



# EU macro-economic developments and their impact on steel demand and supply

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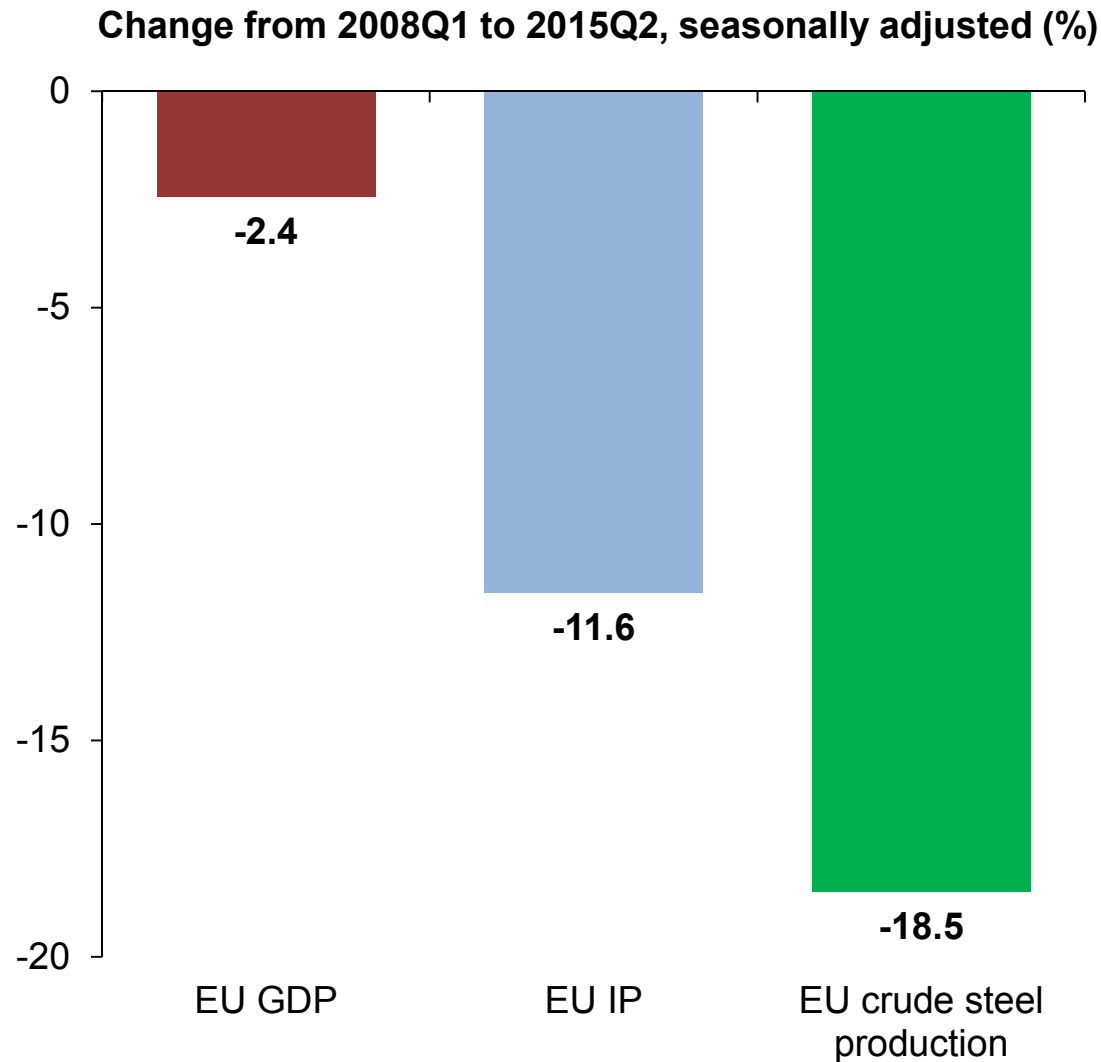
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## For discussion...

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- GDP versus IP as a macroeconomic indicator for Europe
- Recent EU macroeconomic performance
- EU steel demand and supply
- EU steel imports & exports

## Why is there such a wide variation between EU GDP, industrial production and crude steel statistics?

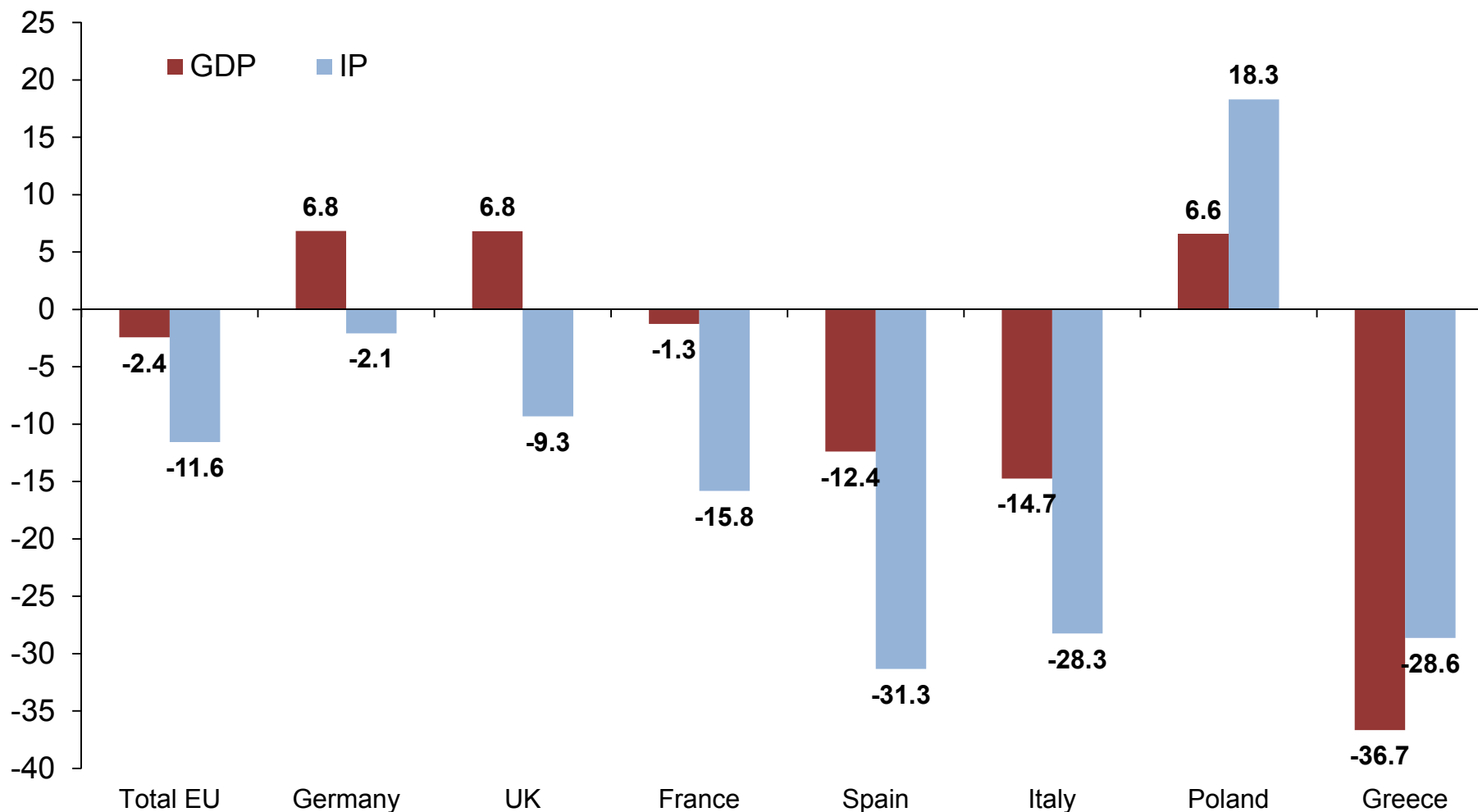


### Points to note:

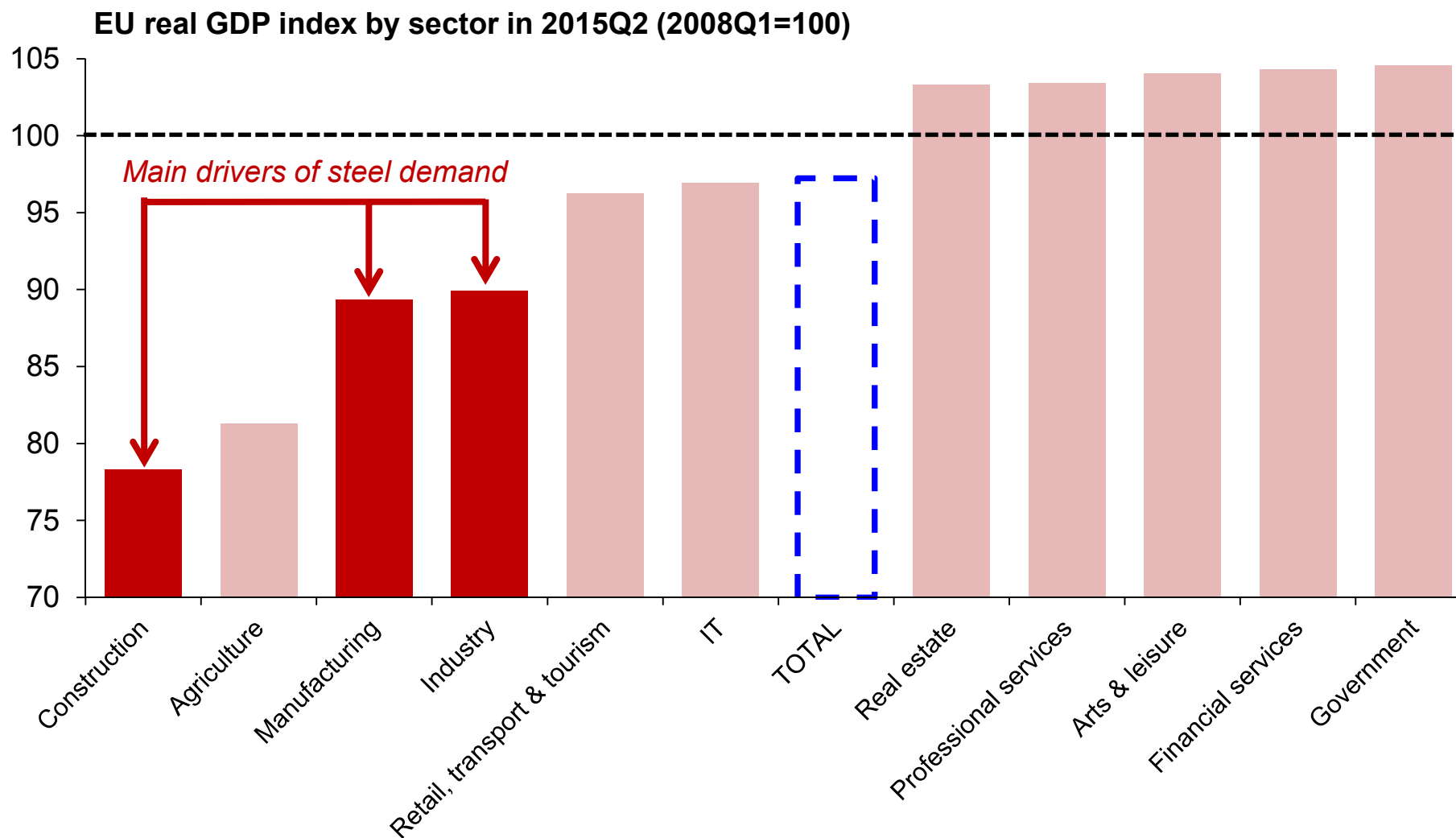
- Only a minority of European GDP is made up of “heavy industry”
- Move towards “higher value” production not always fully captured in IP data
- Impact of imports/exports and inventory changes when translating steel demand into steel production
- **GDP generally correlates much less well to steel consumption than IP does**

## Almost all major EU countries have seen much stronger growth in GDP since 2008 than growth in IP (exceptions: Poland, Greece)

Real GDP growth and IP growth, 2015 Q2 versus 2008 Q1 (%)



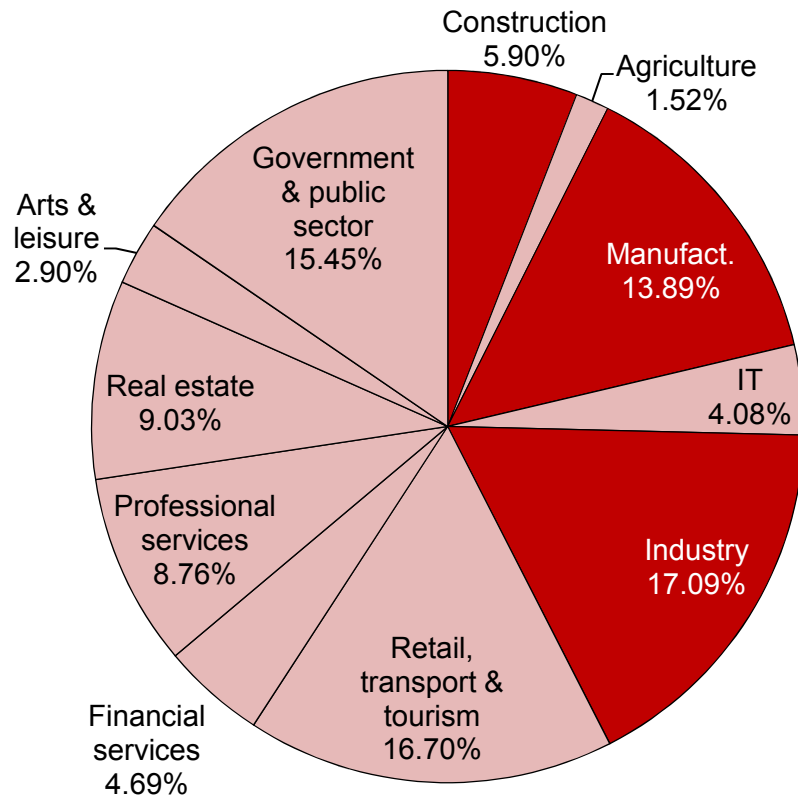
# The most steel-intensive sectors of the EU economy are the segments of the GDP aggregate which have performed worst since 2008



# The proportion of EU GDP which is “steel intensive” has fallen from ~37% in 2008 to ~34% in 2015

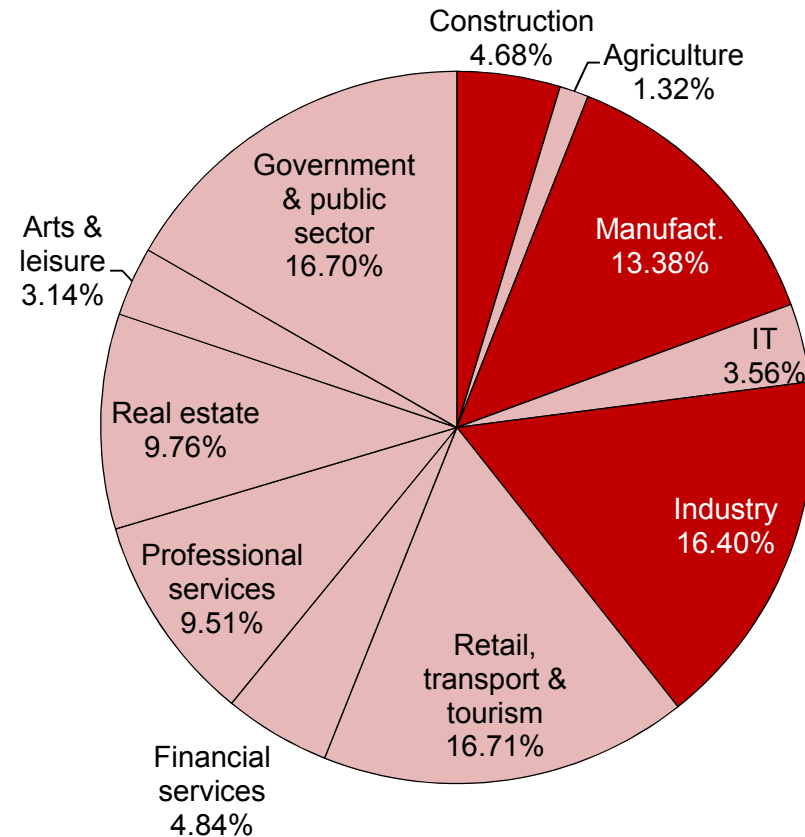
## Composition of EU GDP

2008-Q1



**Construction + manufacturing + industry  
= 36.88%**

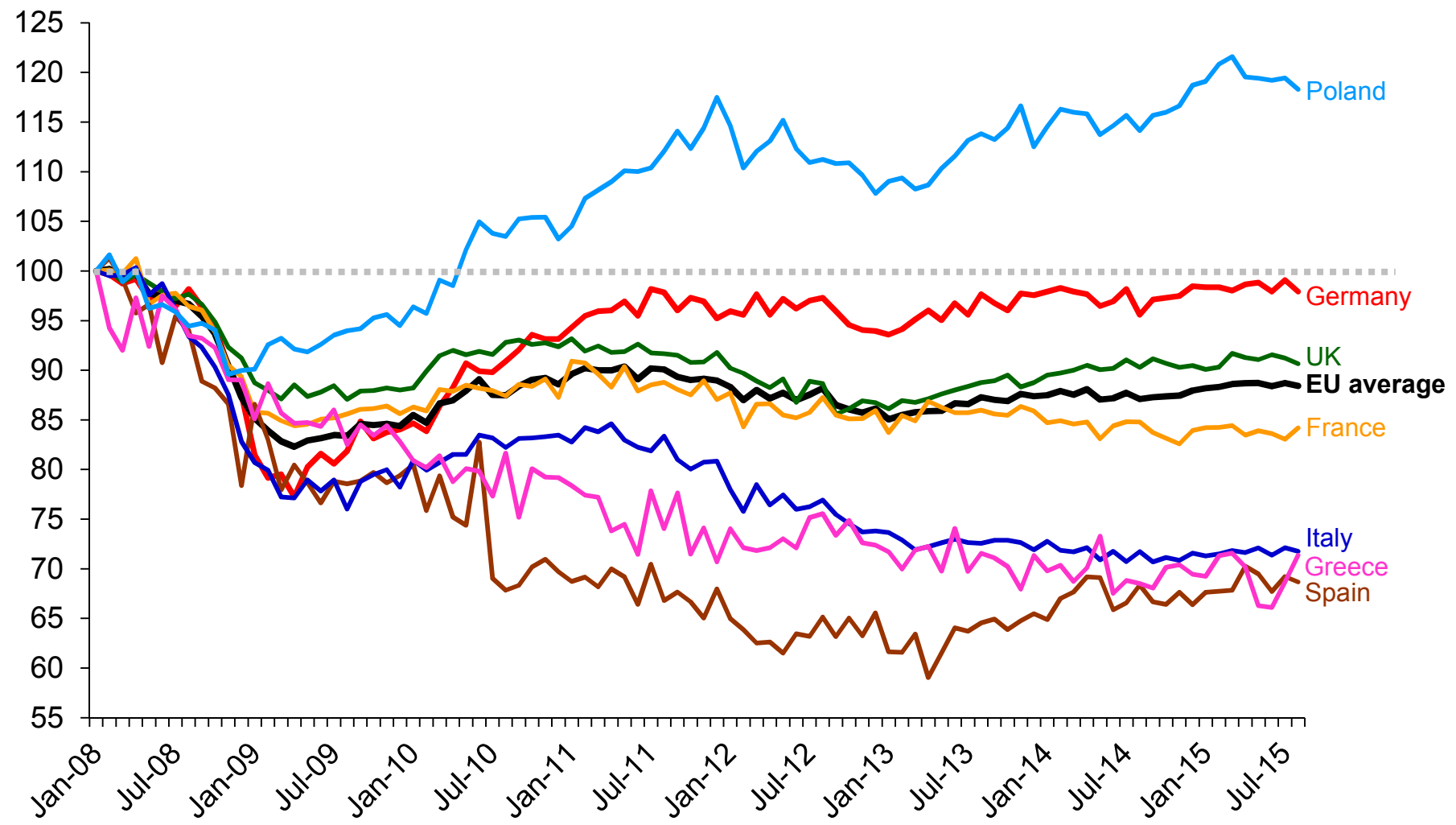
2015-Q2



**Construction + manufacturing + industry  
= 34.46%**

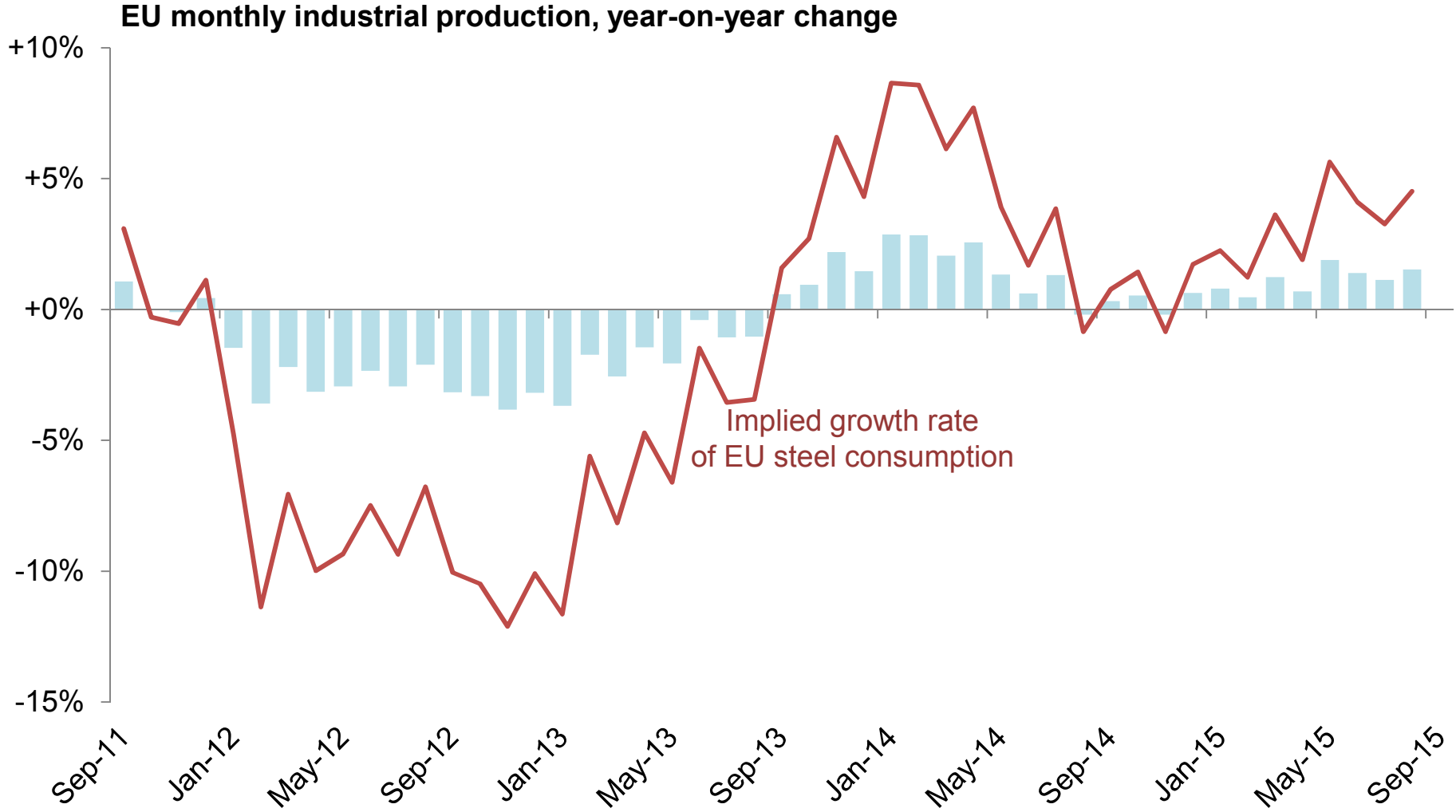
# IP performance varies considerably across the EU – the strength of Germany has underpinned the EU average significantly

Industrial production index, Jan 2008=100



Source: Eurostat

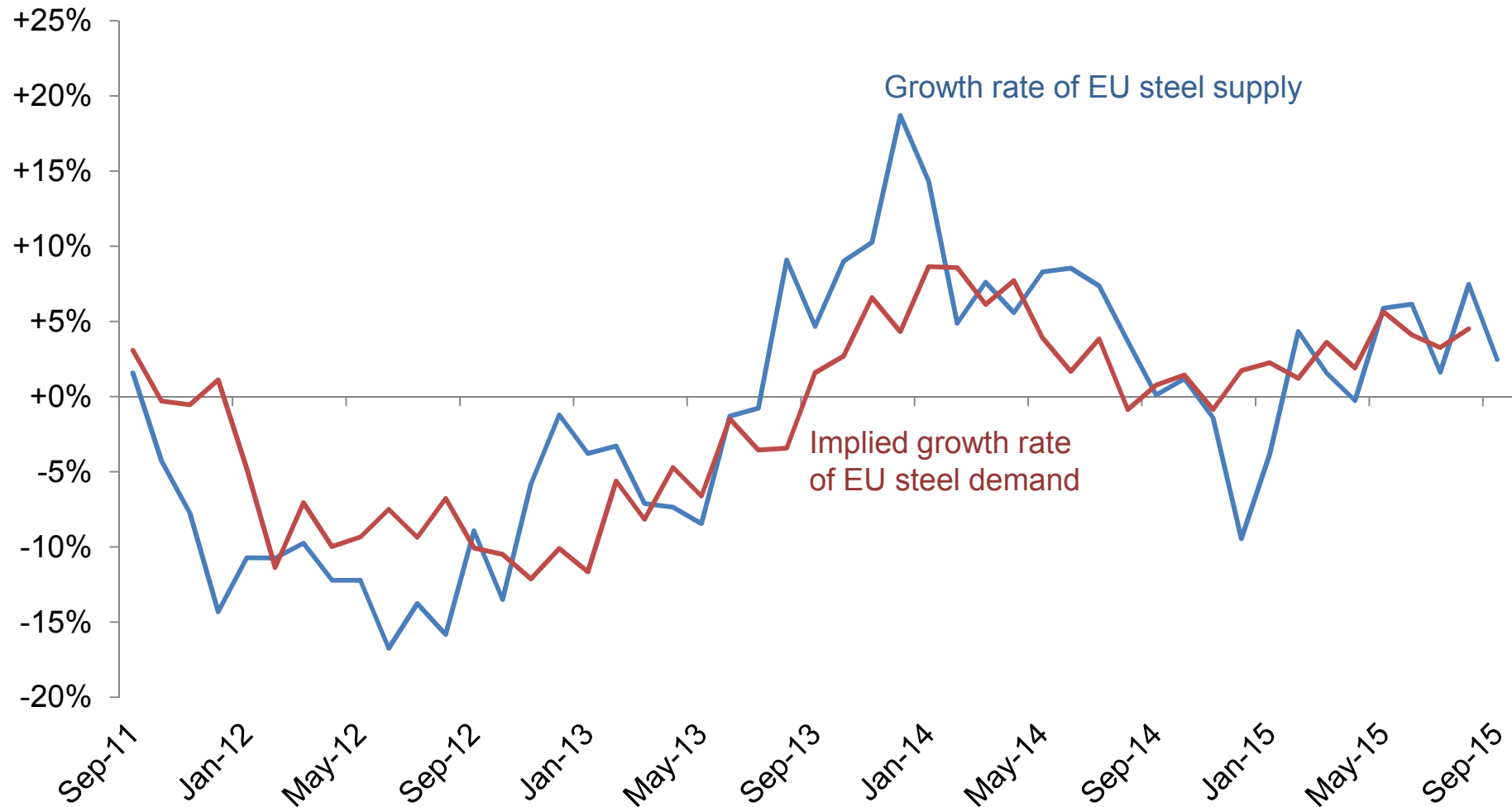
# Industrial production in the EU has been growing at 1-2% year-on-year in 2015, translating into a modest increase in steel demand



Source: Eurostat, AlloyConsult

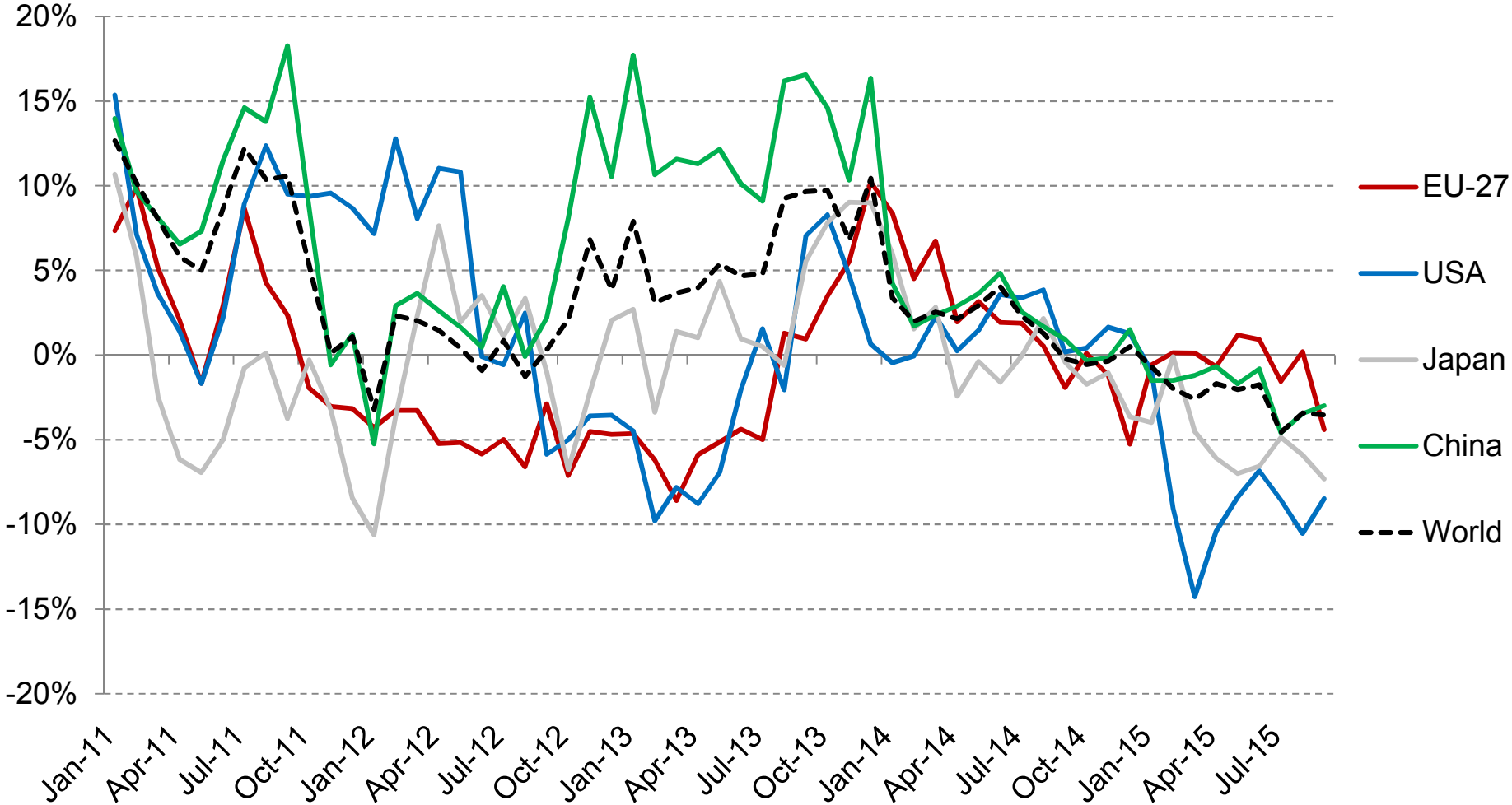


## However, for most of the time since 2013, supply of steel in the EU has risen at a faster rate than demand, resulting in a worsening oversupply



# For most of 2015, crude steel output in Europe has outperformed that in other main steel producing regions...but production is now worsening

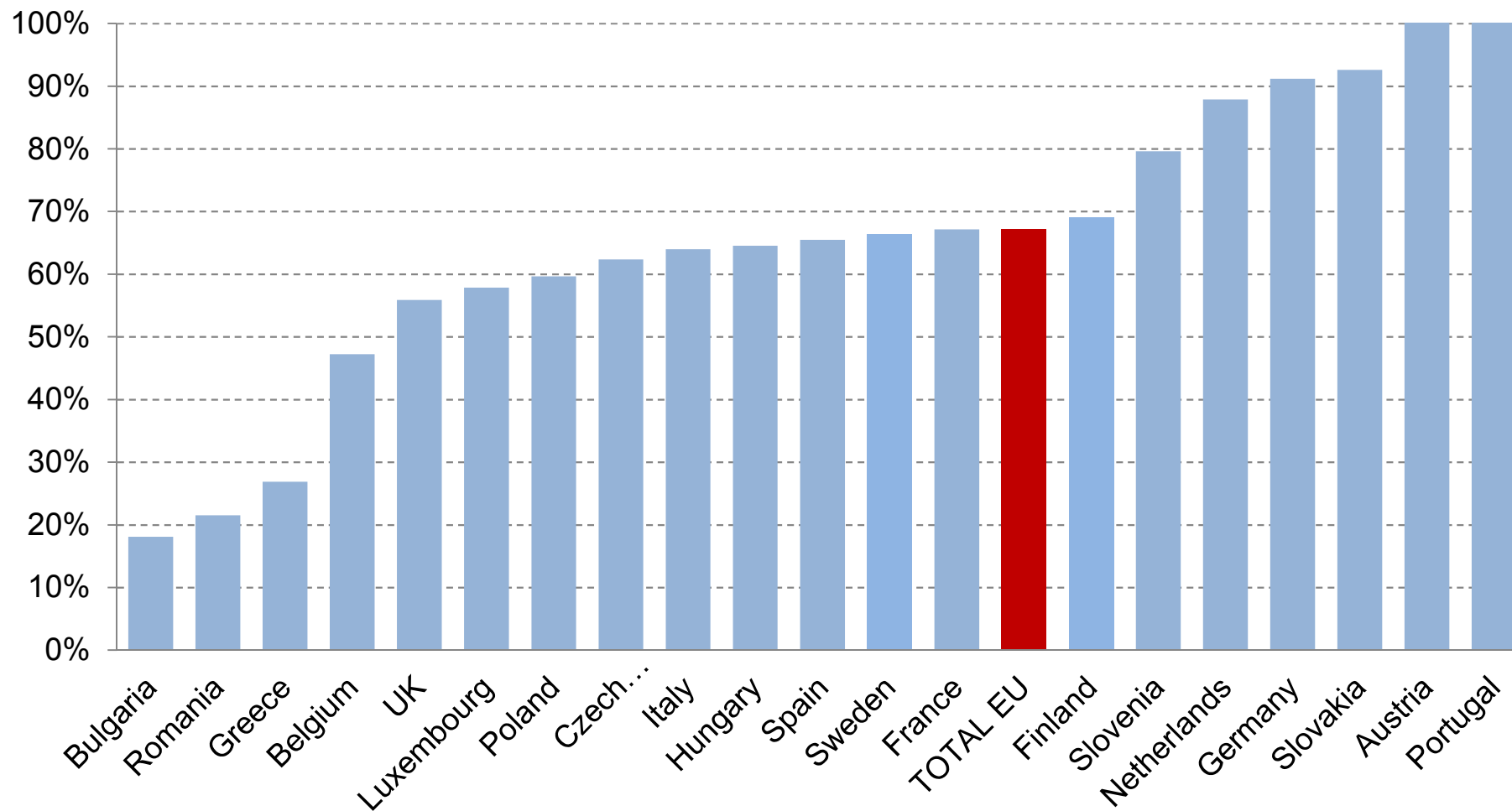
World monthly crude steel production, year-on-year change



Source: AlloyConsult

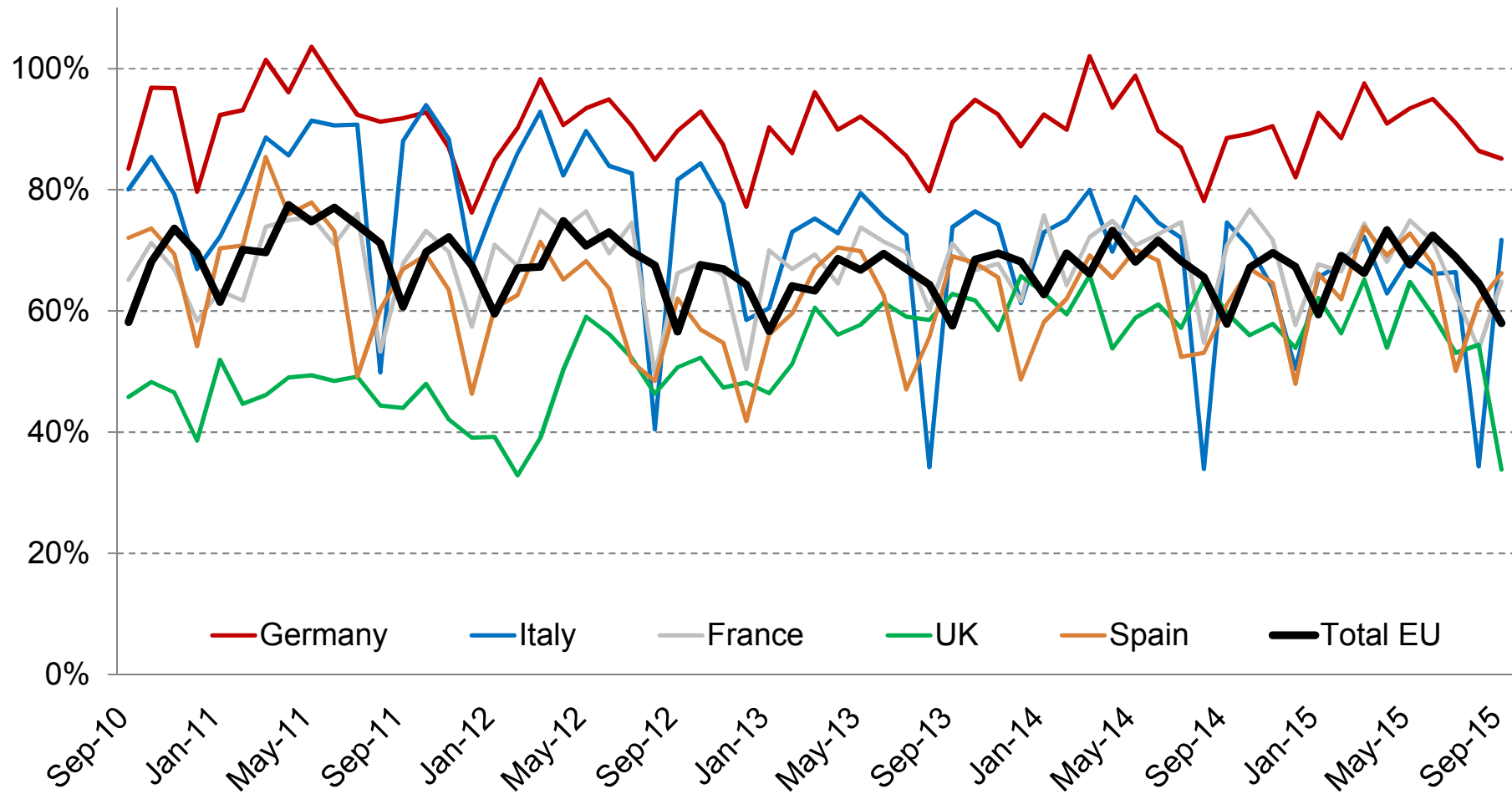
# Overall, Europe has a significant excess steel production capacity, ranging very unevenly across the different EU member states

EU crude steel capacity utilisation by country (Jan-Sep 2015)



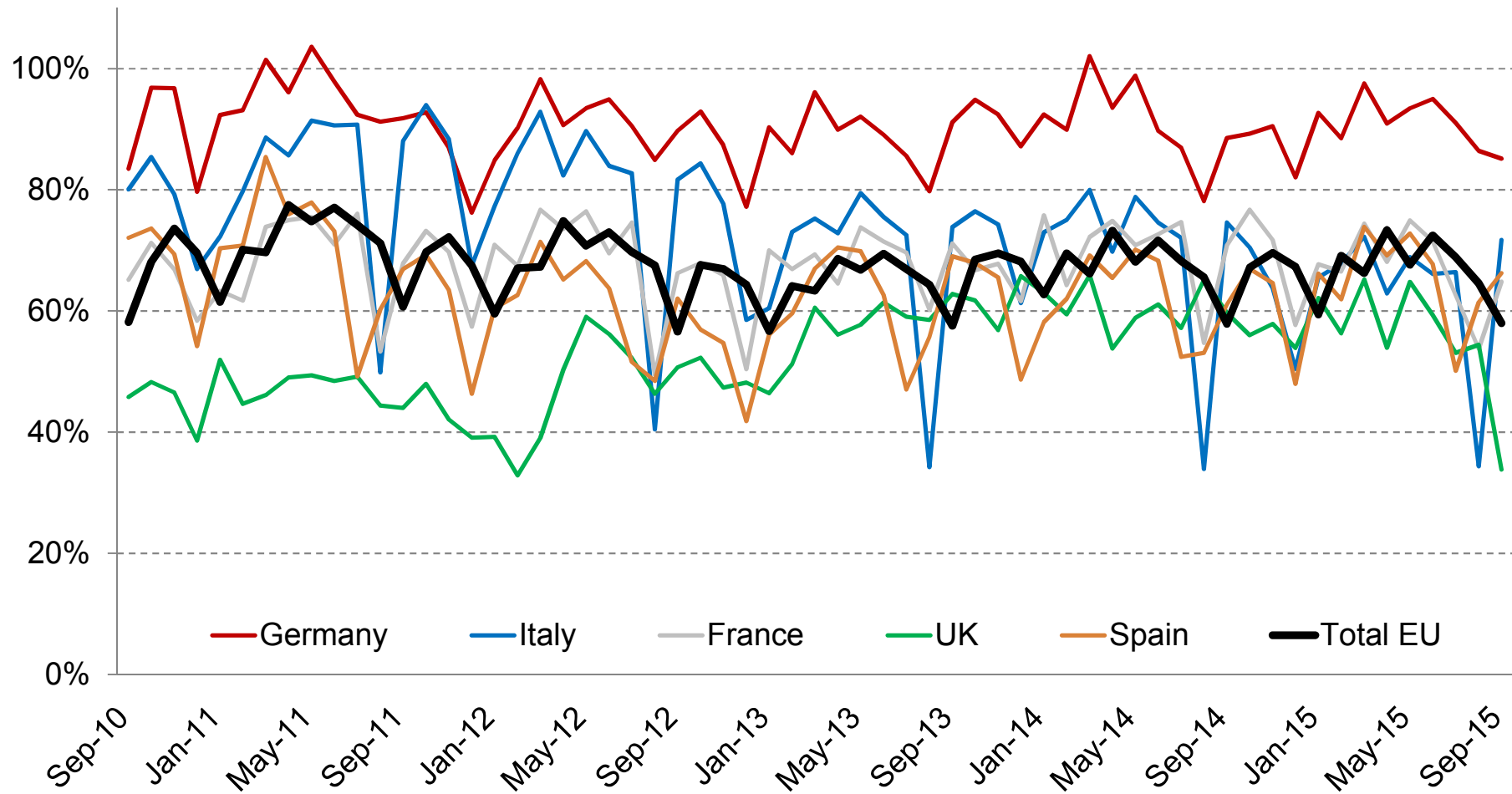
# In the past 5 years, EU steel capacity utilisation has rarely exceeded 70%. As with EU IP, Germany boosts the EU average significantly

EU crude steel capacity utilisation by main country (Sep 2010-Sep 2015)



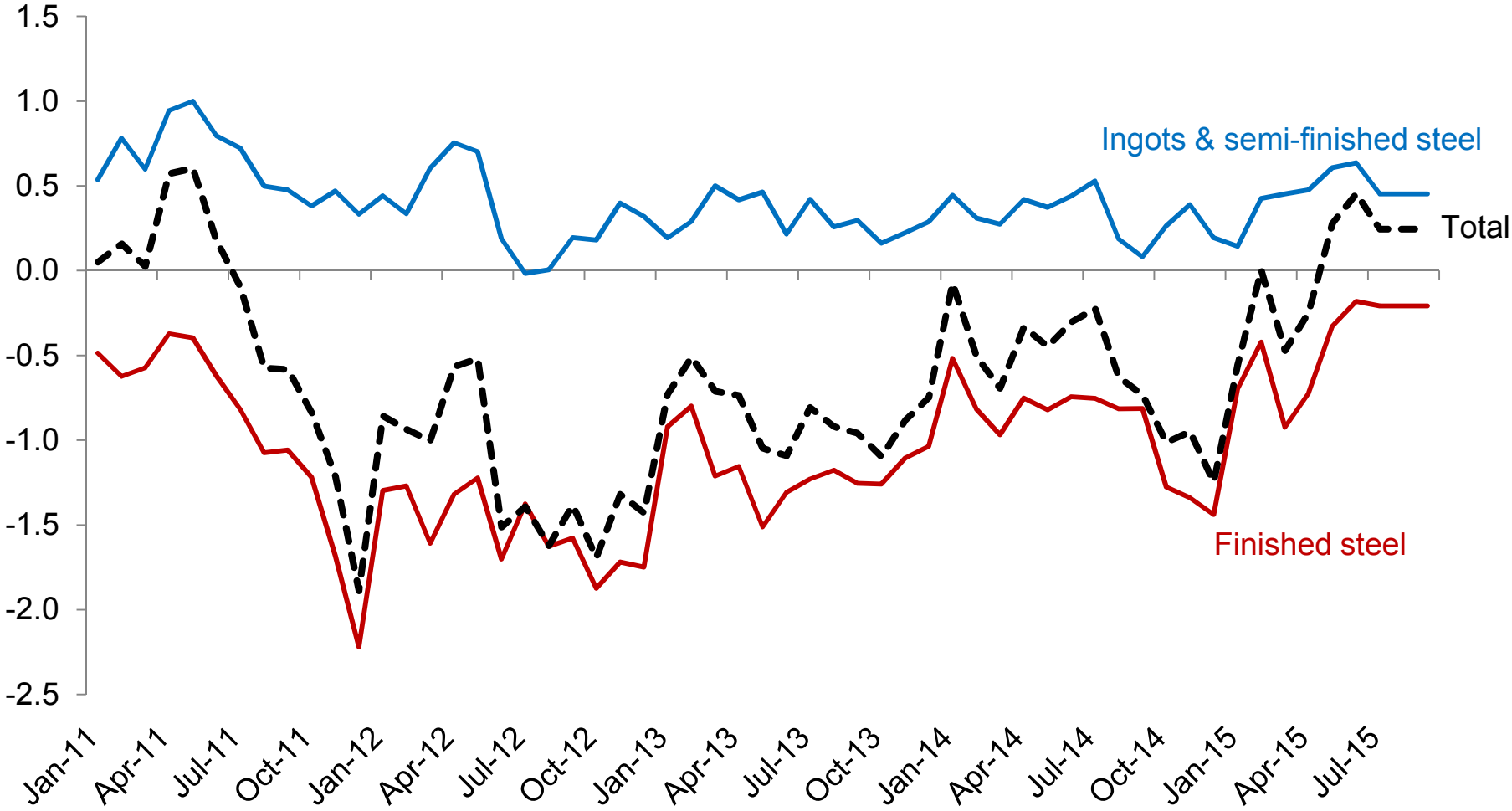
# In the past 5 years, EU steel capacity utilisation has rarely exceeded 70%. As with EU IP, Germany boosts the EU average significantly

EU crude steel capacity utilisation by main country (Sep 2010-Sep 2015)



**In the past year, the EU trade balance in steel has worsened considerably.  
The EU is a net importer of carbon steel for the first time since 2011**

EU monthly carbon steel net imports (Mt)

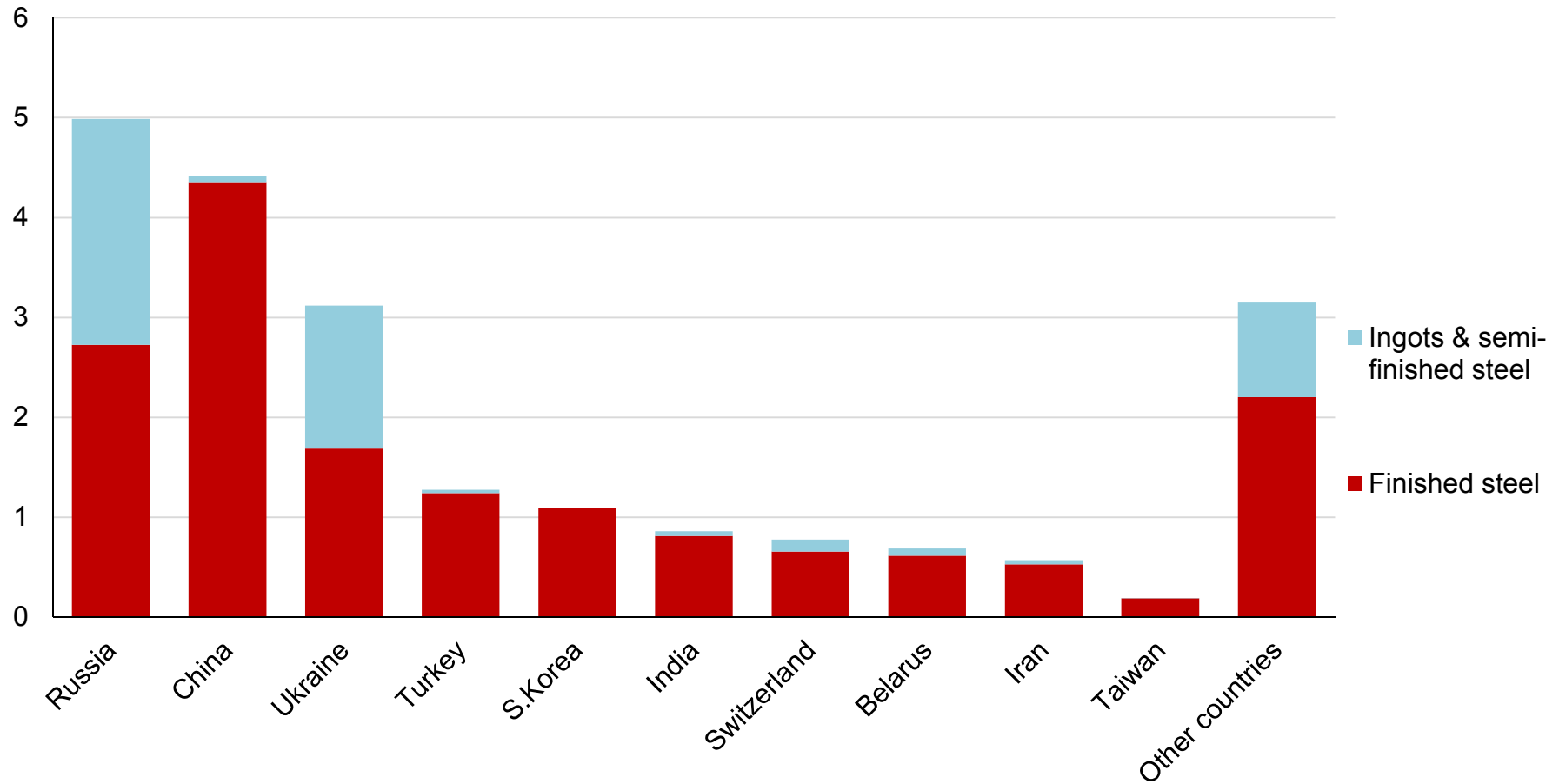


Source: AlloyConsult

## EU carbon steel imports by main exporting countries Jan-Jul 2015 (kt)

	Finished steel	Ingots & semi-finished steel	Total	% of total
Russia	2,727	2,259	<b>4,986</b>	23.6%
China	4,355	60	<b>4,414</b>	20.9%
Ukraine	1,686	1,434	<b>3,120</b>	14.8%
Turkey	1,243	33	<b>1,276</b>	6.0%
S.Korea	1,092	1	<b>1,093</b>	5.2%
India	813	48	<b>861</b>	4.1%
Switzerland	657	120	<b>777</b>	3.7%
Belarus	615	74	<b>689</b>	3.3%
Iran	530	42	<b>572</b>	2.7%
Taiwan	188	1	<b>189</b>	0.9%
<i>Other countries</i>	2,203	946	<b>3,149</b>	14.9%
<b>Total EU imports</b>	<b>16,109</b>	<b>5,016</b>	<b>21,125</b>	<b>100.0%</b>
EU exports	19,593	1,822	<b>21,415</b>	
<b>Net EU imports</b>	<b>- 3,484</b>	<b>+ 3,194</b>	<b>- 290</b>	

## EU carbon steel imports by main exporting countries Jan-Jul 2015 (Mt)

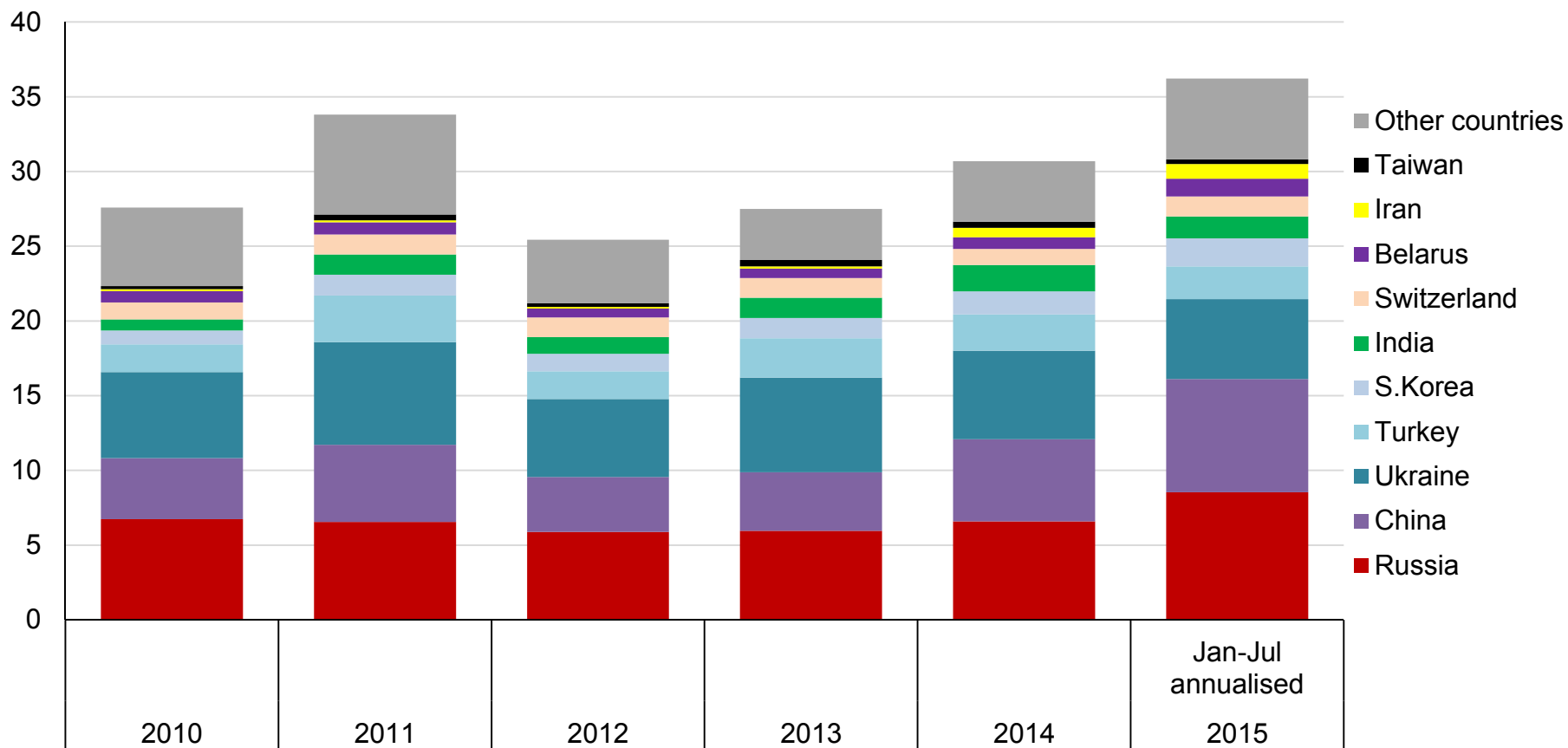




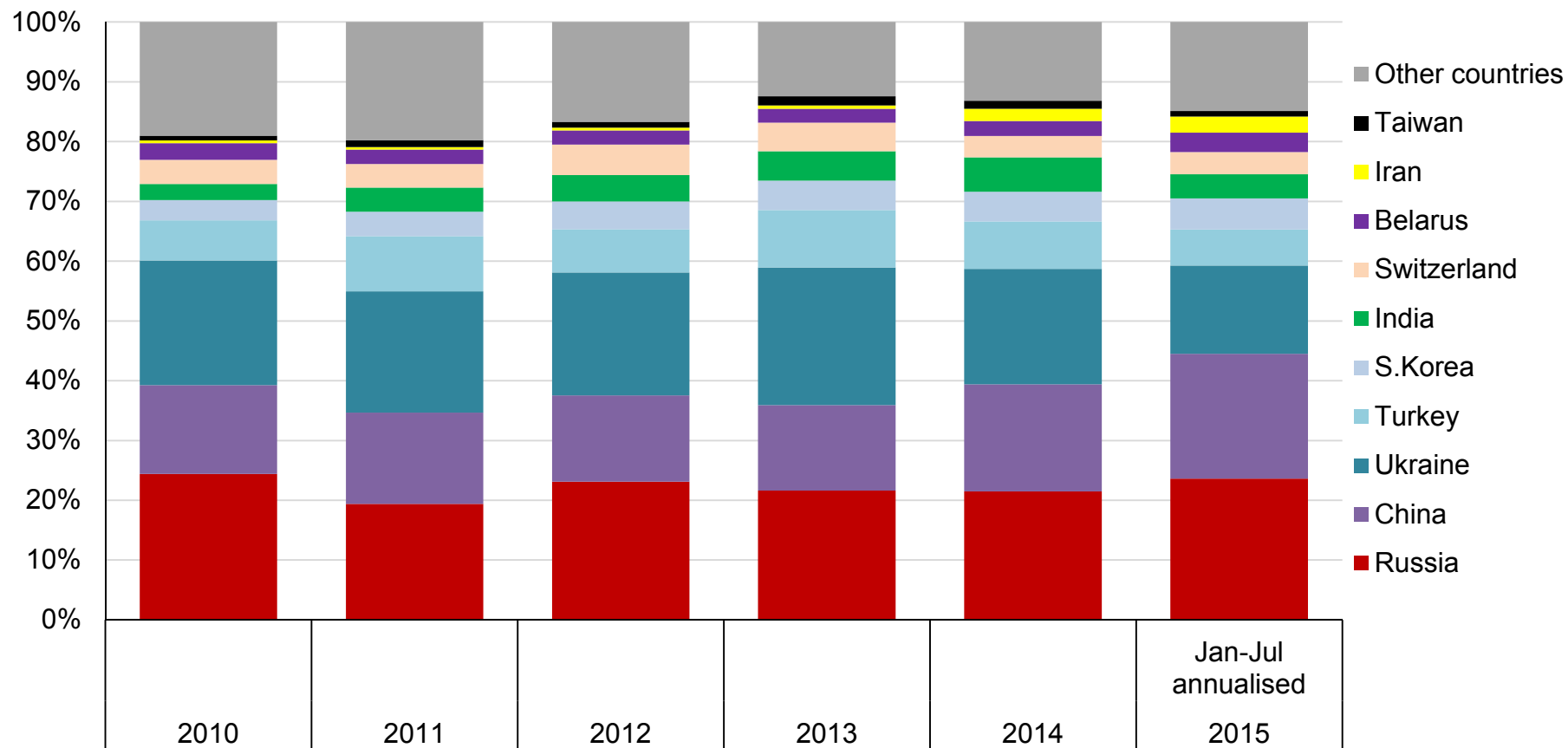
## Total EU carbon steel imports by main exporting countries 2010 - 2015 (kt)

	2010	2011	2012	2013	2014	2015 Jan-Jul annualised
Russia	6,736	6,552	5,878	5,950	6,587	8,547
China	4,092	5,170	3,675	3,930	5,500	7,567
Ukraine	5,750	6,854	5,227	6,331	5,922	5,349
Turkey	1,851	3,127	1,845	2,640	2,432	2,187
S.Korea	936	1,381	1,175	1,353	1,529	1,874
India	747	1,363	1,120	1,344	1,766	1,476
Switzerland	1,117	1,337	1,307	1,317	1,090	1,332
Belarus	769	812	596	635	779	1,181
Iran	121	142	121	154	627	981
Taiwan	215	385	244	426	415	324
<i>Other countries</i>	<i>5,249</i>	<i>6,683</i>	<i>4,248</i>	<i>3,417</i>	<i>4,034</i>	<i>5,398</i>
<b>Total EU imports</b>	<b>27,583</b>	<b>33,805</b>	<b>25,436</b>	<b>27,497</b>	<b>30,682</b>	<b>36,214</b>
EU exports	35,244	37,401	39,663	37,732	37,828	36,711
<b>Net EU imports</b>	<b>- 7,661</b>	<b>- 3,596</b>	<b>- 14,227</b>	<b>- 10,235</b>	<b>- 7,146</b>	<b>- 497</b>

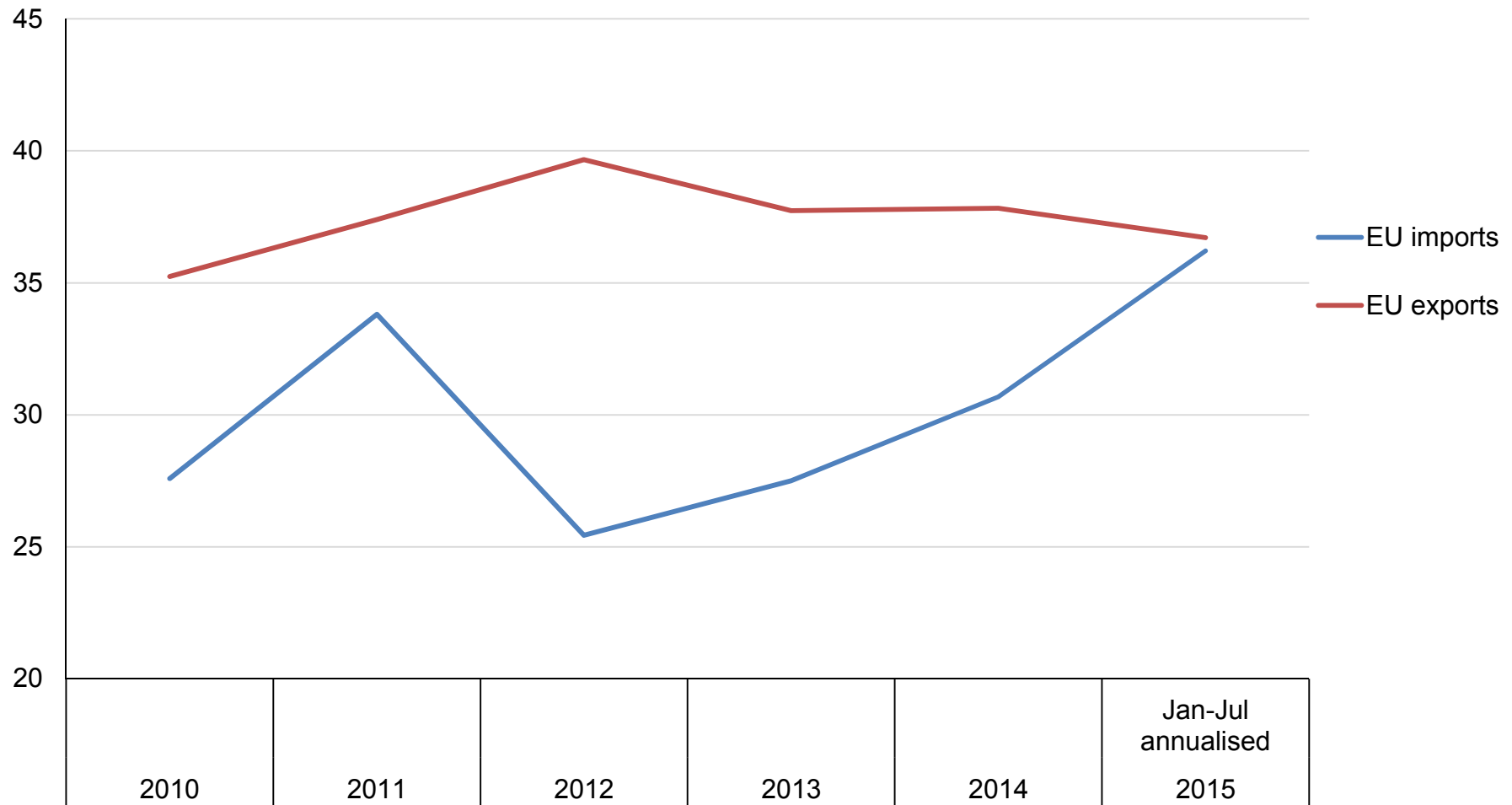
## Total EU carbon steel imports by main exporting countries 2010 - 2015 (Mt)



## Total EU carbon steel imports by main exporting countries 2010 - 2015 (%)



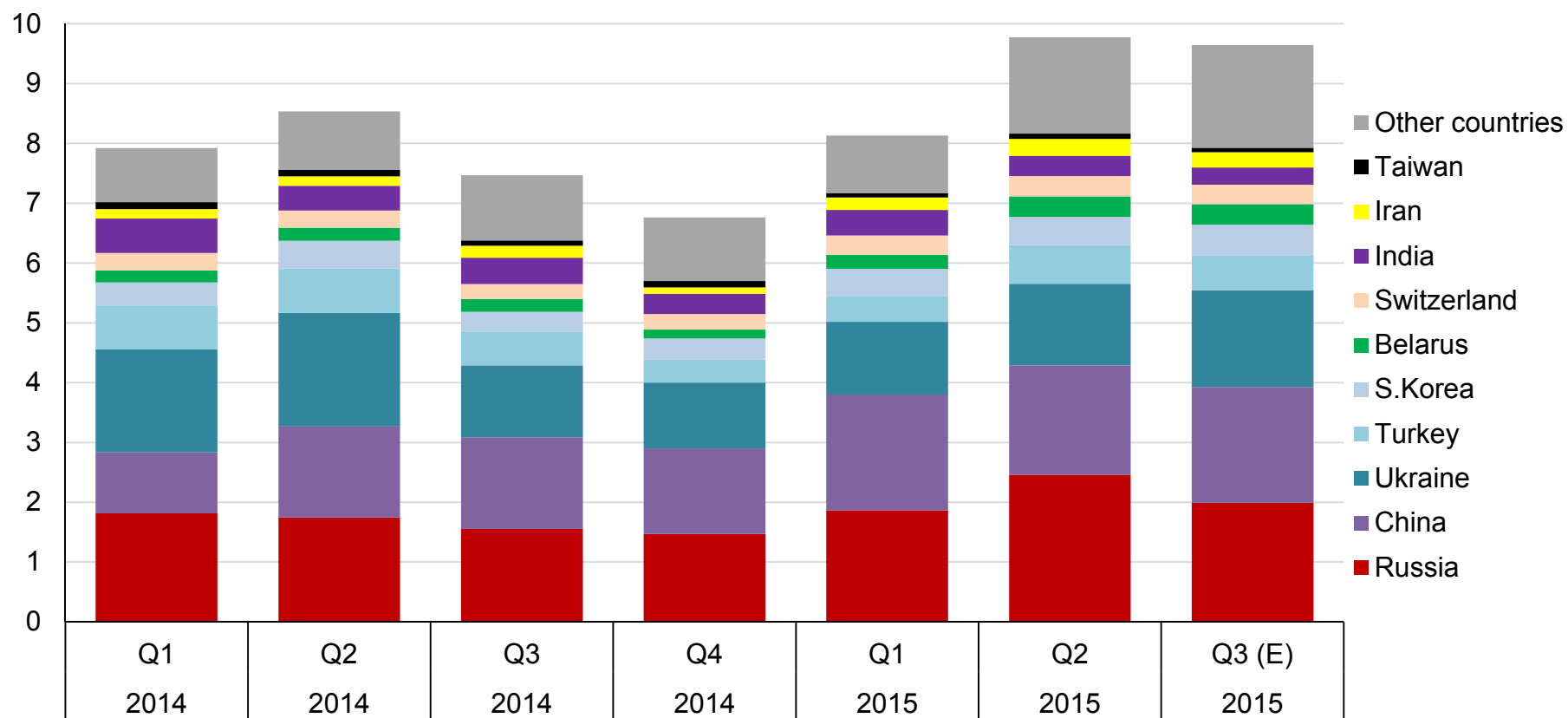
## Total EU carbon steel imports vs exports 2010 - 2015 (Mt)



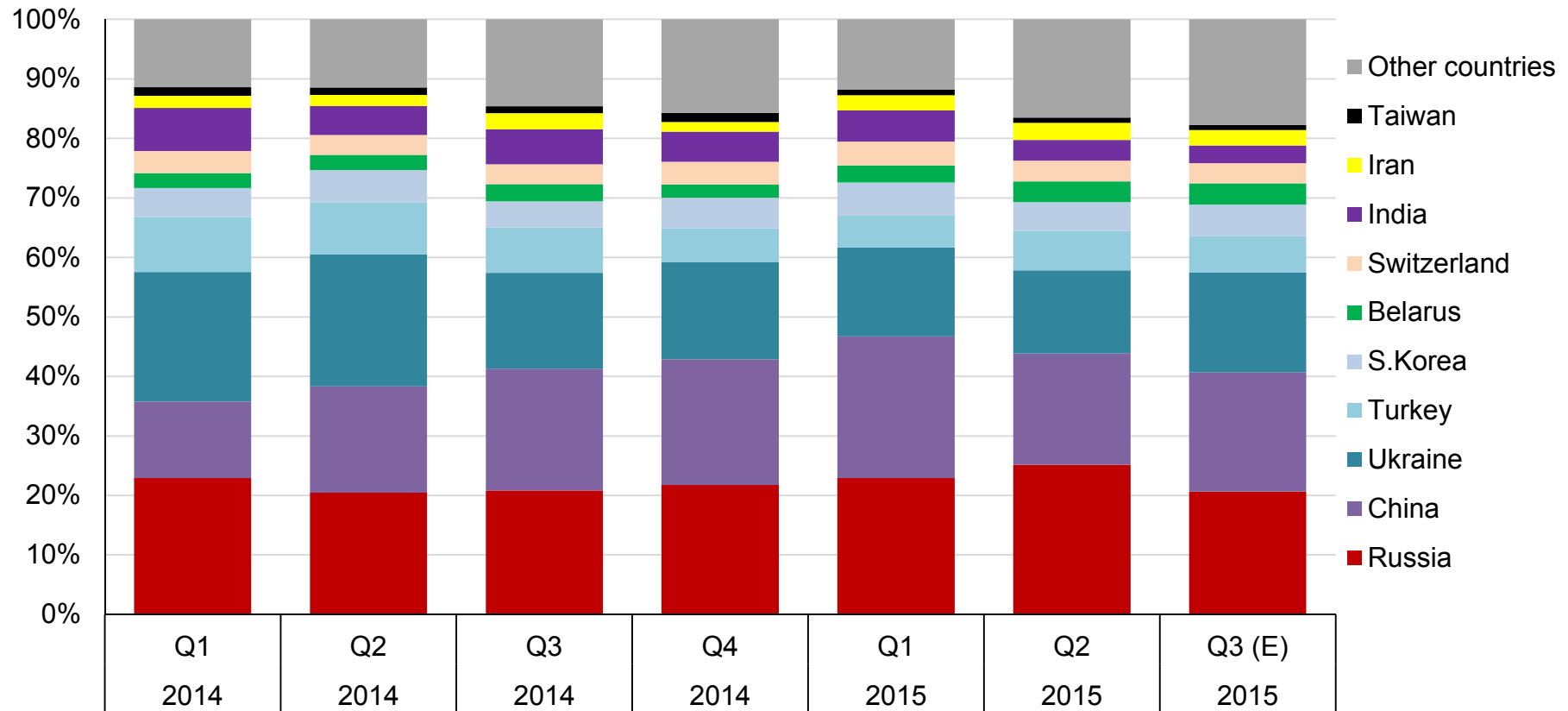
## Total EU carbon steel imports by main exporting countries 2014 Q1 – 2015 Q3 (kt)

	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3 (E)
Russia	1,815	1,746	1,554	1,472	1,864	2,458	1,989
China	1,019	1,523	1,530	1,427	1,937	1,831	1,935
Ukraine	1,725	1,894	1,202	1,101	1,216	1,365	1,617
Turkey	730	747	567	387	433	646	591
S.Korea	387	462	331	350	452	472	510
Belarus	200	218	213	149	233	341	342
Switzerland	294	286	251	259	327	341	327
India	572	414	440	340	427	339	285
Iran	160	159	199	109	205	282	255
Taiwan	116	105	89	105	75	87	78
<i>Other countries</i>	903	979	1,089	1,063	963	1,614	1,713
<b>Total EU imports</b>	<b>7,921</b>	<b>8,532</b>	<b>7,467</b>	<b>6,762</b>	<b>8,132</b>	<b>9,777</b>	<b>9,645</b>
EU exports	9,194	9,614	9,051	9,968	9,153	9,291	8,910
<b>Net EU imports</b>	<b>- 1,273</b>	<b>- 1,082</b>	<b>- 1,584</b>	<b>- 3,206</b>	<b>- 1,021</b>	<b>+ 486</b>	<b>+ 735</b>

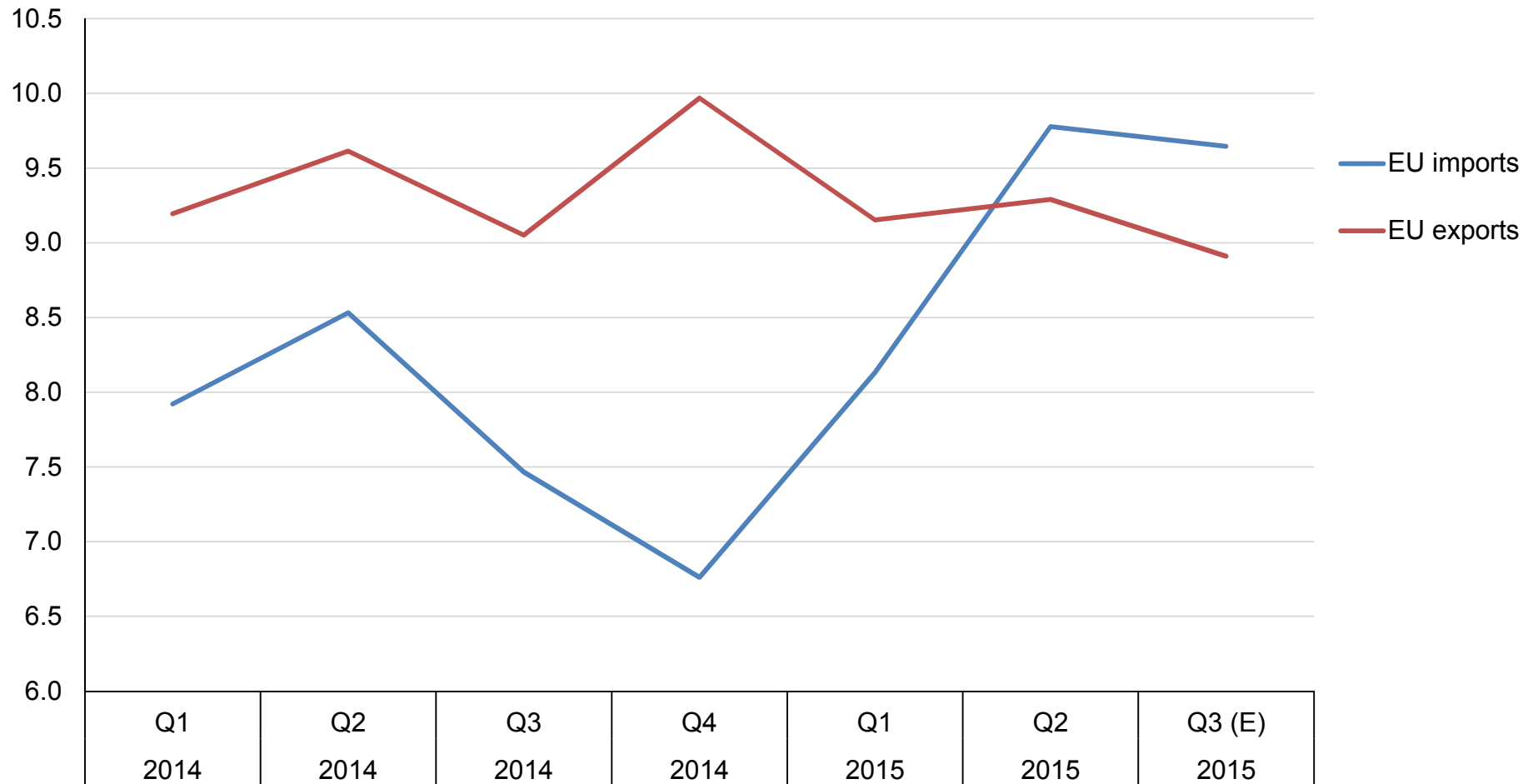
## Total EU carbon steel imports by main exporting countries 2014 Q1 – 2015 Q3 (Mt)



# Total EU carbon steel imports by main exporting countries 2014 Q1 – 2015 Q3 (%)

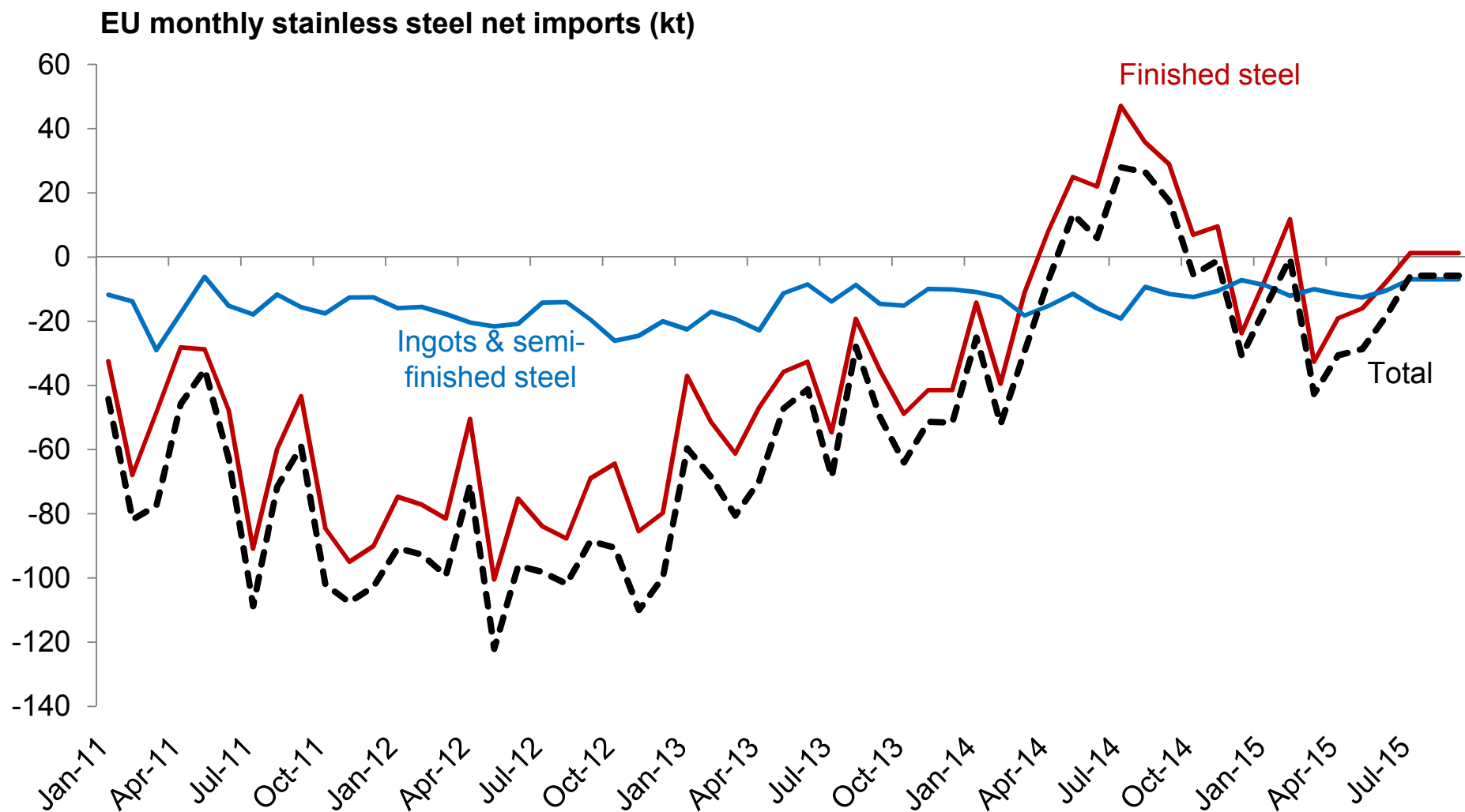


## Total EU carbon steel imports vs exports 2014 Q1 – 2015 Q3 (Mt)





# The EU trade balance in stainless steel improved following imposition of AD duties in 2014, but is now worsening again

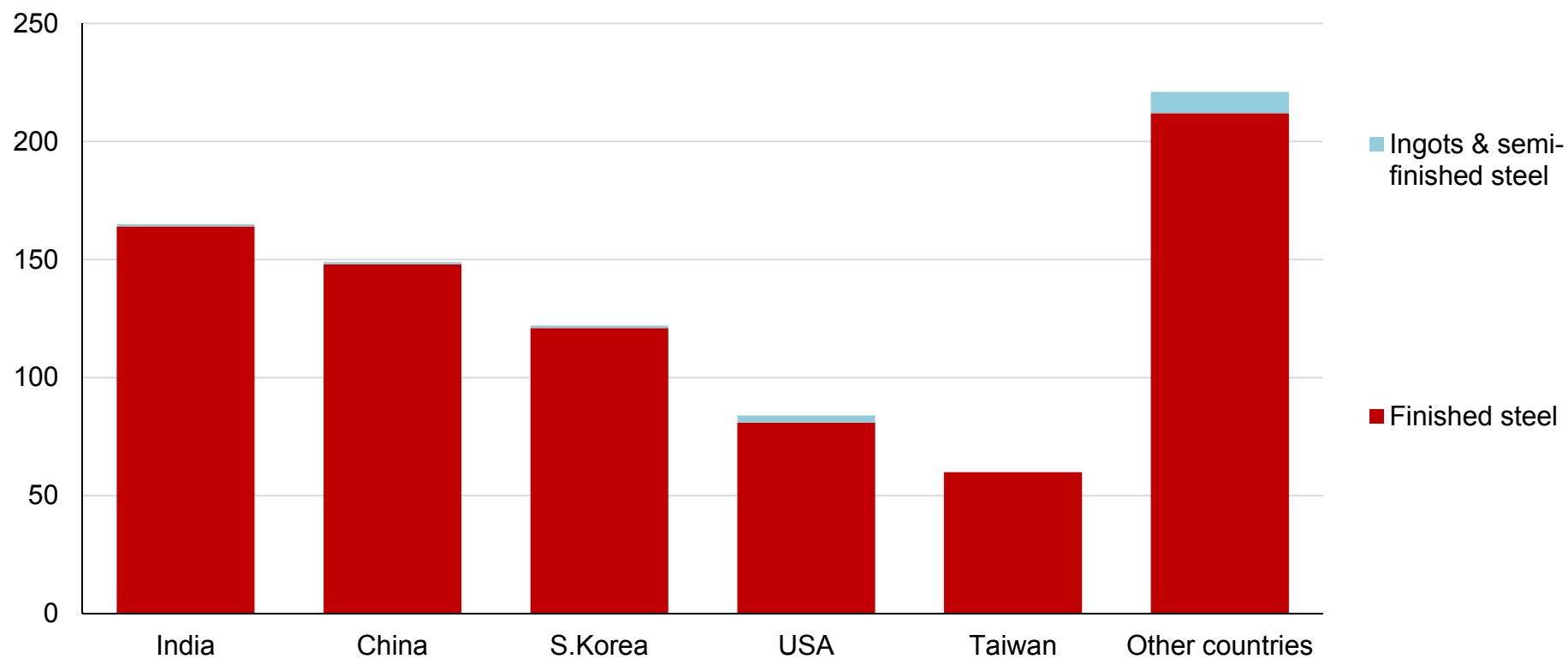


Source: AlloyConsult

## EU stainless steel imports by main exporting countries Jan-Jul 2015 (kt)

	Finished steel	Ingots & semi-finished steel	Total	% of total
India	164	1	<b>165</b>	20.6%
China	148	1	<b>149</b>	18.6%
S.Korea	121	1	<b>122</b>	15.2%
USA	81	3	<b>84</b>	10.5%
Taiwan	60	0	<b>60</b>	7.5%
<i>Other countries</i>	212	9	<b>221</b>	27.6%
<b>Total EU imports</b>	<b>787</b>	<b>15</b>	<b>802</b>	<b>100.0%</b>
EU exports	856	88	<b>944</b>	
<b>Net EU imports</b>	<b>- 69</b>	<b>- 73</b>	<b>- 142</b>	

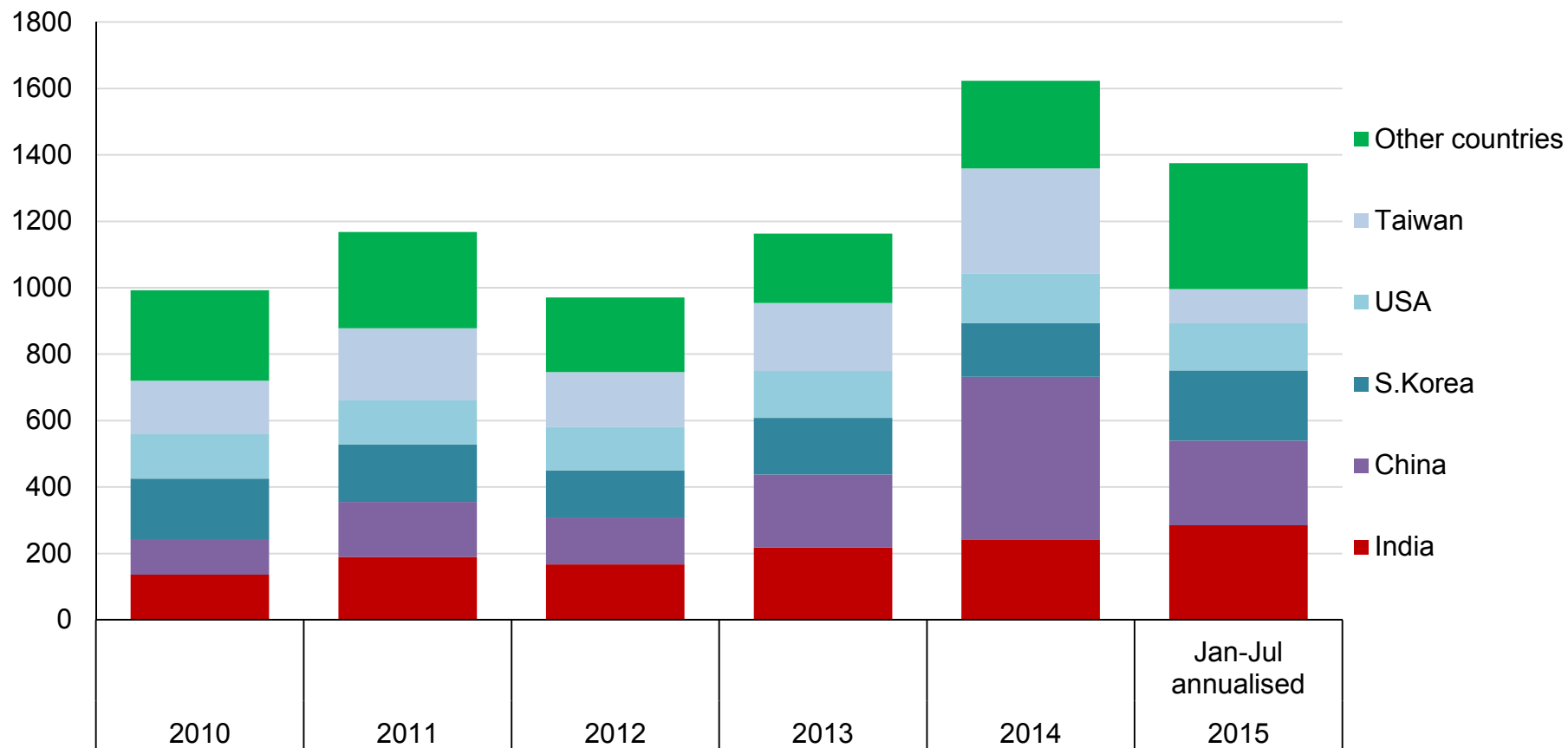
## EU stainless steel imports by main exporting countries Jan-Jul 2015 (kt)



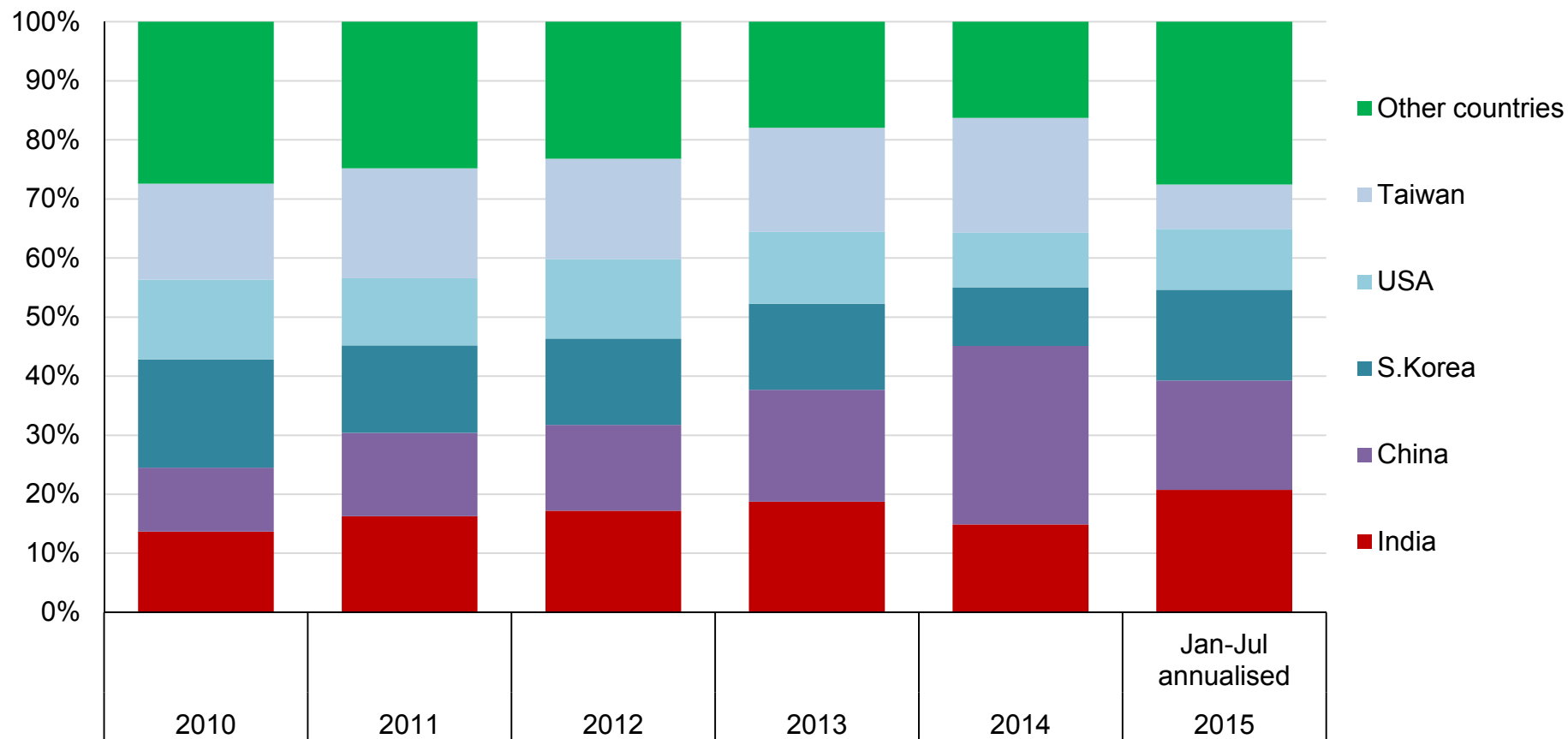
## Total EU stainless steel imports by main exporting countries 2010 - 2015 (kt)

	2010	2011	2012	2013	2014	2015 Jan-Jul annualised
India	136	190	167	218	242	285
China	107	165	141	220	490	255
S.Korea	182	173	142	170	161	211
USA	134	133	131	141	150	142
Taiwan	161	217	165	205	316	103
<i>Other countries</i>	272	290	225	209	264	379
<b>Total EU imports</b>	<b>993</b>	<b>1,168</b>	<b>971</b>	<b>1,163</b>	<b>1,622</b>	<b>1,375</b>
EU exports	1,905	2,067	2,131	1,842	1,682	1,618
<b>Net EU imports</b>	<b>- 912</b>	<b>- 899</b>	<b>- 1,160</b>	<b>- 679</b>	<b>- 60</b>	<b>- 243</b>

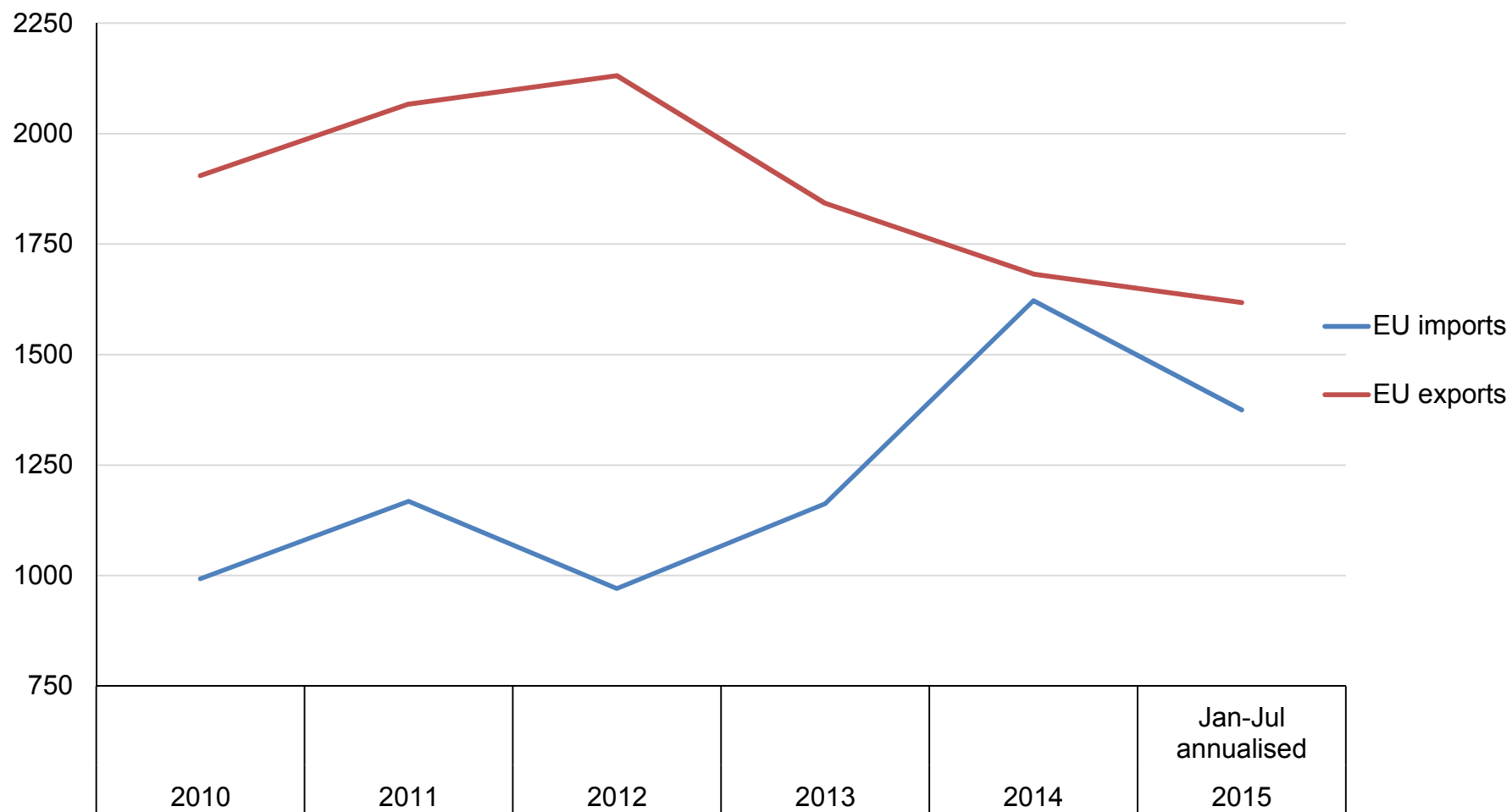
## Total EU stainless steel imports by main exporting countries 2010 - 2015 (kt)



## Total EU stainless steel imports by main exporting countries 2010 - 2015 (%)



## Total EU stainless steel imports vs exports 2010 - 2015 (kt)

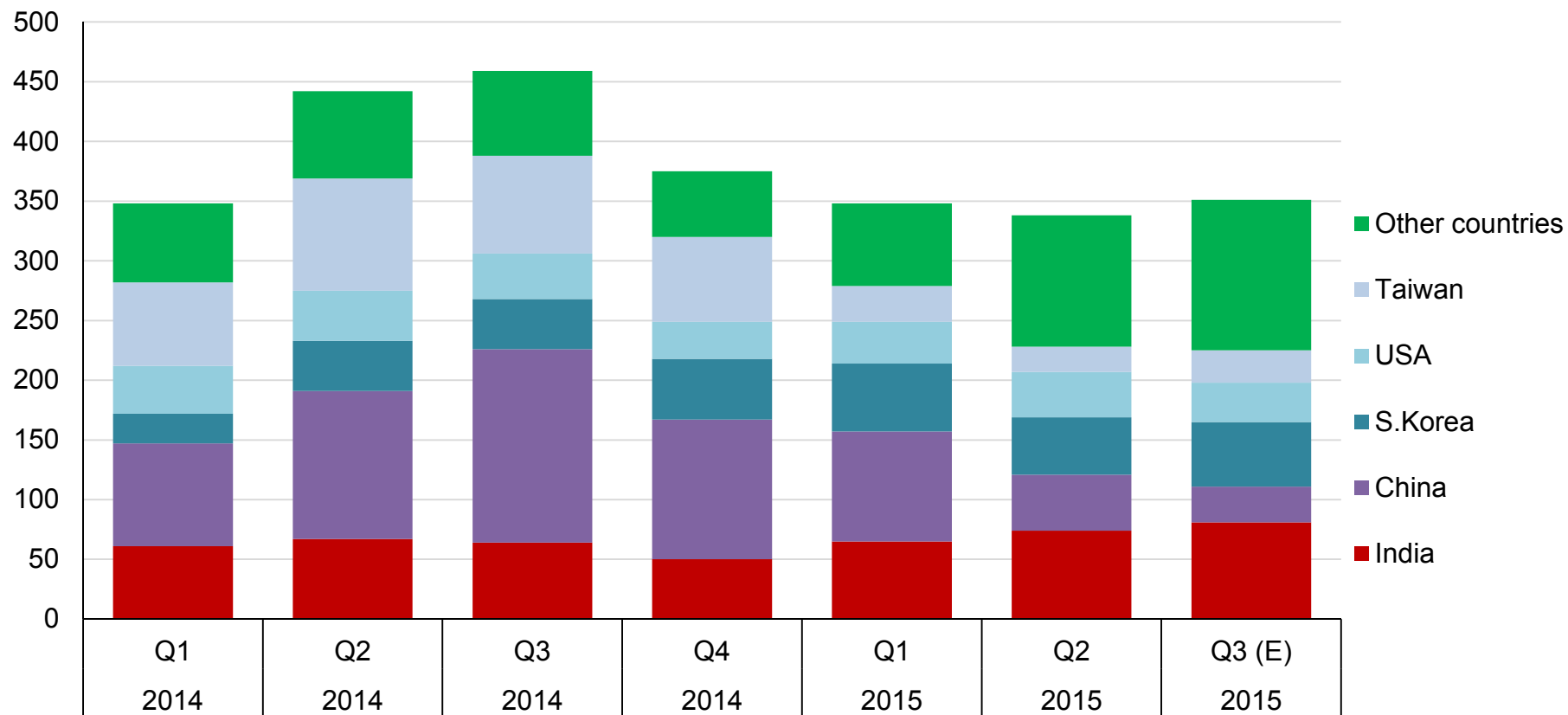


## Total EU stainless steel imports by main exporting countries 2014 Q1 – 2015 Q3 (kt)

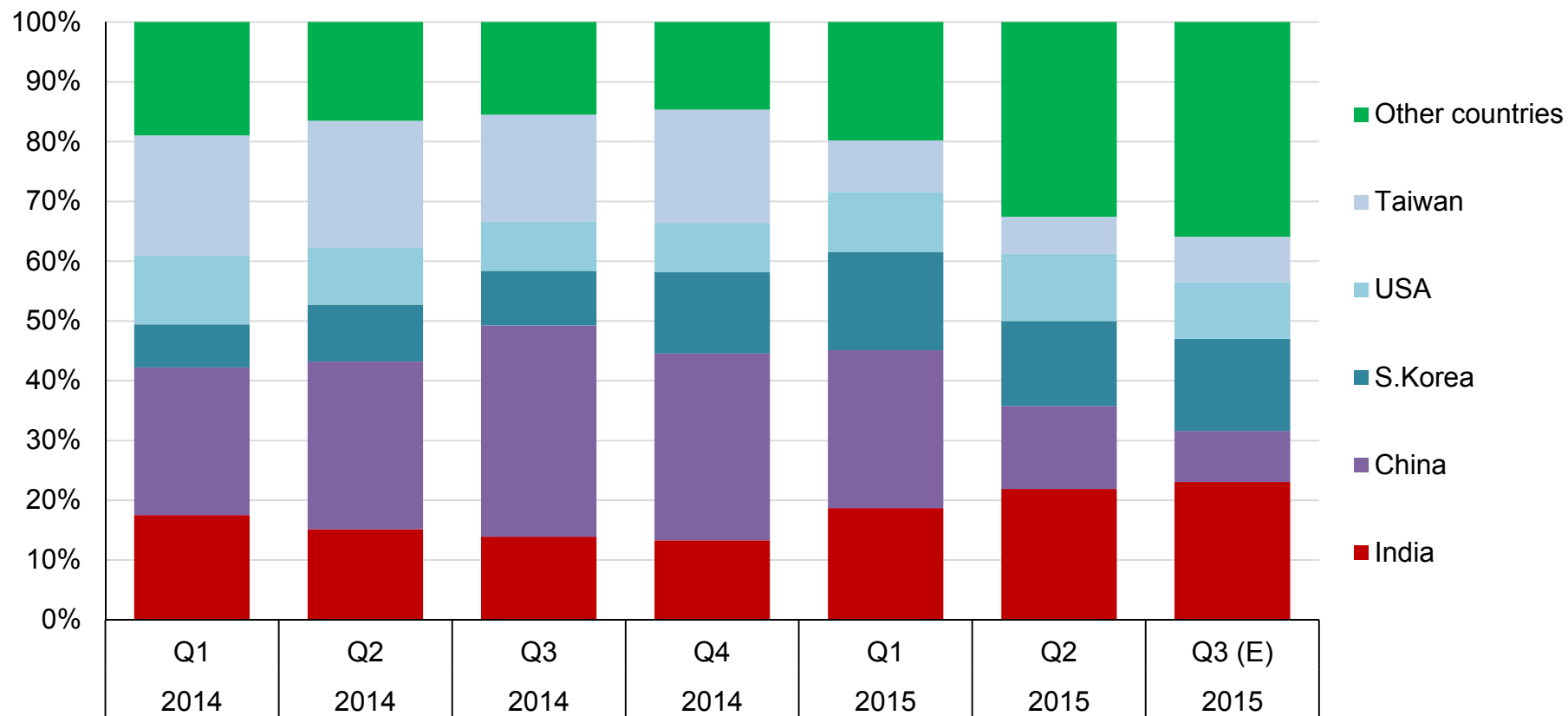
	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3 (E)
India	61	67	64	50	65	74	81
China	86	124	162	117	92	47	30
S.Korea	25	42	42	51	57	48	54
USA	40	42	38	31	35	38	33
Taiwan	70	94	82	71	30	21	27
<i>Other countries</i>	66	73	71	55	69	110	126
<b>Total EU imports</b>	<b>346</b>	<b>442</b>	<b>459</b>	<b>375</b>	<b>348</b>	<b>338</b>	<b>351</b>
EU exports	452	429	387	413	406	415	369
<b>Net EU imports</b>	<b>- 106</b>	<b>+ 13</b>	<b>+ 72</b>	<b>- 38</b>	<b>- 58</b>	<b>- 77</b>	<b>- 18</b>



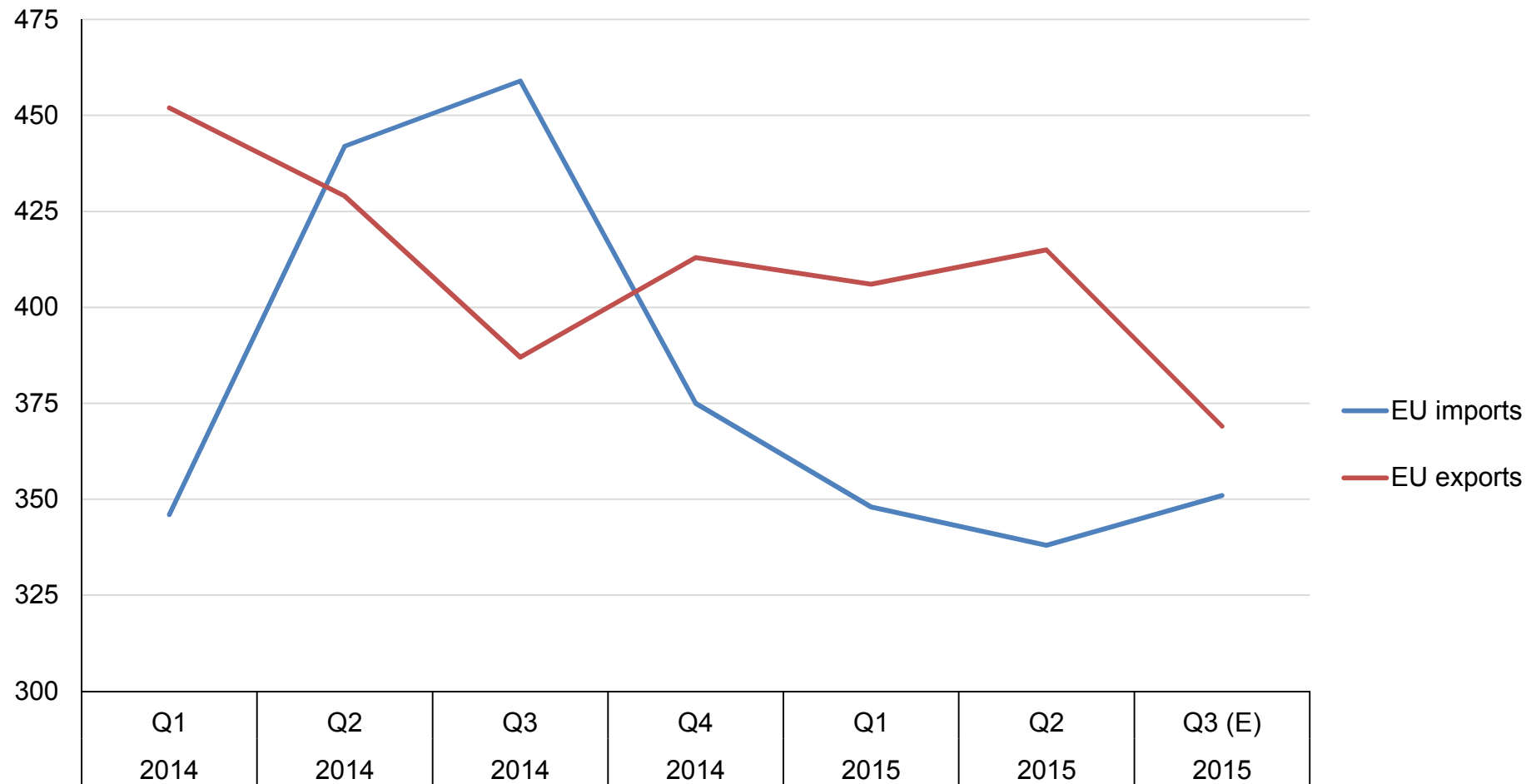
## Total EU stainless steel imports by main exporting countries 2014 Q1 – 2015 Q3 (kt)



## Total EU stainless steel imports by main exporting countries 2014 Q1 – 2015 Q3 (%)



## Total EU stainless steel imports vs exports 2014 Q1 – 2015 Q3 (kt)



## Concluding thoughts...

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- **EU steel imports have been on a rising trend over the past year but the source of the rise in imports is numerous countries.....despite what the media may say, it is NOT all down to China (at least in terms of volumes)**
- The EU steel industry will have to address its overcapacity sooner or later (this is indeed part of a global steel industry problem)
- EU steel output will probably be quite depressed in 2015-Q4 and the early months of 2016
- Potential for AD actions on carbon steel
- Demand for steel in EU in 2015 has been surprisingly robust



**Thank you for your attention**



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