COMMISSION OF THE EUROPEAN COMMUNITIES

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A REVIEW OF THE DEVELOPMENT OF THE STEEL INDUSTRY
AND THE MARKET FOR STEEL IN 1981

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Total industrial production in the Community was stable throughout 1981 at a level very slightly below that of 1980. The business climate indicator improved in general as the year went on (Table I), and particularly so for the automobile sector, but negative responses still outweighed the positive expectations in the important steel consuming sectors even at the end of the year, and there was little firm evidence of an economic upturn.

Exports markets were also relatively weak (with exceptions e.g. energy-related investments), and the USA economy moved into a recessionary phase as the year developed.

PRODUCTION

Within the context of these difficult circumstances, the Community steel industry produced (in crude steel terms, and with an element of estimation in the figures for the final quarter) a total of 125.1 million tonnes in comparison with 127.7 million tonnes in the previous year and 140.1 million tonnes in 1979 (Table II). The apparent consumption in the Community fell sharply to 102.9 million tonnes from 111.0 million tonnes in 1980, while exports recovered to 30.3 million tonnes from the low figure of the previous year but did not attain the levels of 1978-79.

PRICES

The measures of surveillance and compulsory quotas introduced in October 1980 under the terms of Article 58 continued into 1981, to terminate at the end of June. Despite the compulsory quotas, the continuing weakness of the Community market gave rise to fierce price competition for almost all products and by the mid-point of the year the great majority of steel producers, beset by low prices and low capacity utilisation, remained in an adverse financial position.
The only exceptions to this statement were the producers of certain types of special steel, or other speciality products.
On July 1st 1981, obligatory quotas were re-introduced for a further 12 months for flat products, rebar and merchant bar (with some product types or qualities excluded) whilst the producers of reversing mill plate and heavy sections agreed to commit themselves to a voluntary quota system, under the aegis of the Commission. For wire rod there was a voluntary quota system in quarter III but not thereafter, and the market situation was not considered by the Commission to be sufficiently depressed to justify its inclusion in the compulsory quotas. In order to obtain its objective of restoring steel prices to a level where the average company can earn a normal return on its assets and generate the means to carry out restructuring, the Commission

- set obligatory and voluntary quota levels, and provided guidelines for producers of high alloy steels, in order to balance supply closely with demand and also
- tightened its enforcement of the Article 60 rules
- extended the pricing rules of Article 60 to steel dealers with sales of over 12,000 t.p.a.

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Given these circumstances, the producers were able to achieve a substantial improvement in prices in the second half of 1981. This improvement, which had started from a very low base, and in the face of a cost increase in 1981 of around 20% for the Community as a whole, was insufficient to meet the objectives of the price policy of the Commission, and in November 1981 (J.O. C.294), a phased increase of a further 57 ECU's was recommended, with an initial rise of 41 ECU's to be introduced on January 1st 1982. For special steels, a 10% increase on January 1st was recommended.

These recommendations were successfully implemented, with the exception of rebars, where a number of producers, particularly in Italy, increased price levels, but to a lesser extent.

IMPORTS

For 1981 Arrangements were concluded with the following countries:

Austria	Australia	Bulgaria
Finland	Brazil	Czechoslovakia
Norway	Japan	Hungary
Sweden	South Korea	Poland
	Spain	Rumania

The Arrangement with Brazil, as in previous years, concerned pig iron only. In view of the economic prospects and of the additional sacrifices being demanded from Community producers under Article 58, a reduction of 15% in exports to the Community from these countries was negotiated, as compared with quotas for 1980. This reduction was revised downwards to 12.5% in a mid-year review. In the event, the low level of activity in the Community and the very low price levels particularly in the first half of the year, made the EEC an unattractive market with the result that imports fell to just over 8 million tonnes (crude steel equivalent), in contrast to 11.5 million tonnes in the previous year. The imports from principal exporters are shown in table III.
Imports were not a major disruptive element in the Community market in 1981.

It should be noted that there was a marked rise in import licence applications in the closing months of the year, as a result of the more attractive prices, and especially from non-Arrangement countries.

Following studies of cost changes in steel production in producer countries with normal conditions of competition, the import basic prices were revised with effect from January 1982. Prices were raised on average by:

- 9% commercial steels
- 10% special steels
- 5.5% pig iron and ferro manganese.

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EMPLOYMENT

The number of job losses in the Community steel industry (Greece excluded) in 1981 was again high, the excess of losses over recruitment being 48,400. This is much lower than the 71,000 nett losses declared last year, but that was an exceptionally high figure, resulting largely from the rapid restructuring of the UK industry. Again, in 1981, the UK accounts for over half of the total job losses, at 25,300 (Table IV).

INSPECTION AND CONTROL

The monitoring of production, and that part of production delivered to the Community, of those products covered by obligatory or voluntary quotas showed that in Quarter I the tonnage produced was, for each product group, less than the total quota for the product. The only excess production of significance was for Group I (Hot Rolled Coil and Strip) in Germany.
In Quarter II, production was well below quota for all product groups except Group I, where there was a 4.1% excess, with only France and UK remaining within quota.

The monitoring for Quarter III is not yet completely finalised, but it can be said that, for the community as a whole, the compulsory production quotas have been respected, with the exception of slight overruns on Group Ia production and Group Ib deliveries to the Community. Within this situation, however, there are some large excesses by a limited number of companies.

TABLE I

Productions Expectations
(Balance of "ups" over "downs" seasonally adjusted)

Date of survey	1 9 8 1					1982
	Mar.	June	Sep.	Nov.	Dec.	Jan.
Manuf. of Metal Articles	-23	-14	-13	-13	- 7	- 5
Mechanical Engineering	-20	-16	-12	-15	-14	- 6
Electrical Engineering	- 7	-11	- 9	-10	- 9	- 2
Manuf. of Motor Vehicles	-38	-19	- 6	+ 5	+12	+ 7

TABLE II

SUPPLY AND DISPOSAL OF STEEL (EUR 9)
(million crude tons)

	1974	1975	1976	1977	1978	1979	1980	1981+
Appar. Consumption	128.9	106.6	124.9	111.5	111.0	120.6	111.0	102.9
Imports	7.5	7.5	12.4	12.8	11.4	12.0	11.5	8.1
Comm. Deliveries	121.4	98.8	112.5	98.7	99.6	108.6	99.5	94.8
Exports	34.1	26.5	21.5	27.4	33.0	31.5	28.2	30.3
Production	155.5	125.6	134.0	126.1	132.6	140.1	127.7	125.1
Net Exports (mt)	26.6	19.0	9.1	14.6	21.6	19.5	16.7	22.2
Imports % Appar. Cons.	5.8	7.0	9.9	11.5	10.3	10.0	10.4	7.9
Exports % Product.	21.9	21.1	16.0	21.7	24.9	25.5	22.1	24.2

+ Partly estimated

IMPORTS OF TREATY STEEL PRODUCTS (*) BY THE COMMUNITY

Monthly Average

000 tonnes

	1977	1978	1979	1980	1981
NORWAY	24	29	34	31	33
SWEDEN	75	77	82	74	63
FINLAND	42	40	40	36	39
SWITZERLAND	17	23	29	25	25
AUSTRIA	84	91	99	91	85
SPAIN	91	108	112	93	66
USSR	16	10	14	22	7
EAST GERMANY	29	29	26	27	31
POLAND	36	49	39	30	19
CZECHOSLOVAKIA	63	50	56	48	41
HUNGARY	26	11	24	23	16
RUMANIA	29	27	28	23	14
BULGARIA	32	27	42	22	15
SOUTH AFRICA	34	14	20	18	5
USA	9	10	12	32	8
CANADA	13	7	7	17	7
VENEZUELA	-	-	8	9	3
BRAZIL	-	1	6	18	2
SOUTH KOREA	12	8	6	26	1
JAPAN	139	64	50	47	13
AUSTRALIA	43	31	11	13	3
TOTAL	814	706	745	725	496

(*) includes imports under temporary regime.

Table IV

EVOLUTION OF EMPLOYMENT IN THE COMMUNITY STEEL INDUSTRY

(in thousands of workers and employees recorded at the end of the period)

PERIOD 1974-1981 - Year after year Results

Period	Total CE Without Greece	Germany	France	Italy	Benelux	U.K.
December 1974-75	- 29.1	- 10.1	- 2.0	+ 0.4	- 6.1	- 11.2
1975-76	- 7.4	- 2.8	- 1.9	+ 1.9	- 2.0	- 2.7
1976-77	- 39.3	- 9.6	- 10.9	- 1.4	- 13.6	- 3.4
1977-78	- 34.4	- 6.7	- 11.4	0	- 3.9	- 11.6
1978-79	- 15.1	+ 2.0	- 11.0	+ 3.1	- 0.6	- 8.8
1979-80	- 71.0	- 7.4	- 15.7	+ 0.8	- 4.9	- 43.0
1980-81 00	- 48.4	- 10.7	- 7.4	- 2.0	- 2.6	- 25.3

00 Provisory figures