

European steel industry in deep crisis

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The European steel industry is in deep crisis. Several major corporations have already announced thousands of layoffs due to overcapacity and shrinking markets. The whole industry in Europe is being completely reorganised.

Almost all steel companies in Europe are currently taking huge losses. The European steel industry has suffered from declining demand for more than two years. Demand for steel has dropped by almost 30 percent compared to the period before the outbreak of the world economic crisis in 2008.

The most recent figures make clear there is no likelihood this trend will be reversed. In the first half-year of 2013, the demand for steel in the EU declined by 5.7 percent. The US, which remains one of the most important markets for steel, experienced a decline of 5.6 percent. These figures were recently announced by Aditya Mittal, chief financial officer of the world's largest steel producer, ArcelorMittal.

Excess capacity has grown enormously in recent years due to the decline in demand. An Austrian industry magazine reported that steel companies currently receive returns less than the cost of production for rolled steel products. According to the OECD, the current production capacity within the EU exceeds demand by more than a third.

The decline in demand is mainly due to the sharp fall in activity on the part of two major steel customers—construction and the auto industry. This decrease is not merely a consequence of the economic crisis but results directly from the austerity policies of the European Union.

Order books for the construction industry in southern Europe are virtually empty. In past years, many orders came from the state and were financed from the public budget. The commitment to a strict austerity policy means that investments have dried up in many regions. The effects of the economic crisis on private

households are also clearly a factor, although precise figures are hard to find. Nevertheless, it is clear that far fewer families than previously are able to afford a new home.

The slump in household incomes has had an even more disastrous affect on the auto industry. The vehicle manufacturers' association, ACEA, announced that car sales in Europe last year were the lowest since 1995 and auto sales are expected to decline again this year: the first half of 2013 recorded a drop of 6.7 percent compared with the same period last year.

In light of these figures, the European steel industry is preparing for a massive restructuring programme linked to direct attacks on workers' jobs, wages and social benefits.

ArcelorMittal has already closed plants in Belgium, France and Spain. Now, closure threatens the steel production plant in Liège, Belgium, once one of the largest and oldest steel mills in Europe. In southern Italy, the Ilva plant in Taranto—the biggest in Europe—is also a candidate for closure.

Germany's two largest steel companies, ThyssenKrupp and Salzgitter, have also announced plans for mass redundancies. ThyssenKrupp currently employs about 150,000 workers worldwide but is suffering large losses with its subsidiary, Steel Americas, in addition to the slump in European demand.

ThyssenKrupp plans to sell off its two plants in Brazil and the United States, but it remains unclear whether a buyer can be found. As a result, the company announced its intention to axe 2,000 from its European workforce of 28,000. Another 1,800 could also be eliminated by divestiture procedures.

That's not all. In view of its huge losses, ThyssenKrupp needs new capital and is negotiating with a number of major investors, including the RAG Foundation. Last Wednesday, however, the state of

North Rhine-Westphalia, which has a controlling interests in RAG, turned down negotiations.

Now, the company faces a possible takeover, following which it could be broken up. One conceivable option is to outsource the most profitable parts of the group, such as elevators, construction and shipyards. The less profitable divisions would then face asset stripping and bankruptcy involving the loss of thousands of jobs.

The second largest German steel producer, Salzgitter, is already planning mass redundancies; 1,500 jobs are to be shed in the forthcoming period from the company's total workforce of 25,000. The company expects to make a pre-tax loss of €400 million for the current year. In addition to the general crisis in Europe, Salzgitter AG has a number of unprofitable subsidiaries with a notable slump in demand for pipeline contracts.

Workers in the steel industry must prepare for major struggles against the corporations that are working hand in hand with the trade unions to organise their restructuring operations and job cuts.



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