ArcelorMittal SA bounces back

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SA’s premier steel maker, ArcelorMittal SA, saw headline earnings back in the black in the first quarter of the year, mainly on increased sales and rising production as it bounced back from a fire at its main Vanderbijlpark facility early last year.

Headline earnings for the quarter ended March were R323m, compared to a headline loss in the corresponding period last year of R270m. But trading conditions during the quarter were mixed as global demand for steel improved at the same time as the industry saw oversupply in the US, and China experienced overcapacity and moderate demand.

While the key South African steel market remained weak, with low levels of construction and increased competition from imports, sub-Saharan Africa saw strong demand driven by investment in large infrastructure.

To this end, the company saw earnings before interest, tax, depreciation and amortisation improve to R754m, from R169m in the same quarter of last year.

“The business has shown some resilience as the performance over the past quarter was reasonable despite the tough economic conditions, more especially the weak domestic market,” Hans Rosendstock, acting CEO of ArcelorMittal SA, said on Friday. The turnaround was supported by a moderate rise in average net realised prices, a weakening rand and the improved competitiveness of its new iron ore contract with Kumba Iron Ore.

Rubin Renecke, analyst at Kagiso Asset Management, said on Friday while the quarterly profit was a big improvement, an 11% fall in domestic sales highlighted the weak demand in SA.

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