Mittal predicts revival of steel market, but demand is weak

Thomas Biseshuel
London

LAKSHMI Mittal, steel’s richest billionaire, is optimistic this year will bring revival in Europe, his biggest market, he says. The numbers tell a different story.

Even after plant shutdowns, about a quarter of Europe’s 210 million tons of steel capacity is idled in response to a 30 percent slump in demand since 2007. Customers had rebuffed price increases put forward by mills so far this year, Exanne BNP Paribas and metals consultants MEPS International said.

“Steel makers continue to push for higher prices in order to boost their low profit margins,” Peter Fish at MEPS in Sheffield, England, said. “The reality is somewhat different. Buyers believe the target figures are unrealistic, given the present state of end-user demand.”

__Mittal__, the biggest maker of steel, is trapped in what Exanne calls a “priceless recovery”. Chief executive Mittal in turn has cut 80,000 jobs globally in five years and angered European governments by shutting plants in an attempt to boost profits. 

The company has failed to reward investors. The stock has fallen 13 percent so far this year, even after Mittal said last month’s earnings briefing that he was “cautiously optimistic” on the outlook. In fact, $35 billion ($50.5bn) has been wiped from a label Mittal’s market value since 2007. European steel mills sought to increase prices by as much as $50 ($74.55) a ton this month, according to Exanne.

MEPS says producers proposed increases of $40 last month. ArcelorMittal said last month’s earnings before interest, tax, depreciation and amortisation (EBitda) per ton of steel produced would reach $132 by 2016. Last year Ebitda per ton fell 11 percent to $82.

Mittal, who owns 39 percent of the company and has a net worth of $45.5 billion, warned the Bloomberg Billionaires Index, was due to face investors at a capital markets day in London and New York today. His audience will want evidence that Mittal’s prediction that European steel use will increase by as much as 2 percent this year will convert to price gains.

“Investors have started to question some of the assumptions behind the guidance,” said Jeff Largay, an analyst at Macquarie Group in London. “This might be an opportunity for Mittal to talk about the actual tangible signs of improvement that they are seeing. Perhaps try and kick-start some of the confidence that seems to have disappeared since the start of the year.”

The company has cut $4.8bn in costs since 2006 and is target-

French President Francois Hollande summoned Mittal for a meeting in 2012 as the billionaire sought to close a plant in France, with Prime Minis-

tors threatening to nationalise the company’s assets. 

Bloomberg

This material has been copied under a DALRO licence and is not for resale or retransmission.