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STEEL

No Let-Up

China's steel growth has not yet peaked, industry leader says

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China's steel industry has experienced explosive growth over the past decade – overtaking the rest of the steel-producing countries – that shows no sign of easing in the short term.

China had built a "fearsome" low-cost steel manufacturing industry as the world battled with the financial crisis, said steel producer ArcelorMittal South Africa CEO **Nonkululeko Nyembezi-Heita**.

Speaking at a recent Gordon Institute for Business Science forum, she said the Asian country's booming steel sector had not yet peaked and it was difficult to predict when that peak would emerge.

In 1992, China accounted for roughly 12% of global crude steel production, delivering output of 69.5-million tons a year, compared with Brazil, accounting for 3% of global supply with 23.9-million tons a year, India at just under 3% with 18-million tons a year, Russia contributing over 10% with 67-million tons a year and South Africa accounting for 1% with a nine-million-ton-a-year output.

From 1998 until 2005, China experienced explosive steel sector growth.

By 2002, India, Brazil and South Africa had more or less maintained steady global steel production, while Russia's contribution to global production had decreased to 7%.

Picture by Chief Photographer Duane Daws

NONKULULEKO NYEMBEZI-HEITA
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China, however, boosted its contribution to global steel output to 21%, or 182-million tons.

Nyembezi-Heita commented that China was "interrupted" as the world experienced a financial meltdown in 2009, but had rebounded quicker than any other region.

Last year, China produced 47% or 708.7-million tons of the global total of 1.5-billion tons of steel.

Brazil accounted for 2%, at 34.6-million tons; India's output rose slightly to over 5% or 76.7-million tons; Russia's contribution dropped further to under 5% at 70.6-million tons; and South Africa accounted for less than 1% with seven-million tons.

China was now the driver of the industry owing to the significant support of its government by means of subsidies and assistance.

"They are way ahead of every other country in almost every industry," she commented.

Nevertheless, despite China becoming a global challenge for other steel producers, the region was, like the rest of the world, increasingly being weighed down by rising costs, falling demand and difficult and expensive financing.

"We are mesmerised by China, but if you look at China's steel industry, despite its rise, 92% of the companies are trading at a loss," Nyembezi-Heita stated.

Globally, steel producers were struggling and failing to make returns as they attempted to return to pre-2008 levels.

South Africa's own steel production slipped two-million tons last year; however, the country consumed almost five-million tons of its own production, exporting the rest.

Only 1.4-billion tons of global steel output was consumed in 2012 – representing a 7% overcapacity.

She cited Europe last year as having a 50-million-ton excess in steel production out of a 200-million-ton-a-year output – one-quarter of its steel production "went nowhere".

This year, that gap is expected to narrow to 3%, but excess steel production would not be "wiped out" anytime soon.

China, which consumed almost 650-million tons in 2012, is expected to consume 675-millions tons of steel this year.

Developing economies, accounting for the consumption of 1.02-billion tons last year, will consume 1.08-billion tons in 2013, while developed countries, consuming 397-million tons in 2012, will demand 408-million tons of steel this year.

From 2014, Nyembezi-Heita is cautiously optimistic of a recovery in the steel sector, particularly as Africa was "not yet built". The continent is the next frontier, offering a sunrise opportunity for the steel industry.

South Africa's steel industry could leverage the opportunities on the continent, as it already "has a foothold".