EUROFER
European Confederation of Iron and Steel Industries

2nd February 2009

Economic and Steel Market Outlook 2009-2010

January ’09 Report from EUROFER’s Economic Committee

- based on forecasts actualised up to 31st January 2009 -

EU macro-economic overview
(y-o-y change in %)

	Eurofer Forecast January 2009 EU			
	2007	2008 (e)	2009 (f)	2010 (f)
GDP	2.8	1.1	-1.9	0.5
Private consumption	2.0	0.8	-0.7	0.5
Government consumption	1.9	1.9	1.9	1.6
Investment	5.1	0.6	-6.2	-0.7
Investment in mach. equip.	6.3	1.3	-7.3	-0.5
Investment in construction	5.4	0.9	-5.1	-1.5
Exports	5.3	2.8	-4.1	1.8
Imports	5.2	2.6	-2.8	1.5
Unemployment rate	7.1	7.1	9.0	9.2
Inflation	2.2	3.3	1.2	1.6
Industrial production	3.7	-0.6	-4.3	1.3

(e) = estimate
(f) = forecast

I. EU Macro-economic overview

- ***Sharp further deterioration in EU growth prospects***
- ***EU in severe recession in 2009***
- ***No improvement before late ’09***
- ***Downward risks are plentiful***

While Q3’08 GDP data already confirmed that the EU had slid into recession, evidence from the latest surveys and indicators points to the downturn getting worse since then.

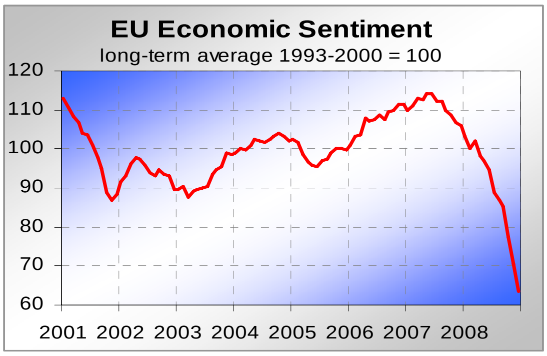
The sharp deterioration in the economic outlook since autumn ’08 should foremost be attributed to the intensifying impact of the global credit crisis, spreading from the financial sectors into other parts of the economy and leading to a rapid reduction in private consumption and corporate investment and consequently, to falling international trade and a synchronised drop in global industrial production.

It appears that the global economy is entering the worst financial and economic crisis in the post-war period. For the EU this translates into a severe recession in 2009.

The latest forecasts of EUROFER’s Economic Committee show EU GDP growth falling this year by 1.9% and by 2.1% in the Eurozone.

A slight improvement in economic conditions is pencilled in for 2010, but GDP growth will remain below trend.

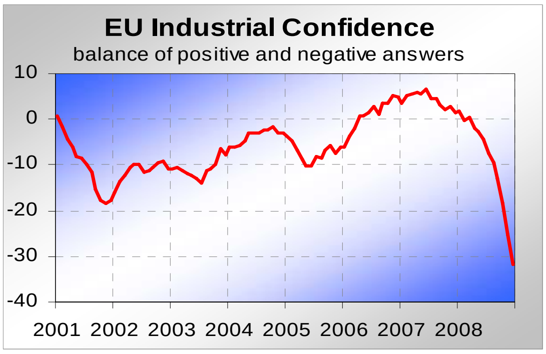
Due to its specific background, the current downturn is extremely difficult to put into an historic perspective. Also its geographical scope is quite unprecedented as it has become increasingly clear that the downturn is not limited to the developed world. Also in the emerging regions, growth in economic activity – in preceding years the mainstay of global growth – is fading rapidly or has already become negative. Therefore, there is hardly any benchmark for the depth and duration of the economic crisis. Nevertheless, provided that the policy measures intended to overcome the crisis are timely adopted and are effective, most economic institutes still give the largest probability to a base scenario in which the recession will start bottoming out during the 3rd quarter of 2009 with the first signs of confidence also improving again by late 2009.



For the moment, however, confidence is still at historically low levels. In December '08, the EU economic sentiment indicator reached its lowest level since the series was launched in January 1985, continuing the steep falls seen in October and November. It reflects a further deterioration in economic sentiment across almost all sectors and countries in the EU.

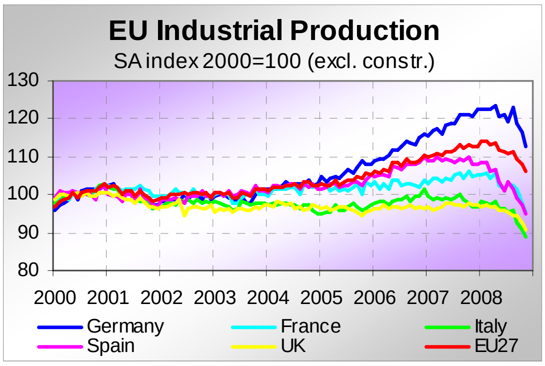
Particularly the rapidly deteriorating situation on the EU labour market is affecting consumer confidence. In November '08, the unemployment rate increased to 7.2%, implying that there were 17.5 million unemployed in the EU. The outlook for 2009 – and possibly 2010 – is bleak as the recession is forcing companies across the EU to shed jobs. This will most certainly affect private consumption as households will try to increase their savings and spend less due to rising unemployment and declining household wealth. The deterioration in the cost and availability of household credit will intensify the adjustment.

Also industrial confidence slumped to fresh lows at the end of last year.



Order intakes in industry are increasingly affected by the global recession and credit supply restrictions. Particularly export demand for capital and intermediate goods is waning rapidly, which is aggravated by the lack of export credit insurance. As these product groups account for 75% of total German exports, the outlook for exporters in Germany is very bleak. Research institutes such as IFO or the Kiel Institute signal a 6-9% decline in exports in 2009, which would be the worst performance since the 1950's.

The Eurozone purchasing managers' index remained at a very low level: it fell for a seventh consecutive month in December last year to 33.9 followed by a minor improvement to 34.5 in January '09.



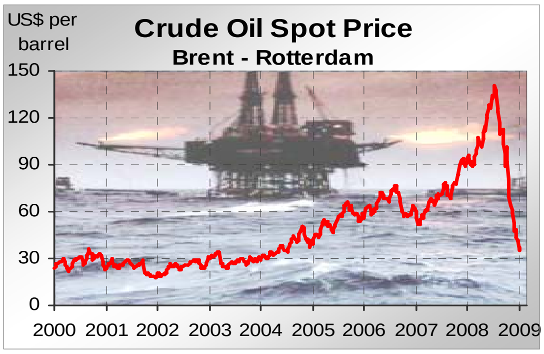
All EU countries are registering sharp declines in industrial activity since October last year. The EU monthly industrial production index fell 7.7% y-o-y in November '08, following a 5.4% drop in October. Intermediate goods output declined even by 11.2% y-o-y and capital goods and consumer durables by over 8% y-o-y.

With business sentiment at all-time lows and companies desperately trying to conserve cash as banks are still tightening their lending criteria, the outlook for investment is indeed very bleak. The latest forecasts from the members of EUROFER's Economic Committee show EU investment falling by 6.2% in 2009 and by a further 0.7% in 2010.

The worrying state the EU economy is currently in and the feeble prospects for the quarters to come is widely being recognised by the European Commission, national governments and the ECB and the BoE. This has resulted in an unprecedented fiscal and monetary response. The main EU countries have announced stimulus packages and rescue plans. However, within the overall framework set by the EC, the national governments have all developed a different approach on how to alleviate the burden of the economic and financial crisis for households and companies. In general, the main focus is on job creation, investment in infrastructure and education, providing specific support to strategic industries in trouble such as automotive and construction and on stimulation of credit supply.

However, it will take a while before the all the plans have come into action; moreover, the effectiveness of the policy measures cannot be taken for granted.

A drawback of the announced stimulus packages will obviously be the deterioration of the national budget deficits in most EU countries; conflicts with the 3-percent rule of the Maastricht convergence criteria are very likely.



The rapid decline in inflationary pressures due to falling prices for commodities, oil and food in recent months is more positive news. Actual inflation in the EU will be close to zero or even negative for the time being. EU monthly inflation was -0.1% in December 2008. EU annual inflation was 2.2% in December 2008, down from 2.8% in November. This will allow the central banks to bring down interest rates and to apply more aggressive (un)conventional monetary policies. Support from the exchange rate side will be limited.

All in all, the outlook for the EU economy is surrounded by uncertainties and the risks to this outlook are considerable.

First of all, solving the banking crisis could take long. Even though further major collapses in the banking sector may be avoided, it is clear that banks will remain reluctant to lend until they are confident that the fall in asset prices, and as such the risk of lending to other banks, has come to a halt. This point has clearly not yet been reached as equity markets remain volatile and house prices are declining in many countries.

Secondly, if the macro-economic policy response is too late or inefficient, the risk of deflation looms large against the anticipated background of credit restrictions, declining asset prices and a widening output gap.

Under these conditions, a call for protectionism on a regional or even a national level seems unavoidable as governments will try to avoid that the money spent to safeguard troubled national sectors leaks abroad. This will jeopardise the improvement in international trade conditions.

Nevertheless, the macro-economic policy response in combination with the fall in commodity and energy prices providing a boost to household incomes supports the expectation for the recession to bottom out towards the end of this year and for a modest pick-up during 2010. However, the rate of recovery is projected to stay well below trend next year as credit availability will remain a bottleneck for the time being.

All in all, the latest forecasts of EUROFER’s Economic Committee show economic growth in the EU falling by 1.9% this year.

A slight improvement in economic conditions is forecast for 2010, but with the 0.7% growth rate currently pencilled in, GDP growth will remain well below trend.

Macro-economic overview: USA

- ***Economic crisis is deepening***
- ***Policy response expected to be effective from mid'09 onwards***

GDP contracted by a better than expected 3.8% at an annualised rate in Q4'08, only supported by stock-building. Meanwhile, the downward trend in investment and private consumption gathered pace and the contribution of net trade was not sustained to the extent seen before.

Consumer confidence is heavily affected by the rise in unemployment. In Q4'08 almost 1 million people lost their job, bringing the total reduction in 2008 to 2.8 million people; the largest annual drop in employment since 1945. Other factors impacting on consumer sentiment are the ongoing decline in real estate and equity prices and tight consumer credit conditions.

In December, the ISM Purchasing Managers' Index fell further to 32.4, the lowest level since 1980. It suggests that activity in the manufacturing sector will deteriorate further in the months ahead. This is confirmed by the steep drop in orders, output and capacity utilisation in the final months of 2008.

The outlook for the first half of 2009 remains very subdued as household spending and business investment will continue to suffer. The economy will stay in recession for the time being.

By the middle of the year, however, some positive effects of the past and recent policy measures by the Fed and the Obama administration should become visible through tax cuts and increased government spending in infrastructure. On balance, GDP could fall 2% in 2009 before picking up again by 2-2.5% in 2010.

Other regions

- ***Japan in a severe recession***
- ***Emerging countries hurt by weakening trade***

In Japan, Q3 '08 GDP fell 0.4% q-o-q and evidence points to an even deeper fall in Q4, confirming that Japan is in the midst of a severe recession, which is primarily fuelled by a significant weakening in industrial activity and household spending. Both business and consumer confidence are at very lows levels as falling exports are forcing the manufacturing sector to reduce output and hiring. The outlook for investment and private consumption is very bleak and Japan has been slow in responding to the deepening crisis. It is expected that GDP will fall by more than 2% this year before a mild recovery takes off in 2010.

Also other parts of Asia are severely hit by the drastic slowdown in international trade caused by the global recession and credit crunch. Not only exports to the developed world are falling but also intra-regional trade is weakening significantly.

A key factor is that China has to cope with the strongest deceleration in economic growth in 20 years due to a dramatic decline in exports and weakening domestic demand. This year, China's GDP is seen growing by just 5.5-6%.

With also economic momentum in other emerging countries experiencing a dramatic deceleration – particularly in Russia and to a lesser extent in Brazil - the outlook for global economic growth has weakened significantly over the past few months. GDP will slow to below 1% this year before picking up again more strongly in 2010.

II. The EU Steel Market

Overview Steel Using Sectors

Development of the main steel using sectors – Eurofer forecast January 2009
% change year-on-year in the SWIP (Steel Weighted Industrial Production) index

	% weight in total steel consumption of each sector	Q108/ Q107	Q208/ Q207	Q308/ Q307	Q408/ Q408	2008/ 2007	Q109/ Q108	Q209/ Q208	Q309/ Q308	Q409/ Q408	2009/ 2008	2010/ 2009
Construction	27	2.2	2.1	-0.4	-4.7	-0.4	-8.1	-6.1	-2.8	-1.4	-4.4	-0.2
Structural steelwork	11	-0.8	-0.7	-1.5	-3.7	-1.6	-7.1	-5.5	-5.4	-4.5	-5.7	-0.5
Mechanical engineering	14	3.8	6.3	1.9	-4.3	1.8	-8.2	-7.9	-7.0	-4.9	-7.0	0.3
Automotive	16	1.8	2.6	-4.3	-21.7	-5.5	-22.7	-17.0	-12.1	0.6	-13.7	5.7
Domestic appliances	4	-2.9	3.1	-5.9	-9.2	-3.9	-8.8	-8.0	-4.0	-2.0	-5.8	-0.2
Shipyards	1	0.4	2.4	4.8	-1.1	1.6	-0.8	-3.5	-4.6	-1.6	-2.6	-3.3
Tubes	12	-0.3	4.0	-2.6	-12.6	-2.7	-12.8	-10.9	-7.7	-1.5	-8.7	1.4
Metal goods	12	-1.0	3.6	-2.8	-6.4	-1.7	-9.4	-9.8	-6.3	-2.4	-7.1	1.6
Miscellaneous	3	1.9	4.9	3.4	-3.9	1.5	-5.3	-5.4	-3.1	-1.5	-3.9	1.6
TOTAL	100	1.0	3.0	-1.4	-8.6	-1.5	-11.3	-9.3	-6.4	-2.2	-7.4	1.1

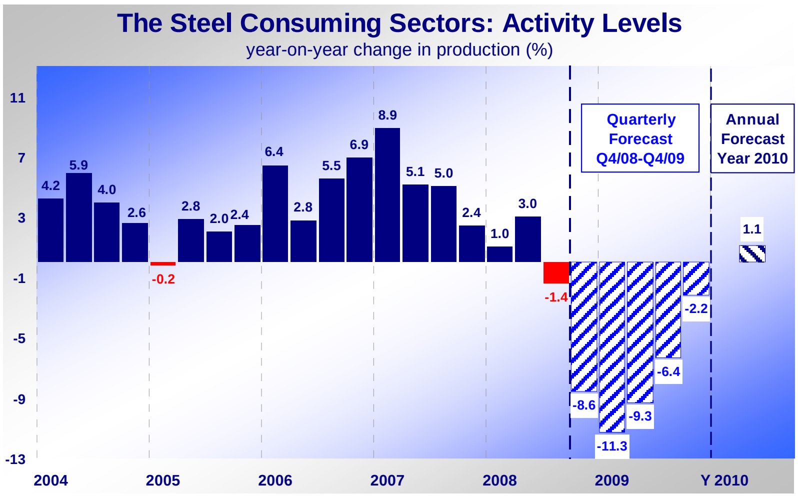
- ***EU steel using sectors in the midst of a steep downturn***
- ***No improvement before 2010***

The significant deterioration in economic fundamentals since autumn 2008 is fully reflected in the outlook for the steel using industries. Since the third quarter – and in line with the downward trend in EU industrial production – output in the steel using sectors is registering year-on-year declines. Q3'08 production fell 1.4 y-o-y, with the decline accelerating to 8.6% in the final quarter of the year.

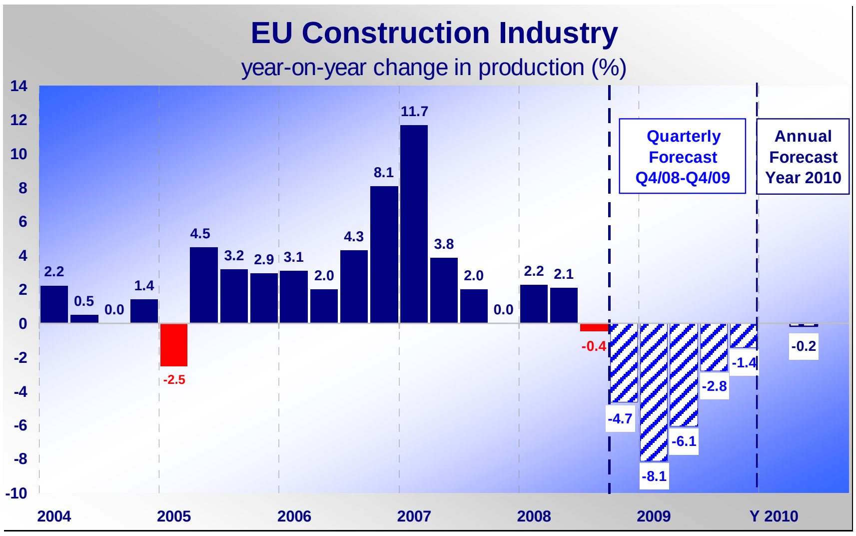
The most recent forecasts provided by the members of the EUROFER Economic Committee point to a further sharp decline in the first half of this year, while the second half is expected to see a gradual easing of the downward trend. Nevertheless, even the final quarter of 2009 is still forecast to register a y-o-y reduction in output.

On balance, total output in the steel using sectors – represented by the SWIP index – is expected to fall by 7.4% in 2009.

On a par with the improvement in economic fundamentals projected to take place in 2010, activity in the steel using sectors will start to gradually improve again. However, taking into account the still very bleak outlook for financing and for investment and consumer goods demand in Europe and in the international export markets, growth will be relatively modest, particularly in the first half of 2010.



Construction



- ***EU construction sector hit hard as recession bites***
- ***Output seen declining in 2009-10***

In the 2nd half of 2008, construction sector activity in the EU was increasingly affected by the adverse combination of the economic slow-down, the credit crisis, the complete loss of confidence at the corporate and consumer level and the housing sector correction that had already taken off in some EU countries beforehand. Total EU output declined 0.4% in the 3rd quarter and 4.7% y-o-y in the 4th quarter. In the EU15 the impact of the economic and financial crisis is felt much more strongly, with production falling by 3% in Q3 and by 6.9% in Q4'08. Activity in Central Europe is also affected but still holding up better than in the West. Last year, total output stabilised at the 2007 level.

The outlook for 2009 is for a further significant deterioration in business conditions in the building and civil engineering sector. The EU construction confidence indicator dropped markedly in December '08 as most firms have become increasingly bearish on the order situation and production trend in the months ahead.

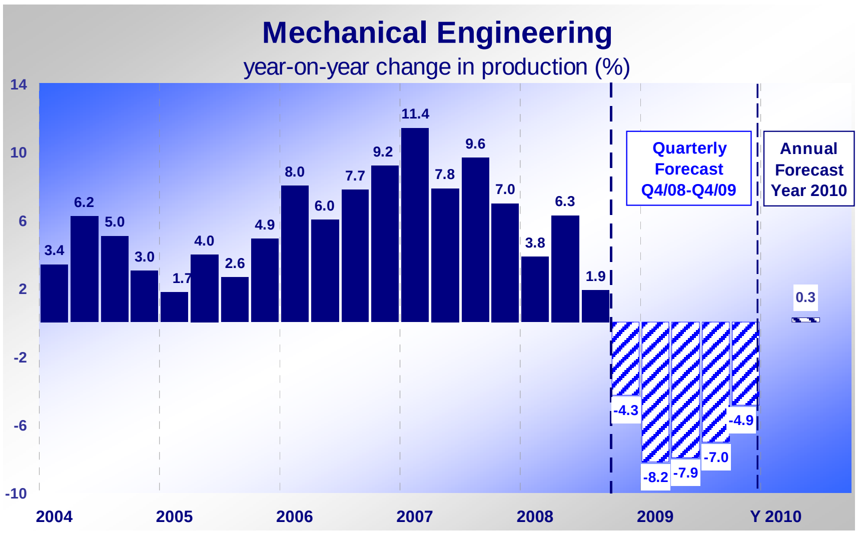
The housing sector weakness is spreading rapidly to the private non-residential sectors. The outlook for business investment is very bleak due to low confidence levels in industry and the difficulty to obtain project financing.

On the other hand, prospects for the civil engineering industry are relatively favourable. EU governments are looking into the possibility of stimulating the construction sector by pulling forward large infrastructural projects; particularly road works and projects to improve public transport will benefit.

Nevertheless, the latest forecasts point to a very weak 1st half of 2009 with output falling by more than 7%. With support from publicly financed infrastructural projects, the situation should improve to some extent in the 2nd half; overall output will still fall by more than 2% y-o-y compared to the already relatively weak '08 level.

The outlook for 2010 is for a further mild decline, with stimulus provided by the Central European region and increased infrastructural spending.

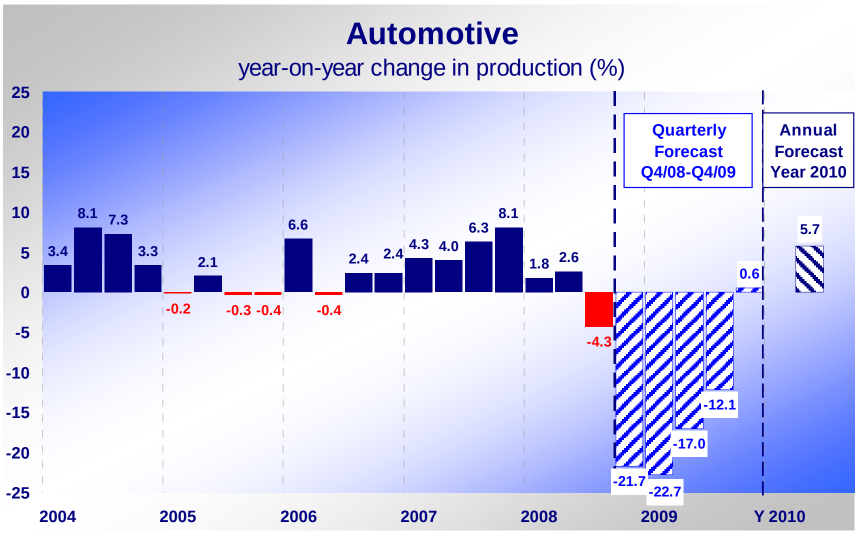
Mechanical Engineering



- ***Bleak 2009-2010 outlook for mechanical engineering sector***
- ***Market leader Germany expects output to decline also in 2010***

The mechanical engineering sector registered its first y-o-y decline in output since 2003 the final quarter of last year. Production fell by an estimated 4.3%; total output in 2008 grew 1.8% owing to still favourable business conditions until mid '08. The decline did not come as a surprise: since a number of months engineering firms have become increasingly pessimistic on prospects for orders and production as the recession and credit crunch started to impact dramatically on business investment and EU and international demand for capital goods.
According to the latest VDMA data, mechanical engineering orders in Germany fell by a horrendous 30% y-o-y in November, with a fairly similar trend for domestic orders (-32%) and export orders (-29%). The 16% decline in total orders in the September-November period decreased clearly reflects the rapid change in business conditions following the strong start of the year due to the dramatic slump in international demand for investment goods in the 2nd half of 2008.
The bad news is that the downturn will persist for the time being and is seen getting worse until at least mid '09. The very depressed outlook for corporate investment and demand for capital goods paints indeed a very bleak picture for this sector. Moreover, since 2004 there has been an uninterrupted period of growth in EU mechanical engineering output with particularly strong growth rates in 2006-2007.
Output is seen falling by 8% y-o-y in the 1st half of 2009, and by a further 6% in the 2nd half of the year. The downturn is widespread and affecting production in all EU countries. Output in market leader Germany is even forecast to decline 10.4% in the whole of 2009 and by a further 1.7% in 2010. Some countries such as Italy and most Central European countries expect a slight positive growth in 2010, which will result in total EU output stabilising close to the year earlier level.

Automotive



- ***Car and CV sales fall sharply in final months 2008***
- ***EU output forecast to drop 11.3% in 2009***
- ***2010 should see an improvement***

EU car sales fell sharply in the final months of last year due to consumer confidence falling to unprecedented lows and intensifying restrictions on credit supply. Q4'08 registrations were almost 20% down on the same period of 2007 with November sales even falling by 26% y-o-y. Sales declined 7.9% over the whole of last year.

Meanwhile, a similar evolution could be observed in the commercial vehicle market;

In line with the rapid deterioration in EU and foreign automotive demand, output declined by 4.3% y-o-y in Q3 and by a massive 21.7% in Q4'08; production in France, the UK and Sweden dropped even more than 30% y-o-y.

Demand falling of a cliff forced all major automotive OEMs to cut production and trim labour force, dragging along their supplier networks into the downturn. Confidence in the automotive industry fell to an all-time low in December, as the industry became even more pessimistic about order and production trends in the months ahead.

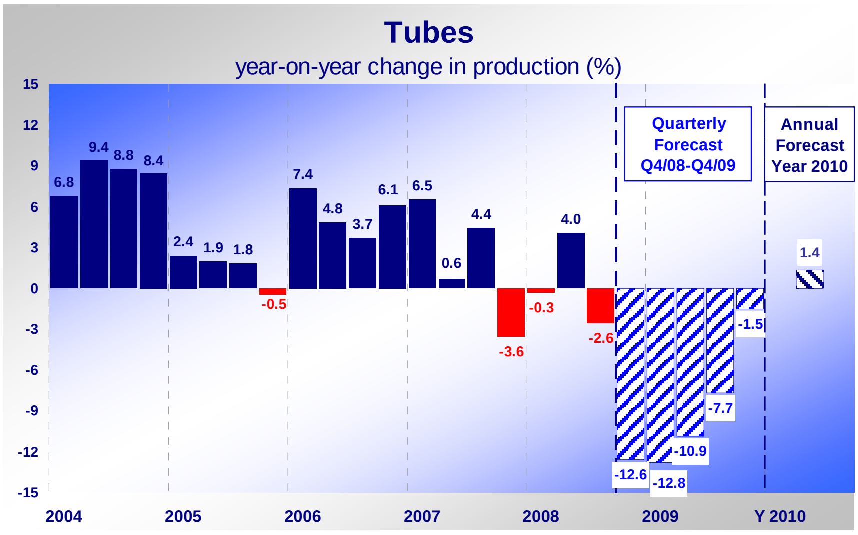
It appears that during the first three quarters of 2009 the automotive industry will remain the sector that is hardest hit by the recession and credit crisis. There are no indications whatsoever of the slump in demand coming to an early end. As a result automotive output will continue to register double-digit declines in this period, with the new member states only doing marginally better than the EU15.

From Q4'09 onwards a slight improvement is on the cards as the y-o-y decline in output reverses into a very modest increase compared to the already low level of output in Q4'08, supported by new capacity in Central Europe such as at Hyundai and TPCA* in the Czech Republic.

Following the 13.7% fall in 2009 output, 2010 is expected to see 5.7% growth again.

*TPCA = Toyota Peugeot Citroën Automobile

Tubes



- ***Sharp fall in output in final quarter '08 and 1st half '09***
- ***Slight upturn in 2010***

Steel tube production in the EU decreased substantially in the 2nd half of last year due to activity in the key client sectors increasingly being affected by the global economic and financial crisis. Following a decline of 2.6% y-o-y in Q3, Q4'08 posted a further fall of 12.6% y-o-y. On balance, '08 output was 2.7% down on the preceding year.

Although generally speaking, order backlogs were reported to have remained relatively solid until October last year, order intakes in November coming down sharply implies that the actual order book is drying up relatively fast.

Demand for small welded tubes is negatively affected by the slump in activity in construction related sectors such as structural steelworks, the metal goods sector and of course the automotive industry. Meanwhile, the oil price coming down to levels just above US$40 per barrel has resulted in a serious decline in demand from the oil and gas sector.

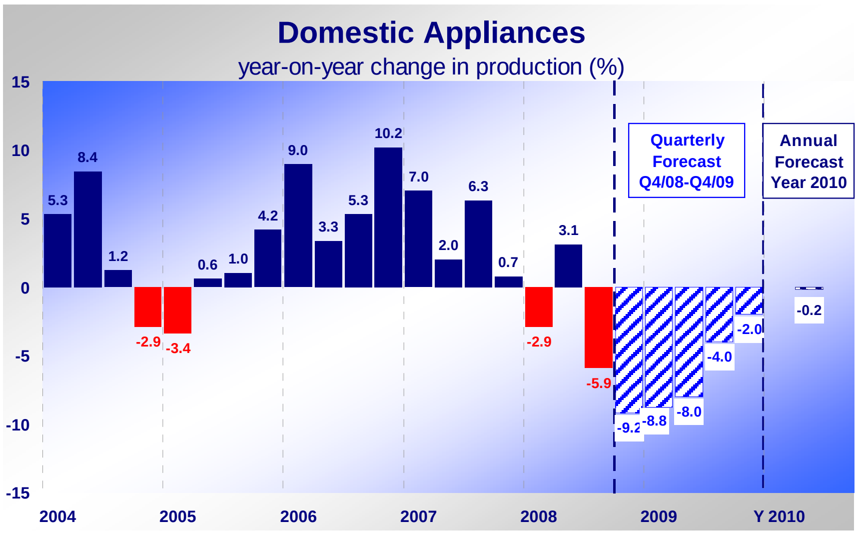
Moreover, distributors and merchants cutting their inventories of steel tubes resulted in additional downward pressure on demand.

The outlook for 2009 is for a significant decline in production. Particularly in the 1st half of the year the factors weighing down on output in the final months of last year will continue to be present. EU production is expected to fall by almost 12% y-o-y in this period, with especially sharp declines in France, Italy, Spain, Sweden, Poland and Hungary.

During the 2nd half of 2009 the downward trend in output will ease to some extent, although all in all total output in this period will still fall by almost 5% y-o-y.

In line with the expected improvement in economic and industrial fundamentals, 2010 should see some improvement in EU steel tube output.

Domestic Appliances



- ***H2 ’08 output falls 7.4% y-o-y***
- ***Fairly similar decline foreseen for H1’09***
- ***Output forecast to decline further in the remainder of 2009 and in 2010***

In the 2nd half of 2008, output in the EU electrical domestic appliances industry declined by 7.4% y-o-y. Demand for these appliances is negatively affected by the intensifying and widening downturn in the EU residential sector and private consumption coming gradually under pressure due as the recession tightened its grip on the EU economy.

Another factor playing a role is the fierce competition from third country suppliers looking to capture market share in Europe.

The outlook for 2009 remains very feeble. Extremely low levels of consumer confidence and the very depressed outlook for the residential construction markets across Europe do not bode well for demand for electric domestic appliances.

On balance, total EU output is expected to decrease by almost 6% in 2009; particularly the 1st half looks set to weaken significantly further compared with the same period of 2008. The January forecasts of the EUROFER Economic Committee points to a drop in production of more than 8% y-o-y. Also for the 2nd half is forecast that output will decline further, although at a less significant rate than in the 1st half of the year.

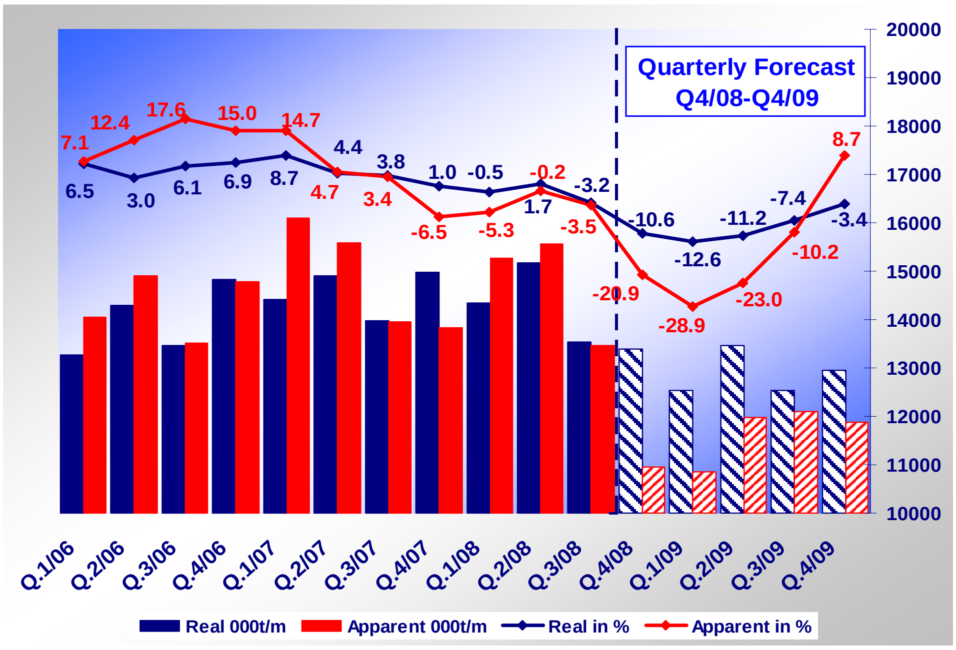
The difference in sector dynamic which was one of the key characteristics of this industry in preceding years appears to have disappeared for the time being, with manufacturers in the new member states equally affected by the downturn as the EU15 producers.

In 2010, total EU output will fall slightly further with a 1.3% decrease in the EU15 not fully balanced by a modest growth in the EU12.

Real Consumption

Forecast for real consumption - % change year-on-year

Period	Q108/ Q107	Q208/ Q207	Q308/ Q307	Q408/ Q407	2008/ 2007	Q109/ Q108	Q209/ Q208	Q309/ Q308	Q409/ Q408	2009/ 2008	2010/ 2009
	-0.5	1.7	-3.2	-10.6	-3.2	-12.6	-11.2	-7.4	-3.4	-8.8	-0.4



- ***Double-digit decline in real steel consumption in Q4'08 seen continuing in 1st H'09***
- ***2010 consumption just below '09***

Not surprisingly, EU real steel consumption weakened significantly in the second half of last year. Following a 3.2% y-o-y fall in Q3'08, the rate of decline accelerated to almost 11% y-o-y in the final quarter, primarily due to automotive and steel tube production falling of a cliff. Real steel consumption in the whole of 2008 is estimated to have fallen by 3.2%.

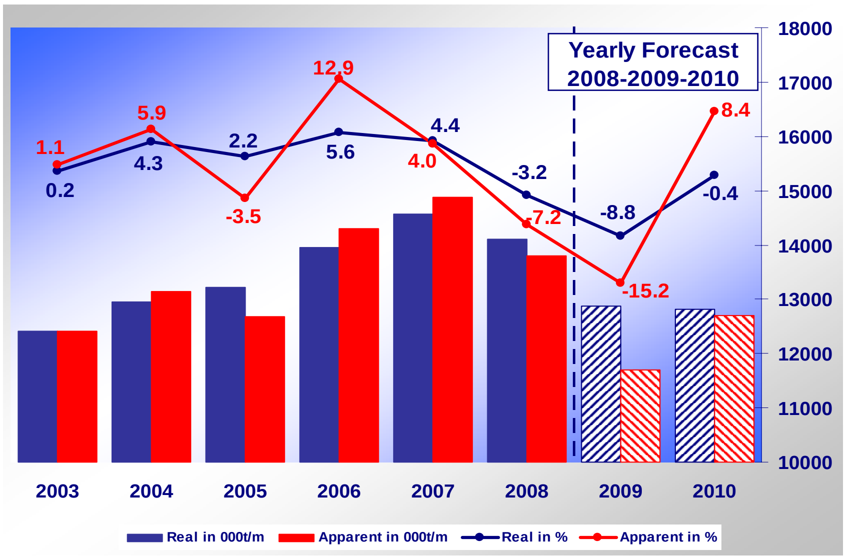
The sharp decline in activity expected for 2009 and the fact that particularly output in steel-intensive industries such as the automotive industry, the steel tube sector, the mechanical engineering and metal goods industry is particularly affected by the economic and financial crisis are the key reasons behind the dramatic drop of 8.8% expected for real steel consumption this year. In the first half of 2009, quarterly real steel consumption will come down to levels lastly registered in early 2005; this implies a continuation of the double-digit y-o-y decline registered in Q4'08. The downward trend in real consumption is likely to soften to some extent during the second half of the year.

Looking ahead to 2010, the latest Economic Committee projections point real steel consumption remaining at just below the 2009 level. This implies that EU real steel consumption will fall back to just above the average level of 2004.

Apparent Consumption

Forecast for apparent consumption - % change year-on-year

Period	Q108/ Q107	Q208/ Q207	Q308/ Q3/07	Q408/ Q407	2008/ 2007	Q109/ Q108	Q209/ Q208	Q309/ Q308	Q409/ Q408	2009/ 2008	2010/ 2009
	-5.3	-0.2	-3.5	-20.9	-7.2	-28.9	-23.0	-10.2	8.7	-15.2	8.4



- ***Dramatic fall in apparent steel consumption in Q4'08 and H1'09***
- ***Stock cycle drives 2010 growth***

Due to the dramatic decline in real steel consumption together with a massive inventory reduction in the distribution chain and at the end-user level getting underway, apparent steel consumption fell by an unprecedented 20.9% in the final quarter of 2008.

Due to the strongly reduced buying interest not only affecting domestic deliveries but also 3rd country ship-ments, EU27imports have also come down during the final quarter of last year, having reached again high levels in the preceding quarter.

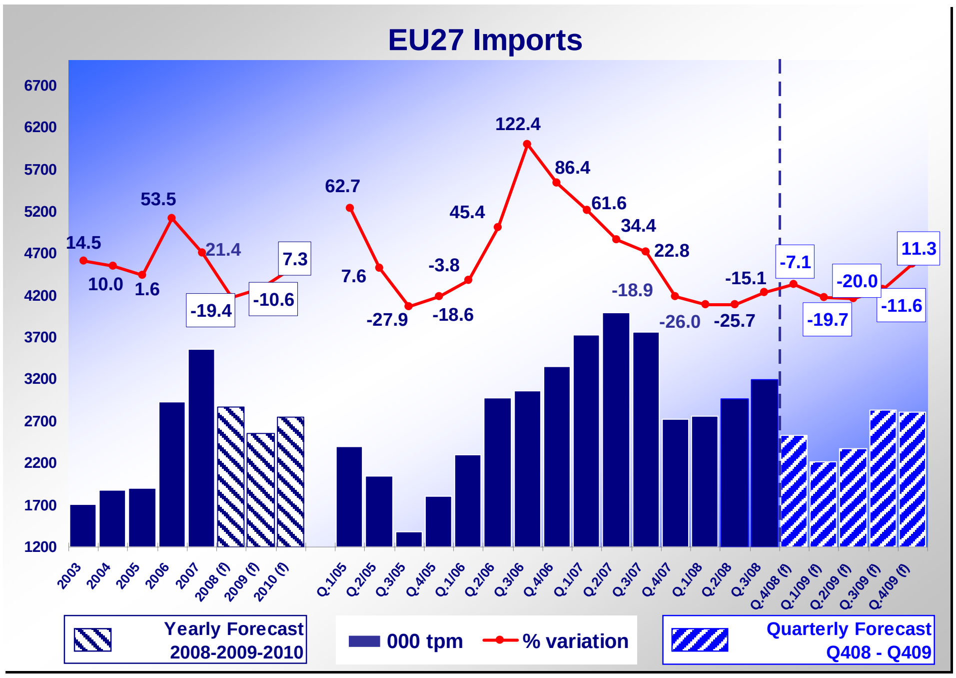
The outlook for the first half of 2009 is for an even worse performance of the steel using sectors and a further stock correction. As a result, apparent consumption will drop by 29% y-o-y in the 1st quarter and by a further 23% y-o-y in the 2nd quarter. This is confirmed by the horrendous decline in order intakes booked by the major EU mills in the final months of last year and is bound to become visible in a drastic reduction of EU domestic deliveries in this period.

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. Due to the much weakened final consumption level, stock corrections will be extended into this period.

It is expected that imports will see this year a further reduction of around 10%. Nevertheless, import pressure will rise because of the much stronger sacrifice the domestic producers are making in order to enable the market to reach a new equilibrium.

Following the steep 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.

Imports



- ***Despite declining trend, EU imports peaked in Q3'08***
- ***Q4'08 imports fell 7.1% y-o-y***
- ***Further drop in 2009 - market share imports remains high***
- ***Imports seen rising again in 2010***

Following the substantial decline in third country imports coming into the EU27 in the 1st half of 2008, the year-on-year reduction in import volumes during the 2nd half of the year was much more modest.

However, in actual volume terms, there was a rising trend over the first 3 quarters, resulting in imports peaking in the 3rd quarter of last year.

Particularly Chinese suppliers have increased their deliveries to the EU market from the start of 2008, most noticeably of HR and CR coils, organic coated sheets and wire rods.

Together with slowing demand this has been a big factor for steel inventories across the EU reaching far too high levels since autumn 2008.

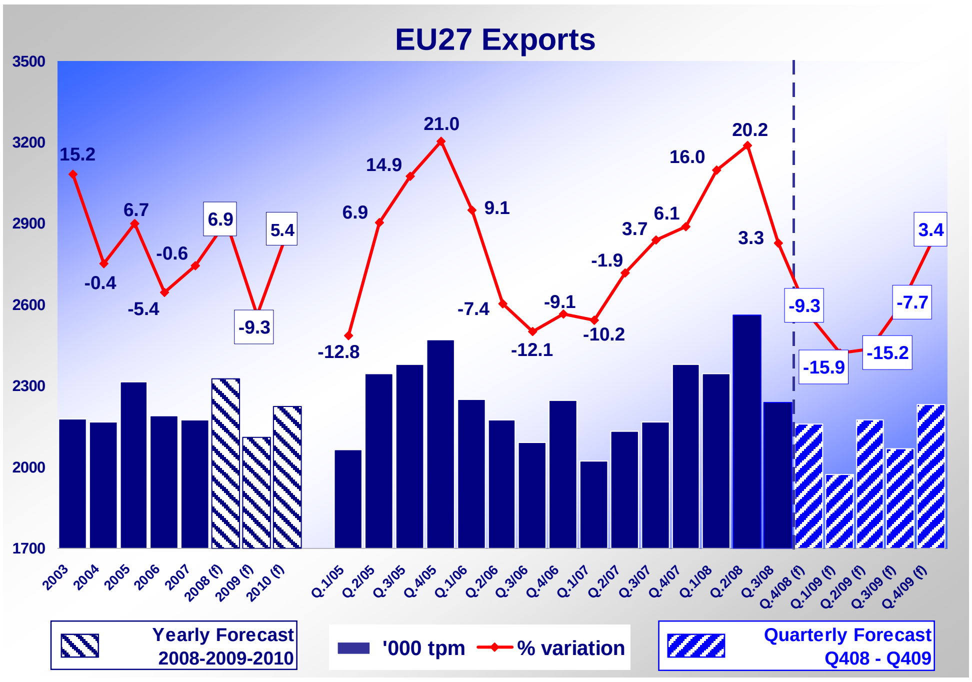
Since the final quarter of last year, however, third country imports have come down from their Q3 peak level. As demand in the EU steel market became heavily affected by the global economic and financial crisis, both domestic and import deliveries were hit. Q4'08 imports fell 7.1% y-o-y to a level that was more than 20% below that in the preceding quarter. Nevertheless, total imports still accounted for almost 18% of the EU market in this period.

The outlook for the 2009 is for a further year-on-year reduction by 10.6% in imports. However, due to the almost 16% decline in domestic deliveries to the EU market, the share of imports in total market demand remains close to 17% this year.

Looking further into 2010, it is expected that imports will start to rise again as third country suppliers step up their efforts to sell abroad.

On balance, EU27 imports are forecast to rise by over 7% next year.

Exports



- ***Exports fall sharply in the final quarter of 2008***
- ***Sharp deterioration in global steel market conditions point to further decline in 2009***
- ***Some improvement in export potential foreseen for 2010***

Exports by EU27 mills to third countries declined significantly in the final quarter of 2008, having risen during the first three quarters of the year.

This clearly reflects the drastic deterioration in the international market situation in the final months of 2008. The synchronised drop in industrial activity across the developed and the emerging countries led to a serious weakening in global steel market demand fundamentals. This in turn triggered a rise in competitive pressures as international exporters started to search more actively for potential outlets.

The outlook for this year points to a continuation of this trend until late 2009.

Particularly the 1st half of 2009 will see a further significant decrease in exports form the EU to other countries. The falling trend is expected to reverse in the final quarter of this year. All in all, total exports are forecast to decline by 9.3% in the whole of 2009.

For next year, it is expected that the export potential for EU mills will improve modestly. Exports are expected to increase again by 5.4%.

Changes in %	IMPORTS Third Countries	EXPORTS Third Countries	COMMUNITY DELIVERIES OF EU PRODUCERS
Q.I/2008 / Q.I/2007	-26.0	16.0	0.6
Q.II/2008 / Q.II/2007	-25.7	20.2	5.9
Q.III/2008 / Q.III/2007	-15.1	3.3	1.5
FORECAST			
Q.IV/2008 / Q.IV/2007	-7.1	-9.3	-23.3
Year 2008 / Year 2007	-19.4	6.9	-3.6
Q.I/2009 / Q.I/2008	-19.7	-15.9	-30.3
Q.II/2009 / Q.II/2008	-20.0	-15.2	-23.4
Q.III/2009 / Q.III/2008	-11.6	-7.7	-9.7
Q.IV/2009 / Q.IV/2008	11.3	3.4	8.7
Year 2009 / Year 2008	-10.6	-9.3	-15.9
Year 2010 / Year 2009	7.3	5.4	8.7