

Report by the ECSC High Authority on the position of the steel market (18 July 1953)

Caption: In this summary report, Tony Rollman, Director of the Market Division of the ECSC High Authority, gives a summary of the production and of the prices for metallurgical products in the six Member States for the period 1952–1953.

Source: Fondation Jean Monnet pour l'Europe, [s.l.]. Archives Jean Monnet. Fonds AMH. 21/1/13.

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Report on the steel market as at 18 July 1953

Since last October, incoming orders in the European Community as a whole, excepting the Netherlands where figures are not available, have been less than deliveries.

		Deliveries 000 tonnes	Incoming orders 000 tonnes
1952	October	2 808	2 267
	November	2 547	2 256
	December	2 605	1 685
1953	January	2 431	2 065
	February	2 224	1 718
	March	2 544	1 820
	April	2 399	2 002
	May	2 267	1 684
	June	2 250 (estimated)	1 897

The orders on the books, i.e. those that have yet to be filled, fell between the end of September 1952 and the end of June 1953 from more than 11 million tonnes to less than 7 million tonnes, a drop of around 40 %. The trends in the various countries were as follows:

	Orders at 30.9.1952 000 tonnes	Orders at 30.6.1953 000 tonnes
Germany	5 300	2 900
Belgium	1 000	600
France	4 500	2 500
Italy	466	400
Luxembourg	523	340
	<hr/>	<hr/>
	11 789	6 740

In theory, these orders will keep steelworks occupied for the following time periods:

Germany	3 months
Belgium	2 months
France	3 months
Italy	2 months
Luxembourg	1½ months

However, this type of calculation does not take account of the relatively large share of orders that, for one reason or another, has been suspended and cannot be rolled, nor does it take account of the variations amongst the different products within a given company. In reality, the situation is not as good as the theoretical calculations above appear to indicate.

According to declarations by the Netherlands delegate during the meeting of 15 July, the order books in the Netherlands are not, for the moment, a source of concern. But he did point out that the situation is relatively satisfactory only thanks to big shipbuilding orders and a large contract from the United States. Those orders are exceptional and have little to do with the current economic cycle. If we disregard these two sources of orders, the Dutch market looks just as weak as the others in the Community.

The persistent dearth of new orders and the enduring nature of the situation appear to indicate that the overall economic climate is not dissimilar to the one on the steel market. On the other hand, the relative

stability of the steel market in the United States and the United Kingdom might lead one to believe that there are other reasons.

In Germany, the biggest market in the Community, the industrial production index and the number of new orders for the processing industry, which consumes large amounts of steel, are both on the rise. German production indices are (1936 = 100):

	January 1953	May 1953	
Steel processing	82	111	
Machinery manufacturing	165	190	
Motor vehicle industry	99	171	

The motor vehicle industry exceeded the 1952 average, and the machinery manufacturing sector is also on the upswing.

All these production indices, and, in particular, the recovery in new orders, are indicative of solid short-term demand in these areas, but that is absent from the general market.

While not as pronounced in the other ECSC Member States, the situation is similar and shows that there is a lively pace in industrial production but slack demand.

In countries outside the ECSC, especially those which are major importers, it is more difficult to get a feel for what future demand will look like, but the same abstention policy has been observed.

It seems evident that, when the European Coal and Steel Community was set in motion, the buyers in EEC importing countries, Italy and the Netherlands, were quite certain that the two-tier pricing system would be scrapped on 10 May 1953. However, in August and September last year, these two countries were paying \$130 per tonne for rolled bars, while the price in Belgium for the same product was only \$84. It is therefore understandable that buyers preferred to wait until 10 May 1953 and, in the meantime, used up their stocks. Moreover, non-member countries were expecting changes when the Common Market and its general policies were set up. They chose to wait and bought very little, as reflected in the above tables of new orders.

When the Common Market was created and new price scales were published, word got around rather slowly. The possibilities of working on the basis of another's price scale were such a new concept that buyers and sellers were a little slow in understanding all the options. The expectation was that the publication of the price scales would clarify the market situation, but in fact all the new possibilities instead caused the buyers and sellers to hold back.

For some countries, the new scales meant a real increase in prices, while for others they brought about a fall in basic prices but an increase in extras. Although for most of the Member States there was a slight fall in prices, some buyers were faced with a real increase and saw just that. When questioned by the High Authority, the consumers predictably emphasised the price increases and tended to dismiss the price falls. In anticipation of the consultation announced by the High Authority, and in the hope that it would lead to a fall in prices, they decided to refrain from buying. The abstention policy continued. Furthermore, buyers interpreted some statements from the High Authority as an indication of a price cut, which merely encouraged their abstentionist attitude. When the Federal German Government announced to the press that a fall in prices was expected in Germany, the buyers once again felt vindicated by their abstention policy. At the end of the meeting, the Government tried to calm the waters by releasing a statement saying that:

'The decisions taken will help to confer on the market a lasting stability.'

However, at the same time, the Deutsche Presse-Agentur (DPA) also released a statement saying:

'The President of the High Authority holds the view that prices in the Community are sufficiently high. It

would appear that Mr Monnet intends to bring about discussions (similar to the Kissinger discussions) in the other Member States.'

The situation is such that, if today's real demand is held back artificially for any length of time, the blast furnaces will be shut down, probably starting at the end of the month, because there will not be enough orders to maintain the current pace of production. In a weak market, a price fall would only lead to the few orders that are on the books drying up, because such a price fall would be interpreted as a sign that more are on the way.

The aim of this report is not to decide whether steel prices in the Community are too high. A very detailed study would be necessary to confirm that. A previous note stated that, with the exception of steel sheeting, prices in the Community were in line with those in the United States, where surcharges are significantly higher than those in the Community. Since then, US prices have been increased from \$4.40 to \$5.50 per tonne. While it is true that British prices are lower, it is also true that the range of subsidies in the United Kingdom distort prices and render them somewhat artificial from the economic standpoint.

From current market data, we may conclude that some needs are not being articulated for psychological reasons. In response to impending unemployment, which will probably be blamed on rumours that the High Authority has not denied, we must provide the market with the climate of clarity and stability that it so urgently needs.

One should not expect a recovery during the summer recess, but if price uncertainties are eliminated from the market there may well be a rally in September.

T. Rollman