
The attached document describes trends in the steel market in 1999 and the outlook for 2000 and 2001

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SUMMARY

The various financial crises that followed each other in East Asia and then Russia and Latin America provoked a 2.5% drop in world demand for steel in 1998. 1999 heralded an earlier upturn in demand than had been anticipated so that world demand for steel, fuelled by recovery in a number of Asian economies and in particular by strong growth in consumption in the NIS, grew by 1.3% in 1999, an increase of 8.7 million tonnes. In the OECD area as a whole, demand fell by 2.1%, Korea and Mexico being alone in reporting an upward trend. Note should be taken, however, of the strong upward spurt in steel consumption generally prevalent during the fourth quarter of 1999. A similar pattern of behaviour was shown by world crude steel production, which went up by 1.5% in 1999. Within the OECD area, any drop in production was limited to 1.1% and chiefly affected Europe. The main event in 1999 was the onset of a return to normal trading in steel products, the measures taken by some countries to cope with the influx of low-cost imports that had been a feature of 1998 having started to bear fruit. Recovery of demand in the Asian countries and the upsurge in steel consumption in the NIS also helped to alleviate trading problems. The recovery in demand also led to a modest upward movement in steel prices, which strengthened considerably during the fourth quarter. Over a six-month period, prices regained almost all the ground lost in 1998. Steel stocks, which had soared in 1998, began to move downwards.

As for 2000, the recovery in demand for steel is expected to extend to practically all regions, except for some special cases, while steel consumption in general is expected to show strong growth, exceeding 700 million tonnes (in terms of finished product equivalent) for the first time, and could well make 725 million tonnes, an increase of 5.8% over 1999. Given the surge in production and despite fairly low steel prices, 2000 should be a good year for the world steel industry.

2001 should also be a year of rising demand, despite some signs of levelling off at regional level. World steel consumption and production should grow by a little over 3% and trade in steel products is likely to show signs of returning, albeit fairly slowly, to the trends prevailing before the 1998 crisis. However, towards the end of the year some slowdown in demand following two record years might become perceptible.

ACTION

Delegations will find the draft report below. The procedure planned for this year is to distribute the draft report, in the two languages, as a document of the Steel Committee.

ADDITIONAL DOCUMENTS

In outline, the report follows the same layout as its predecessors, the most recent of which is the OECD Steel Outlook 1999/2000 published in 1999.
OECD STEEL OUTLOOK 2000-2001

1. INTRODUCTION

1. At its 54th meeting, in the spring of 1998, the Steel Committee decided, when adopting its programme of work, that a report on steel market trends in 1999 and the outlook for 2000 and 2001 would be drawn up in early 2000. After being discussed by the Steel Committee, the report will be published under the responsibility of the Secretary General of the OECD, as in previous years.

2. Certain delegations to the Steel Committee provided statistics and other information on market developments in their countries, and the Secretariat has taken these into account. Since, however, it has to produce a coherent world outlook, it is possible that the text and the estimates may differ somewhat from those provided by the various delegations. It is therefore the Secretariat that is responsible for the forecasts.

3. Following the admission of the Czech Republic, Hungary, Korea and Poland as Member countries of the OECD during 1996, the statistics for these countries have been included in the OECD total and, as far as possible, in order to maintain a degree of coherence, the historical data have been recalculated on that basis. Also, since Brazil became a full participant in the Steel Committee in 1996, statistics for that country have been added to most of the tables and removed from those for the Latin American countries.

4. As a result of these changes, the data for the Czech Republic, Hungary and Poland have been removed from the Central and Eastern Europe zone and have been included in the "other Europe" zone. As regards the European Union, only the UE(15) zone remains and the historical data have been recalculated as far as possible.

5. As a result of the financial crisis in Asia, the Secretariat has split the "other Asia" zone into two parts: the "ASEAN(5)" area, which covers Indonesia, Malaysia, the Philippines, Singapore and Thailand, and the "rest of Asia", including North Korea, which is no longer grouped with China.

6. The report has been drawn up using the information received and the statistics available as at 31 March 2000, and includes updates provided by Member countries before 30 May 2000.

7. The main quantitative results for the steel market in 1999 and probable trends in 2000 and 2001 are contained in the statistical annex to the present document, distributed separately as DTSI/SU/SC(2000)12/ANN. The main developments in the market may be summarised as follows:

1999

8. Apparent steel consumption

− World: World steel consumption, which fell by 2.5% (-17 million tonnes) in 1998 in the wake of the financial crisis, unexpectedly rallied by some 1.3% in 1999. This rally stemmed from the joint effects of a more rapid than expected recovery in the Asian area affected by the crisis and a surprising increase in apparent consumption in Russia and some other NIS. However, demand generally remained depressed during the first quarter of the year before beginning to move upwards during the second quarter followed by a considerable surge in the last quarter of the year. These developments helped to curb the decline in steel consumption in a number of regions, including a large proportion of OECD countries.

− OECD: For the area as a whole, demand for steel, which had shrunk slightly by 0.7% in 1998, fell by 2.1% in 1999. This contraction was principally caused by the strong decline in apparent steel consumption in Europe, in both EU(15) and other European Member countries of OECD, where drops in consumption of some 3.8% and 15.1% respectively, totalling 10 million tonnes, had been recorded, and in North America, where Canada and the United States also saw consumption fall by 5.6% and 4.5%, a drop of some 6.3 million tonnes below 1998. Consumption remained unchanged in Mexico. However, it should be noted that following substantial adjustment of steel stocks in the European Union, real steel consumption in EU(15) is thought to have increased in comparison with 1998, a year in which stocks had on the contrary grown significantly.

− In Japan, apparent steel consumption also shrank slightly, by some 0.9%, while in Australia and New Zealand it fell by 2.2%. In contrast, steel consumption in Korea shot up from 23.1 million tonnes to 31.4 million tonnes, a growth of 35.9%. This very rapid resurgence in steel consumption still accounts for only 60% of the drop in steel consumption experienced by Korea in 1998.

− In Brazil, 1999 saw a steep slump of some 13.0% in apparent steel consumption in the wake of the strong growth, of over 20%, recorded between 1996 and 1998. This was a reflection of the economic situation prevailing in the country, which suffered a major economic crisis in early 1999 but rallied considerably during the second quarter of the year.

− As for other areas, in the other Latin American countries the demand for steel in 1999 was down by 14.5% on 1998, which also reflected the financial crisis affecting a number of
countries in the area, chiefly Argentina. In South Africa the fall was in the region of 10.8%, whereas the rest of Africa reported a drop in steel consumption of around 2.6%. In the Middle East, steel consumption was up by 3.9%; after the first drop in the region for ten years reported in 1998 the demand for steel in this region seems to have resumed its upward trend.

- Steel consumption in India fell by 3.0%, the first fall in steel consumption since 1989. As for the five countries grouped under the heading ASEAN(5), the impact of the financial crisis they suffered in 1997, which provoked a 38.0% decline in steel consumption in 1998, has given place to a more rapid recovery than anticipated resulting in an increase of 21.8% in steel consumption for this area in 1999, although in volume terms, steel consumption is still 31% below the record level of 1996. In the other Asian countries, apparent steel consumption was down by 4.6%, chiefly as a result of a decline of some 4.9% in Chinese Taipei.

- The downward trend in steel consumption finally turned around in the New Independent States (ex-USSR) in 1999, but the strength of the recovery varied greatly from State to State. In the NIS as a whole, apparent steel consumption rose by 42.3% in 1999, an increase of 7.2 million tonnes. However, this increase needs to be considered in perspective, since despite its size it followed a year, 1998, in which steel consumption for the NIS as a whole came to a mere 17.1 million tonnes, an all-time low. In 1999, Russia staged the strongest recovery with an increase of some 63.1%, whereas in Ukraine consumption fell further by 60.9% and amounted to no more than 0.6 million tonnes. In the other NIS, consumption in 1999 went up by 29.4%.

- In the non-OECD countries of Central and Eastern Europe, apparent steel consumption fell by 28.9% in 1999, but trends were very varied with demand falling by 38.5% in Romania and 48% in Bulgaria but rising by 23.3% in the Slovak Republic to come close to its 1997 level.

- In China, demand for steel continued to increase steadily by around 11.2%, or 12 million tonnes more than in 1998.

- Steel market trends in 1999 seem to have led to an adjustment of steel stocks in some countries with stocks in the OECD area in general rising substantially in 1998. As a result of changing stock levels, real steel consumption in the OECD area is thought to have declined by no more than some 1.5% in 1999.
## Growth in apparent steel consumption (AC) and estimated growth in real consumption of steel (RC) and total steel stocks held by steel producers, consumers and merchants

In previous years, figures for apparent steel consumption can be derived, as they have in this report, from the data available on steel production and trade. Variations in apparent consumption are due to variation in real consumption and/or changes in the total steel inventories maintained by steel producers, consumers and merchants. Data regarding the level of, or annual variations in, both these parameters, however, are far from complete. The figures given for real consumption and annual variations in total stock levels should therefore be taken as "reasonable" estimates of two inter-related factors. Furthermore, in calculating the level of total steel stocks in tonnage terms by the end of 1984, it has been assumed that the stocks were equal to 18 weeks for estimated real consumption for that year (i.e. 8 weeks for producers and 10 weeks for consumers and merchants). For the years after 1984, the level of total steel stocks was first calculated in terms of tonnage, based on the estimated annual variation, an subsequently expressed in terms of weeks of real consumption.

As from 1995, data concerning the EU are related to EU(15) and the OECD total includes the new countries: the Czech Republic, Hungary, Korea and Poland.

### Table

<table>
<thead>
<tr>
<th>Year</th>
<th>OECD</th>
<th>Rest of OECD</th>
<th>Total for United States, EU and Japan</th>
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<tr>
<td></td>
<td>AC</td>
<td>AC</td>
<td>AC AC RC Yearly change End-year level</td>
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<tr>
<td></td>
<td>In million tonnes of finished product equivalent</td>
<td>In weeks of real consumption</td>
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<tr>
<td>1989</td>
<td>364.6</td>
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<td>2001p</td>
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<td>98.6</td>
<td>329.7</td>
</tr>
</tbody>
</table>

**Notes:**
- e: Estimate.
- p: Forecast.

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1. In previous years, figures for apparent steel consumption can be derived, as they have in this report, from the data available on steel production and trade. Variations in apparent consumption are due to variation in real consumption and/or changes in the total steel inventories maintained by steel producers, consumers and merchants. Data regarding the level of, or annual variations in, both these parameters, however, are far from complete. The figures given for real consumption and annual variations in total stock levels should therefore be taken as "reasonable" estimates of two inter-related factors. Furthermore, in calculating the level of total steel stocks in tonnage terms by the end of 1984, it has been assumed that the stocks were equal to 18 weeks for estimated real consumption for that year (i.e. 8 weeks for producers and 10 weeks for consumers and merchants). For the years after 1984, the level of total steel stocks was first calculated in terms of tonnage, based on the estimated annual variation, an subsequently expressed in terms of weeks of real consumption.

2. As from 1995, data concerning the EU are related to EU(15) and the OECD total includes the new countries: the Czech Republic, Hungary, Korea and Poland.
9. **Steel trade**

- World trade in steel (excluding intra-EU trade) rose by 0.8% (by volume) in 1999 compared with 1998. World trade in steel accounted for 26.5% of world steel consumption in 1998.

- Steel exports from the OECD area fell by 2.2%, or 98.4 million tonnes, whereas imports declined by 6.9%, or 6.6 million tonnes less than in 1998. There was a resultant recovery in net OECD steel exports, which rose by 84.6%, going from 5.2 million tonnes in 1998 to 9.6 million tonnes in 1999.

- In the United States, steel imports, which had reached the record level of 38.3 million tonnes in 1998, or 9.4 million tonnes more than in 1997, started to go down, falling by 13.6%, partly as a result of measures adopted, and were no more than 33.1 million tonnes in 1999, which is still the second highest level ever recorded. On the other hand, exports of steel products remained steady at somewhat over 5 million tonnes. Despite a declining domestic market, the share of imports in the US market dropped from 32.7% in 1998 to 29.7% in 1999.

- In the European Union, the slowdown in demand within the EU combined with recovery of demand in some external markets resulted in a slight improvement in the balance of trade in steel products, with exports rising from 0.5 million tonnes in 1998 to 1.9 million tonnes in 1999. EU steel imports fell by 11.1%, owing chiefly to the 21.3% drop in imports of flat products, whereas increases were still being reported for other products. A drop in the region of 5% was reported for exports.

- In Japan total steel imports dropped slightly, by almost 2% in 1999, to 4.7 million tonnes, their lowest level since 1986. At the same time, steel exports increased by 4.4% to 26 million tonnes, their highest level since 1986.

- As for market economies outside the OECD area, net steel imports increased overall by nearly 26%, up 10.5 million tonnes on 1998. Net imports were down in Latin America, Africa and India but rose in the Middle East and increased even more strongly in the Asian countries, by 29.3% in ASEAN(5) and by 3.4% in other Asian countries.

- Net imports from China increased by 53.3% following a steep rise of over 29% in imports whereas exports shrank by some 4.1%.

- Net exports from the NIS as a whole went up slightly by some 3.7%. Although steel exports from Russia fell by 7.8%, steel exports from Ukraine went up significantly, by 19.0%, to 19.2 million tonnes. Consequently, in terms of the proportion of production representing finished goods, Ukrainian exports came to some 97% of production in 1999.

10. **Crude steel production**

- World: World crude steel production rose by 1.5% in 1999 and at 789.7 million tonnes was 12 million tonnes below the record level achieved in 1997.

- OECD: Crude steel production for the area as a whole fell by 1.1% in 1999, 5.3 million tonnes down on 1998. Output totalled 461.6 million tonnes, rising in Canada, Korea, Japan
and Mexico, but falling in other Member countries, with the decline greatest in Europe. In Brazil too, crude steel production fell by 3.0%.

- Crude steel production fell in Latin America, South Africa and Chinese Taipei, but it began to go up in India, the Middle East and above all in the ASEAN(5) countries.

- In the NIS overall, crude steel production increased by 15.6%. In Russia, production increased by 17.6%, by 12.3% in the Ukraine and by 15.3% in the rest of the NIS.

- In the countries of Central and Eastern Europe, steel production fell by 18.9% despite a rise of 4.1% reported in the Slovak Republic.

- In China, crude steel production reached another record level of 123.7 million tonnes, up 8.0% on 1998 despite the Chinese Government’s proclaimed intent to reduce production by 10% during the year. For the fourth year running, China was the world’s leading steel producer.

11. Steel capacity utilisation rate

- In the OECD area overall, the capacity utilisation rate declined to an average of 76.6% in 1999.

- Capacity utilisation rates were 84% in the United States, 77% in the European Union and only 64% in Japan.

- In most other areas of the world, with the exception of the NIS and the countries of Central and Eastern Europe, steel production capacity continued to increase but, as a result of the crisis in Asia, at a significantly slower pace. In China, capacity utilisation exceeded 94%, while worldwide the average capacity utilisation rate in 1999 was just over 74%.

12. Steel prices

- The decline in steel product prices which began in January 1998 and continued steadily throughout the first eleven months of 1998 for almost all flat or long ordinary steel products was in the region of 30%. In 1999, steel product prices remained at a very low level during the first five months before beginning a slow rise, which gathered pace during the fourth quarter.

2000

13. Apparent steel consumption

- World: Apparent steel consumption worldwide seems set to continue to rise in 2000 and could be 5.8% higher than in 1999, an increase of some 40 million tonnes.

- OECD: The OECD area should generally benefit from the worldwide increase in demand since an increase of some 3.9% is expected for the area as a whole, i.e. nearly 16 million tonnes more than in 1999. Demand will tend to rise in virtually all Member countries apart from Canada and Australia.
− In the United States, steel consumption should go up by about 1%, increasing by 2.3% in the European Union and by over 9% in Japan, where it has been at a very low level. In Brazil, consumption is expected to recover strongly by some 15% to bring it back to its 1998 level.

− Demand for steel should go up in all market economy areas outside the OECD, with a more marked recovery in some Asian countries.

− In the countries of Central and Eastern Europe, steel consumption could well begin to pick up by some 26%.

− The surprisingly strong recovery in steel demand reported in the NIS during 1999 could continue in 2000 and might well extend to all States, including the Ukraine, possibly rising to some 35%. Despite the high percentage, this increase would come to less than 9 million tonnes. The level of steel consumption in the NIS will continue to be well below its 1993 level and amount to no more than 29% of the record level reached by the USSR in 1988.

− In China, the demand for steel seems likely to continue to grow by 2.6% in 2000.

14. **Steel trade**

− In volume terms, world steel trade is expected to remain steady at slightly above the 1999 level.

− Total net exports in the OECD area should go up by 31.2%, an increase of 3 million tonnes, reflecting both an increase in exports and a decrease in imports.

− Net exports from the European Union are expected to increase, but this rise is likely to be relatively modest in volume terms, of the order of 0.8 million tonnes. Net exports from the European Union are not expected to exceed 10% of the volume reached in 1993. There will be a sluggish rise in exports, while imports seem likely to remain at a high level. The same conditions seem likely to apply in Japan, where net steel exports are expected to go up as exports rise while imports should remain steady but at a very low level.

− In the United States, net steel imports are expected to continue to fall, by some 11%. Steel exports should start to recover somewhat, whereas imports could go down by almost 3 million tonnes. Net exports from Korea could fall by 13%, with recovery in consumption leading to a drop in exports together with a slight increase in imports.

− The recovery in net imports from market economies generally outside the OECD area should gain momentum and could reach some 6%. This would principally be triggered by trends in Asia and the Middle East, net steel imports from other areas are more likely to show a downward trend.

− Net steel exports from the NIS are expected to fall by around 2.6 million tonnes, 6.5% down on 1999.

− Chinese net imports should fall by some 2 million tonnes as a result of a drop in imports, with exports remaining relatively steady.
15. **Crude steel production**

- **World:** In conjunction with accelerating world demand for steel, crude steel production should surge ahead by about 5.4% in 2000, or some 42.5 million tonnes more than in 1999, thus passing the 800 million-tonne mark for the first time, to reach 830 million tonnes.

- **OECD:** Crude steel production in the area as a whole should increase by 4.6%, with production rising in almost all Member countries except Australia, whose steel industry is undergoing restructuring and its capacity being reduced. In Brazil too, crude steel production could increase by about 8.6%.

- **Production is expected to increase by 7.7% in all market economies outside the OECD area, an increase that should be particularly marked in Asia.**

- **In the countries of Central and Eastern Europe that are not OECD Members, crude steel production should start to recover by about 10%.**

- **As for the NIS, if the recovery in domestic demand should continue it could lead to an increase in production, which could rise by some 10%.**

- **In China, the government continues to seek to reduce crude steel production, a goal it failed to attain in 1999, in order to implement a vast restructuring and reorganisation plan for its steel industry. It seems unlikely, however, that it will be able to achieve this aim. At best, production could rise at a much slower rate than in the past, by some 2.7%.**

16. **Crude steel making capacity utilisation**

- **In 2000, crude steel making capacity should continue to increase by around 2.2% worldwide.** As a result of the 1998 crisis, the number of future projects has been scaled down.

- **In the OECD area, steel making capacity in 2000 should be barely up on 1999, increasing by not more than 0.7%, and a steep rise in steel production is expected to bring the average capacity utilisation rate up to 80%.**

- **In China, although the government has decided not to authorise installation of further capacity, projects already under way are to be completed and in 2000 production capacity should again increase, by 7.3%, to a further 9.5 million tonnes a year. The capacity utilisation rate is expected to fall from 95% in 1999 to 89% in 2000. In the other regions, particularly in Asia, capacity utilisation rates should move upwards.**

17. **Steel prices**

- **In early 2000, steel prices continued to rise under the impetus of the last quarter of 1999. Over a six-month period prices have virtually returned to their pre-crisis level. Such an upswing, which is unusual for steel product prices, seems likely to level off quickly or even slacken somewhat in the second quarter. In view of the favourable economic climate, the stabilising of steel prices should not be a matter for concern and might even presage a subsequent upturn in the steel market.**
2001

18. **Apparent steel consumption**

- World: Following the marked rise in world demand for steel expected in 2000, apparent steel consumption worldwide may well grow further in 2001, rising by 3% or even more.

- OECD: With economic growth expected to exceed 2.6% for the area as a whole in 2001, with this growth driven by private consumption and non-residential investment and with employment expected to improve substantially, apparent steel consumption in the OECD area should continue to rise by some 2% in 2001.

- In Brazil, the demand for steel should continue to go up in 2001 by about 9.5%.

- In the market economies outside the OECD area demand for steel is expected to continue to rise, by some 3.2%. It should be noted that in the ASEAN(5) countries growth seems likely to be less rapid than before the crisis, and, with a rise of 8.3% expected in 2001, the level of consumption would continue to be 20% less than the 1996 figure for the region.

- In the NIS, the recovery in steel consumption initiated in 1999, provided it is sustained in 2000, should continue in 2001 although at a slower rate, which would indicate more sustainable growth.

- In China, the demand for steel in 2001 seems likely to continue to grow at a slower pace but could nevertheless still reach 2%.

19. **Steel trade**

- Despite the increase in world demand, the volume of world trade in steel could shrink by some 3% in 2001, accounting for about 23.7% of apparent steel consumption worldwide. This would be the likely outcome of commissioning additional capacity in different parts of the world and of progress in matching production to demand in different regions.

- Total net exports from the OECD area could contract slightly with exports declining somewhat more than imports. Changes in demand from within the OECD area could lead to a drop in net exports from Japan, whereas EU exports are expected to rise, although they will continue well below the levels prevailing before the 1998 crisis. As for the United States, imports seem likely to continue to fall, while exports will rise only marginally. As a result, the share of imports in the US market should fall to 25%.

- Net steel imports should begin to pick up somewhat in Latin America and continue to rise in the ASEAN(5) countries. India could become a net exporter of steel, even if only to a modest extent

- Net exports of steel from the NIS are expected to continue to decline, but those from the countries of Central and Eastern Europe could increase, as a result of strong demand from the other European countries.

- In China, steel imports should remain steady while exports, chiefly toward other Asian countries, could well increase.
20. **Crude steel production**

- World: As a result of the predicted change in world demand for steel, crude steel production worldwide is also expected to increase by a little over 3% in 2001. In volume terms, crude steel production worldwide is likely to be just under 860 million tonnes.

- OECD: Steel production in the area as a whole could increase by a little less than 2%, to almost 9 million tonnes more than in 2000.

- Among the Member countries, production is likely to increase across the board except perhaps in Japan should its steel industry undergo restructuring.

- In Brazil, crude steel production could increase by about 2.5% to reach a level of close to 28 million tonnes.

- Crude steel production is also expected to keep rising in all other regions, including the NIS and China.

21. **Steel production capacity utilisation**

- Steel production capacity worldwide should continue to rise by about 1.1% to reach 1 100 million tonnes per year in 2001.

- Crude steel production capacity in the OECD area as a whole is expected to increase by 2.5 million tonnes in 2001, accounting for 55% of world capacity. The average capacity utilisation rate should be in the region of 81%.

- In all the other areas, steel production capacities will continue to increase but at a slower rate, which should lead to widespread improvements in utilisation rates.

22. **Steel prices**

- As forecast, steel market trends in 2001 should ensure that steel prices will remain steady; although prices of some products may continue to go up, any such increases seem likely to be fairly modest.
## Main results

<table>
<thead>
<tr>
<th></th>
<th>1999 variation in</th>
<th>2000 variation in</th>
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<tr>
<td></td>
<td>million tonnes</td>
<td>%</td>
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<td>a) Change in apparent steel consumption (in product equivalent)</td>
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<td></td>
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<tr>
<td>United States</td>
<td>-5.3</td>
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Main results (cont.)

| Year | EU (15) Imports | EU (15) Exports | EU (15) Net trade | Japan Imports | Japan Exports | Japan Net trade | United States Imports | United States Exports | United States Net trade | Rest OECD Imports | Rest OECD Exports | Rest OECD Net trade | Total OECD Imports | Total OECD Exports | Total OECD Net trade | NIS Imports | NIS Exports | NIS Net trade | Central and Eastern Europe Imports | Central and Eastern Europe Exports | Central and Eastern Europe Net trade | China Imports | China Exports | China Net trade | Other market economies Imports | Other market economies Exports | Other market economies Net trade | World Imports | World Exports | World Net trade |
|------|----------------|----------------|-----------------|---------------|---------------|----------------|--------------------|----------------------|---------------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------|-----------|-----------|----------------|----------------|----------------|---------------|------------|------------|-----------|----------------|----------------|----------------|----------------|-----------|------------|-----------|
| 2000 | 20.9           | 23.5           | -2.7            | 4.9           | 27.2          | -22.5          | 28.8               | 23.6                 | -5.7                | 29.8               | 41.2          | -11.4          | 82.5           | 95.0          | -12.5          | 4.2        | 39.8       | -35.6     | 1.6                 | 6.4             | -4.8           | 15.2         | 6.7        | 8.5         | 37.6            | 43.6          | 43.6          | 177.0        | 177.5      | -0.4       |
| 2001 | 19.0           | 24.7           | -5.7            | 4.9           | 23.6          | -18.7          | 28.8               | 5.6                  | 23.2                | 29.8               | 41.2          | -11.4          | 82.5           | 95.0          | -12.5          | 4.2        | 39.8       | -35.6     | 1.6                 | 6.4             | -4.8           | 15.2         | 6.7        | 8.5         | 37.6            | 43.6          | 43.6          | 177.0        | 177.5      | -0.4       |

d) Imports, exports and net trade (in million tonnes)

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Capacity in million tonnes

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Utilisation rate in %

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1. Capacity estimates for OECD countries are based on the Steel Committee's Annual Survey of Effective Capacity. There are differences in country definitions, and the changes in a country's operating rates from year to year are more significant than direct comparisons between the various countries' operating rates.
III. DEVELOPMENTS IN THE STEEL MARKET BY AREA

United States

23. The United States economy continued to grow strongly in 1999 and, as a result of a 6.9% rise during the fourth quarter, GDP in 1999 came to 4.1%, very little less than the 1998 figure. Such vigorous growth is an indication of the strength of the economy and of its main components, starting with private consumer spending which went up by 5.9% and investment in industry. The economy also benefited from an increase in public sector expenditure, which rose by 9.2% and was spent on highway construction and building schools. Non-residential investment went up by 8.0% during the year. However, strong domestic demand, the rise in oil prices and the strengthening of the dollar against the currencies of its main trading partners inflated the American trade deficit. In 1999, 2.8 million jobs were created and the unemployment rate was 4.2%. Fears of a return of inflation led the Federal Reserve to raise interest rates four times during the last six months of the year. Production costs increased by no more than 3.0% over the year and apart from oil and food the increase was only 0.9%.

24. Activity in the manufacturing sector grew by 6.4% in 1999, the highest rise since 1971. The automobile sector, one of the most important sectors for the steel industry, saw output reach 12.6 million units, a new record. Expenditure in the construction sector went up by 2.0% in real terms, sustained by the demand for residential housing and office buildings although the demand for industrial construction declined.

25. In 2000, economic growth seems set to continue at a rapid rate despite rises in interest rates, an increasing trade deficit and higher energy costs. Annual GDP could increase by as much as 4.5% in 2000. Growth continues to be driven principally by private consumer spending, industrial investment and public sector spending at both local and federal level. Unemployment should continue to drop and is likely to fall below 4%, thus reaching its lowest level for 30 years. On the other hand, inflationist pressures are expected to be felt more strongly and should push interest rates higher.

26. Activity in the infrastructure and non-residential construction sectors is expected to continue at a high level, although in the case of residential construction there seems likely to be a slowdown during the year following a probable rise in interest rates. Automobile production seems set to increase by some 5% over the year and the output is expected to exceed 13 million vehicles.

27. In 2001, the US economy is expected to continue to grow strongly although increases in the rates expected for federal funds in 2000 could hold this growth to around 3.0% without however affecting the financial markets since they have already anticipated this development. Inflation could rise slightly in 2001 to 2.2% a year. Private consumption should slacken considerably while industrial investment is expected to continue to grow substantially, by 6%. Industrial output seems likely to increase by about a further 3.0%.
Production indices, 1995 = 100 (seasonally adjusted)

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<td>101.7</td>
<td>96.2</td>
<td>97.6</td>
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</table>

Source: OECD, Indicators of industrial activity.

28. Despite the buoyancy of the US economy in 1999, the steel market continued to exhibit very strong demand although 4.5% below the record level reported in 1998. Apparent consumption of steel, expressed as finished product equivalent, still climbed to 112.1 million tonnes, the second highest level ever, after the exceptionally high figure reached in 1998. This drop in apparent steel consumption in the United States in 1999 is principally due to the 13.6% fall in imports of steel products, which dropped from 38.3 million tonnes in 1998 to 33.1 million tonnes in 1999. However, the other components of apparent steel consumption, production and exports for 1999 remained very close to 1998 levels.

29. The decline in steel product prices that began in the second week of 1997 and continued throughout 1998 halted during the first quarter of 1999. For some products, the fall in prices over an eighteen-month period was over 30%. Steel prices began to pick up during the second quarter of 1999, then after stagnating during the third quarter moved up again in the fourth quarter. Falling imports and continuing strong demand were the driving force behind these events. However, in 1999 as a whole, price levels and a fall in deliveries resulted in large losses for the US steel industry, which caused a 5% drop in employment, or a loss of 11,700 jobs in the sector.

30. Crude steel production during the first nine months of 1999 was down by 6.5% on the same period of 1998 but sharply increased during the final months of the year to stand at 97.3 million tonnes for the twelve months of 1999, a drop of only 0.4% on 1998. Crude steel production capacity continued to rise, by 3 million tonnes, the average capacity utilisation rate dropping to 83.7% in 1999 as compared to 85.9% in 1998. In 1999, continuously cast steel production rose to reach 95.3% of total steel output.

31. With regard to trade in steel products, following the steep 33.3% rise in imports, which reached a new record high of 37.7 million tonnes in 1998, the measures taken to discourage low cost imports helped to cut imports by 13.6%, keeping them below 33.1 million tonnes in 1999. The rate of import penetration on the US market thus dropped from 32.7% in 1998 to 29.7% in 1999. The antidumping and compensatory measures introduced in the United States during 1999 seem to have had an immediate impact. Hence, during the first half of the year, imports of flat ordinary steel products tumbled by 41.5%, steel plate went down by 36.1% and beams by 38.1%. However, for other products such as reinforcing bars, galvanised sheet and other coated sheet, imports continued to grow. In terms of country of origin, the principal drops were in imports from Japan (-54%), Russia (-76%) and Korea, while imports from some Asian countries went up as did those from Latin America.
32. As a result of the fall in world prices and the low level of overseas demand, steel exports from the United States fell slightly by 2.1% to 5.1 million tonnes in 1999. Exports to its NAFTA partners, Canada and Mexico, which had declined during the first half of 1999, went up steeply during the second half of the year. These two countries alone absorb 87% of all US steel exports in 1999, compared to 80% the year before. Exports to the EU were down as were those to Japan.

33. Given the strength of the US economy, which is continuing in 2000, steel demand should show definite signs of recovery. Apparent consumption could grow by about 1%, whereas stock adjustments could lead to an increase of 3.5% in real consumption. Imports of finished products are expected to fall quite significantly but imports of semi-finished products could increase over the year. A drop of some 8% in total imports together with a resumption of domestic demand could bring the import penetration rate to below 27% of the US market.

34. The recovery in world demand and in particular the strength of steel markets in the NAFTA partners seems likely to lead to a rise in US exports of 8%. Crude steel production is expected to benefit from these favourable conditions and should increase by at least 5% to reach 102 million tonnes, exceeding the 100 million-tonne mark for the first time since 1981. This increase in production combined with well-filled order books and improved prices are expected to allow US steel producers to return to profit in 2000.

35. As for 2001, the steel market in the United States could well continue its upward trend although to a more modest extent given its already high level. Apparent consumption could rise by some 0.5%. Crude steel production should increase more substantially, by about 2.5% to reach almost 105 million tonnes. Net steel imports by the United States are expected to fall by about 7%, reflecting a decline in imports that could reach 5% and a slight recovery in exports due to the continuing upward trend in world steel demand. The rate of import penetration on the US market could fall further to 25%, a rate slightly below that for 1997, whereas the capacity utilisation rate should exceed 88%.

Canada

36. Economic growth in Canada gained momentum in 1999 and the GDP growth rate stood at 4.0%, compared to 2.9% in 1998. Inflation was contained at 1.7%, while the unemployment rate continued to fall to no more than an average 7.6% for 1999, compared to 8.3% in 1998. Interest rates went down slightly to 6.5% at end 1999 compared to 6.75% for the previous year. Canada’s economic growth continues to be export led and in this respect the relatively low value of the Canadian dollar continues to stimulate exports and make imports less competitive.

37. Industrial output was up by 4.5% in 1999 and steels deliveries to manufacturing industry as a whole rose by 5.9% to 7.2 million tonnes. In the automobile sector, vehicle production went up by 16.3% in 1999 to 2.735 million units and new vehicle sales rose by 7.9% to 1.54 million units. In 1999, steel deliveries direct to the automobile industry were 12.3% up on the previous year. In the construction sector as a whole, activity was up by 7.7% in 1999, rising by 3.5% in the non-residential sector and by 11.2% in the residential sector. In the tube products sector, activity went up by 2.4% in 1999, but steel deliveries to the sector fell by 3.6%.

38. Crude steel production in Canada increased by 2.0% in 1999 to 16.1 million tonnes, the highest level on record, 98.2% of which was continuously cast steel. Total steel imports to the Canadian market went down by 16% in 1999 despite increasing demand. The rate of import penetration in the Canadian market accounted for no more than 37.5% of the market. Imports from Russia, Central Europe, the EU(15), Latin American and other Asian countries increased. Canadian firms also reduced their imports of semi-
finished products by 53% in 1999. The overall drop in imports reflects the impact of the measures adopted to discourage dumping of under-priced imports.

39. In the same period, steel exports fell by 0.5% to a little over 4.2 million tonnes. In 1999 total steel demand in Canada was down on the record level reached in 1998 and apparent steel consumption expressed in finished products equivalent fell by 5.6%. The buoyancy of the market enabled Canada’s leading steel manufacturers to increase profits by 22.4% in 1999.

40. Projections for the Canadian economy in 2000 and 2001 forecast steady growth, while GDP could be up by some 4.3% in 2000 and by 3.0% in 2001. Inflation should remain under control, although it could rise to around 2.0%. The economic trends should also lead to a reduction in the unemployment rate which could fall as low as 7.1% in 2000 and 6.8% in 2001. Investment should continue to rise steadily by about 8% in 2000 but fall back to 5.4% in 2001, and private consumption should also continue to rise, by 3.6% and then 2.8%. An increase in interest rates is expected from 6.4% on average in 1999 to 6.9% in 2000 and 2001, accompanied by a slight increase in the value of the Canadian dollar against the US dollar.

41. Industrial production should continue to increase by some 5.8% in 2000 and 3.6% in 2001. Production in the automobile sector should remain high, while in the residential construction sector activity is expected to increase by 2.0% in 2000 followed by a drop of some 2% in 2001.

42. The steel market will remain very buoyant in 2000, though apparent steel consumption could fall by somewhat less than 2%. In 2001, apparent steel consumption is expected to pick up, growing by close to 1.4% to bring it back to the 1999 level. In 2000, steel imports should continue to fall by some 4% and this downward trend could continue in 2001. Steel exports should pick up somewhat in 2000 before dropping back in 2001. Crude steel production could continue to break records and might well reach 16.2 million tonnes in 2000 and 16.5 million tonnes in 2001.

Mexico

43. Sustained by the continuing buoyancy of the US economy and by recovery in domestic demand, the Mexican economy experienced good growth in 1999 which accelerated in early 2000. Real GDP went up by 3.7% in 1999 with private consumption rising by 4.3% and investment increasing by 5.8%. Despite continuing restrictive economic measures intended to bring inflation below 10%, higher oil prices coupled with declining interest rates could lead to an increase in GDP of some 4.8% in 2000 accompanied by an increase in private consumption and investment. Forecasts for 2001 indicate a probable strengthening of this upward trend, with an increase in GDP of not less than 5.0% and investment rising by almost 10%.

44. After three years of solid growth, apparent steel consumption levelled off in 1999, rising by only 0.3% over the 1998 figure. Steel imports remained at the same level as in 1998, whereas exports increased by more than 20%. As a consequence, crude steel production went up by 7.7% to reach a new record of 15.3 million tonnes. The proportion of output made up of continuously cast products increased further to 92.8%. The capacity utilisation rate stood at 84.5%.

45. In 2000, demand for steel is expected to pick up again. Apparent steel consumption could grow by 8.8% and thus pass the 10 million-tonne mark. Steel exports are also expected to rise by nearly 2% while imports should go up by nearly 7%. Crude steel production should continue to go up, rising by almost 6% to 16.2 million tonnes. In 2001, demand for steel is expected to continue to rise more steeply, by some 9.5%, to reach 11 million tonnes. Steel imports could also rise as a result, by about 8%, particularly if exports also show an upward trend. Consequently, crude steel production could well increase by 6% and thus exceed 17 million tonnes. Following installation of new production capacity, the average capacity utilisation rate in 2001 should come to some 89%.
European Union (15)

46. During the first half of 1999, economic growth in the European Union continued to be adversely affected by the impact of the crisis in the emerging economies, which had depressed export activity. During this economic slowdown, erosion of confidence among business leaders led to sluggishness in industrial output despite well-sustained household consumption. During the second half of 1999, economic activity in the EU began to pick up owing to an upturn in external demand fuelled by stronger growth worldwide, especially in Asia, which added to buoyant domestic demand. Over the year, GDP in the EU grew by some 2.3%, and its most active components, private consumption and investment, went up by 2.8% and 5.0% respectively.

47. The upturn in economic activity in 1999 gave a boost to manufacturing industry as a whole in response to both export and domestic demand, particularly during the second half of the year. Industrial output rose by 1.5% on average for the EU(15) as a whole. The construction and automobile sectors benefited most from the upturn, with activity rising by 2.5% and 2% respectively, while for other sectors such as mechanical engineering there was a slowdown of 1.5% over the year.

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50. In 2001, economic growth should continue and GDP could rise by an average 3.1% for the EU. Investment could go up by 4.4%. Private consumption also seems likely to continue to move upwards with a possible increase in the region of 2.9%. The average EU(15) unemployment rate is expected to continue to fall and could drop below 8% of the working population. Activity in the main steel-consuming sectors should continue to rise, as in 2000, with possibly a slight slowdown in the automobile sector.

51. As for the steel sector, following the 1998 peak, apparent steel consumption in the EU(15), expressed as finished product equivalent, went down by 3.8% in 1999, a drop of some 5.4 million tonnes. Owing to substantial stock adjustments, real steel consumption should increase by about 1.2%.

52. Crude steel production in the EU as a whole was down by 2.9% on the 1998 level, amounting to no more than 155.3 million tonnes. Production declined in almost all EU States, except for France and Spain. The EU steel trade, which had been seriously affected by the disruption in the international arena in 1998, began a tentative return to normal in 1999. Imports fell by 11.2% to no more than 20.9 million tonnes. After the 56% boom in reported imports of flat products in 1998, these fell by 21.3% in 1999 although concurrently imports of semi-finished products, long products and tubes climbed by a further 26%, 24% and 17% respectively. Exports also shrank by 5% in 1999 and only exports of semi-finished products began to pick up, gaining 18% on 1998. As a result, the net balance of trade in steel, which had always shown a surplus in the past, although no more than 0.5 million tonnes in 1998, went up slightly to 1.9 million tonnes in 1999. This development would appear to indicate that the impact of the 1998 crisis on the steel trade was more profound and longer lasting than had been anticipated.

53. In 2000, demand for steel within the EU area is expected to show a definite upturn and apparent steel consumption could increase by about 2.3% over the year. The stock reductions that are expected to continue, particularly during the first half of the year, should lead to an increase in real steel consumption in the region of 1.6%. Crude steel production should increase by 2.8% to reach some 159.7 million tonnes, or just below the record level of 1997. Steel production capacity seems likely to increase by 2.6 million tonnes per year in 2000 but the increased output should mean an increase in the steel-making capacity utilisation rates which should be close to 79%. Despite this favourable picture of recovery in demand and stock adjustment, imports to the EU could remain high owing to the attraction of prices on the EU market. This is particularly true with respect to flat products and for wide hot-rolled sheet in particular. EU steel exports should improve somewhat, on the other hand, and could rise by about 3%. As a result of these developments, the balance of trade in steel products could improve and move up to some 2.7 million tonnes. As for steel prices, the trend should remain upwards both for long and flat products.

54. In 2001, apparent steel consumption could continue to rise, by about 0.8%, to a little over one million tonnes more than in 2000. This increase in domestic demand, associated with a greater drop in
imports, of somewhat under 10%, and a slow improvement in exports (+5%) should lead to an increase in crude steel production that could reach 3.0%. As a result, crude steel production in the EU could pass the 164 million-tonne mark and capacity utilisation rates might exceed 80%.

**Other European countries**

55. This area comprises the Czech Republic, Hungary, Norway, Poland, Switzerland, Turkey and the former Yugoslavia. In this area, following the sharp increase in steel consumption reported in 1997 and 1998, demand fell in 1999 by over 15% to 24.9 million tonnes. This decline in consumption led to an 11.6% reduction in steel imports and a 7.5% drop in crude steel production. Because of the decline in domestic demand, steel exports went up by 2.7% to 17.6 million tonnes.

56. In 2000, demand for steel should pick up quite markedly and apparent steel consumption could rise by some 12.5%. Net exports should drop substantially by about 25% and should fall below 3 million tonnes, reflecting stabilisation of imports at close to the 1999 level and a drop of around 4.5% in exports. Crude steel production should increase by nearly 8%.

57. In 2001, a further increase in steel consumption is expected throughout the area, which could mean a further rise of about 7.2%. This would be accompanied by a growth in crude steel production in the region of 6.7% and a levelling off of net exports from these countries, corresponding to a 3.8% drop in imports coupled with a nearly 3% decline in exports.

58. In 1999, the growth in the Hungarian economy continued, with GDP rising by some 4.5% owing to an increase in exports during the second half of the year and an increase in household consumption. The unemployment rate fell below 7%. Inflation slowed substantially but strong growth and the increase in oil prices led it to gather pace towards the end of the year. However, it should not exceed 10.0% for the year. The economy has also been stimulated by the sizeable surge in industrial output in recent years and grew by 10.2% in 1999. The machinery sector was the principal contributor to this growth with a 37% rise in output; this sector accounts for almost 50% of national exports. In 2000, GDP should rise by some 5.2%, private consumption and investment being the main drivers of growth. Inflation should slow to no more than 8%. Industrial output should continue to rise, by 10% and investment should grow further by some 8.3%, leading to greatly increased activity in the construction and mechanical engineering sectors. Overall, economic activity will also rise steeply in 2001 and GDP could grow by another 5.0%. Inflation should continue to decline to below 6% and investment should continue to increase by some 10%. Industrial output should increase by 9%.

59. 1999 was marked by a slowdown in apparent steel consumption, which fell 5.3% below the 1998 figure. The Hungarian steel industry has for several years been hampered by the large volume of steel imports into what is a relatively restricted market. In 1999, steel imports accounted for over 70% of domestic consumption. A slight increase in steel exports was the only reason crude steel production was able to keep to its 1998 level of 1.8 million tonnes. It may be noted that steel imports almost doubled between 1996 and 1999, which led the Hungarian Government to reintroduce measures to protect the domestic market from the influx of certain products from Russia, the Ukraine, the Czech and Slovak Republics and Romania from the second half of 1998. These measures proved ineffective to hold steel imports to a reasonable level.

60. In 2000, the economic difficulties experienced by a number of Hungarian steel manufacturers could lead to stagnation in production. Despite the measures introduced to restrict imports, these have remained at the 1999 level. Although demand for steel should increase it is likely to lead to a decline in exports in order to meet excess consumption. Maintenance of economic growth in 2001 at a level
comparable to that in 2000 could allow steel consumption to rise by about 8%, while crude steel production could increase by nearly 4% thus leading to a reduction of some 8.5% in imports and a drop of a little over 15% in steel exports.

61. In Norway, economic growth slowed in 1999 and investment fell by 5.6%. Growth in GDP over the year was only 0.9%. Household consumption also slowed, growing by no more than 2.4%. The reduction in investment in the offshore oil sector and the reduction in activity in the construction and shipbuilding sectors led to a 23.6% drop in steel consumption. Although national steel output was only slightly affected, falling by no more than 3.1%, exports declined by 8.3% and steel imports slumped by 23%.

62. In 2000 and 2001, the situation should improve. Owing to higher oil prices, GDP is expected to grow by 3.4% in 2000 followed by an increase of 2.8% in 2001. In 2000, the situation in the shipbuilding and offshore oil sectors should show a slow upturn, whereas in the construction sector it could continue to deteriorate. Nevertheless, the steel market could well continue to grow as there is expected to be an increase of some 6.5% in the demand for steel coupled with an increase of some 9.5% in steel output, its highest level since 1989, and a higher level of imports and exports. In 2001, demand for steel could increase further, by nearly 7%, but output although continuing high could drop below the 2000 level. Steel imports would remain close to the 2000 figure but exports could drop by nearly 15%.

63. After a slowdown due to fallout from the Russian crisis, the Polish economy recovered strongly in 1999. Over the year, GDP showed 4% growth, which gathered pace during the course of the year, with growth in the fourth quarter reaching 7%. Low interest rates coupled with a marked improvement in real disposable income stimulated domestic demand, particularly with regard to private consumption, which grew by 5%. Investment also flourished, growing by 10% during the fourth quarter. Direct foreign investment also played an important part in this recovery, accounting for 5% of GDP during the year. Industrial output rose by 4.5%, but the unemployment rate began to rise and went up from 10% in 1998 to 12% in 1999.

64. In 2000, the Polish economy should continue to grow steadily with GDP increasing by 5.0% over the year. However, the increase in unemployment, which is expected to top 13%, a rise in interest rates and an increase in indirect taxation should put a brake on private consumption, which should grow by no more than 4.6%. On the other hand, there is expected to be a marked increase in investment, which could go up by 9.5%. With the gathering pace of economic expansion in Europe, exports should recover strongly and industrial output should go up by 6.0%. Against this background, GDP should continue to grow in 2001 at a rate in the region of 1.8% with a gradual return of inflation, which should remain below 10%. Private consumption and investment should grow by 4% and 9% respectively in 2001. Industrial output could continue to grow, by 6.5%.

65. The sound performance of the Polish economy in 1999 did not benefit the steel industry. The slowdown in economic activity in the early part of the year led to a drop in steel consumption of the order of 5.6%. Steel exports also fell, by 7.2%, as a result of the depressed state of the European market. Despite the fall-off in demand, steel imports continued to increase by nearly 12.5%, which led to a drop in crude steel production of 10.8%, reaching 8.9 million tonnes. In 2000, the demand for steel is expected to stage a marked recovery, of the order of 17.4%. Crude steel production is also expected to pick up by 15.8% to reach 10.3 million tonnes. Imports should fall by more than 19% and exports should drop by some 13.5%. In 2001, the upward trend in steel demand should continue with further growth of some 8.5%, while steel output should increase by over 12%.

66. In Switzerland, the first half of 1999 saw a marked slowdown in economic growth with sluggish private consumption and a steep drop in exports. However, the Swiss economy recovered strongly during
the second half of the year, in particular as a result of a surge in exports and renewed vigour in household consumption. Over the year, real GDP increased by 1.7%, private consumption by 2.2% and investment by 3.7%. Industrial output overall grew by only 2.0%. In 2000, economic activity is expected to be quite buoyant as a result of a surge in exports and a good overall economic climate coupled with renewed investment in the construction sector. GDP should go up by 2.8%, private consumption by 2.2%, investment by 4.8% and industrial output by 2.5%. A comparable performance is expected in 2001.

67. The slowdown in economic activity during the first half of 1999 had a significant impact on demand for steel throughout the year, which fell by almost 12% to no more than 1.69 million tonnes in finished product equivalent. Crude steel production was no more than 1.0% down on 1998 at 1.01 million tonnes. As for foreign trade, steel exports were up by 34.4% on 1998, reaching 1.3 million tonnes.

68. In 2000, the prospects for steel demand are much improved and expectations are for an increase of some 6.5% in steel consumption and a 4% rise in output. In this context, imports are expected to remain high, probably above 2 million tonnes and steel exports are likely to fall by some 7.0%. The upward trend in steel demand should continue in 2001, but crude steel production is expected to remain at 1.05 million tonnes with production capacity utilisation at full stretch, which could lead to a sharp drop in steel exports.

69. In the **Czech Republic**, GDP fell by 0.2% in 1999, with a sizeable drop during the first quarter followed by recovery and moderate growth during the second quarter. Throughout the second half of the year, moderate growth in private and public sector consumption and was largely offset by a 7.1% drop in investment. Inflation fell to 2.2% but the unemployment rate rose to 6.5% in 1998 and to 8.8% in 1999. The economic upturn reported during the second half of 1999 should strengthen in 2000, so it is thought likely for GDP to increase by 1.4% over the year. Real wages are expected to show no more than a modest increase in 2000, which coupled with the sluggishness of the labour market should put a brake on private consumption, which is unlikely to exceed 0.8%. Investment is expected to pick up and rise by 2.2%. Inflation should gather pace in the wake of the rise in oil prices and could reach 3.8%, while unemployment is also likely to increase and could exceed 10%. Economic performance should improve in 2001 and the forecast is that GDP will rise by 2.3%, chiefly fuelled by greater investment and rising exports while private consumption will remain sluggish.

70. In 1999 as a whole, industrial output shrank by 3.1% while activity in the construction sector fell by a further 6.5%. In sectors with a high steel consumption, activity increased by 22.3% in electrical engineering whereas it fell by 5.9% and 6.5% respectively in the engineering and automobile industries. As a result, apparent steel consumption went down by 16.6% in 1999 to 3.2 million tonnes while steel output fell by 13.5% to no more than 5.6 million tonnes. Steel exports remained close to their 1998 level at 3.65 million tonnes whereas imports barely rose. Only in 2000, is any upturn expected in steel consumption, which is likely to be in the region of 25%, and would be accompanied by an increase of 8.5% in crude steel production. This upturn in domestic demand should lead to a drop of some 10% in steel exports. In 2001, apparent steel consumption should remain close to the 2000 level but crude steel production could increase by nearly 10% under the impetus of a relatively large rise in exports.

71. **Turkey** experienced severe recession in 1999 under the impact of the world financial crisis and the effects of the earthquakes in August and November, while real GDP fell by 5%. High real interest rates in the wake of the crisis in world financial markets encouraged investment in government bonds rather than in equities, which dropped by 16.0%, and depressed consumption by 3.1%. The overall loss of output attributable to the earthquakes, which struck at the industrial heart of the country, probably came to nearly 1% of GDP, while income from tourism also slumped. Apparent steel consumption fell by 19.5% or 2.2 million tonnes less than in 1998. Crude steel production grew by 1.2%, reflecting the marked increase in net exports of steel products; exports rose by 11.0% to reach 7.3 million tonnes, whereas imports fell by 32% to no more than 3.7 million tonnes.
72. The Turkish economy should be able to overcome these setbacks in 2000. Market confidence strengthened in the wake of a stringent programme to control inflation that led to a sharp fall in real interest rates. The work of reconstruction following the earthquakes and more favourable external conditions should pave the way for a recovery that should continue into 2001. GDP could thus rise by 4.2% in 2000 and by nearly 4% in 2001. Investment should go up by over 10% in 2000 and possibly by a further 8% or more in 2001, while private consumption should also go up, rising by 3.0% in 2000 and 4.5% in 2001. Similarly, 2000 is likely to see an upturn in steel consumption, which is expected to rise by almost 6%. Steel exports could go up again by 2.1% and imports by 9.0%. Crude steel production should consequently increase by 2.9%. In 2001, steel consumption should also grow by nearly 9% and output by 2.4% to over 15 million tonnes.

Japan

73. After a marked recovery during the first half of 1999, the Japanese economy slowed during the second half of the year to give a disappointing year-end result, growth in GDP having been at 0.3% for the year. The drop in employment and incomes principally in the wake of a marked decline in premiums had a negative impact on private consumption, which grew by only 1.2%. Total fixed investment went down by 1.0%, reflecting the 5.6% decline in private industrial investment, whereas private residential investment went up by 1.4% and public sector investment by 7.8%. The improvement in the international economic climate has prompted a modest upturn in exports of goods and services.

74. Industrial output recovered somewhat in 1999, rising 0.5% above the 1998 level. In the steel-consuming sectors, the transport equipment sector showed 4.3% growth, while electrical engineering rose by 1.8%. Activity in the shipbuilding sector appeared to be stagnant in 1999, whereas drops in production were reported in the passenger car production sector (-1.5%) and an even greater decline in non-electrical machinery (-7.6%) following on from the slowdown in industrial investment.

| Indices of activity in the steel-consuming sectors, 1995 = 100 |
|----------------|---------|---------|---------|         |
| Industrial production | 106.0   | 99.0    | 99.5    | 0.5     |
| Production of passenger cars | 111.3   | 102.5   | 101.0   | -1.5    |
| Production of commercial vehicles | 111.9   | 98.9    | 103.2   | 4.3     |
| Non-electrical machinery | 108.3   | 96.2    | 88.9    | -7.6    |
| Electrical machinery | 114.4   | 109.3   | 111.3   | 1.8     |
| Shipbuilding | 106.9   | 110.3   | n.a.    | n.a.    |

Source: OECD, Indicators of Industrial Activity.

75. In 2000, under the combined effect of the broad range of measures introduced to stimulate growth, recovery in the Asian economies and other factors, the Japanese economy should continue a gradual recovery. As for demand, an upturn in private consumption could still be slow to appear, in view of depressed income levels, but the situation continues to improve in comparison to 1999 and private consumption could grow by 1.3%. Investment should also begin to show signs of improvement of the order of 1.3% for private industrial investment rising to 4.2% for public sector investment. Domestic demand is expected to improve in many industrial sectors including construction and manufacturing industries such as motor vehicle production and the non-electrical machinery and other capital goods sector. In 2001, the most recent forecasts indicate the likelihood of an improvement in the Japanese economy with GDP rising by 2.2%. One of the main factors being taken into account is an increase in private consumption and investment of the order of 2.1%
As for the steel sector, apparent consumption went down by 0.9% in 1999, or 1.6 million tonnes less than in 1998. Because stock reductions were lower than in 1998, real steel consumption is thought to have declined by some 1.6%. As a result of the upturn in the Japanese economy in 2000 and a probable build-up of stocks, apparent steel production could rise by about 9.3% to over 6 million tonnes more than in 1999 and should continue to rise in 2001 by around 1.5%.

The slowing down of the decline in steel demand, decreasing stock adjustments and a rise in exports has led to a modest upturn in crude steel production of 0.7% in 1999, or 0.6 million tonnes more than in 1998. The capacity utilisation rate was 64.1%. In 2000, strong recovery in domestic demand and a probable subsequent rise in exports should lead to an increase in steel output in the region of 8.4%, the output in volume terms rising to some 8 million tonnes to reach around 102 million tonnes, with a capacity utilisation rate at 70%. In 2001, despite the growth in demand for steel, a slowdown in exports could cause a drop of some 3% in crude steel production, which should, however, still remain close to 100 million tonnes.

In 1999, the slackening of the demand for steel led to a continuing slide in steel imports by 2.7% and the share of imports in the Japanese market fell to 7.1%. Against this background of declining imports, note should be taken of an increase in imports from Chinese Taipei (+14.7%) and from Russia, Romania and the Ukraine, the relevant imports being mainly of steel plate. At the same time, Japanese steel exports went up by 4.3% to reach 26 million tonnes, their highest level for twelve years. Exports to the United States fell by 33.5%, dropping from 4.2 million tonnes in 1998 to 2.8 million tonnes in 1999, mainly as a result of the antidumping measures taken in the US. On the other hand, steel exports to Asia went up substantially, principally those destined for Korea, Chinese Taipei, Thailand, Hong Kong and Malaysia. As for product type, the main increase was in exports of semi-finished products.

In 2000, on the basis of estimate of the demand for steel imports are expected to stabilise at around the 1999 level. On the other hand, exports to other Asian countries, which showed a marked upturn in 1999, should rise even more steeply in 2000. In 2001, on the contrary, exports to other Asian countries could fall as a result of the probable rebuilding of steel stocks in this area. Imports could increase slightly.

Republic of Korea

After experiencing its most severe recession since the War, the Korean economy rallied in 1999. The rapid increase in economic activity, the surge in spending on consumer durables such as automobiles and computers, investment in capital goods and the upward trend in export markets led GDP to rise by 10.7%. Inflation remained low, at around 1.4%, and industrial output went up by 23.2%, while the capacity utilisation rate in manufacturing industry rose to 76.6%. Investment in the construction sector alone stagnated somewhat, growing by no more than 0.8%. The success of structural reforms and support for macroeconomic policy were determining factors in this rapid and sustained recovery.

In 2000, the Korean economy should continue on its upward path and be well on the way to recovery. The most recent forecasts predict an increase in GDP of as much as 8.5%, while private consumption should go up by 7.7% and overall domestic demand should increase by 8.6%. Investment should grow by a further 12.5%. Exports of goods and services should continue to rise, by 18.0%, and imports by 28%. The fall in unemployment should accelerate and should drop below 5% to 4.5%. Industrial output could increase by 11.5% and activity in the principal industrial sectors should be set to rise. In this way, activity should rise by 6% in the construction, 1.3% in shipbuilding and 11.2% in mechanical engineering sectors. The automobile sector is aiming at an output of 3 million vehicles, an increase of 7.3%. In 2001, the forecast is for somewhat slower but more sustainable growth, with a rise in GDP in the region of 6.0%, which should be accompanied by an upward trend in the main economic sectors.
indicators and a subsequent drop in unemployment, which should fall to around 4%. Industrial output should rise by a further 7%.

82. Owing to the rapid upturn in the economy, which led to a boom in production in all steel-consuming sectors, apparent steel consumption in 1999 went up by 35.9%, or 8.3 million tonnes more than in 1998, to 31.4 million tonnes, a level that was nevertheless considerably below the 1997 record of 37.8 million tonnes. This rise in demand was accompanied by 2.9% growth in crude steel production, which had not fallen to the same extent as consumption during the 1998 crisis and was over 41 million tonnes in 1999. The strength of domestic demand also led to a rise of over 200% in steel imports, which rose from 2 million tonnes in 1998 to 6.2 million tonnes in 1999, and a drop in exports of 18.8%, or 3 million tonnes less than in 1998.

83. In 2000, apparent steel production is expected to increase further, by 5.5% and so exceed 33 million tonnes. This increase should be accompanied by a rise of a little over 2% in crude steel production (+0.9 million tonnes), the upward trend explained largely by stronger demand for long products for the construction sector. Steel imports should increase by some 10.1%, and a rise is expected in imports of hot-rolled coils intended for further cold rolling by Korean industry. Steel exports should drop by another 2.1%, this decline reflecting both strong domestic demand and the appreciation of the Korean currency against the dollar.

84. In 2001, in line with forecast economic growth, apparent steel consumption could go up by another 2 million tonnes, or 6.0% over the 2000 level. This growth in demand is expected to be only partially met by an increase in crude steel production, which could rise by another 2.0%. Hence another substantial reduction of about 15% is to be expected in steel exports, while imports could continue to fall by some 10%.

Australia and New Zealand

85. Economic growth in Australia remained strong in 1999, particularly in the second half of the year, sustained by the strength of domestic demand and by the upturn in exports. During the year, GDP rose by 4.4%, private consumption by 4.5% and investment by 5.7%. The employment situation improved further and the unemployment rate fell from 8.0% in 1998 to 7.2% in 1999. Industrial output began a marked recovery, rising by 2.3% over 1998. In 2000, economic activity should remain buoyant but is expected to grow somewhat less rapidly than in 1999. GDP could rise by 3.9% as could private consumption and investment. Exports, which will continue to benefit from the recovery in the Asian economies, should grow by 10%. A similar trend is expected in 2001.

86. As for the Australian steel industry, 1999 was marked by a slowdown in domestic demand for steel with a drop in apparent steel consumption of 2.9% below 1998 to 5.6 million tonnes, a level that is still very high. Crude steel production went down by 8.5% to 8.2 million tonnes. This was in part caused by the slowdown in production in response to the unfavourable international economic situation and in part by the closure of the BHP works at Newcastle in mid-September. This closure cut steel production capacity to 8.8 million tonnes in 1999, but the capacity utilisation rate was then still only 93%, the lowest since the 1991-1992 recession. Steel exports also declined by 10.4% to 3.1 million tonnes. In value terms, the drop was in the region of 26%, the average export price having been A$ 411 per tonne, the lowest for twenty years. On the other hand, imports rose by 8% to a record 1.3 million tonnes. The biggest rise in steel imports was from Asia, with Japan and Korea at the head of the line, making up two-thirds of total steel imports.
87. In 2000, steel demand continued strong although it is expected to decline by some 2.6% to no more than 5.5 million tonnes of finished product equivalent. Because of the Newcastle closure, steel imports could well continue to rise and might reach 1.4 million tonnes, whereas exports should move downwards and could drop by nearly 15%. Crude steel production is expected to fall by 8.8% to no more than 7.5 million tonnes. Since Australian crude steel production capacity has been reduced to 7.64 million tonnes per year, the capacity utilisation rate should go up to nearly 98% in 2000.

88. In 2001, apparent steel consumption could fall further, by 0.9%, remaining between 5.4 and 5.5 million tonnes. Imports are likely to remain at the 2000 level, whereas exports could start to pick up somewhat, by a little under 2%. Crude steel production is expected to remain at 7.5 million tonnes with the result that production capacity will still be fully utilised.

89. In New Zealand the economy bounced back in 1999 following the 1998 recession. Over the year, GDP went up by 3.9%, chiefly led by investment and public sector spending, which rose by 8.5% while private consumption showed a rise of only 2.5%. Economic growth is expected to gather momentum in 2000 and could reach 4.2% before dropping back to 3% in 2001. As for the steel sector, crude steel production in 1999 went down slightly to 2.6% below the 1998 level, and the rise of almost 16.5% in apparent steel consumption was offset by a drop of 20% in exports. In 2000, steel consumption is forecast to remain at its 1999 level, but this levelling out is expected to be accompanied by a rise in both imports and exports. In 2001, demand for steel could go up by a little over 10%.

Brazil

90. In Brazil, economic activity rose by 0.82% in 1999 driven by 9% growth in agricultural activity and a rise of 1.1% in the service sector, while industrial output fell by 1.7%. Inflation was held at 8.9%. Although this result could seem modest, the performance of the Brazilian economy could be accounted good when compared to the disastrous forecasts made when the Real was devalued by over 50% against the dollar in January. The economy began to pick up less than six months after devaluation and by the fourth quarter even the industrial sector was showing signs of growth. The 1999 budget targets were met.

91. The outlook for 2000 is good and, provided conditions abroad are right, the Brazilian economy is expected to show growth of over 3% in 2000. Higher employment, an increase in real incomes and an easing of the currency situation are expected to stimulate private consumption, especially in the second half of the year. Private investment, both foreign and domestic, should sustain this growth. Private consumption and investment should also be the driving force behind the 4.1% growth in GDP forecast for 2001.

92. These economic trends appear to have been behind the 13% drop in apparent steel consumption in 1999. Net steel exports went up by 19.3%, under the combined effect of a steep rise of 14.5% in exports, to over 10 million tonnes, and a drop of 27.8% in imports. Crude steel production fell by 3.0% to 25.0 million tonnes. Utilisation of crude steel production capacity was 83%.

93. In 2000, the upturn in economic activity is expected to lead to a 14.9% increase in apparent steel consumption. Steel imports could consequently pick up by some 23% to return to a level close to that of 1998. Steel exports, which have benefited from the recovery in world demand and in particular from the recovery in the Asian countries, should continue their upward trend and could rise by a little over 2%. This should lead to an increase in crude steel production in the region of 8.6%, with output rising above 27 million tonnes for the first time. In 2001, an even more favourable economic situation could lead to an increase in apparent steel consumption of the order of 3.2%. Crude steel production is also expected to go
up, by almost 2.5% while imports, and exports too, should rise. Steel production capacity is expected to reach 31.6 million tonnes per year and the utilisation rate to be 88%.

Other non-OECD economies

Other Latin American countries

94. The region as a whole has been affected by the successive crises, and in early 1999 the effects of the currency crisis in Brazil pushed the entire area towards recession. The knock-on effects of the Brazilian crisis on Member countries of Mercosur, Argentina in particular, were the result of trade discrepancies. In Chile, these effects had an impact on the need to maintain low interest rates to stimulate the economy and the need to keep the national currency stable. Ecuador, similarly, had to cope with a serious banking crisis. In short, the economic situation in most countries in this area remained relatively gloomy during the first half of 1999, with output shrinking. However, an upturn set in during the second half of the year and gathered momentum in early 2000, except in Argentina, where the situation remained fragile and in Ecuador where the financial crisis was not yet under control. The budgetary adjustments introduced in many countries in the area together with the structural reforms under way helped to improve market attitudes to the region. Output is expected to increase in South America in 2000, led by export growth in the first half of the year and then by domestic demand in the second half, and should then pick up further in 2001.

95. These economic trends naturally had an adverse impact on the Latin American steel industry, with apparent steel consumption falling by 7.8% in 1999. Net steel imports throughout the area fell 35% below the 1998 level, but this was the result of a substantial reduction in imports, exports remaining at the 1998 level. Crude steel production fell by 8.0% to no more than 10.7 million tonnes. In 2000, demand for steel could well fall slightly by some 0.9%. This reduction would chiefly be due to a drop in net imports, since crude steel production is likely to increase by 1.2% to about 10.8 million tonnes. Demand for steel is expected to recover in 2001, while apparent consumption could grow by 3.6%. This increase in demand could lead to an increase in steel output, which is expected to reach some 11.4 million tonnes, or 5.2% more than in 2000, and should entail a drop of almost 7% in exports.

Africa and the Middle East

96. In South Africa, apparent steel consumption declined further, by 10.8% in 1999, a drop of over 25% in the past two years. Demand for steel should pick up in 2000, by some 6.5%. Crude steel production also fell substantially, dropping by 9.1% in 1999, which on top of the 9.6% fall reported in 1998, brought steel output down to 6.8 million tonnes. It is expected to pick up by nearly 10% in 2000 and continue to rise in 2001, but to a relatively modest extent lying between 1% and 1.5%. This particularly adverse trend is the result of conditions on the international steel market, exports of steel from South Africa being particularly badly hit.

97. Demand for steel in the rest of the African continent fell by a further 2.6% in 1999 and would appear to amount to 3.8 million tonnes. However crude steel production increased for the second successive year, and the increase of 9.1% reported in 1999 brought output up to 1.2 million tonnes. As a result, steel imports went down by almost 7% and at 3.35 million tonnes amounted to 80% of the steel consumed in Africa. Exports remained at a very low level and principally remained within the continent. In 2000, the steel market in Africa is expected to stage a recovery, with an increase in apparent consumption in the region of 7.2% and a 20% increase in output. The upward trend could continue in 2001. At the same time, steel output should continue to rise and could return to above the 1.5 million tonne mark.
98. In the Middle East, steel consumption, which fell in 1998 for the first time in ten years, made a comeback in 1999, going up by 3.9% to return to its second highest level ever. Crude steel production also picked up and rose by 4.2% to 13.4 million tonnes. The average capacity utilisation rate in the region came to some 77%. Steel imports also began to rise again, increasing by 3.6%, whereas exports remained steady. In 2000, apparent steel consumption in this region is expected to continue its upward trend and could grow by a further 3.8% before probably levelling off in 2001. Crude steel production is likely to continue to increase in both 2000 (+7.3%) and 2001 (4.9%). Steel imports are also expected to increase but to remain below the record level reached in 1997. The new production capacities getting under way should account for some 3.3 million tonnes between 1999 and 2002.

Asia

99. The Asian continent, excluding China, can be divided into three separate regions: India, the five main members of the ASEAN defined as ASEAN(5), namely Indonesia, Malaysia, the Philippines, Singapore and Thailand, and lastly all other Asian countries, including Chinese Taipei, Pakistan, Vietnam and North Korea, which was covered with China in the past.

100. In India, the rate of economic growth remained fairly high in 1999, at around 6.4%, while industry's contribution to GDP went up by 7.8% as against 4.0 in 1998. Industrial output continued to rise and at an even faster pace than in 1998. The upturn in output in the industrial sector as a whole was due to the marked rise in private consumption and investment and to a marked slowdown in inflation which stood at only 4.7% for the year. The situation should continue to improve during the next two years, with economic growth forecast at some 6.5% in 2000 and an additional 6.6% in 2001.

101. The more favourable economic climate in 1999 led to a substantial increase in steel exports, which went up by 138%. At the same time, crude steel production also rose but to a lesser extent, by 3.5%, to a record 24.3 million tonnes. Steel imports were down slightly on 1998 and consequently apparent steel consumption fell by 3.0% over 1999. In 2000, with the expected surge in economic activity, the demand for steel is expected to grow by nearly 5%. A fairly substantial increase in the region of 6.1% in crude steel production, which for the first time is expected to rise above 25 million tonnes, is likely to lead to a marked drop in net steel imports, which could virtually vanish. In 2001, steel consumption could be a further 4.6% up on 2000. Crude steel production could increase by about 5.5% to exceed 27 million tonnes, while steel exports could well increase and overtake imports, making India a net steel exporter.

102. As for the ASEAN(5) members, apart from Indonesia, which continued to see its GDP fall in 1999, the remaining economies in the region showed definite signs of recovery. Thailand, the first economy to be affected and where the slowdown in growth had been most marked, saw its economy grow by 4.2% in 1999, with domestic demand increasing by 5.0% after dropping by 26.2% in 1998. Inflation was close to zero and exports rose by 56.8%. Of the other countries most affected in the region, Indonesia saw its economy shrink by 0.5% in 1999 despite picking up in the second half of the year, with domestic demand down by 3% and a high inflation rate that had been brought down from 60% in 1998 but still remained at 20.0% in 1999. However, industrial output increased by 1.2% despite a substantial drop of over 20% in investment. The economic recovery in Malaysia was stronger than originally forecast, with an increase of 5.6% in GDP in 1999 and domestic demand rising by 2.1%. Private consumption had picked up fairly quickly by the second quarter and investment did so during the second half of the year. In the Philippines, the economy, which had shrunk by only 0.5% in 1998, grew by 3.3% in 1999. This growth was mainly led by a substantial increase in activity in the agricultural sector.

103. In 2000, economic recovery should spread to all economies in the region. This economic expansion is expected to be increasingly driven by private domestic demand. Private consumption is going
up and should gather momentum as employment rises with increasing production. Inflation remains relatively low and monetary policies should also sustain growth, leading to an upturn in business investment. In Indonesia, GDP is expected to grow by some 3.5% in 2000, which could ultimately reach 5.5% in 2001. Industrial output should go up by 7.0% in 2000 and by 7.5% in 2001. In Malaysia, the prospects for economic growth in 2000 and 2001 are in excess of 6.0% and domestic demand could grow by more than 8% a year. In the Philippines, GDP could grow by 3.5% in 2000, but there is more uncertainty in relation to economic growth in 2001, which could be in the region of 3.7%. In Thailand, although GDP could grow by 5.5% in 2000, signs of a slowdown are expected during the second half of the year, fuelled by continuing low domestic demand. As a result, growth of GDP in 2001 is still uncertain and could be between 4.5% and 6%.

With regard to the steel sector, steel consumption in these countries, having fallen by 36.8% in 1998 to a low of 19.4 million tones, picked up well in 1999 (+21.8%) and climbed to 23.6 million tonnes, which was still well below the 1996 record of 34.2 million tonnes. Crude steel production also rose, by 8.5% to 8.5 million tonnes. As a result of the recovery in demand net steel imports went up by almost 29.5%. Imports of steel products went back up to 19.9 million tonnes in 1999 while exports rose slightly from 3.3 million tonnes in 1998 to 3.9 million tonnes in 1999. Although the demand for steel was generally upward throughout the area, trends varied greatly depending on the country concerned. Thus steel consumption fell by a further 23.4% in Indonesia to as little as 2.7 millions tonnes but barely rose in the Philippines (+2.2%) and Singapore (+7.6%), whereas there was a marked rise in Malaysia (+19.4%) to 7.2 million tonnes and above all in Thailand, where an increase of 88.6% took consumption to over 7.6 million tonnes.

In 2000 and 2001, steel consumption in the area is expected to continue to go up, although at a much slower pace; this growth could be in the region of 6.1% in 2000 and 8.3% in 2001 to bring consumption to slightly above 27 million tonnes. Demand for steel should go up in all countries of the area. Crude steel production in these countries is expected to increase by 13.7% in 2000 and could rise by another 7.7% in 2001 to 10.4 million tonnes, or the second highest level after the record 1996 level. Steel exports should stabilise at about 4 million tonnes, while imports should continue to grow, but less rapidly than before the crisis and could reach 21.8 million tonnes in 2001. Steel production capacity in the area should continue to rise. In 2001, crude steel production capacity is expected to be somewhat over 24 million tonnes with a capacity utilisation rate in the region of 43%.

Trends in the economies of the other Asian countries, of which the most important with regard to steel are Chinese Taipei, Pakistan, North Korea and Vietnam, were generally upwards in 1999. North Korea continued to be confronted with major economic problems. Chinese Taipei was the country in the region least affected by the Asian crisis and continued to report substantial economic growth in 1999, of the order of 5.7%, with industrial output increasing by 7.7%. Similarly, the economic recovery reported in Pakistan in 1998 gathered pace in 1999 to grow by over 3%. In Vietnam, the economic slowdown continued, whereas GDP went up by 4.8% in 1999. Industrial output went up by 7.7%, while investment declined by 9.5%.

Steel consumption in all these countries fell by 4.6% in 1999. It should be noted that this contraction was almost all due to a drop in the demand for steel in Chinese Taipei in the region of 4.9% or a little over a million tonnes less than in 1998. This was the second consecutive fall for this country, consumption in Chinese Taipei making up 82% of total consumption in the area. There were also drops in North Korea and in other countries in the area, while in Vietnam apparent steel consumption grew by 1.7%. Crude steel production in the area fell by 8.3% to 16.7 million tonnes, but here too it should be noted that 92.2% of such production, or 15.4 million tonnes, is accounted for by Chinese Taipei alone. Net steel imports into the area started to rise, increasing by 3.4% in comparison with 1998. In 2000, a recovery is expected in the demand for steel, which should go up by over 16.5%, growth in Taipei being likely to be in
the region of 18.3% this marked increase in demand should be accompanied by an increase of over 25% in net steel imports and consequently crude steel output from the area should only increase by some 10.5%. In 2001, demand for steel is expected to continue its upward trend and increase by some 5.7%. Steel output should grow more quickly, by some 10.5%, while net imports are expected to go down slightly.

Central and Eastern Europe

108. Since 1996, when the Czech Republic, Hungary and Poland became Members of the OECD, the only countries left in this area have been Albania, Bulgaria, the Slovak Republic and Romania. The steel market in Albania can still be regarded as flat. For the ninth year in succession crude steel production in Albania has remained at 0.02 million tonnes and no significant change in the situation is foreseen over the next few years.

109. In Bulgaria, the unfavourable regional climate resulting from the Kosovo crisis had a negative impact on economic trends in the country in 1999. International trade in goods and services were affected as was the direct foreign investment essential for successful restructuring of the economy and privatisation. In 1999, as forecast, economic activity slowed down while GDP rose by only 1.5%. Industrial output also stagnated. However, this situation is expected to improve in 2000, with GDP likely to rise by some 4% to 4.5%, improved activity in the construction sector owing to infrastructure projects and an increase in manufacturing output following the steep decline reported in previous years. The economic recovery should accelerate in 2001.

110. Apparent steel consumption, which had begun to pick up in 1997 and 1998, slumped by 47.8% in 1999 to reach its lowest ever level of 0.35 million tonnes. Crude steel production fell by 16.7% and steel exports also went down, by 4.6%. In 2000, steel consumption is expected to return to the 1998 level and should continue to rise further in 2001. Steel production should pick up by some 21.6% in 2000, and this upward trend should continue in 2001. Exports should also increase during this period.

111. GDP growth in the Slovak Republic slowed down significantly in 1999 to just +1.9%. Following implementation of a series of austerity plans, growth slowed as a result of a drop in consumption and in public sector investment, while unemployment rose to record heights. The government was subjected to strong budgetary pressures in 2000 and 2001 following the introduction of the budget reforms required for sustainable growth. Economic growth could remain as low as 2.0% in 2000 before rising to 3.0% in 2001. On the other hand, unemployment should start to fall in 2000 and this decline should accelerate in 2001.

112. Apparent steel consumption, which fell steeply in 1998, began to recover in 1999, and with a rise of 23.3% exceeded the million-tonne mark. Demand for steel is expected to rise further by 26.4% in 2000 and increase by another 5.2% in 2001. Crude steel production went up by 4.1% in 1999 to 3.6 million tonnes. It should go up by another 10% in 2000 and then by 3.5% in 2001. Steel imports fell by 18.6% in 1999, returning to their customary level of 0.7 million tonnes. They could begin to rise again in 2000 and 2001 in response to growing demand. Exports were down by 8.2% in 1999 but should start to recover in 2000 and 2001.

113. In Romania, economic activity in 1999 was down for the third successive year and GDP shrank by 3.2%. The overall drop in GDP over the past three years has been in the region of 16.2%. In 1999, investment slumped by 10.8% and private consumption fell by 4.9%. Inflation climbed to 54.8%. The value of the currency fell by another 66.7% against the dollar. Unemployment was no more than 11.8%. Industrial output was substantially down, by nearly 9%, with lower production in nearly all sectors, particularly the steel-consuming ones such as machinery and plant. 2000 is expected to be another difficult year for the Romanian economy but the economy could start to pick up with a possible increase of 1.3% in
GDP, a slight rise in investment rising somewhat and a halt to the slide in industrial output. Economic recovery could strengthen in 2001, with a somewhat faster rise in GDP and investment.

114. The poor economic climate led to a steep drop of 38.5% in apparent steel consumption in 1999. Steel consumption, at a little over 2 million tonnes, fell to its lowest level for over 30 years. It could well pick up by some 17.5% in 2000 with a possible strengthening of the upward trend in 2001 to give an increase of about 9.7%. Crude steel production in 1999 was at its lowest for 32 years at 4.35 million tonnes. It should start to move upwards by some 5.7% in 2000 and rise a further 5.2% in 2001 to 5.2 million tonnes. In 1999, the share of continuously cast products was 60% and all open hearth furnaces were shut down. Tube output dropped substantially by some 55% in relation to welded tubing and by 43% in relation to seamless tubing. Steel imports and exports were down by 16.5% in 1999 but strong demand ensured that exports of flat products remained at their 1998 level.

New Independent States

115. In Russia, after a poor showing in 1998, the economy experienced a marked upturn in 1999 growing by some 3.2% and showing clear signs of an increase in industrial output, which went up by 8.1%. The weakening of the rouble gave impetus to activity in many sectors with export outlets and encouraged replacement of imports by domestic products. Towards the end of the year, the recovery gathered pace. Russia's trade surplus reached 25 thousand million dollars in 1999. In 2000, with oil prices high, the international climate should be very favourable to growth of the Russian economy. GDP is expected to go up by some 5.5% in 2000 and industrial output to rise by about 7.5%. Unemployment should go down to no more than 11.1% and annual inflation should be only slightly above 20%. In 2001, economic activity could improve by a further 3% and industrial output by 5%. Exports and oil will thus continue to be drivers of growth with the trade surplus continuing at some 40 thousand million dollars.

116. In 1999, the Ukraine experienced a further fall in its GDP, by an estimated 0.4%. On the other hand, industrial output began to pick up and went up by 3.1%, this increase being prompted by the more favourable international climate and the result of increasing exports. The economy is not likely to stabilise until 2000, with an expected growth of some 3.0% and industrial output rising by a further 4.0% at least. On the other hand, unemployment could continue to rise and the value of the currency continue falling against the hard currencies. In Kazakhstan, economic recovery took hold in 1999, earlier than expected. GDP grew by 1.7% and industrial output rose by 2.2%. Thanks to a relatively reformist approach to economic policy, the country is gaining credibility among investors. Investment seems likely to rise by 10% a year in 2000 and 2001, accompanied by substantial growth in industrial output, and is expected to promote strong growth in GDP to an estimated 6.5% in 2000 and 7.0% in 2001.

117. In the NIS area as a whole, apparent steel consumption rose in 1999 by a substantial 42.3% above the 1998 level to over 24 million tonnes. It is thought to have shot up by 63.1% in Russia, while in the Ukraine it fell by a further 60.9% and in the other NIS rose by 29.4%. Crude steel production rose by 15.6% to over 86 million tonnes. The increase in production was due not only to the strong recovery in domestic demand for steel but also to a 1.6% growth in steel exports. The rise in production was 17.6% in Russia, 12.3% in Ukraine and 15.3% in the other NIS. Steel imports to the NIS as a whole fell by a further 18.9% in 1999.

118. In 2000, total apparent steel consumption in the NIS should increase by 35.8% and may well reach 33 million tonnes, rising by 31.2% in Russia, 403.2% in the Ukraine and 11.0% in the other States. Imports may well pick up slightly but exports are expected to begin to fall by a substantial 4.9%, or 2.1 million tonnes less than in 1999. Crude steel production in the NIS should rise substantially by about 10%. In 2001, demand for steel should grow by a further 20% in the NIS as a whole, while apparent steel
consumption should go up to almost 40 million tonnes, its highest level since 1993 but still only 33% of the record consumption reached in 1987. Crude steel production may well continue to increase, by almost 7% to over 101 million tonnes while exports should fall by a further almost 2%.

**Capacities and crude steel production in 1999**

<table>
<thead>
<tr>
<th>Country</th>
<th>Capacity</th>
<th>Production</th>
<th>Utilisation rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In thousands of tonnes</td>
<td>In thousands of tonnes</td>
<td>%</td>
</tr>
<tr>
<td>Belarus</td>
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<td>Kazakhstan</td>
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<td>4071</td>
<td>64.6</td>
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<td>Russian Federation</td>
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<td>51510</td>
<td>54.7</td>
</tr>
<tr>
<td>Ukraine</td>
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<td>27453</td>
<td>45.2</td>
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<tr>
<td>Uzbekistan</td>
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<td>29.4</td>
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<tr>
<td><strong>Total CIS</strong></td>
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<td>84713</td>
<td>51.8</td>
</tr>
<tr>
<td>Azerbaïdjan</td>
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<td>1.3</td>
</tr>
<tr>
<td>Moldova</td>
<td>800</td>
<td>796</td>
<td>99.5</td>
</tr>
<tr>
<td>Georgia</td>
<td>1400</td>
<td>60</td>
<td>4.3</td>
</tr>
<tr>
<td><strong>Total NIS</strong></td>
<td>166540</td>
<td>85579</td>
<td>51.4</td>
</tr>
</tbody>
</table>

(Source: OECD, Biennial report on steelmaking capacity in non-OECD countries).

**China**

119. In China, growth slackened somewhat in 1999, but the slowdown came to an end during the second half of the year and consumption picked up, with GDP showing a 7.1% rise over the year. Domestic demand grew by 7.6% and inflation dropped by 2.9%. The upturn in consumption stemmed from strong growth in real incomes and also helped to improve company profits. Prices continued to fall by -2.9% in 1999 but the decline seems to have slowed by the middle of the year. Chinese exports had gone up fairly substantially by the second quarter as a result of strong growth in world and in particular in regional demand. The rise in GDP should accelerate in 2000 and 2001 to reach between 7.5% and 8% led by further growth in consumption, an expansionist budget policy and the continuing upward trend in exports.

120. In 1999, steel consumption rose by a further 11.2%, or 12 million tonnes, while consumption rose by 118.2 million tonnes. Apart from being the world’s largest steel producer, China became its largest consumer in 1999. Crude steel production rose by a further 9.1 million tonnes, a rise of 8.0%, to reach a new record of 123.7% million tonnes. Because of the steep rise in domestic demand, steel imports increased by 29.3% whereas exports contracted by 4.1% to just 5.4 million tonnes.

121. In 2000, crude steel production could well continue to grow by about 2.7% to 127 million tonnes. Exports should begin to show an upturn in response to the continuing increase in demand from the region, whereas imports could fall by some 2 million tonnes. As a result, an increase of some 2.6% is expected in the apparent consumption of steel in 2000. In 2001, an increase in demand for steel of some 2% could push crude steel production up by 3.2%. This trend is expected to be accompanied by an increase in exports, whereas imports would remain at the 2000 level.
IV. TRENDS IN EMPLOYMENT IN THE STEEL INDUSTRY IN OECD MEMBER COUNTRIES

123. In 1999, the number of people employed in the steel industry in the OECD area was about 783 500, a decline of 56 800 below the 1998 level, or a drop of 6.8%. Since 1974, the total number of jobs in the steel industry in the OECD area has fallen by 64.1%.

124. With regard to employment in the steel industry in the European Union, efforts to streamline and improve the competitiveness of the industry are continuing. In 1999, despite an increase of 2.5 million tonnes per year in production capacity, the reduction of the workforce in the EU(15) as a whole amounted to some 3.1%, or a loss of 9 100 jobs. This downward trend in employment looks set to continue in the future. In other European countries, the employment situation seems to have remained stable in Turkey, Norway and Switzerland, whereas further large job losses were reported in Hungary, the Czech Republic and Poland.

125. Employment in the Japanese steel industry fell by 24% in 1999, with a loss of some 33 000 jobs. This large drop in jobs was directly linked to the Asian crisis, which had a heavy impact on Japan. In Korea, employment in the steel industry is thought to have gone down by 4.0% representing a loss of around 2 400 jobs.

126. Employment in the steel industry in Canada increased by 0.2% in 1999 to bring the workforce to 34 521. In 2000, the number of people employed in the steel industry should continue in the region of 34 500. The restructuring of the steel industry is now complete and in addition most production units have high capacity utilisation rates.

127. In the United States, the downward trend in the steel industry gathered pace in 1999. Total employment fell by 4.7% to 221 900 workers. Some of these job losses in the steel industry are attributed, by the US authorities, to the impact of low-cost steel imports on the domestic market.