PRESS RELEASE

EU STEEL MARKET OUTLOOK OBSCURED BY SEVERAL THREATS,

IN SPITE OF SOLID FUNDAMENTALS

Brussels, 25 October 2018 – The EU steel market remained on a relatively fast growth track in the second quarter, supported by healthy economic fundamentals and the good operating performance of steel-using sectors. Nonetheless, imports continued to grow much faster than the domestic deliveries of EU mills. Steel demand growth levelling out in the EU and in other regions over the coming quarters – against the backdrop of persisting excess capacities in the global steel sector and proliferation of distortionary steel trade actions worldwide – is reason for concern.

"Growth is stabilising in EU steel markets, in line with expectations", said Axel Eggert, Director General of the European Steel Association (EUROFER). "However, the various challenges facing the sector will impact us in the coming months. Trade tensions could clearly upset the market's balance, as could slowing demand in other parts of the economy".

EU steel market overview

EU28 apparent steel consumption grew by 4.4% year-on-year in the second quarter of 2018. Healthy levels of real steel consumption, in combination with stockbuilding in the steel distribution chain in this period, led to this growth.

In the second quarter of 2018 domestic deliveries from EU mills to the EU market rose by 3.7% year-on-year. Third country imports rose by 9.8% compared with the same period of 2017 and surpassed the already extremely high level of imports registered in the first quarter of 2018 by almost 5%. The share of imports in EU apparent consumption rose from 23.2% in the first quarter to almost 25% in the second quarter.

The continued, marked increase in import supply in the second quarter appears to confirm previous concerns about third country exporters pushing extra volumes to the EU market in anticipation of safeguard measures, and a willingness of buyers to take certain speculative risks.

EU steel market fundamentals are expected to remain supportive to a continued but moderate increase in apparent steel consumption. However, ongoing trade frictions with the US, and cooling global demand, suggest that external risks could continue to climb, which in turn would increase uncertainty and lead to weakening prospects for EU steel users.

Moreover, other trade barriers which are being considered by the Trump administration, such as tariffs on EU automotive exports to the US, could lead to a further escalation of the trade dispute and have a damaging impact on steel demand.

Nevertheless, EU apparent steel consumption is forecast to rise by 2.2% in 2018 and by a further 1.1% in 2019

EU steel-using sectors

Business conditions in the second quarter of 2018 were similar to those in the first quarter of the year. All steel-using sectors in the EU except steel tube industry registered a solid increase in production activity.

Prospects for the EU steel-using sectors in 2018 and 2019 are rather favourable. Despite a mild moderation in economic momentum, framework conditions for steel using sectors are expected to remain supportive to continued but somewhat slower growth of production activity. Domestic demand rather than exports will be the main engine of growth over this period.

However, the global economic context has become more uncertain due to rising protectionism and the risk of escalating trade tensions. This might have a negative impact on business confidence and investment.

Output in EU's steel-using sectors is forecast to grow by 3.5% in 2018 and by 1.8% in 2019.

EU economic context

GDP data for the second quarter of 2018 showed the continuation of slower but steady economic growth in the EU. While investment rebounded strongly from its weak first quarter performance, there was a negative contribution of net trade, in spite of a recovery in exports.

This suggests that the downside risks for exports have begun to materialise, as a consequence of the current slump in international trade and a delayed impact of the stronger euro. Although confidence indicators weakened slightly further in the third quarter of 2018, economic sentiment continues to run at an elevated level – well above its long-term average, consistent with ongoing and broad-based but more moderate economic growth in the EU.

EU GDP is expected to grow at a lower rate in 2018 and 2019, supported by domestic demand but with net exports weighing down on growth. The greatest risks stem from rising protectionism and a further escalation of trade tensions and currency and stock market volatility in several emerging economies.

EUROFER forecasts EU GDP growth of 2% in 2018 and of 1.8% in 2019.

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PDF

A PDF of this Press Release is available: here

EUROFER ECONOMIC AND STEEL MARKET OUTLOOK FOURTH QUARTER, 2018

The EUROFER Economic and Steel Market Outlook: fourth quarter, 2018 can be found: here

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 Switzerland and Turkey are associate members.

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 320,000 highly-skilled people, producing on average 160 million tonnes of steel per year. More than 500 steel production sites across 22 EU Member States provide direct and indirect employment to millions more European citizens. Closely integrated with Europe's manufacturing and construction industries, steel is the backbone for development, growth and employment in Europe.

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