1. A slowdown in general economic activity and unfavourable developments in most of the main steel consuming industries in the OECD area led to a decrease of more than 5 per cent in steel demand in 1991. Crude steel production for the area as a whole fell by 4 per cent, i.e. 15 million tonnes. Low prices for steel products and lower production generally resulted in significant losses for the industry.

2. In 1992 steel demand may pick up somewhat and increase by some 0.5 per cent compared to the level reached in 1991; it will still however remain 4.5 per cent below its 1990 level. Crude steel production for the OECD area in 1992, on the other hand, should remain at the same level as in 1991. Net exports of the area will decline somewhat, reflecting the pick up in demand in the OECD area and a slowing in the growth of external markets. Steel prices stabilised during the first quarter and some upturn may occur during the second half of the year.

3. Concerning the main steel market developments in individual countries, in the USA, steel consumption may rise somewhat in 1992, but prices are expected to remain soft, resulting in continued operating losses in the industry. The U.S. steel industry’s operating losses in 1991 were $ 2.1 billion on sales of $ 25.8 billion compared to an operating profit of $ 495 million in 1990 on sales of $ 29.4 billion. Steel industry wage and salaried employment averaged 261 000 in 1991, the lowest level ever recorded. The continuing decline in employment, along with the drop in sales and profitability, indicates the serious impact that the recession has had on the industry. The steel industry’s operating rate was 74.2 per cent in 1991, compared to 84.7 per cent in 1990. The operating rate has improved in the first quarter of 1992. Reports from steel intensive consuming sectors are mixed. The housing market, for example, has rebounded strongly in early 1992, with sales of existing houses increasing by 9.3 per cent in February compared to the previous month, and with new housing starts increasing by 9.6 per cent to 1.3 million units on a seasonally adjusted basis, the highest level in two years. Moreover, overall motor vehicle production increased by 11 per cent through the week ending March 21, as compared to the same year-to-date period in 1991. On the other hand, factory orders of durable goods declined by .../...
0.1 per cent in February and orders for industrial machinery were down by 1.4 percent in February compared to the previous month. Despite the expected increase in demand, most forecasters foresee a decline in industry shipments, which could fall from 79 million short tons in 1991 to approximately 77 million tons in 1992. Exports are expected to decline by as much as 2 million tons in 1992. Reflecting the weakened market, steel imports fell by 8.3 per cent in 1991 from the 1990 level, however as a percentage of apparent consumption, imports increased from 17.5 per cent to 17.8 per cent.

4. In Canada GDP declined by 1.1 per cent in 1991 and due to the declines in production of most steel-using industries, steel shipments declined by 10 per cent. Steel imports increased by 1.1 per cent and accounted for 27.6 per cent of the market. Steel exports increased by 19.4 per cent and apparent domestic consumption declined by some 10 per cent from the 1990 levels. A slow recovery in the Canadian economy is expected in the second half of 1992, as GDP is expected to increase by 2.5 per cent, but the outlook for the manufacturing sector does not show any signs of a strong increase. Apparent steel consumption may increase by some 3 per cent and crude steel production by nearly 2 per cent.

5. In the European Community economic growth slowed to 1.3 per cent in 1991. A slight recovery is expected for 1992 but no significant increases are forecast either in consumption or investment. Crude steel production increased by 1 per cent in Germany and Spain but declined by 1.8 per cent in 1991 for the Community as a whole. Steel demand in the machinery and non-residential construction sectors decreased due to a decline in investment; in light of tight economic policies it is not likely that those sectors will show any increase in 1992. Steel trade remained stable in 1991 but the flows on a country by country basis changed. Imports from EFTA countries and some CIS republics increased but the increases were offset by declines in imports from some central and eastern European countries and from other countries. Exports increased slightly in 1991, particularly those to the Middle East and South East Asia, while exports to the USA declined significantly. The sluggish state of the European economy and the lack of visible signs of improvement in the economies of important industrial countries make the forecasts for steel demand in 1992 uncertain. Expected developments in the major steel consuming sectors suggest that real steel demand should not increase in 1992; however the expected rebuilding of stocks should help to stabilise the market and put an end to the decline in prices.

6. In Japan a general weakening of the economy is expected to result to a considerable decrease in steel consumption during the first half of 1992 compared to the same period in 1991, as demand is likely to decline in all sectors except shipbuilding. The decline would follow a 2.5 per cent decrease in consumption of ordinary steel products in 1991 from the previous year (to 78.8 million metric tonnes). The reduction in demand, combined with downward stock adjustments, is expected to contribute to further declines in crude steel production, which fell by 0.6 per cent in 1991 to 109.7 million tonnes. A 13.5 per cent decline in production in the first quarter of 1992 is likely to be followed by an even steeper decline of an estimated 16.8 per cent in the second quarter. The declines in domestic consumption in 1991 were softened somewhat by an increase in steel exports, which rose by 5.9 per cent in that year, to 18 million tonnes. Significant increases occurred in shipments to
Taiwan (up 45.3 per cent), the Republic of Korea (up 24.0 per cent) and China (up 17.7 per cent); exports to the USA, on the other hand, declined by 13.7 per cent. Imports of steel also increased in 1991, rising by 26.1 per cent to 9 million tonnes.

7. Performance in 1991 and the outlook for 1992 are mixed amongst other Member countries of the OECD Steel Committee. In Austria, crude steel production declined by 2.5 per cent in 1991. Imports of steel increased by 1.8 per cent while exports declined by some 8.3 per cent. Activity in the construction sector remained high but steel demand declined by some 1.3 per cent. There were no signs of an upturn during the first quarter of 1992. In Finland, sluggish demand in export markets, a decline in domestic investments and the collapse of exports to the ex-USSR resulted in a deep recession in 1991. Apparent steel consumption fell by 28 per cent during the year as demand declined in all the major markets simultaneously. For 1992 the construction sector will remain sluggish but some improvement is expected in exports. Steel demand is expected to stabilise and crude steel production will probably remain at the same level than in 1991. In Sweden, due to the general economic situation and a continuing decline in industrial production, crude steel production decreased by 4.6 per cent in 1991. Steel imports declined by 17 per cent while exports increased by 7 per cent, resulting in a decline by more than 20 per cent in apparent steel consumption. Swedish industrial production may start to grow again during the second half of 1992, but steel demand is expected to remain close to the 1991 level.

8. In Norway, due to higher efficiency in the steel industry, crude steel production increased by 16 per cent in 1991. Steel imports declined by 8.5 per cent while exports increased by 5 per cent, resulting in a 7 per cent reduction in apparent steel consumption. For 1992, increased activity in the offshore drilling sector and stable demand from the shipbuilding industry may lead to an increase of 2 per cent in steel consumption. In Switzerland, crude steel production increased by 0.6 per cent in 1991 and steelmaking capacity was fully utilised. Imports declined by some 10 per cent while exports increased by more than 16 per cent, reducing net imports by some 30 per cent. Apparent steel consumption declined by 15.8 per cent. The decline in orders from the main steel consuming sectors should stabilise in 1992 and some recovery in domestic steel demand is expected during the second half of 1992.

9. In Mexico, apparent steel consumption grew by 6.4 per cent in 1991, to 9 million tonnes; crude steel production, however, fell by 9 per cent to 7.9 million tonnes, reflecting, in part, the effects on production of a temporary shutdown of blast furnaces for servicing. The increase in demand and reduction in production led to a sizeable increase in imports, which rose by 147 per cent in 1991; exports, on the other hand, increased by 11 percent. The outlook remains favourable for 1992; apparent consumption, production and exports are all expected to rise, while imports are likely to decline.

10. Restructuring is continuing in the steel industry in the OECD area and employment levels continued to decline in most OECD countries in 1991. In the USA the decline was 2.4 per cent, in Canada the decrease in the workforce was of about 5.2 per cent and in Sweden by 6 per cent. Employment in the steel industry in the European Community decreased by some 6 per cent reflecting the important restructuring in the steel industry of the former GDR, while employment in the Mexican steel industry fell by 10 per cent.

END-OF-TEXT