

FORWARD PROGRAMME FOR STEEL FOR THE YEAR 2000

(2000/C 27/02)

(Text with EEA relevance)

INTRODUCTION

The economic upturn experienced by the European Union since the autumn is likely to continue to gain momentum in the year 2000.

Buoyed by this increasingly favourable economic trend and more sustained world growth as a result in particular of the expected consolidation of the economic recovery in Asia, the Community industry is likely to have to cope in the year 2000 with consistently strong internal demand and a vigorous catching-up process on the export front.

The foreseeable acceleration of industrial activity, in particular in the main steel-using sectors, suggest that there will be an increase in consumption of steel products in the course of the year 2000, accompanied by an increase in demand from outside the European Union, given a more stable and more promising international environment.

These factors as a whole should therefore contribute to the favourable development of the conditions on the Community steel market in the year 2000, the first signs of which were already visible towards mid-1999 in terms both of prices and volumes.

Consequently, in the year 2000 the Community steel industry should enjoy a healthier internal and international market situation with substantial prospects of a recovery in the quantitative and financial results necessary for increasingly efficient business management.

While sharing the optimism of the operators, the Commission nevertheless issues a renewed call for prudence in individual strategies in order to guarantee lasting stability for the Community steel market which still remains very open and competitive.

1. ECONOMIC SITUATION IN THE EUROPEAN UNION

In terms of economic growth 1999 should finish better than it started. The first half of the year was marked by the consequences of the crisis in the emerging economies which depressed the European Union's external trade. Business confidence was affected, leading to a stagnation in industrial production during the period, although household consumption remained strong and enabled these temporary difficulties to be surmounted. In the second half of the year economic activity picked up thanks to strong internal demand and an upturn in external demand connected with the recovery of world growth, in particular in Asia.

Monetary conditions in the euro zone gave a substantial boost to final demand. Inflation remained particularly low in the euro zone, at 1,2 %, despite the increase in oil prices (doubling of the price of a barrel of oil since January 1999) and the reduction in the value of the euro relative to the US dollar which makes imported products more expensive.

The downward trend in unemployment over the last few years has not been especially adversely affected by the slowdown in growth. This can be explained by the further growth in employment over the last few years, the fact that the external pressure has mainly affected the manufacturing sector which now accounts for less than 20 % of the working population, and the fact that the slowdown has been regarded as temporary right from the start, which has limited job-shedding. All in all, because of the losses in the first half of the year, GDP growth in the EU is likely to be slightly above 2 % in 1999 compared with 2,6 % in 1998. However, the underlying quarterly profile picked up in the course of 1999.

The year 2000 should guarantee a continuation of this trend, and the EU's GDP growth should be around 3 % for the year as a whole. Increasingly strong internal demand should be matched by a recovery in external demand consistent with the recovery under way with regard to world growth and the comparatively favourable position of the European economies. Where the larger Member States are concerned, France, the United Kingdom and Spain should experience rather more sustained economic activity than Germany and Italy which, in addition to the structural difficulties resulting from their recent economic past, seem to have been more than averagely affected by the external pressure compared with the other European Union countries. Unemployment should continue to fall in the EU in 2000 while inflation should increase slightly but still be well below 2 %. Public deficits should continue to fall as a percentage of GDP in 2000.

2. STEEL MARKET SITUATION AND OUTLOOK

2.1. Crude steel production in the European Union

Community steel production in the first half of 1999 amounted to only 78,3 million tonnes, a reduction of 7,4 % compared with the level in the first half of 1998.

In the third quarter of 1999 steel production in the European Union again fell slightly and then gradually levelled off. With the end of the stock adjustment period, which caused a significant reduction in steel demand at the beginning of 1999, and following a net reduction in imports of steel products into the European Union, there has been a gradual improvement in various economic factors, suggesting that Community steel production is likely to increase in the months ahead.

Even though cumulative production in the first nine months of 1999 fell significantly (by 6,1 %) compared with the level in the same period 1998, the trend has been reversed since the beginning of the fourth quarter, giving a total steel production figure of around 156 million tonnes at the end of 1999, i.e. a figure slightly above that indicated in the previous forward programme ⁽¹⁾, corresponding to a 2,3 % reduction compared with total production in 1998.

The improvement in conditions on the steel market in the second half of 1999 looks likely to continue during the year 2000, reflecting a slight upturn in economic activity in general in the European Union. This more favourable climate should result in a significant increase in domestic steel production, giving a possible figure of 89 million tonnes for the first half of the year and 159 million tonnes for the year 2000 as a whole, increases of 6 % and 1,9 % respectively over the corresponding levels for 1999.

Consequently, steel production in the year 2000 could be close to the record level of 1998, offering the prospect of a return to excellent capacity utilisation rates.

However, it should be pointed out that the international steel market situation is still under pressure from oversupply, which represents a latent risk factor for promising markets such as the European Union's very open and competitive one. Consequently, there is every reason to be prudent when drawing up production and supply programmes so as to avoid a repetition of the damaging phenomenon encountered not so long ago of a temporary destabilisation of the Community steel market because of supply exceeding demand to a very great extent.

The table in Annex I 'Crude steel supply and demand' summarises the volumes and trends for European Union steel consumption, external trade, production and stocks, and estimates the changes expected in the first half of the year 2000 and the year as a whole.

2.2. Outlook for the year 2000

As stated in the previous programme, the Community economy experienced a fairly marked reversal of the trend in the summer of 1999, in particular as a result of a very significant increase in external demand, prompting a notable improvement in business confidence. The improvement in the general economic climate in the course of 1999 was also a consequence of the steady increase in the consumer confidence indicator, with consumers showing greater optimism about short-term growth prospects in the European Union.

Following the stock adjustment period at the beginning of 1999, internal demand steadily increased, and there was a spectacular export boom in the second half of the year following the upturn in world growth, in particular in certain Asian countries.

⁽¹⁾ OJ C 24, 29.1.1999.

Enjoying the full benefit of this economic recovery, the main steel-using sectors, especially the ones more exposed to world competition, such as the mechanical and electrical engineering industries, experienced a marked improvement in activity, in particular in the second half of 1999. In the case of steel, these developments resulted in an increasingly marked improvement in demand and consequently a recovery in prices, albeit varying according to the products concerned.

During recent consultations, European Union steel producers were satisfied both by the very favourable trend in demand since the summer of 1999 and the reversal of the price trend in the course of the year. They nevertheless fear that in the year 2000 the likely increase in certain disruptive imports might jeopardise the Community's recovery phase, the conditions for which, although markedly better than at the beginning of 1999, are still tinged with uncertainty.

The European Union steel dealers, on the other hand, while satisfied with the results achieved in terms of volumes and prices in the course of 1999, were more optimistic than the producers about the market prospects for the year 2000. They consider that the economic improvements expected at world level and in the European Union can only be beneficial to steel trading.

On the assumption of an improvement in world and Community economic trends in the course of the year 2000, business confidence should remain high, guaranteeing sustained industrial activity. Consequently, the steel-using sectors should continue to be very active, at least during the first six months of the year, offering a prospect of a significant increase in steel consumption.

The construction sector and the mechanical and electrical engineering industries should continue to experience growth in the year 2000, the motor vehicle industry should, following the extraordinary results of the last few years, achieve excellent figures despite the slight levelling-off that is on the cards, while shipbuilding activity will continue to be at a very low level because of international competition.

These trends suggest that the demand for steel will be more vigorous, especially in the first half of the year, albeit with the risk of accentuation of the economic cycle as a result of the building-up of stocks and speculative buying.

Nonetheless, even on the assumption of a slight reduction in the second half of the year, the overall results for the year 2000 as a whole in terms of steel demand, consumption and prices will be fairly good and in any case better than in 1999.

Tables 2 and 2a in the Annexes contain activity indicators for the main steel-using sectors for the year 2000. However, the indicators should be treated with caution since the basic data were supplied by the sectors concerned and there is not unanimous agreement on them.

2.2.1. Primary processing

The need to adjust stocks and the general slowdown determined activity in the various primary processing branches to a greater or lesser extent throughout 1999.

The contraction in demand and the reduction in prices at the beginning of the year, which exacerbated the mood of pessimism prevailing in the various sectors at the time, have however been replaced by a gradual recovery in the conditions on the market for these branches' products, gradually making for a mood of optimism among most of the operators, with the notable exception of steel tube manufacturers.

The recovery in demand following the normalisation of stocks, the reduction in imports and the increase in prices were the main factors making for an improvement in the economic climate in all the branches except the tube sector which is still faced with critical market conditions.

Since the European Union's economic prospects for the year 2000 are more favourable, and on the assumption of an improvement in the international climate compared with 1999, activity in all the primary processing branches is quite likely to increase, including in the steel tube manufacturing sector which has a significant amount of catching-up to do.

A. Steel tube manufacturing

Total production of steel tubes in the European Union fell by some 12 % in the first six months of 1999, mainly because of the slump in demand for seamless tubes and large welded tubes. Exploration investment by the oil industry in particular and the activity of the oil-related industry have been considerably reduced despite the significant oil price increases, with the result that drilling-tube requirements have fallen considerably.

As a result, the Community steel tube manufacturing industry was faced not only with a reduction in consumption during the period in question but also substantial competition from tube imports which increased by 2 %, following a 12 % increase in 1998.

Following the imposition of external measures, tube imports into the European Union started to fall in the second half of 1999, but as there is no obvious sign of a recovery in demand Community steel tube production in 1999 as a whole is likely to be about 12 % down on the 1998 level.

However, it cannot be ruled out that a gradual resumption of oil industry activity as a result of an improving world economic climate and more sustained oil prices, may in the months ahead and certainly in the year 2000 boost the demand for tubes, thus making it possible to make better use of the capacity available and limit job losses in this sector.

Community production of seamless tubes fell by 33 % in the first half of 1999 because of a slump in demand and substantial competitive pressure from imports which accounted for 26,3 % of the Community market as compared with 19,9 % in the first half of 1998. Imports of these tubes into the European Union have been falling since the second half of 1999, but the dearth of investment in oil exploration in particular is significantly affecting consumption, and there is little hope of a recovery in Community production of seamless tubes which by the end of 1999 is likely to have fallen by 25 to 30 % compared with 1998. On the assumption that the oil price rise will boost oil exploration to some extent in the future, this should bring about a gradual recovery in demand in the course of the year 2000, with the result that Community production could increase by 5 to 10 %, thus enabling the very low capacity utilisation rates to be increased.

In the case of small welded tubes (up to 406,4 mm in diameter) activity was fairly stable at the beginning of 1999 but there are signs of improvement as a result of fairly sustained demand from the motor vehicle industry and the construction sector. For 1999 as a whole Community production of these tubes should increase by 3 % or more, taking into account a slight reduction in imports. However, it seems unlikely that activity will pick up in this area in the year 2000.

The increase in prices already observed throughout 1999, mainly because of the increase in steel prices, may prompt a recovery in imports on a Community market which in any case is suffering from uncertain demand because of the slowdown expected in the motor vehicle industry.

Where large welded tubes are concerned (over 406,4 mm in diameter) the poor prospects mentioned in the previous programme persisted in the first half of 1999 owing to a lack of new international projects in the oil sector. In the case of these tubes, manufacturing activity in the European Union fell by about 15 % in the first half of 1999, and this trend is likely to continue. For the year as a whole production is expected to fall by 20 to 25 %, with no prospect of an improvement in the year 2000 since no large-scale internal or international project is scheduled in the oil industry.

B. Drawing (wire and bars)

Activity in the Community wire-drawing sector increased overall by some 4 % in the first half of 1999 thanks to the manufacture of welded steel mesh as production of drawn-steel wire was on the poor side. In the second half of the year the market situation for products from the wire-drawing sector improved overall, suggesting that there will be an increase in production in 1999 as a whole of 4 to 5 %, mainly as a result of the manufacture of welded steel mesh and other derived products.

Imports of wire products, which increased slightly at the beginning of 1999, have gradually levelled off, while Community exports of these products have remained at good levels because of the strong dollar.

For the year 2000, the growth prospects of the construction sector suggest that there will be an increase in production of wire products of around 3 %. However, the increase in raw material prices may necessitate a downward adjustment to this estimate if import volumes increase.

The Community bar-drawing industry, the activity of which depends mainly on the motor vehicle manufacturing sector, suffered an overall reduction in production of about 3 % in the first half of 1999, gradually levelling off so that total production for 1999 can be estimated at 2 to 3 % below that for 1998.

This result is not so bad when one considers that 1998 was a particularly good year in terms of volumes especially.

The intermediate nature of this sector in between the steel industry and the motor vehicle industry does, however, create some difficulties for it as it has problems in passing on fluctuations in raw material prices fully.

Given the slowdown expected in the motor vehicle manufacturing sector, the best that can be hoped for in the year 2000 is a levelling-off of activity in this sector.

C. Cold rolling and forming

Following a rather poor start at the beginning of 1999, mainly because of a general stock adjustment process, activity in the cold-rolled strip industry picked up somewhat, ending the first half of the year with a reduction in production of only 8 %. The trend towards an improvement in market conditions for cold-rolled strip gathered momentum in the second half of the year, with the result that the overall volumes for 1999 are likely to be not much less than the quite remarkable figures achieved in 1998.

However, the forming sector has experienced major difficulties because of steel price fluctuations often jeopardising the acquisition of new orders and therefore depressing their activity.

The developments expected for the year 2000 suggest a return to the 1998 levels, offering the prospect of full utilisation of capacity. Despite the foreseeable reduction in activity in the motor vehicle industry, both the construction sector (which is gradually expanding) and the mechanical engineering sector (which is once again well on track) should boost consumption of cold-rolled strip.

Where the forming of wide products is concerned, there was a slight increase in demand for corrugated sheet and sandwich panels in the second half of 1999 after a rather sluggish first six months.

The gradual recovery of the construction sector in the European Union is no doubt responsible for the trend in this sector in which production volumes should increase by about 5 % in compared with 1998.

However, this did not make it possible to bring about a significant increase in capacity utilisation rates which remain between 60 and 70 % on average, among other things because of the commissioning of new production equipment.

Activity in this sector also seems to have been affected intermittently by raw material shortages resulting in delays in supplying the market. Likewise, significant fluctuations in galvanised sheet prices jeopardised certain supply contracts.

As far as the year 2000 is concerned, given that activity will probably pick up in the construction sector, it is likely that production volumes in the forming sector will increase by a further 5 % or so provided that periodical raw material supply difficulties do not slow down the rate of growth.

There was a reduction in activity in the sector of cold forming of long products in the first quarter of 1999 because of the need to reduce stocks, followed by a significant catching-up process in the second and third quarters. Thus, despite a levelling-off of volumes in the fourth quarter, the result for 1999 as a whole will no doubt be in line with last year's results. The outturn would have been even better if the Community forming sector had not been faced with temporary shortages of galvanised sheet, its raw material.

In 1999, activity in this sector was therefore healthier than in other primary processing sectors. What is more, it seems likely to achieve even better results in the year 2000 on the assumption that the Community economy picks up, and more specifically in view of the excellent outlook in the construction sector which is the main user of the forming products in question.

2.2.2. Prospects for the construction sector

Following a short period of uncertainty at the beginning of 1999, overall construction sector activity in the European Union is now again on an upward trend, offering the prospect for the year as a whole of volumes 1 to 2 % higher than in 1998. However, this would seem to be attributable to performance in the sector in Spain, France, the United Kingdom and Italy in particular, since overall construction activity in Germany has remained stable because of the constant net downward trend in volumes in the eastern part of the country.

The gradual improvement in the general economic climate in the European Union, together with a healthier public finance situation and announcements of tax relief, mean that the prospects in the sector will probably be even better in the year 2000 with a growth rate possibly in excess of 3 % compared with 1999.

Where residential construction is concerned, the figures in 1999 are likely to be slightly lower than in 1998 because of the slump in new rented housing in Germany, although this area of activity was particularly buoyant in France and Spain. However, activity should pick up in the course of the year 2000 as the situation is likely to stabilise in Germany, more substantial (albeit temporary) growth in the United Kingdom is on the cards, and good results are expected again in Spain and France.

In 1999, non-residential construction continued to be driven by private-sector investment in Spain, the United Kingdom, Italy and even Germany, while public-sector activity was particularly healthy in Spain and Italy.

A consolidation of this activity in general is on the cards for the year 2000, mainly as a result of public-sector investment in most countries except Spain and Germany.

The slightly upward trend in civil engineering works observed in 1998 does not seem to be continuing in 1999, despite the remarkable rates of growth in Spain and Italy. Nevertheless, it is quite possible that favourable economic factors and a structurally better public finance situation will again kick-start this activity, offering better growth prospects for the year 2000.

2.2.3. The motor vehicle market

Despite erratic movements in July, August and September which disturbed the motor vehicle market in Europe somewhat, it is already possible to predict for 1999 new record figures for the registration and production of new vehicles in the European Union, following the period of uninterrupted growth of recent years.

Between January and October 1999, motor vehicle registrations rose by 5,7 % compared with the same period of 1998, and this trend should be more or less maintained until the end of 1999.

A combination of various favourable factors such as an improvement in household confidence, lower interest rates, new models, incentive measures and manufacturers' promotions are responsible for the good performances recorded in this major steel-using sector over the last five years.

However, the gradual decline in activity in this sector as a result of the slowdown in domestic demand in particular, reducing the increase in motor vehicle registrations in the European Union in 1999 to 4 %, will not prevent the 1998 production record (16,2 million vehicles) from being beaten, with the manufacture of over 16,5 million private cars and light commercial vehicles.

However, it is not out of the question that in the course of the year 2000 interest rates, uncertainty about oil prices and a hiatus in the manufacture of new models might bring about

a slight reduction in the demand for vehicles which is likely to level off in the year 2001.

Nevertheless, taking into account the levels achieved in recent years, giving optimum capacity utilisation rates, even the foreseeable 2 % reduction in motor vehicle demand in the European Union in the year 2000 should not significantly slow down activity in this sector, especially in view of the excellent prospects for exporting new models of Community motor vehicles to third country markets.

2.3. Outlook for imports and exports of steel products

2.3.1. European Union external trade statistics

The EU external trade statistics for steel available at the time of writing this forward programme cover the first seven months of 1999 and are therefore closer to the period covered than in the past.

Analysis of the statistics shows that, during the first half of 1999, despite a further increase of 24 % for long products, Community imports of steel products fell by about 13 % compared with the very high volumes seen during the same period in 1998, while exports fell again by about 14 %.

A more detailed analysis shows in particular that steel imports into the Community from the central and eastern European countries (CEEC) fell sharply, as did those from Taiwan, South Korea and India, while imports of steel from Turkey and Japan were still rising markedly.

For exports, however, the figures available show a sizeable fall in sales volumes to the NAFTA area, and a sharp drop in sales volumes to Turkey, while there was a substantial increase in export volumes to the CECA.

Following the period of upheaval in the international steel trade in 1998, there is no doubt that the economic recovery which has been taking shape in South-East Asia since the beginning of 1999 has contributed to the relative fall in the pressure of steel supply on the world and the Community market in particular.

The situation with regard to international trade in steel products is moreover expected to improve further during the second half of 1999 and especially during the year 2000 thanks to a healthier economic climate in the EU, sound growth in the US economy and a faster pace of economic recovery in Asia.

The developments foreseeable at the present time are expected to leave EU steel imports and exports in a state of balance in 1999 and with a slight surplus in 2000.

The most likely scenario is that steel imports into the EU will be about 19 million tonnes in 1999 and will remain stable in 2000, while exports in 1999 will be around 19 million tonnes, rising to about 20 million tonnes in 2000.

Despite the brighter prospects for the steel trade, the possible risks of slippage due to the uncertainty of certain international developments must be taken seriously given that the balance on the Community market is still fragile.

The Commission therefore urges operators to help maintain a stable Community market by taking account of the potential opportunities and will be prepared to support them if this is necessary and advisable.

2.3.2. The world economy in 2000

Since 1999, the world economy appears to be on an accelerated growth curve due to the rapid recovery of the Asian economies in particular following the financial turbulence of the last few years which affected the emerging countries.

In the year 2000, therefore, the world economy looks set to develop at a faster pace, with growth of around 3,5 % compared with less than 3 % in 1999.

The economic performance expected in the year 2000 is likely to come from expansion of the recovery in Japan following the upturn which appeared in 1999, increased growth in the Community market and improvement in the US economy, where the slowdown becoming visible does not show any genuine signs of weakening.

The boosted confidence on the part of the emerging economies is expected to lead to a rise in world steel consumption of about 2 % in 2000, which should be accompanied by increased production on a comparable scale.

In international steel trade, the improvements which were already becoming apparent in 1999 should be confirmed in 2000, thus helping to restore a calmer climate following the recent period of upheaval in world steel trade.

The prevailing protectionism should therefore start to decline to some extent, even if there is still risk of trade being disturbed given the likelihood of surplus supply being redirected by some countries in order to find outlets.

2.3.2.1. In the United States of America, the economy has continued to forge ahead and growth in 1999 should be about 4 % given the exceptionally high levels of consumer spending and of manufacturing in particular. In 2000, the soft landing hinted at in the past could now well come about, although growth of 2,8 % is nevertheless expected.

In the steel market, domestic demand is expected to remain sustained during the year 2000. However, the new capacity coming into service is likely to reduce the need for imports. Furthermore, a reduced presence of Asian steel on the US market would facilitate the return to a more traditional source of foreign supply.

2.3.2.2. Since the beginning of 1999, the Japanese economy has at last been indicating that it is on the path towards sustainable recovery, suggesting there might be growth of about 1 % in 1999.

Although the recovery is vulnerable due to the weakness of private consumption and investment, growth in Japan in the year 2000 does nonetheless look likely to be around 2 %, buoyed by the injection of public funds into the economy and a certain increase in confidence on the part of manufacturers and consumers.

In the steel sector, consumption looks set to increase by 1,5 % in 2000 and production should remain on an upward trend since the foreseeable fall in exports to the United States of America is likely to be offset by the need for supplies on the part of other Asian countries.

2.3.2.3. *The economies of China and South-East Asia*

The growth of about 3 % in all of the economies of South-East Asia in 1999 is likely to be followed by the same increase in 2000. The improved performance in these economies can be attributed to Korea, where the growth of around 5,5 % in 1999 should increase to 6,4 % in 2000.

Notwithstanding the government's measures to modernise and control the economy, growth in China should be in excess of 6 % and the same in the year 2000.

As to trade in steel, while domestic production is expected to rise now that new installations have been started up, this geographical region looks set to see a shortfall again of about 30 million tonnes in 2000.

2.3.2.4. *The countries of Latin America*

The most recent forecasts for the economies of the Latin American countries point to an increase in growth which might exceed 3,5 % in 2000, as compared with the rise of 2,7 % estimated for 1999. In this context, attention should be drawn to the sharp improvement in the Brazilian economy, where the drop of 4 % expected in 1999 has been substantially revised upwards to a level close to stability, with growth of 4 % expected in that country in the year 2000.

Steel consumption in the region looks set to increase in 2000, although the foreseeable rise in domestic production will probably help to maintain a surplus supply which will be bound for international markets.

2.3.2.5. Economic situation in the central and eastern European countries and the Republics of the CIS

Following the very good results in the economies of the CEEC in the last few years, the slowdown seen in 1999 is expected to be short-lived given the improvement in the international climate expected in the year 2000. In the case of Russia, the latest forecasts give hope that the year 2000 will see greater economic stability than in the past.

In the steel sector, the fall in exports will probably continue to have a negative impact on steel production in these countries again in 2000, while consumption could show a slight improvement, which at all events would be more marked in the CEEC.

2.4. Price trends

Following the unprecedented collapse which began in the spring of 1998, steel prices in the European Union stabilised at the beginning of 1999, reversing the trend across the board as from the second quarter of the year.

Supported by strong demand from the civilian construction sector in general, the prices of long light products (concrete reinforcing bars and merchant bars) have been picking up throughout the year, by about 20 % between the first and fourth quarters. The prices of beams and wire rod have been following the same trend, but more moderately and somewhat later.

For flat products, however, the price trend was not reversed until the third quarter. The return to a rise in prices has in fact been quite marked for hot-rolled coils, which were severely affected when prices collapsed in 1998 following the very sharp rise in imports. Compared with the beginning of 1999, therefore, the prices of coils have risen by some 20 %, but have nonetheless not returned to the levels seen at the beginning of 1998.

For other flat products, after prices generally stabilised during the first half of 1999 at the particularly low level reached between the end of 1998 and the beginning of 1999, the trend could not be reversed until around the autumn.

The increased demand for galvanised sheet on the part of the motor vehicle industry and the construction industry has gradually led to a shortage of supply, which is the cause of the rapid rise in the prices of these products. The prices of cold-rolled sheet are now affected in the same way.

As to the forecast for the year 2000, the rise in demand should enable this upward trend to continue and prices to return to levels comparable to those seen at the beginning of 1998. If this trend can be maintained, it should be possible to achieve the necessary balance in most of the Community steel industries, the only factor which might upset this being a possible return to massive steel imports onto the Community market.

On the export markets, the prices of products other than hot-rolled coil, which have risen in line with the Community market, have stabilised at a very low level and there is no sign yet of any real reversal in the trend. As there is still too much supply on the world market, there is unlikely to be any major improvement in world prices in the short term.

2.5. Trends by products

Flat products

— Hot-rolled coil

The market for hot-rolled coil has improved substantially during the last few months and the current situation is very good. Stocks are normal, but falling, and there is quite strong demand from the traditional sectors such as the motor vehicle industry, tube manufacturers and the building industry. Compared with the peaks reached in 1998, imports have fallen, but are still well above the 1997 levels.

Exports are still quite weak in view of the strong pressure on the world market.

— Cold-rolled sheet

Consumption of cold-rolled sheet is satisfactory. The Community market is sound, in particular thanks to the demand from the motor vehicle industry and electric household appliance manufacturers. The stocks held by dealers and users have returned to normal, as a result of which, as with coil, the prices for hot-rolled coil have stiffened.

— Coated sheet

Since the middle of 1999, the market for coated sheet has started to show signs of major change, with demand picking up and prices rising rapidly in its wake. This is due to the sustained performance in the motor vehicle industry and now also in the construction industry, which is progressing satisfactorily. Delivery times are lengthening and speculative buying might therefore once again create a situation of excessive stocks, especially since imports from Asia are continuing to rise.

— Quarto plate

Among flat products, only quarto plate is not seeing any improvement either in demand or prices. The lack of export orders for large welded tubes and the low level of orders from shipyards are the main causes. Furthermore, the relatively high level of stocks held by dealers are continuing to exert pressure on the market, preventing any development in this sector.

Long products

— Heavy sections and beams

Since mid-1999, the demand for and prices of beams have gradually improved given the low level of stocks and the firm recovery in the construction industry. The trend looks set to continue through the year 2000 in view of the foreseeable rise in both domestic and international demand.

— Wire rod

The recovery in the construction industry in 1999 is expected to be the key element in reversing and improving the trend with regard to the volumes and prices of wire rod for welded mesh.

The slower improvement as regards wire rod for drawing was due to the increase once again in demand in the mechanical engineering sector after the summer of 1999.

In view of the growth forecast for the year 2000, this positive trend is not likely to change, unless there is disturbance, which could come from imports flows.

— Concrete reinforcing bars

Like other long products, concrete reinforcing bars have benefited from the upturn in the construction industry. Disregarding the expected, normal slowdown during the winter, the trend will remain positive in the year 2000, especially as imports onto the Community market are likely to shrink given that international demand is expected to rise.

— Merchant bars

The situation and the prospects in the market for merchant bars are quite comparable to those for other long products. It should therefore be possible to return rapidly to the price levels seen at the beginning of 1998 and perhaps even to surpass them during the year 2000.

2.6. Crude steel balance for the year 2000

The recovery in the Community economy which has been visible since the second half of 1999 looks set to continue in future, providing excellent prospects for growth in the year 2000.

This improvement in the economic conditions within the Community together with the foreseeable strengthening of the world economy, in particular due to the recovery expected in Asia, should lead to much higher investment and domestic and external demand for goods and services, from which Community industry should be able to benefit further.

For the steel-consuming sectors, these expectations will mean a very high level of business, with steel consumption guaranteed to be higher than the record level attained in 1998.

Conditions on the Community steel market are therefore expected to improve since, with domestic and international demand rising and despite imports stabilising at a high level, exports of steel products from the Community are likely to increase sharply.

Against this background, real steel consumption in the Community during the first half of the year 2000 should be 82 million tonnes, up 1,6 % on the same period in 1999, while apparent consumption should stabilise at 83 million tonnes. Given a slight fall in imports and a sizeable rise in exports, Community steel production is therefore expected to be 83,5 million tonnes, an increase of 6,6 % compared with the first half of 1999.

With a forecast of gradual stabilisation or possibly a slight weakening in trends during the first half of the year, the estimate for the year 2000 as a whole is that real steel consumption will be 159 million tonnes and apparent consumption 158 million tonnes, increases of 1,3 % and 1,9 % respectively on the figures for 1999. With a 5,3 % rise in export volumes and stabilisation of steel imports, equilibrium production should therefore be 159 million tonnes, a rise of 1,9 % on the previous year.

3. RAW MATERIALS

3.1. The scrap market

After a short-lived recovery at the beginning of 1999, the prices of scrap started to fall once again, given the downward trend of demand following the shrinkage in world steel production. Prices on the Community market have furthermore fallen to their lowest level since 1998 as domestic demand is still weak.

From the second half of 1999 onwards and in particular since November, the prices of scrap have been rising more and more markedly. This is due to the growth in world and Community demand and the impact of the export restrictions applied or announced by certain countries. This trend is likely to be confirmed in 2000, in line with the development of the steel market.

3.2. Iron ore

The sharp drop in demand from the Asian countries was the main reason why export volumes and the prices of iron ore fell on the world market in 1998. Dealings in this raw material shrank further during the first half of 1999 following a fall in demand in the United States of America and Europe and the trend towards the stabilisation of demand in Japan, Korea and China. During that period, the prices of iron ore fell to their lowest level since 1995 and the situation has led mining companies to delay investment in new capacity.

The volumes of exports of iron ore on the world market were nevertheless rising satisfactorily during the third quarter and expanded even further during the fourth quarter of 1999 following a sudden increase in demand from South-East Asia in particular.

For the year 2000, the expected improvement in world steel production is therefore likely to have a favourable impact on demand for iron ore, helping it to stabilise, if not to reverse the price trend for this raw material.

3.3. Ferro-alloys

The recovery in demand for ferro-alloys in 1999 has helped to stabilise and sometimes even to slightly boost prices. The pressure of supply on the market is at all events a risk factor as far as maintaining the stability is concerned.

During the first half of 2000, the increase in the growth of steel production should nevertheless help to return to more consistency overall in the ferro-alloys market, even if there are erratic price movements now and then.

3.4. Tin, zinc and nickel

In the first half of 1999, world tin production increased by only 0,5 %, compared with the same period in 1998, while consumption rose by 5 %. For 1999 as a whole, the metal should nevertheless return to a situation of market balance. During the first half of 2000, the expected growth in demand should however not cause rates to rise significantly given the foreseeable rise in exports from China.

After a rise of 1,5 % in 1998, world consumption of zinc could see an increase of 3,9 % in 1999, taking it to 8,2 million tonnes. On the Community market, however, zinc consumption is expected to rise by only 0,8 % in 1999, but by 2,7 % in 2000. World production of this raw material should increase by 2,5 % in 1999 and a further 4,9 % in 2000 to reach 8,6 million tonnes, following the rise of 2,7 % seen in 1998. With the recovery of demand and a fall in stocks, zinc prices picked up somewhat in 1999. For the first half of the year 2000, demand for this metal looks set to remain on an upward trend, but this will only slightly affect prices given the expected rise in production.

For the year 2000, the International Nickel Group believes nickel consumption will exceed production, leading to a shortage of about 37 000 tonnes. World production of this metal in 1999 is estimated at 1,033 million tonnes, the same as in 1998, while consumption should increase to about 1,070 million tonnes, up 6,5 % on 1998. Due to the growing demand from manufacturers of stainless steel, nickel prices have risen by more than 80 % since the beginning of 1999 to their highest level for more than two years. Given the increasingly firmer demand and the downward trend of stocks on the LME, nickel rates are likely to keep rising during the first half of 2000.

4. EMPLOYMENT

The trend towards specialisation in the Community steel industry is set to continue. This together with technological development and organisational change will therefore probably continue to lead to widespread job shedding in future in Community steel companies, especially of the least specialised jobs.

These changes, which are part of the overall process of boosting the competitiveness of the industry, are imposing more and more new demands. In order to adapt skills to the new needs brought about by these changes, it is therefore necessary to develop the continuous training of steel workers and to encourage the dissemination of good practice.

The restructuring plans of the companies, whether public or private, which have led to the regrouping of producers and have therefore helped to improve their competitiveness, are making it possible to take fuller advantage of the single market.

From the industrial and commercial angle, the benefits of these processes seem undeniable and efforts in those directions are continuing but, it has to be said, it does all have an adverse effect on employment in the industry.

In this respect, the parties concerned are aware that management of the social consequences of industrial change calls for more extensive dialogue, both between management and labour within companies and outside of companies, to anticipate the changes and to put in place a strategy which will provide better job protection.

Net job losses in the Community steel industry in the year 2000 are estimated at around 9 000. The Commission will continue to apply its social policy to workers in the industry who are affected by restructuring or closure. The measures provided in bilateral agreements on aid for retraining under Article 56(2)(b), except aid for training and self-employment which may be co-financed by the ESF, will be maintained until the Treaty expires on 23 July 2002.

The job losses do not, however, represent the number of workers who will be eligible for ECSC aid for various reasons, in particular the fact that some Member States have not signed up to the restructuring policy.

For the year 2000, the funds in the ECSC's budget for traditional aid for retraining in the coal and steel industries amount to EUR 61 million.

ANNEX

TABLE 1

Crude steel supply and demand ⁽¹⁾ — EU-15

	Outturn				Estimate		Forecast	
	1996	1997	1998	1st half of 1999 (R1)	2nd half of 1999 (R2)	1999 (R2)	1st half of 2000	2000
Apparent user consumption (a)	139,5	149,8	158,0	80,7	76,3	157,0	82,0	159,0
Change in merchant stocks (b)	- 4,0	+ 1,0	+ 3,0	- 2,0	0,0	- 2,0	+ 1,0	- 1,0
Apparent consumption	135,5	150,8	161,0	78,7	76,3	155,0	83,0	158,0
Imports EU-15	12,2	14,4	21,4	10,1	8,9	19,0	9,5	19,0
Exports EU-15	27,9	24,0	20,0	8,7	10,3	19,0	10,0	20,0
Changes in producer stocks	- 4,0	- 1,0	0,0	+ 1,0	0,0	+ 1,0	0,0	0,0
Production	147,2	159,4	159,6	78,3	77,7	156,0	83,5	159,0

(¹) Conversion factor of finished products to crude steel: 1,11.

(R1) Figures revised on the basis of outturn.

(R2) Partially revised.

(a) This aggregate is close to actual consumption. It includes changes in consumer stocks and merchant stocks in all countries except Germany, France, the United Kingdom and Benelux.

(b) Changes in merchant stocks in Germany, France, the United Kingdom and Benelux.

TABLE 2

Activity indicators — EU-12 ⁽¹⁾

(Not seasonally adjusted)

Sectors	1st half of 2000 1/99 = 100	1st half of 1999 1/98 = 100	2000 1999 = 100	1999 1998 = 100
Manufacture of metal articles	102,1	100,9	101,0	102,7
Mechanical engineering	104,0	99,5	100,5	104,4
Electrical engineering	104,9	102,0	101,7	104,0
Motor vehicles	101,9	105,7	101,7	100,8
Other means of transport	100,5	100,9	99,5	102,3
Building/civil engineering	102,7	102,2	102,8	102,8

(¹) In the absence of basic steel consumption data by sector for Austria, Finland and Sweden, these indicators refer only to expected development in the Community of 12. Indexed forecasts of the level of activity of the various steel-consuming sectors derived by weighting national data provided by the trade associations of those industries. Some figures are partial estimates as the data for certain countries are not available.

Source: Commission data.

TABLE 2(a)

Trends in the steel-consuming sectors in the main producer countries ⁽¹⁾
 (Activity indicators ⁽²⁾))

Sectors	Member States				
	Germany	France	Italy	United Kingdom	Spain
	2000	2000	2000	2000	2000
Manufacture of metal articles	102,0	103,0	104,8	—	101,0
Mechanical engineering	103,0	104,5	106,3	—	107,5
Electrical engineering	104,0	104,0	102,9	—	109,0
Motor vehicles	100,0	102,0	98,3	—	104,0
Other means of transport	101,0	107,0	104,1	—	105,0
Building/civil engineering	101,1	103,0	—	—	107,0

(¹) Source: National steel users's associations.

(²) Reference index: 1999 = 100.

TABLE 3
Changes in the number employed in the steel industry
 (including apprentices)

Member State	Number of employees (in '000)		Change (%)
	(Reference month)	(Most recent month) ⁽¹⁾	
Austria	12,2 (July 1998)	11,9 (July 1999)	- 2,5
Belgium	21,0 (January 1998)	20,2 (January 1999)	- 3,8
Denmark	1,2 (April 1998)	1,2 (April 1999)	0,0
Germany	80,1 (August 1998)	77,5 (August 1999)	- 3,2
Greece	2,0 (July 1998)	1,9 (July 1999)	- 5,0
Spain	23,0 (July 1998)	21,9 (July 1999)	- 4,8
France	38,4 (June 1998)	38,0 (June 1999)	- 1,0
Finland	8,2 (August 1998)	7,7 (August 1999)	- 6,1
Ireland	0,4 (December 1997)	0,4 (December 1998)	0,0
Italy	38,5 (June 1998)	38,9 (June 1999)	+ 1,0
Luxembourg	4,3 (August 1998)	4,1 (August 1999)	- 4,7
Netherlands	12,0 (April 1998)	11,8 (April 1999)	- 1,7
Portugal	1,9 (March 1998)	1,7 (March 1999)	- 10,5
Sweden	14,6 (June 1998)	13,9 (June 1999)	- 4,8
United Kingdom	33,9 (May 1998)	30,6 (May 1999)	- 9,7
EU-15 ⁽²⁾	291,1 (December 1997)	286,4 (December 1998)	- 1,6

Source: Eurostat.

(¹) Most recent figures available.

(²) As the reference period is not the same for all countries, the figures given cover a period of one year.