Effects of fire will show up in ArcelorMittal production figures

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INVESTORS in ArcelorMittal SA will see tomorrow how badly a fire at the Vanderbijlpark facility of SA's biggest steel producer hurt production in the first quarter of this year.

Quarterly production figures will be released tomorrow. The company, which recorded a head-line loss of R518m in the year to December, is grappling with the global economic slowdown that has sapped demand for its steel

products, as well as with operational issues.

"I suspect underinvestment has led to plant unavailability. The fire at Vanderbijlpark is an example of many other incidents. which directly affect the bottom line due to fixed cost," said Pansarev Sharief, analyst at Electus, a boutique within Old Mutual Investment Group SA. The overall cost implications of the fire are yet to be finalised. Repairs have been completed, with three basic oxygen furnaces recommissioned.

had about R19bn wiped off its market capitalisation since the start of last year, is also in a dispute over its 2001 supply contract with Kumba Iron Ore.

Analysts say the international steel market is suffering from an oversupply which is unlikely to subside until the Chinese demand for steel catches up to supply and Europe can stabilise its economic

ArcelorMittal SA, which has

contraction.

Coface senior risk analyst
Warrick Robertson said SA's steel
industry had been under pressure

in the recent past and the future was unlikely to offer any relief.

Mr Roberston said the produc-

tion of steel in SA had been inconsistent largely due to problems of outdated and uncompetitive facilities. Key steel consumer sectors include building and construction, manufacturing and mining. The FNB/BER building confidence index last month showed more than six out of 10 respondents in different sectors of building still rate prevailing business conditions as unsatisfactory.

"The short term is expected to

remain challenging due a lack of demand from the construction sector, traditionally the primary driver behind steel demand.

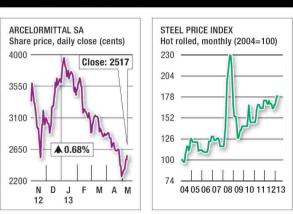
"Improvement in demand is expected for the fourth quarter of 2013 as, traditionally, government spend increases prior to elections," said Mr Robertson.

"We have noticed a slowdown in liquidations in the industry this year suggesting only the resilient players with strong balance sheets remain and should be able to weather the conditions until conditions improve." He said steel.

globally, has yet to recover to levels seen before the financial crisis, when it traded for prolonged periods near record highs of \$1,200 a ton. The big margins steel producers achieved at the time spurred many to increase their capacity, which since the collapse of global markets and the eurozone crisis has not been met by real demand, he said.

The stock ended up 0.68% at R25.17, valuing the company at just over R11bn, down from R30bn in January last year.
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STEEL SPRINGING BACK



Craphia: DODOTHY TSHWAEDI, Source: I MET PRIDCE