THE EU STEEL SECTOR AMIDST MULTIPLE CHALLENGES

ITA CONFERENCE 2025

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Economic outlook: “soft landing” in the EU (not for Germany)

Real GDP growth, %

	Q2 2025 (q-o-q)	2023 *EC May ’25)*	2024 *(EC May ’25)*	*2025 (EUROFER May ’25)*	*2026 (EUROFER May ’25)*
USA	+3.3 (annualised)	2.9	2.8	*1.6 (EC)*	*1.6 (EC)*
Germany	-0.1	-0.3	-0.2	*0.3*	*0.8*
France	0.3	0.9	1.2	*0.6*	*0.7*
Italy	-0.1	0.7	0.7	*0.6*	*0.8*
EU	0.2	0.5	1.0	*1.1*	*1.3*

- EU economies achieved growth also in 2024, but low and uneven, driven essentially by the services sector
- **Germany in recession in 2023 and 2024 (-0.3% and -0.2%)** due to the weakness of its manufacturing sector
- **EUROFER forecast (EU):**
- **+1.1% in ’25 (1% in ’24)**

  +1.3% in ‘26
- Could be revised though due to the impact of US tariffs and continued economic uncertainty
- Worst impact of US tariffs expected around H2 2025 (could result in -0.3 pp. growth in the EU in 2026)

Sources: EUROFER, European Commission, Bureau of Economic Analysis

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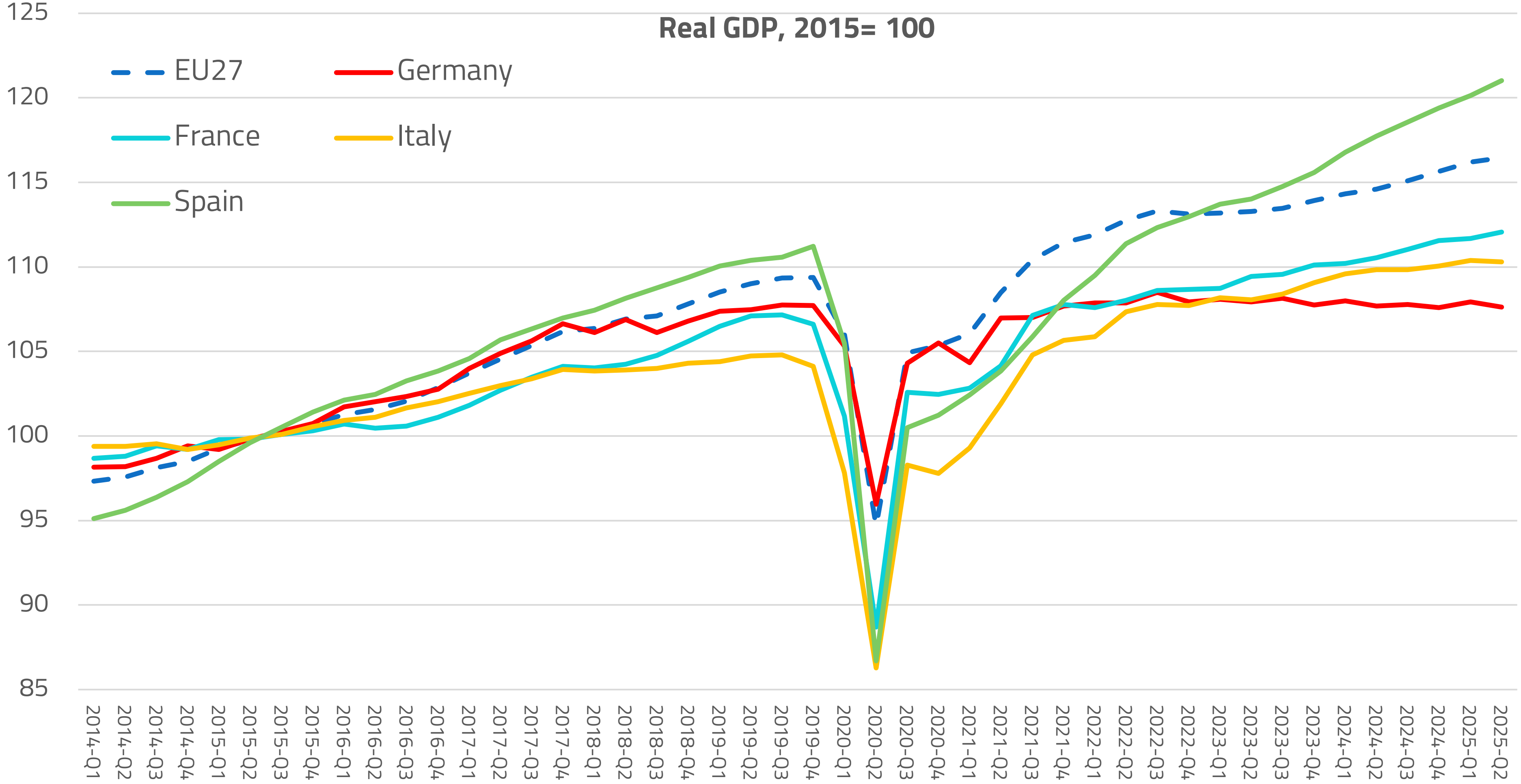
Real GDP has recovered up to pre-pandemic levels but in Germany, Italy and France far below the EU level, in Spain above



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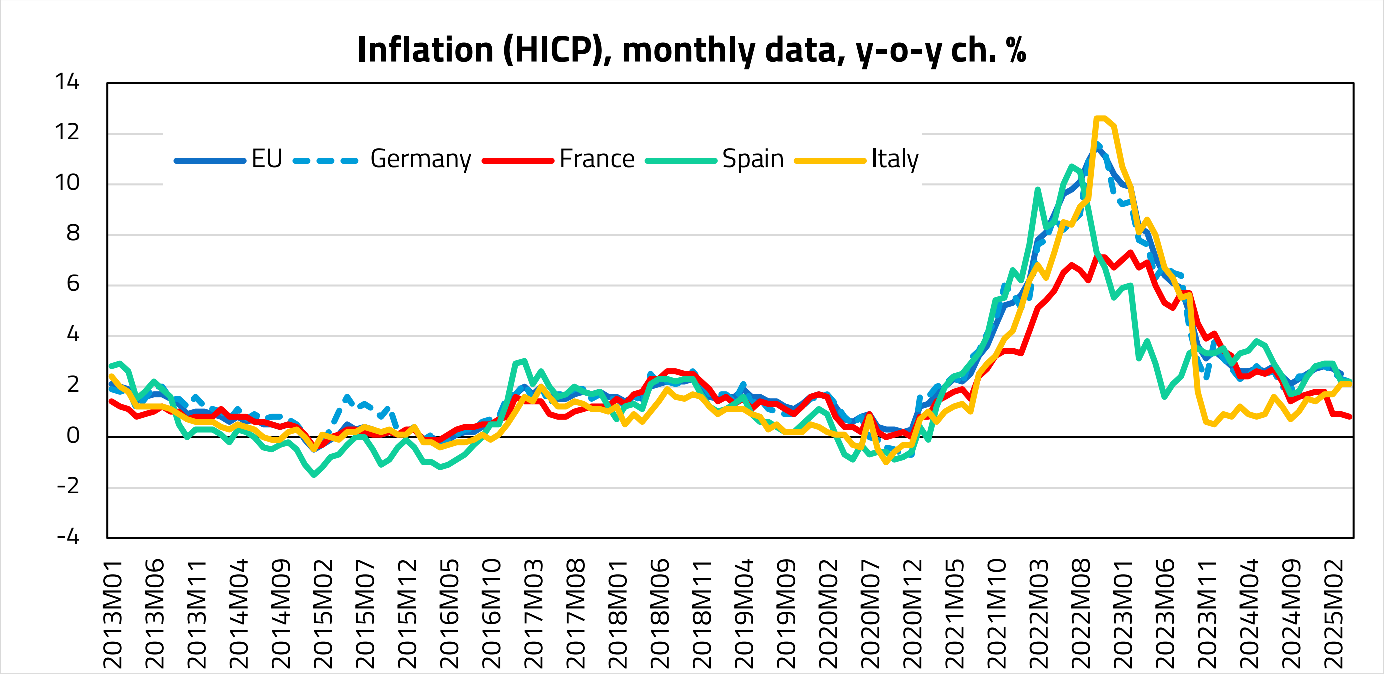
ECONOMIC OUTLOOK: INFLATION

- Inflation in the EU has been easing since October '22 (12%, 35-year high), down to **2.4% in August '25** (2% in the EA) , remaining close to the 2% target in all major EU economies

- **Latest EUROFER forecast (Aug. '25): 2% in 2025 (2.3% in 2024), 1.7% in 2026**

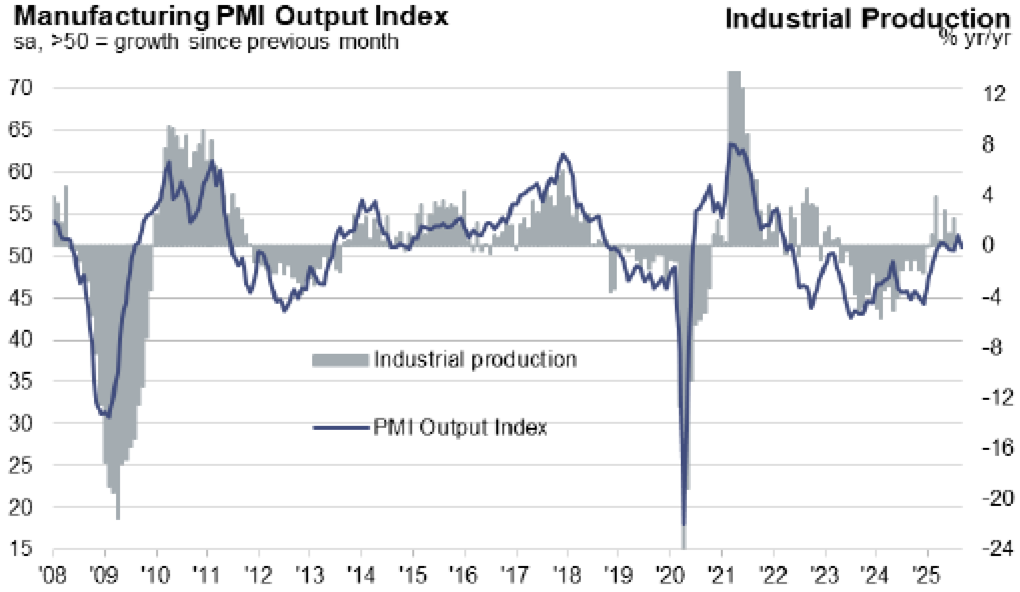
- Thanks to easing inflation, the ECB has lowered its policy rates with **eight 25 bps cuts down to 2.00%**
- Further cuts are expected, depending on price developments and energy prices



Leading Indicators/1

- The HCOB euro area Manufacturing PMI marginally contracted in September, reversing the first improvement seen in over three years during August, falling from 50.7 to 49.8 (50 being the expansion threshold). Manufacturing operating conditions within the EA worsened at the end of the third quarter, reversing August's slight improvement.
- Correlation between PMI indicator and actual industrial output has been weakening since the post-COVID rebound

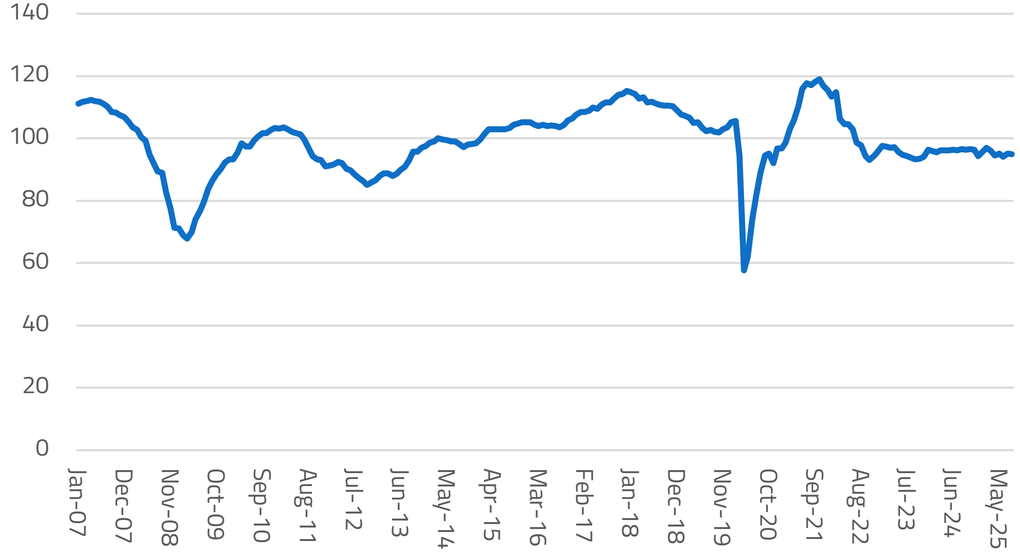
- Overall economic sentiment remains weak



Sources : HCOB, S&P Global PMI, Eurostat via S&P Global Market Intelligence.

Economic Sentiment Indicator (ESI), EU

Long-term average= 100



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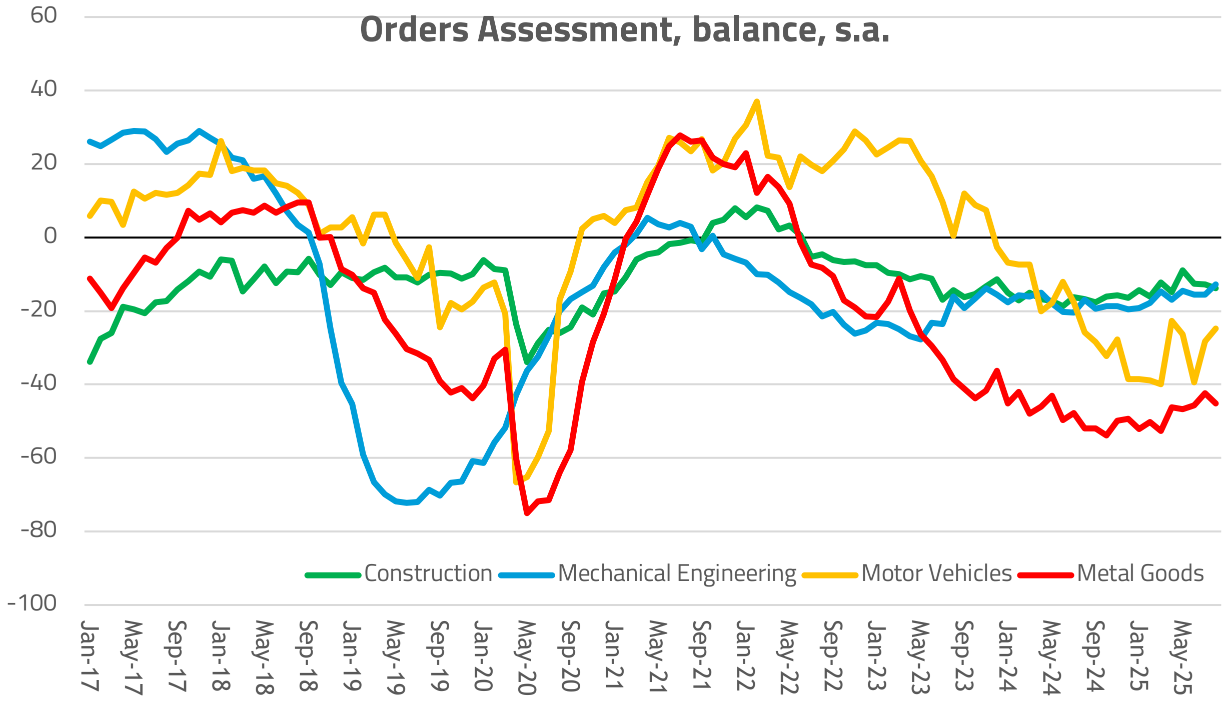
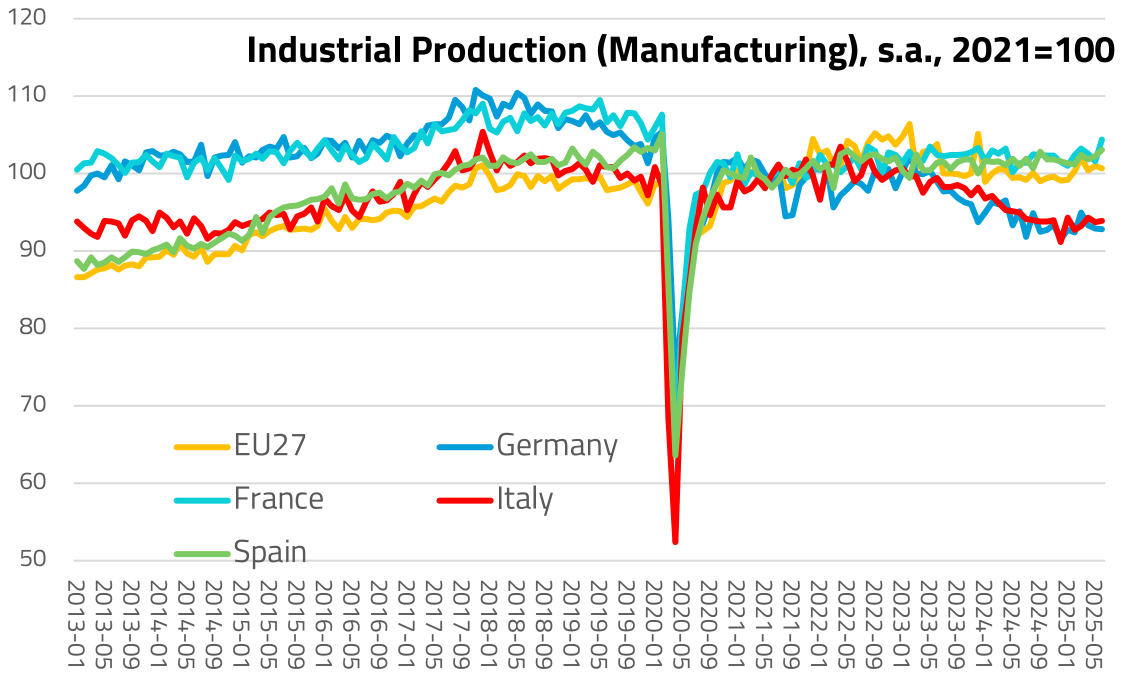
Leading Indicators/2

- Orders from main steel-using have been decreasing sharply since 2022 reflecting outlook deterioration, with some recent stabilisation
- Automotive orders have been in negative territory since Jan. 2024
- Construction, mechanical engineering and metal goods in negative territory for almost three years

- Industrial output remains below pre-pandemic levels in <u>Germany</u> and <u>Italy</u>





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Steel-using sectors' real output growth (%), EUROFER FORECAST, EU, September 2025

	2021	2022	2023	2024	*2025 (f)*	*2026 (f)*
Construction	6.1	2.9	1.4	-2.0	*0.4*	*2.3*
Domestic appliances	12.3	-4.6	-4.1	-4.9	*0.9*	*1.1*
Mechanical Engineering	12.5	4.4	1.7	-5.1	*-1.7*	*1.4*
Metalware	12.0	1.0	-4.0	-3.2	*-1.1*	*2.6*
Automotive	6.1	4.3	9.0	-9.8	*-4.2*	*1.3*
Other transport	3.4	7.6	9.9	5.7	*-0.5*	*2.3*
SWIP	**8.2**	**2.4**	**2.1**	**-3.6**	***-0.7***	***1.8***

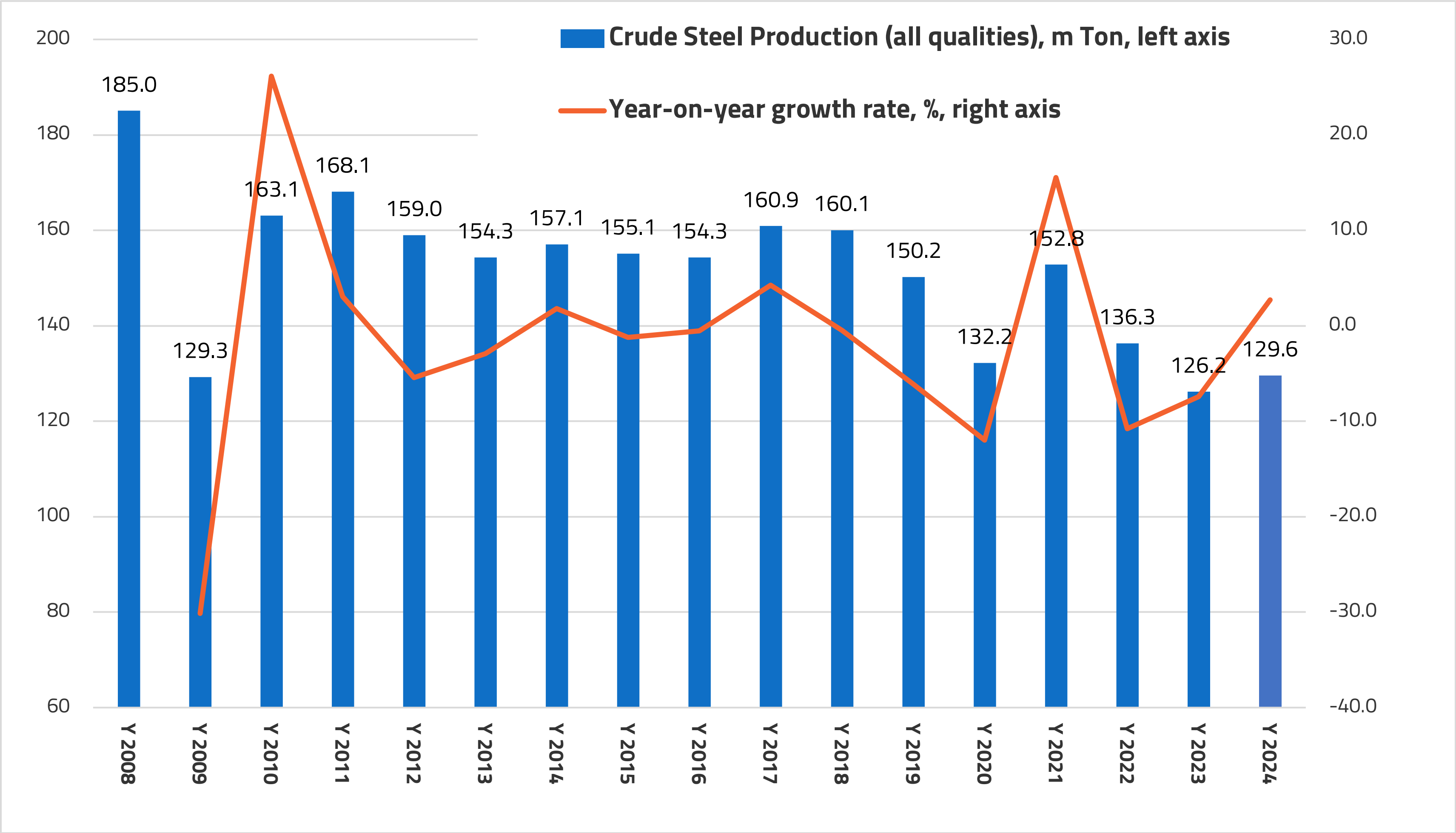
- **SWIP:**
  -3.6% in 2024
  - 0.7% in '25
  +1.8% in '26

- **Construction** output contracted in '24 (-2%) due to the interest rate-led housing downturn, despite some civil engineering support
- Modest growth in '25 (+0.4%), +2.3% in '26

- **Automotive** in deep recession in 2024 (-10%), also in '25 (-4.2%)
- Modest rebound (+1.3%) in '26, with output levels far below 2019 ones

EU steel market – production

The EU has lost 56 MT in crude steel production since 2008



Reasons:

- Global steel overcapacity pressures
- Low steel demand from using industries
- Higher energy costs compared to other major steel-making regions

- Production in 2023 down to the record low of 126 MT (a drop of -7%)
- In 2024, rebound by +3% up to **129.6** MT
- Yet, 56 MT below 2008 levels and 21 MT below 2019 ones

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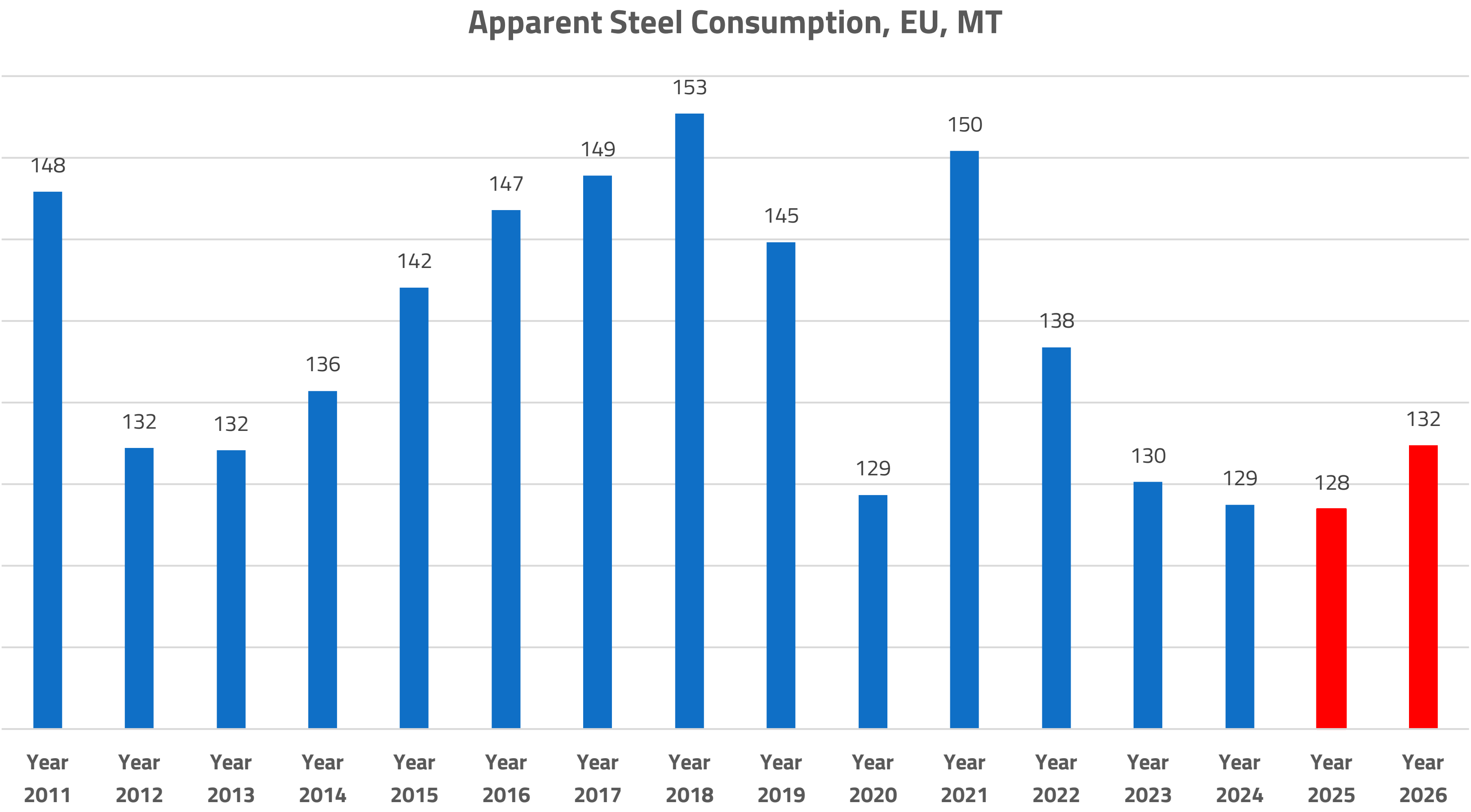
EU steel market – demand

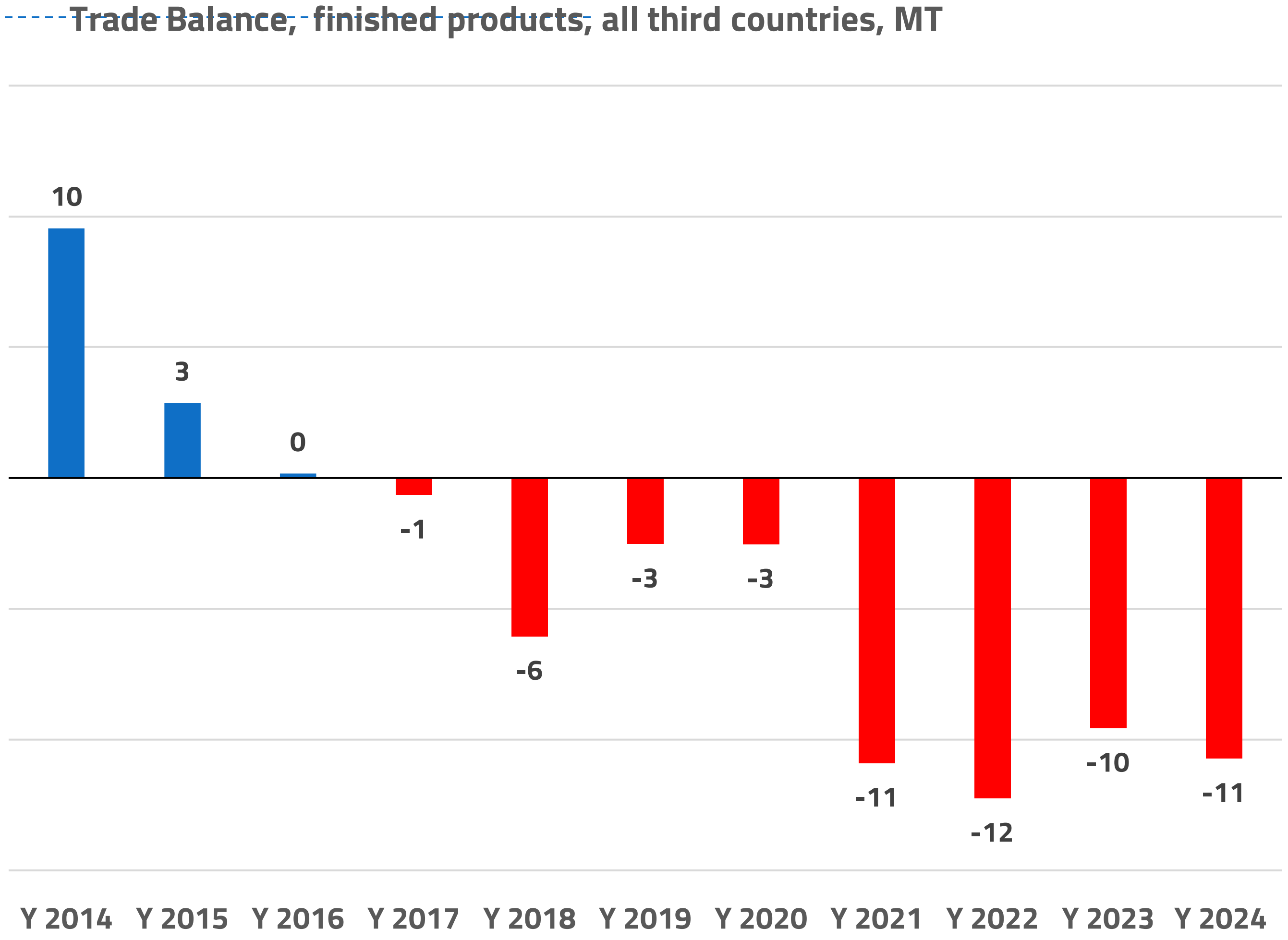
Record low in 2024, recession to continue in '25 (albeit mild)

Some rebound is expected only in 2026



- **Apparent steel consumption has dropped (-1.1%) for the third consecutive year in 2024, down to 129 MT (same as 2020)**
- **Set to continue in '25 (-0.2%) , and to rebound in '26 (+3.1%), yet some 13 MT below pre-pandemic levels**

The EU's steel trade balance has been deteriorating constantly since 2017



- Deficit for eight consecutive years, widening since 2021, 11 MT in 2024

- Imports accounted for 27% of apparent consumption in 2024 (17% in 2012)

- Is the EU permanently becoming a net importer of steel products?

CONCLUSIONS

- No real improvement in steel demand is at sight, due to US tariff-related turmoil; recovery (+3.1%) has been postponed to 2026, around very low historical volumes (13 MT below 2019 levels)
- SWIP remains weak also in 2025, mainly due to very low growth in construction (37% of steel demand) and another output recession in automotive (20%)
- High production costs and global uncertainty (geopolitical and trade-related) continue to weigh on the sector
- Import pressure remains high, combined with expanding global excess capacity

Thank you for your attention!

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