



domestic shipments coupled with a strong demand for capital goods should, said the report, keep the market for Stelco's products firm.

Last year was "outstanding" for Stelco, too, with profits and sales at record levels. Demand kept the Stelco plants working at full tilt and almost without exception the allocation of their products was maintained throughout the year.

New plants were brought into operation at Contrecoeur, Quebec, and Edmonton, Alberta, bringing Stelco's raw steel capacity up to about six million tons a year — and it is still expanding, showing confidence that Canada, although forced to import raw steel in order to meet all its needs, will be able to go on producing its own steel at a price which can compete with imports.

There is, however, no denying that the policy of confidence adopted by these steel companies is tempered by an uneasy awareness that the wind could change. It is significant that they feel it necessary to

reassure everybody that nothing is wrong, where two years back they would simply have been glowing with optimism and talking about expansion towards a bigger, brighter future.

There are several imponderables at work which have to be kept in view. First, the industry's ability to weather the demand slack in such key users as the automobile and appliance industries and to redirect tonnages into stronger areas. Second, although price differentials between imported and domestic supplies still favour Canadian producers, price-cutting by foreign producers is expected to get more intense. Third, a strike-free settlement of new labour contract negotiations by Stelco and Algoma earlier this year could lead to a reduction in demand over the third quarter of the year, as users who built up their stocks as a hedge against a possible summer strike work off their inventories. Fourth, although the rate of production and raw material cost increases is expected to moderate in 1975, major

steel producers are expected to offset wage and fringe benefits in new labour contracts by raising prices.

A Toronto steel analyst has summed up the situation in a statement that "While the steel industry may not be as robust as it was a year ago, there are other areas in the economy doing a lot worse."

Most analysts believe the domestic industry's position will not be severely undermined by low-priced imports — indeed, Canadian manufacturing companies who had to buy high-priced imported steel last year have been eagerly establishing good relations with domestic mills.

But the analysts and the steelmakers themselves are more cautious about demand, wondering how it will hold up in the second half of the year.

David Holbrook of Algoma, addressing their annual shareholders' meeting in May, said that steel production in the early part of 1975 was less than one per cent higher than a year ago — "and we don't see any more than nominal growth over last year, especially as a number of key economic indicators continue to fall."

## Fuel set-back

J. Peter Gordon of Algoma has been taking a more hopeful view, believing that the domestic market could well regain its firmness towards the end of the year. F. H. Sherman of Dofasco has commented that a forecast "turnaround" of the economy in late 1975 would improve demand for steel products in the consumer market.

Hopes for lower-priced steel products resulting from modernisation and streamlining of production have taken an unfortunate knock from an offsetting rise in the price of coal, gas and fuel oil — energy components which are the core of steelmaking. Algoma noted that in the first quarter of this year costs were 84 per cent higher than they had been a year earlier, while oil and natural gas costs were more than 70 per cent higher. Inflation has also caused a heavy increase in the cost of new steel plant equipment.

Nevertheless, at the time of writing the domestic market does seem to be holding up. The only noticeably "weak" product is cold-rolled steel, which is used in the automobile and household appliance industries — though the steel intended for cars can, as Algoma has shown, be diverted to other uses. Demand for cold-rolled steel could stiffen again with an increase in house construction, which would in turn boost the demand for appliances.

Demand is strong for heavy steel plate, structural steel, rails and hot-rolled sheet and strip: rails, in particular, are in great demand. Machinery and heavy equipment manufacturing, industrial projects, power plants, refineries and other energy-related programmes are also keeping up a solid demand for domestic steel. ♦