

ECONOMIC REPORT

Economic and steel market outlook 2023-2024

Second quarter report
Data up to, and including, fourth quarter 2022

May 2023

EUROFER
THE EUROPEAN STEEL ASSOCIATION

Introduction

The positive post-COVID trend in apparent steel consumption seen throughout 2021 came to an end in the second quarter of 2022, due to ongoing war-related disruptions, poor demand outlook and severe rises in energy prices and production costs. These downside factors impacted the second half of 2022 even more severely and are expected to continue to do so until the second quarter of 2023 as a result of the prolonged effects of Russia's war in Ukraine and protracted economic uncertainty. In 2022, apparent steel consumption experienced its third annual recession in the last four years with a steeper decline than previously anticipated (-7.2% vs. -4.6%). This was mostly a result of quarterly drops in the third and especially in the fourth quarter of 2022. Apparent steel consumption is set to decrease also in 2023, but at a lower rate (-1% vs. formerly estimated -1.9%), as demand from steel-using sectors is expected to remain severely undermined until at least the second half of 2023.

In 2024, if there are more favourable developments in the industrial outlook and improvement in steel demand, apparent steel consumption is set to rebound (+5.4%). However, the overall evolution of steel demand remains subject to high uncertainty, which is expected to continue to undermine demand from steel-using sectors at least in the first half of 2023. Quarterly positive developments in apparent steel consumption are only foreseen starting from the third quarter of 2023.

EU steel market overview

In the fourth quarter of 2022, apparent steel consumption fell dramatically (-19.3%) following a drop (-4.8%) in the third quarter. This resulted in a volume of 29.6 million tonnes, the second-lowest level ever seen after the second quarter of 2020 (28.6 million tonnes), when mills and industrial plants were shut down due to the COVID-19 pandemic.

Domestic deliveries continued to mirror weak demand and significantly decreased (-15.2%) in the fourth quarter of 2022, which was the third consecutive drop and even steeper than the previous one (-10.5%). Deliveries had strongly rebounded (+11.9%) in 2021, following 2020's sharp drop (-9.6%), which marked the second consecutive decline in yearly terms after 2019 (-4.2%). As a result of negative developments in the last two quarters of the year, domestic deliveries markedly dropped (-8%) in 2022. In line with the continued and quick deterioration in steel demand, imports into the EU including semi-finished products shrunk over the fourth quarter of 2022 (-32.5%), following a drop in the previous quarter (-17.2%) and resulting in an overall annual decrease (-6.6%). However, it is worth noting that the drops in imports seen in the last two quarters of 2022 essentially mirrored weak demand conditions. Therefore, the share of imports out of apparent consumption remained considerably high in historical terms, even in the fourth quarter of 2022 (23.5%).

EU steel-using sectors

Despite Russia's invasion of Ukraine and rising energy prices, EU steel-using sector's output has continued to grow, showing unexpected resilience up to the fourth quarter of 2022, with the Steel Weighted Industrial Production index (SWIP) increasing (+2.5% after +4.4% in the third quarter). In particular, the automotive sector recorded its third consecutive output increase (+6.8%), after a double-digit one-off increase (+20.3%) in the third quarter (a rebound subsequent to very low output volumes seen one year before). The sector is set continue achieving moderate growth after recording very low output volumes for several quarters, but absolute output volumes are expected to remain well below the levels seen in 2018 (the peak of the previous cycle) even in 2024. After the modest rebound seen in 2021 (+3.3%), output in the automotive sector increased at the same rate in 2022 and is projected to mildly grow (+1.2%) in 2023, thanks to moderately positive developments on both the supply and demand side. However, output is expected to drop again (-1.8%) in 2024.

Output in the construction sector steadily increased in 2022 (+4.8%, after a buoyant +6.7% in 2021), thanks to EU and national supporting schemes both for repair and maintenance as well as for civil engineering. However, the increasing shortage combined with higher prices of construction materials, together with lower residential construction demand due to monetary tightening and higher mortgage rates, are expected to lead to recession in 2023 (-1.6%). A moderate recovery (+1.3%) is foreseen in 2024.

The ongoing energy crisis and the rapid deterioration of the economic and industrial outlook are set to continue taking their toll on growth over the next few quarters. However, the toughest period for the EU industry appears to be over (notably, the last quarter of 2022 and the first of 2023). Nonetheless, the combination of historically high energy prices, low demand and economic uncertainty is expected to weigh on the rest of 2023.

Despite these challenging conditions, steel-using sectors' output grew (+3.1%) also in 2022 after the post-COVID rebound (+6.7%) in 2021. Growth is expected to slow down over the course of 2023 and notably drop in the second quarter, resulting in an overall limited annual increase (+0.3%). However, this is a slight improvement from the previous outlook, which foresaw a drop (-0.6%), although with wide differences among individual European economies. Steel-using sectors' output is expected to pick up some speed again in 2024 (+2.3%).

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The EU steel market: supply

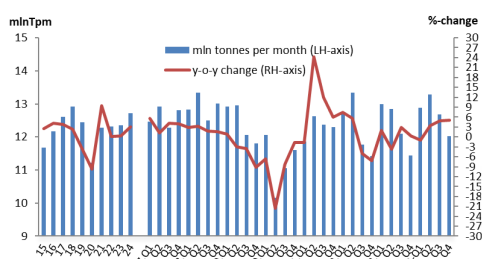
Real steel consumption

Real steel consumption in the fourth quarter of 2022

In the fourth quarter of 2022, real steel consumption dropped significantly (-7.2%) for the second consecutive quarter, following a decline (-5%) in the previous quarter.

Real steel consumption demonstrated a strong rebound in 2021 (+9.5%), after falling in 2020 and in 2019 (-9.8% and -3.7%, respectively). However, growth in 2022 was marginal (+0.2%) and revised downwards from the previous outlook (+1.3%). A similar marginal increase is expected in 2023 (+0.3%), instead of a formerly predicted drop (-0.8%), before substantial growth projected for 2024 (+3%). The two consecutive recessions of 2019 and 2020 were primarily caused by a slowdown in steel-using sectors due to a downturn in manufacturing and trade, and the COVID crisis, respectively. The counter-cyclical destocking trend that started in late 2019 persisted throughout 2020. It only began to reverse in the first quarter of 2021 when growth in steel demand was expected to continue. However, this expectation was interrupted abruptly in the second quarter of 2022 due to the rapidly deteriorating industrial outlook caused by the war in Ukraine. The trend of weak demand conditions is expected to continue in 2023, given the impact of the war, high inflation and the uncertain global industrial outlook and energy prices. Real steel consumption has only marginally increased in 2022 (+0.2%) and is projected to do so in 2023 (+0.3%), before rebounding in 2024 (+3%). The expected improvement in the industrial outlook and steel demand aligns with SWIP developments (see page 12).

EU REAL STEEL CONSUMPTION
Forecast from Q1-2023



FORECAST FOR REAL CONSUMPTION - % CHANGE YEAR-ON-YEAR											
Period	Year 2022	Q1'23	Q2'23	Q3'23	Q4'23	Year 2023	Q1'24	Q2'24	Q3'24	Q4'24	Year 2024
% change	0.2	2.0	-3.7	2.9	0.3	0.3	-0.9	3.4	4.9	5.1	3.0

Apparent steel consumption

Apparent steel consumption in the fourth quarter of 2022

The positive trend in apparent steel consumption, seen post-COVID throughout 2021, came to an end in the second quarter of 2022. It was impacted by ongoing war-related disruptions, a poor demand outlook, and severe rises in energy prices and production costs. These downside factors have had an even more severe impact over the second half of 2022, and are expected to continue until the second quarter of 2023, due to the prolonged effects of the war in Ukraine. As a result, in the fourth quarter of 2022, apparent steel consumption fell dramatically (-19.3%, after -4.8% in the third quarter), totalling a volume of 29.6 million tonnes. This was

The EU steel market: supply

the second-lowest level ever seen after that recorded in the second quarter of 2020 (28.6 million tonnes), when mills and industrial plants were shut down due to the COVID-19 pandemic.

In 2021, apparent steel consumption had rebounded (+16.3%) after plummeting dramatically due to the pandemic in 2020 (-10.7%). However, the heavy consequences of the conflict in Ukraine on steel-using industries and the worsened overall economic outlook have taken their toll on apparent steel consumption. This resulted in a more severe recession (-7.2%) than previously forecasted (-4.6%), due to quarterly drops over the second, third and fourth quarters of 2022. Ongoing downside factors such as the war, high energy prices and inflation, coupled with a worsened economic outlook for 2023, mean apparent steel consumption is set to drop again in 2023, albeit more moderately (-1%, formerly -1.6%). This would represent the fourth annual recession out of the last five years. In 2024, if there are more favourable developments in the industrial outlook and improvement in steel demand, then apparent steel consumption is set to recover at a faster rate than previously forecasted (+5.4% vs. +1.6%).

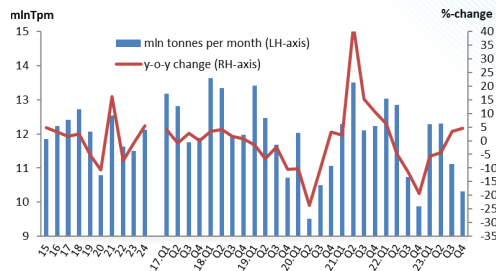
The overall evolution of steel demand remains subject to very high uncertainty, which is likely to continue to undermine demand from steel-using sectors, at least for the first half of 2023. Quarterly positive developments in apparent steel consumption are only expected to begin from the third quarter of 2023.

EU domestic and foreign supply

During the fourth quarter of 2022, domestic steel deliveries continued to reflect weak demand and significantly dropped (-15.2%). This was the third consecutive decrease, steeper than the decline recorded in the previous quarter (-10.5%). Deliveries had rebounded noticeably in 2021 (+11.9%), following the sharp drop in 2020 (-9.6%) that marked the second consecutive yearly decline after 2019 (-4.2%). Due to negative developments in the last two quarters of the year, domestic deliveries fell markedly (-8%) in 2022.

In line with the continued and quick deterioration in steel demand, imports into the EU including semi-finished products also shrunk in the fourth quarter of 2022 (-32.5%), following a drop in the previous quarter (-17.2%) and resulting in an overall annual decrease (-6.6%). However, it is worth noting that the drops in imports over the last two quarters of 2022 essentially mirrored weak demand conditions. Therefore, the share of imports out of apparent consumption remained considerably high in historical terms, even in the fourth quarter of 2022 (23.5%).

EU APPARENT STEEL CONSUMPTION
Forecast from Q1-2023



EU APPARENT STEEL CONSUMPTION - IN MILLION TONNES PER YEAR

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 (f)	2024 (f)
Million tonnes	136	142	147	149	153	145	129	150	140	138	146

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

Period	Year 2022	Q1'23	Q2'23	Q3'23	Q4'23	Year 2023	Q1'24	Q2'24	Q3'24	Q4'24	Year 2024
% change	-7.2	-5.7	-4.3	3.5	4.5	-1.0	2.8	6.0	6.1	6.9	5.4

Imports

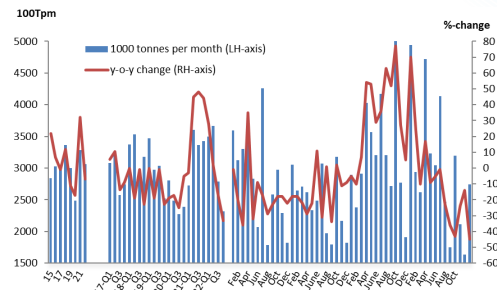
During the fourth quarter of 2022, total steel imports (including semis) into the EU decreased (-33% year-on-year), following the drop seen in the third quarter (-17%). For the entire year 2022, total imports fell (-6.6%) compared to 2021, when they dramatically increased (+32%).

Imports of finished products also fell markedly (-33%) in the fourth quarter of 2022, after a more moderate decrease in the preceding quarter (-12%). Over the same period, imports of flat products dropped sharply (-42%), while imports of long products increased only slightly (+3%). In 2022, imports of finished products decreased (-5%) as did imports of flat products (-9%) whereas imports of long products increased (+11%).

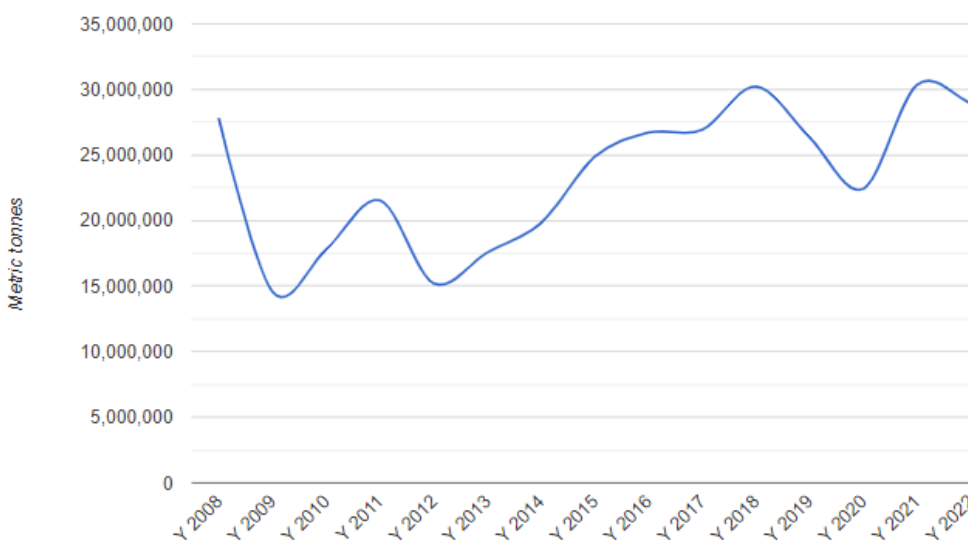
In January 2023, imports of finished products markedly dropped (-46%) year-on-year, with imports of flat products and long products both falling (-53% and -25% respectively).

Imports were volatile across 2020, 2021 and throughout 2022, continuing a trend seen since 2019. After the outbreak of COVID-19, imports surged again for certain products and showed some volatility over the second half of 2020. However, the increase became much more pronounced during 2021, particularly over the second and third quarters, reaching high levels in historical terms. This development mirrored buoyant steel demand conditions up to end-2021, while volatility continued over the fourth quarter of 2021 and throughout 2022. Reflecting much weaker demand since the first quarter of 2022, imports have been declining in volumes over the second half of 2022, albeit continuing to show volatility. However, over the entire year 2022, imports remained at elevated historical levels, resulting in high import penetration rates (in terms of share out of apparent consumption), which was 23.5%, as well as in a widening trade deficit vis-à-vis third countries.

EU TOTAL STEEL IMPORTS, FINISHED PRODUCTS



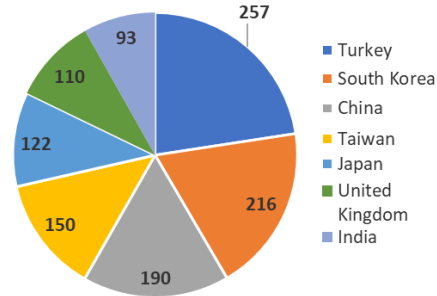
TOTAL IMPORTS FROM THIRD COUNTRIES, FINISHED STEEL PRODUCTS 2008-2022



Imports by country of origin

In the fourth quarter of 2022, the main countries of origin for finished steel imports into the EU market were Turkey, South Korea, China, Taiwan and Japan, followed by the United Kingdom and India. Due to significant war consequences, the Russian Federation and Ukraine are no longer among the top seven exporting countries to the EU, as imports from these two countries dropped dramatically. The top five exporting countries in the fourth quarter of 2022 together represented 52% of total EU finished steel imports. Turkey remained the largest exporter of finished steel products to the EU, with a share of 14.4%, followed by South Korea (12%), China (10.6%), Taiwan (8.4%) and Japan (6.8%). They were followed by the UK (6.1%) and India (5.2%), which had long been the second-largest exporter to the EU.

EU FINISHED STEEL IMPORTS BY COUNTRY
Q4-2022, monthly '000 metric tonnes

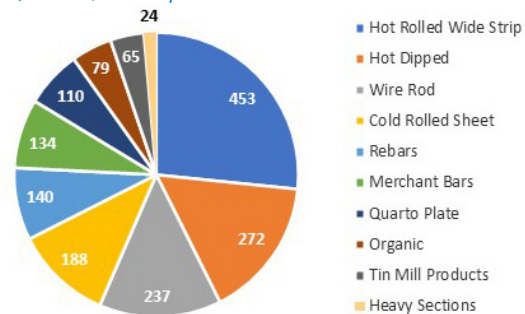


Over the last quarter of 2022, imports from major exporting countries continued to show diverging developments: imports of finished products from Turkey, India, the UK and Taiwan dropped (-40%, -72% -14% and -9%, respectively), whereas imports from Japan, China and South Korea rose (+47%, +14% and +5%, respectively).

Imports by product category

According to customs data, imports of flat products into the EU market significantly decreased (-42%) in the fourth quarter of 2022, while imports of long products slightly increased (+3%). The share of long products out of total finished steel product imports was 30%. Overall, imports of finished products also dropped (-33%). Throughout 2022, imports of finished products declined (-5%), following a marked rise in 2021 (+35%). This was due to a drop in import of flat products (-9%; +40% in 2021) and a rise in imports of long products (+11%; +21% in 2021).

EU FINISHED STEEL IMPORTS BY PRODUCT
Q4-2022, monthly '000 metric tonnes



Within the flat product market segment, imports of all flat products decreased in the fourth quarter of 2022 compared to the same period in 2021. The only exception was imports of tin mill products (+5%). In contrast, imports of all other flat products dropped significantly, notably cold-rolled sheet -49%, hot dipped (-55%), coated sheet (-50%), hot-rolled wide strip (-41%) and quarto plate (-34%).

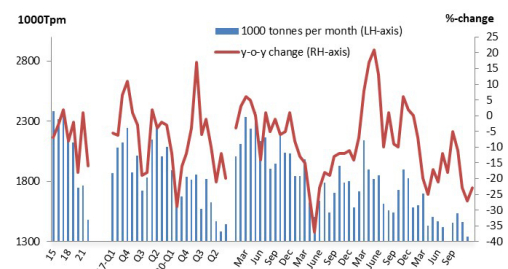
In terms of long products, developments in imports in the fourth quarter of 2022 varied by product. Specifically, imports increased only for rebars (+18%). Imports of merchant bars were flat compared to the fourth quarter of 2021, imports of wire rod rose marginally (+1%), whereas imports of heavy sections dropped substantially (-14%).

Exports

In the fourth quarter of 2022, total EU exports of steel products to third countries decreased considerably (-20%), as did exports of finished steel products (-22%). Notably, in the first eleven months of 2022 exports of both flat and long products declined (-18% and -29%, respectively).

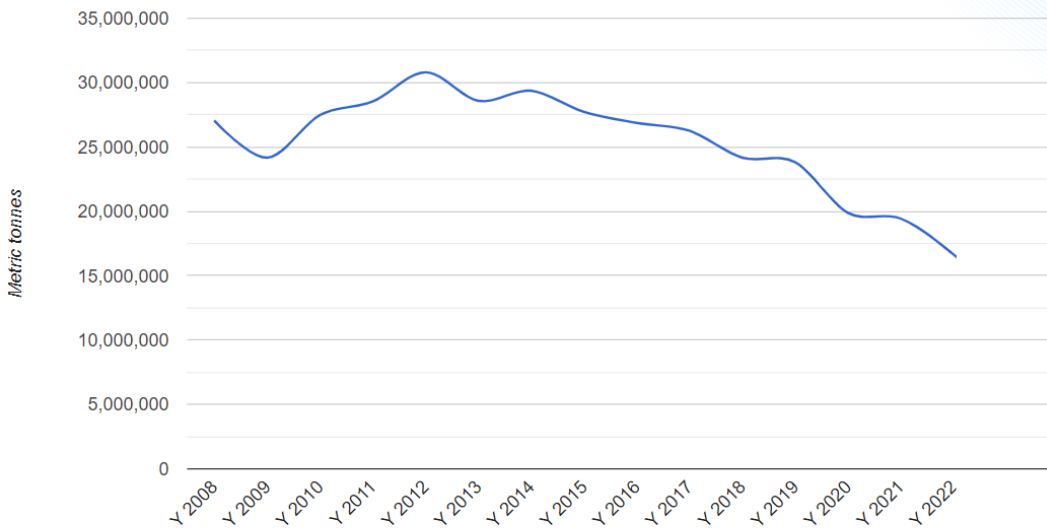
Throughout the entire year of 2022, exports of finished products noticeably fell (-14%), due to a decline in both flat and long product exports (-10% and -22%, respectively).

EU TOTAL STEEL EXPORTS



The EU steel market: supply

EU TOTAL STEEL EXPORTS – FINISHED PRODUCTS 2008-2022



Exports by country

During the fourth quarter of 2022, the main destinations for EU steel exports were the United Kingdom, the United States, Turkey, Switzerland and Egypt, followed by China, Brazil and India. The first five destinations together accounted for 58% of total EU finished product exports.

Among the major export destinations, exports of finished products increased significantly to Brazil (+44%), and moderately to India (+7%). By contrast, exports to China, Turkey, Switzerland, Egypt and the UK dropped markedly by double-digit rates (-31%, -36%, -25%, -17% and -14%, respectively).

Exports by product category

During the fourth quarter of 2022, there was a decline in flat product exports (-18%, compared to -6% in the third quarter) and long products (-29%, compared to -15%). As a result, exports of finished products decreased (-22%, compared to -9% in the third quarter).

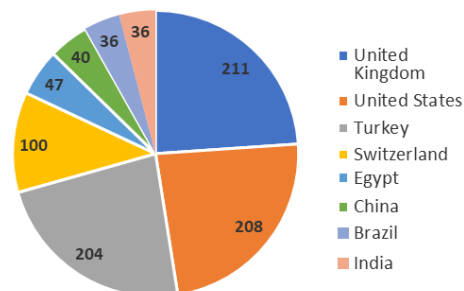
In the fourth quarter of 2022, flat products accounted for 71% of finished product exports overall.

In the entire year 2022, exports of finished products dropped (-14%), due to a decrease in the exports of both flat products (-10%) and long products (-22%).

In the fourth quarter of 2022, all individual flat products experienced a decrease in exports compared to the same period in the previous year, except for hot dipped products whose exports remained flat. In particular, hot rolled wide strip and organic coated sheets recorded the most severe drop (both -38%), followed by tin mill products (-21%), cold rolled sheet (-12%) and quarto plate (-8%).

Exports of all long products decreased in the fourth quarter of 2022. Specifically, drops were recorded in exports of wire rod (-46%), merchant bars (-22%), rebars and heavy sections (both -21%).

EU FINISHED STEEL EXPORTS BY DESTINATION
Q4-2022, monthly '000 metric tonnes



Trade balance

During the fourth quarter of 2022, the EU's total steel product trade deficit (including finished plus semis) reached 870 kilotonnes per month, which was lower than the 1,401 kilotonnes recorded in the third quarter. For the entire year of 2022, the total trade deficit amounted to 1.6 million tonnes per month (1,585 kilotonnes), compared to 1.5 million tonnes (1,517 kilotonnes) in 2021.

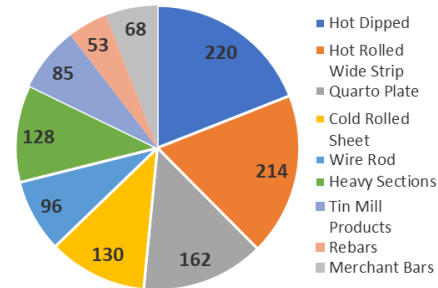
As for finished products, the trade deficit of the fourth quarter of 2022 was 451 kilotonnes per month, lower than the 976 kilotonnes recorded in the third quarter). For the whole year of 2022, the deficit of finished products amounted to 1 million tonnes per month (1,023 kilotonnes), compared to 907 kilotonnes in 2021.

In the fourth quarter of 2022, flat products recorded a deficit of 297 kilotonnes per month, as did long products (154 kilotonnes). In 2022, flat products had a deficit of 864 kilotonnes (924 kilotonnes in 2021). Long products also experienced a trade deficit (159 kilotonnes) after a surplus (17 kilotonnes) in 2021.

The largest trade deficits for finished products with individual trade partners during the fourth quarter of 2022 were with South Korea (208 kilotonnes), Taiwan and China (149 kilotonnes each), Japan (120 kilotonnes), Vietnam (68 kilotonnes), India (57 kilotonnes) and Turkey (53 kilotonnes).

The major destination countries for EU finished steel exports with a finished product trade surplus during the fourth quarter of 2022 were the United States (205 kilotonnes), the United Kingdom (101 kilotonnes) and Switzerland (65 kilotonnes).

EU FINISHED STEEL EXPORTS BY PRODUCT
Q4-2022, monthly '000 metric tonnes



The EU steel market: final use

Outlook for steel-using sectors

Total steel-using sector activity in the fourth quarter of 2022

Despite Russia's war in Ukraine and its related disruptions as well as soaring energy prices, output from industrial sectors in the EU continued to grow up to the fourth quarter of 2022, showing unexpected resilience. (SWIP +2.5%, after +4.4% in the previous quarter).

The positive trend in all sectors' output in 2022 was a combination of very favourable developments in the construction, mechanical engineering and transport sectors on one hand, and a drop in domestic appliances output on the other. This pattern began after the removal of COVID-19 related lockdown measures in the third quarter of 2020 and continued, somewhat surprisingly, although steel-using sectors' total production activity was increasingly impacted by subsequent supply chain issues and soaring energy prices, which led to almost unsustainable production costs over the summer of 2022.

While the war in Ukraine initially impacted output in sectors to a limited extent, up to the third quarter of 2022, the situation in the fourth quarter of 2022 considerably worsened due to persistently high energy prices and the quick deterioration of the general economic outlook, despite the considerable decline in the TTF gas price index in recent months.

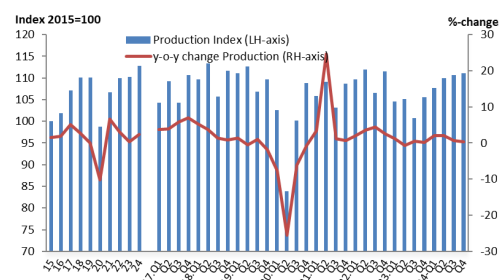
The ongoing economic uncertainty is set to continue taking its toll on growth also over the next few quarters. However, the toughest period for the EU industry appears to be over (notably, the last quarter of 2022 and the first quarter of 2023). Nonetheless the combination of historically high energy prices, low demand and economic uncertainty is expected to weigh on the rest of 2023.

Total steel-using sectors forecast 2023-2024

Total steel-using sectors' output rebounded in 2021 (+6.7%), after the sharp decline recorded in 2020 (-10.2%) due to impact of COVID-19. In 2022, output grew more than expected (+3.1% vs. previously estimated +2.1%). However, a slowdown is forecasted in 2023, with a drop anticipated in the second quarter, resulting in an overall meagre annual increase (+0.3%). This is a slight improvement from the previous outlook, which foresaw a drop (-0.6%), although with wide differences among individual European economies. Steel-using sectors' output growth is expected to pick up some speed again in 2024 (+2.3%).

EU STEEL USING SECTORS

Production Activity - forecast from Q1-2023



The EU steel market: final use

YEAR-ON-YEAR %-CHANGE IN EU STEEL WEIGHTED INDUSTRIAL PRODUCTION (SWIP) INDEX												
	% Share in total Consumption	Year 2022	Q1'23	Q2'23	Q3'23	Q4'23	Year 2023	Q1'24	Q2'24	Q3'24	Q4'24	Year 2024
Construction	35	4.8	-1.7	-2.5	0.0	-2.1	-1.6	0.7	1.4	0.4	2.5	1.3
Mechanical engineering	14	7.9	2.2	-1.3	0.9	0.2	0.5	1.6	1.5	1.9	2.7	1.9
Automotive	18	3.3	5.4	1.5	0.6	-2.4	1.2	-2.3	-1.9	-2.8	-0.1	-1.8
Domestic appliances	3	-5.0	-4.6	0.8	-1.0	2.8	-0.6	2.1	1.2	0.6	1.5	1.3
Other Transport	2	7.0	1.3	-3.3	-0.2	1.0	-0.3	-4.3	10.4	-2.7	4.8	1.8
Tubes	13	1.9	-3.2	-5.9	2.3	0.3	-1.8	1.4	1.2	0.6	2.9	1.5
Metal goods	14	3.2	-2.6	-4.3	3.0	2.2	-0.6	2.2	2.9	0.0	1.7	1.7
Miscellaneous	2	4.7	-1.2	-5.7	1.5	1.6	-1.0	3.2	2.4	-3.2	0.2	0.6
TOTAL	100	3.1	1.1	-0.7	0.5	0.2	0.3	2.1	2.1	0.6	0.4	2.3

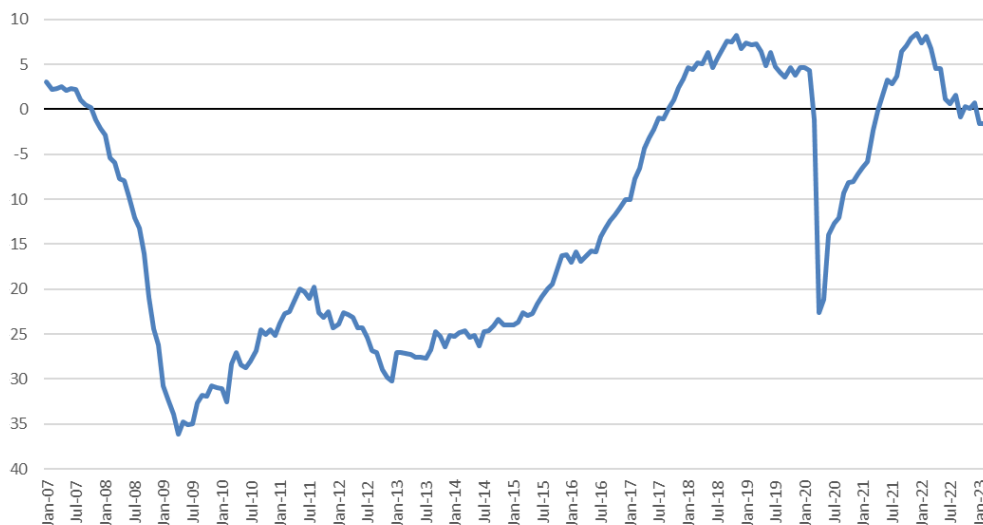
Construction industry

Construction industry activity in the fourth quarter of 2022

The positive trend in construction output that had been observed since the fourth quarter of 2020, recording eight consecutive quarters of growth, came to an end in the fourth quarter of 2022 due to the continued rise in construction material prices, labour shortages in some EU countries and increasing economic uncertainty. While the output of the construction sector decreased marginally (-0.2%) compared to the growth (+2%) recorded in the third quarter, the sector had experienced a vigorous rebound throughout 2021 and 2022, largely boosted by generous governmental support schemes at EU and national level, which benefitted the private residential and civil engineering sub-sectors.

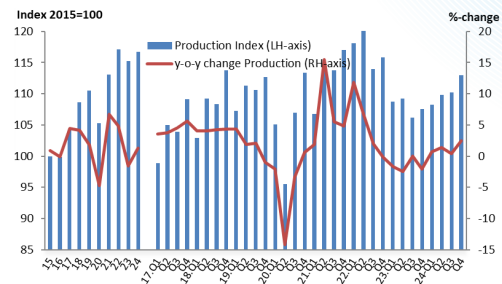
In line with real production volumes, gross fixed investment in construction increased in the fourth quarter of 2022 (+0.9% on a yearly basis), marking the eighth consecutive quarterly increase (+2.3% in the preceding quarter). However, it is worth noting that the two latest quarter-on-quarter developments showed two consecutive drops in construction investment (+0.9% in the fourth quarter, after -0.7% in the third quarter), signalling that activity in the sector is quickly losing ground due to the multiple downside factors mentioned above.

CONSTRUCTION CONFIDENCE INDICATOR BALANCE OF POSITIVE AND NEGATIVE ANSWERS



Growth was driven by positive developments in ‘other construction’ investment (+2.8% after +3.7% in the third quarter), particularly in civil engineering. Its expansion is projected to continue during 2023, but at a rather slow pace. As expected, residential investment dropped (-1% after +1% in the preceding quarter) due to higher mortgage rates resulting from monetary policy tightening by the ECB to curb inflation. Overall, growth in construction output continued to be boosted also by generous housing and renovation supporting schemes in place in many EU Member States. Governments have been using public construction spending as a countercyclical tool since the COVID-led recession of 2020 to bolster recovery (thanks also to NextGenerationEU programmes). However, the impact of these publicly-funded construction schemes is expected to ease considerably due to multiple downside factors such as supply chain issues and the war in Ukraine, including the shortage of construction materials as well as their rising prices, which are increasingly becoming a source of concern.

EU CONSTRUCTION SECTOR
Production Activity - forecast from Q1-2023



Construction industry analysis forecast for 2023-2024

The European construction sector experienced a significant decline in 2020 (-4.8%) due to the COVID-19 pandemic but rebounded in 2021 (+6.7%). The growth continued in 2022, resulting in an annual output increase that exceeded previous estimates (+4.8% vs. +4.4%), reflecting a combination of bullish developments in the first half of the year and a considerable slowdown in the second, culminating in a tiny drop (-0.2%) in the fourth quarter. This trend is expected to worsen over the next three quarter with expected drops up to the second, due to the long-lasting impact of rising construction material prices, increasing scarcity of construction materials, and construction workers’ shortage in many EU countries, coupled with the overall economic slowdown due to the war in Ukraine.

Construction confidence in the EU has substantially improved since the lows seen in mid-2020 due to the pandemic, almost reaching 2018 levels in the course of 2021. However, issues all along the supply chain and the overall deterioration of the economic and industrial outlook have started impacting the sector since February 2022, resulting in declining confidence as confirmed by latest available data (January 2023). While overall construction activity is expected to continue benefitting from governmental housing supporting schemes and public construction schemes, their impact is expected to ease substantially in the course of 2023.

Looking at construction sub-sectors, the expected rise in interest rates – as a consequence of policy rate hikes by the ECB and other central banks – is set to impact residential construction demand. Civil engineering is expected to continue providing the strongest contribution to the construction sector’s performance, but to a lower extent. This segment will continue to be supported by EU-wide public policies (NextGenerationEU, etc.), but their effects have become increasingly uncertain and difficult to quantify due to the recent deterioration of the economic outlook. The suspension of the Stability and Growth Pact has been extended until the end of 2023, which will leave room for government spending in infrastructure. However, the visible effects in terms of construction output related to these projects will be lagged over time.

The private non-residential construction subsector (offices, commercial buildings, etc.) paid the highest toll to the pandemic in 2020 and also partly in 2021 with increasing vacancy rates, and recovered only partially since then. The subdued business investment outlook remains unfavourable to investment in non-residential projects in the near future.

As a result, the construction sector is expected to experience a mild recession in 2023 (-1.6%) and to recover modestly (+1.3%) in 2024.

Automotive industry

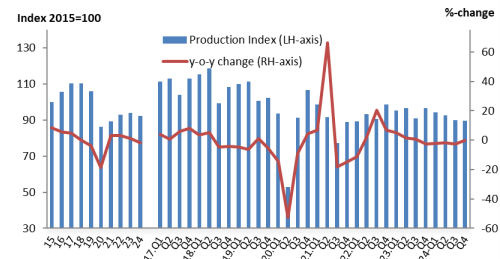
Automotive activity in the fourth quarter of 2022

In the fourth quarter of 2022, the automotive sector's output increased for the third consecutive time (+6.8%), following a double-digit one-off jump (+20.3%) in the third quarter (mostly due to the comparison with the very low output volumes seen in the second quarter of 2021).

Automotive was hit more than any other steel-using sector during the pandemic in 2020, but its output rebounded in early 2021. However, the sector has been suffering from the severe supply chain issues that have taken a heavy toll on output, as well as from the overall uncertain outlook of the sector, also on the demand side (mostly linked to limited disposable income and the implementation of electric vehicles). This resulted in an overall moderate rebound in 2021. Despite the increases recorded over the last three quarters, output in the sector remains well below the levels seen before the pandemic and even below those seen before the pre-COVID recession in 2019 due to rising trade tensions and a downturn in the manufacturing sectors. Since the third quarter of 2018, downside factors such as sluggish domestic and export demand, trade-related uncertainties, emissions rules, shifting patterns in ownership and model ranges, have been felt across the sector. The continued supply chain issues that materialised over the summer of 2021 increasingly resulted in shortage of components and semiconductors, rise in energy prices and in production costs, and slowdown in global trade (automotive is a largely export-oriented sector). Russia's invasion of Ukraine has added further uncertainty to an already subdued outlook.

EU AUTOMOTIVE SECTOR

Production Activity - forecast from Q1-2023



EU passenger car and commercial vehicle demand

Ongoing disruptions on the supply side, in particular the shortage of semiconductors affecting vehicle production as well as the unprecedented hike in energy prices, have taken a considerable toll on the automotive industry also during 2022. This situation has contributed to continued depressed demand and consumer uncertainty. Supply chain and war-related disruptions, coupled with low consumer confidence and squeezed incomes due to high inflation and economic uncertainty, have continued to weigh on vehicle output.

However, this situation has somewhat improved in recent months. Latest monthly passenger car registrations data from February 2023 show that new car registrations in the EU continued to perform well (+11.5%, 802,763 units). Nonetheless, it is important to note the low base of comparison due to the semiconductor shortage crisis at the beginning of 2022. Most EU markets showed strong growth, including the four largest ones, with Spain and Italy experiencing the most significant increases (+19.2% and +17.4% respectively). In particular, in February 2023 full electric vehicles (EVs) registrations in the EU increased (+39.7%) to reach 97,300 cars, resulting in a market share of 12.1%, compared to 9.7% in February 2022. Hybrid electric vehicles (HEVs) also had a strong performance, with sales increasing (+22.3%) to 204,883 units. As a result, HEVs achieved a market share of 25.5%, up from 23.3% in February 2022.

In spite of that, in 2022 the overall number of newly-registered passenger cars saw a drop (4.6%), mainly due to the impact of component shortages in the first half of the year. Although the market improved from August to December 2022, cumulative volumes stood at 9.3 million units, the EU's lowest level since 1993.

Automotive industry forecast 2023-2024

After a severe slump (-18.7%) in 2020 due to the pandemic, automotive output modestly rebounded (+3.3%) in 2021. The sector experienced the same growth rate seen in 2021 (revised upwards from -1.7%) in 2022, despite the severe repercussions of ongoing supply chain disruptions and the war in Ukraine. The rebound was mostly from the very low output levels seen for several quarters since 2021. However, major downside factors are expected to persist at least until the second quarter of 2023.

In addition, subdued consumer confidence, due to modest disposable income developments, has continued to impact car demand from consumers since the second half of 2018.

Demand is projected to remain weak until the macroeconomic picture and consumer disposable income substantially improve. This has now become less likely given the worsening economic outlook and more subdued economic growth perspectives.

Uncertainties around the implementation of EVs and delays in the launch of new models - many are hybrid or fully electric, preparing the ground for the ban of petrol cars by 2035 –have proven unsupportive factors of consumer demand. Coupled with the lack of facilities such as recharging points, they have also delayed investment decisions by carmakers.

Full recovery in global trade and external demand from major markets such as the United States, China and Turkey will remain a key factor for EU car exporters. However, this is not likely to materialise as long as the current war-related uncertainty continues, global supply chains issues persist and energy and fuel prices remain high. These factors penalise both producers and buyers. In the longer-term, political commitment at EU level towards the full adoption of EVs by 2035 should prove somewhat supportive, despite the fact that general car demand appears to be dependent on fragile consumer confidence throughout 2023 and possibly 2024.

Growth is expected to continue very moderately also in 2023 (+1.2%), provided that war-related disruptions and uncertainty ease substantially as a result of an improved economic and industrial outlook. However, output levels will remain rather low in historical terms, and the sector will continue to be mostly exposed to external factors. Another drop in output, albeit modest, is foreseen for 2024 (-1.8%).

Mechanical engineering

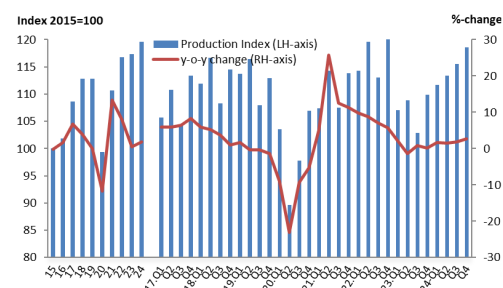
Mechanical engineering activity in the fourth quarter of 2022

In the fourth quarter of 2022, output in the mechanical engineering sector continued to grow (+5.8%), recording the eight consecutive quarterly increase (+7.1% in the third quarter). Driven by the post-COVID industrial recovery, the rebound brought output back to absolute high levels, even above those recorded before 2019. However, the sector's output growth remains exposed to continued downside risks, including the disruptive impact of Russia's invasion of Ukraine. While the latter has not yet been fully reflected in mechanical engineering's output, its growth is expected to slow down in the first quarter of 2023 and then shrink over the second quarter. The sector is expected to return to positive territory from the second half of 2023.

Mechanical engineering forecast 2023-2024

Following a sharp decline (-11.8%) in 2020 due to the pandemic, which was preceded by a small drop (-0.1%) in 2019 due to global trade tensions and a downturn in the manufacturing sectors, mechanical engineering output had a robust rebound (+13.4%) in 2021. This was due to thanks to the strong recovery of industrial sectors in the EU, particularly in the first half of the year. Despite the impact of war-related disruptions and a severe energy shock, mechanical engineering output grew robustly also in 2022 (+7.9%, revised upwards from +6.5%). However, it is expected to experience only a very moderate increase in 2023 (+0.5%, also revised upwards from the mild drop of -0.2% of the previous forecasts). This is due to the continued disruptions caused by the ongoing war and overall economic uncertainty in the first two quarters of 2023. Assuming overall improvements in the economy and industry in the second half of 2023, along with substantial improvements in the industrial outlook, the sector is expected to achieve slightly higher output growth in 2024 (+1.9%).

EU MECHANICAL ENGINEERING
Production Activity - forecast from Q1-2023



Steel tube industry

Steel tube industry activity in the fourth quarter of 2022

Output in the steel tube sector returned to growth (+1.1%) in the fourth quarter of 2022, after experiencing a decline (-1.8%, revised downwards from -0.5%) in the previous quarter. The positive trend in the sector, which had lasted for six consecutive quarters, was abruptly interrupted by war-related disruptions and supply chain issues.

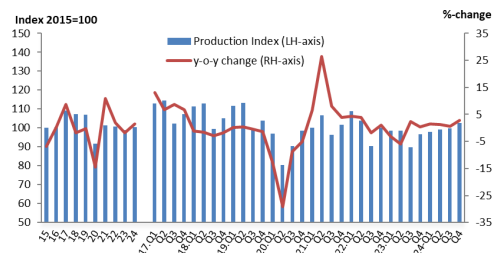
Steel tube industry forecast 2023-2024

After a rebound in 2021 (+10.9%), output in the EU steel tube sector increased moderately in 2022 (+1.9%). However, it is expected to experience a mild drop in 2023 (-1.8%), followed by a moderate recovery in output (+1.5%) in 2024.

In 2020, output in the EU steel tube industry was heavily impacted by the industrial shutdown due to the pandemic. Likewise for other steel-using sectors, the rebound seen during 2021 eased considerably throughout 2022 as a result of severe global supply chain issues and the disruptions linked to Russia's war in Ukraine. These factors have further delayed ongoing projects and impacted the availability of materials. In the longer term, demand for large welded tubes from the oil and gas sector is not expected to improve substantially as the EU has accelerated its transition towards LNG shipping of oil and gas for its energy needs, thereby reducing its reliance on gas transported via pipelines.

The recent, moderate recovery of global oil demand (including oil prices, although struggling to rise to levels comparable to other commodities, e.g. natural gas) is not expected to boost the launch or the implementation of new pipelines in the short-term, due to high geopolitical uncertainty. Oil demand is likely to ease over the rest of 2023 and in 2024 in the EU also due to low global economic growth. On the other hand, demand from the construction sector is also set to ease and thus provide a modest contribution to growth in output, whereas tube demand from the automotive and engineering sectors is forecast to remain relatively strong.

EU STEEL TUBE SECTOR
Production Activity - forecast from Q1-2023



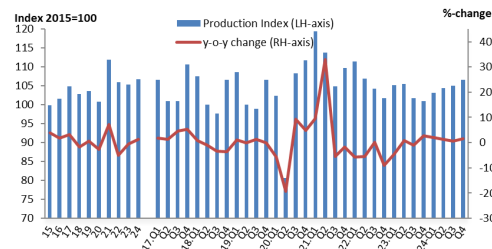
Electrical domestic appliances industry

Electrical domestic appliances industry activity in the fourth quarter of 2022

The electrical domestic appliances sector experienced a steep decline in output (-8.9%) in the fourth quarter of 2022, while in the third quarter it had achieved only marginal output growth (+0.2%, revised upwards from -0.3%). These figures are in line with the declining trend observed since the second quarter of 2021, which marked the end of a bigger-than-expected post-COVID recovery in output.

Widespread remote working across the EU boosted demand for home appliances and other related goods over the second half of 2020 and the first half of 2021, but afterwards the sector cycle has considerably eased. This was due to multiple downside factors such as gradual return to offices after the pandemic, supply chain issues, rising energy costs, and the war in Ukraine. On an annual basis, in 2020 output fell more moderately (-2.7%) compared to other EU steel-using sectors and rebounded (+7.2%) in 2021, thanks to very positive performances recorded over the first half of the year. However, it slowed down considerably over the second half and recorded year-on-year drops or very modest growth at every quarter until end-2022.

ELECTRICAL DOMESTIC APPLIANCE SECTOR
Production Activity - forecast from Q1-2023



Electrical domestic appliances industry forecast 2023-2024

Output in the domestic appliances sector dropped more than expected in 2022 (-5%, revised downwards from -4.3%) and is projected to experience another mild recession in 2023(-0.6%), before recovering moderately in 2024 (+1.3%). Growth is expected to remain negative until the third quarter of 2023 due to the prolonged disruptions linked to the war in Ukraine and global supply chains issues that continue to hinder industrial activity and impact consumer demand.

However, some supportive factors will partly offset these downside factors, and continue providing some incentives to growth. Remote working will remain widely practiced across the EU in the next years, albeit to a much lesser extent than during the pandemic. In the longer term, developments linked to the so-called 'Internet of Things' (smart applications that enable the connection of home appliances and devices) should also benefit the sector, although their impact is not likely to be visible before 2024.

EU economic outlook 2023-2024

GDP growth

Contrary to expectations pointing to the potentially disruptive impact of the war in Ukraine combined with the energy price shock, an economic recession in 2022 was ruled out thanks to the resilience of the economy and the buoyant contribution from the service sector, coupled with overall positive developments during the first half of the year. As a result, GDP growth for 2022 was positive in the EU (+3.4%, revised slightly upwards from the previous +3.3%) and in most of its individual economies, as well as in all other advanced economies (United States, United Kingdom). Notably, in the EU Germany recorded +1.8%, France +2.6%, Italy +3.9% and Spain +5.5%. Only Estonia's GDP contracted by -0.3%. EUROFER foresees a real GDP growth of +0.6% in 2023 (revised upwards as well from +0.1%). EU economic growth is set to gain some ground again (+1.5%, updated downwards from 1.9%) in 2024. In 2020, the economic recession due to the pandemic reached -6%, while in 2021 real GDP in the EU recovered (+5.3%), as a result of the robust rebound in the economy and the industry.

As the post-COVID positive economic trend lost speed, hampered by the war in Ukraine and the energy crisis, in the fourth quarter of 2022 real GDP growth in the EU dropped marginally quarter-on-quarter (-0.1% after +0.4% in the third quarter) but grew year-on-year (+1.7%, after +2.6% in the third quarter). The economic outlook has deteriorated considerably over the second half of 2022 due to the energy prices shock in July 2022, particularly in relation to natural gas prices which reached all-time highs in August (€340/MWh), before cooling off remarkably, (€40/MWh in April 2023). GDP data for the fourth quarter of 2022 and the first quarter of 2023 were expected to show a technical recession (i.e., two consecutive quarter-on-quarter drops), but the latest available leading indicators (see p. 21) rule out a possible second consecutive drop in real GDP in the EU in the first quarter of 2023. Economic activity showed stronger-than-expected conditions in the first two months of 2023, while the fourth quarter of 2022 is considered to be the trough of the current war-struck economic cycle. Among the biggest EU economies, in the fourth quarter of 2022 Germany recorded a GDP drop of -0.4% (+0.9% year-on-year) due to the ongoing problems affecting its industrial sector (automotive in particular, and so did Italy (-0.1%, but +1.4% year-on-year). Spain and France both recorded positive small GDP growth (+0.2% and +0.1% respectively; +2.6 and +0.5% year-on-year), while among non-euro area economies, Poland saw a GDP drop (-2.4%, but +0.4% year-on-year).

However, the outlook for 2023 remains exposed to many downside factors and economic growth appears to be weak and fragile. In 2023, domestic demand in the EU economies, especially private consumption, is expected to provide very modest contribution to GDP growth, due to persistently high inflation which reduces household disposable income. Among individual economies, Germany is projected to experience a slight recession in 2023 (-0.1%), before recovering (+1.2%) in 2024. Sweden is also expected to face a moderate recession (-0.6%) in 2023 and a subsequent recovery in 2024 (+1.3%). The forecasts for France, Italy and Spain predict their economies will grow in real terms by +0.5%, +0.4% and +1.4% in 2023 and by +1%, +1.2% and 2.2% in 2024, respectively.

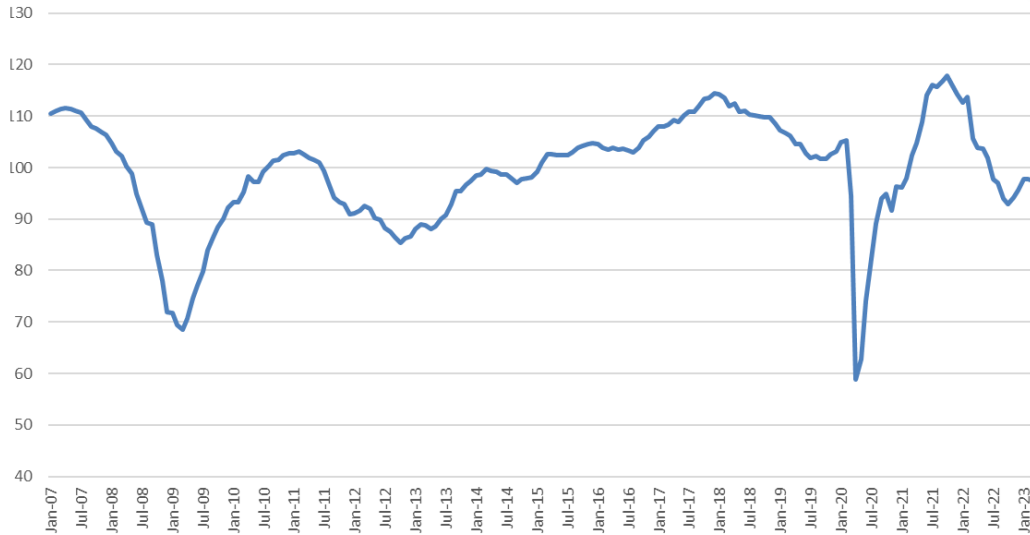
The latest IMF World Economic Outlook (January 2023) forecasts GDP growth of +0.7% and +1.6% in the euro area for 2023 and 2024, respectively (with +0.1% and +1.4% projected for Germany). The OECD, in its latest Outlook (March 2023), estimates GDP growth in the euro area to be +0.8% in 2023 and +1.4% in 2024 (Germany: +0.3% and +1.7%).

The consequences of Russia's invasion of Ukraine will persist over time. Economic sanctions to Russia as well as other war-related disruptions, high energy prices and record-high inflation, are also expected to stay. The TTF Natural Gas Price Index reached 342 EUR per MWh in August 2022 - 20 times the average value seen in 2021 -, before easing and going down to €42/MWh in March 2023. Among the reasons, a lower gas demand outlook due to the economic slowdown and a mild winter, the EU's price cap and the successful switch from Russian pipeline gas to shipborne liquefied natural gas (LNG) from other suppliers. However, the index remains around higher levels compared to the long-term average (€20-30/MWh). Inflation, at first perceived as temporary, has become a growing concern and reached highs unseen since 1985 in the EU. Inflationary pressures initially stemmed from the persisting bottlenecks affecting supply chains and scarcity of components, but they have continued to intensify and, as a result, inflation rate peaked at 11.5% in the EU in October 2022. It was just 1.3% in February 2021. Data from February 2023 (9.9%) show some signs of easing. Although energy prices have decreased considerably (from 41% in June 2022 to 16.6% in February 2023) core inflation has decreased only marginally. In 2022, inflation reached an average annual rate of 8%, which is the highest rate since 1984. Prices are expected to partially cool off in 2023 and 2024, (6.4% and 2.8% according to the European Commission, and 5.3% and 2.9% according to the European Central Bank, respectively). EUROFER foresees an inflation rate of 5.7% in 2023, further decreasing to 2% in 2024. This means that inflation is still set to remain around historically high levels in 2023.

Due to the highest inflation rate over the last 35 years, central banks in advanced economies were bound to quickly reverse their hyper-accommodative monetary policy stance that had been extremely supportive of economic recovery in previous years. Facing the highest inflation rate since 1981, the U.S. Federal Reserve raised its policy rate nine times in 2022, from 0.25% to 5.00%. Similarly, the ECB has raised its policy rate six times since July 2022, from zero up to 3.50%, with the last hike in March 2023. Additional ECB hikes are expected in the next months, as real interest rates remain widely negative and inflation is expected to remain well above the 2% ECB inflation target throughout 2023. This will inevitably reduce the room for manoeuvre for supportive fiscal policies, in particular government spending by EU member states, as borrowing costs will be higher, especially for highly-indebted economies. In addition, the ECB terminated its PEPP (the COVID-led exceptional Asset Purchase Programme), which helped keep government bond yields low for highly-indebted countries. On the other hand, the ECB also approved its new Transmission Protection Instrument (TPI) to ensure continuity with the former PEPP and help stabilise government bond secondary markets. Due to the impact of Russia's invasion of Ukraine and the need to continue providing public support to the economy, the Stability and Growth Pact has been suspended until the end of 2023.

Confidence and leading indicators

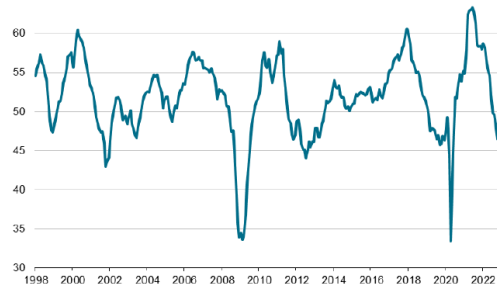
ECONOMIC SENTIMENT INDICATOR (ESI), EU
(long-term average=100)



After the spectacular improvement in confidence recorded in the summer of 2021 following the post-pandemic economic recovery, a downward trend due to widespread concerns over supply chain issues and inflation reached a 10-month low in July 2022 (92.6, the lowest level seen since October 2013), before showing some improvement up to March 2023 (97.4).

The latest S&P composite PMI for the euro area stood at 47.3 in March 2023, down from 48.5 in February to a four-month low. However, manufacturing production across the euro area grew marginally, recording the strongest monthly performance in factory output since May 2022. Euro area order books continued to shrink at the end of the first quarter of 2023, but a shortening in suppliers' delivery times boosted the supply of critical raw materials and components, thereby supporting greater production levels. Subsequently, eurozone manufacturers recorded a decline in average input prices during March for the first time since the pandemic in 2020.

S&P GLOBAL EUROZONE COMPOSITE PMI OUTPUT INDEX

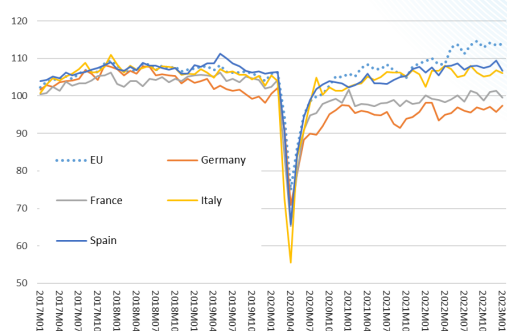


Global supply chain issues weighing on economic and industrial activity since late 2020 have continued to ease also in early 2023, as demand conditions have gone on softening due to inflationary pressures, while China has removed lockdown measures. In February 2023, the Global Supply Chain Pressure Index (GSCPI) reached its lowest level since January 2021 (0.26), after peaking to 4.3 in January 2022 and subsequently declining throughout 2022 in line with the easing of supply chain disruptions.

On a quarterly basis, EU industrial production bounced back significantly since the pandemic, scoring year-on-year growth for ten consecutive quarters. Despite the continued impact of the war and energy crisis, industrial production increased in the fourth quarter of 2022 (+3.1% in the EU compared to +4.5% in the preceding quarter). In Germany, industrial production dropped (-0.4%, after +2% in the third quarter) due to the effects of ongoing disruptions on its automotive sector. Industrial output continued to rise in some other major euro area economies such as France (+2.3%, after +2.2%, in the third quarter) and Spain (+1.3%, after +3% in the third quarter), but dropped in Italy (-0.7%, after +0.3% in the preceding quarter).

The latest available monthly data (up to January 2023) show that industrial output volumes in the EU – albeit with national disparities – have recovered from the exceptional losses due to the pandemic, but they still remain below the all-time highs recorded in 2017. In particular, industrial output has recovered up to pre-pandemic levels in Italy and Spain but not in France and, to an even larger extent, in Germany. Industrial output has been impacted by global supply chain disruptions already before Russia’s war in Ukraine. In January 2023, industrial production grew (+4.1%) in the EU but abruptly fell in Germany and France (both -0.7%), while it rose in Italy and Spain (+3.6% and +0.5% respectively). Industrial output is likely to be impacted also during the first two quarters of 2023 as a result of the uncertainty linked to the war in Ukraine and energy prices. As a consequence, industrial output showed resilience in 2022 (+1.3% growth). EUROFER foresees a slight contraction in 2023 (-0.1%) as a result of continued downside factors (high energy prices, war-related uncertainty and disruptions), followed by a rebound (+3%, revised downwards from +3.5%) in 2024.

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



Other economic fundamentals

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

The EU unemployment rate, which had remained around late-2019 levels, peaked at 7.8% in September 2020 to constantly ease to 6% in October 2022. It has remained unchanged up to February 2023, as the labour market proved quite resilient and reacted slowly to the deterioration of the macroeconomic environment. However, unemployment levels have continued to conceal considerable differences across member states (e.g., still at 12.8% in Spain) as well as economic sectors. Consumers have been suffering from substantial decreases in their disposable income due to inflation rates at their 30-year highs. This dynamic has slashed consumption growth and is likely to aggravate further. Domestic demand in the EU economies, and private consumption in particular, is expected to provide a very modest contribution to GDP growth in 2023, due to persistently high inflation that reduces household disposable income.

Despite government support and increased social expenditure to mitigate the impact of the pandemic first and then the energy crisis for households and industries, uncertainty will continue to weigh down on consumer confidence at least until the second half of 2023, as a consequence of the conflict in Ukraine. In this scenario, persistently high energy prices – coupled with accelerating inflation – are due to continue to impact household energy costs and limit considerably their purchasing power, while increasing their savings propensity.

Government investment and public expenditure are expected to continue to play a countercyclical role and could provide a strong contribution to the growth of domestic demand, although room for manoeuvre is now reduced due to the end of ECB asset purchase programme. The NextGeneration EU package will continue to be implemented (until 2026), but its most noticeable effects will only be visible from the second half 2023.

EUROFER MACROECONOMIC DATA, EU ANNUAL % CHANGE, UNLESS OTHERWISE INDICATED

	2020	2021	2022	2023	2024
GDP	-5.9	5.3	3.4	0.6	1.5
Private consumption	-7.3	3.9	4.3	0.5	1.9
Government consumption	0.6	4.2	1.3	1.2	0.4
Investment	-6.0	6.4	3.2	0.5	2.0
Investment in mach. equip.	-10.2	7.8	3.0	-0.2	2.7
Investment in construction	-4.7	6.6	2.6	-0.4	1.4
Exports	-10.1	10.8	6.7	2.6	3.5
Imports	-9.1	10.7	7.1	2.5	3.6
Unemployment rate (level)	8.1	7.8	6.9	7.1	7.0
Inflation	0.5	2.5	8.0	5.7	2.0
Industrial production	-8.1	7.7	1.3	0.1	3.0

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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