

Protection for steel not enough to prevent plunge in output

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SA's steel production plunged 15.9% year on year in June to 458,000 tonnes after falling 3.5% in May to 561,000 tonnes, according to data collated by the World Steel Association.



Image source: www.pexels.com

Steel production is considered an important indicator of a country's economic health and the sharp drop in June correlates with the downgrades in SA's debt rating. In the first five months of 2017, steel output fell a mere 0.8%.

The sharp drop in steel production has affected the bottom line at steel maker ArcelorMittal SA, which said last week it expected its first-half headline losses to increase by more than 200%. The company's results are due out on 27 July.

ArcelorMittal SA CEO Wim de Klerk said local steel demand was subdued despite the implementation of import duties on certain steel products and the designation of South African steel for use in state infrastructure projects.

Sales of long products - for example, steel beams normally used in infrastructure projects - recorded a sales slump of 27.7% year-on-year in the first quarter.

However, Paolo Trincherio, the CEO of the Southern African Institute of Steel Construction, was upbeat about the prospects for the second half of 2017 despite the June numbers.

"If the economy begins to show some improvement we should see an increase in steel consumption," said Trinchero.

"Steel prices have begun to rise internationally, which should translate into better conditions for the upstream steel industry," he said.

"Import volumes of primary steel have reduced in many product lines but they are still significant. The Highveld Structural Mill, a portion of Evraz Highveld Steel, produces steel sections in partnership with ArcelorMittal. This is good news for the local steel industry and should be celebrated."

Source: Business Day

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