

Brussels, 10 July 2008

Soaring steel prices add to inflation worries

European steel producers seem determined to squeeze the European lemon, announcing additional massive price increases that further threaten the competitiveness of the European steel processing industry and the whole supply chain including metal transformation, machine building, shipbuilding and manufacturing of marine equipment, car suppliers and household producers, inevitably leading to higher prices.

With decisions by the European Commission on current anti-dumping proceedings still pending, Chinese and other independently traded exports into Europe have practically stopped, leaving the European steel producers to write their own blank cheques. Even with on-going contracts, price hikes have led European steel producers to put pressure on European consumer industries to pay extra. Adrian Harris, Secretary General of Orgalime, the European engineering industries association said *"The effect of these price increases, at a time of shortage of EU-sourced steel, will cascade through the supply chain, reducing Europe's competitive edge and leaving European industry and therefore consumers to foot the bill. This is an unacceptable strategy from the European steel producers who are using anti-dumping proceedings to achieve short term gains at the expense of the rest of manufacturers and of consumers in Europe"*.

Whilst steel demand in Europe has remained high, the steel producers' strategy to lodge anti-dumping proceeding to prevent imports from Chinese steel is already paying off. Indeed European steel producers have in practice already succeeded in disrupting normal steel trade flows by independent traders and practically stopped Chinese and other steel imports into Europe.

Added Harris: *"I said last October (07) when the anti-dumping proceedings looked imminent that it just does not make sense to hit the competitiveness of the EU's metalworking and mechanical engineering SMEs, which provides over 7 million jobs throughout the EU, to protect the interests of an industry, which, through its increasingly global development and lack of investment in new capacity in Europe, now only provides 250.000 jobs in a few European countries. For us matters are simple: our companies must have access to the supplies of steel they need at competitive market conditions. If our traditional suppliers in Europe can provide these, all the better. If not, we need to find alternatives for our companies to be able to continue manufacturing here or move production to other locations"*.

Despite the rise in global costs of iron ore, energy, transport and environmental obligations the price of European steel against the rest of the world seems unnaturally inflated. This must be a concern to policy makers at a time, when they are trying to bring inflation under control.

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Orgalime, the European Engineering Industries Association, speaks for 35 trade federations representing some 130,000 companies in the mechanical, electrical, electronic, metalworking & metal articles industries of 23 European countries. The industry employs some 10.9 million people in the EU and in 2007 accounted for some €1,813 billion of annual output. The industry not only represents more than one quarter of the output of manufactured products but also a third of the manufactured exports of the European Union.

www.orgalime.org