



## EMERGING TRENDS AFFECTING STEEL EXCESS CAPACITY:

### IMPACT OF COVID-19

GLOBAL FORUM ON STEEL EXCESS CAPACITY  
STAKEHOLDER FOCUS EVENT

7 JULY 2020

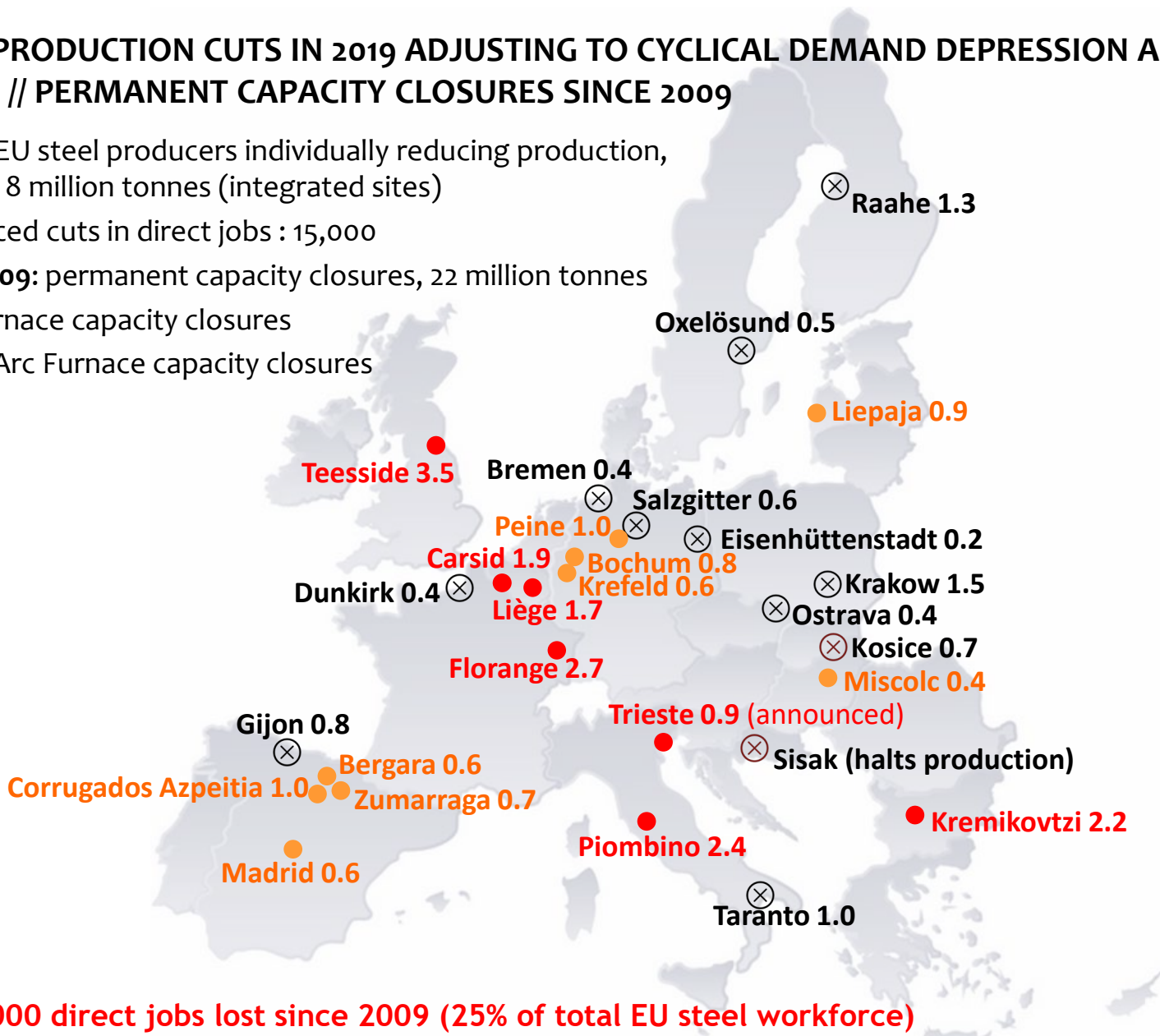
## EU STEEL PRODUCTION CUTS IN 2019 ADJUSTING TO CYCLICAL DEMAND DEPRESSION AND IMPORT PRESSURE // PERMANENT CAPACITY CLOSURES SINCE 2009

⊗ **In 2019:** EU steel producers individually reducing production, totalling 8 million tonnes (integrated sites)

Announced cuts in direct jobs : 15,000

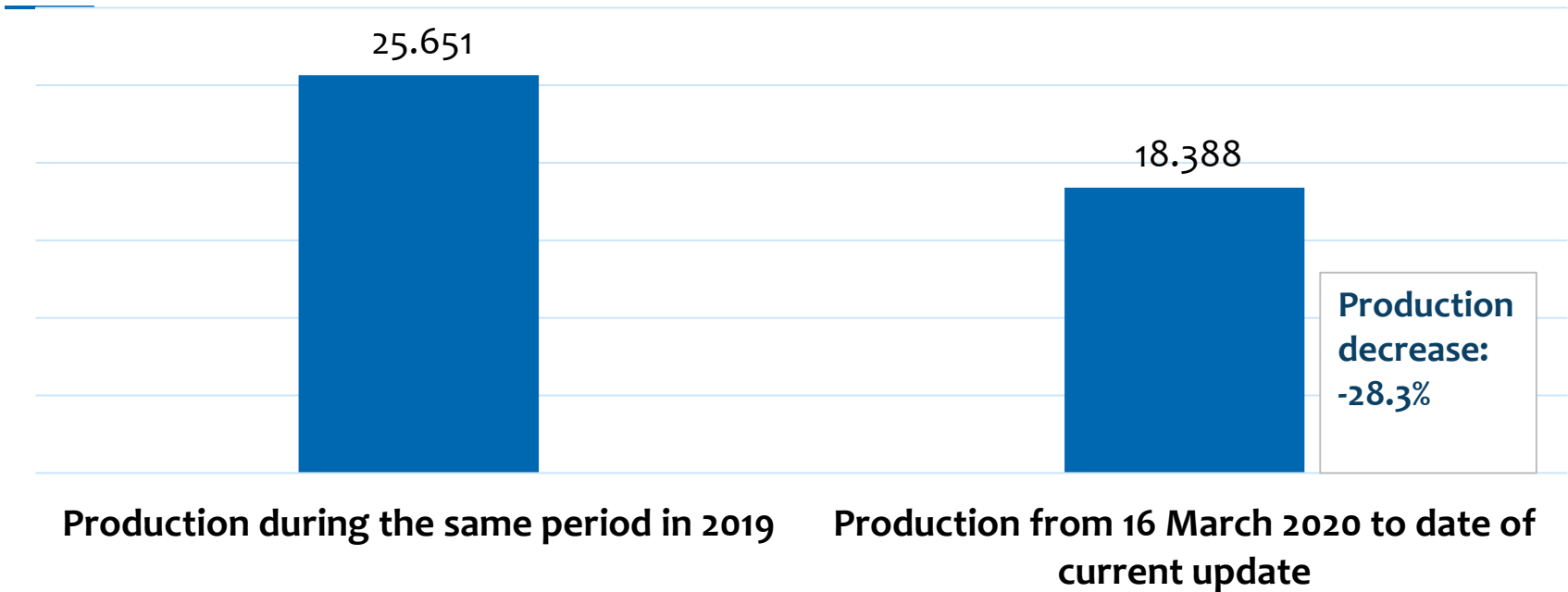
**Since 2009:** permanent capacity closures, 22 million tonnes

- Blast Furnace capacity closures
- Electric Arc Furnace capacity closures



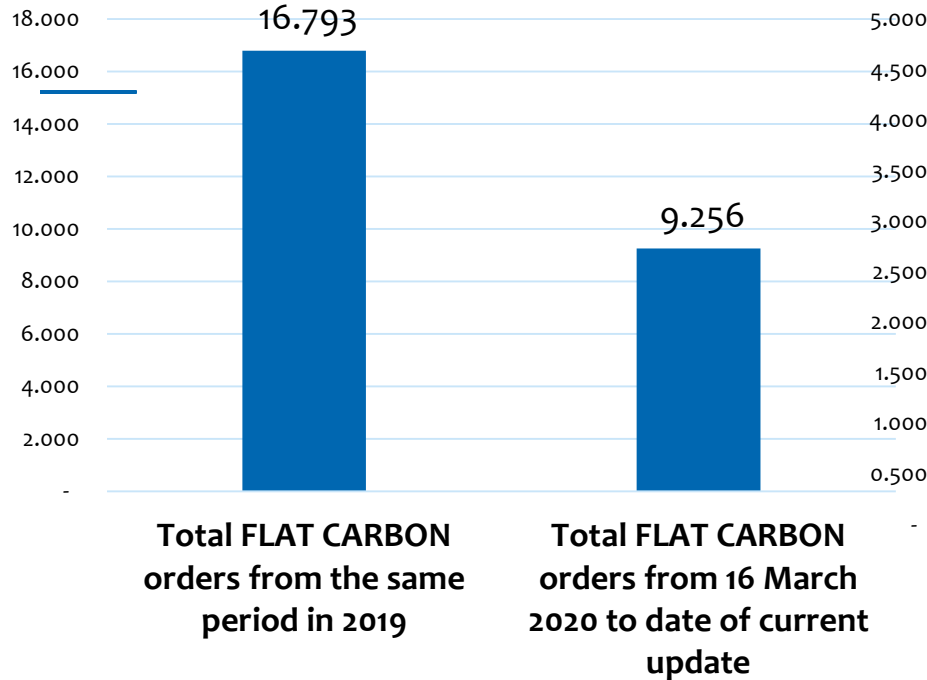
➔ 80,000 direct jobs lost since 2009 (25% of total EU steel workforce)

## Impact on Production, in million MT

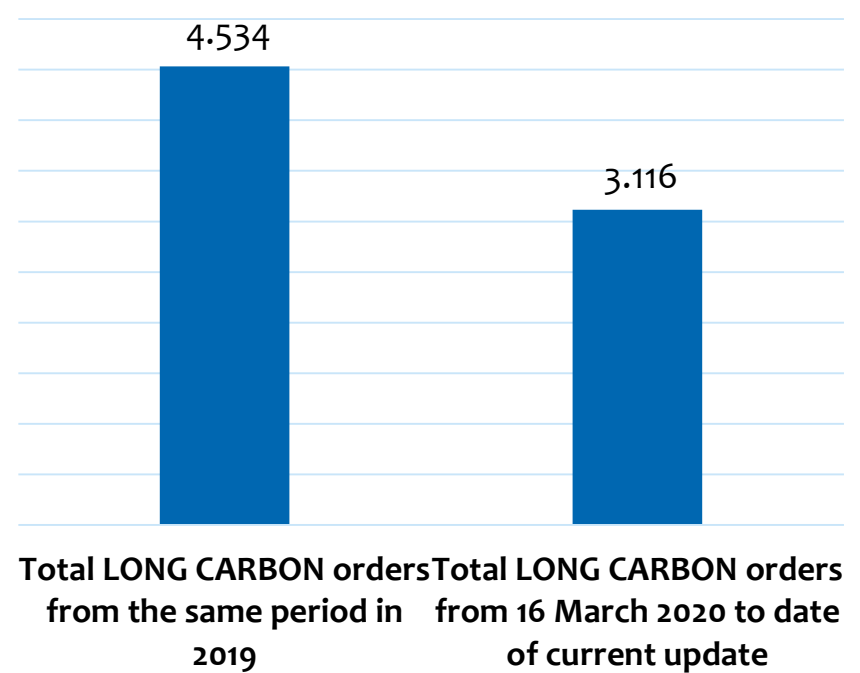


**Decrease of 6.34 million tonnes since 16 March 2020, compared to same period of 2019**

## Flat Carbon orders, in million MT



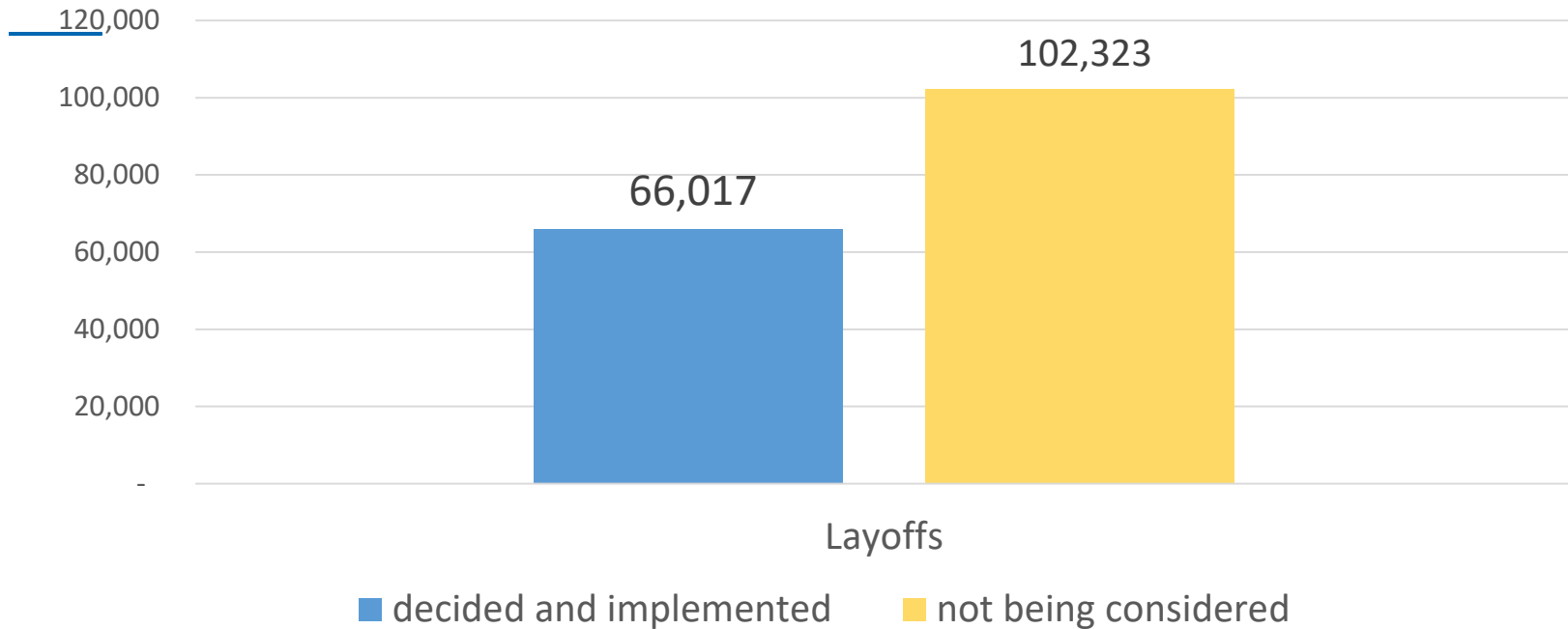
## Long Carbon orders, in million MT



**Order intake: 30 to 48 % down overall**

- Flat carbon orders: -45%
- Long carbon orders: -31%
- Stainless: -30%

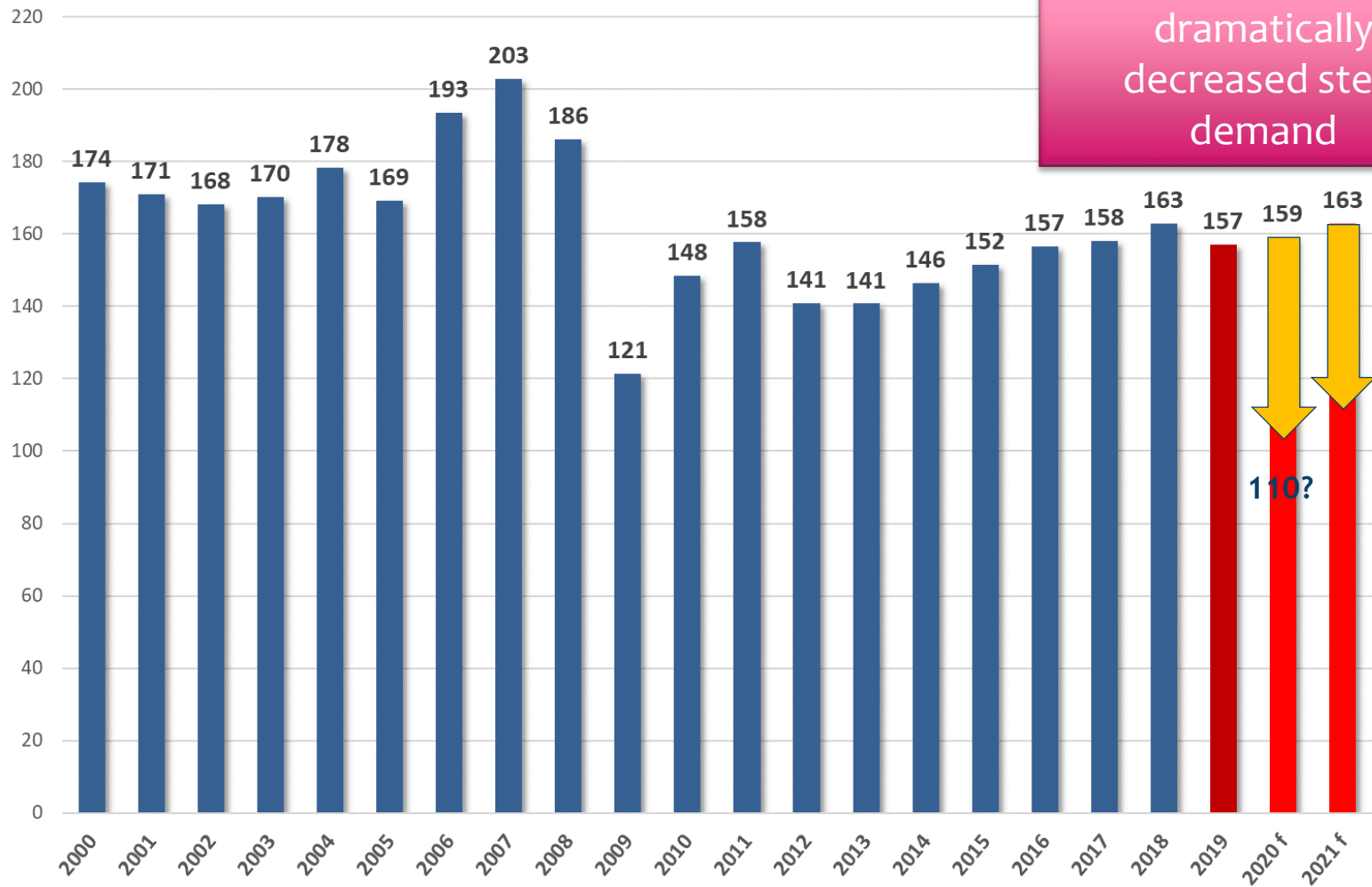
## Lay-offs and reduced work



**Workforce already affected by job reductions: 62,270 (37.1% of total)**

**Additional 5,149 (3.1%) considered for layoffs**

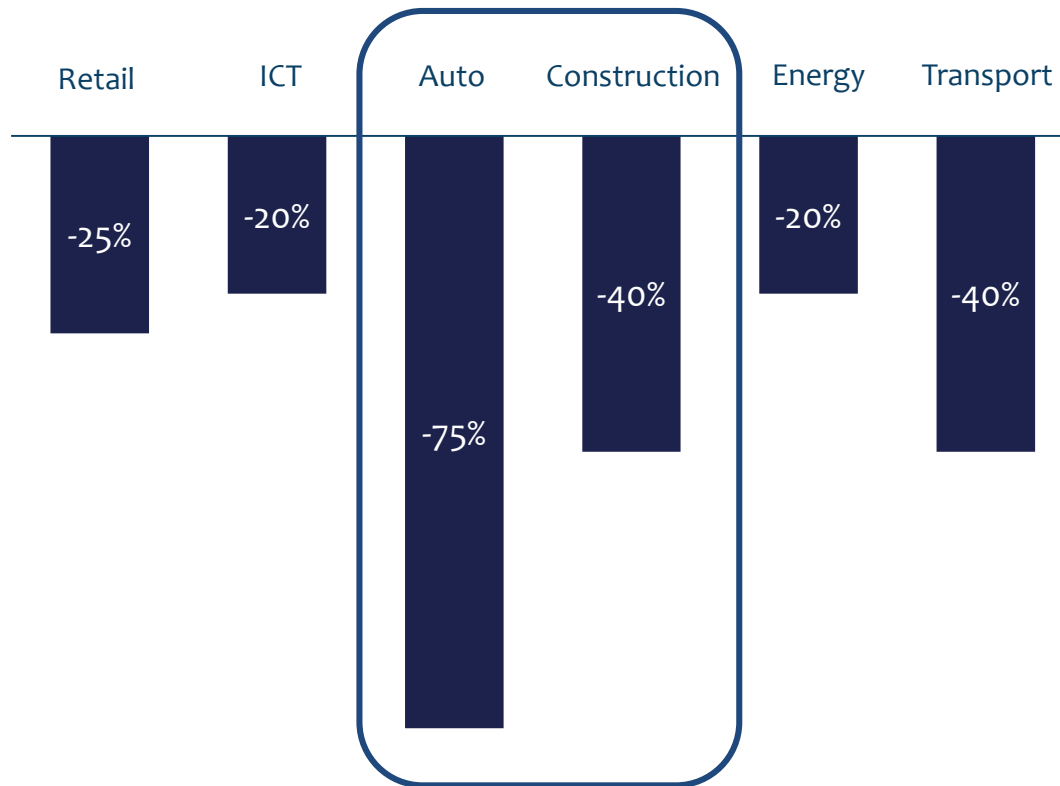
## APPARENT STEEL CONSUMPTION EU (MIO T)



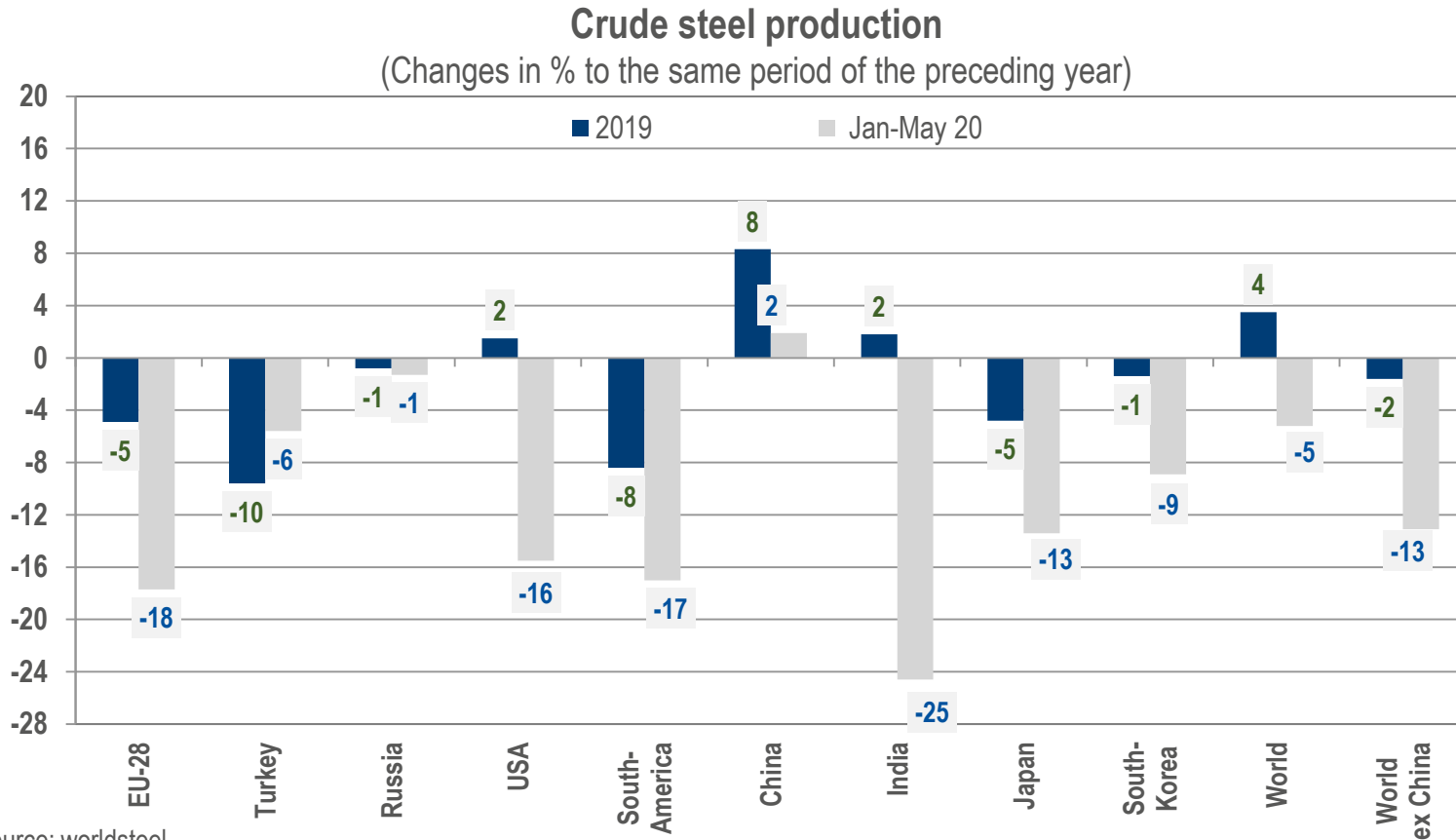
Steel consumption in de EU is in free fall

## EVOLUTION OF EU STEEL DEMAND DUE TO COVID-19 CRISIS

Assumption of production cut by sector during lockdowns (situation April)



## Global Steel Production: Only China is increasing production during the crisis



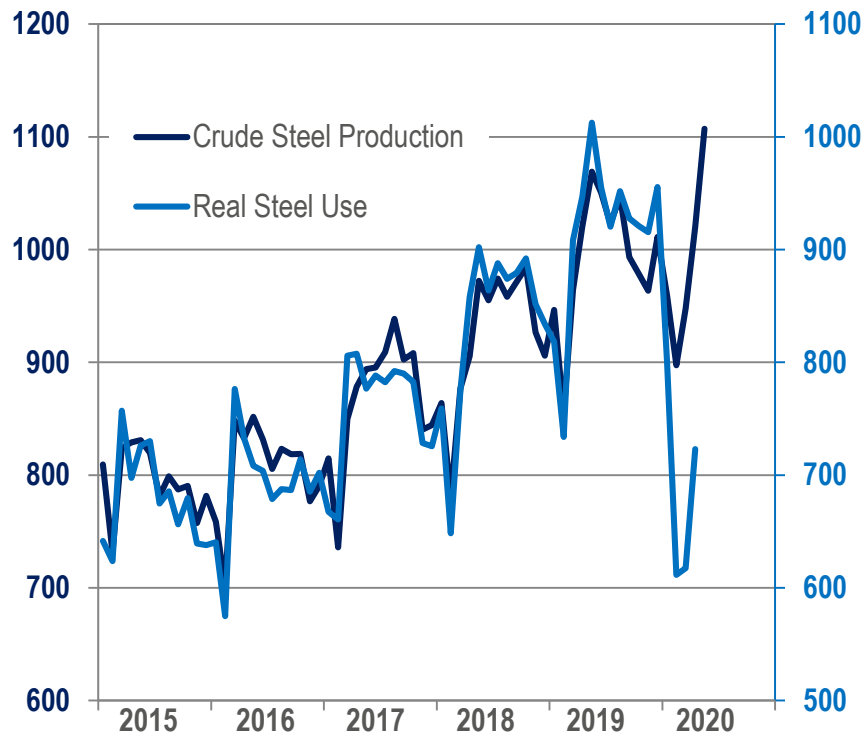
Source: worldsteel

Significant declines in all countries except in China.

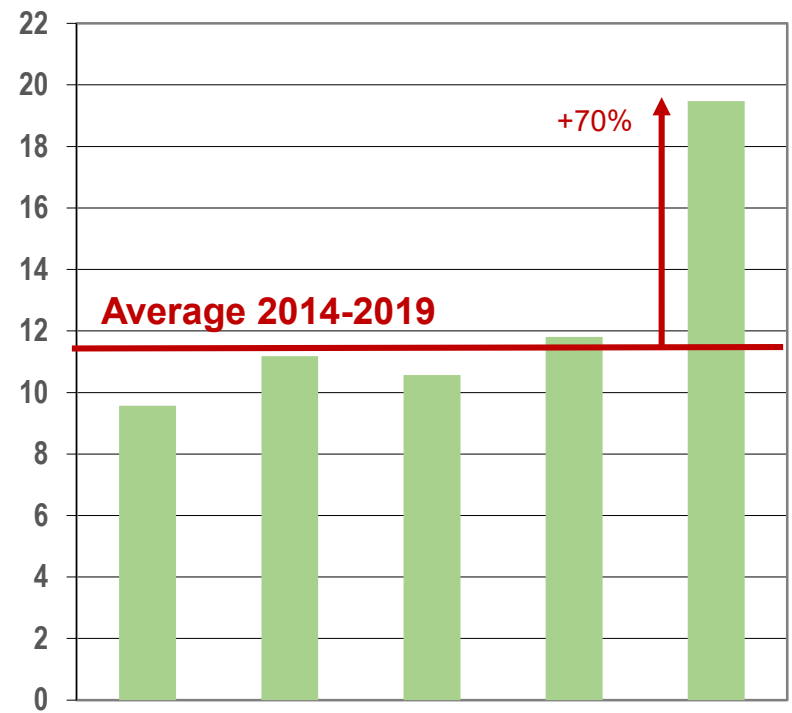


## China: Production significantly exceeds real steel use

**Crude Steel Production and real Steel Use**  
(Million Tonnes, annualized)



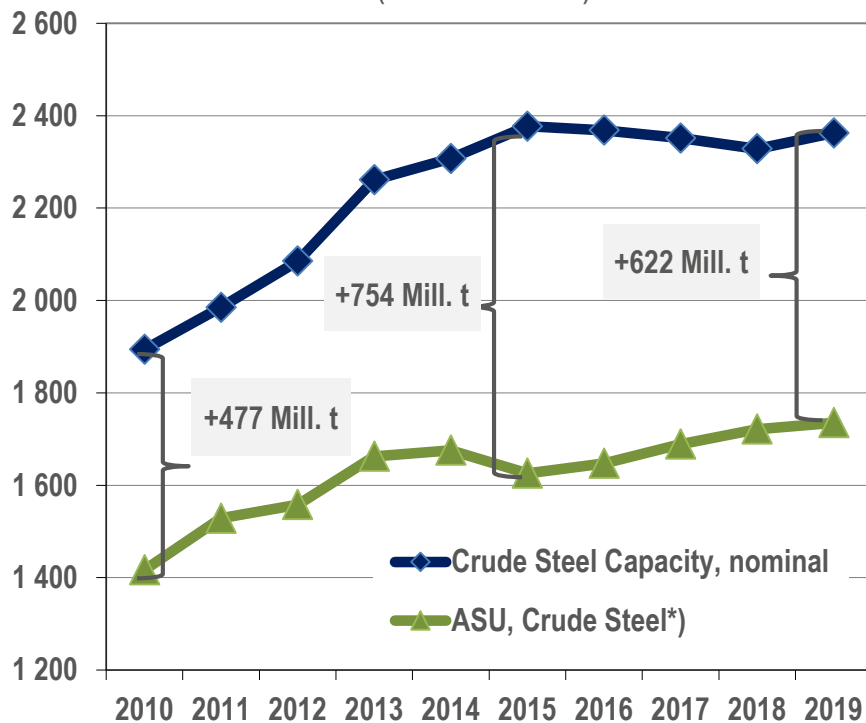
**Steel inventories of warehouses**  
(Million Tonnes, annualized)



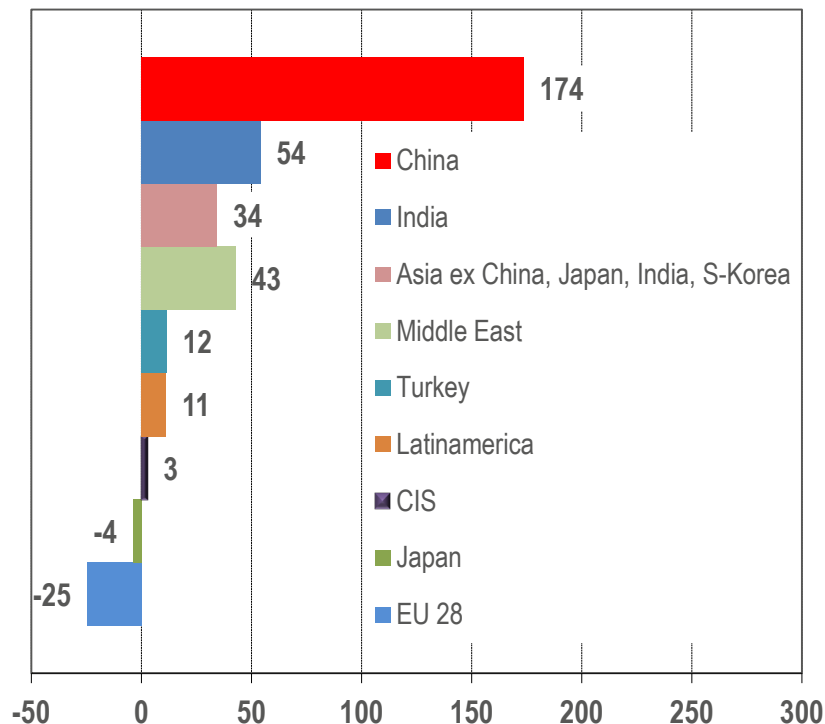
Source: worldsteel, NBS and Calculation WV Stahl (real Steel Use)

## Structural problem: Global overcapacity is raising again - especially because of China

World: Supply and Demand  
(Million Tonnes)



Increase of Crude Steel Capacity by region  
(2010-2019, Million Tonnes)



Source: OECD, Juni 2020 (Capacity) and worldsteel SRO, June 2020 (ASU)

\*) Adjusted by statistical effects in China

Source: OECD

- Global steel capacities are expected to increase further in 2020.
- Over the past decade, China has accounted for over half of global capacity building.
- Only the EU has significantly reduced capacity.

## Conclusions

- EU steel industry and market already weakened in 2019 by cyclical demand depression and import pressure: production reduction, job cuts, continuation capacity closures
- EU steel market and industry severely hit by the immediate impact of the covid-19 crisis: drastic production cuts, massive lay-offs, organizing to cope with sudden domestic demand collapse (automotive, construction)
- Global perspective:
  - EU among the regions most aggressively aligning to the impact of the crisis
  - China's continued production increase causing new imbalances domestically (inventory build-up) and internationally (export surge)
  - Global excess capacity reaching a new ten years high

## Messages

- The work of the GFSEC has become more important than ever before in the light of the most severe crisis since WW II. Therefore, it is of utmost importance to make China coming back to the discussion table. Moreover, we need a very intensive monitoring of the evolving situation of global overcapacity. Only if the steel industry does have reliable numbers on the capacity and the demand situation, informed investment and closure decisions can be made.
- Transparency in and addressing capacity-related subsidisation and support measures need to remain the policy focus of the future GFSEC work differentiated from measures limited in time, targeted and proportionate to the scale of the crisis
- Increased risks of market-disrupting trade flows when demand return locally; are the necessary emergency trade action tools available?