ArcelorMittal South Africa announces steel price increases

Johannesburg, 16 March 2016: ArcelorMittal South Africa today announced price increases of its steel products with effect from 1 April 2016. It is common practice for all steelmakers to review prices monthly in line with market movements in the price of raw materials globally.

The global economic developments and the sustainability of the steel industry are among the factors which led the company to increase prices following its monthly price review. Last year was challenging for steelmakers worldwide, with companies registering record losses.

There was speculation that the steel prices will bottom out given the global glut which has led to steel being traded below the cost of production in some instances. This is evidenced in the rise of imports during 2015 and a price correction was inevitable. ArcelorMittal Hot Rolled Coil and Rebar prices had followed the market in 2015 and decreased by 35%.

The price of iron ore has increased by more than 20% over the last month, which in turn has resulted in similar increases in internationally traded steel.

Themba Nkosi, General Manager HR, Corporate Communications and Stakeholder Affairs at ArcelorMittal South Africa said the monthly price reviews and increases are in line with normal market practice and as considered in the pricing principles under discussion between ArcelorMittal South Africa and government.

ArcelorMittal South Africa appreciates progress made with government on a number of issues, including the granting of import tariffs and the Fair Price Basket model, yet to be finalised. However, its Vanderbijlpark Works continues to face sustainability pressure given its loss making situation over the past six quarters. “The price increases are essential to address the current losses at the Vanderbijlpark Works, while taking into account the fair pricing principles and progress on the application for import tariffs on Hot Rolled Coil products,” says Nkosi.

“ArcelorMittal South Africa is in the process of stabilising its operations and returning the business to profitability. The company’s largest and most integrated plant, Vanderbijlpark Works, is of critical importance under the current trading conditions. The plant is currently losing approximately R300 million a month and continues to face cost pressures, including the recently announced 9.4% electricity increase.

“The challenges faced by ArcelorMittal South Africa and the local steel industry are still persisting, and they are putting the company and the steel sector in a difficult position. Creating a sustainable and profitable business is critically important for the stability of South Africa’s ongoing steel needs and requirements,” adds Nkosi.
We note the sentiment of Chinese authorities to address the issue of over-capacity of steel in its own market, which has been the primary driver in the increase of iron ore prices by more than 20%. Additional pressures leading to steel price increases include the basket for flat steel that, in terms of the Pricing Principles, was $395/tonne in February 2016 and the March 2016 basket is projected to be $428/tonne based on international developments. The current landed price of Hot Rolled Coil (HRC) in Gauteng is $440/tonne.

Nkosi added: “We are cognisant of the significant cost-based price increases which took place on our benchmarks. The price of Hot Rolled Coil in Gauteng was on average 8% lower than our current price.

“However, in the spirit of our discussions with government, relating to duties as well as the proposed Fair Price Basket model, we were careful to ensure that our increases remained within the boundaries of the committed pricing principles and the sustainability of our business, particularly on Flat Steel products”.

The Base price increases per product are as follows:

Flat Steel products:

- Hot Rolled Coil (on average 9%)
- Plate (on average 11%)
- Cold Rolled Coil (on average 11%)
- Galvanised Coil (on average 2%)
- Colour Coated Coil (on average 1%)

Long Steel Products:

- Reinforcing Bar (includes Smooth and Mining Bar) (on average 8%)
- Wire Rod: Mesh Bar, Bolt, Nut, Grinding Media & Rounds 40 mm (on average 6%)
- Rails (on average 5%)
- Light Sections (including Windows, and Fencing). (On average 2%)

Ends

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