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Contents

I *Information*

Commission

European unit of account	1
Revision of the Community coal market forecasts for 1977	2

I

(Information)

COMMISSION

EUROPEAN UNIT OF ACCOUNT ⁽¹⁾

6 January 1978

Currency amount for 1 EUA:

Belgian and Luxembourg franc	40·2667	Swiss franc	2·45080
German mark	2·59500	Spanish peseta	98·1875
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Danish krone	7·12788	Canadian dollar	1·32806
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⁽¹⁾ — Article 2 (2) of Council Decision 75/250/EEC of 21 April 1975 on the definition and conversion of the European unit of account applied in the ACP-EEC Convention of Lomé.

— Article 2 (2) of Commission Decision 3289/75/ECSC of 18 December 1975 on the definition and conversion of the European unit of account used for the purposes of the ECSC Treaty.

REVISION OF THE COMMUNITY COAL MARKET FORECASTS FOR 1977

This is a revision of those parts of 'The Community coal market in 1976 and forecasts for 1977' ⁽¹⁾, compiled at the beginning of the current year, in regard to which subsequent developments have diverged from the original forecasts.

The numbering of the text and tables repeats that of the original document. The text is devoted primarily to drawing conclusions for the whole of the current year on the basis of performance during the first six months and attempts to provide explanations where performance is likely to diverge substantially from the original forecasts. The tables give figures for the first six months of the current year and, for the purposes of comparison, for the same periods in 1975 and 1976.

II. GENERAL ECONOMIC SITUATION AND OUTLOOK

The pace of the Community's economic revival during the past nearly two years has been alternately quickening and slackening — predominantly the latter so far in 1977.

Sharp sectoral and geographical differences in the development of demand, supply and earnings persist, and the constraints imposed by inflationary trends and external disequilibrium have not permitted free rein to be given to the cumulative acceleration of earlier recoveries. However, the economic climate is likely to improve further during the second half of 1977 as a result of a faster rise in exports and, in some countries, in private consumption. The gross domestic product for the Community as a whole will not obtain more than about 2.5 % in real terms in 1977.

Progress towards a return to full employment has been disappointing. The flow of funds into employment-creating investment has remained weak, any rise in demand for labour having in the main been met by longer hours rather than by adding to the labour force. Furthermore, the number of young people seeking work for the first time has been larger than in 1976. The seasonally adjusted rate of unemployment reached 5.6 % in the third quarter of 1977 for the Community as a whole, compared with 5.1 % the previous year.

Although pressure of demand on world resources has been only moderate, price rises sharpened until the spring. This was due partly to tight supplies of agricultural produce resulting from drought in the

Community in 1976, combined with climatic events elsewhere which affected the prices of some tropical products, while rises in the tariffs of public services and in the cost of oil all played their part. Considering the level for the consumer prices in the Community more favourable tendencies that were beginning to show towards the summer should rise by about 9.5 % between 1976 and 1977.

There have been improvements in the external position of the Community. Rates of exchange have become stabilized during the first half year and curbs on imports by the deficit countries have largely redressed the trade balance of the Community. This evolution, to which North Sea oil is making a growing contribution should lead to a reduction in the deficit of some \$ 8 000 million in the Community's balance of payments on current account in 1976.

III. COAL DEMAND BY SECTORS

1. Steel industry

(Tables 4 and 22)

The warning in the original forecasts for 1977 that the steel production figures, on which estimates of coke consumption were based, may have to be revised downwards has meanwhile proved justified.

Instead of the slight increase over 1976 initially hoped for, it has now become apparent that steel production in 1977 will be some six million tonnes below last year's level, with the result that pig iron production at about 89 million tonnes in 1977 will be close on 5.5 million tonnes lower than last year.

⁽¹⁾ OJ No C 156, 4. 7. 1977, p. 1.

In line with the foregoing, it now appears likely that coke consumption by the Community's iron and steel industry in 1977 will be about 52 million tonnes, representing some 67 mtce of coal, about 8 mtce below the original forecast.

2. Power stations

(Table 8 A)

Electricity production varied during the first half of the current year over the same period in 1976 in all Community countries but at very different rates, ranging from — 11.1 % in Luxembourg to + 19.8 % in Denmark, an average of about + 3.5 % for the Community.

Predictions for the whole year are that the rise in electricity consumption over 1976 will generally be lower than the year before but it must be borne in mind that 1975 had been a year of exceptionally depressed demand. The increase for the Community as a whole for 1977 over 1976 is expected to be of the order of 6 %.

In 1976, the combination of vigorous expansion in electricity consumption with drought conditions reducing hydro-electric generation, high fuel oil prices and various official measures to reduce demand for oil brought an increase in power station coal-burn over 1975 of some 20 % to over 120 mtce. Coal consumption for electricity generation is likely to register further substantial increases in France and Belgium and smaller rises elsewhere. As a result, total consumption of power stations coal for the Community as a whole in 1977 is expected to show the predicted slight increase.

IV. COMMUNITY COAL PRODUCTION

(Tables 11, 13 and 14)

Total Community coal production of 123 million tonnes ($t = t$) during the first six months of 1977 was slightly under half the total of 248 million tonnes ($t = t$) forecast for the whole year.

However, due to the summer holidays in July and August, output during the second half of the year is traditionally lower than during the first six months. In the case of Germany, this will have been partly offset by deliberate short-time working early in the year, but in line with recent experience, output during the second half of 1977 can be expected to be lower by around 15 % in Belgium, 20 % in France and 8 % in

the UK than during the first half of the year. On these assumptions, total production in 1977 is likely to be around 237 million tonnes ($t = t$), a drop of 4.5 % from the 1976 level.

By far the most disappointing performance is that of the UK where it now appears improbable that output will exceed 119 million tonnes ($t = t$) compared with 122 million tonnes in 1976 and to 125 million tonnes originally forecast for 1977. The principal reason is that contrary to earlier hopes, it has not so far been possible to introduce an effective productivity scheme, nor does it seem likely that something of this nature can be put into effect before the end of the year. Furthermore, the retirement of some 6 500 underground workers aged 62 and over in accordance with new pension rules which came into effect on 1 August 1977 is adversely affecting production during the second half of the year.

V. COAL PRICES

In Germany, list prices have remained at their level of the beginning of January 1977, and elsewhere their increases were less than last year. Both steam and coking coal prices rose by 6 to 7 % in France and by 15 % in the UK, while domestic coal prices were increased by 6 % in the former and 29 % in the latter.

The average cif ARA price for coking coal calculated by the Commission (indicative price), which had stood at \$ 63.45 since July 1976, had eased to \$ 61.75 in April 1977 but had risen again to \$ 62.35 by July 1977.

Leaving aside UK domestic coal, which is in short supply, a picture of a fair degree of stability emerges. However, this is misleading in that the pressure of rising costs on the one hand and, on the other, the continuing easy supply position in the world market are creating disposal problems for the Community coal industries for which solutions must be found if they are not to be forced into resuming their pre-1973 process of deliberate contraction.

VII (2) Imports from third countries

(Table 26 A)

As coal imports are much more immediately influenced by market fluctuations than is coal output, no historically-based conclusions for performance during the whole year can be drawn from import figures for the first six months as is possible for production.

The Member States' current forecasts of third-country imports for the year are in most instances slightly below original estimates, with the notable exception of Italy. Considering that Italy imported 10 million tonnes in 1976, compared to an original forecast of 9.5 million tonnes, and is pursuing a policy of increased coal-burn in power stations, a further 10 % increase in third-country imports is possible provided coal consumption for electricity generation is about double that of last year.

On this assumption, total third-country imports into the Community would be between 45 and 46 million tonnes as originally forecast, though somewhat differently distributed between the member countries, but the possibility of a slightly lower figure cannot be excluded.

VIII. COAL AND COKE STOCKS

Forecasts of producers' stocks are hazardous as they depend only to a certain extent on expectations of production, imports, consumption and exports. They are likewise influenced by the build-up or run-down of stocks by consumers guided by their judgment of political and market factors. Furthermore, the cumulative results of minor statistical adjustments can significantly affect residual stock calculations.

Accordingly, predictions of producers' stocks can be no more than indicative. Subject to this proviso, it now appears that a combination of diverse factors will cause the coal stock position at the end of 1977 to show considerable differences from that initially projected.

The most significant of these factors are substantially lower production than forecast in the UK and Germany: six million tonnes ($t = t$) in the former and five million tonnes in the latter, totalling 11 million tonnes. With third-country imports at about the expected level or slightly lower, available supplies will thus be about 11 to 12 million tonnes below the original figure.

Coal consumption and exports are likely to be approximately as predicted, except that coke ovens will be producing five million tonnes less coke than forecast. As a result, their coal consumption will be about 6.5 million tonnes lower than projected.

With coal supplies 11 to 12 million tonnes below the original forecast and consumption some 6.5 million tonnes less, it can be inferred that producers' stocks at the end of the year will be 4.5 to 5.5 million tonnes lower than expected. Instead of the originally forecast rise of some 2.5 million tonnes, a net run-down of producers' stocks of two to three million tonnes in the course of 1977 results from this calculation.

The provisional figures in the original document showed coal stocks at the end of last year at 27.9 million tonnes, but this figure has since been revised downwards to about 27 million tonnes. According to the above calculations, producers' stocks at the end of 1977 should, therefore, stand at 24 to 25 million tonnes.

However, they may, in fact, be slightly lower. Inherent uncertainties apart, the explanation for the difference is likely to lie in increased purchases of coal for stock by Belgian and German electricity producers.

The need to carry slightly smaller coal stocks than originally predicted provides some modest relief for the Community's coal industries. However, the fact that this is due to a considerable extent to short-time working in Germany and falling productivity in the UK must be a cause for profound concern.

Furthermore, there is the problem of coke stocks which weighs heavily on the German coal industry. Indeed, their end of year stocks are likely to have risen by slightly more than the two million tonnes originally predicted although, after allowing for a run-down in UK stocks, the total increase in the Community as a whole is likely to be of the order of 1.5 million tonnes to about 20 million tonnes of which 15 million tonnes in Germany. As a consequence, Ruhrkohle has decided on the closure of two additional cokeries with an annual capacity of 1.6 million tonnes before the end of this year.

CONCLUSION

Except as regards coke and coking coal for the steel industry, the developments in the Community's coal market during the year 1977 have been broadly along the lines predicted.

TABLE 2

Gross domestic product in terms of volume (¹)

(% variation compared with the previous year)

	1975	1976	1977 (original forecast)	1977 (revised forecast)
Belgium	- 2.0	+ 3.0	+ 3.0	+ 2.7
Denmark	- 1.1	+ 4.8	+ 2.0	+ 1.0
Germany (FR)	- 2.6	+ 5.7	+ 5.0	+ 3.0
France	+ 0.1	+ 5.2	+ 3.0	+ 2.7
Ireland	+ 0.4	+ 3.2	+ 3.5	+ 4.5
Italy	- 3.5	+ 5.6	+ 2.0	+ 2.0
Luxembourg	- 8.4	+ 2.7	+ 3.0	+ 1.3
Netherlands	- 1.1	+ 4.4	+ 4.0	+ 2.5
United Kingdom	- 1.7	+ 1.6	+ 1.5	+ 0.4
Community	- 1.8	+ 4.6	+ 3.5	+ 2.3

Source: COM (77) 494/2, 7. 10. 1977.

TABLE 4

Crude steel production

(in 1 000 tonnes)

	1	2	Difference (2 - 1)	
	First half 1976	First half 1977	tonnes	%
Belgium	6 185	5 901	- 284	- 4.6
Denmark	358	373	+ 15	+ 4.2
Germany (FR)	21 373	19 813	- 1 560	- 7.3
France	11 639	11 716	+ 77	+ 0.7
Ireland	16	21	+ 5	+ 31.3
Italy	11 371	11 868	+ 497	+ 4.4
Luxembourg	2 393	2 214	- 179	- 7.5
Netherlands	2 475	2 409	- 66	- 2.7
United Kingdom	11 508	10 546	- 962	- 8.4
Community	67 318	64 861	- 2 457	- 3.6

TABLE 8 A

Net electricity production

(in GWh)

	1	2	3	Difference % (2 — 1)
	First half 1976	First half 1977	Previous forecast 1977	
Belgium	22 738	22 685	46 800	— 0.2
Denmark	9 181	10 996	20 600	+ 19.8
Germany (FR)	157 136	158 602	331 300	+ 0.9
France	97 650	104 300	208 600	+ 6.8
Ireland	4 056	4 448	8 300	+ 9.7
Italy	77 428	80 268	165 700	+ 3.7
Luxembourg	679	604	1 900	— 11.1
Netherlands	27 738	27 886	58 200	+ 2.0
United Kingdom	134 459	139 524	266 000	+ 3.8
Community	530 666	549 313	1 107 400	+ 3.5

TABLE 11

Hard coal production

(in 1 000 tonnes)

	1	2	3	4	Difference 2 — 1		Difference 3 — 2	
	First half 1975	First half 1976	First half 1977	Original forecast 1977	tonnes	%	tonnes	%
Belgium	3 978	3 959	3 881	7 250	— 19	— 0.5	— 78	— 2.0
Germany (FR)	50 856	47 390	45 398	94 980	— 3 466	— 6.8	— 1 992	— 4.2
	47 435 ⁽¹⁾	44 049 ⁽¹⁾	41 952 ⁽¹⁾	87 800 ⁽¹⁾	— 3 386 ⁽¹⁾	— 7.1 ⁽¹⁾	— 2 097 ⁽¹⁾	— 4.8 ⁽¹⁾
France	12 370	11 520	11 840	20 800	— 850	— 6.9	+ 320	+ 2.8
Ireland	25	27	27	50	+ 2	+ 8.0	—	—
Netherlands	—	—	—	—	—	—	—	—
United Kingdom	66 679	63 346	61 863	125 000	— 3 333	— 5.0	— 1 483	— 2.3
Community	133 908	126 242	123 009	248 080	— 7 666	— 5.7	— 3 233	— 2.6
	130 487 ⁽¹⁾	122 901 ⁽¹⁾	119 563 ⁽¹⁾	240 900 ⁽¹⁾	— 7 586 ⁽¹⁾	— 5.8 ⁽¹⁾	— 3 338 ⁽¹⁾	— 2.7 ⁽¹⁾

⁽¹⁾ National series.

TABLES 13 and 14

Number of miners working below ground and output per underground manshift

	1	2	3	4	Difference in %	
	End June 1975	End June 1976	End June 1977	Forecasted average 1977	2 — 1	3 — 2
<i>Number of miners (in 1 000's)</i>						
Belgium	18.6	17.7	16.5	16.6	— 4.8	— 6.7
Germany (FR)	110.3	105.8	102.8	102.5	— 4.1	— 2.8
France	39.8	38.0	35.0	35.5	— 4.5	— 6.9
United Kingdom	173.2	169.8	171.5	166.5	— 2.0	+ 1.0
<i>Output (in kg)</i>						
Belgium	2 493	2 536	2 650	2 665	+ 1.7	+ 4.5
Germany (FR)	4 084	4 219	4 202	4 230	+ 3.3	— 0.4
France	2 635	2 687	2 970	3 100	+ 2.0	+ 10.5
United Kingdom	3 310	3 358	3 288	3 565	+ 1.5	— 2.1

TABLE 22

Coke-oven coke

(in 1 000 tonnes)

	1	2	3	Difference (2 — 1)	
	First half 1976	First half 1977	Original forecast 1977	tonnes	%
Belgium	3 127	2 908	6 350	— 219	— 7.0
Germany (FR)	16 287	14 120	30 600	— 2 167	— 13.3
France	5 831	5 312	11 000	— 519	— 8.9
Italy	3 865	3 984	8 500	+ 119	+ 3.1
Netherlands	1 324	1 299	2 750	— 25	— 1.9
United Kingdom	7 889	7 407	16 000	— 482	— 6.1
Community	38 323	35 030	75 200	— 3 293	— 8.6

TABLE 26

Imports of coal from third countries by country of destination

(in 1 000 tonnes)

	First half 1975	First half 1976	First half 1977	Original forecast 1977
Belgium	1 554	1 879	1 634	3 120
Denmark	1 868	1 824	2 313	4 350
Germany (FR)	2 854	2 389	2 685	5 200
France	5 866	5 799	7 985 ⁽¹⁾	16 590
Ireland	199	209	345 ⁽¹⁾	395
Italy	5 031	4 826	5 750 ⁽¹⁾	10 100
Luxembourg	23	52	76	17
Netherlands	1 579	1 825	1 938	3 595
United Kingdom	2 599	1 498	530 ⁽¹⁾	2 300
Community	21 573	20 301	23 256	45 667

⁽¹⁾ Estimates.

TABLE 28

Changes in producers' stocks of coal and blast-furnace coke ⁽¹⁾ during the first six months of 1977

(in 1 000 tonnes)

	Coal	Coke	Total
Belgium	+ 218	+ 6	+ 226
Denmark	—	—	—
Germany (FR)	+ 4 127	+ 1 774	+ 6 433
France	+ 742	+ 10	+ 755
Ireland	—	+ 279	+ 363
Italy	—	—	—
Luxembourg	—	—	—
Netherlands	—	— 4	— 5
United Kingdom	— 1 411	+ 368	— 933
Community	+ 3 676	+ 2 433	+ 6 839

⁽¹⁾ In the total column, coke stocks have been converted to coal equivalent at 1.3.

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