

The iron and steel market in Sweden

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In Sweden, as in many other countries, the post-Korean boom has receded gradually since the middle of 1951, and the relaxation of inflationary pressures has been especially noticeable in the consumer goods sector. Yet, the slump in consumer goods industries should not be viewed as the beginning of a serious decline, but rather an adjustment of output to a fairly normal level of demand. Actually, signs of stabilisation and recovery have appeared in the majority of these industries. In contrast, the capital goods sector has increased its employment, and its output was up four percent during the first six months of 1952 compared with the same period of 1951. The net effect of these opposing tendencies was a decline in total manufacturing and mining output by one percent.

During the same period the terms of trade deteriorated markedly: export prices declined by about 34 percent between December 1951 and July 1952, while import prices went down by only six percent. It is only fair to point out, however, that export prices had developed very favorably compared with import prices during 1950-1951. Much of the 34 percent decline is actually due to the re-adjustment of the prices of the two most important Swedish export products, paper and pulp, to more normal levels. Other export industries have experienced little decrease, and some of them, notably iron ore mines, report substantial market improvements.

The stabilisation of economic activity has had favorable repercussions on iron and steel output. The reduction of employment in other manufacturing industries has improved the recruitment opportunities of the iron and steel mills, and the previous severe shortage of manpower has been substantially alleviated during 1952. The supply of raw materials has improved compared with earlier years, and has been adequate for most mills during 1952, while scrap and

nickel have often been very short in supply. The expansion of plant facilities in the iron and steel industries which was started during the latter half of the 1940's is also nearing completion.

As a result of these three factors, output soared. The largest increase took place in pig-iron production and was largely due to near-completion of the expansion program in this part of the industry. During the first eight months of this year pig-iron output amounted to 695,000 metric tons, as compared with 517,000 tons for the same period of 1951. Most of the increase relates to the output of coke pig iron in the government-owned steelmill in Norrbotten. Even the output of charcoal pig iron, which is of small importance and has earlier decreased rather steadily, has recently begun to show increases.

The imports of pig iron have also increased considerably during 1952, from the exceedingly low level of 39,000 tons for the first eight months of 1951 to 99,000 tons for the same period of 1952, and were also very large when compared with average postwar imports. The imports of scrap rose from 49,000 tons during 1951 to 63,000 tons during 1952, but are still rather low compared with postwar imports. The supply of domestic scrap has also improved, partly due to an intensive drive for industrial scrap iron, and to an increase of scrap prices. The shrinkage of pig-iron exports from 41,000 tons during the first eight months of 1951 to 28,000 tons during the same period of 1952 has also contributed to an improvement in the supply of pig iron and scrap for domestic use. The output of sponge iron has shown some increase which can be expected to accelerate during the next few years, due to a substantial expansion of productive capacity.

The production of ingots jumped 12 percent, from 937,000 tons during the first eight months of 1951 to 1,048,000 tons during the corresponding period of 1952. The output of finished rolled or forged iron and steel rose by

about six percent, from 668,000 tons to 628,000 tons. But during the same period the imports climbed from 480,000 tons to 620,000 tons. This rise was mainly due to the fact that foreign steelmills suddenly were able to catch up with large backlogs of orders. Imports are likely to take place at a more even rate in the future. Exports of rolled and forged iron and steel have, on the other hand, declined slightly to 91,000 tons up to September 1952 as compared with 99,000 tons for the same period of 1951.

From these figures, it can be seen that the supply of finished iron increased by as much as one-fourth during 1952. Importers' inventories increased somewhat, while monetary measures initiated by the government in the beginning of this year forced some iron and steel consumers to reduce their inventories. In view of the more plentiful supply of finished iron and steel, importers had to lower their prices slightly. Prices of imported iron and steel are still higher than Swedish mill prices, which went up in the spring of 1952 due to rising production costs. Increased competition has led to some reduction of backlogs, but these are still very large.

The improvement of the supply of iron and steel has also tended to increase consumption, especially in the building industry which usually accounts for about one-third of total iron and steel consumption.

The supply of labor has become plentiful enough for a sizable increase in the volume of construction. Tight credit restrictions and uncertainty about future economic conditions have held back industrial construction. In contrast, an increase in building permits, a rise in employment, and a reduction of the time of completion have jointly effected a sharp increase in both housing starts and completions. It is expected that housing production will be ten percent higher this year than last.

Output has also risen in the engineering industry, the largest consumer of iron and steel. The demand for engineering

products has, however, tended to decrease lately, and some slight reduction of backlogs has taken place in the mechanical and electrical equipment fields. The most important explanation of this development lies in sharper competition, especially from Western Germany, and in additional import restrictions imposed by many foreign countries. Backlogs in the shipbuilding industry have not changed noticeably. While a shortage of ship plate reduced output somewhat during 1951, no such difficulties are likely to hamper output this year. A similar improvement has taken place in the automotive industry where the previous shortage of sheet steel has been alleviated considerably. The demand for automobiles has been exceptionally favorable during 1952 despite the import duties and excise taxes that the government has imposed as an anti-inflationary device.