

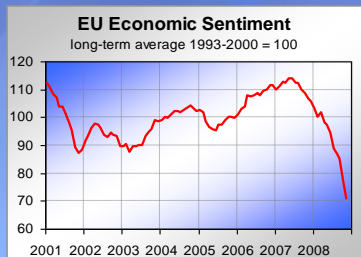
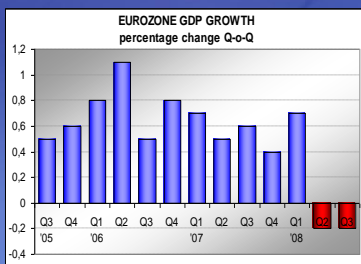
**65th Session of the OECD Steel Committee and the Joint
OECD/Malaysia/World Steel Association Workshop on
Steel and Related Raw Materials**

**EU Economic and Steel Market Outlook
2008 - 2009**

Kuala Lumpur, 15-16 December 2008

The macro-economic situation

EU in recession – set to deepen in 2009

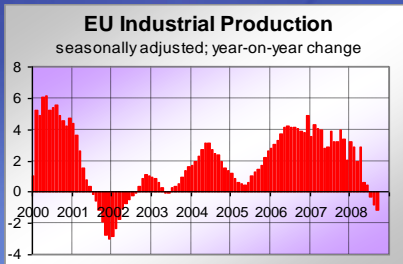


Source: Eurostat, European Commission

- US-led financial market crisis has backfired on the global economy
- The result: restricted access to finance and problems in domestic credit markets, plunging stock markets, slowing international trade leading to unprecedented levels of uncertainty
- As of Q3'08 the developed world (EU, US, Japan) is in recession
- Also emerging countries are getting closer to the danger zone
- Financial crisis will drastically exacerbate downturn in 2009 due to sharply declining investment, very weak private consumption and slowdown in international trade
 - In November the EU economic sentiment indicator fell to an all-time low
 - Interest rates cuts and stimulus packages will only partially soften the downturn
- Baseline scenario assumes first signs of a recovery towards the end of 2009

The industrial situation

EU steel using sectors: orders are drying up, fall in output is accelerating

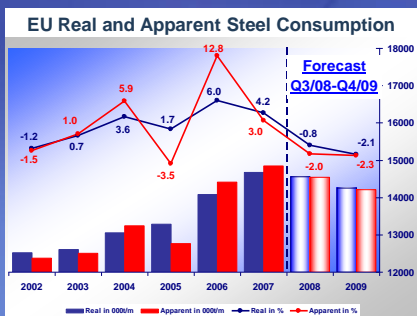


Source: Eurostat, European Commission

- Decline in industrial production is accelerating since summer
- Declining investment and private consumption in the EU and abroad have directly hit construction and automotive demand
- Downturn is spreading into main supplier networks
- Recession/financial crisis has effectively paralysed the steel value chain
- Leading industrial confidence indicators suggest that the situation will deteriorate sharply further over the coming months
- Order intakes are declining significantly, order books are drying up
- 2009 outlook very weak for almost all steel using sectors, particularly in the 1st half of the year

The EU steel market

EU steel market: mills' discipline will be tested as market conditions worsen rapidly....



Real steel consumption seen falling by 1% in 2008 and 2% in 2009; apparent consumption by 2 resp. 2.5%

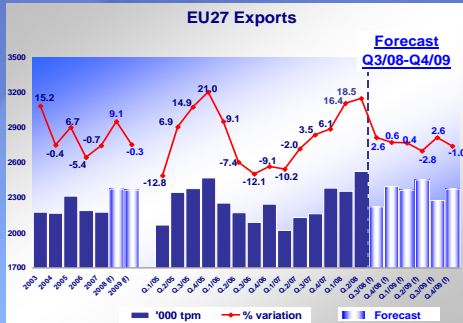
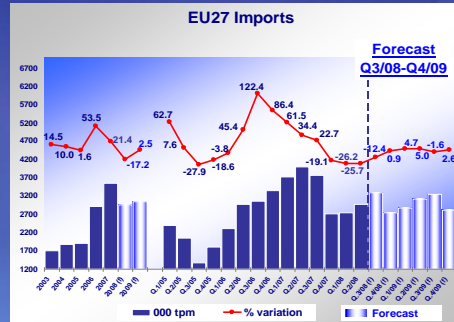
These projections date from mid October; while the trend may be plausible, the risk of underestimation of the depth of the downturn is considerable

Source: EUROFER

- Demand-side fundamentals look very weak – both in the EU as in international export markets due to sluggish construction and automotive demand
- Customers - faced with unprecedented uncertainty regarding business prospects and financing – drastically reduced orders
- EU mills responded adequately by closing temporarily capacity
- Nevertheless, supply remained plentiful as imports continued to arrive in the EU
- Reduced buying resulted in drastically shortened delivery times and too high stocks particularly for most flat products
- Market revival will depend on duration stock correction and rebound in real steel consumption
- Current outlook suggests this will not happen before Q4'09

The EU steel trade

- First half 2008 **imports** down y-o-y (-25%)
- Further significant drop of imports expected in Q4 '08 (November licences -65% m-o-m!)
- EU expected to be on the receiving end of a rise in global steel trade over the next quarters (third countries looking for outlets because of collapsing domestic demand)



Source: EUROFER

- **Exports** were at a rising trend in first half 2008 (+17%)
- However, since summer, the international market situation has deteriorated significantly. Estimates for second half '08 signal exports down on first half '08
- In the whole year, 9% growth in exports compared with 2007