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THE WHITE HOUSE

WASHINGTON

December 3, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

L. WILLIAM SEIDMAN

FROM:

JIM CONNOR *JEF*

SUBJECT:

Steel Price Increase

Confirming telephone call to Roger Porter last evening, the President reviewed your memorandum of December 2 on the above subject and made the following decision:

Option 2: Await the final CWPS analysis of the Steel company cost justification figures and reassess at that time the appropriateness of any action.

In addition, the President made the following notation:

"Tell them to expedite."

Please follow-up with appropriate action.

cc: Dick Cheney

Telephoned discussion
to Roger Partw at
7:25 PM x 12/2

THE WHITE HOUSE
WASHINGTON

December 2, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN *LWS*
SUBJECT: Steel Price Increase

Introduction

On Wednesday, November 24, National Steel Corporation announced increases in the prices of sheet steel mill products of between 6 and 7 percent effective December 1, 1976. By November 29, all other major producers of these steel products had announced identical increases. Prices of these products were also raised by 6 to 7 percent on June 14, 1976. In addition, in August a smaller price increase for these products was announced effective October 1. However, before the effective date the producers cancelled the increase because of market conditions.

Interim Report on the December 1 Steel Price Increase

The staff of the Council on Wage and Price Stability has prepared an interim report on the December 1 steel price increase, focusing on demand conditions in the industry and showing a steady erosion since last spring reflected in steel worker layoffs and selected furnace shutdowns. The most recent figures available indicate that capacity utilization in the steel industry is currently below 75 percent.

The Council staff has requested the steel companies to provide them with cost data to use in evaluating whether the increases are cost justified. The cost data will not be available for inclusion in a final report on the price increase for 2 weeks or more.

The Council staff is sending the preliminary report to Council members today and is releasing the report to the press early this afternoon.

Discounted Pricing

There is some evidence that the steel companies are discounting their prices and that the price actually paid for steel is less than the list price. The list price increases may well be an

attempt by the steel companies to get a higher price on the books in anticipation of wage and price controls by the next Administration.

There is general agreement among your advisers on the need to find out what the real price is that purchasers are paying for steel products. In commenting on the interim report, Council members will ask the staff to attempt to determine what prices are actually being paid for steel products.

Positions of U.S. Steel and Steelworkers

The President of U.S. Steel recently publically indicated that U.S. Steel would not raise their prices again this year. However, U.S. Steel did join the other steel companies in the recent price increase justifying the change in their public position by saying that they had earlier made improper calculations. There is general agreement that the President of U.S. Steel would be in an extremely difficult position if he were to publically change his position once again.

Secretary Usery spoke with I.W. Abel who was surprised at the announced price increase since U.S. Steel had told them recently that there would be no further price increases in 1976. The steelworkers expect to comment publically on the increase shortly.

Relationship of Steel Price Increase and OPEC Action

There is general agreement in the EPB Executive Committee that OPEC's action on oil prices will probably not be affected significantly by whether the steel price increase remains in effect or is rolled back. Rather, your advisers feel that the steel price increase would be used by OPEC in a public justification of an oil price increase, but that even if steel prices were rolled back, OPEC would and could find several other reasons for justifying an oil price increase. In short, OPEC is likely to make a decision on pricing on factors other than the steel price increase. The steel price increase, however, might be used by OPEC in justification of an oil price increase if they decide to go ahead with an oil price increase.

Options

Option 1: Quietly seek a roll back in steel prices.

This option would entail quiet discussions with the steel companies by someone you designate aimed at securing a roll back in steel prices on the basis that the steel price increases strengthen the justification for an OPEC oil price increase.

There is general agreement among your advisers that a quiet effort to secure a rollback would become public rather quickly and has limited prospects for success.

Arthur Burns strongly opposes public visible Presidential jawboning on steel prices, but favors a quiet attempt to secure a roll back. Jim Cannon argues that you have done much over the past 2 1/2 years to keep down inflation and that failure to act now would convey the impression that you had lost enthusiasms for the fight against inflation. Alan Greenspan suggests that your successful efforts to reduce inflation have not been based on jawboning or securing price rollbacks, but on fundamental economic policies and that to seek a roll back would thus be unwise.

Option 2: Await the final CWPS analysis of the steel company cost justification figures and reassess at that time the appropriateness of any action.

Those who support this option see little prospect for success in securing a roll back through quiet efforts with the steel companies. They also feel that a highly visible Presidential effort to secure a roll back is inconsistent with your past policy, entails the serious risk of failure, and that the potential gains are far outweighed by the risks involved.

This option is supported by Treasury, Commerce, CEA, OMB and Labor.

Decision

Option 1 _____ Quietly seek a roll back in steel prices.

Supported by: Burns, Cannon

Option 2 RR7 Await the final CWPS analysis of the steel company cost justification figures and reassess at that time the appropriateness of any action.

Supported by: Treasury, Commerce, Labor,
CEA, OMB

Tell them to expedite.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON WAGE AND PRICE STABILITY
726 JACKSON PLACE, N.W.
WASHINGTON, D.C. 20506

TO THE MEMBERS AND ADVISER MEMBERS OF THE COUNCIL ON WAGE AND PRICE STABILITY

Between November 24 and November 29, 1976, the nine largest U.S. steel producers announced 6-7 percent increases in the list prices of sheet steel products, to become effective on December 1, 1976. These products are an important ingredient in such major consumer purchases as new automobiles and household appliances. The Council on Wage and Price Stability has requested data on prices, production, costs, profits and expected sales from these companies which will permit the staff to conduct a detailed analysis of these price increases and to issue a public report. The attached paper is intended to serve as a preliminary report based on the staff's analysis of currently available data and other information. We are circulating this to the Council members for your review and comment, and to seek your guidance as to what additional materials should be incorporated, and what revisions should be made, in the final document. Inasmuch as the lead time between the price increase announcements and the effective date was so short, we are simultaneously releasing this report to the public so that it will have before it as much objective information as is available at this time.

The attached preliminary report discusses the following points regarding the recent price increases:

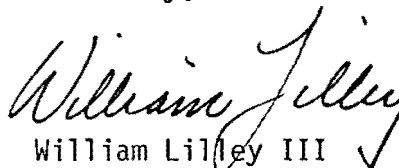
1. History of List Price Increases: When the recently announced price hikes are added to the 6-7 percent increases which were made effective last spring, these latest increases bring the total price rise for sheet steel products in 1976 to between 13 and 14 percent.
2. Demand Conditions: Demand for steel products shows an erosion since late spring of 1976, and this erosion is reflected in steelworker layoffs and selected furnace shutdowns. The most recent figures available indicate that capacity utilization in the steel industry is currently below 70 percent. Future demand for steel products is quite uncertain at present in view of the leveling off of automobile and appliance sales and weak construction and capital goods demand.
3. Costs: Data previously made available to the Council by steel producers indicate that the cost of production has risen by 74 percent since 1972, while price increases over a similar period totaled 66 percent.

4. Profits: Steel corporations' profits remain near their 1975 lows and appreciably beneath the average for all manufacturing. However, as in any capital intensive industry, profits in the steel industry are highly sensitive to the volume of production. Were the steel industry operating closer to full capacity, profits would be far more satisfactory.

Based on this information, the Council staff has some serious reservations about the announced list price increases. We are primarily concerned that the steel companies, in spite of relatively weak demand, are attempting to "jump the gun" in establishing higher list prices to protect themselves against possible future wage and price controls or other forms of government intervention in corporate pricing decisions. We worry that actions of this sort on the part of one major industry will trigger similar reactions in other segments of the economy which, collectively, could very well create an environment which would invite the very kind of government behavior that business seeks to avoid. It is precisely this potential "backfire" effect that concerns us.

This report was written by Richard Rosenberg, Senior Staff Economist, with research assistance from Christopher Roberts. Their work was done under the direction of Robert W. Crandall, Assistant Director for Wage and Price Monitoring, and Jack Meyer, Deputy Assistant Director for Wage and Price Monitoring.

Sincerely,

A handwritten signature in cursive script that reads "William Lilley III". The signature is written in dark ink and is positioned above the printed name.

William Lilley III
Acting Director

PRELIMINARY STAFF REPORT ON THE DECEMBER 1 STEEL PRICE INCREASE

Introduction

On Wednesday, November 24, National Steel Corporation announced increases in the prices of sheet steel mill products of between 6 and 7 percent to become effective on December 1, 1976. By November 29 all other major producers of these products had announced identical increases. Prices of these products had also been raised by 6 to 7 percent on June 14, 1976. In addition, in August a smaller increase in price for these products had been announced to become effective on October 1. However, before the October 1 effective date, the producers cancelled the increase because of market conditions.

The latest price increase for sheet products has occurred in the midst of a generally weak market for steel products. While raw steel production and steel mill product shipments were higher during the first nine months of 1976 than they were in 1975, the recovery has not achieved the levels forecast at the start of the year and has come to a halt in recent months. For example, at the start of 1976, industry spokesmen were generally predicting total shipments of about 96 million tons, far below the record shipments of 111 million tons shipped in 1973. Currently, shipments for 1976 are expected to reach only 90-92 million tons. Similarly, the rate of capability utilization in the production of raw steel rebounded from less than 75 percent in January 1976 to more than 90 percent in May, but then began to decline, falling to 80 percent in September and to less than 75 percent by mid-November.

Even sheet products for which demand had grown most rapidly earlier in the year, experienced a decline in shipments after the June 14 price increase. For example, by September sheet and strip product shipments had declined by more than 9 percent from their peak in June. Moreover, recent trends of shipments for autos and household appliances do not imply a rapid growth of production for these products which are major users of steel sheet products.

The Price Increase

On November 24, National Steel Corporation announced increases in the prices of sheet steel mill products to become effective on December 1, 1976. The increases are as follows:

<u>Product</u>	<u>Price November 24</u>	<u>Price December 1</u>	<u>Percent Increase</u>
Hot Rolled Bands	\$231.00	\$246.00	6.5
Hot Rolled Sheet and Strip	249.00	265.00	6.4
Cold Rolled Sheet	296.00	316.00	6.8
Galvanized Sheet	328.00	348.00	6.1

Extra charges were not increased.

After National Steel's announcement the other major steel producers all announced identical increases and in some cases also increased the prices of certain pipe and tube products.

Demand Conditions

Sheet and strip products comprise the largest single product group for the U. S. steel industry. Such products have traditionally accounted for from 40 to 45 percent of all steel mill product shipments. The largest user of these products is the automotive industry which received about 40 percent of total hot rolled sheet shipments, 47 percent of cold rolled sheet shipments and 18 percent of total galvanized sheet shipments in 1975. Another major user of sheet products is the appliance industry. In 1975 the appliance, utensil, and cutlery market received almost 9 percent of the shipments of cold rolled sheet.

During 1976 such traditional steel markets as construction, oil and gas drilling, and capital goods have remained considerably depressed with the result that shipments of steel mill products used by those industries have also remained depressed. In contrast, demand for automobiles and consumer appliances has been stronger with the result that shipments of steel sheet products (products which are used by those industries) have accounted for between 45 and 50 percent of total steel shipments during 1976 as compared to 38.5 percent in 1975. Tables 1 through 8 in the Appendix present recent data on production and shipments of steel mill products. As can be seen in Table I below, both total carbon steel shipments and shipments of sheet products peaked in May and June of this year. The surge in shipments during those months was, at least partially, an attempt by users to purchase in advance of their steel requirements in order to avoid the full impact of the price increases which were effective in mid-June. After the price increases, shipments declined sharply during the months of July, August, and September.

Recent events indicate that steel shipments, including sheet products, are currently rather weak. A number of producers have initiated production cutbacks and layoffs in recent months (see Table 9 in the Appendix). A price increase for sheet products, to have been made effective on October 1, was cancelled. Forecasts of total steel shipments for the fourth quarter of 1976 do not anticipate any substantial increase in shipments.

Moreover, auto and appliance sales are showing signs of weakness. In mid-October domestic new car sales were actually 5.3 percent below the corresponding 1975 period. This was due in large measure to the strike-caused shortage of Ford Motor cars, but other auto producers have announced temporary closings of various assembly plants. The most recent forecast of auto sales by Data Resources, Incorporated, for example, shows that automobile sales in 1977, assuming that there is a tax cut, will be 10.6 million units, or an increase over 1976 of only about 4 percent. Appliance sales, which were down 24 percent in 1975 compared to 1974, have increased by 5 percent during the first ten months of 1976. However, October 1976 shipments were actually 9 percent below the October 1975 level.

TABLE I

CARBON STEEL SHIPMENTS, 1976
(000 tons)

Month	Total Carbon Steel Shipments	Carbon Sheet and Strip Shipments	Percent of Total Shipments
January	6,528	3,092	47.4
February	6,131	2,990	48.8
March	7,417	3,739	50.4
April	7,026	3,503	49.9
May	7,419	3,777	50.9
June	7,682	3,834	49.9
July	6,779	3,387	50.0
August	6,755	3,529	52.2
September	6,831	3,483	51.0

Source: American Iron and Steel Institute

While shipments data indicate a relatively weak market for steel mill products, including sheet products, a number of producers state that new bookings and order backlogs have increased, implying that shipments will rise in the near future. Data on outstanding orders and order backlogs are publicly available only after a considerable delay. An attempt to obtain substantiating data from individual firms was made, but replies were not received in time for analysis and inclusion in this report. In any case, order backlog data for this industry are somewhat misleading because of the tendency of users occasionally to place orders in excess of needs and then later to cancel such orders.

Published information on new and unfilled orders, presented in Table II below and in Table 10 in the Appendix indicates that new orders peaked in May, before the June price increases and then declined by almost 30 percent by August. Similarly, unfilled orders peaked in June and then declined by 9 percent by September. Unfortunately, such data are not yet available for November; hence the statements concerning the current inflow of new orders cannot be assessed.

Information on inventories also supports the view that steel markets are weak since producing mills total inventories have increased from 16.4 million tons in January 1976 to 18.9 million tons in September. Consumer

inventories (manufacturers only) declined earlier in the year, but began to increase slowly in June and July. Table III presents the recent trends of inventories and Table II in the Appendix presents similar data for a longer period.

A revival of imports from their low level in 1975 has also served to weaken the domestic demand for steel products from U. S. producers (see Table 12 in the Appendix). Although imports are not concentrated on sheet and strip products, their increased share of some products and for certain geographic markets has become important enough to lead U. S. producers to seek redress through the International Trade Commission.^{a/} Net imports for the first eight months of 1976 were eleven percent higher than their total for the same period in 1975.

Implicit prices for imported cold rolled sheet, shown in Table 13 of the Appendix, increased 103 percent from January 1972 through September 1976, compared with an increase of 55 percent in list base prices for domestic cold rolled sheet. These implicit delivered prices represent approximately a two to three month lag from the date the steel was ordered by a customer, and include the charges for various extras. Import prices, which to a certain extent represent the value of incremental supplies of steel sold in the U. S. market, tend to reflect the level of demand for steel. During late 1974 and early 1975 import prices were in the range of \$300-\$322 per ton as steel ordered during the extremely tight 1974 market was delivered. The base price (excluding extras) for domestic cold rolled sheet was \$260 per ton during this period. Import prices dropped during the remainder of 1975 and reached a level of \$220/ton in March 1976, a drop of 31.7 percent, while domestic list base prices moved up to \$278/ton. As demand has recovered from the recession, low, import prices have increased although they are still below the 1974-1975 record levels. The most recent data available shows implicit import prices (including extras) at \$272/ton, compared to a base price of \$296/ton for the domestically produced product.

Recent Behavior of Prices

In June 1976, the price of hot rolled bands was raised by \$15 per ton or 6.9 percent; the price of hot rolled sheets was raised by \$15 per ton or 6.4 percent, the price of cold rolled sheets was increased by \$18 per ton or 6.5 percent, and the price of galvanized sheets was raised by \$20 per ton or 6.5 percent. At that time, certain extra charges for sheet products were also increased. Thus, the additional increases scheduled for December 1 as detailed above, when added to the June 14 increases, amount to 13.9 percent for hot rolled bands, 13.2 percent for hot rolled sheet, 13.7 percent for cold rolled sheet, and 13.9 percent for galvanized sheet. These calculations do not include the impact of increased extra charges made effective along with the June increase.

^{a/} See Table 12A in the Appendix.

TABLE II

STEEL MILL PRODUCTS: NEW AND UNFILLED ORDERS, 1976
(millions of dollars)

Month	Manufacturers' New Orders	Manufacturers' Unfilled Orders
January	3,770	9,463
February	3,434	9,362
March	3,830	9,455
April	3,634	9,418
May	4,985	10,476
June	4,305	10,687
July	3,944	10,647
August	3,511	10,327
September	3,644	10,029

Source: U. S. Bureau of the Census, Current Industrial Reports

TABLE III

INVENTORIES OF STEEL MILL SHAPES, 1976
(millions of tons)

Month	Producing Mills	Service Centers	Consumers (manufacturers only)
January	16.4	6.5	10.6
February	16.9	6.5	10.4
March	16.6	6.5	10.4
April	17.2	6.5	10.0
May	17.9	6.4	10.0
June	18.0	6.4	10.1
July	18.7	6.7	10.2
August	19.1	6.5	10.3
September	18.9	N.A.	10.2

N.A. = Not available.

Source: U. S. Bureau of the Census, Current Industrial Reports

A comparison of the rates of change of sheet steel prices with other steel mill product prices and with other broad indexes of commodity prices, as reported by the Bureau of Labor Statistics in the Wholesale Price Index, is presented in Tables IV and V below.^{a/} It can be seen in Table IV that from January 1972 to October 1976 (which does not include the December 1 price increase) the overall index for all commodities increased by 59.2 percent, the average of all industrial prices increased by 60.7 percent, and steel mill product prices rose by 66.3 percent. Thus, steel mill product prices rose by more during this period than did the average of all commodities or all industrial commodities. Furthermore, even before taking account of the December 1 increase, the prices of cold rolled sheets and of galvanized sheets rose by more than the average of all finished steel mill products. In contrast, the price of hot rolled sheets has risen by less than the average of all steel mill products.

Steel mill product prices and steel sheet prices rose by considerably less than the price index for all crude materials, excluding food. However, it must be remembered that the crude materials index was influenced strongly by the atypical movement of petroleum, coal, and other energy prices.

TABLE IV
CHANGE IN WHOLESALE PRICE INDEX ITEMS, JANUARY 1972 - OCTOBER 1976

Index	Jan 1972	October 1976	% change Oct '76 Jan '72
All Commodities	116.3	185.2	59.2
Crude Materials, excluding food	125.6	261.5	108.2
Industrial Commodities	115.9	186.3	60.7
Finished Steel Prod	129.5	215.3	66.3
Rails Standard, Carbon	131.7	238.7	81.2
Structural Shapes	121.4	209.1	72.2
Bars Reinforcing	117.6	190.0	61.6
Sheets, HR Carbon	126.8	201.4	58.8
Sheets, CR Carbon	124.1	209.1	68.5
Sheets, Galvanized Carbon	122.1	207.1	69.6
Pipe, Black Carbon	132.5	223.2	68.5
Oil Well Casing	128.4	226.0	76.0
Mechanical Tubing	115.5	183.9	59.2

Source: Bureau of Labor Statistics

^{a/} Tables 14 through 20 in the Appendix exhibit the WPI items discussed in this section.

TABLE V
ANNUAL PERCENTAGE PRICE CHANGES $\left(\frac{\text{Dec}}{\text{Dec}} - 1\right) \times 100$

Wholesale Price Index	(WPI Code No.)	1972	1973	1974	1975	1976*
All Commodities		6.3	15.2	21.1	4.2	3.6
Crude Materials, excluding food		10.9	31.4	23.0	4.5	13.1
Industrial Commodities		3.4	10.7	25.6	6.0	5.8
Finished Steel Products	(101302)	1.7	4.0	41.8	5.0	6.8
Rails Standard, Carbon	(10130241)	0.0	4.3	41.8	14.1	7.4
Structural Shapes, Wide Flange	(10130239)	0.0	4.5	38.5	11.2	7.0
Bars, Reinforcing	(10130255)	-5.3	11.5	76.5	-16.0	0.5
Sheets, Hot rolled carbon, Coil	(10130259)	4.8	2.5	40.9	3.9	5.8
Sheets, Cold rolled carbon	(10130262)	5.5	2.2	38.2	3.7	6.1
Sheets, Galvanized carbon	(10130263)	4.5	2.3	48.2	6.6	5.0
Pipe, Black Carbon	(10130269)	0.0	4.0	43.0	6.6	6.3
Oil Well Casing, Carbon	(10130273)	0.0	4.0	44.9	12.4	4.0
Mechanical Tubing	(10130276)	5.0	5.9	36.8	0.9	3.7

*Change from December 1975 to October 1976.

SOURCE: Bureau of Labor Statistics

Table V shows the annual percentage price changes in the various aggregate groupings as well as for a number of steel mill products. The data reveal that although the prices of steel mill products rose over the entire period by an amount similar to the entire WPI, the yearly pattern was quite different. During 1972 and 1973 steel prices lagged behind the broad groupings. They then rose at almost double the rate of the WPI in 1974 with the ending of price controls. During 1975 and the first 10 months of 1976, steel prices continued to rise more rapidly than the overall WPI.

Within steel mill products, sheet prices rose faster than the average in 1972, more slowly in 1973, at about the same rate in 1974 (except galvanized sheet which rose faster than the average). Sheet prices continued to rise, but less rapidly than the average in 1975 (except galvanized sheet) and have risen less rapidly than the average mill product during the first ten months of 1976. It is interesting to note that the price of reinforcing bars, generally recognized as the most competitive of steel mill products because of imports and "mini-mills", exhibited much greater sensitivity to swings in demand, but rose by roughly the same magnitude as other mill product prices over the entire period.

Costs of Production

Product prices in a competitive market system are expected to respond to both demand and supply factors. The previous sections have delineated the current state of demand for flat rolled steel products. Supply forces in a competitive market are reflections of underlying costs of production. It is entirely possible that even under perfectly competitive market conditions a situation could arise in which a fall in demand could be accompanied by a rise in the costs of production sufficient to contract the industry supply to such an extent that the price would rise.

The likelihood of price increases in response to cost pressures, despite weak demand, would be considerably higher in an oligopolistic industry in which firms follow a cost-plus or target-pricing philosophy and avoid price discounting. This might explain the emphasis given to cost changes in public announcements of steel firms' pricing decisions.

In a highly capital intensive industry such as steel, cost per unit of output is influenced strongly by the level of capacity utilization and therefore meaningful time series data on changes in costs of production must exclude the effects of variation in utilization. Another complication arises because of the vertical integration into raw materials production which characterizes all the leading U. S. steel producers. Differences in internal accounting procedures in measuring the cost of self-produced raw materials (whether by actual cost incurred or by some transfer price) make the comparison or averaging of cost data obtained from the producers a somewhat arbitrary process.

With the above caveats in mind, Table VI below presents estimated data on the average costs of production of all mill products based on confidential information submitted to the Council by four large steel producers.

As can be seen in Table VI, costs of production for steel mill products are estimated to have increased by 74.1 percent from the first quarter of 1972 through the second quarter of 1976. However, it must be remembered that this estimate is not consistently adjusted for the effect of output variation, and is partially based upon calculation of raw materials costs valued at "market" prices rather than upon actual incurred costs of production. These problems probably result in an overstatement of actual rise in incurred costs of production. Despite this bias in the basic data, the cost index shows a rise of 74.1 percent from the first quarter of 1972 through the second quarter of 1976 as compared to the 66.3 percent rise of finished steel prices from January 1972 through October 1976. Moreover, the WPI index does not completely reflect the increases of "extra charges" which have been instituted on various mill products. It is also clear from Table VI that the most rapid increases in costs occurred between the fourth quarter of 1973 and the first quarter of 1975. Over the last six quarters the index of steel costs has increased by less than 8 percent, less than the increases in the prices of steel sheet products.

TABLE VI

COSTS OF PRODUCTION PER TON OF MILL PRODUCTS
(Weighted Average of four producers, 1972,
first quarter = 100)

Quarter	Index of Cost
1972:1	100.0
2	101.6
3	103.1
4	103.9
1973:1	106.5
2	107.5
3	110.0
4	113.2
1974:1	123.0
2	136.7
3	146.7
4	153.4
1975:1	161.4
2	163.4
3	168.1
4	167.7
1976:1	171.4
2	174.1

SOURCE: Confidential Company Reports.

Steel production costs have continued to rise since the end of the second quarter of 1976. In accordance with the terms of a labor contract, steel workers' wages were increased on August 1. Based on partial reports of the impact of the higher labor cost, the cost index in Table VI may have reached 177.2 for the third quarter of 1976. Excluding the increases in extra charges, the base price of cold rolled sheets will be at an index level of 165.4 (January 1972 = 100) after the December increase, hot rolled sheets at 166.7, and galvanized sheets at 174.0.

Profitability

Due to the cyclical nature of the demand for steel and the relative magnitude of fixed costs, the profitability of steel production is subject to wide variation in response to the business cycle. As indicated in the previous section, steel production costs per ton rise sharply as volume decreases because there are fewer units of output to absorb the fixed cost elements. Similarly, profits fall even more sharply as volume and revenues decrease. Table VII below shows the changes in net income, the income to sales ratio, and the rate of return on stockholders' equity for all manufacturing and for the entire iron and steel industry during the period from 1972 through the second quarter of 1976. All the data in Table VII are index numbers based on the first quarter of 1972.

By second quarter of 1974, when the industry was operating at or close to full capacity, iron and steel industry net income was five times as large as it was in the first quarter of 1972, whereas net income had only doubled for all manufacturing. The ratio of net income to sales had tripled and the ratio of net income to stockholders' equity had increased by 4.7 times whereas these ratios had increased by 50 percent and 75 percent respectively for all manufacturing. By the second quarter of 1976, although profitability for the iron and steel industry was considerably below the peak levels of 1974, net income was 3.8 times higher, net income as a percent of sales was double and net income as a percent rate of return on stockholders' equity was 2.8 times higher than it was in the first quarter of 1972.

The actual levels of net income as a percentage of sales and as a percentage of stockholders' equity for both all manufacturing and for the iron and steel industry are detailed in Table VIII. In recent years, the U. S. iron and steel industry has generally exhibited rates of return below the average for all manufacturing. This was certainly true in 1972 and also occurs in the latter part of 1975 and the first half of 1976. However, during the last three quarters of 1974 and in the first quarter of 1975, the rate of return on stockholders' equity was higher for iron and steel than it was for all manufacturing. Indeed, during that period the ratio of net income to sales was also higher for iron and steel. The experience in 1974 and 1975 supports the view that the profit performance of the steel industry is crucially dependent upon the state of the economy and the level of capacity utilization which can be sustained by market demand. The relationship of prices to costs is obviously also crucial to the financial viability of steel producers; however, neither the price and cost data examined above, nor the net income to sales ratios in Table III indicate any significant deterioration of the price-cost relationship.

TABLE VII

TOTAL IRON AND STEEL INDUSTRY VS. ALL MANUFACTURING: CHANGE IN NET INCOME
NET INCOME/SALES, AND NET INCOME/STOCKHOLDERS' EQUITY
(annual rates) IQ/72 = 100

Yr./Qtr	Net Income		NI/Sales		NI/SE	
	All Manufacturing	Iron&Steel	All Manufacturing	Iron&Steel	All Manufacturing	Iron&Steel
*72:1	100.0	100.0	100.0	100.0	100.0	100.0
2	121.5	188.2	112.5	160.9	118.9	187.5
3	111.4	123.1	105.0	108.7	106.3	122.5
4	127.8	193.5	110.0	160.9	121.1	190.0
73:1	132.9	198.8	112.5	152.2	122.1	195.0
2	164.6	271.0	127.5	191.3	147.4	260.0
3	146.8	243.2	115.0	173.9	129.5	232.5
4 a/	167.1	289.0	140.0	204.3	150.5	277.5
*74:1	170.9	289.3	140.0	204.3	150.5	280.0
2	206.3	500.0	150.0	295.7	175.8	470.0
3	196.2	591.7	142.5	330.4	162.1	530.0
4	169.6	482.2	120.0	269.6	138.9	417.5
*75:1	117.7	437.9	92.5	269.6	94.7	367.5
2	157.0	307.7	117.5	204.3	124.2	255.0
3	167.1	265.7	122.5	178.3	130.5	217.5
4	179.7	313.6	127.5	208.7	137.9	250.0
76:1	187.3	266.9	130.0	165.2	140.0	202.5
2	227.8	381.7	147.5	208.7	165.3	282.5

*During the first quarter of 1973, 1975, and 1976 a considerable number of the companies in the Iron and Steel group were reclassified; to provide comparability, the data for 1972, 1974, and 1975 have been restated to reflect these reclassifications.

SOURCE: FTC Financial Quarterly Reports, various issues.

a/ Between the third and fourth quarters of 1973, FTC changed its accounting methods.

TABLE VIII

TOTAL IRON AND STEEL VS. ALL MANUFACTURING:
NET INCOME/SALES AND NET INCOME/STOCKHOLDERS' EQUITY
(annual rates)

Yr./Qtr.	Net Income/Sales		Net Income/Stockholders' Equity	
	All Manufacturing	Iron&Steel	All Manufacturing	Iron&Steel
*72:1	4.0	2.3	9.5	4.0
2	4.5	3.7	11.3	7.5
3	4.2	2.5	10.1	4.9
4	4.4	3.7	11.5	7.6
73:1	4.5	3.5	11.6	7.8
2	5.1	4.4	14.0	10.4
3	4.6	4.0	12.3	9.3
4 a/	5.6	4.7	14.3	11.1
*74:1	5.6	4.7	14.3	11.2
2	6.0	6.8	16.7	18.8
3	5.7	7.6	15.4	21.2
4	4.8	6.2	13.2	16.7
*75:1	3.7	6.2	9.0	14.7
2	4.7	4.7	11.8	10.2
3	4.9	4.1	12.4	8.7
4	5.1	4.8	13.1	10.0
76:1	5.2	3.8	13.3	8.1
2	5.9	4.8	15.7	11.3

*During the first quarter of 1973, 1975, and 1976 a considerable number of the companies in the Iron and Steel group were reclassified; to provide comparability, the data for 1972, 1974, and 1975 have been restated to reflect these reclassifications.

SOURCE: Economic Report of the President, 1976; Federal Trade Commission, Quarterly Financial Reports, various issues.

a/ FTC changed its accounting methods in the fourth quarter, 1973.

Over the long-run prices, costs, and volume must be at levels sufficient to allow steel producers (or any other firms) to cover all costs of production including an adequate return to capital adjusted for risk. If steel producers were unable to attain such returns they would presumably be unwilling or unable to invest additional capital in steel production for replacement or expansion purposes. The data examined in this report suggest that, at the current price-cost relationship, steel profits could be sufficient to ensure a financially viable and growing steel industry if demand recovered enough so that producers could operate at full capacity.

Given the continued sluggishness of the recovery in steel demand and the attendant excess capacity, it is to be expected that profit performance will be unsatisfactory. Attempts to improve profitability by raising prices under the assumption that the total market demand for steel is price inelastic will not only worsen the economic inefficiency of idle capacity and unemployed labor, but may erode the competitive advantage of American steel producers vis a vis foreign producers. This recently attained advantage, stemming from modernization and improved efficiency of domestic producers along with realigned exchange rates and an advantageous raw materials position, had placed U. S. producers in an enviable position with respect to future growth of steel markets.

Summary

The slower than expected rate of recovery of the U. S. economy, especially in the capital goods and construction sectors, has had a depressing effect on the recovery of steel demand, production and shipments. Increased sales of autos and appliances earlier in 1976, aided by hedge buying in anticipation of a June price increase, served to expand the demand for steel sheet products at a faster pace than steel demand in general. In recent months the demand for sheet products has fallen from the levels attained in May and June. Raw steel production is currently at rates below 75 percent of capacity, and a number of production cutbacks and layoffs have occurred. Shipments of all steel products for 1976 are likely to be disappointingly low at only 90-92 million tons.

Despite the weakness of steel markets, costs of production have continued to increase, albeit at a slower rate than in recent years. These increases arise from higher labor costs and from the rise in per unit fixed costs due to the decline in volume. Other important inputs such as scrap and metallurgical coal have exhibited constant or declining prices.

This combination of circumstances has had its expected effect -- declining profitability for steel producers. Indeed some producers indicate that if self-produced raw materials are evaluated at "market price" rather than actual costs of production, steel making itself is unprofitable.

In our view there is some probability that this price increase will not be completely effective; this view is based on our assessment that market conditions have weakened even further from the conditions that led to the cancellation of the October 1 price increase. This assessment might be subject to revision as more current information becomes available.

APPENDIX

TABLE 1

U.S. MONTHLY RAW STEEL PRODUCTION
(Thousands of Net Tons) (All Grades; Carbon, Alloy, and Stainless)

	1972	1973	1974	1975	1976
January	10,001	12,373	12,726	11,584	9,835
February	9,980	11,626	11,598	10,862	9,907
March	11,588	13,088	12,758	11,980	11,294
April	11,588	12,788	12,442	10,667	11,439
May	11,936	13,174	12,752	9,864	12,136
June	10,980	12,488	12,185	8,744	11,605
July	10,341	12,290	12,155	8,371	11,400
August	10,842	12,182	11,837	8,648	11,128
September	10,913	12,229	11,849	9,295	10,463
October	11,657	12,876	12,617	9,214	10,283 ^{1/}
November	11,398	12,586	11,614	8,709	9,506 ^{1/}
December	11,878	12,722	10,960	8,846	
Total*	133,241	150,799	145,720	116,642	
Monthly Avg.	11,103	12,567	12,143	9,732	

SOURCE: American Iron and Steel Institute, AIS-7

*Revised totals include adjustments not shown in monthly figures.

^{1/} Estimated by CWPS from AISI weekly data.

TABLE 2
STEEL
RATE OF CAPABILITY UTILIZATION*

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1976	74.4%	80.1%	85.4%	88.4%	90.8	89.7	84.8	82.8	80.4	75.7 _{1/}	67.9 _{2/}	

Source: American Iron and Steel Institute, AIS-7

Note: Rate begins January 1976.

*Based on tonnage capability to produce raw steel for a full order book based on the current availability of raw materials, fuels and supplies and of the industry's coke, iron, steelmaking, rolling and finishing facilities, recognizing current environmental and safety requirements.

1/ For the week ending October 30

2/ For the week ending November 27, due to the Thanksgiving holiday this figure may be lower than would occur in a non-holiday week. For the week ending November 20, the rate of capability utilization was 72.0 percent.

TABLE 3

SHIPMENTS OF STEEL MILL PRODUCTS (CARBON STEEL)

TOTAL SHIPMENTS
Net Tons

	1972	1973	1974	1975	1976
January	6,018,092	8,308,098	8,843,022	7,404,565	6,528,079
February	6,023,030	7,862,728	7,842,420	6,162,038	6,130,965
March	7,122,702	8,924,810	9,259,597	6,337,431	7,417,341
April	6,863,539	8,307,714	8,683,840	6,121,497	7,025,750
May	7,361,821	9,101,307	9,021,445	5,619,444	7,419,235
June	7,224,839	8,748,647	8,305,412	5,449,940	7,682,087
July	6,242,510	7,903,601	7,896,418	5,111,938	6,779,132
August	7,096,387	8,500,553	8,125,153	5,609,312	6,755,485
September	7,195,365	8,025,928	7,642,626	6,830,682	6,830,551
October	7,496,041	8,923,531	8,346,986	5,660,014	
November	7,318,892	8,525,299	7,500,931	5,063,774	
December	7,314,161	7,793,039	6,533,868	5,377,567	
Monthly Average*	6,931,102	8,410,365	8,162,315	5,896,989	
Annual Total*	83,173,220	100,924,387	97,947,777	70,763,865	

SOURCE: American Iron and Steel Institute

*NOTE: Includes revisions for previous months.

TABLE 4

PRODUCT PERCENTAGE OF TOTAL STEEL SHIPMENTS

$$\frac{\text{Annual Total Product (carbon)}}{\text{Annual Total All Shipments (carbon)}} \times 100$$

Product	1972	1973	1974	1975	1976 ^{1/}
Structural Shapes (heavy)	5.7	5.8	5.9	5.8	4.2
Rails - Standard (over 60 lbs.)	1.1	0.9	0.9	1.7	1.6
Bars - Reinforcing	5.4	5.1	5.2	5.2	4.7
Standard Pipe	2.9	2.9	3.0	2.9	2.2
Oil country goods	1.1	1.3	1.7	2.7	1.5
Line pipe	1.6	1.6	2.1	2.1	1.0
Mechanical Tubing	1.0	1.1	1.0	1.1	1.0
Pressure Tubing	0.2	0.2	0.3	0.4	.2
Total Pipe and Tubing*	(7.4)	(7.7)	(8.4)	(9.6)	(6.3)
Sheets - Hot rolled	16.4	16.1	15.4	15.2	18.1
Sheets - Cold rolled	19.0	19.8	18.1	17.8	22.0
Sheets & Strip - Galvanized (hot dipped)	6.2	6.5	5.9	5.0	6.2
Strip - Hot rolled	1.8	1.7	1.3	1.3	1.4
Strip - Cold rolled	1.1	1.2	1.2	0.9	1.0
Total Sheets and Strip*	(45.9)	(46.6)	(43.5)	(41.3)	(50.2)
Total Shipments	100.0	100.0	100.0	100.0	100.0
Other	36.5	35.8	38.0	37.9	

SOURCE: American Iron and Steel Institute

*NOTE: Subtotals are omitted to avoid double counting when computing total.

NOTE: Annual Totals include revisions for previous months.

^{1/} First nine months only.

TABLE 5

SHIPMENTS OF STEEL MILL PRODUCTS (CARBON STEEL)

SHEETS-COLD ROLLED
Net Tons

	1972	1973	1974	1975	1976
January	1,435,129	1,728,983	1,658,752	1,165,928	1,439,701
February	1,168,111	1,575,909	1,374,888	866,225	1,376,946
March	1,299,080	1,845,420	1,709,785	805,452	1,667,618
April	1,308,291	1,708,373	1,578,637	991,502	1,557,951
May	1,412,221	1,869,814	1,557,658	932,951	1,661,562
June	1,332,069	1,758,590	1,465,210	971,739	1,604,709
July	1,120,218	1,486,360	1,446,154	896,030	1,460,339
August	1,280,295	1,640,335	1,518,318	1,121,845	1,529,407
September	1,336,173	1,567,233	1,397,807	1,543,710	1,464,969
October	1,446,955	1,691,622	1,562,246	1,120,198	
November	1,395,451	1,642,346	1,377,111	1,056,138	
December	1,284,329	1,419,507	1,086,645	1,095,543	
Monthly Average*	1,318,603	1,661,207	1,478,269	1,047,272	
Annual Total*	15,823,234	19,934,489	17,739,233	12,567,266	

SOURCE: American Iron and Steel Institute

*NOTE: Includes revisions for previous months.

TABLE 6

SHIPMENTS OF STEEL MILL PRODUCTS (CARBON STEEL)

SHEETS - HOT ROLLED
Net Tons

	1972	1973	1974	1975	1976
January	954,028	1,416,928	1,441,087	1,138,827	1,030,242
February	1,005,931	1,289,268	1,230,427	896,482	1,023,933
March	1,130,022	1,519,343	1,465,903	952,754	1,319,285
April	1,118,254	1,348,407	1,285,095	861,803	1,243,938
May	1,158,593	1,403,609	1,401,684	800,724	1,365,708
June	1,138,191	1,384,264	1,269,020	817,485	1,444,513
July	1,062,526	1,270,280	1,203,131	723,108	1,260,565
August	1,178,826	1,326,631	1,267,355	870,405	1,309,748
September	1,239,670	1,229,818	1,133,949	1,163,819	1,301,256
October	1,269,244	1,423,502	1,224,260	895,775	
November	1,275,575	1,380,125	1,122,507	787,658	
December	1,209,199	1,241,346	1,050,942	890,176	
Monthly Average*	1,137,975	1,354,299	1,257,947	897,965	
Annual Total*	13,655,701	16,251,586	15,095,359	10,775,585	

SOURCE: American Iron and Steel Institute

*NOTE: Includes revisions for previous months.

TABLE 7

SHIPMENTS OF STEEL MILL PRODUCTS (CARBON STEEL)

SHEETS AND STRIP-GALVANIZED (hot dipped)

Net Tons

	1972	1973	1974	1975	1976
January	338,564	493,909	493,806	392,931	361,155
February	369,700	466,983	420,630	311,326	343,381
March	446,215	604,927	561,171	278,659	458,192
April	427,990	554,201	519,180	240,385	430,348
May	457,075	611,533	544,573	213,332	474,912
June	454,557	615,622	492,818	244,983	490,817
July	412,560	528,543	456,936	244,822	420,854
August	474,703	571,173	483,662	300,485	429,368
September	462,752	525,208	461,935	417,067	437,797
October	475,062	582,812	467,632	305,445	
November	457,009	513,465	461,894	278,731	
December	403,625	442,787	363,537	306,399	
Monthly Average*	432,567	542,594	480,527	294,608	
Annual Total*	5,190,800	6,511,130	5,766,324	3,535,293	

SOURCE: American Iron and Steel Institute

*NOTE: Includes revisions for previous months.

TABLE 8

SHIPMENTS OF STEEL PRODUCTS BY MARKET CLASSIFICATIONS: ALL GRADES INCLUDING CARBON, ALLOY AND STAINLESS

In Thousands of Net Tons and Percent

	<u>Steel Service Center and Distributors</u>		<u>Construction and Contractors</u>		<u>Automotive</u>		<u>Rail Transportation</u>		<u>Machinery, Industrial Equipment</u>		<u>Containers, Packaging and Shipping Materials</u>	
	<u>Net Total</u>	<u>Percent of</u>	<u>Net Total</u>	<u>Percent of</u>	<u>Net Total</u>	<u>Percent of</u>	<u>Net Total</u>	<u>Percent of</u>	<u>Net Total</u>	<u>Percent of</u>	<u>Net Total</u>	<u>Percent of</u>
	<u>Steel Prod.</u>	<u>Total Shipment</u>	<u>Steel Prod.</u>	<u>Total Ship.</u>	<u>Steel Prod.</u>	<u>Total Ship.</u>	<u>Steel Prod.</u>	<u>Total Ship.</u>	<u>Steel Prod.</u>	<u>Total Ship.</u>	<u>Steel Prod.</u>	<u>Total Shipping</u>
1972												
1	4,022	19.0	3,163	14.9	4,481	21.2	730	3.4	1,202	5.7	1,533	7.2
2	4,807	20.3	3,741	15.8	4,641	19.6	682	2.9	1,377	5.8	1,876	7.9
3	4,619	20.4	3,698	16.4	4,302	19.0	592	2.6	1,314	5.8	1,696	7.5
4	5,140	21.0	3,742	15.3	4,819	19.7	728	3.0	1,514	6.2	1,511	6.2
1973												
1	5,322	19.2	4,014	14.5	6,129	22.2	771	2.8	1,607	5.8	2,186	7.9
2	5,842	20.3	4,701	16.3	6,153	21.3	842	2.9	1,628	5.6	1,870	6.5
3	5,580	20.6	4,568	16.9	5,611	20.8	775	2.9	1,507	5.7	1,903	7.0
4	5,961	21.3	4,581	16.4	5,361	19.1	841	3.0	1,609	5.7	1,852	6.6
1974												
1	6,145	21.4	4,764	16.6	4,681	16.3	903	3.1	1,741	6.0	2,230	7.7
2	6,206	21.4	5,018	17.3	4,502	15.5	876	3.0	1,704	5.9	2,175	7.5
3	5,534	20.9	4,593	17.3	4,886	18.4	787	3.0	1,502	5.7	1,990	7.5
4	5,314	21.1	4,131	16.4	4,854	19.3	851	3.4	1,494	5.9	1,822	7.3
1975												
1	4,873	21.5	3,873	16.7	3,045	13.5	969	4.3	1,649	7.3	1,814	8.0
2	3,711	19.0	3,289	16.9	3,776	19.3	778	4.0	1,345	6.9	1,313	6.7
3	3,440	17.5	3,094	15.7	4,686	23.8	686	3.5	1,083	5.5	1,490	7.6
4	3,615	19.9	2,591	14.3	3,692	20.3	718	4.0	1,089	6.0	1,436	7.9
1976												
1	3,569	16.1	2,772	12.5	5,450	24.5	728	3.3	1,283	5.8	1,974	8.9
2	4,199	17.1	3,359	13.7	5,684	23.2	743	3.0	1,357	5.5	1,836	7.5
3	3,792	16.7	3,216	14.2	5,337	23.6	732	3.2	1,306	5.8	1,676	7.4
4												

Source: American Iron and Steel Institute

TABLE 9

LAYOFFS AND CLOSINGS IN THE STEEL INDUSTRY
August-November, 1976

<u>FIRM</u>	<u>DATE</u>	<u>ACTION</u>
U.S. STEEL	8/23/76	U.S. Steel lays off 400 to 500 employees in Ohio in order to cut inventories. <u>1/</u>
KAISER STEEL	9/14/76	Kaiser Steel idling 400 mill workers due to poor demand. <u>1/</u>
U.S. STEEL CORP., BETHLEHEM STEEL CORP., AND J&L	9/15/76	U.S. Steel trims work force at its Gary, Ind. works in order to reduce inventories. Bethlehem lays off 150 workers at Sparrows Point "due to slow business conditions." J&L plans to close sinter plant at its Cleveland works and lay off 50 workers. J&L decision to close plant based "solely on economic factors." <u>1/</u>
U.S. STEEL CORP. AND REPUBLIC STEEL CORP.	10/14/76	U.S. Steel Corp. closed down the bar and structural operations of its Gary (Ind.) works for a week beginning October 1, 1976 and is operating some departments of its South Works on a four-day week in a further effort to reduce inventory. Shut-down brings total out of work employees to about 1,700 workers at Gary. Republic Steel Corp laid off last month about 200 to 400 of its approximately 5,700 employees in Chicago. <u>2/</u>
REPUBLIC STEEL CORP.	10/14/76	Republic Steel Corp. said there were between 200 and 400 people laid off a couple of weeks ago, now there are only 150 layoffs in effect. <u>2/</u>
NORTHWESTERN STEEL & WIRE CO.	10/26/76	Northwestern Steel & Wire Co. will shut down its structural mill for two weeks in order to reduce inventory and offset the slack demand for heavy steel products. <u>2/</u>
YOUNGSTOWN SHEET & TUBE CO.	10/28/76	Youngstown shut down one of its blast furnaces and now has only two of the four furnaces in Indiana Harbor, Ind. working. One is down for relining. <u>2/</u>

TABLE 9 (Cont'd)

<u>FIRM</u>	<u>DATE</u>	<u>ACTION</u>
REPUBLIC STEEL CORP., U.S. STEEL CORP. AND COPPERWELD STEEL	11/4/76	Republic Steel Corp., U.S. Steel Corp., and Copperweld Steel Corp. were not operating all their furnaces in the Youngstown, Ohio area
BETHLEHEM AND STEEL CORP. AND ARMCO STEEL CORP.	11/10/76	Bethlehem reported additional closings of certain steelmaking operations as well as employee layoffs at its Sparrows Point, Md., and Lackawanna, N.Y. plants. Layoffs and shutdowns stem from "a lack of orders and low volume levels." A total of 1,600 Armco workers have been on formal layoffs for more than a month. <u>2/</u>
YOUNGSTOWN SHEET AND TUBE CO., U.S. STEEL CORP., AND REPUBLIC STEEL CORP.	11/11/76	Youngstown Sheet and Tube Co., Indiana Harbor, closed down its blooming mill "indefinitely" this week "because there's no demand for steel." U.S. Steel Corp. said the bar mill that was closed at the South Works last month is still down. Republic Steel Corp. said that they had put about half of the 400 workers laid off earlier back to work but this week the full 400 are again laid off. Republic Steel Corp. said "nothing's shut down." <u>2/</u>
PHOENIX STEEL CORP.	11/16/76	Phoenix Steel Corp. said it is closing its structural division in Phoenixville, Pa. in an effort to reduce its heavy losses and to help "achieve profitability by the end of 1977." Approximately 672 workers will be laid off as a result of the closing. <u>2/</u>
WISCONSIN STEEL	11/24/76	Wisconsin Steel is closing its no. 6 hot rolling mill from Thanksgiving to December 1, due to "lack of orders." About 100 employees will be laid off during the closing. Armco Steel Corp. has laid off workers. <u>2/</u>

TABLE 9 (Cont'd)

<u>FIRM</u>	<u>DATE</u>	<u>ACTION</u>
WISCONSIN STEEL, ARMCO STEEL, CORP., AND U.S. STEEL CORP.	11/24/76	U.S. Steel Corp. is currently operating two of its seven blast furnaces at the South Works. <u>2/</u>

1/ Wall Street Journal

2/ American Metal Market

TABLE 10

STEEL MILL PRODUCTS: NEW AND UNFILLED ORDERS, SEASONALLY ADJUSTED
(Million of Dollars)

	Manufacturers' New Orders					Manufacturers' Unfilled Orders				
	1972	1973	1974	1975	1976	1972	1973	1974	1975	1976
January	2160	3369	2792	3275	3770	4494	7253	11,751	12,944	9460
February	2302	3445	3447	2937	3434	4668	7788	11,921	12,041	9360
March	2331	3902	3452	2156	3830	4792	8813	11,826	10,819	9450
April	2275	3541	3021	2114	3634	4773	9515	11,285	9,525	9410
May	2579	4010	5376	3132	4985	5088	10,593	12,842	9,568	10470
June	2694	3577	4813	2761	4305	5471	11,165	13,681	9,286	10680
July	2542	3331	4554	2885	3944	5717	11,448	13,950	9,179	10640
August	2677	3407	5278	3136	3511	5967	11,827	14,849	9,196	10320
September	2792	3251	4675	3168	3644 ^p	6204	11,971	15,158	8,647	10020
October	2776	3098	4096	3334		6300	11,823	14,666	8,795	
November	2895	3415	4121	3272		6527	11,986	14,346	8,935	
December	2990	3442	3375	3695		6668	12,224	13,751	9,827	
Annual Total	31,013	41,788	49,000	35,865		66,669	126,406	150,026	118,222	
Monthly Average	2584	3482	4083	2989		5556	10,534	12,502	9852	

Source: Current Industrial Reports (Blast Furnaces, Steel Mills)
p: Preliminary

TABLE 11

INVENTORIES OF STEEL MILL SHAPES

PRODUCING MILLS INVENTORY, SERVICE CENTERS, AND CONSUMERS

Jan 1972 - March 1976

(In millions of tons)

1972					
	Producing Mills Inventory			Service Centers (warehouses)	Consumers *2 (manufacturers only Inventories)
	Total	Steel in Process	Finished Steel	Quantity *1	(end of month)
January	20.2	11.2	9.0	5.5	10.0
February	20.5	11.1	9.4	5.4	9.5
March	20.6	11.1	9.5	5.5	9.1
April	21.2	11.4	9.8	5.7	9.0
May	21.7	11.8	9.9	5.5	8.9
June	21.5	11.7	9.8	5.4	8.9
July	21.8	11.8	10.0	5.7	9.2
August	21.6	11.8	9.8	6.1	9.1
September	21.3	11.5	9.8	5.9	9.0
October	21.3	11.3	10.0	5.7	8.9
November	21.3	11.2	10.1	6.1	8.9
December	21.5	11.3	10.2	6.8	8.8
Monthly Average	21.2	11.4	9.8	5.8	9.1

Source: Current Industrial Reports

*1. Derived from the dollar value of month end inventories

*2. Data include fabricating establishments of steel producing companies but exclude fabricating performed at producing mills.

TABLE 11 - (con'd)
INVENTORIES OF STEEL MILL SHAPES

PRODUCING MILLS INVENTORY, SERVICE CENTERS, AND CONSUMERS

Jan 1972 - March 1976

(In millions of tons)

1973					
	Producing Mills Inventory			Service Centers (warehouses)	Consumers *2 (manufacturers onl Inventories (end of month)
	Total	Steel in Process	Finished Steel	Quantity *1	
January	21.0	11.0	10.0	6.1	8.9
February	20.5	10.8	9.7	5.7	9.0
March	19.7	10.5	9.2	6.0	8.9
April	19.2	10.2	9.0	6.5	9.0
May	19.0	10.0	9.0	6.3	9.5
June	18.0	10.0	8.0	6.1	9.7
July	17.9	10.0	7.9	6.3	9.9
August	17.6	10.0	7.6	6.5	10.0
September	17.4	9.9	7.5	6.2	10.7
October	16.8	9.5	7.3	5.8	10.7
November	16.3	9.3	7.0	6.1	11.0
December	17.1	9.7	7.4	6.6	11.2
Monthly Average	18.4	10.1	8.3	6.2	9.9

Source: Current Industrial Reports

*1. Derived from the dollar value of month end inventories

*2. Data include fabricating establishments of steel producing companies but exclude fabricating performed at producing mills

TABLE 11 - (con'd)

INVENTORIES OF STEEL MILL SHAPES

PRODUCING MILLS INVENTORY, SERVICE CENTERS, AND CONSUMERS

Jan 1972 - March 1976

(In millions of tons)

1974					
	Producing Mills Inventory			Service Centers (warehouses)	Consumers*2 (manufacturers on Inventories (end of month)
	Total	Steel in Process	Finished Steel	Quantity*1	
January	16.6	9.4	7.2	6.2	11.7
February	16.2	9.2	7.0	5.9	11.9
March	14.8	8.6	6.2	5.9	11.9
April	14.2	8.3	5.9	6.1	11.8
May	13.6	8.2	5.4	5.9	11.6
June	13.3	8.2	5.1	5.9	11.8
July	13.4	8.5	4.9	5.9	12.2
August	13.0	8.2	4.8	5.8	12.4
September	13.0	8.2	4.8	4.8	12.6
October	12.9	8.2	4.7	6.4	12.5
November	12.8	7.7	5.1	7.0	12.9
December	13.3	7.7	5.6	7.4	13.7
Monthly Average	13.9	8.4	5.6	6.2	12.3

Source: Current Industrial Reports

*1. Derived from the dollar value of month end inventories

*2. Data include fabricating establishments of steel producing companies but exclude fabricating performed at producing mills

TABLE 11 - (con'd)

INVENTORIES OF STEEL MILL SHAPES
PRODUCING MILLS INVENTORY, SERVICE CENTERS, AND CONSUMERS

Jan 1972 - March 1976

(In millions of tons)

1975					
	Producing Mills Inventory			Service Centers (warehouses)	Consumers*2 (manufacturers only)
	Total	Steel in Process	Finished Steel	Quantity*1	Inventories (end of Month)
January	13.0	7.7	5.3	7.6	13.8
February	13.7	8.1	5.6	7.9	13.9
March	15.4	9.4	6.0	8.3	13.8
April	16.2	9.9	6.3	8.4	13.3
May	16.6	10.2	6.4	8.0	12.7
June	16.9	10.6	6.3	7.7	12.4
July	17.2	10.8	6.4	7.8	12.0
August	16.9	10.8	6.1	7.6	11.7
September	15.7	9.9	5.8	7.1	12.0
October	15.8	9.7	6.1	6.7	11.3
November	16.4	10.1	6.3	6.6	10.8
December	16.7	10.0	6.7	6.7	10.5
Monthly Average	15.9	9.8	6.1	7.5	12.4

Source: Current Industrial Reports

*1. Derived from the dollar value of month end inventories

*2. Data included fabricating establishments of steel producing companies but excluded fabricating performed at producing mills

TABLE 11 - (con'd)

INVENTORIES OF STEEL MILL SHAPES
PRODUCING MILLS INVENTORY, SERVICE CENTERS, AND CONSUMERS

(In millions of tons)

1976

	Producing Mills Inventory			Service Centers (warehouses)	Consumers*2 (manufacturers only)
		Steel in Process	Finished Steel	Quantity*1	(end of Month)
January	16.4	10.0	6.4	6.5	10.6
February	16.9	10.2	6.7	6.5	10.4
March	16.6	10.1	6.5	6.5	10.4
April	17.2	10.4	6.8	6.5	10.0
May	17.9	11.0	6.9	6.4	10.0
June	18.0	11.2	6.8	6.4	10.1
July	18.7	11.5	7.2	6.7	10.2
August	19.1	11.9	7.2	6.5	10.3
September	18.9	11.7	7.2	N.A	10.2
October					
November					
December					
Monthly Average					

Source: Current Industrial Reports

*1. Derived from the dollar value of month end inventories

*2. Data include fabricating establishments of steel producing companies but exclude fabricating performed at producing mills

TABLE 12
STEEL MILL PRODUCTS
EXPORTS AND IMPORTS
(In Thousands of Short Tons)

	1972			1973			1974			1975			1976		
	Export	Import	Net	Export	Import	Net	Export	Import	Net	Export	Import	Net	Export	Import	Net
January	208	1093	885	288	1381	1093	455	827	372	289	1801	1512	150	1077	927
February	221	1129	908	221	1306	1085	448	830	382	257	1192	935	177	966	789
March	261	1095	834	323	1170	847	503	892	389	282	1153	871	212	1034	822
April	199	930	731	340	1051	711	533	971	438	270	959	689	229	948	719
May	245	1603	1358	372	1604	1232	627	1142	515	268	856	588	265	1071	806
June	211	1599	1388	323	1229	906	633	1292	659	256	927	671	232	1355	1123
July	220	1531	1311	343	1380	1037	647	1293	646	264	805	541	318	1190	872
August	301	1787	1486	324	1316	992	488	1607	1119	271	748	477	280	1201	921
September	304	1570	1266	281	1075	794	346	1260	114	202	697	495			
October	252	1910	1658	374	1235	861	387	2021	1634	228	818	590			
November	207	1824	1617	388	1313	925	296	1925	1629	185	903	718			
December	245	1609	1364	473	1092	619	470	1909	1439	182	1153	971			
Annual Total	2,874	17,680	14,806	4,050	15,152	11,102	5,833	15,969	10,136	2,954	12,012	9,058			
Monthly Average	240	1,473	1,234	338	1,263	925	486	1,331	845	246	1,001	755			

SOURCE: Survey of Current Business, various issues.

TABLE 12A

RECENT ACTIONS WITH RESPECT TO INTERNATIONAL TRADE

Date	Type of Action	Agency Involved
October 1976 - present	Armco Steel Corporation filed a countervailing duty suit against Terni, the Italian state steel company, alleging that government subsidies allowed that firm to export steel to the U.S. at prices unfair to U.S. producers. Currently under review.	Treasury Department
October 1976 - present	Petition requesting quotas filed by Armco, Allegheny Ludlum, Colt Industries and other producers of stainless steel tube and pipe alleging unfair trade practices (predatory pricing) by foreign producers. Petition currently under preliminary investigation.	International Trade Commission
October 1976 - present	American Iron and Steel Institute filed a petition seeking elimination of discrimination, alleging that the recent European-Japanese agreement (limiting total Japanese exports of steel to Europe to a level approximately one-third lower than the previous year and thus possibly "deflecting" exports to the U.S.) is a violation of the GATT regulations concerning the imposition of quotas and equal treatment of most-favored-nation trading partners. Hearing to be held December 9, 1976.	Office of the Special Representative for Trade Negotiations
September 1975 - present	U.S. Steel Corporation filed a countervailing duty petition against the European Economic Community's practice of exempting value-added taxes on exported steel while applying this tax to imported non-EEC steel. Denied by Treasury Department; currently under appeal.	Treasury Department; U.S. District Customs Court, New York
June 1976	Quotas placed in effect on imports of stainless steel sheet and strip, plate, bar and rod. Individual countries are allowed to ship specified tonnages totaling 147,000 tons during the first year. Quota system will remain in effect for up to three years; the total tonnage allowed for the third year is 155,900 tons.	International Trade Commission
December 1975 - June 1976	Petition for quotas on stainless steel wire submitted by Stainless Steel Wire Industry Committee, December 1975, based on alleged injury to domestic industry. Denied, June 1976.	International Trade Commission

TABLE 12A (Cont.)

RECENT ACTIONS WITH RESPECT TO INTERNATIONAL TRADE

Date	Type of Action	Agency Involved
April 1975 - present	<p>Under provisions of the Trade Act of 1974, American workers suffering loss of employment directly attributable to imports are entitled to monetary adjustment assistance and other aid. During the April 1975 - October 1976 period, 18,040 workers from 45 primary metal industry (SIC33) establishments were certified as eligible for benefits. (Many of these workers are in the speciality steel industry; no breakout between steel and other primary metals is available.) Exact dollar amount figures are not available, but are estimated at from five to seven million dollars.</p> <p>An additional 61 petitions covering an as-of-yet unspecified number of steelworkers were submitted in late November 1976.</p>	Labor Department

SOURCES: International Trade Commission, AISI, and U.S. Department of Labor, Bureau of International Labor Affairs, Office of Trade Adjustment Assistance.

TABLE 13

IMPLICIT IMPORT PRICES OF COLD ROLLED STEEL SHEETS
 January 1972-September 1976^{1/ 2/}
 (dollars per ton)

Month	1972	1973	1974	1975	1976
January	134	146	204	322	224
February	138	154	216	300	222
March	138	150	226	284	220
April	142	150	244	270	230
May	144	154	256	256	242
June	142	156	266	260	242
July	144	160	264	264	252
August	146	166	292	248	246
September	148	162	308	250	272
October	144	166	316	238	
November	148	172	322	240	
December	144	222	318	226	

SOURCE: Bureau of the Census, U. S. General Imports, Report FT135. Various issues.

^{1/} Non-alloyed, non-coated and unshaped; includes pickled and non-pickled; Schedule A #5744130.

^{2/} Total value/tonnage = price/lb. 1972-1973: declared Customs value, imports for consumption; 1974-1976: c.i.f. value (U.S. port), general imports. Excludes tariffs.

TABLE 14
WHOLESALE PRICE INDEX, ALL COMMODITIES
(1967=100)

	1972	1973	1974	1975	1976
January	116.3	124.5	146.6	171.8	179.3
February	117.3	126.9	149.5	171.3	179.3
March	117.4	129.8	151.4	170.4	179.6
April	117.5	130.5	152.7	172.1	181.3
May	118.2	133.2	155.0	173.2	181.8
June	118.8	136.0	155.7	173.7	183.1
July	119.7	134.3	161.7	175.7	184.3
August	119.9	142.1	167.4	176.7	183.7
September	120.2	139.7	167.2	177.7	184.7
October	120.0	138.7	170.2	178.9	185.2
November	120.7	139.2	171.9	178.2	
December	122.9	141.6	171.5	178.7	
Monthly Average	119.1	134.7	160.1	174.9	

SOURCE: Bureau of Labor Statistics

TABLE 15
WHOLESALE PRICE INDEX, INDUSTRIAL COMMODITIES
(1967=100)

	1972	1973	1974	1975	1976
January	115.9	120.0	135.3	167.5	177.3
February	116.5	121.3	138.2	168.4	178.0
March	116.8	122.8	142.4	168.9	178.9
April	117.3	124.2	146.6	169.7	180.0
May	117.6	125.3	150.5	170.3	180.4
June	117.9	126.0	153.6	170.7	181.3
July	118.1	126.1	157.8	171.2	182.6
August	118.5	126.7	161.6	172.2	183.6
September	118.7	127.4	162.9	173.1	184.7
October	118.8	128.5	164.8	174.7	186.3
November	119.1	130.1	165.8	175.4	
December	119.4	132.2	166.1	176.1	
Monthly Average	117.9	125.9	153.8	171.5	

SOURCE: Bureau of Labor Statistics

TABLE 16

WHOLESALE PRICE INDEX, CRUDE MATERIALS, EXCLUDING FOOD
(1967 = 100)

	1972	1973	1974	1975	1976
January	125.6	139.1	188.2	219.4	235.2
February	127.0	142.3	202.7	221.0	234.8
March	129.1	142.5	212.2	218.4	237.9
April	129.3	146.8	224.8	222.7	246.0
May	129.9	149.6	216.5	225.8	246.2
June	129.8	152.8	217.5	226.3	248.6
July	130.2	153.5	228.9	223.4	254.2
August	132.3	156.0	229.5	225.8	254.9
September	132.6	161.0	229.8	231.5	253.0
October	133.8	164.7	229.0	228.6	261.5
November	136.3	174.2	228.7	226.5	
December	136.8	179.8	221.2	231.2	
Monthly Average	131.1	155.2	219.1	225.1	

NOTE: Not Seasonally Adjusted

SOURCE: Bureau of Labor Statistics

TABLE 17

WHOLESALE PRICE INDEX, FINISHED STEEL PRODUCTS
(1967 = 100)

	1972	1973	1974	1975	1976
January	129.5	132.6	138.1	196.1	201.5
February	131.0	132.6	139.0	195.8	202.3
March	130.9	133.2	146.6	195.8	201.8
April	130.9	133.7	150.5	195.3	201.9
May	130.7	134.1	162.1	194.5	202.7
June	130.3	134.3	169.8	194.4	209.4
July	130.3	134.2	181.6	194.0	210.1
August	130.2	134.3	188.2	194.0	212.8
September	130.2	134.3	190.3	194.3	213.6
October	130.2	135.3	190.9	201.6	215.3
November	130.2	135.4	191.2	201.5	
December	130.2	135.4	192.0	201.6	
Monthly Average	130.4	134.1	170.0	196.6	

SOURCE: Bureau of Labor Statistics

TABLE 18

WHOLESALE PRICE INDEX, SHEETS, COLD ROLLED CARBON
(1967 = 100)

	1972	1973	1974	1975	1976
January	124.1	134.5	137.5	189.1	197.0
February	134.5	134.5	137.5	189.1	197.0
March	134.5	134.5	142.0	189.1	197.0
April	134.5	134.5	146.6	189.1	197.0
May	134.5	134.5	155.8	185.0	197.0
June	134.5	134.5	165.4	185.0	209.1
July	134.5	134.5	182.3	184.8	209.1
August	134.5	134.5	188.5	184.8	209.1
September	134.5	134.5	188.5	184.8	209.1
October	134.5	137.5	188.5	197.0	209.1
November	134.5	137.5	188.5	197.0	
December	134.5	137.5	190.0	197.0	
Monthly Average	133.6	135.3	167.6	189.3	

SOURCE: Bureau of Labor Statistics

TABLE 19

WHOLESALE PRICE INDEX, SHEETS, HOT ROLLED CARBON, COIL
(1967 = 100)

Month	1972	1973	1974	1975	1976
January	126.8	126.8	132.4	183.2	190.4
February	126.8	126.8	132.4	183.2	190.4
March	126.8	126.8	137.8	183.2	190.4
April	126.8	126.8	138.9	183.2	190.4
May	126.8	126.8	148.6	182.0	190.4
June	126.8	126.8	156.2	181.3	201.4
July	126.8	126.8	179.1	180.4	201.4
August	126.8	126.8	182.9	180.4	201.4
September	126.8	126.8	184.0	180.4	201.4
October	126.8	130.0	184.0	190.4	201.4
November	126.8	130.0	184.0	190.4	
December	126.8	130.0	183.2	190.4	
Monthly Average	126.8	127.6	162.0	184.0	

SOURCE: Bureau of Labor Statistics

TABLE 20
WHOLESALE PRICE INDEX, SHEETS, GALVANIZED CARBON
(1967 = 100)

	1972	1973	1974	1975	1976
January	122.1	122.1	127.5	185.1	196.6
February	122.1	122.1	129.8	185.1	196.6
March	122.1	122.1	134.1	185.1	196.6
April	122.1	122.1	139.0	184.9	196.6
May	122.1	122.1	149.4	183.9	196.6
June	122.1	122.1	157.3	183.9	206.0
July	122.1	122.1	172.3	184.0	206.0
August	122.1	122.1	183.6	184.0	206.0
September	122.1	122.1	183.6	184.0	207.1
October	122.1	124.9	185.1	197.3	207.1
November	122.1	124.9	185.1	197.3	
December	122.1	124.9	185.1	197.3	
Monthly Average	122.1	122.8	161.0	187.7	

SOURCE: Bureau of Labor Statistics