EMF - Steel Committee

Sector Analysis

STEEL

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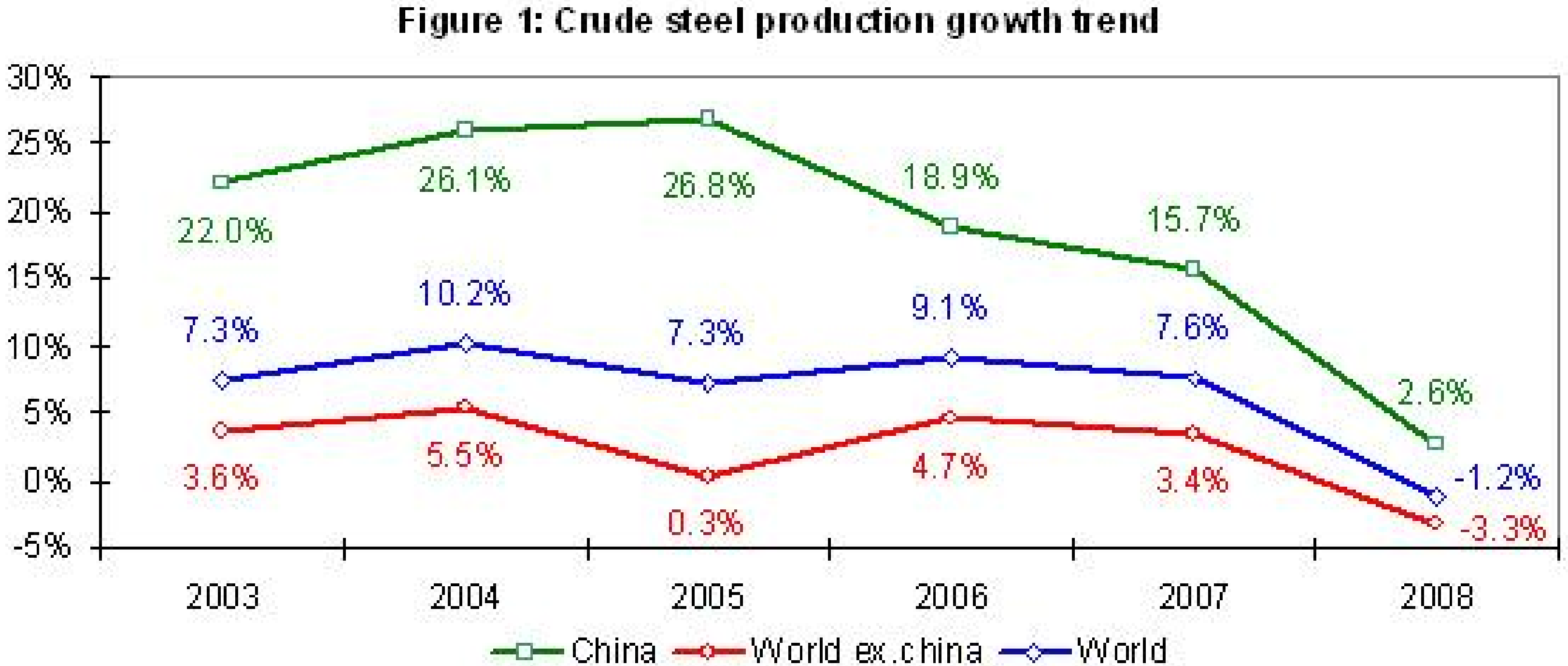
General trend

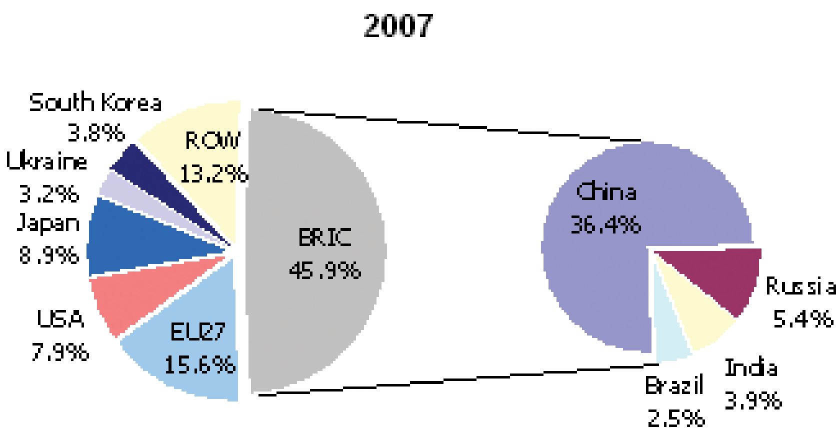
World crude steel production reached **1,329.7 million metric tons for the year of 2008**. This is a **decrease of -1.2% compared to 2007**.

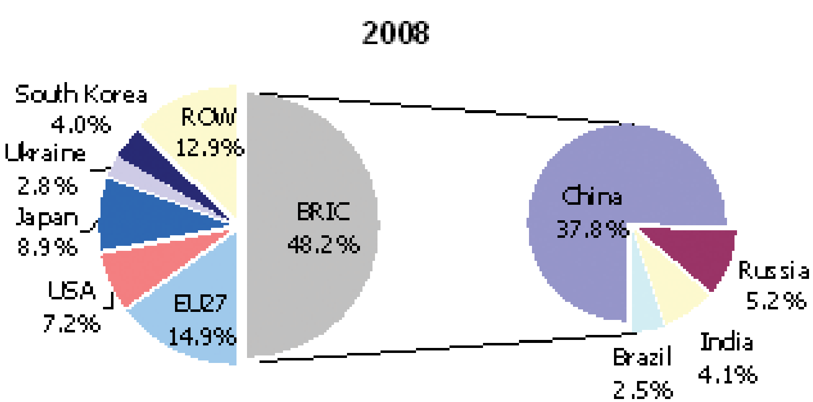


Source: Worldsteel

General trend - 1

Steel production declined in nearly all the major steel producing countries and regions including the EU, North America, South America and the CIS in 2008. However, Asia, in particular China, and the Middle East showed positive growth in 2008.





Top 10 steel-producing countries

Country	Rank	2008	2007	% 08/07
China	1	502.0	489.2	2.6
Japan	2	118.7	120.2	-1.2
United States	3	91.5	98.2	-6.8
Russia	4	68.5	72.4	-5.4
India	5	55.1	53.1	3.7
South Korea	6	53.5	51.5	3.8
Germany	7	45.8	48.6	-5.6
Ukraine	8	37.1	42.8	-13.4
Brazil	9	33.7	33.8	-0.2
Italy	10	30.5	31.5	-3.4

Source: Worldsteel

World crude steel production - Summary Table

Source: Worldsteel

million metric tons	2002	2003	2004	2005	2006	2007	2008	% 08/07
Europe	**308.7**	**320.3**	**339.7**	**333.6**	**354.8**	**364.2**	**343.8**	**-5.6**
of which:								
EU (27)	**188.2**	**192.5**	**202.3**	**195.5**	**206.8**	**209.6**	**198.6**	**-5.3**
EU (15)	**158.7**	**161.0**	**169.1**	**165.1**	**173.2**	**175.2**	**168.3**	**-4.0**
CIS	101.2	106.5	113.4	113.2	119.9	124.2	114.1	-8.1
North America	**122.9**	**126.2**	**134.0**	**127.6**	**131.8**	**132.7**	**125.4**	**-5.5**
of which:								
United States	91.6	93.7	99.7	94.9	98.6	98.2	91.5	-6.8
South America	**40.9**	**43.0**	**45.9**	**45.3**	**45.3**	**48.2**	**47.6**	**-1.4**
Africa	**15.8**	**16.3**	**16.7**	**18.0**	**18.8**	**18.8**	**17.4**	**-7.4**
Middle East	**12.5**	**13.4**	**14.3**	**15.3**	**15.4**	**16.5**	**16.6**	**1.2**
Asia	**394.9**	**442.4**	**510.1**	**598.1**	**676.2**	**756.3**	**770.5**	**1.9**
of which:								
China	182.2	222.4	280.5	355.8	423.0	489.2	502.0	2.6
Japan	107.7	110.5	112.7	112.5	116.2	120.2	118.7	-1.2
Australia/New Zealand	**8.3**	**8.4**	**8.3**	**8.6**	**8.7**	**8.8**	**8.4**	**- 4.1**
World	**904.1**	**970.0**	**1068.9**	**1146.5**	**1250.9**	**1345.4**	**1329.7**	**-1.2**

EUROFER Forecast - 1

The significant deterioration in economic fundamentals since autumn 2008 is fully reflected in the outlook for the **EU steel using industries**;

- The **first half** of this year will see **output falling by 10% y-o-y.**

- The **second half** is expected to see a **gradual easing** of the downward trend, but on balance production in the steel using sectors **will still fall 7-8% in 2009.**

- Particularly the **automotive sector** is badly affected by the recession, but also **construction**, **steel tubes** and the **engineering sectors** cannot escape a sharply downward trend.

- Most sectors will see a mild improvement in 2010.

EUROFER Forecast - 2

The **EU steel market** is severely impacted by the recession and will be facing an unprecedented downturn this year.

- The outlook for the **first half of 2009** is for a continuation of the **double-digit y-o-y decline in real consumption** registered in Q4’08 and a further stock correction in the distribution chain and at the end-user level.

- As a result, **apparent consumption** will **drop by 29%% y-o-y in the 1st quarter** and by a **further 23% y-o-y in the 2nd quarter**.

- **Apparent consumption will continue to decline** in the remainder of 2009, albeit **at a less dramatic rate**; **Q4’09 is expected to see some growth again** compared with the very low Q4’08 level.

EUROFER Forecast - 3

Despite the projected **11% decline in imports in 2009**, import pressure will remain high because of the much stronger sacrifice the domestic producers are making in order to enable the market to reach a new equilibrium.

Following the **15% drop in 2009**, some **growth in apparent consumption is foreseen for 2010**, owing to the absence of a huge stock reduction as seen in 2009.

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Main steel using sectors – Eurofer forecast January 2009

% change year-on-year in the SWIP (Steel Weighted Industrial Production) index

Sectors	% Cons.	2008/2007	2009/2008	2010/2009
Construction	27	-0.4	-4.4	-0.2
Structural steelwork	11	-1.6	-5.7	-0.5
Mechanical Engineering	14	1,8	-7.0	0,3
Automotive	16	-5.5	-13.7	5,7
Domestic Appliances	4	-3.9	-5.8	-0.2
Shipyards	1	1.6	-2.6	-3.3
Tubes	12	-2.7	-8.7	1.4
Metal goods	12	-1.7	-7.1	1.6
Miscellaneous	3	1.5	-3.9	1.6
TOTAL	100	-1.5	-7.4	1.1

Forecast for real and apparent consumption

% change year-on-year

Period -->	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Year
Consumption	08/07	08/07	08/07	08/07	08/07	09/08	09/08	09/08	09/08	09/08	10/09
Real	-0.5	1.7	-3.2	-10.6	-3.2	-12.6	-11.2	-7.4	-3.4	-8.8	-0.4
Apparent	-5.3	-0.2	-3.5	-20.9	-7.2	-28.9	-23.0	-10.2	8.7	-15.2	8.4

European Steel production January 2009

Monthly crude steel production in the European Union, in thousands of metric tons.

	January 2009	December 2008	January 2008	% change Jan-09/08	1 month 2009	1 month 2008	% change
Austria	400	407	669	-40.2	400	669	-40.2
Belgium	240	238	902	-73.4	240	902	-73.4
Bulgaria	60	68	102	-41.2	60	102	-41.2
Czech Republic	375	332	578	-35.2	375	578	-35.2
Finland	195	200	404	-51.7	195	404	-51.7
France	858	643	1 610	-46.7	858	1 610	-46.7
Germany	2 651	2 446	4 115	-35.6	2 651	4 115	-35.6
Greece	140	138	232	-39.7	140	232	-39.7
Hungary	79	103	178	-55.6	79	178	-55.6
Italy	1 592	1 624	2 669	-40.4	1 592	2 669	-40.4
Luxembourg	39	39	264	-85.1	39	264	-85.1
Netherlands	293	236	687	-57.3	293	687	-57.3
Poland	430	433	825	-47.9	430	825	-47.9
Romania	170	175	466	-63.5	170	466	-63.5
Slovakia	161	243	430	-62.6	161	430	-62.6
Slovenia	36	16	57	-36.7	36	57	-36.7
Spain	730	727	1 570	-53.5	730	1 570	-53.5
Sweden	262	276	517	-49.2	262	517	-49.2
United Kingdom	652	563	1 187	-45.0	652	1 187	-45.0
Other E.U. (27)	185	163	185	0.00	185	185	
European Union (27)	**9 549**	**9 069**	**17 647**	**-45.9**	**9 549**	**17 647**	**-45.9**

Source: Worldsteel

World Steel production January 2009

Monthly crude steel production in the 66 countries included in the report, in thousands of metric tons.

	January 2009	December 2008	January 2008	% change Jan-09/08	1 month 2009	2008	% change
European Union (27)	**9 549**	**9 069**	**17 647**	**-45.9**	**9 549**	**17 647**	**-45.9**
Other Europe	**2 173**	**1 999**	**2 672**	**-18.7**	**2 173**	**2 672**	**-18.7**
C.I.S. (6)	**5 755**	**5 798**	**10 838**	**-46.9**	**5 755**	**10 838**	**-46.9**
North America	**5 737**	**5 477**	**11 756**	**-51.2**	**5 737**	**11 756**	**-51.2**
South America	**2 419**	**2 431**	**4 129**	**-41.4**	**2 419**	**4 129**	**-41.4**
Africa	**1 065**	**680**	**1 541**	**-30.9**	**1 065**	**1 541**	**-30.9**
Middle East	**1 225**	**1 221**	**1 325**	**-7.5**	**1 225**	**1 325**	**-7.5**
China	41 520	37 792	40 564	2.04	41 520	40 564	2.04
Asia	**57 332**	**54 882**	**62 212**	**-7.8**	**57 332**	**62 212**	**-7.8**
Oceania	**513**	**502**	**751**	**-31.7**	**513**	**751**	**-31.7**
Total 66 countries	**85 768**	**82 060**	**112 870**	**-24.0**	**85 768**	**112 870**	**-24.0**

The 66 countries included in this table accounted for more than 98% of total world crude steel production in 2008

Source: Worldsteel

Impact on European metalworkers

Widespread use of labour market mechanisms across the metal/manufacturing sectors:

short-time, *chômage partiel*, *cassa integrazione, solidarity agreements with working time & wage reduction* etc. (recent study by ETUI)

Most aiming to maintain skills for upturn

Announced lay-offs. The overall situation is worsening day by day.
Structural change?

ArcelorMittal	**November 2008 (9000/6000)**
Corus	**January 2009 (3500)**
ThyssenKrupp Steel	**February 2009 (1400)**
Severstal Lucchini	**March 2009 (600)**

Many maintaining their dividend payments in the coming weeks

EMF view on recovery packages

Danger of economic nationalism: national recovery plans – main focus on automotive industry:

French proposals	**automotive and steel**
Swedish proposals	**automotive**
Italian proposals	**automotive**
Spanish proposals	**automotive**
German proposals	**automotive (OPEL) ?**

Urgent need for more European coordination on the proposals to stimulate the real economy
Purchasing power vs. subsidising companies?
Extending globally
Obama's stimulus package and threat of steel trade war.
Need for resolution of dumping – advantages in upturn