

COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION TO THE COUNCIL
ON THE GENERAL OBJECTIVES STEEL 1990

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REPORT ON THE GENERAL OBJECTIVES STEEL 1990

Introduction and general points

This report is issued in connection with the regular review of the economic situation in the steel industry which the Commission stated it would carry out when it presented the document entitled "General Objectives Steel 1990" (COM(85)450 final of 31 July 1985)(1).

Changes in the macro-economic context and in the situation in the steel industry prompted the Commission to review the validity of the assumptions used in the document.

There has been a fairly spectacular change in the **macro-economic situation**. The drop in oil prices, the depreciation of the US \$ - which has led to lower costs for imported raw materials - and the easing of interest rates all mean that the Community's economic prospects are considerably better. Nevertheless, for the moment, these changes do not seem to have brought about a fundamental change in the prospects of the steel market. Although lower interest rates could have a positive effect on investments (e.g. in the building industry which accounts for up to one-third of the steel market), there is a dramatic recession in other areas such as oil drilling equipment and shipbuilding. To this must be added the constant decrease in specific consumption and the growing pressure of substitute products, often oil-derived, which compete with steel in many areas, including some of the most traditional steel applications. Also, the drop in the value of the US \$ has stiffened

(1) This document was in fact based on incomplete data for 1984.

worldwide competition and, whilst making our exports less profitable has, at the same time, resulted in our markets becoming more attractive to producers in many non-Community countries.

The steel industry has not benefited from these signs of a macro-economic revival; in fact, it is almost as if the opposite were the case. After a period in 1984, 1985, and the first few months of 1986, which was relatively encouraging for production, there has followed a period of caution and hesitation. At present, speculation about a down-turn is having a negative effect on all internal demand, although this is still within the range of 83-89 million tonnes of finished products suggested in the "General Objectives"(1). This stagnation in demand, combined with worsening export possibilities simply makes the divergence between supply and demand more obvious. It is true that there has been a big reduction in the surplus capacity of the European steel industry since 1980 - mainly due to the industry's own efforts to restructure - but the amount of overcapacity is still significant. It is also true that higher productivity (which has often aggravated the situation brought about by surplus capacity, combined with the efforts made by management, has helped to make the situation less dramatic as far as individual undertakings are concerned. And many undertakings even showed some profit when the accounts for 1985 were closed. Nevertheless, not all undertakings in the European steel industry have reached profitability yet. There are still a few large question marks. For instance, how far can the steel industry really benefit from lower production costs? How will the steel industry remain financially in balance once the internal market is no longer regulated by the anti-crisis measures?

There is still a structural imbalance between supply and demand and, in view of the restructuring already undertaken, it might be necessary to introduce changes in the configuration of the industry going well beyond the envisaged capacity reduction if this imbalance is to be eliminated.

(1) see doc. COM(85)450 final, section I-5 : projection of apparent consumption in 1990.

On the other hand, taking steel production as a whole, it may be possible to make further productivity gains up- and down-stream of the hot rolling stage (where most of the restructuring effort has been concentrated so far).

There is no doubt that certain undertakings still have to make a serious effort to become sufficiently competitive with their Community and foreign counterparts (and therefore financially viable). The international climate and the fact that exports are making little profit have confirmed the Commission's view that the European steel industry should concentrate mainly on the Community's internal market and that it has to be capable of providing products at prices competitive with those deliveries from the main non-Community competitors, made at prices in accordance with fair trade practice.

It is against this background that, between now and 1988, the steel industry has to equip itself to compete in a market which, by then, should be totally open to competition. The industry must therefore use the intervening period to put the finishing touches to its restructuring efforts. In fact, there is no reason for the steel industry to continue to operate in the regulated climate which has so far partially protected it from life under normal economic conditions, because to do so would be to risk ossification of its structures and a tendency not to adapt to new market conditions.

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This report shows that the assumptions underlying the "General Objectives Steel 1990" are still valid and that no convincing factors have emerged to cause the Commission to change its forecasts.

As far as Spain and Portugal are concerned, it was considered preferable not to include information on their steel industries yet with data on other Community countries. Although it is true that the Iberian steel industry's problems are to a large extent similar to those encountered in other European countries, adding in quantitative current data with

that of the other countries would have falsified the view of the Community steel industry as a whole, in view of the transitional period arrangements and decisions still to be taken on restructuring the Spanish and Portuguese steel industries.

Although a number of projections for the enlarged Community were included in this document, the situation in the steel industry in Spain and Portugal is covered mainly in a separate chapter, it being understood that the same methods of analysis were applied to Spain and Portugal as to the other members of the Community.

1. New macro-economic prospects

The Commission recently modified its economic forecasts for 1986 and subsequent years because of changes in the last few months in the main external factors which determine the economic climate in the Community, namely :

- the US \$ exchange rate is tending to stabilize at between 1.00 and 1.10 ECU per dollar, compared with a level of somewhat more than 1.40 in the first half of 1985;
- oil is being traded at around US \$ 15 per barrel whereas in 1985 its average value was some US \$ 27.

The assumption underlying the basic forecasts made by the Commission (see Annual economic review 1986) are for a stable real ECU/dollar exchange rate as from 1988 and a recovery of nominal oil prices by the end of the decade. The average import price for oil in the Community would then reach 22\$ per barrel in 1990. Where the ECU/\$ exchange rate is concerned, although in real terms it would remain fairly stable, there could, by the end of the eighties, be some appreciation of Community currencies in nominal terms as a consequence of the inflation differential between Europe and the USA.

On the basis of these two assumptions it is expected that :

- The rate of inflation will drop to around 3 % in 1987 (6 % in 1985), which will further ease interest rates, although in real terms the latter will hardly change. Nevertheless, combined with higher incomes per household, this trend is likely to bring about a more vigorous revival in house building. It will also encourage a trend, apparent since 1984, for investment in industry to pick up again.

- On the other hand, exports will be slowed down by the depreciation of the dollar and the consequent increase in the value of Community currencies, whilst there will be more imports into the Community market. One moderating factor, however, will be the trend for the Yen to appreciate firmly compared with the ECU and the dollar.
- GDP growth will be boosted, compared with growth levels forecast in 1985, as a result of higher private consumption and investment, which will offset the deterioration in the external balance. The extent of this improvement will vary with the proportion of GDP accounted for by energy production (compare UK and Netherlands with rest of the EEC) and the dependence of the different economies on world trade.

Table 1 compares the indicators of future economic climate, as forecast at present, with the indicators used in forecasts made at the beginning of 1985 for the steel market (the inclusion of Spain and Portugal in the new forecasts does not have a great effect). The growth rate in world trade in non-oil products will probably become faster (some 5 % per year) although, at least in 1986 and 1987, there will be some glaring differences depending on the importing area under consideration. In particular :

- there is likely to be a sharp contraction in imports into OPEC countries with imports dropping by 16.5 % in 1986, by 10 % in 1987, and stabilizing thereafter;
- the rate of imports into developing countries will catch up with expansion in world trade from 1987 onwards (+ 5 % per year); the developing countries most likely to benefit from the new situation (dollar exchange rate, interest rates) are those which import oil and have major foreign debts.

2. Activities of the main sectors using and consuming steel

2.1. The economic situation in the steel-using sectors in 1985 (Table 2)

In 1985, as in 1984, most of the main steel-using sectors continued to benefit from the better economic climate. This was particularly true of mechanical engineering, electrical engineering and metalworking, which benefited directly or indirectly from the increase in industrial investment. Nevertheless it should also be emphasised that this activity was underpinned to some extent by export demand, which was the case, amongst others, in the tubes industry.

The sectors whose activities continued to develop as forecast in the medium term also include means of transport in spite of the uncertainty over some new environment regulations which weighed on the market for part of the year.

Sectors in which there is still no sign of recovery in the Community as a whole include building and civil engineering and shipbuilding. There are as yet no data for the other sectors (boilermaking and other preliminary processing), although the indications available suggest a negative trend in boilermaking (lack of investment in heavy industry) and a mildly positive one in primary processing as a result of the knock-on effect coming from customers of the metalworking industries.

Nevertheless, the overall positive development in 1984 and 1985 in the macro-economic activities and indicators has led only to a slight increase in steel consumption (Table 3) compared with 1983 (which confirms that the trend towards lower specific consumption continues).

2.2. Steel consumption in 1985 (Table 3)

In 1985 there was a slight drop in apparent consumption of rolled products which was entirely due to falling demand for long products, particularly wire rod. This is clearly part of the trends in the user sectors described above from which the manufacturers of durable consumer goods (cars, electrical engineering) and tubes(1) benefited more than those using long products (construction). The fall in consumption of wire rod reflects the weakness in the building sector (drop in demand for wire mesh). However, it is not impossible that the strong export demand for wire rod, combined with the fact this product is interchangeable with reinforcing bar (included in merchant steels) may have slightly over-accentuated the internal fall in demand for wire rod since part of the latter may have been displaced to merchant steels.

2.3. Future developments in activities and demand

Given the better prospects for private consumption and industrial and domestic investment, it is to be expected that in the next few years the level of activity will come close to the best forecast for 1990 (high assumption), at least in the industries directly concerned. Nevertheless, it should be pointed out that in building and civil engineering there is still quite a big gap between the present level of activity and that of the forecasts, and that there was a further deterioration in shipbuilding at the beginning of 1986. What is more, the new exchange rates and oil prices are likely to have a variety of negative effects :

(1) This also explains why semi-finished products have been doing well (e.g. non-welded tubes).

- In the long term, certain substitute materials will become even more competitive, particularly if they are derived from oil. This may have a negative effect on demand for steel (specific consumption) in most sectors, particularly where, as in packaging and metalworking (e.g. metal furniture), materials costs are high.

- Oil production related applications (offshore metal construction, the type of oil engineering partly coming under boilermaking, drilling pipes) are, and will continue to be, directly affected by the lower profitability threshold for these investments.

- Exports of the low technology products of the metalworking industries (e.g. nuts and bolts), boilermaking (containers) and preliminary processing, are likely to be slowed down, and imports stimulated by the appreciation of Community currencies against the dollar.

At present it is therefore not possible to foresee any positive results overall in the medium term of anything which would justify any modification of the high assumption for internal demand for steel in the Community.

3. External trade

3.1. External trade in steel in 1985 (Table 4)

In 1985 the Community's trade balance of 16.6 million tonnes was considerably higher than the 13 million tonnes regarded as an optimistic objective to be achieved by 1990.

This is mainly the result of strong demand for exports, since the level of imports hardly differed from levels in 1983 or 1984.

The rise in exports may be broken down as follows (comparing 1985 with 1983) :

	<u>million t</u>
Western Europe (including Spain)	+ 1.5
Eastern Europe	+ 0.9
USA	+ 1.3
China	+ 1.5
<u>Other destinations</u>	<u>+ 1.2</u>
Total	+ 6.4

Semi-finished products account for over a third of the increase in exports to the USA and one quarter of the increase in exports to Western Europe, whilst two-thirds of the increase in exports to China is accounted for by wire rod.

3.2. Future trends in external trade

It is to be expected that the higher trade balance in 1984 and 1985 will be wiped out in the long term by the combined influence of monetary factors, the USA's trading policy (with its indirect effects on world trading flows), the efforts of heavy importers in the Third World to become more self sufficient (China, India), and the fall in the revenue of the OPEC countries.

Given the destination of the additional amounts of semi-finished products and wire rod exported in 1984 and 1985, this also means that the export balance for these latter products should be within the range forecast for 1990.

The trend in exports, and even in Community imports, in the first few months of 1986 is indicative of the adjustments brought about by the drop in the value of the dollar and the closing off of the American market. Comparing the first six months of 1986 with the same period in 1985, the following differences have been noted :

Current orders for steel from third countries (EEC-10)	- 26 %
Imports into EEC-10	+ 34 %

However, in these figures not all the effects of the enlargement of the Community on 1 January 1986 have been edited out - in fact Spain and Portugal are not considered as third countries. Where the trend in imports is concerned, and taking the year as a whole, the Community's external trade arrangements are certain to reduce this difference.

The appreciation of Community currencies as a result of the depreciation of the dollar means that the EEC is not in a position now to benefit greatly from increases in the import requirements of developing countries which, in their turn, will benefit from the new world economic situation. As far as the possibility of developing countries stepping up steel imports is concerned, it should be noted that the above-mentioned group includes several newly industrialized countries which have just announced new investments in steel, or investments aimed at speeding up current investment programmes (South Korea, Brazil, Taiwan). This can not but affect the present world imbalance.

4. Balance between supply and demand

4.1. Trends in production (Tables 5 and 6)

Tables 5 and 6 indicate the trends in the production of finished products and crude steel compared with the trends in demand and foreign trade dealt with above.

In view of what has been said, there is no need to change the forecasts for 1990. Flat product production does not seem to be directly affected by the new situation, whereas in long products, any improvement in demand coming from the building industry will be more than offset by the deterioration in external trade prospects.

4.2. Trends in overcapacity (Table 7)

When the rules for aids to the steel industry (Decision N° 2320/81/ECSC) expired at the end of 1985, the Community had taken out 28.6 million of the 172 million tonnes of hot-rolling capacity existing in 1980. Also under these rules, the Commission, in Decision N° 1018/85/ECSC of 1st August 1985, required the further closure of 2.4 million tonnes(1) of hot rolling capacity as a quid pro quo for releasing further aids to the steel industry of six Member States. The closures were to be completed by 1986, thereby bringing down the figure given in the "General Objectives Steel 1990" for remaining excess capacity from 24.5 to 21.7 million tonnes. Without Greece, the excess capacity could amount to 18.2 million tonnes, of which some 9 million is in the long products sector and 9.2 million in flat products. For EEC-9 the respective rates of utilization would then be 69 % (total hot-rolled products), 66 % (long products) and 71 % (flat products).

It must be noted that excessive overcapacity continues to exist, particularly in heavy plate and sections. The wire rod sector appears to be the best reorganized, followed by hot rolled wide strip - although there is still a large amount of over-capacity.

4.3. Further restructuring

Clearly, it would be in the companies' own interests to pursue, under the pressure of the market, their restructuring efforts undertaken at a time when the rules on aids to the steel industry were still in force. But in some cases this would mean an undertaking or country abandoning the only works of a kind so that the closure would mean limiting the production programme far further than was the case in earlier restructuring exercises. What is more,

(1) In addition to these obligatory closures, closures of about 0,5 mio t have been decided by the companies themselves for profitability reasons.

everything points to the fact that in the large hot rolled strip sector the excess capacity, when considered at national level (and allowing for all the constraints required in an analysis of this kind) generally amount to less than the equivalent of one mill. Tie-ups between undertakings, even across national borders, should therefore be regarded as a major means of overcoming the industrial and commercial constraints that companies will inevitably encounter in the course of consolidating their efforts to restructure the sector. Of course, the same applies to processing downstream of hot rolled products (cold rolling and coating) and to the liquid phases (supplies of semi-finished products). The reduction of excess capacity and better use of high performance equipment at these stages of the production process still represent a major potential for saving and rationalization.

5. Price situation and trends (Table 8)

Between the beginning of 1985 and the first few months of 1986 prices in the Community market dropped by between 5 and 10 % and, in the worst case (reinforcing bar) by more than 20 %.

Yet this drop went hand in hand with a fairly significant decrease in production costs, equivalent to at least 15 %⁽¹⁾. In integrated works this decrease reflects the drop in prices for oil and certain energy products, some of the latter of which are also quoted in US \$. In the case of mini-mills the drop in scrap prices (where the composite price has dropped by some \$ 15 since the beginning of 1985) has brought cost reductions which were sometimes even higher.

(1) Simulations indicate that, in the case of hot rolled wide strip, for instance, production costs dropped by 55 ECU between January 1985 and the end of June 1986. Of this, 47 ECU was due to the drop in the value of the dollar (whose exchange rate deteriorated from 0.684 to 0.972 for 1 ECU), and 8 ECU to decreases in the nominal prices of various cost components.

To this should be added the benefits of the capacity reductions which are beginning to show in the capacity utilization rate and, therefore, in average costs, as well as the effect of lower interest rates. Where labour costs are concerned, it may generally be said that higher productivity (due inter alia to the laying-off of personnel) has largely enabled companies to compensate for the higher wages paid.

The steel companies have reacted to these market and cost changes by extending the rebates for certain user categories.

By contrast with the internal market, the world market is becoming less and less profitable because, although in US dollar terms prices are stable overall, receipts expressed in ECU are at least 10 % lower than those in the internal market, and 20 % lower than those in the first half of 1985 (exceptions being wire rod and merchant bars).

These are only average trends which do not preclude the possibility of advantageous terms (prices, quantities, duration) being negotiated in individual contracts.

However, if this situation should prove to be lasting, steel companies should seriously reconsider their commercial strategy in the various sectors of the world market.

6. Aspects relating to the entry of Spain and Portugal into the Community

- 6.1. Points concerning the situation of the Spanish and Portuguese steel industries in document COM(85)450, based on information then available, have since been commented on by the respective national authorities(1).

Referring to the comparatively low per capita steel consumption in Spain and the need to maintain a high level of exports as long as the domestic market does not allow an adequate rate of capacity utilization, the Spanish administration added to its observations some new estimates of the area in which the domestic Spanish market and the steel export balance should end up by 1990.

The Portuguese also stressed the low per capita consumption of steel and the possibility of a significant increase in view of expectations of economic development. Portugal is the only net importer of steel in the Community and one of its stated objectives in modernizing its steel industry was to reduce the amount of steel imported.

- 6.2. In 1984 and 1985 internal steel consumption in Spain continued to decrease, in spite of a 2 % per year growth in GDP and an increase of more than 5 % in investment in 1985. Demand also remained very depressed in long products in spite of the slight revival in building activity in 1985.

With the exception of motor manufacturing, the situation in the main steel using industries (mechanical and electrical engineering, tube manufacture, shipbuilding, building) does not suggest any short term increase in demand for steel. In view of the hesitation in these sectors in a relatively good

(1) See doc. COM(85)774 of 18 December 1985 : General Objectives Steel 1990, position of the Spanish and Portuguese authorities.

year such as 1985, one must conclude that the significant growth rates put forward to the Commission in the most recent forecasts are unlikely to be achieved by 1990 in spite of better macro-economic prospects (an annual increase of 3.4 % in GDP and of 6.4 % in investment between 1984 and 1990). Nevertheless, the level of steel consumption resulting from these forecasts has been included in Table 9A below as a high assumption for the market.

Since, in 1985, there was still a large difference (over 30 %) between actual steel consumption and the assumption given in the Spanish forecasts (8.6 million tonnes, see doc. COM(85)774, point IV.2), the Commission has inserted its own market estimate in Table 9A as the low hypothesis. This takes into account the outcome of contacts with representative associations of steel users and the figures given in the restructuring plans of the steel undertakings or steel subsectors. It should be noted that to achieve even the lower level will need a rapid reversal of present trends in the Spanish market.

A similar approach has been used in Table 10A illustrating the balance between imports and exports. The high assumption is one of the assumptions used in doc. COM(85)774 (point IV.3). As this was worked out before the depreciation of the dollar and the new tax arrangements resulting from accession had had time to take effect, a sum of 3 million tonnes of net exports was taken as the low assumption. The figure for long products is based on the draft restructuring plan for the non-integrated sector, whereas for flat products the projection based on the forecasts initially made for 1986.

- 6.3. In Portugal the drop in internal steel consumption in 1983 and 1984 did not continue in 1985 and internal consumption is expected to increase as from 1986, at least if the

macro-economic forecasts (4.9 % annual growth in GDP and 10 % in investment) are correct and the related infrastructure projects are completed.

The steel consumption forecast implicit in such an upturn in the Portuguese economy has been included in Table 9A. It is expected that the balance between exports and imports will remain at about the present level (Table 10).

- 6.4. As it is uncertain how much capacity Spanish and Portuguese steel companies will retain once their restructuring plans have been completed (the Commission is due to give its opinion on these plans by 31 December 1986), it would be premature to add anything to the analysis in document COM(85)450 (see Chapter III, section 2, point 2). Nevertheless, in the event of the low market assumption turning out to be the most realistic, or even this level not being achieved, the surplus capacity situation will be seriously aggravated (Table 11).

Table 1
cfr. p. I/5 doc. COM(85)450

Medium-term projection for the Community economy

(annual average growth in %)

(forecast, January 1985, EUR 10) (forecast, May 1986, EUR 12)

VARIABLE	1981-'83	1984	1985	1986 and beyond	1986	1987 and beyond	1986-'90 annual average
<u>International assumptions</u>							
Real price of crude oil in US\$	- 1,1	- 0,1	- 0,1	0,0	- 34,1	+ 0,3	- 7,8
Imports (volume)							
- non-member countries	2,6	10,8	5,6	5,0	3,8	4,9	4,7
ECU/\$ exchange rate	13,8	12,7	3,5	- 1,5	-18,8	- 0,5	- 4,5
Long-term interest rates in the USA(1)	12,0	12,5	13,5	13,0	8,1	7,3	
<u>Internal economic policy assumptions (EEC-10)</u>							
Public consumption	1,4	1,1	1,1	0,7	1,3	0,9	1,0
Public investment	- 2,5	2,0	0,6	0,9			
Housing construction (private + public)	- 2,4	1,4	0,5	1,9	3,1	2,6	2,7
<u>Growth (EEC-10)</u>							
GDP	0,4	2,4	2,4	2,5	2,7	2,7	2,7
Private consumption	0,7	1,1	1,5	2,1	3,5	3,0	3,1
GFCF	- 2,1	2,1	3,0	3,4	4,9	4,9	4,9
(Share of GFCF in GDP) (1)	(19,1)	(18,7)	(19,0)	(20)			
Exports	2,3	6,9	5,7	4,9	2,9	4,5	4,2
Imports	0,8	6,2	4,5	3,9	6,2	5,5	5,6
Long-term interest rates (1)	13,7	11,2	10,8	10,8	9,3	7,6	
Inflation(2)		5,6	5,0	4,1	5,5	3,2	3,6

(1) Absolute rates

(2) GDP deflator in absolute rates

Development of the main steel processing sectors
(1981 production = 100)

	TYPE OF INDEX (1)	1975	1980	YEAR 1981	1982	1983	1984	(EUR-10) 1985 P	1990
mechanical engineering	A	97	102	100	96	93	94	97,5	99-103
	(P) (2)	(101)	(103)	(100)	(96)	(92)	(93)	(95)	92- 96
electrical engineering	A	85	103	100	102	104	111	118	122-125
shipbuilding	GRT	355	72	100	121	99,5	95	(85)	87-109
means of transport	N	96	110	100	103	106	103	110	110
structural steelwork	P(2)	..	(104)	(100)	(96)	(92)	(93)	(94,5)	109-115
building - civil engineering	A	..	105	100	96	95	95	(93)	106
metalworking	A	96	105	100	97	94	95	(97)	100-112
cans-metal boxes	P	89	96	100	(109)	(101)	(111)	(102)	103-110
boilermaking	P	107	106	100	100	..	..	..	90-100
miscellaneous	-	..	..	..	..	..	..	..	..
total final processing (NACE 31-36)	A	89	102	100	99	99	102	106,5	103-108
tubes	P	90	89	100	89	84	92	93	92- 95
other primary processing	P	101	109	100	94	(92)	(98)	(101)	104-109

P = provisional

- (1) P = production weight
 A = activity index (production value or value added at constant prices)
 GRT = gross registered tonnage of merchant vessels launched
 N = number of cars
- (2) Estimate (structural steelwork = building other than housing)

Table 3

cfr. p. I/17 doc. COM(85)450

APPARENT CONSUMPTION OF FINISHED PRODUCTS IN THE COMMUNITY (EUR-10)(1)
BY PRODUCT CATEGORY (million t)

	1981	1982	1983	1984	1985 P	1990	
						HIGH ASSUMPTION	LOW ASSUMPTION
Liquid steel, ingots and semis	12,3	11,2	10,1	12,1	(12,-)	10,0	9,7
Heavy sections	6,5	5,9	5,5	5,7	5,9	5,9	5,5
Merchant steels (2)	16,1	14,9	14,4	14,7	14,6	14,6	13,8
Wire rod	10,1	9,6	10,0	10,4	9,5	10,9	10,2
LONG PRODUCTS, SUBTOTAL	32,7	30,4	29,9	30,8	30,0	31,4	29,5
Plate \geq 3 mm(3)	17,3	16,8	15,7	16,0	..	16,2	15,3
Sheet $<$ 3mm(incl.hot-rolled narrow strip)(3)	21,7	20,7	19,9	20,4	..	21,0	17,9
Coated sheet	8,1	8,4	8,5	9,3	(9,4)	10,7	10,7
FLAT PRODUCTS, SUBTOTAL	47,1	45,9	44,1	45,7	45,6	47,9	43,9
ROLLED PRODUCTS, SUBTOTAL	79,8	76,3	74,0	76,5	75,6	79,3	73,4
ECSC PRODUCTS, TOTAL	92,2	87,3	84,0	88,6	(87,6)	89,3	83,1

P = Provisional

- (1) Greece estimated
(2) Including reinforcing bars
(3) Including coils according to thickness

**NET TRADE (EXPORTS-IMPORTS) OF THE COMMUNITY (EC-10)
WITH THIRD COUNTRIES (millions of tonnes ECSC finished products)**

	1981	1982	1983	1984	1985	Mio t.	
						1990(1)	
						L	H
Ingots and semis	0,5	-	0,7	1,8	2,0	0	0,5
Heavy sections	2,0	1,3	1,4	1,3	1,5	1,2	1,5
Merchant bars	2,1	1,0	0,9	1,2	1,3	0,8	1,25
Wire rod	0,7	0,3	0,1	0,4	1,5	0	0,25
SUBTOTAL LONG PRODUCTS	4,8	2,6	2,5	2,9	4,3	2,0	3,0
Hot coils and strip	3,8	1,8	1,6	2,7	2,9	2,0	2,5
Heavy plate and medium	1,9	0,8	0,7	1,1	0,9	0,5	1,0
Sheet (of which coated)	5,9 (1,9)	4,4 (1,6)	4,9 (1,9)	5,8 (2,0)	6,5 (2,1)	5,5 (2,2)	6,0 (2,6)
SUBTOTAL FLAT PRODUCTS	11,6	7,0	7,2	9,6	10,3	8,0	9,5
SUBTOTAL ROLLED PRODUCTS	16,5	9,6	9,6	12,5	14,6	10,0	12,5
TOTAL ECSC PRODUCTS	16,9	9,6	10,3	14,3	16,6	10,0	13,0

(1) L = Low assumption
H = High assumption

Table 5
cfr. p. III/3 doc. COM(85)450

EC-10 : PRODUCTION OF ECSC STEEL PRODUCTS

	1981	1982	1983	1984	1985 P	Mio t.	
						1990(1)	
						L	H
Liquid steel for casting, ingots and semis for sale	13,5	12,3	11,8	13,5	(13,5)	10,3	11,1
Heavy sections	8,5	7,0	7,1	6,5	7,0	6,7	7,4
Merchant bars	17,7	15,4	15,2	15,8	15,7	14,5	15,8
Wire rod	10,7	9,9	10,1	11,0	11,2	10,3	11,2
SUBTOTAL LONG PRODUCTS	36,9	32,3	32,4	33,3	33,9	31,5	34,4
Hot-rolled coils finished products (and strip)	19,4	16,4	16,3	19,2	18,7	14,5	16,9
Heavy and medium plate	12,8	10,9	9,6	10,3	10,8	8,8	9,9
Sheet (of which coated)	26,4 (9,7)	25,1 (9,8)	25,5 (10,5)	27,4 (11,6)	27,6	28,8 (12,9)	30,7 (13,3)
SUBTOTAL FLAT PRODUCTS	58,6	52,4	51,4	56,9	57,1	52,1	57,6
SUBTOTAL ROLLED PRODUCTS	95,5	84,6	83,8	90,2	91,0	83,6	92,0
TOTAL ECSC PRODUCTS	109,0	97,0	95,6	103,7	104,5	93,9	103,1

P = provisional; estimate for Greece

(1) L = Low assumption
H = High assumption

Table 6

cfr. p. III/4 doc. COM(85)450

EC-10 : CRUDE STEEL BALANCE (mio t)

	Mio t.						
	1981	1982	1983	1984	1985	1990(1)	
						L	H
% continuous casting	46	53	61	65	71	75	75
Average crude steel yield	1,21	1,19	1,18	1,174	1,165	1,16	1,16
Consumption	110,2	101,9	98,5	102,6	101,7	96,4	103,6
Variation in stocks	- 3,3	- 1,6	- 0,6	+ 1,0	+ 0,2	-	-
Exports	27,3	21,5	21,7	25,9	28,6	12,5	16
Imports	7,8	10,3	10,0	9,2	9,9	-	-
Scrap consumption in rolling mills	0,2	0,2	0,2	0,2	0,2	-	-
CRUDE STEEL PRODUCTION	126,1	111,4	109,5	120,1	120,4	108,9	119,6

(1) L = Low assumption

H = High assumption

BALANCE BETWEEN SUPPLY AND DEMAND - 1990

Mio t.

	Production high assumption	MPP 31.12.86	Rate of utili- sation	MPP required(1)	Surpluses(1)		MPP 1980
					Tonnage	%	
I. <u>CRUDE STEEL</u>	119,6	167,4	71,4 %	140,7	26,7	15,9 %	204,8
II. <u>HOT ROLLED PRODUCTS</u>							
Wide and narrow strip	53,0	71,9	73,7 %	66,3	5,6	7,8 %	82,5
Reversing-mill plate	7,6	14,2	53,5 %	9,5	4,7	33,3 %	19,5
Hot flat products, total	60,6	86,1	70,4 %	75,8	10,3	12,0 %	101,8
Heavy sections	7,4	12,1	61,2 %	9,3	2,8	23,1 %	16,1
Light sections	15,8	27,2	58,0 %	19,8	7,4	27,2 %	35,1
Wire rod (not incl. reinforcing bar in coils)	11,2	15,1	74,2 %	14,0	1,1	7,3 %	18,7
Long products, total	34,4	54,4	63,2 %	43,0	11,4	20,9 %	69,9
Hot-rolled products, total	95,0	140,5	67,6 %	118,8	21,7	15,4 %	172,0
III. <u>OTHER FINISHED PRODUCTS</u>							
Cold sheet	30,5	43,3	70,4 %	38,1	5,2	12,0 %	44,9
Coated sheet	13,3	18,5	71,9 %	16,6	1,9	10,3 %	15,5

(1) Both MPP required and surpluses have been calculated on the basis of a utilization rate of 85 % in respect of crude steel and 80 % in respect of rolled products.

Table 8

TRENDS IN STEEL PRICES
1st half 1986 vs. 1st half 1985

Product	EEC MARKET	F.O.B. EXPORT				1st half 1986
	1st half 86 1st half 85	1st half 1985	1st half 1986		Δ F.O.B. EXPORT EEC MARKET as % (ECU base)	
	Δ as % (ECU base)	\$ /t	ECU/t	\$ /t	ECU/t	
Coils	- 10 %	225/240	322/343	230/245	247/263	- 15 %
Reversing-mill plate	- 3	250/270	358/386	260/275	279/295	- 17
Cold sheet	- 2	280/290	400/415	300/325	322/349	- 17
Galvanized sheet	- 10	325/340	465/486	325/335	349/360	- 22
Wire rod	- 5	225/235	322/336	230/235	247/252	- 10
Reinforcing bars	- 22	170/180	243/258	210/220	225/236	+ 18
Cat. I Heavy sections	- 2	220/230	315/329	225/230	241/247	- 11
Merchant bars	- 7	210/215	300/308	220/230	236/247	+ 5

Table 9

cfr. p. I/24 doc. COM(85)450

Apparent consumption of ECSC products

Table 9A : Spain and Portugal

(million tonnes)

	Spain				Portugal			
	1981	1984	1985	1990	1981	1984	1985	1990
Liquid steel, ingots and semis	0,6	0,4	0,3	0,4	-	-	-	-
Heavy sections	0,9	0,8	0,8	0,9-1,1	0,1	..	..	..
Merchant steel	1,7	1,6	1,3	1,7-2,0	0,5	..	..	..
Wire rod	0,4	0,6	0,6	0,6	0,1	..	..	..
Long products subtotal	3,0	3,0	2,7	3,2-3,7	0,7	0,5	0,5	0,9
Flat products	3,2	3,2	2,9	3,5-4,5	0,5	0,4	0,4	0,6
ECSC products, total	6,8	6,6	5,9	7,0-8,6	1,2	0,9	0,9	1,5

Table 9B : EEC-12

(million tonnes)

	1981	1982	1983	1984	1985 P	1990(1)	
						L	H
Liquid steel ingots and semis	12,9	11,8	10,7	12,5	(12,3)	10,1	10,4
Heavy sections	7,5	6,9	6,4	6,6	6,8	6,6	7,2
Merchant steel	18,3	17,0	16,7	16,6	16,3	16,0	17,1
Wire rod	10,6	10,2	10,5	11,1	10,2	11,0	11,7
Long products subtotal	36,4	34,1	33,6	34,3	33,3	33,6	36,0
Flat products	50,8	49,6	47,6	49,3	48,9	48,0	53,0
ECSC products, total	100,1	95,5	91,9	96,1	94,5	91,7	99,4

(1) L = low assumption; H = high assumption

Table 10

cfr. p. II/7 doc. COM(85)450

Net trade (exports and imports) in ECSC products

Table 10A : Spain and Portugal

(million tonnes)

	Spain				Portugal			
	1981	1984	1985	1990	1981	1984	1985	1990
Ingots and semis	0,3	0,4	0,9	0,2	-0,1	-	-	-
Heavy sections	1,1	1,0	1,0	0,7-0,9	..	..	..	..
Merchant steel	1,7	2,5	2,9	1,2-2,4	..	..	..	..
Wire rod	0,1	0,3	0,4	0,3-0,5	..	..	..	..
Long products, subtotal	2,9	3,8	4,3	2,2-3,8	-0,1	-	-	-0,1
Flat products	0,3	0,5	0,4	0,6-1,2	-0,5	-0,4	-0,4	-0,6
ECSC products, total	3,5	4,7	5,6	3,0-5,2	-0,6	-0,4	-0,4	-0,7

Table 10B : EEC-12

(million tonnes)

	1981	1982	1983	1984	1985	1990(1)	
						L	H
Ingots and semis	0,6	0,3	1,3	2,2	2,9	0,2	0,7
Heavy sections	3,1	2,1	2,4	2,3	2,5	1,9	2,4
Merchant steel	3,8	2,6	3,0	3,7	4,2	2,0	3,6
Wire rod	0,8	0,4	0,4	0,7	1,9	0,3	0,7
Long products, subtotal	7,5	5,1	5,8	6,7	8,6	4,1	6,7
Flat products	11,4	6,2	7,1	9,7	10,3	8,0	10,1
ECSC products, total	19,7	11,5	14,2	18,6	21,8	12,3	17,5

(1) L = low assumption; H = high assumption

Table 11

cf. p. III/9 doc. COM(85)450

Balance between supply and demand
for Spain and Portugal

	Mio t			%			
	Production			MPP	Rate of utilization		
	1985	1990(1)		1986-1988 (2)	1985	1990(1)	
	L	H			L	H	
Crude steel	14,9	14	17,5	22,9	65	61	76
Hot flat products	3,8	4,5	6,0	6,7	57	67	90
Heavy sections	1,8	1,6	2,0	2,4	75	66	83
Light sections	4,7	3,5	4,9	10,0	47	35	49
Wire rod	1,3	1,1	1,4	2,9	45	38	48
Long products, total	7,7	6,2	8,3	15,3	50	41	54
Hot-rolled products, total	11,5	10,7	14,3	22,0	52	49	65

(1) L = low assumption; H = high assumption

(2) taking into account only the restructuring programmes decided before entry into the Community