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PRESS RELEASE

The Belgian Iron and Steel Industry in the International Context

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This working paper provides a survey of the main developments in the iron and steel industry over the last few decades. The first chapter covers the changing conditions on international markets and identifies the main challenges facing the companies in this sector. These include the boom in China, the increasing prices of steel and raw materials, the wave of mergers and acquisitions as well as the implementation of environmental regulations, in particular the Kyoto Protocol. Against the backdrop of the worsening global economic crisis, market conditions for steel are also set to change markedly, at least in the medium term. The second chapter provides an assessment of the Belgian iron and steel sector's economic impact, in terms of direct value added, employment and investment. The chapter also includes an evaluation of the indirect effects of the sector, both upstream and downstream.

The iron and steel industry plays a key role in the economy because it supplies the basic materials needed to produce a large number of industrial goods. In this context, steel constitutes an essential factor in economic development. Therefore for the last fifteen or so years, the major iron and steel producers have been relocating their production capacities to regions with large potential, in particular China, India, Brazil and the countries of the former USSR.

In the past few years, the strength of global demand has brought about a sustained rise in steel prices, which has to be seen against a background of generally higher raw material prices. In the iron and steel industry, the markets for iron ore and scrap iron have come under severe pressure which has affected the price of steel, since these two materials represent more than half of steel producers' cost prices. In this context, the strategy adopted by steel producers consisted primarily of ensuring maximum security of supply, either by taking shareholdings in the mining sector or by securing long-term deliveries. Steel producers have also attempted to reach a critical size in order to strengthen their negotiating power and also, more generally, to benefit from economies of scale. In fact the level of concentration in the global iron and steel industry continues to be low, due in particular to the fragmentation of the Chinese iron and steel industry. On the other hand the concentration of the European iron and steel industry is considerably greater. This is the result of far-reaching structural changes relating to capital ownership but also to the nature of production and to commercial relations.

In Belgium, over the 1995 – 2006 period as a whole, the sector's value added grew by an annual average of 1.7 p.c., which is lower than GDP growth. In 2006 the highest – double digit – rate of growth was seen in the branch covering the manufacture of basic iron and steel and of ferro-alloys, where the major part of the activity is concentrated and large groups, such as ArcelorMittal and Duferco, operate while value added remained stable over the period in the casting of metals branch and declined markedly in the other iron and steel branches of activity. The sector directly accounts for just under 1 p.c. of our country's GDP, or close to 1.9 p.c. if the activity generated upstream (indirect effects) is added. Employment has seen an average annual decline of 2.8 p.c. over the same period. Compared to the other industries of importance to our economy, the iron and steel industry continues to be by far the most concentrated, in terms of value added, employment and investment.

The economic environment of the past few years, fuelled by soaring global demand, particularly originating from Asia, has been exceptional up to and including the first six months of 2008. In our country it allowed the contemplation of the development in the short and medium term of operations hitherto considered to have little future. This period of euphoria was also reflected in freight volumes recorded in the maritime ports and of course in the figures for value added, employment and investment for the sector under review. However, this did not take into account the onset of the global economic crisis in 2008 which directly affects the development of the sector's output, with the suspension of certain operations as a result.