The Fourth Federal Reserve District produces a large share of the nation's steel, cars, and trucks. In 1997, the Pittsburgh–Youngstown region was the country's third-largest steel producing area, accounting for 13% of total U.S. production.

Over the past decade, both the domestic and foreign import prices of steel have declined sharply. The domestic price is roughly 25% lower today than it was 10 years ago, although it has been increasing since the end of the 1991–92 recession. Moreover, the domestic price has been rising relative to import prices and now stands approximately 10% higher.

Exports of iron and steel products have shown a general upward trend, and despite lower prices, the value of exports has about doubled since 1987. Nevertheless, the U.S. still imports about twice as much steel as we export.

Steel production has also increased steadily since the last recession. The industrial production index has risen about 20%, while capacity utilization, which stood at nearly 100% in 1995, has dropped significantly. New orders have also (continued on next page)
Steel, Autos, and Construction (cont.)

continued to grow, and the rapid pace of production has allowed foundries to rebuild their inventories, which shrank between 1989 and 1994. The continuing rise in new orders has created the current three and a half month backlog of unfilled orders, the largest in almost six years.

Heavy and medium truck production increased 3% from 1996 to 1997. While the second half of 1997 was almost 8% stronger than the last six months of 1996, November and December showed the biggest gains, with production up 15% over the year-earlier period.

Although construction contracts have tapered off since the beginning of last year, they are still substantially above levels seen two years ago. The residential market has followed a similar pattern, but there was noticeably more activity in nonresidential structures in 1997—an increase that was spread consistently throughout the year. Construction activity in business structures was 5% higher in 1997 than in 1996.

Sources: DRI/McGraw-Hill; and Ward’s Automotive Reports.