Worthwhile to share AMSA’s vision

Like it or not, business in the Vaal still evolves intimately around ArcelorMittal and will be influenced by this steel giant’s sorrows and success for a long time to come.

Looking at ArcelorMittal’s results for the six months ended June 30 is almost like looking in a crystal ball regarding local businesses’ own expected results for the coming months. What lies ahead? Will it be doom and gloom or is there some light at the end of the tunnel?

With a headline loss of R6 million for the past six months compared to a loss of R123 million last year, ArcelorMittal managed to catch up impressively. Domestic steel demand was negatively affected by the strikes in the platinum mining sector, and while patterns in the construction sector have registered improvements in building plans, the completion or implementation of these remains low.

The general opinion is that the much anticipated positive story for the steel market will depend on the government’s infrastructure investment implementation, together with an increase in demand from the local customer base. Imports, especially from Asia, continue 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’s results for the next quarter are expected to remain under pressure due to the reline of the blast furnace in Newcastle, high electricity tariffs during winter months, as well as the weak economy in the our domestic market.

Good news is that infrastructural development projects in the SADC region could generate demand for almost 10-million tons of steel. Of the 10-million tons about 60% is for the South African market, which is over and above any increases in demand related to GDP growth.

ArcelorMittal SA has secured almost 40% of the new project demand for 2014 and remains well positioned to participate in the various projects. The South African infrastructural projects could provide an additional 10% volume growth a year.

Paul O’Flaherty, recently appointed Chief Executive Officer, predicts that trading conditions will remain tough. In addition the month-long metal and engineering strike that ended last week has been of major concern to ArcelorMittal as they are already seeing the negative effects on sales. O’Flaherty’s vision is to focus on driving profitability, meeting customers’ expectations as well as driving supplier and operational efficiency - a wise and positive attitude that can be implemented by each and every business in the Vaal.