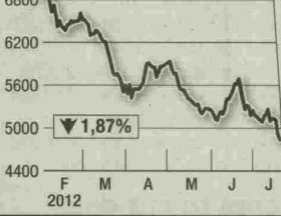


# Mittal shares tumble as construction sector takes hammering

## ARCELORMITTAL SA



Graphic: DOROTHY TSHWAEDI Source: I-NET BRIDGE

### RON DERBY

Markets Editor

SHARES in ArcelorMittal SA, the country's biggest steel producer, have slumped to their lowest in more than six years on a struggling construction sector and on weak global steel demand triggered by Europe's sovereign debt crisis.

"Construction doesn't look to be picking up despite government's infrastructure plans," Lonwabo Maqubela, resource analyst at Stanlib, said yesterday.

"There's been no activity there."

SA is set to embark on a multi-billion-rand infrastructure drive as it looks to boost the competitiveness of the domestic economy.

Against the backdrop of a declining global economy, the infrastructure spending is expected to spur growth and reduce unemployment levels that are close to 25%.

ArcelorMittal SA, which is controlled by Luxembourg-based parent ArcelorMittal, supplies about 70% of the local market.

**“Demand is not as robust as it was in 2003 to 2008 ... the group's strong cash position has been eroded**

The South African unit has seen its share price fall more than 29% this year. Yesterday the shares fell as much as 3% before ending the day 1,9% lower at R48,40, the lowest since the end of November 2005.

The dearth of activity in the construction space has also put pressure on shares such as Murray & Roberts and Aveng. The JSE construction and materials index has gained only 0,7% this year, while the all share index has risen 7,2%.

The world steel market has been in a slump because of falling demand from countries such as China, whose economy has slowed because of a weaker Europe.

"Internationally, it's a difficult market for steel with the weak demand," said an analyst, who wished to remain anonymous in line with company policy.

Iron ore prices may decline this quarter on concern that China, the world's biggest buyer, may curb purchases as economic growth slows, according to Citigroup, which forecasts a final-quarter rebound as stimulus takes effect.

The weak global environment has been reflected in the company's share price performance, as well as the rising costs faced by the steel maker, the analyst said. "Demand is not as robust as it was in 2003 to 2008 ... the strong cash position the company was in two-and-a-half years ago has been eroded."

At the end of its financial year in December, ArcelorMittal SA had R439m in cash and cash equivalents, according to its annual results. That figure compares with R3,5bn in the previous period.

Investors are looking for some level of restructuring in the company, "but there's been no news on that front", Mr Maqubela said.

*With Bloomberg*