ECONOMIC REPORT

Economic and steel market outlook 2021-2022

Third quarter 2021 report

Data up to, and including, first quarter 2021

August 2021

EUROFER
THE EUROPEAN STEEL ASSOCIATION

Introduction

In 2020, the COVID-19 pandemic slashed steel consumption and the overall economic outlook across the EU and the world. Shutdown measures, implemented by governments from March 2020, severely impacted manufacturing activity and steel-using industrial sectors, particularly over the second quarter that marked the trough of the pandemic-led cycle.

Some of the measures that had the greatest impact on the economy and the industry were loosened as of June 2020, though many social measures remain in effect or were reinforced until early 2021.

As a result, steel-using sectoral output experienced considerable quarter-on-quarter rebounds over the third and the fourth quarters and, at an even faster rate, over the first quarter of 2021. This was driven by the stronger-than-expected recovery of industrial sectors, whose output recovered the losses experienced during the pandemic.

Although the general economic recovery in the EU appears to be uneven and exposed to risks (full implementation of vaccination plans, COVID-19 variants etc) the recovery in steel-using industries and in steel demand should continue through 2021.

EU steel market overview[1]

EU28 apparent steel consumption increased (+3.6%) year-on-year in the fourth quarter of 2020. This was the first quarterly growth since the fourth quarter of 2019. There was also growth in the first quarter of 2021 (+0.9%) that was the first quarterly growth since the fourth quarter of 2019, and so it did in the first quarter of 2021 (+0.9%). Apparent steel consumption in the first quarter amounted to 36.3 million tonnes.

The volume for the first quarter of 2021, albeit to a lower extent than in the preceding quarter, reflects another improvement in demand levels from the record low seen over the second quarter due to the severe disruption brought by the COVID-19 pandemic that had marked the trough of the cycle.

Mirroring the improvement in demand, domestic deliveries in the EU in the first quarter of 2021 increased (+1%, after the growth of +4.6% recorded in the fourth quarter of 2020).

Data for the first quarter also showed the continued downturn in imports from third countries compared to apparent consumption. After the record drop (-25.4%) in the third quarter of 2020, imports from third countries dropped – albeit less severely - also in the fourth quarter of 2020, (-5.4%) and in the first quarter of 2021 (-2.5%), that is the nineth consecutive quarterly drop.

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 had continued to deteriorate. This downward trend gained speed in the second half of 2019, particularly in the automotive industry.

This resulted in a pronounced slowdown in output growth in steel-using sectors, which then culminated in unprecedented drops over the second quarter 2020, mainly as a result of the severe lockdown measures imposed by governments in March and April 2020. The second quarter marked the trough of the industrial recession.

The loosening of lockdown measures over the third quarter of 2020 allowed industrial activity to restart, with a considerable rebound in output compared to the record lows seen in the preceding quarter, which continued – at an even faster rate – over the fourth quarter of 2020 and up to the first quarter of 2021, driven by

[1] We remind that the figures for the EU contained in this Report refer to the EU27 (without the UK) and no longer to the EU28 as it was in previous reports.

a faster-than-expected recovery in output in some sectors (domestic appliances and automotive in particular).

This has happened despite considerable problems in the global supply chain, particularly for the automotive sector (rising transportation costs, rising fuel costs, shortage of components etc). Steel-using sectors' output growth over the fourth quarter was still negative (-1.4%), i.e. the fifth consecutive quarterly drop, but at a much lower rate than the third quarter (-6.8%).

This paved the way for a stronger acceleration in industrial recovery over the first quarter of 2021, despite persistent economic uncertainty due the ongoing pandemic across the EU. As a result, steel-using sectors' output fell grew (+2.6%) in the first quarter of 2021, that was the first quarterly increase since the third quarter of 2019.

Industry in the EU has recovered the output loss experienced during the pandemic, but activity remains exposed to fragility and risks, due to persisting uncertainty around vaccination plans and the ongoing consequences of the pandemic, which is not yet over.

Table of contents

The EU steel market: supply

The supply-side of the EU steel market analyses factors affecting domestic and foreign supply, as well as stock effects in the distribution chain and at the end-user level.

Real steel consumption

Definition

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.

Real steel consumption in the first quarter of 2021

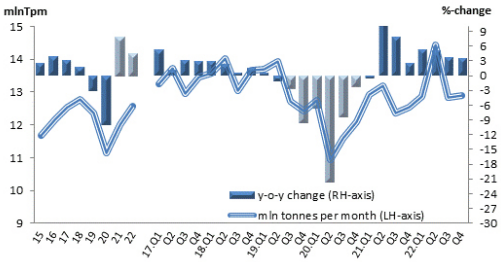
Over the entire year 2020, real consumption fell (-10%) compared to 2019. This was the second consecutive yearly drop after the fall recorded in 2019 (-3.2%).

In the first quarter of 2021, real steel consumption dropped by -0.6% (after a fall of -2.2% in the fourth quarter of 2020), and this was the eighth consecutive quarterly drop.

Real steel consumption is expected to recover in 2021 (+7.9%) and, at a more moderate rate, in 2022 (+4.5%).

The two consecutive annual 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.

EU REAL STEEL CONSUMPTION
Forecast from Q2-2021



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 has, however, come to an end at the end of 2020 and in the first quarter of 2021, reflecting better expectations for steel demand over the next quarters.

FORECAST FOR EU APPARENT STEEL CONSUMPTION - % CHANGE YEAR-ON-YEAR

Period	Year 2020	Q1'21	Q2'21	Q3'21	Q4'21	Year 2021	Q1'22	Q2'22	Q3'22	Q4'22	Year 2022
% change	-10.0	-0.6	23.9	7.9	2.5	7.9	5.4	5.1	3.8	3.6	4.5

Apparent steel consumption

Definition

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.

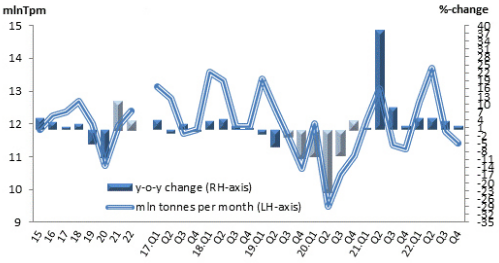
Apparent steel consumption in the first quarter of 2021

Due to the outbreak of the pandemic, there were exceptional quarterly falls in apparent steel consumption in the second quarter (-23.8%), followed by another fall, albeit milder, in the third quarter (-9.8%) despite the loosening of some lockdown constraints.

The fourth quarter registered growth in apparent consumption (+3.6%), the first quarterly growth in apparent consumption since the fourth quarter of 2018.

This trend continued over the first quarter of 2021, thanks to the rebound in the industry and in steel demand – and despite continued bottlenecks in the global supply chain – with a growth of 0.9%. Total volumes in the first quarter of 2021 were 36.3 million tonnes.

EU APPARENT STEEL CONSUMPTION
Forecast from Q2-2021



The whole year 2020 was considerably impacted by the pandemic and saw apparent steel consumption in the EU plummet (-10.6%, lower than 11.1% in our previous outlook) for the second consecutive year after the drop of -5.3% in 2019. It is set to rebound (+11.2%) in 2021, and to grow more moderately (+3.7%) in 2022 when it is expected to return above 2017 levels thanks to continued improvement in demand from steel-using sectors.

EU domestic and foreign supply

Domestic deliveries by EU steel suppliers increased year-on-year in the fourth quarter of 2020 (+4.6%), after eight consecutive quarterly drops, reflecting the improvement in demand within the EU. Positive developments were also observed in the first quarter of 2021, albeit at a lower rate (+1%). Over the entire 2020, deliveries fell (-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 were impacted by poor steel demand due to the outbreak of the pandemic mostly in the second and third quarters of 2020, but continued to fall year-on-year in the fourth quarter (-5.4%) and also in the first quarter of 2021 (-2.5%). This was the result of uncertainty around steel demand in the EU, despite improved conditions in the economy and the industry, coupled with the effect of the EU steel safeguard measures.

Over the entire year 2020, imports from third countries fell (-17.2%), which was the second consecutive drop after that of 2019 (-10.9%), mirroring the continued deterioration in steel demand.

EU APPARENT STEEL CONSUMPTION - IN MILLION TONNES PER YEAR

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021 (f)	2022 (f)
Million tonnes	132	136	142	147	148	152	144	129	143	149

FORECAST FOR EU APPARENT STEEL CONSUMPTION - % CHANGE YEAR-ON-YEAR

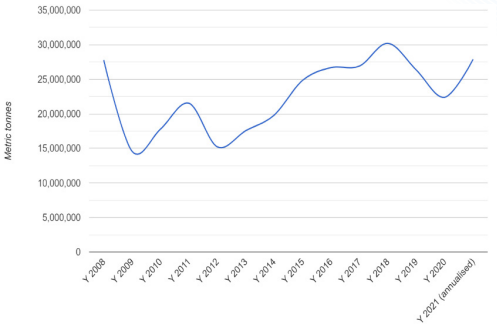
Period	Year 2020	Q1'21	Q2'21	Q3'21	Q4'21	Year 2021	Q1'22	Q2'22	Q3'22	Q4'22	Year 2022
% change	-10.6	0.9	38.0	8.6	1.8	11.2	4.5	4.8	3.6	1.7	3.7

Imports

Total imports of finished products into the EU marginally increased year-on-year in the first quarter of 2021 (+2%) after a drop of -5% in fourth quarter of 2020. This was the first increase since the third quarter of 2019. Imports surged considerably over the second quarter (+44%), mirroring improved demand across the EU but also – to a limited extent – due to the comparison to the low levels recorded in the second quarter of 2020.

In full year 2020, total imports from third countries (including also semis) decreased (-17%), following falls in 2019 (-11%). Equally, imports of finished products dropped (-15%).

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



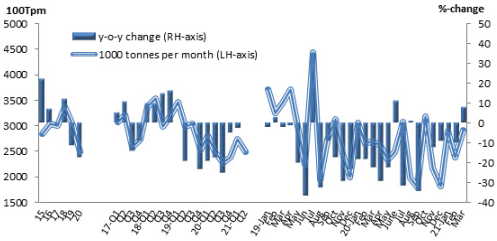
Imports of flat products over the second quarter of 2021 rose by +46% (for the second consecutive quarter, i.e. +1% in the first quarter). Over the entire year 2020, they had fallen (-15%) compared to 2019.

Imports of long products increased by 34% in the second quarter of 2021 (+4% in the first quarter), having fallen in the entire year 2020 (-16%).

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

This was followed by much lower tonnages in the subsequent months down to low levels in historical terms, with more stable figures and lower volatility up to April 2020 (as a reflection of exceptionally weak demand) before surging again for some products in July 2020 and show some volatility again from September to November, down to a 12-month low in December. Imports surged considerably again in early 2021 and particularly over the second quarter, mirroring the improvement in steel demand.

EU TOTAL STEEL IMPORTS

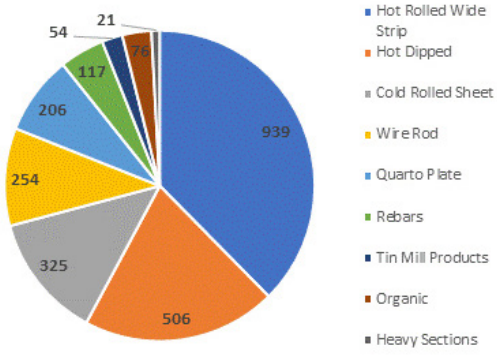


Imports by country of origin

In the second quarter 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 78% of total EU finished steel imports. The Russian Federation and Turkey were the largest exporters of finished steel products to the EU (with a share of 18.9% each), followed by India (17.9%) Ukraine (7.9%) and South Korea (9.5%).

In the second quarter of 2021, imports of finished products from Russia increased (+38%) and from Turkey (+7%). Over the same period, imports from Ukraine increased at an exceptionally high rate (+106%), whereas imports from South Korea fell (-4%).

EU FINISHED STEEL IMPORTS BY PRODUCT
Q2-2021, 000's monthly metric tonnes



Imports by product category

Customs data show that flat product imports increased (+46%) in the second quarter of 2021, after an increase (+1%) in the first quarter. Over the entire year 2020, imports of flat products into the EU had fallen (-15%) compared to 2019.

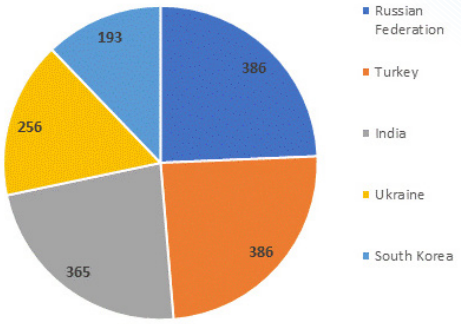
Imports of long products also increased (+34%), after an increase (+4%) in the first quarter of 2021. Over the entire year 2020, imports of long products had decreased (-16%).

The share of long products out of total finished steel product imports was 21%.

Within the flat product market segment, over the second quarter of 2021 imports of all flat products rose considerably. Imports of coated sheet increased (+58%), imports of hot dipped and hot-rolled wide strip (+61%). Imports of cold-rolled sheet rose (+47%), while imports of quarto plate rose more moderately (+15%).

Equally, all long product imports were higher in the second quarter of 2021 compared to one year earlier. Imports of rebars increased by (+48%), imports of wire rod (+39%) and imports of merchant bars (+20%). Imports of heavy sections increased more moderately (+9%).

EU FINISHED STEEL IMPORTS BY COUNTRY
Q2-2021, 000's monthly metric tonnes



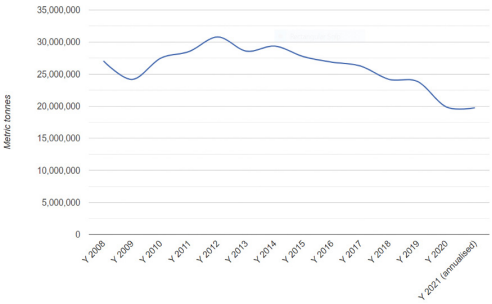
Exports

Total EU exports of finished steel products to third countries decreased in the first quarter of 2021 (-30%, after -5% in the first quarter).

Of these, flat products (-33%) and long products (-24%) both fell.

In full year 2020, total steel exports fell (-18%). Exports of finished products dropped (-17%).

EU TOTAL STEEL EXPORTS - FINISHED PRODUCTS
2015-2021 (YTD)



Exports by country

The main export destinations for EU steel exports over the second quarter of 2021 were Turkey, United States, Switzerland, China and Egypt. These main five destinations together accounted for 46% of total EU finished product exports over this period.

Over the second quarter of 2021, exports of finished products to Switzerland, the Russian Federation, China, Turkey and Egypt fell (by -19%, -26%, 37%, -40% and -55% respectively). Exports to the US decreased only marginally (-3%).

Exports by product category

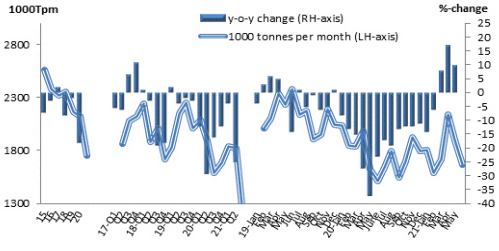
Flat product exports fell in the second quarter of 2021 (-33%) after a drop – albeit much more moderate - in the first quarter of 2020 (-6%).

Long product exports fell in the first quarter (-3%) and in the second quarter of 2021 (-24%).

Flat products accounted for 62% of finished product exports overall.

In the second quarter of 2021, exports of all individual flat products decreased compared to the previous year.

EU TOTAL STEEL EXPORTS



Exports dropped in particular in these segments: hot rolled wide strip (-56%), hot rolled flat (-48%), quarto plate (-47%) and cold rolled sheet (-24%). Exports of strip mill products also dropped (-31%). Exports of all other flat products decreased more moderately.

Equally, exports of all long products decreased: merchant bars (-9%), heavy sections (-11%), wire rod (-22%) and rebars (-46%).

Trade balance

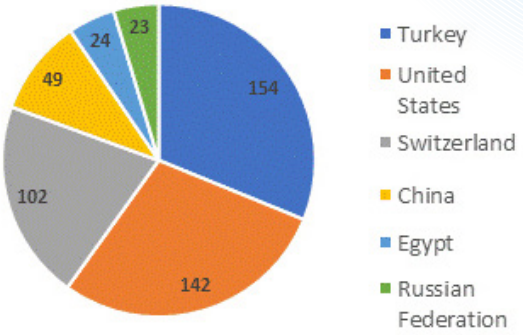
The EU's total steel product trade deficit (finished plus semis) amounted to 1.3 million tonnes per month over the second quarter of 2021, mostly due to the exceptional rise in imports in May and June, compared to 912 kilotonnes per months in the first quarter. For finished products, the trade deficit in the second quarter of 2021 amounted to 1.7 million tonnes, against 367 kilotonnes recorded in the first quarter.

Per category, there was a deficit of 1.5 million tonnes for flat products and, for the first time since the third quarter of 2019, there was also a deficit for long products, i.e. of 142 ktonnes (against a surplus of 69 kilotonnes recorded over the first quarter).

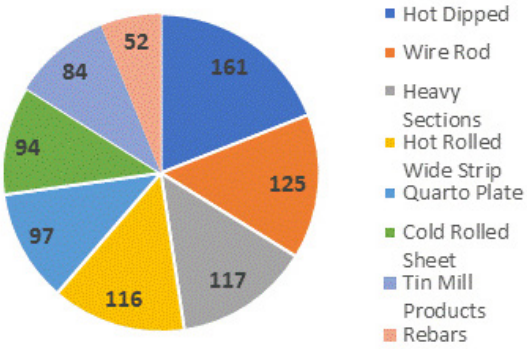
The biggest trade deficits with individual trade partners were with Russia (364 kilotonnes), Ukraine (243 kilotonnes) and Turkey (232 kilotonnes). It is worth noting that the trade position with Turkey had improved compared to the first quarter of 2019 (400 kilotonnes) to the fourth quarter of 2020 – reaching an all-time low of 21 kilotonnes. However, the trade deficit with Turkey has started to increase again since the first quarter of 2021, reaching 232 kilotonnes in the second quarter of 2021. The trade deficit with South Korea was 187 kilotonnes and that with China was 75 kilotonnes.

The major destination countries for EU finished steel exports with a trade surplus over the second quarter of 2021 remained the US, Switzerland and Algeria.

EU FINISHED STEEL PRODUCT EXPORTS BY DESTINATION
Q2-2021, 000's monthly metric tonnes



EU FINISHED STEEL PRODUCT EXPORTS BY PRODUCT
Q2-2021, 000's monthly metric tonnes



The EU steel market: final use

Outlook for steel-using sectors

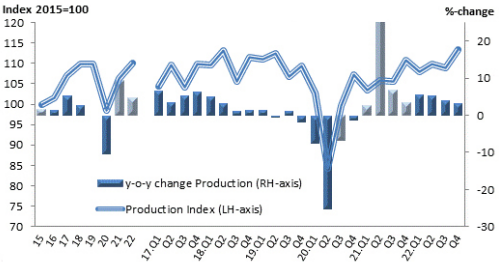
Total steel-using sector activity in 2020

Total production activity in steel-using sectors fell (-10.5%) over the full year 2020.

The second quarter 2020 saw a sharp fall in steel-using industrial output (-25%), linked to industrial stoppages caused by the COVID pandemic.

The third quarter also saw a decline (-6.7%) as did the fourth quarter (-1.9%). Despite robust – and stronger than expected for some steel-using sectors – rebounds quarter-on-quarter in the third and the fourth quarter of 2020, total steel-using sector activity continued to experience quarterly declines, (-6.8% and -1.4% in in the third and the fourth quarter respectively).

EU STEEL USING SECTORS
Production Activity - forecast from Q2-2021



Although the pandemic is not yet over and continues to weigh down confidence and growth prospects, in the first quarter of 2021 growth in steel-using sectors saw a rebound, i.e. the first year-on-year growth (+2.6%) since the third quarter of 2019. Overall output in the steel-using sectors in the first quarter of 2021 recorded positive growth in some Central European countries (with the exception of Hungary), and also in France, Italy, Belgium, the Netherlands, Austria and Sweden (in some cases at high rates due to the comparison with the lows seen in the first quarter of 2020).

Total steel-using sectors forecast 2021-2022

Total steel-using sectors output, after the severe drop (-10.5%) experienced in 2020, will rebound (+9.3%) in 2021 – due to very low output levels recorded in the preceding year – and will grow more moderately in 2022 (+4.6%).

YEAR-ON-YEAR % CHANGE - EU STEEL WEIGHTED INDUSTRIAL PRODUCTION (SWIP) INDEX

	% Share in total Consumption	Year 2020	Q1'21	Q2'21	Q3'21	Q4'21	Year 2021	Q1'22	Q2'22	Q3'22	Q4'22	Year 2022
Construction	35	-4.2	2.0	13.6	5.1	2.1	5.5	7.1	6.1	3.1	2.0	4.5
Mechanical engineering	14	-12.1	3.8	26.8	8.7	5.5	10.6	5.5	3.2	3.2	2.5	3.6
Automotive	18	-20.0	2.8	78.7	8.7	0.1	15.3	10.9	11.6	5.5	3.9	7.9
Domestic appliances	3	-2.8	17.1	33.8	3.9	3.2	13.1	-2.6	0.7	1.8	0.9	0.1
Other Transport	2	-10.6	-10.6	17.9	3.0	5.4	2.9	5.2	4.8	3.3	3.2	4.1
Tubes	13	-15.4	-0.7	24.3	10.2	7.7	9.8	6.6	4.4	4.2	3.3	4.6
Metal goods	14	-9.1	5.7	31.8	6.6	4.9	11.3	3.9	3.7	3.7	2.7	3.5
Miscellaneous	2	-8.2	0.3	21.1	7.7	3.6	7.6	3.6	3.1	2.4	1.4	2.6
TOTAL	100	-10.5	2.6	27.9	6.8	3.5	9.3	5.6	5.4	4.0	3.2	4.6

Construction industry

Construction industry activity in the first quarter of 2021

Construction activity fell in full year 2020 (-4.2%), after a growth (+3.3%) in 2019. Activity fell in in the first (-1.5%), in the second (-12.8%), in the third (-3.2%) quarters but rose in the fourth (+0.6%).

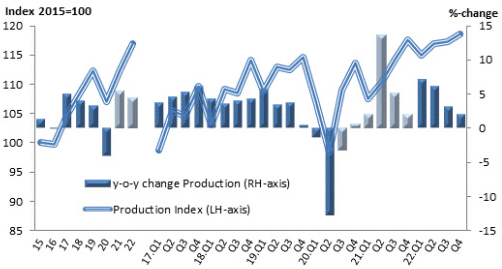
The first quarter of 2021 figure reflects the continued quarter-on-quarter improvement in the construction activity and – more generally – the restart in economic activity all across that has eventually benefited the construction sector (whose cycle usually reacts more slowly to the general economic cycle). Construction output grew in France, Italy and Austria, while it fell in most other European countries, including Germany and Spain.

In line with actual construction production volumes, gross fixed investment in construction in the first quarter of 2021 grew on a quarter-on-quarter basis (+1.5%), as it had in the third and fourth quarter. On a year-on-year basis, growth was recorded in the first quarter (+1.9%), after four consecutive quarterly drops that were caused by deteriorating conditions over the course of 2020. This came from growth (+2%) in residential investment (i.e. +2%, after -1.3% over the fourth quarter of 2020), as well as in 'other construction' investment (i.e. private non-residential plus civil engineering that was negative -1.6% in the fourth quarter of 2020).

Construction industry analysis forecast for 2021-22

Construction output is expected to rebound in 2021 (+5.5%) and in 2022 (+4.5%).

EU CONSTRUCTION SECTOR
Production Activity - forecast from Q2-2021



The EU construction confidence indicator took a sharp hit in March 2020, falling to levels last seen in 2015. Confidence, however, has gradually been improving since the third quarter, albeit remaining below 2018 levels.

Residential construction was impacted by stoppages caused by lockdown measures, and in 2021-2022 conditions will remain only marginally supportive due to only slightly improvements in economic conditions and incomes. There is already a widespread dichotomy between the upper-segment housing market, which is boosted by higher demand of better homes due to tele-working, and the lower-income segment.

EU CONSTRUCTION CONFIDENCE INDICATOR
Balance of positive and negative answers

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

Civil engineering is expected to be an important growth area for the construction sector as governments invest in infrastructure as a counter-cyclical tool to boost economic performance. This segment will also be supported by EU-wide public policies (Next Gen EU etc) whose effects, however, will be seen only to a limited extent during 2021.

Automotive industry

EU passenger car and commercial vehicle demand

Automotive output fell (-20%) over full year 2020, having fallen in 2019 (-5%). Even before COVID-19, the EU automotive sector had already been suffering its worst slump since the euro area crisis of 2009-2012. The recession experienced during the financial crisis of 2009 was, however, even bigger (-26.3%). Output in the automotive sector in 2020 has been hit the most compared to all other steel-using sectors.

Output in the automotive sector has fallen since the third quarter of 2018. Sluggish domestic and export demand, trade-related uncertainties, emissions rules, shifting patterns in ownership and model ranges (including the gradual but still small shift to electric vehicles) had been felt all over 2019 and in the first quarter of 2020.

As a result of the pandemic-related lockdowns, the second quarter of 2020 saw an unprecedented fall in output (-52.4%) due to an almost complete stop in production in some EU countries. The third quarter saw a considerable quarter-on-quarter rebound, which however translated into another year-on-year drop (-11.2%).

Quarter-on-quarter growth was also seen over the fourth quarter, which resulted also in year-on-year growth (+2%), The faster-than-expected rebound of the automotive sector has continued also in the first quarter of 2021, resulting in an increase in output (+2.8%).

In March 2021, for the first time since September 2020, the monthly number of passenger car registrations recorded a spectacular increase (+87%) year-on-year, further to a drop (-10%) in February 2021.

Over the first quarter of 2021, registrations also increased (+3.2%). The year-on-year comparison is, however, distorted by the exceptionally low figure recorded in March 2020, that is when the worst effects of the pandemic started to be felt and both plants and dealerships were temporarily closed.

The latest car passenger registration data (June 2021) reveal an increase by 10.4% (albeit much lower than 53.4% recorded in May). In absolute levels, however, car sales are still far below the 1.2 million cars that were sold in May 2019.

Automotive industry forecast 2021-2022

The re-opening of plants across the EU after the removal of lockdown measure over the third quarter of 2010 allowed the sector to return to almost normal activity around mid-June all over the EU. This led to new orders and restart in output, albeit around low levels.

Huge disruption in the supply chain even after the end of lockdowns and blockages in transport across EU countries continued to make it difficult to ensure the supply of materials and components to the industry even in the first quarter of 2021.

The rebound underway since the third quarter has led to sharp quarter-on-quarter rises in output, but still around historically low levels. General economic uncertainty across the EU during the ongoing pandemic and subdued consumer confidence, due to poor disposable income developments, have continued to impact car demand from consumers. The manufacturing cycle began to rise again over the fourth quarter of 2020 and in the first quarter of 2021, but this recovery in the EU still appears to be somewhat fragile and exposed to uncertainty factors.

Moreover, assuming that from the second half of 2021 onwards full confidence is restored and normal business conditions return it will take time before activity levels before the downturn seen in 2019 will resume. The big challenge appears to be on the demand side, as demand for new cars from consumers is expected to remain weak at least until the macroeconomic picture and consumer disposable income substantially improve. This is another source of uncertainty.

In 2021, provided that the industry has been able to restore its production to normal levels, and with WLTP distortions having faded out by then, the launch of new models – many of them hybrid or fully electric vehicles – 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.

The impetus given by political commitments (Fit for 55 etc) at the EU level towards the full adoption of EV by 2035 (and the subsequent ban of petrol cars) is not expected to impact consumer choices in the short-term outlook, provided that general car demand appears to be conditioned by fragile consumer confidence throughout 2021.

Automotive output was hugely impacted by the pandemic in the course of 2020, with an annual slump (-20%, slightly more severe than -19.8% in our previous outlook), followed by a rebound (+15.3%) in 2021 and a more moderate growth (+7.9%) in 2022.

Mechanical engineering

Mechanical engineering activity in the first quarter of 2021

Output in mechanical engineering had been falling since the second quarter of 2019, in connection with the continued downturn in manufacturing. In line with expectations, production activity in the EU mechanical engineering sector registered record recession in the second quarter of 2020, which was equally affected by the industrial lockdown in response to the COVID-19 outbreak as the lack of new orders took its toll on production activity.

As a result, the downward trend in output observed in previous quarters was considerably exacerbated, with a fall (–22.2%) year-on-year in the second quarter, during the most severe COVID-19-related lockdowns. Over the third quarter, further to the removal of lockdown measures and the restart in industrial production, output in the EU mechanical engineering industry in the third quarter of 2020 rebounded significantly quarter-on-quarter but still fell year-on-year (-9.7%), as a continuation of the existing negative trend and reflecting low activity levels.

The rebound seen over the third quarter has led to sharp quarter-on-quarter improvement, but activity remains well below historical output levels seen before the downturn that started in the second quarter of 2019. In addition, the second wave of the pandemic has resulted in continued uncertainty and hampered the industrial recovery as well as the global manufacturing cycle. In the fourth quarter, this trend has continued, resulting in another fall year-on-year (-5.4%), albeit lower than in the third quarter, and the continued quarter-on-quarter rebounds have finally led to year-on-year growth in the first quarter of 2021 (+3.8%), for the first time since the second quarter of 2019.

Recovery in orders and output is ongoing quarter but remains fragile and exposed to the general uncertainty of the economic recovery in the EU, as long as the COVID-19 threat is not over. Output growth is not set to gain speed before the second half of 2021, provided that the negative effects of the pandemic are diminished and no other external shock will materialise.

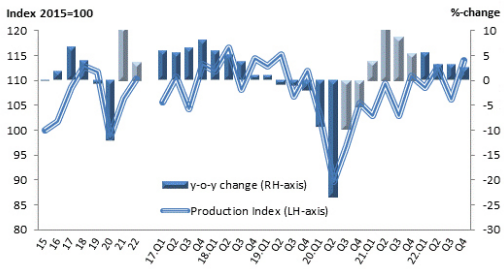
Over the entire year 2020, mechanical engineering has experienced a drop in output (-12.1%), following that of 2019 (-0.8%).

Mechanical engineering forecast 2021-2022

The pandemic took a heavy toll on the sector in 2020. Due to the relatively strong reliance of the mechanical engineering sector in the EU on export markets and the investment climate.

Prospects for the post-pandemic scenario will depend on the intensity and stability of the global trade recovery, which appears to be stronger than expected as main export destination countries such as the US and China are experiencing a stronger-than-expected economic recovery and trade flows are also improving at a rather fast pace. However, due to the asymmetry in economic recoveries at the global level, with the EU lagging behind in comparison to other major world economic regions, the above scenario remains exposed to risks.

EU MECHANICAL ENGINEERING
Production Activity - Forecast from Q2-2021



The combined effect of persistently low business confidence, trade friction, weakened demand in key domestic markets in the EU, and policy uncertainty in general may continue to put the brake on investment decisions at least until the second half of 2021.

By contrast, the manufacturing sector has also rebounded quickly in the EU and its recovery is expected to continue, albeit at historically low levels of output. During the 2019 downturn and throughout 2020, companies in most downstream sectors refrained from investment in new machinery and equipment and have instead favoured maintenance and the upgrading of existing machinery.

Confidence in the sector has been improving constantly since the third quarter of 2020, together with general conditions of the manufacturing sector, which is likely to benefit new business investment, which will continue to be supported by interest rates at record lows.

There are still, however, disruptive influences linked to the COVID-19 pandemic affecting the global supply chain (high transportation costs, high oil prices, shortages of components etc) which still prevent it from functioning normally, but this is expected to ease substantially and then disappear by the third quarter of 2021.

Mechanical engineering output has fallen (-12.1%) in 2020, that is for the second consecutive year – further to -0.8% in 2019, and is set to rebound later on (+10.6%) in 2021 and (+3.6%) in 2022.

Steel tube industry

Production activity in the EU steel tube industry has become more closely aligned with downstream sectors such as construction, automotive, the metal goods and mechanical engineering sectors.

It thus moderately declined over the second half of 2019, further to modest growth rates or even negative growth rates recorded between the second half of 2018 and the first half of 2019.

Over the whole year 2019, the sector had experienced a moderate drop (-0.3%), which was the second in a row (-1.8% in 2018) signalling deteriorating perspectives for the sector. This trend was exacerbated dramatically by the outbreak of the COVID-19 pandemic in March 2020 which resulted in an even steeper fall in steel tube output in the first and, particularly, second quarter of 2020 (an exceptional -27.4%).

Over the third quarter, despite the removal of lockdown measures linked to the COVID-19 and considerable quarter-on-quarter rebound, output in the EU steel tube industry continued to fall (-11.7%), with output remaining around historically low levels. The same pattern was seen over the fourth quarter, with year-on-year fall of -8%, and also in the first quarter of 2021 (-0.7%).

Steel tube industry activity in the first quarter of 2021

Over the first quarter of 2021 the trend that was seen in the preceding quarter continued, albeit at a much lower rate, as output in the tube sector continued to drop (-0.7%). This marked the seventh quarterly drop in a row.

The tube industry had proven relatively resilient during 2019, showing more moderate decreases in output compared to other steel-using sectors, which can be partly explained by the links with the construction sector in the EU, which had a positive impact on demand for steel tubes in construction applications at least up to the first quarter of 2020.

This somewhat mitigated the negative impact of deteriorating demand conditions in other sectors, such as the automotive industry, mechanical engineering and the metal goods sector.

However, this trend ended over the second quarter of this year when the harshest consequences of the pandemic materialised and have also seriously impacted the construction sector. This trend has continued over the third quarter and fourth quarters, as well as in early 2021, as the sector has experienced year-on-year falls in output which are comparable with those experienced by other steel-using sectors in the EU.

Steel tube industry forecast 2021-2022

During 2020, output in the EU steel tube industry was heavily impacted by the industrial lockdown that had hit the EU further to the COVID-19 outbreak.

EUROFER assumes that – provided that the pandemic fades around the third quarter 2021 – the full year should see a rebound.

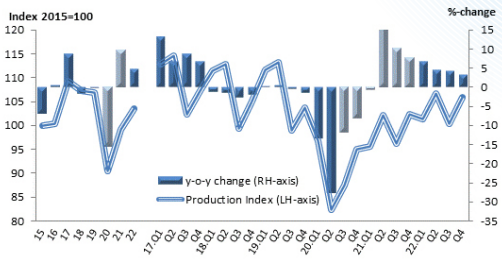
In fact, the outlook for demand for large welded tubes from the oil and gas sector is expected to improve – due to better prospects for oil and gas demand, which has also been reflected by recent the increase in oil prices – driven by the strong economic recovery in some energy-consuming world regions.

Most important regional projects from which EU-based large welded tube producers could benefit had been put on hold and little progress was made over the past few months in solving the political and commercial issues

hampering the completion of some specific pipeline projects.

The recent recovery of global oil demand (and oil prices, which nevertheless are still struggling to rise to levels comparable to the remarkable rises in other commodity prices) should change this scenario over the course of 2021. This is expected to produce some positive effects on output from the third quarter of 2021, provided that the economic scenario does not deteriorate due to another external shock and that the negative effects of the pandemic end.

EU STEEL TUBE SECTOR
Production Activity - Forecast from Q2-2021



Demand from the construction sector looks set to recover, whereas tube demand from the automotive and engineering sectors is forecast to remain less strong, even if these sectors restore their production activity to high historical levels and 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. In any case, the recovery in the tube sector's output is expected to continue at every quarter during 2021.

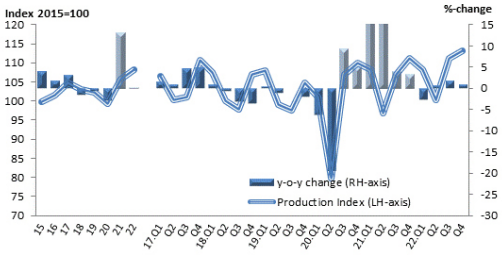
Steel tube output has fallen for the third consecutive year in 2020, at a much faster rate than in 2019 (-15.4% vs -0.3%). A rebound (+9.8%, stronger than our previous forecast) is expected for 2021, followed by growth (+4.6%) in 2022.

Electrical domestic appliances industry

Production activity in the electrical domestic appliances sector has rebounded year-on-year over the first quarter of 2021 (+17.1%), further to growth (+5%) in the fourth quarter of 2020, which was the third consecutive quarter of expansion.

These positive developments reflected a bigger-than-expected recovery in output after the removal of lockdown measures across the EU and the widespread remote working across EU Member States, which has likely boosted demand for home appliances and other related goods.

ELECTRICAL DOMESTIC APPLIANCE SECTOR
Production Activity - Forecast from Q1-2021



The domestic appliances sector, as well as other steel-using sectors, was severely impacted by the economic lockdown due to the onset of the pandemic in mid-March 2020. This has further exacerbated the negative trend in production of the electrical domestic appliances sector in the EU recorded since the third quarter of 2018.

After plummeting (-19.3%) in the second quarter of 2020, production activity in the EU's electrical domestic appliances sector sharply rose in the third quarter of 2020 (+9.5%) year-on-year – being the only steel-using sector which recorded positive growth over that quarter – and also in the fourth quarter (+5%). However, on a yearly basis, output fell (-2.8%) in 2020, that was the second year of recession after 2019 (-0.7%)

Electrical domestic appliances industry activity in the first quarter of 2021

Further to what observed over the third quarter, in the fourth quarter of 2020 output in the domestic appliances sector increased year-on-year again (5%). This performance was repeated in the first quarter of 2021, with growth (+17.1%) reflecting the sharp improvement in demand that has continued since the third quarter of 2020, but also in comparison with the very low levels of output seen in the second quarter of 2020.

Electrical domestic appliances industry forecast 2021-2022

Despite strong rebound in output both in the third and the fourth quarter, output in domestic appliances has fallen (2.8%) in 2020, which represents the third consecutive annual drop, and then is set to recover strongly (+13.1%) in 2021 and only marginally (+0.1%) in 2022. We hereby assume that, even once the pandemic is over

and full mobility is again restored, home working will remain widespread – albeit not as much as it has been since March 2020.

This will continue to support demand for home appliances and other goods that can enhance the quality of home life and ensure better comfort when working from home. In addition, developments linked to the so-called "Internet of Things" (i.e. smart applications that enable to connect and set home appliances and devices and systems over the Internet) should also benefit the sector.

EU economic outlook 2021-2022

GDP growth

The EU economy was already experiencing a significant slowdown over the second half of 2019, reflecting global trade tensions and the continued downturn in manufacturing – affecting Germany in particular – culminating in marginal GDP growth rates in the fourth quarter of 2019.

The onset of the COVID-19 pandemic with all its disruptions has obviously worsened this trend, resulting in substantial year-on-year falls in real GDP across throughout 2020. The most severe quarterly GDP falls were reflected in the data of the second quarter of 2020 (-13.8%, which include April – the month most affected by the general economic lockdown), so that the entire EU technically entered economic recession (i.e. two consecutive quarterly GDP drops).

The second quarter marked the trough of the economic cycle, albeit exceptional due to the worst effects of lockdowns on the economy. In the third quarter, reflecting restarted economic activity, EU economies experienced strong quarter-on-quarter growth which were however widely expected and equally exceptional, being a mere technical rebound from the record lows of the preceding quarter, as real GDP continued to drop (-4%) year-on-year.

Hopes for year-on-year recovery also vanished in the fourth quarter vanished, as actual data revealed the fourth consecutive year-on-year fall (-4.4%), even more severe than recorded over the third quarter (-4%).

Some sectors' output has recovered to pre-pandemic levels. Despite a general improvement in economic confidence over the first quarter of 2021, there was no improvement in GDP. This is despite the launch of mass vaccination plans and economic support measures.

In the first quarter of 2021, real GDP fell slightly (-0.1%) quarter on quarter and year-on-year (-1.2% - the was the fifth consecutive drop). Among major euro are economies, only Italy achieved a slight growth quarter-on-quarter (+0.1%), whereas France and Germany recorded a drop (-0.1%; -1.8%).

In year-on-year terms, all major economies recorded real GDP drops with the exception of France (+1.2%). Spain, Germany and Italy saw declines (-4.2%, -3.1%, -0.8%). Growth in real GDP year-on-year was seen in smaller economies such as Ireland, Lithuania, Luxembourg and Slovenia.

These developments can be explained mostly by the persistent weakness of the service sector – due to restrictive measures and lockdowns still in place - whose contribution to GDP growth continued to be negative. In addition, widespread economic and consumer uncertainty due to the persistent pandemic continued to curb private consumption as well as investment, despite the technical quarter-on-quarter rebound from the lows of the two preceding quarters.

The continuation of the pandemic across the EU had taken its toll on confidence and economic activity, particularly services (whereas the industry has fully recovered the record losses seen in the second quarter of 2020), which were most impacted. Recovery was subdued over the second half of 2020 and subject to persisting uncertainty despite the rebound in the industry, contrary to other world major economies (US and China) where recovery gained ground and the economy were almost back to full speed in the fourth quarter of 2020.

Despite the ongoing improvement in the economy signalled by leading indicators should pave the way for positive GDP growth all over the EU from the second quarter of 2021. The implementation of mass vaccination plans was lagging in the second half of 2020, weighing down on economic confidence, but has gained substantial speed over the first half of 2021. As a result, substantial improvement in the economic environment, i.e. GDP growth for two consecutive quarters, is expected – all other things being equal – over the third quarter of 2021.

During the economic slowdown of 2019 and – to a lesser extent – since the onset of the pandemic, GDP growth had been led mainly by domestic demand (private consumption in particular). This has, to some extent, proven resilient and had gradually been replacing exports as the main engine of growth during 2018 and 2019, particularly in a largely export-driven economies, such as Germany.

Government consumption, which had proven relatively more resilient as governments used public spending as a macroeconomic tool to alleviate the slump in demand and support the economy, was the only GDP component which provided positive contribution to growth, also during the second half of 2020.

However, private consumption growth has not proven sufficient to offset the negative developments of exports and other GDP components, and is also curbed by ongoing consumer uncertainty linked to the pandemic and its consequences. The ECB has signalled a record high in saving deposits in the euro area in the first half of 2021 as a result of higher savings and lower consumption for each unit of increased disposable income.

Despite persistent uncertainty due to the pandemic during the first half of this year – including the recently widespread Delta variant - major forecasters have started to improve their outlook for 2021 and 2022. This is particularly true for the IMF which, in its latest April Economic Outlook, has signalled that there are signs of global economic growth accelerating, particularly thanks to the pronounced recovery in US and China.

The latest available confidence indicators for the economy and the industry back this assumption. This is based also on some steady signs of recovery in the service sector – that had remained depressed around historical lows up to the first quarter of 2021. This recovery is thanks to the reopening of the HORECA sector and the end of major restrictions to travelling.

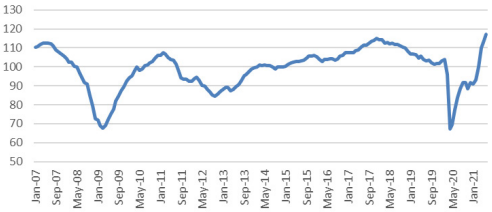
EUROFER's GDP actual growth figure for 2020 in the EU was -6.3% (in line with -6.1% from the European Commission), that was the first recession since 2013 and the harshest ever recorded. Due to some uncertainty still remaining due to COVID variants, EUROFER's GDP growth prediction is of +4.4% (4.5% in our previous Outlook) for 2021. It will be followed by GDP growth of +4.5% (previously +4.3%) in 2022.

Confidence indicators

Decreasing economic confidence in the EU due to the sharp slowdown in the economic cycle was already clearly visible during the second half of 2019, as the Economic Sentiment Indicator (ESI) for the EU had been moving around the low levels last seen in 2014.

Confidence in economic sectors shifted to deeply negative levels from March 2020 as a result of the pandemic-led shock, particularly in services that was hit the most by the economic lockdown in earlier months, and relatively less pronounced for construction, which proved relatively more resilient.

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



Confidence indicators have then shown a strong rebound after the record falls since the second quarter of 2020, that had marked the trough of the cycle. The Economic Sentiment Indicator for the EU plummeted to 94.5 in March 2020 after the onset of the pandemic, the lowest level since November 2013, and then reached the all-time low of 67.1 in April, i.e. the month of the toughest lockdown in economic activity everywhere in the EU.

After the initial removal of lockdown measures, improved economic confidence was seen over the summer of 2020, along with better prospects for the economy for the rest of year thanks to expected substantial weakening of the COVID-19 pandemic and restored industrial activity.

These improvements, however, eased in late 2020 due to the resurgence of the pandemic over the fourth quarter. Data for early 2021 suggest, however, a spectacular improvement in confidence, by far above pre-pandemic levels and even at 117, which is a fourteen-year high. This was mainly driven by the acceleration of the recovery of the industry, whereas confidence in services – still severely impacted by ongoing restrictive measures - continued to be depressed until the end of the first quarter of 2021. Data since the third quarter have 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. This divergence has narrowed in recent months as activity in the service sector has also restarted, albeit not at its full potential, with a better outlook for the sector.

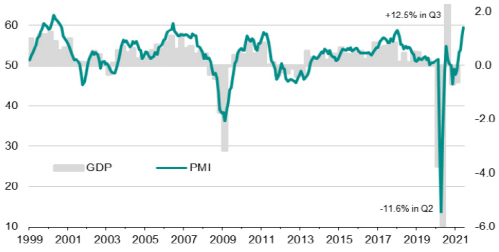
The IHS Markit Eurozone PMI Composite Output Index rose at its fastest rate for 15 years in June, underpinned by surging levels of output across both manufacturing and service sectors.

The latest strengthening of the index reflected a marginal improvement in the growth of manufacturing output as well as an improvement in service sector expansion to its best since mid-2007. Service sector growth has picked up across the board among the countries surveyed, with hard-hit sectors such as hospitality and tourism now coming back to life to join the recovery as economies and travel are re-opened.

The year-on-year decline in industrial production – already visible in late 2019 data – dramatically worsened in the first quarter of 2020 in the EU as a result of the onset of the pandemic and even more in the second quarter. This led to a complete stop in industrial production, leading to unprecedented year-on-year falls in industrial production across the EU over the second quarter of 2020 (-20.5% at the EU level).

Industrial production rebounded considerably quarter-on-quarter over the third quarter of 2020. The year-on-year comparison in the third quarter turned out to be negative (-6.3%), showing that industrial activity, in absolute terms, was around low historical levels.

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



Sources: IHS Markit, Eurostat.

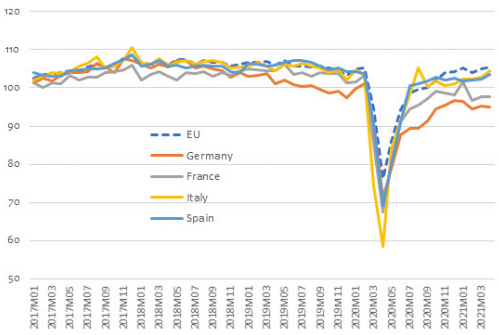
Despite improvement in confidence and output, in the fourth quarter 2020 year-on-year growth was still negative (-0.8%) – for the seventh consecutive quarter, albeit at much lower rate than the second and the third quarter, and despite a second consecutive quarter-on-quarter rebound. These developments resulted from disappointing economic developments over the whole fourth quarter 2020 due to the widespread resurgence of the pandemic.

Positive year-on-year growth was finally seen over the first quarter of 2021, as a result of further acceleration in industrial activity in February and March. Industrial production grew (+3.2%) year-on-year. On a quarter-on-quarter basis, it was the third consecutive increase, albeit modest (+1.2%, further to +4.6% in the fourth quarter of 2020). 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.

Among individual countries, in Germany industrial production continued to fall, albeit at a lower rate than in the fourth quarter of 2020 (i.e -1.8% vs. -2.6%), whereas in France (by +2%), Spain (+2.2%) and much more strongly in Italy (+9.4%) the recovery in industrial activity over the first quarter led to growth in industrial production year-on-year, for the first time since the fourth quarter of 2019.

Industrial output is likely to continue to grow and to gain further ground over the second half of 2021, provided there are no further shocks. As a result, after the dramatic fall in industrial production in the EU (-8.5%) in 2020, EUROFER foresees a rebound (+8.6%) in 2021 and a more moderate growth (+4%) in 2022.

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



Economic fundamentals

Due to the global pandemic, the downward trend in world trade dramatically worsened up to the third quarter of 2020, with clear improvement in the fourth quarter and in early 2021, reflecting better trade conditions, despite rising transportation costs and higher oil prices.

This was due to strongly revived demand in economies such as China and the US. This is reported by short-term (i.e. monthly) trade volumes according to WTO data.

As a result, world merchandise export volumes increased by 16% in the first quarter of 2021, much higher than the 3% increase already recorded in the fourth quarter of 2020 year-on-year.

All world regions recorded increased volumes of exports in the first quarter of 2021. Thanks to revived external demand, growth in exports from Europe even outperformed that of the US, i.e. +13% (+5% in the fourth quarter of 2020) vs. 4%, while Asia (thanks to the continued economic rebound in China) saw sharp growth in exports (+28%). World imports also increased (+14%, after +2% in the fourth quarter of 2020).

EUROFER MACROECONOMIC DATA
ANNUAL % CHANGE, UNLESS OTHERWISE INDICATED

	2019	2020	2021	2022
GDP	1.4	-6.3	4.4	4.5
Private consumption	1.6	-7.4	2.9	6.1
Government consumption	1.9	1.3	3.2	1.4
Investment	3.0	-6.8	7.0	4.4
Investment in mach. equip.	2.2	-10.3	8.5	5.0
Investment in construction	3.2	-5.9	6.2	3.5
Exports	2.5	-9.8	9.3	6.6
Imports	3.3	-8.7	8.4	7.5
Unemployment rate (level)	7.1	7.5	8.2	7.6
Inflation	1.2	0.5	1.9	1.5
Industrial production	-0.7	-8.5	8.6	4.0

Despite the substantial 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 on short-term business conditions.

The EU unemployment rate – which had remained around the levels observed around late 2019, started to rise, i.e. from 6.6% in March to 7.8% in September has then eased to 7.4% in December and only marginally rose to 7.5% in February 2021, then 7% in May.

This unemployment figure conceals considerable variations across Member States and across economic sectors (employment in services being particularly impacted). Consumers have been suffering from substantial losses in their in disposable income, due to job losses or temporary lay-off or reduction of working time, which has slashed consumption growth. Uncertainty will continue to weigh down on consumer confidence until at least the second half of 2021.

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 visible effects will only be visible from 2022.

It is expected that the ECB will provide further support until the end of the current crisis. Further measures are being discussed or reviewed, both at the EU level as well as the state level. The objective is to provide adequate support for, and liquidity to, the economy (both to households and businesses) so as to alleviate the huge social costs of the pandemic and the related output (and job) losses.

The central EU institutions and bodies have responded to the outbreak-related economic emergency with a detailed set of measures, whose implementation will however require time (and additional political negotiations). The Stability and Growth Pact and the Fiscal Compact have been suspended.

With regard to monetary policy, the ECB has extended and enhanced its ongoing Asset Purchase Programme (APP, or Quantitative Easing, QE) – that had been launched in 2015 in order to tackle the already weak economic environment. The 'augmented' APP is now called the Pandemic Emergency Purchase Programme (PEPP) will have an overall envelope of €750 billion, and will last until March 2022, including all the asset categories (i.e. government and corporate bonds) eligible under the previous APP.

The ECB has also continued to provide its forward guidance, leaving its key policy rate unchanged at zero, its deposit facility rates at negative levels (-0.50%) and indicating that its key policy rates will remain at current levels as long as the economic circumstances make it appropriate).

The European Commission has launched the SURE fund, worth €100 billion. This will be distributed among Member States in order to provide short-time working schemes and tackle unemployment costs. The European Investment Bank (EIB) has committed to leveraging its €25 billion guarantee fund up to €200 billion that will be available for EU Member States. In addition, the European Stability Mechanism (ESM) will make €240 billion available in the form of very cheap loans for those EU countries that might have difficulty on government bond markets (Italy, Spain etc).

The above measures total some €540 billion that EU countries can use as additional resources so as to cope with the costs of the recession. Lastly, it is worth mentioning the Next Generation EU package that was agreed at the European Council last summer, and will provide support to the EU economies worth €750 billion, of which grants worth €390 billion and loans worth €360 billion.

This will be financed by issuing common bonds for the first time in EU history. The core programme of the package is the so-called Recovery and Resilience Facility (RRF) and will amount to €313 billion.

The Next Gen EU will lead to an unprecedented increase in government debt, albeit mutualised (via issuance of common EU bonds. The first, successful issuance of EU bonds has already taken place (June 2021) and some national implementation plans of the Next Gen EU have already been approved by the European Commission. Considerable funds are already available for Member States to sustain their economies and support their recoveries.

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

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.

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.

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.

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