

Mittal predicts revival of steel market, but demand is weak

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LAKSHMI Mittal, steel's richest billionaire, is optimistic this year will bring a 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, Exane 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."

ArcelorMittal, the biggest maker of steel, is trapped in what Exane 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 profit.

Those efforts have failed to reward investors. The stock has fallen 13 percent so far this year, even after Mittal said at last month's earnings briefing that he was "cautiously optimistic" on the outlook. In fact, \$55 billion (R590.5bn) has been wiped from ArcelorMittal's market value since 2007.

European steel mills sought to increase prices by as much

as €50 (R745) a ton this month, according to Exane.

MEPS says producers proposed increases of €40 last month. ArcelorMittal said last year that 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 \$17.1bn, according to 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 2.5 percent this year will convert to price gains.

"Investors have started to question some of the assumptions behind the guidance," said Jeff Largey, 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 2008 and is targeting a further \$3bn in savings by 2015. Mittal's cuts have come at a cost, riling European politicians and workers.

French President François Hollande summoned Mittal for a meeting in 2012 as the billionaire sought to close a plant in Florange, with French legislators threatening to nationalise the company's assets. — Bloomberg



Lakshmi Mittal, the chief executive of ArcelorMittal