

Hadeed Cuts Costs as Prices Weigh

Saudi Iron and Steel Co. Hadeed, the metals affiliate of Saudi Basic Industries Corp. (SABIC), will continue cutting its costs until end-2016 as it does not expect global steel prices to recover for two to four years, an executive said.

"I will not say it is a crisis as such, it is a cycle - unfortunately a very long and painful

cycle," Abdulaziz al-Humaid, executive vice-president for metals at SABIC, said.

"The cycle started let's say in late 2013. We don't see any recovery in the next two to four years globally."

Since early 2015, Hadeed has cut costs by 20 percent, Humaid said; it plans to expand that reduction to 30 percent by the end of



2016. Costs of manpower and materials, as well as contractors' charges, have been cut.

SABIC's metals group has a workforce of 4,350 people and the plan is to take that number to 3,850, he said.

But compared to other parts of the world, the Gulf is still healthy in terms of demand growth because of projects to prepare for events such as the 2020 World Expo in Dubai and the 2022 soccer World Cup in Qatar, he said.

Hadeed cut its domestic retail price for rebar steel by about 10 percent in September. SABIC's domestic steel prices are affected by global trends.

The firm, which has a share of 40-45 percent of the steel market in Saudi Arabia, has not invested abroad, and Humaid said this could now prove to be an advantage in an era of low prices.

"We expect our competitors locally and globally to start having cash issues. We are the only local company that didn't invest abroad, which is helping us avoid this pain, we still have a lot of cash, and we are very strong."

Steel demand in Saudi Arabia has dropped about 5 percent from last year. Hadeed exports flat products and is the only producer of those in the region; the Saudi government has banned exports of rebar, which Humaid said were needed to supply the local market.

"I think domestic steel prices have bottomed out. We think in flat wire rod, it is at the bottom; maybe in rebar we will reach bottom very soon. Now you are reaching a stage where prices are below your cost. It is just a matter of time until people will start to slow down production."

Iran Plans Biggest Mining Exploration



The effort is in line with Iran's bid to move toward high-end processed products and stop sales of raw materials, said Karbasian, who is also head of the Iranian Mines & Mining Industries Development & Renovation Organization (IMIDRO).

The country is courting international prospectors into a sector which boasts some of the world's most stupendous riches but remains vastly underdeveloped in the shadow of its sprawling oil industry.

Karbasian said 100,000 square kilometers of mineral-bearing structures have been explored in the country over the past 100 years.

"But 240,000 square kilometers of exploration work in 12 provinces of the country has been put on the agenda which is a big national project and can doubly help with development and processing of minerals," he said.

Karbasian has already said Iran planned \$29 billion of investment in the mining sector. According to Deputy Economy Minister Mohammad Khazaei, \$15 billion of this sum is expected to be provided by foreign investors.

The projects include production of

aluminum, steel, rare earth elements, copper, gold and coal. Karbasian said semi-finished iron ore projects such as concentration, pelletizing and sponge iron production are a priority, with exports expected to stop from 2019 as the country seeks to triple steel production by 2025.

Iran ranked the world's ninth exporter of iron ore in 2014 after selling 22 million metric tons. Shipments are expected to drop to 16 million metric tons this year amid a rise in domestic consumption.

The country plans to raise steel output to 55 million metric tons by 2025 from over 16 million tons last year. To reach that target, Iran has to produce some 160 million metric tons of iron ore. Last year's production totaled only 45 million.

Steel is a strategic commodity for the country of about 80 million. It is crucial to Iran's massive oil and gas industry and its automotive sector which is the Middle East's largest.

Iran has also a massive transportation and water supply network and a mammoth construction sector as well as sprawling urban centers which devour steel in stupendous quantities.