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Quarterly loss narrows at ArcelorMittal

Year-on-year performance is a significant improvement

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ARCELORMITTAL SA yesterday reported a headline loss of R168m in the third quarter to September, largely as a result of weak domestic demand for steel, destocking and higher input costs. Higher electricity prices because of winter tariffs were the main driver of costs.

The loss was marginally lower than the preceding quarter's R177m loss, and was a significant improvement on the loss of R460m in the corresponding period last year. Total steel sales fell quarter on quarter by 152,000 tons to 1.1-million tons.

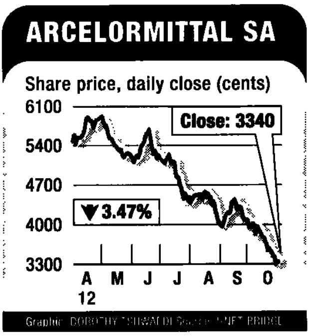
Domestic sales were down 42,000 tons, or 5%, while exports were 110,000 tons higher.

ArcelorMittal SA CEO Nonkululeko Nyembezi-Heita expressed disappointment with the quarter's results. "We are disappointed to record a headline loss ... but it is a substantial narrowing of the loss at this time last year.

"The factors underlying this quarter's results were the continued weakness in domestic steel consumption (and) lower average selling prices in dollar terms, offset to some degree by a softening in raw material prices."

But commercial coke sales rose 24% as a result of ferrochrome producers restarting their furnaces following the end of their electricity buy-back period, Ms Nyembezi-Heita said. This had helped earnings before interest, tax, depreciation and amortisation rise to R238m, which compared well with the R224m in the last quarter and the R3m in the same period last year.

Group steel production was stable at all operating units with the exception of the Newcastle works, due to a longer than planned restart of the blast furnace after a scheduled stop.



Ms Nyembezi-Heita said the group had kept a tight focus on costs, particularly on flat products where the cash cost of hot rolled coil dropped 6% year on year. Rand denominated net realised prices were higher than last year, but were offset by a decline in the dispatch of products.

Liquid steel production increased by 140,000 tons. Overall capacity utilisation was marginally down at 66% compared with 67% in the preceding quarter, but higher than the 59% in the period last year.

Sanlam Investment Management portfolio manager Charl de Villiers said the performance was not surprising. "We know it's not a pretty picture out there with the macroeconomic headwind and company-specific issues they are dealing with."

The fall in Chinese demand had hit world steel demand. Further, China's overcapacity in steel production had "found a home in other markets" and this had affected global producers.

Ms Nyembezi-Heita said China, which accounted for about 46% of global steel consumption, had lowered its economic growth forecast to 7.5% this year, the lowest in eight years.

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