

Weak steel demand hits ArcelorMittal

Headline earnings for half-year plunge to R106m from R668m

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ARCELORMITTAL SA yesterday reported a plunge in headline earnings to R106m for the six months ended June, from R668m for the same period last year.

The group said weak domestic steel demand, coupled with higher input costs, had hit earnings, despite operational reliability improving through its "business improvement programme".

However, the South African unit of the world's largest steel maker said the results were a significant improvement from the R720m headline loss in the six months ended December, citing the R826m turnaround on the second half of last year.

ArcelorMittal SA CEO Nonkululeko Nyembezi-Heita said the company was in "difficult territory" again, and expected more of the same over the next quarter.

"We're not very optimistic. I am sure everyone understands the bleak outlook for the global economy," she said yesterday.

She said the eurozone crisis was the biggest negative factor, along with the slowdown in China. Overall steel shipments were down 2% to 2,5-million tons, with domestic shipments falling 4% to 1,8-million tons, as exports rose 6% to 700 000 tons.

The group said SA's building and construction sector — the main driver of steel consumption — showed no signs of improvement. It also said there was only moderate growth from the manufacturing sector.

Mining continued to register a slowdown in both production and investment, but the domestic automotive sector continued to show some buoyancy.

"I think she (Ms Nyembezi-Heita) told it like it is — it's not very exciting," Stephen Meintjes of broker Imara SP Reid said.



Nonkululeko Nyembezi-Heita

ARCELORMITTAL SA

First Half	2012	2011
Revenue (Rbn)	17,8	16,6
Pretax (Rm)	117	951
Net Profit (Rm)	102	654
Diluted HEPS (c)	26	166
Dividend (c)	—	55

While Ms Nyembezi-Heita said the rand exchange rate had been "net positive", steel prices were largely flat in the year.

She said domestic demand for steel products was a "lot worse than forecast", and sales had been affected by "a huge influx of imports". This was not helped by a four-month outage after the failure last August of the blast furnace dust catcher at the plant in KwaZulu-Natal, lopping 600 000 tons off production.

ArcelorMittal SA chief financial officer Rudolph Torlage said yesterday the company had also seen significant input cost increases, especially electricity, coking coal and other fuel costs, and above-inflation wage increases.

Earnings before interest, tax, depreciation and amortisation of R1bn fell by R600m compared with the interim period last year.

ArcelorMittal SA said sales of coking coal plummeted 38% in the year following the slowdown in SA's ferrochrome industry.

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