

Economic impact of iron & steel industry of Ukraine in 2019-2020



Annual survey of GMK Center

Kyiv, March 2021

2019

\$15.2 bln

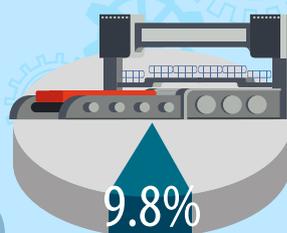
contributed by the Iron&Steel sector to GDP of Ukraine

10.6%

contributed by the Iron&Steel sector to GDP of Ukraine

Components of economic impact (aggregate)

- 1 Direct impact**
Companies of Iron&Steel industry
- 2 Indirect impact**
Suppliers to the Iron&Steel industry
- 3 Induced impact**
Household spending by employees of the Iron&Steel industry and its suppliers



of machinery orders in Ukraine

\$1.37 bln

bln of machinery companies' orders made possible by the Iron&Steel sector

Calculations are based on the Input-Output table for 2019

Iron&Steel industry is a fundamental sector of economy in Ukraine. Its aggregate share in GDP in 2019 accounted for 10.6%, or \$15.2 billion. Aggregate share includes GDP generated by iron&steel companies themselves (5.2%), supply chain (4.4%) and consumer spending of workers (1.1%). Aggregate share in 2019 was a bit smaller than in 2018 (12.0%). That was caused by the crisis developments in the global industry in 2019 and reduced production in Ukraine.

This sector of economy is deemed basic because, among other things, iron&steel companies are the largest consumers in other sectors. In 2020, **iron & steel companies accounted for 120 million tonnes of railway traffic** (39.3% of the total volume). Also, **sea ports handled 66 million tonnes** (41.5%) and **river ports 3.4 million tonnes** (15%) of iron & steel cargoes last year.

It should be noted that the above-mentioned figures are much higher than in 2019. Therefore, **the iron & steel sector supported the economy in the crisis year of 2020**. The share of the iron&steel sector in GDP is expected to recover to 12.0% in 2020.

In the crisis year of 2020, iron & steel companies retained exports at the 2019 level (**\$12.8 billion**) and increased their share in total national exports to 35.3%. That means that **one third of Ukraine's exports is generated by the iron & steel sector**.

The sector is also the largest investor. In 2020, iron&steel companies invested \$1.7 bln, i.e. **one third of total industrial investments**. This is how the iron & steel sector contributes to development of high value-added industries, namely by **consuming around 10% of machinery output in Ukraine (\$1.37 billion)**.

2020

35.3%

Contributed by the Iron&Steel industry to total exports of goods

\$12.8 bln

the value of Iron&Steel sector exports

120 million tonnes

the total freight of Iron&Steel companies

39.3%

of total rail freight



66 million tonnes

the total freight of Iron&Steel companies

41.5%

of total freight handled at Ukrainian sea ports



\$1.7 bln

value of CAPEX in the Iron&Steel industry

30.4%

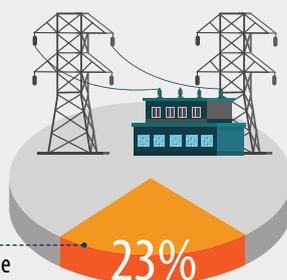
the share in total CAPEX of industrial sectors

27.1 bln kWh

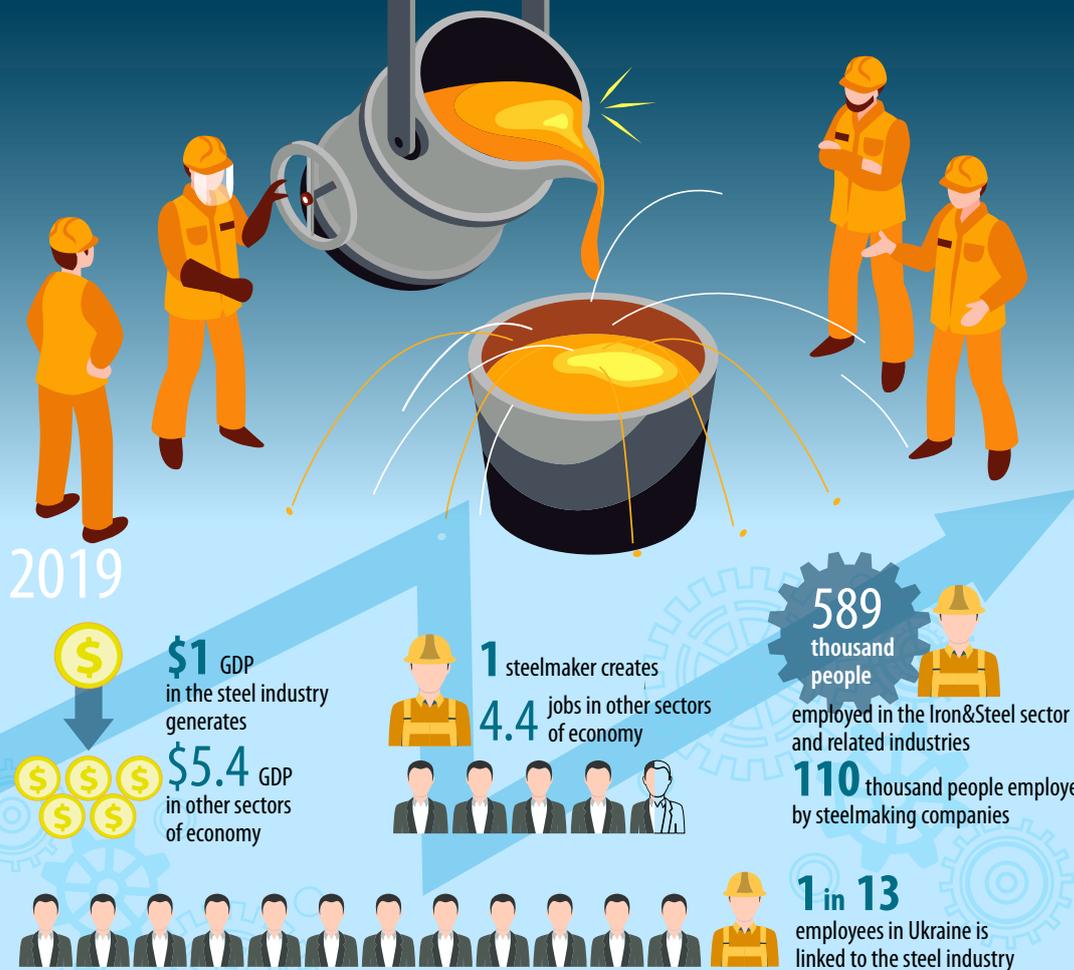
electricity consumption of the Ukrainian Iron&Steel sector

23%

the share in electricity consumption in Ukraine



Economic impact of iron & steel industry of Ukraine in 2019-2020



The importance of the iron & steel sector for economy is also proven by the fact that \$1 of GDP in the steel industry generates \$5.4 of GDP in other industries. That is **stable operation of the iron & steel sector is a factor of successful operation of other industries.**

One steel worker gives job to four workers in other industries. In total, the iron & steel sector and related industries employ around 589 thousand people. That is **one in thirteen employees in Ukraine is engaged in the iron & steel industry.**

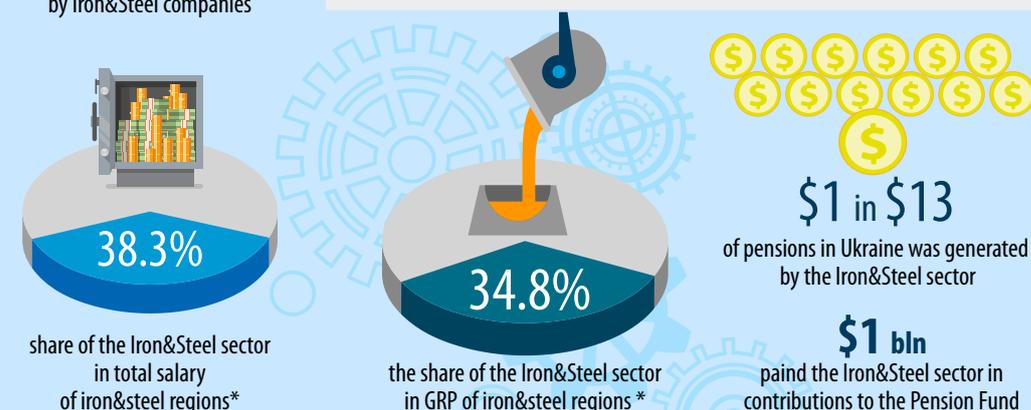
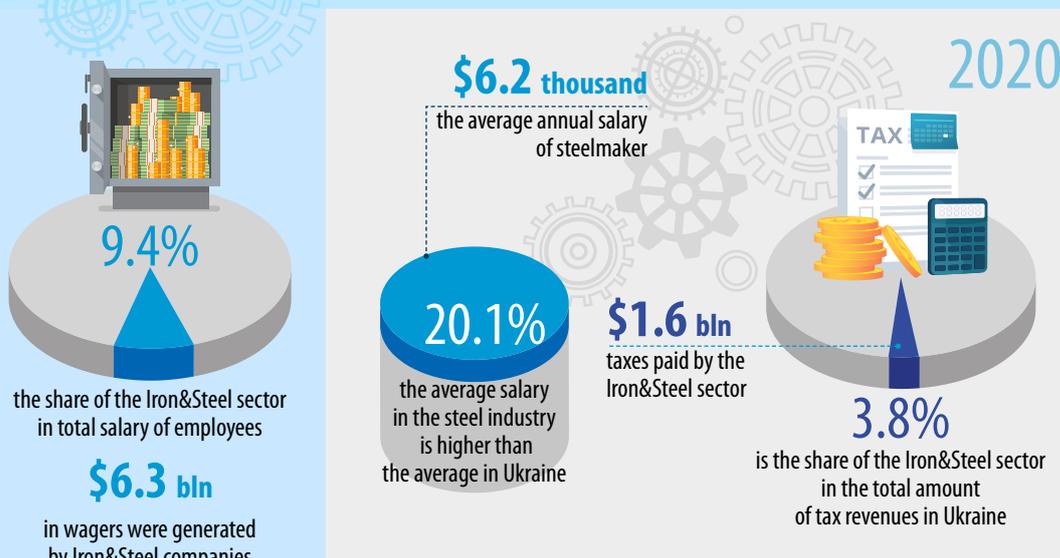
In addition, the iron & steel sector creates skilled and highly paid jobs. Thus, **the average salary of a steelmaker is 20% higher than the average salary in Ukraine. Iron & steel companies pay one tenth of salaries in Ukraine.**

In other words, **the iron & steel sector is a sort of an 'anchor' that creates jobs and prevents people from migration.**

Indeed, successful operation of the iron & steel sector is important for the prosperity of the Ukrainian industrial regions. The aggregate share of the sector, including the related industries, in GRP (Gross Regional Product) of Donetsk, Dnipropetrovsk, Zaporizhzhia and Poltava oblasts accounts for around 35%. **One third of added value in industrial regions is generated by the iron & steel sector.** That means that **all business activity of these regions depends on successful operation of the iron & steel sector.**

Iron & steel companies are responsible taxpayers. Thus, the largest companies in the sector waived the option of the so-called 'tax holidays' offered in the framework of the anti-crisis measures aimed at mitigating the impact of the COVID-19 epidemic. **In 2020, the sector paid around \$1.6 billion in taxes at both national and local levels.**

Iron & steel industry is a basic strategic sector of economy, an important element of prosperity of entire regions, an 'anchor' employer, a large investor and a responsible taxpayer.



* four regions: Donetsk, Dnipropetrovsk, Zaporizhzhia, Poltava oblasts