Abstract :

The outlook for the steel industry has weakened significantly, due to cyclical factors associated with sluggish global economic activity and industry-specific structural problems such as overcapacity. It appears that adjustment pressures are growing significantly and will have to be worked out in the coming years. There are many ways in which the industry can adjust, but one possible near-term scenario involves further price and profitability suppression, production declines resulting in low capacity utilization rates across the board, and possibly plant closures amongst the least efficient firms. There will be growing social and human costs associated with the current market downturn, and governments should prepare effective programmes to help steel workers, who are laid off in the process, adapt to these changes. Alternatively, government interventions may help the industry "muddle through" the crisis, but these would be expected to lead to more market distortions that would eventually create even more severe adjustment challenges in the longer term. A move by Tata Steel, the second largest steel producer in Europe, to end operations in Britain because of heavy losses is the latest in the growing list of the casualties of China's economic slowdown. Tata Steel has decided to sell or restructure its poorly performing UK steel business, giving up its nine-year fight to salvage the operations of the business it bought as part of the takeover of Corus at the height of the commodity price boom in 2007

Keywords:

Macroeconomic Factors, Steel Demand, Dumping, Excess Supply