ECONOMIC REPORT

Economic and steel market outlook 2023-2024

Fourth quarter report
Data up to, and including, second quarter 2023

October 2023

EUROFER
THE EUROPEAN STEEL ASSOCIATION

Introduction

The severe consequences of the war in Ukraine and the deteriorating overall economic outlook continue to take their toll on apparent steel consumption in 2023. After a significant recession (-7.2%) in 2022, persistent downside factors such as ongoing conflicts, uncertainty surrounding energy prices and high inflation, combined with a worsened economic outlook, are set to negatively impact again apparent steel consumption in 2023, for which the forecast indicates a more pronounced contraction (-5.2%) compared to the previous outlook (-3%). This would mark the fourth annual recession in the last five years. In 2024, conditional on more favourable developments in the industrial outlook and increased steel demand, apparent steel consumption is projected to recover at a faster rate (+7.6%, up from the former estimate of +6.2%).

The overall evolution of steel demand remains subject to very high uncertainty. Quarterly improvements in apparent steel consumption are not expected before the fourth quarter of 2023.

EU steel market overview

In the second quarter of 2023, apparent steel consumption dropped for the fifth consecutive quarter (-7.6%), after shrinking in the preceding quarter (-11.3%). The total volume reached 35.6 million tonnes, showing improvement compared to the first quarter of 2023, but still falling short of levels seen in 2021 and the first half of 2022. The current downturn in EU apparent steel consumption began in the second quarter of 2022, due to war-related disruptions, unprecedented rises in energy prices, production costs and inflation, all amid growing economic uncertainty. Demand conditions have significantly worsened in the latter half of 2022, and this negative cycle is expected to continue at least until the third quarter of 2023 included, driven by ongoing economic uncertainty resulting from high inflation.

Domestic deliveries have continued to mirror weak demand in the second quarter of 2023, declining (-6.5%) for the fifth consecutive time but at a slightly more pronounced pace than in the first quarter (-6.2%). In 2021, deliveries had rebounded significantly (+11.9%), after the sharp drop in 2020 (-9.6%) and the already negative performance in 2019 (-4.2%). As a result of the unfavourable developments in the last two quarters of the year, in 2022 domestic deliveries markedly dropped (-7.9%).

In line with the continued deterioration in steel demand, imports into the EU including semi-finished products similarly shrank in the second quarter of 2023 (-10.2%), albeit at a slower pace than in the preceding quarter (-26.6%). However, it is essential to note that the recent drops in imports are primarily a reflection of weak demand conditions. Therefore, the share of imports out of apparent consumption has remained considerably high in historical terms, even in the second quarter of 2023 (28%).

EU steel-using sectors

Despite Russia's invasion of Ukraine and above-average energy prices, EU steel-using sector's output continued to grow up to the second quarter of 2023, displaying unexpected resilience. The Steel Weighted Industrial Production index (SWIP) increased further (+0.8%, following +2.6% in the first quarter of 2023).

The more-than-expected positive trend in all sectors' output in the second quarter of 2023 was a combination of continued, favourable developments in the automotive, mechanical engineering and transport sectors on one hand, and a decrease in domestic appliances, tubes and metalware output on the other. The construction sector, as anticipated, entered recession and recorded its third consecutive quarterly decline (-2.5%, after +0.5%). The recessionary trend is expected to persist. The overall positive trend in SWIP started after the pandemic had continued so far in spite of soaring energy prices impacting production costs, component shortages and lower output that took their toll on total production activity in steel-using sectors in the second half of 2022.

The deterioration of the economic and industrial outlook in the EU – especially due to high inflation and the subsequent interest rate hike by the European Central Bank (ECB) – has had a limited impact on steel-using sectors' output so far. The construction sector, which accounts for 35% of steel consumption in the EU, is the only significant exception.

The ongoing economic uncertainty is set to continue affecting growth over the upcoming quarters. Despite EU industry having weathered the toughest quarters on record (Q4 2022 and Q1 2023), the remainder of 2023 appears to be characterised by a combination of uncertainties in energy prices, weak demand, inflation and economic challenges driven by high interest rates.

While output grew more than expected (+3%) in 2022, the SWIP index for 2023 is forecasted to slow down more significantly than expected (+0.6%, previous forecast +1.3%), albeit with wide differences among individual EU economies. In 2024, steel-using sectors' growth is projected to decelerate once again (+0.4%), due to a likely downturn in the automotive sector.

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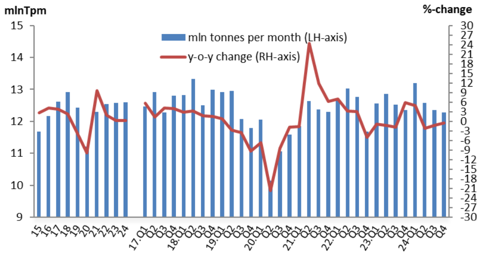
The EU steel market: supply

Real steel consumption

Real steel consumption in the second quarter of 2023

In the second quarter of 2023 real steel consumption decreased (-1.3%) again, after the contraction in the first quarter (-0.9%).

EU REAL STEEL CONSUMPTION
Forecast from Q3-2023



Real steel consumption rebounded strongly in 2021 (+9.6%, after -9.8% in 2020), continued to grow in 2022 (+2.0%, revised upwards from +0.3%) while it is expected to slow down in 2023 (+0.3%), before gaining some speed again in 2024 (+1.0%).

The two consecutive recessions of 2019 and 2020 were caused by a considerable slowdown in the activity of 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. The trend of weak demand conditions has continued in the first two quarters of 2023, given the impact of the war in Ukraine, high inflation and uncertainty on the global industrial outlook and energy prices.

Real steel consumption increased in 2022 (+2%) and is projected to continue to do so only marginally both in 2023 (+0.3%) and in 2024 (+0.2%). The expected improvement in the industrial outlook and steel demand aligns with SWIP developments (see page 12).

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	2.0	0.9	-1.3	-1.9	5.8	0.3	5.0	-2.3	-1.3	-0.6	0.2

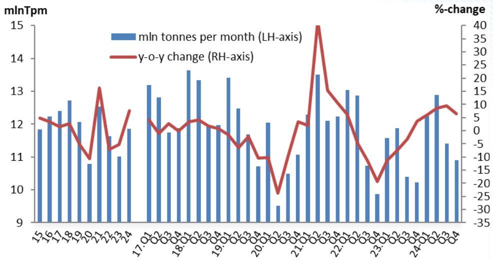
Apparent steel consumption

Apparent steel consumption in the second quarter of 2023

In the second quarter of 2023, apparent steel consumption dropped for the fifth consecutive quarter (-7.6%), after shrinking in the preceding quarter (-11.3%). The total volume reached 35.6 million tonnes, marking an improvement compared to the first quarter of 2023. However, volumes remained rather low compared to 2021 and the first half of 2022.

The current downturn in EU apparent steel consumption began in the second quarter of 2022, due to war-related disruptions, unprecedented rises in energy prices and production costs. Demand conditions have been worsening considerably during the second half of 2022, and this negative cycle is expected to continue at least until the third quarter of 2023 included, as a result of growing economic uncertainty driven by high inflation.

EU APPARENT STEEL CONSUMPTION
Forecast from Q3-2023



In 2021, apparent steel consumption had rebounded (+16.3%) after plummeting dramatically due to the pandemic in 2020 (-10.7%). However, the severe 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 recession (-7.2%) in 2022, due to quarterly drops in the second, third and fourth quarters of the year. These protracted downside factors are set to impact again apparent steel consumption in 2023, in a more pronounced way than expected (-5.2%, previous outlook -3%). This would represent the fourth annual recession in the last five years. In 2024, conditional on more favourable developments in the industrial outlook and improvement in steel demand, apparent steel consumption is set to recover at a faster rate (+7.6%, former estimate +6.2%).

The overall evolution of steel demand remains subject to very high uncertainty. Quarterly improvements in apparent steel consumption are anticipated to start only from the fourth quarter of 2023.

EU domestic and foreign supply

In the second quarter of 2023, domestic deliveries continued to mirror weak demand and decreased (-6.5%) for the fifth consecutive time, at a slightly more pronounced pace than in the first quarter (-6.2%). In 2021, deliveries had rebounded significantly (+11.9%), after the sharp drop in 2020 (-9.6%) and the already negative performance in 2019 (-4.2%). As a result of the unfavourable developments in the last two quarters of the year, in 2022 domestic deliveries markedly dropped (-7.9%).

In line with the continued deterioration in steel demand, imports into the EU including semi-finished products also shrank in the second quarter of 2023 (-10.2%), albeit at a slower pace than in the preceding quarter (-26.6%). However, it is worth noting that the drops in imports recorded in recent quarters essentially reflected weak demand conditions. Therefore, the share of imports out of apparent consumption has remained considerably high in historical terms, even in the second quarter of 2023 (28%).

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	132	142

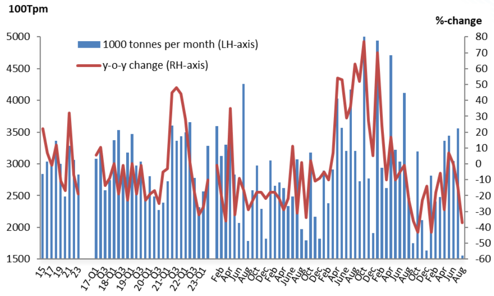
FORECAST FOR EU APPARENT STEEL CONSUMPTION - % CHANGE YEAR-ON-YEAR

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**	-11.3	-7.6	-3.2	3.6	**-5.2**	5.9	8.5	9.6	6.5	**7.6**

Imports

During the second quarter of 2023, total steel imports (including semis) into the EU decreased (-10% year-on-year), following the drop already seen in the first quarter (-27%). During the first eight months of 2023, imports of all steel products similarly fell (-19%) compared to the corresponding period of the previous year. In 2022, total imports fell (-7.3%) compared to 2021, when they dramatically increased (+32%).

EU TOTAL STEEL IMPORTS, FINISHED PRODUCTS



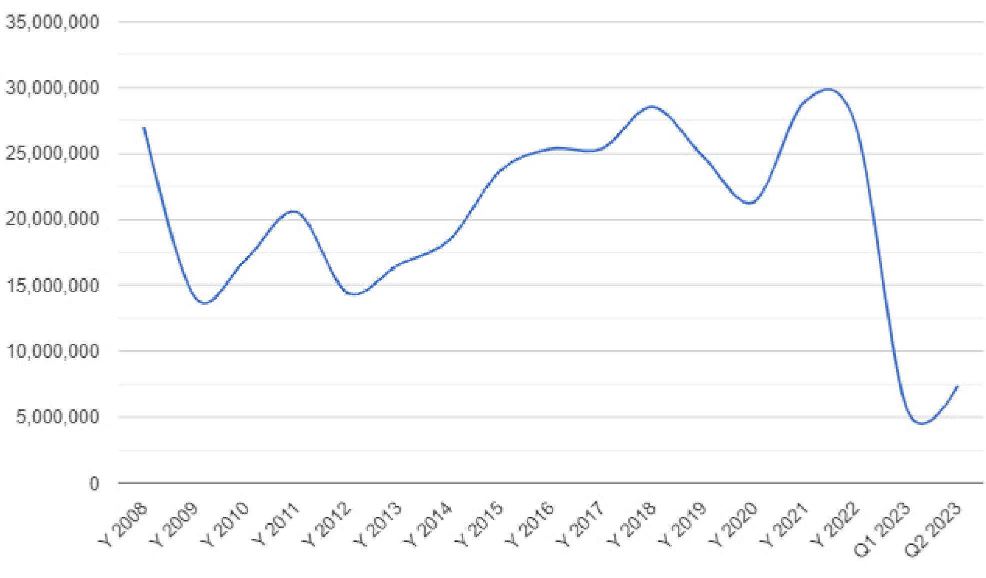
Imports of finished products also fell (-10%) in the second quarter of 2023, following a more pronounced decrease in the preceding quarter (-29%). Over the same period, imports of flat products dropped (-6%, after -33% in the first quarter of 2023), along with imports of long products (-24%, vs. -15% in the preceding quarter).

In the first eight months of 2023, imports of finished products dropped (-19% year-on-year), and so did imports of both flat and long products (-17% and -24%, respectively).

In 2022, imports of finished products decreased overall (-5%). Specifically, imports of flat products fell (-9%), whereas imports of long products increased (+10%).

Imports have displayed consistent volatility throughout 2023, mirroring the fluctuations seen in the three preceding years. 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 and until the second quarter of 2023, albeit continuing to show volatility. However, over the entire year 2022, imports remained at elevated historical levels, resulting in very high import shares out of apparent consumption (28%), as well as in a widening trade deficit vis-à-vis third countries.

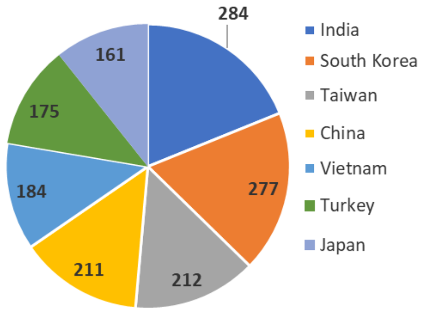
TOTAL IMPORTS FROM THIRD COUNTRIES, FINISHED STEEL PRODUCTS
2008-2023



Imports by country of origin

In the first eight months of 2023, the main countries of origin for finished steel imports into the EU market were, in descending order: India, South Korea, Taiwan, China, Vietnam, Turkey and Japan. The top 5 exporting countries in the first eight months of 2023 together represented 52% of total EU finished steel imports. India has taken over the role of leading exporting country to the EU (with a share of 12.6%), closely followed by South Korea (12.3%), then Taiwan and China (9.4% each), and Vietnam (8.1%). Turkey now only holds the sixth-largest share (7.8%), whereas it used to be the largest exporter to the EU until the fourth quarter of 2022.

EU FINISHED STEEL IMPORTS BY COUNTRY
8M-2023, monthly '000 metric tonnes



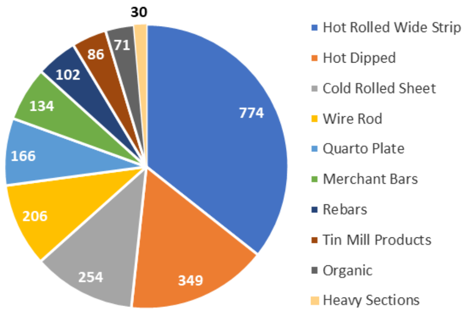
Over the first eight months of 2023, imports from major exporting countries continued to show diverging developments: imports of finished products from Turkey, China and India plunged (-59%, -11% and -3%, respectively), whereas imports from Japan, Vietnam, Taiwan and South Korea increased (+28%, +15%, +9% and +3%, respectively).

Imports by product category

According to customs data, imports of both flat and long products into the EU market decreased (-17% and -24%, respectively) in the first eight months of 2023. The share of long products out of total finished steel product imports was 21%. Overall, imports of finished products also dropped (-19%).

Within the flat product market segment, imports of all flat products decreased during the first eight months of 2023 compared to the same period in 2022. In particular, cold-rolled sheet dropped markedly (-32%), as well as hot dipped (-32%), coated sheet (-34%), organic (-39%) and, to a lesser extent, hot-rolled wide strip (-2%). The only exception was imports of quarto plate, which increased (+3%).

EU FINISHED STEEL IMPORTS BY PRODUCT
8M-2023, monthly '000 metric tonnes

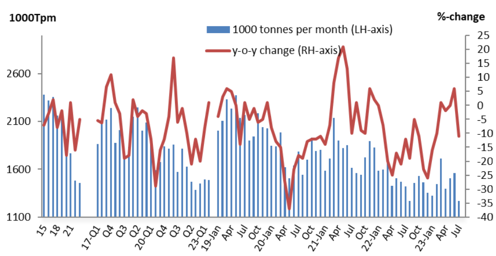


Regarding long products, imports during the first eight months of 2023 showed positive developments only for heavy sections (+10%). In contrast, imports of rebars, wire rod, and merchant bars all declined (-35%, -25%, and -22%, respectively).

Exports

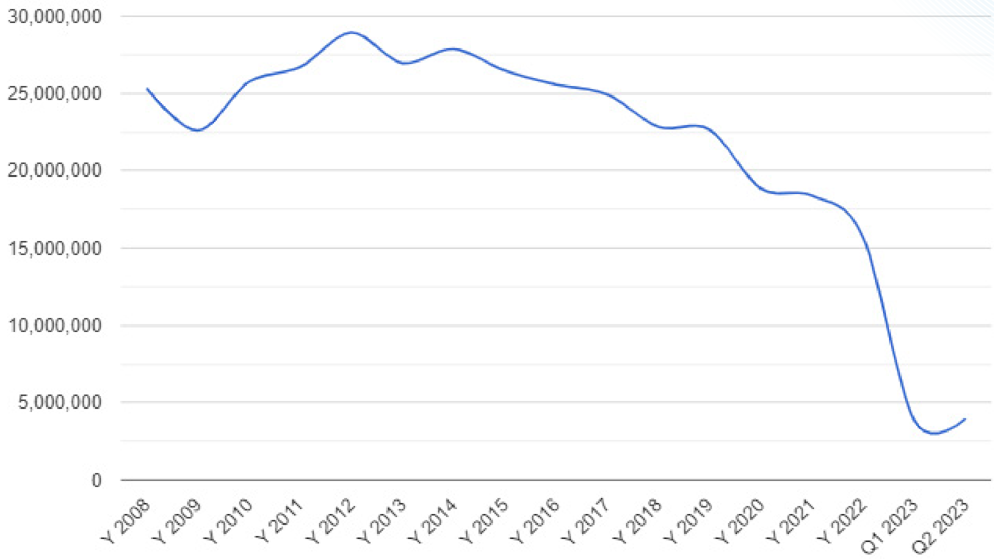
In the second quarter of 2023 total EU exports of steel products to third countries marginally increased (+1%, after -8% in the preceding quarter). Similarly, exports of finished steel products rose (+1%, after -11%), and so did exports of long products (+11%, after -6%). On the contrary, exports of flat products dropped (-4%, after -13%). During the first eight months of 2023, total exports declined (-5%), as well as exports of finished products (-6%) and flat products (-11%), whereas exports of long products increased (+3%).

EU TOTAL STEEL EXPORTS



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

EU TOTAL STEEL EXPORTS – FINISHED PRODUCTS
2008-2023

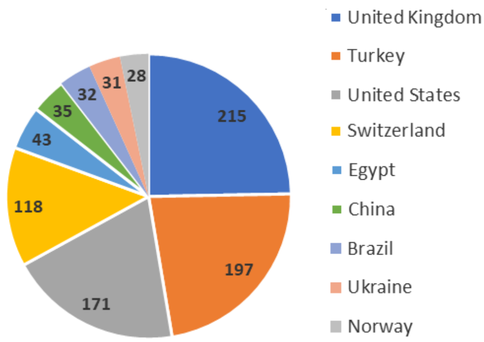


Exports by country

During the first eight months of 2023, the main destinations for EU steel exports were the United Kingdom, Turkey, the United States, Switzerland and Egypt, followed by China, Brazil, Ukraine and Norway. The first five destinations together accounted for 55% of total EU finished product exports.

Among the major export destinations, exports of finished products experienced an exceptional increase to Ukraine (+271%), due to improved trade functioning and compensating for the very low figures recorded in the same months of 2022 when Russia invaded Ukraine. Additionally, exports rose to Egypt (+13%), whereas they declined to Brazil (-7%), the United States (-10%), Switzerland (-19%), the United Kingdom (-9%), Turkey (-9%), Norway (-26%) and China (-28%).

EU FINISHED STEEL EXPORTS BY DESTINATION
8M-2023, monthly '000s metric tonnes



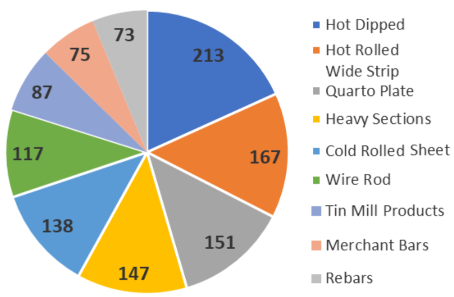
Exports by product category

During the second quarter of 2023, flat product exports marginally increased (+1%), as well as long product exports (+11%), whereas flat product exports decreased (-4%). Overall, exports of finished products slightly increased (+1%).

In the first eight months of 2023, exports of finished products declined (-6%) and so did exports of flat (-11%), while exports of long products increased (+3%).

During the same period, flat products accounted for 65% of finished product exports overall.

EU FINISHED STEEL EXPORTS BY PRODUCT
8M-2023, monthly '000s metric tonnes



In 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 first eight months of 2023, exports of all individual flat products decreased compared to the same period of the previous year. In particular, hot rolled wide strip and organic exports recorded the most severe drops (-24% and -21%, respectively), followed by tin mill products (-12%) and quarto plate (-10%). The only exception were exports of cold rolled sheet, which increased (+3%), while exports of hot dipped remained unchanged.

Trade balance

In the second quarter of 2023, the EU's total steel product trade deficit (finished plus semis) further deepened and reached 1.8 million tonnes per month (1,795 kilotonnes), compared to 1.1 million tonnes recorded in the first quarter of 2023. In the first eight months of 2023, the total trade deficit amounted to 1.6 million tonnes (1,557 kilotonnes). In 2022, the total trade deficit also reached 1.6 million tonnes per month (1,579 kilotonnes) compared to 1.5 million tonnes (1,517 kilotonnes) in 2021.

As for finished products, the trade deficit of the second quarter of 2023 was 1.2 million tonnes (1,165 kilotonnes) per month, more than doubling the 580 kilotonnes recorded in the first quarter. In the first eight months of 2023, trade deficit for finished products stood at 1 million tonnes (1,011 kilotonnes) per month. In 2022, the deficit of finished products amounted to 1 million tonnes per month (1,017 kilotonnes), compared to 907 kilotonnes in 2021.

In the second quarter of 2023, both flat and long products recorded a deficit, amounting to 1.2 million tonnes per month (1,158 kilotonnes, after 510 kilotonnes in the preceding quarter) and 7 kilotonnes per month (70 kilotonnes in the preceding quarter), respectively. During the first eight months of 2023, trade deficits for flat and long products amounted to 983 and 28 kilotonnes per month respectively.

The largest trade deficits for finished products with individual trade partners during the first eight months of 2023 were with South Korea (278 kilotonnes per month), India (270 kilotonnes), Taiwan (222 kilotonnes), Vietnam (197 kilotonnes), China (186 kilotonnes), and Japan (175 kilotonnes).

The major destination countries for EU finished steel exports with a finished product trade surplus during the first eight months of 2023 were the United States (167 kilotonnes per month), Switzerland (81 kilotonnes), the United Kingdom (97 kilotonnes) and Turkey (24 kilotonnes).

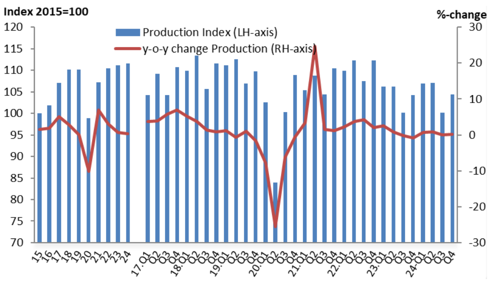
The EU steel market: final use

Outlook for steel-using sectors

Total steel-using sector activity in the second quarter of 2023

Despite Russia's invasion of Ukraine and above-average energy prices, EU steel-using sector's output has continued to grow up to the second quarter of 2023, showing unexpected resilience. The Steel Weighted Industrial Production index (SWIP) increased further (+0.8%, following +2.6% in the first quarter of 2023).

EU STEEL USING SECTORS
Production Activity - forecast from Q3-2023



The more-than-expected positive trend in all sectors' output in the second quarter of 2023 was a combination of continued, favourable developments in the automotive, mechanical engineering and transport sectors on one hand, and a drop in domestic appliances, tubes and metalware output on the other. The construction sector entered recession as expected and saw its third consecutive quarterly drop (-2.5%, after +0.5%). The recessionary trend is expected to continue. The overall positive trend in SWIP started after the pandemic had continued so far in spite of soaring energy prices impacting production costs, component shortages and lower output that took their toll on total production activity in steel-using sectors in the second half of 2022. The deterioration of the overall economic and industrial outlook in the EU – particularly due to high inflation and the subsequent interest rate hike by the ECB - have so far impacted steel-using sectors' output to a limited extent. the only significant exception is the construction sector, which accounts for 35% of steel consumption in the EU.

The ongoing economic uncertainty is set to continue taking its toll on growth also over the upcoming 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 rest of 2023 is characterised by a combination of uncertainty in energy prices, weak demand, as well as inflation and interest rate-driven economic challenges.

Total steel-using sectors forecast 2023-2024

A more pronounced than expected slowdown of steel-using sectors' output is forecasted in 2023 (+0.6%, previous outlook +1.3%), albeit with wide differences among individual European economies. In 2024, steel-using sectors' output growth are projected to decelerate once again (+0.4%), due to a likely downturn in automotive. Total steel-using sectors' output grew more than expected (+3%) in 2022, following the rebound in 2021 (+6.9%) after the sharp decline recorded in 2020 (-10.1%) due to the impact of COVID-19.

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**	-0.5	-2.5	-1.0	-2.7	**-1.7**	-0.6	-0.1	-0.4	1.7	**0.2**
Mechanical engineering	14	**8.0**	4.7	0.8	-0.1	-3.3	**0.5**	-0.6	-0.4	1.6	2.7	**0.8**
Automotive	18	**3.3**	14.8	9.5	3.4	0.8	**7.0**	-5.5	-4.4	-6.1	-2.6	**-4.6**
Domestic appliances	3	**-4.6**	-4.4	-2.8	-4.5	0.9	**-2.7**	1.6	3.6	2.1	2.9	**2.5**
Other Transport	2	**6.9**	4.3	3.7	4.9	3.2	**4.0**	-4.6	7.6	-2.8	3.7	**0.8**
Tubes	13	**1.4**	-3.4	-9.5	-2.5	-1.4	**-4.4**	-0.2	0.3	1.1	3.2	**1.1**
Metal goods	14	**3.0**	-3.4	-5.5	0.3	-1.1	**-2.5**	-0.8	2.0	1.0	2.9	**1.3**
Miscellaneous	2	**4.8**	-0.2	-5.8	0.8	1.0	**-1.1**	1.8	2.1	-3.5	0.1	**0.1**
TOTAL	100	**3.0**	2.6	0.8	-0.2	-0.8	**0.6**	0.7	0.8	0.0	0.1	**0.4**

Construction industry

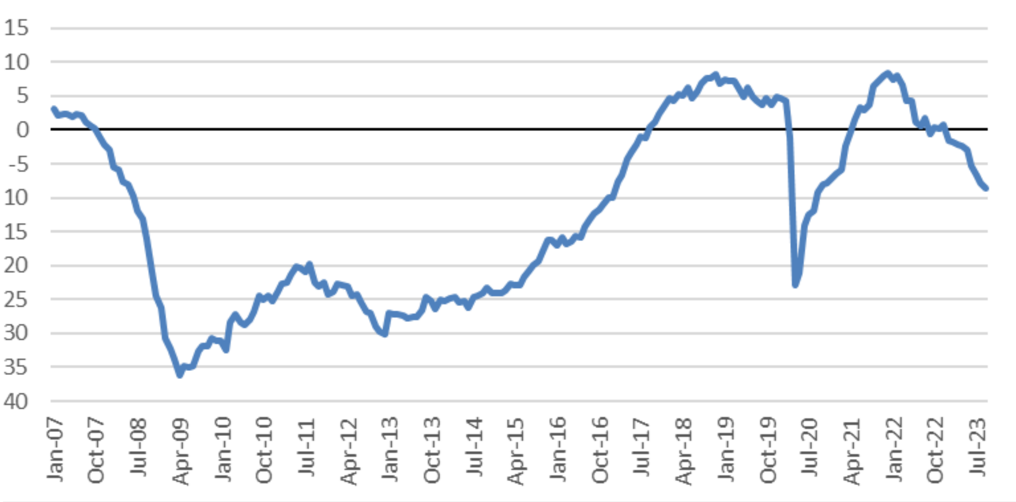
Construction industry activity in the second quarter of 2023

The increase in construction material prices, coupled with labour shortages in certain EU countries, growing economic uncertainty and the inflation-led expectation of higher interest rates (which the ECB started to raise in the summer of 2022) has finally impacted the positive trend in construction output observed since the fourth quarter of 2020 (eight consecutive quarters of growth). The downturn commenced in the fourth quarter of 2022 (-0.2%) and has continued since (-0.5% and -2.5% in the first two quarters of 2023, respectively). This negative trend is expected to persist, extending up to H2 2024, mainly due to the impact of continued monetary policy tightening via higher mortgage rates on housing demand.

The European construction sector had experienced a vigorous rebound in 2021 (+6.7%), largely boosted by generous governmental support schemes at EU and national level benefitting the private residential and civil engineering sub-sectors, after the decline in 2020 (-4.8%) due to the pandemic.

In line with real production volumes, the recession in the sector has been confirmed also by the latest quarterly

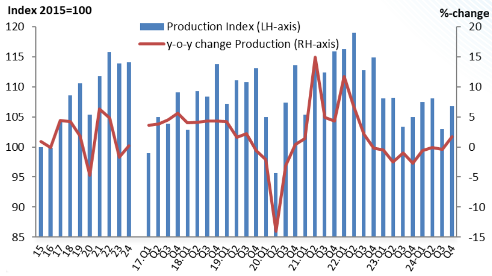
CONSTRUCTION CONFIDENCE INDICATOR
BALANCE OF POSITIVE AND NEGATIVE ANSWERS



developments in investment in construction, which recorded a drop both in the first and in the second quarter of 2023 (-0.7% and -1.2% on a yearly basis, respectively).

EU CONSTRUCTION SECTOR

Production Activity - forecast from Q3-2023



As expected, residential investment dropped for the third consecutive quarter, hit by rising mortgage interest rates (-3.6% in the second quarter of 2023, after -3% in the preceding quarter), resulting from monetary policy tightening by the ECB to curb inflation. Conversely, more positive developments were seen in 'other construction' investment (+1.3%, after +1.6% in the preceding quarter), particularly in civil engineering, that have proven resilient in the current construction downturn but could not offset the fall in residential investment. Its expansion is projected to continue during 2024, but at a much slower pace due to lower public expenditure in construction. 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, including the shortage of construction materials as well as their rising prices, as well as reduced fiscal room for construction spending in EU countries.

Construction industry analysis forecast for 2023-2024

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 (September 2023). While overall construction activity is expected to continue benefitting – albeit to a limited extent - from governmental housing support and public construction schemes, their impact is expected to significantly decrease in 2024.

Looking at construction sub-sectors, rise in interest rates – as a consequence of policy rate hikes by the ECB and other central banks – has already impacted 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.

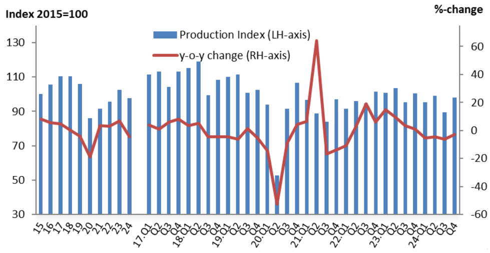
As a result, the construction sector is expected to undergo a mild recession in 2023 (-1.7%, revised downwards from -0.5%) and a marginal recovery (+0.2%) in 2024.

Automotive industry

Automotive activity in the second quarter of 2023

In the second quarter of 2023, the automotive sector's output increased for the fifth consecutive time (+9.5%, following +14.8% in the previous quarter). This ongoing rebound is partly due to the comparison with the very low output volumes seen one year earlier.

EU AUTOMOTIVE SECTOR
Production Activity - forecast from Q3-2023



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 due to ongoing consumer uncertainty and low confidence. 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).

However, consumer resilience – despite subdued disposable income growth and uncertainty over EV implementation – has somewhat fuelled demand in the last three quarters, leading to a rebound in sector's output since the second half of 2022.

EU passenger car vehicle demand

Ongoing supply chain issues 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 and demand from consumers throughout 2022. However, demand has shown constant improvement during 2023, driven by easing energy prices, and resulting in a rebound of consumer demand. As a result, in August 2023 the EU car market expanded (+21%), reaching 787,626 sold passenger cars. This marks the thirteenth consecutive month of growth. Despite August typically being a slower month for car sales, double-digit gains indicate that the EU market is rebounding from last year's component shortages.

It is also worth noting that In August 2023, the market share of battery-electric cars exceeded 20% for the first time (up from 11.6% in August 2022), overtaking diesel for the second time this year and becoming the third-most-popular choice for new car buyers. Hybrid-electric cars held their position as buyers' second choice, with a 24% market share. While petrol cars are still the most popular choice, their market share decreased to 32.7% from 38.7% in August 2022.

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. In 2022, the sector experienced almost the same growth (+3.4%), mostly due to the very low output levels seen for several quarters since 2021. In 2023, despite the overall subdued investment outlook, automotive output is expected to rebound more robustly (+7%, revised upwards from +6.4%). However, output levels will remain relatively low in historical terms, far below the levels seen in 2018 and 2019, and the sector is projected to experience another drop in output in 2024 (-4.6%).

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. However, demand has shown resilience. 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 - where the IRA is expected to boost production of EV in the US -, China and Turkey will remain a key factor for EU car exporters. 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.

Mechanical engineering

Mechanical engineering activity in the second quarter of 2023

In the second quarter of 2023, output in the mechanical engineering sector continued to grow (+0.8%), recording the tenth consecutive quarterly increase (+4.7% in the preceding quarter). Driven by the post-COVID industrial recovery, the rebound brought output back to absolute high levels, even above those recorded before 2019.

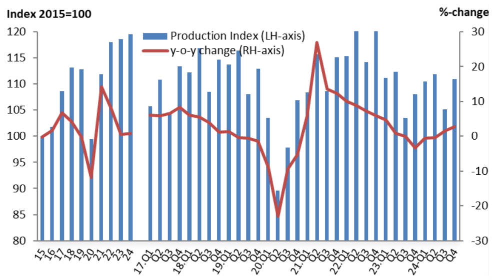
However, the sector's output growth remains exposed to continued downside risks, including the disruptive impact of Russia's invasion of Ukraine and the quick deterioration of the economic and industrial outlook in early 2023. While the latter has not yet been fully reflected in mechanical engineering's output, its growth is expected to shrink both in the third and fourth quarter of 2023. The sector is expected to return to positive territory only in the second half of 2024.

Mechanical engineering forecast 2023-2024

Mechanical engineering output is expected to experience only a very moderate growth in 2023 (+0.5%, revised downwards from +1%). This is due to the continued weakness of the overall manufacturing sector and inflation-led economic uncertainty. 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 (+0.8%).

By contrast, in 2022 the sector grew robustly (+8%) despite the impact of war-related disruptions and a severe energy shock, following a robust rebound (+14.3%) in 2021 after the sharp decline (-11.8%) in 2020 due to the pandemic. Mechanical engineering output had already experienced a small drop (-0.1%) in 2019, due to global trade tensions and a downturn in the manufacturing sectors.

EU MECHANICAL ENGINEERING
Production Activity - forecast from Q3-2023



Steel tube industry

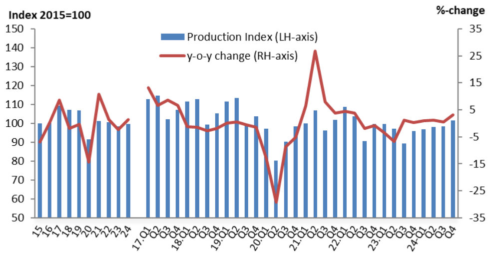
Steel tube industry activity in the second quarter of 2023

In the second quarter of 2023, output in the steel tube sector contracted for the fourth consecutive quarter (-9.5%, after -3.5%). The positive trend in the sector, which had persisted for six quarters, was abruptly interrupted by war-related disruptions and supply chain issues in the second half of 2022. The energy crisis has also considerably affected the sector, including for pipeline project developments in the EU.

Steel tube industry forecast 2023-2024

In 2023, output in the EU steel tube sector is expected to experience a sharper-than-expected drop (-4.4%, revised downwards from -2.4%), followed by a moderate recovery (+1.1%) in 2024. In 2022 the sector's output grew moderately (+1.4%), after a marked rebound in 2021 (+11.1%).

EU STEEL TUBE SECTOR
Production Activity - forecast from Q3-2023



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.

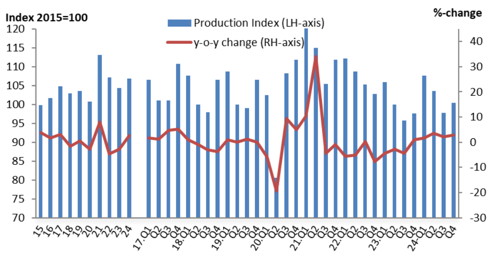
On one hand, global oil demand is not expected to boost the launch or the implementation of new pipelines in the short-term, due to high geopolitical uncertainty and a poor global economic outlook. Oil demand is likely to ease over the rest of 2023 and in 2024 also in the EU. On the other hand, demand 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 stronger.

Electrical domestic appliances industry

Electrical domestic appliances industry activity in the second quarter of 2023

In the second quarter of 2023, the electrical domestic appliances sector experienced the third consecutive marked decline in output (-2.8%, after -4.4%). 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.

ELECTRICAL DOMESTIC APPLIANCE SECTOR
Production Activity - forecast from Q3-2023



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, the war in Ukraine and the recent deterioration in the EU industrial outlook over the first half of 2023.

On an annual basis, in 2020 output fell more moderately (-2.7%) compared to other EU steel-using sectors and rebounded (+8.1%) 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 the first quarter of 2023. This trend is expected to continue at least until the third quarter of 2023 included.

Electrical domestic appliances industry forecast 2023-2024

Output in the domestic appliances sector dropped less than expected in 2022 (-4.6%) and is projected to experience another moderate recession in 2023 (-2.7%, revised downwards from -2.1%), before recovering in 2024 (+2.5%). Growth is expected to remain negative until the third quarter of 2023 due to the prolonged weakness of the manufacturing sectors and subdued economic outlook 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

Despite the impact of Russia's war in Ukraine, rising energy and commodity prices coupled with very high inflationary pressures, real GDP growth in the EU for 2022 reached +3.5% (previously estimated at +3.3%). EUROFER's GDP forecasts for the EU in 2023 have been marginally revised downwards compared to the previous outlook (+0.6% vs. +0.7%; +0.8% according to the latest European Commission forecast released in September 2023). However, overall economic uncertainty still lingers for 2024, resulting in EUROFER's GDP growth forecast of +1.1% (+1.4% according to the Commission). Thanks to the higher-than-expected resilience of the economy and a positive, albeit declining, contribution from the services sector, the EU is set to avoid an economic recession also in 2023. Yet, the growth outlook remains critical, mainly due to the impact of inflation still at historically high levels and monetary policy tightening (the ECB policy rate was raised to 4.50%, its highest level on record). Looking ahead to 2024, EU economic growth is expected to gain some ground, but downside risks remain. Among them, the continued war in Ukraine, persistently high inflation and interest rates and, lastly, additional geopolitical tensions in the Middle East linked to the Israeli-Palestinian conflict, which are likely to weigh further on economic confidence and on energy prices.

The impact of these downside factors is set to be asymmetrical across EU individual economies. Germany is projected to experience a moderate recession in 2023 (-0.5%), before a very modest recovery (+0.3%) in 2024. Sweden is also expected to face recession (-0.6%) in 2023 and a subsequent recovery in 2024 (+1%). For France and Italy, the forecasts predict real GDP growth in 2023 (both +0.8%) and in 2024 (+0.6% and +1%, respectively), while Spain is expected to have a more sustained growth both in 2023 (+2.1%) and in 2024 (+1.7%).

The latest IMF World Economic Outlook (October 2023) forecasts global GDP growth of +3.5% in 2023 and +2.9% in 2024, with +0.7% and +1.2% in the euro area for 2023 and 2024, respectively. For Germany, the IMF projects -0.5% in 2023 and +0.9% in 2024. The OECD, in its latest Outlook (September 2023), estimates euro area GDP growth to be +0.6% in 2023 and +1.1% in 2024, while predicting for Germany a slightly milder recession (-0.2%) in 2023 and growth (+0.9%) in 2024.

The effects of monetary tightening on the industry and the economy have not been fully realised yet, as they often have a lag. Expectations are that high interest rates will persist, as inflation is projected to remain above the 2% target (3.2% according to the European Commission in 2024), which will have a dampening effect on economic growth expectations.

Throughout 2023, domestic demand, particularly private consumption, has been providing very modest contribution to GDP growth, given persistently high inflation that reduces household disposable income. This has been partially offset by the significant amount of savings that households were able to cumulate during the pandemic. Services are expected to continue to provide the primary contribution to GDP growth, while manufacturing is expected to remain weak, contrary to the post-pandemic rebound experienced in 2021 and up to the first quarter of 2022.

In the second quarter of 2023, the EU economy recorded flat developments after marginal growth in the preceding quarter (+0.2%) following a drop of -0.1% in the fourth quarter of 2022. Germany experienced technical recession (i.e., two consecutive quarter-on-quarter drops) between the fourth quarter of 2022 and the first quarter of 2023 (-0.4% and -0.1%, respectively), before recording zero growth in the second quarter. On a year-on-year basis, the EU's real GDP continued to grow, albeit at a slower pace (+0.4% in the second quarter of 2023, following +1.1% in the first quarter).

Among the biggest EU economies, in the second quarter of 2023 Germany paid the highest toll to high inflation and monetary policy tightening affecting its manufacturing sector, especially the automotive industry. On the other hand, other major euro area economies performed better: both Spain and France achieved positive GDP growth (+0.5% each; +2.2% and +1% year-on-year). By contrast, Italy, whose manufacturing sector is deeply integrated with the German one, saw a deterioration of the economic environment, as real GDP dropped (-0.4%) quarter-on-quarter, while growing (+0.4%) year-on-year. In line with the latest leading indicators, which continue to signal weakness in the manufacturing sector (see confidence indicators on page 20), it appears very unlikely that EU economies will see growth gaining speed over the last quarter of 2023 and in early 2024. Although GDP data for the fourth quarter of 2022 and the first quarter of 2023 have marked the trough of the current cycle, the economic outlook remains very uncertain with a fragile growth conditional upon several downside factors.

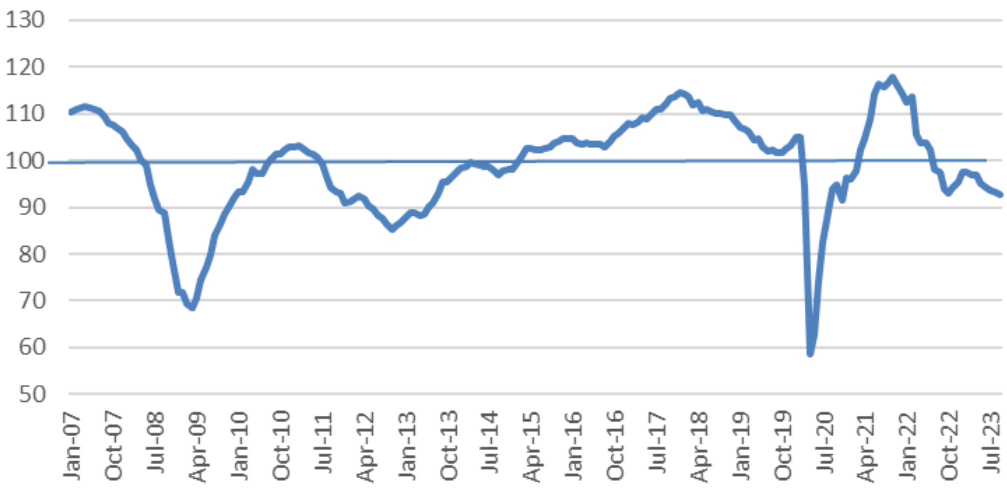
Energy prices have once again become a source of concern in recent weeks, after the sharp decrease seen from H2 2022 and the decline of the TTF Natural Gas Price Index from its peak of 342 EUR per MW/h in August 2022 - which was 20 times the average value observed in 2021. The reasons behind these developments include a lower gas demand outlook due to the economic slowdown, a mild winter, the EU's price cap, and the successful transition from Russian pipeline gas to shipborne liquefied natural gas (LNG) from other suppliers. However, natural gas prices have risen again in recent weeks to 52 MW/h. Additionally, the recent turmoil in the Middle East and ongoing geopolitical tensions are supportive of potential future increases in oil prices despite expectations of global low demand, which will could impede economic growth.

Inflation, at first perceived as temporary, has become a primary concern and reached highs unseen since 1985 in the EU, peaking at 11.5% in the EU in October 2022. Data from August 2023 (5.9%) confirm that inflation has been easing considerably since then. However, there are still significant differences across EU Member States: in September 2023, in Spain the inflation rate regained speed (3.2%) after reaching a low of 1.6% in June, while it was above 7% in Croatia and Slovenia. Among biggest euro area economies, inflation was at 4.3% in Germany, 5.6% in France and 5.7% in Italy. Although energy prices have decreased considerably (from 41% in June 2022 to -0.3% in May 2023), core inflation has increased from 5% in October 2022 to 5.3% in August 2023. This points to the fact that inflationary developments seem to be driven more by endogenous factors than by external shocks. Prices are expected to overall cool off in 2023 and 2024 (6.5% and 3.2% according to the European Commission). EUROFER foresees an inflation rate of 5.9% in 2023, further decreasing to 2.5% in 2024. This means that, despite some moderation, inflation is still set to remain around historically high levels throughout 2023.

Due to the highest inflation rate over the last 35 years, central banks in advanced economies were bound to quickly reverse their hyper-expansionary monetary policy stance. The ECB has raised its policy rate from zero up to 4.50% since July 2022, with the last hike in September 2023. No further hikes are expected, but real interest rates remain 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. Despite the ongoing downside factors, the deterioration of the economic outlook and the need of continued public support to the economy, the Stability and Growth Pact –suspended until the end of 2023 – will be enforced once again from 1 January 2024.

Confidence and leading indicators

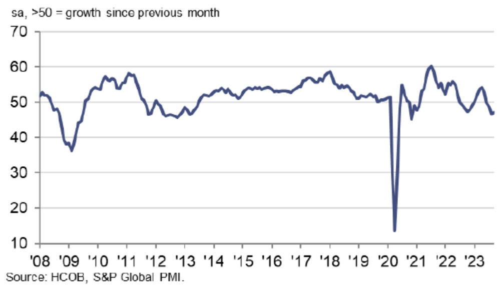
ECONOMIC SENTIMENT INDICATOR (ESI), EU
(long-term average=100)



Overall economic confidence in the EU, measured by the Economic Sentiment Indicator (ESI), has been on a downward path since early 2022 due to widespread concerns over war-related issues, high inflation and deteriorating economic outlook. It reached a 10-month low in July 2022 (92.6, the lowest level seen since October 2013). After showing some improvement up to March 2023 (97.4), confidence dropped again in June (94), and reached another significant low in September 2023 (92.8).

The seasonally adjusted HCOB Eurozone Composite PMI Output Index (a weighted average of the HCOB Manufacturing PMI Output Index and the HCOB Services PMI Business Activity Index), recorded its fourth consecutive sub-50.0 level in September 2023. It stood at 47.2, a slight increase from 46.7 in August. This indicates a further moderate contraction in business activity levels across the euro area's private sector economy. Manufacturing demand conditions remained considerably weak, and September data revealed a growing weakness also in the services sector. In fact, due to a sharper reduction in demand for services, the total order book volumes across the eurozone fell at the sharpest rate since November 2020.

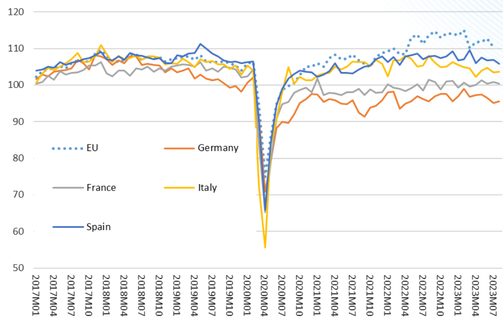
HCOB EUROZONE COMPOSITE PMI OUTPUT INDEX



In the first eight months of 2023, global supply chain issues have been easing, primarily driven by softening demand conditions due to inflationary pressures affecting consumer demand. The Global Supply Chain Pressure Index (GSCPI), which had peaked to 4.35 in July 2021 due to global supply chain disruptions, decreased to -1.57 in May 2023 (revised downwards from -1.71). This drop marked its lowest level on record. Moreover, the index has remained in negative territory up to September 2023 (-0.69).

On a quarterly basis, EU industrial production has shown a significant recovery since the pandemic, achieving year-on-year growth for eleven consecutive quarters. It has proven to be resilient throughout 2022, despite the ongoing impact of the war and energy crisis. However, manufacturing output in the EU plunged in the first two quarters of 2023, with quarter—on-quarter drops of -0.6% and -0.7% in the first and second quarters, respectively. In year-on-year terms, during the second quarter of 2023, industrial production experience a marginal drop (-0.2%). Germany's industrial production, on the other hand, grew (+1.3%, the same as in the preceding quarter), but this is mostly due to the comparison with very low output volumes observed one year earlier. Among other major euro area economies, only France experienced industrial output growth (+1.6%, following +0.6% in the first quarter), whereas manufacturing output dropped in Spain (-1.5%, after +1.6%) and in Italy, where it decreased at a faster rate and for the third consecutive quarter (-3.3%, after -0.2%).

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



The latest available monthly data (up to August 2023) still reveals output levels below the all-time highs recorded during the robust economic cycle of 2017 in some major EU economies. Specifically, industrial output has returned to pre-pandemic levels in Italy and Spain, but this is not the case yet for France, and even more so, Germany. Industrial output is expected to remain affected by a combination of factors. These include the uncertainty associated with ongoing conflicts and geopolitical tensions, such as the situation in Ukraine and, more recently, in the Middle East, high inflation and higher interest rates, as well as future developments in energy prices, which are still not entirely predictable.

The EU experienced a pronounced drop in industrial production (-8.1%) in 2020, followed by a vigorous rebound in 2021 (+8.2%), and achieved modest but resilient growth in 2022 (+1.7%). However, in 2023 industrial output is expected to decline (-1.3%) due to continued downside factors and overall manufacturing weakness. Subsequently, a modest rebound of +1% (previously estimated at +1.9%) is projected for 2024.

Other economic fundamentals

Despite the impact of multiple downside factors (energy crisis and war in Ukraine, inflation, rise in interest rates) on the overall 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 August 2023 (5.9%), as the labour market proved quite resilient and reacted slowly to the deterioration of the macroeconomic environment, spurred by the positive employment dynamics of the services sector. However, unemployment levels have continued to conceal considerable differences across member states (still above 10% in Spain and Greece) as well as economic sectors. Consumers have been suffering from substantial decreases in their in disposable income due to inflation rates at their 30-year highs. This dynamic has slashed domestic demand, and private consumption is expected to provide a very modest contribution to GDP growth in 2023 and also in 2024. This trend is primarily a result of persistently high inflation, which has been eroding household disposable income, while households have continued to cumulate savings throughout 2021 and, to a much lesser extent, in 2022 and 2023.

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 end of 2023, due to slashed growth outlook triggered by existing downside factors.

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

	2020	2021	2022	2023	2024
GDP	-5.9	5.6	3.5	0.6	1.1
Private consumption	-7.3	4.4	4.2	0.4	1.5
Government consumption	0.7	4.4	1.6	0.2	0.7
Investment	-6.0	7.0	2.8	1.0	1.0
Investment in mach. equip.	-10.9	8.3	3.4	2.5	2.0
Investment in construction	-4.6	6.8	2.5	-0.2	0.9
Exports	-10.1	11.3	7.3	1.6	2.8
Imports	-9.1	10.7	7.9	0.2	2.9
Unemployment rate (level)	8.1	7.8	6.9	6.8	6.8
Inflation	0.5	2.5	8.1	5.9	2.5
Industrial production	-8.1	8.2	1.7	-1.3	1.0

Government investment and public expenditure are anticipated to maintain their countercyclical role and could make a substantial contribution to the growth of domestic demand. However, room for manoeuvring is now reduced due to the conclusion of the ECB asset purchase programme. The NextGeneration EU package will continue to be implemented until 2026, but its most noticeable effects are expected to become apparent only from the first half of 2024.

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: ababbreviation 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 €130 billion and directly employs 306,000 highly-skilled people, producing on average 152 million tonnes of steel per year. More than 500 steel production sites across 22 EU Member States provide direct and indirect employment to millions more European citizens. Closely integrated with Europe's manufacturing and construction industries, steel is the backbone for development, growth and employment in Europe.

Steel is the most versatile industrial material in the world. The thousands of different grades and types of steel developed by the industry make the modern world possible. Steel is 100% recyclable and therefore is a fundamental part of the circular economy. As a basic engineering material, steel is also an essential factor in the development and deployment of innovative, CO_2-mitigating technologies, improving resource efficiency and fostering sustainable development in Europe.

EUROFER

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