Headline loss of R6m for ArcelorMittal

Steel producer pins hopes on infrastructure development

STEEL maker ArcelorMittal South Africa is pinning its hopes for an end to tough trading conditions on infrastructure development projects, both local and across the subcontinent.

In its interim financial results for the six months ending June 30 this year, the company – Africa’s largest steel producer – announced a headline loss of R6 million, compared to a loss of R123m last year.

Earnings before interest, taxes, depreciation and amortisation were R810m, down R167m on last year’s first half.

“Trading conditions remain tough. In addition, the month-long metal and engineering strike that ended this week has been of major concern to us as we are already seeing the negative effects on sales,” recently appointed chief executive Paul O’Flaherty said in a statement yesterday.

ArcelorMittal SA would focus on driving profitability, meeting customers’ expectations, and delivering quality and operational efficiency, he said.

According to the statement, infrastructure development projects in the Southern African Development Community region could generate demand for an estimated 10 million tons of steel.

“Of this, about 60 percent is for the South African market, which is over and above any increases in demand related to GDP growth.”

ArcelorMittal SA had it said domestic steel demand had been negatively affected by the strikes in the platinum sector

secured almost 40 percent of the new project demand for this year, and remained well positioned to participate in the various projects.

“The South African infrastructure projects could provide an additional 10 percent volume growth a year.”

The company said domestic steel demand had been negatively affected by the strikes in the platinum sector.

“And while patterns in the construction sector have registered improvements in building plans, the completion or implementation of this remains low.

“The much anticipated positive story for the steel market will depend on government’s infrastructure investment implementation, together with an increase in demand from the local customer base.”

It said imports, especially from Asia, continued to flood the domestic market.

“Despite a favourable currency environment, the overall high transformation costs in the manufacturing sector are limiting the export potential for domestic steel producers.”

ArcelorMittal SA – which operates major facilities at Newcastle, Vanderbijlpark, Vereeniging and Saldanha – said liquid steel production for the six months was 2.4 million tons, a decrease of 95,000 tons compared to the same period last year.

On the outlook for the next quarter, the company said results were expected to remain under pressure.

This was due to the relining of its Newcastle blast furnace, as well as high electricity tariffs during the winter months, and the weak local economy. – Sapa