raw Materials
 REACH Cluster
 REACH Implementation
 Research
 Scrap
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 Statistics
 Tool & High Speed Steels
 Transport

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