

ArcelorMittal widens losses in first half of year

SA's largest steel maker, ArcelorMittal (ACL) widened losses in the first half of the year, as plunging export volumes and increased borrowing costs offset marginal gains from increased local production.

By [Fifi Peters](#) 31 Jul 2015



The local subsidiary of Luxembourg-based ArcelorMittal on Friday reported a diluted headline loss per share of 27c for the six months ended June 2015 compared with a loss of 2c in the year-earlier period.

Total liquid steel production increased to 2.6-million tonnes during the period, up 177,000 tonnes, helped by the completion of the blast furnace reline at its Newcastle plant, the company said. However, steel volume declined as export sales volumes plunged 29% due to unfavourable prices in the wake of slowing Chinese demand and significantly low commodity prices. China is the world's largest consumer of the metal.

ArcelorMittal said overcapacity in the Chinese steel market and its continued influence on the global steel demand is negatively affecting steel prices trends. The company has lobbied government to apply import tariffs of about 10% on Chinese imports, which have flooded the local steel market and squeezed margins.

The company also said the difficult operating environment could be attributed to "extremely weak local demand, poor rail infrastructure, and rising labour and energy costs, coupled with electricity supply disruption".

Net financing costs increased to R352m compared to R207m due to "increased borrowings and higher foreign exchange losses following the deterioration of the rand". Net borrowings increased to R2.522bn from R594m previously.

SA's second largest steel producer, Evraz Highveld Steel and Vanadium is currently in business rescue. This month it halted production at its main operations in Emalahleni, where 1,000 jobs stand to be lost. "The company is of the view that excess global steel capacity, low global iron ore prices and low steel prices are the new reality," ArcelorMittal said.

"With the slow down of the local economy, trading conditions are likely to remain depressed," it said.

ArcelorMittal did not declare an interim dividend.

Source: *BDpro*

