Steel Import Duties Lift Arcelormittal South Africa's Shares

Loss-making steelmaker ArcelorMittal South Africa said that the South African government was extending tariffs on steel imports, sending its shares sharply higher.

The South African unit of the world's largest steel company also said it was in advanced talks with the South African government on using local steel for public infrastructure projects and on a pricing mechanism for ArcelorMittal-produced steel.

ArcelorMittal South Africa said in a statement “Its board believed the new government measures, together with the cost-cutting steps the company is taking, had a reasonable prospect of returning the company to profitability in the medium term."

The shares spiked 14 percent higher by 1445 GMT because the protection from steel imports granted by the government was greater than initially expected, said Momentum Wealth's senior portfolio manager, Wayne McCurrie.

The firm's commitment to cutting spending was another factor behind the share price rise, McCurrie said.

The company said the South African government had put duties on imported wire rod and reinforcing bar, helping domestic producers which are struggling to compete with an influx of cheap supplies from China.

Decisions on a further seven applications for protection from imports were expected in early 2016, it said.

The Johannesburg-listed firm, 47 percent-owned by the ArcelorMittal Group, launched a 4.5 billion rand ($281 million) rights issue last November as it battled falling steel demand, rising cheap imports and higher costs..

The company, which has not reported a headline annual profit since 2010, plans to use 3.2 billion rand of the rights issue to reduce debt, with the remainder used to fund operations.

The firm has already announced a restructuring plan which involves clamping down on costs, liquidating excessive stocks, selling other assets and cutting back on non-essential capital expenditure.

Imara S.P Reid’s head of research Stephen Meintjes said the trading update was filled with “lots of ifs and buts”.

The shares rose because the trading statement was mildly encouraging but there is still a lot of uncertainty and returning to profitability would be a long haul, he said.

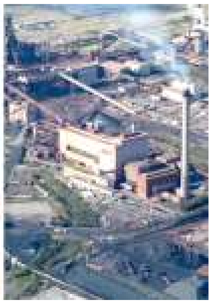
Steel companies around the world are grappling with a global supply glut that has sent producers' share prices to their lowest levels in more than a decade.

ArcelorMittal South Africa said, “Short-term borrowing facilities with local banks had recently been re-negotiated and reduced, but ArcelorMittal Group loan facilities had been extended to offset the reduction if required.”

The company said it was exploring further options for additional funding. Finance chief Dean Subrimanian said in November the company was considering issuing up to $350 million of bonds.

The group also said it was still searching for a replacement for its CEO Paul O'Flaherty since he announced that he had decided to leave the company after just 18 months at the helm.

UK Union Officials Talk with Tata Over Future of Biggest Steel Plant



Talks over the future of the UK’s biggest steel plant in south Wales are set to take place between its owner and union officials, as a crisis in the industry that has claimed thousands of jobs deepens.

The Community trade union said it would meet Tata Steel following media speculation about potential job losses at the Port Talbot steelworks, which employs some 3,500 people. Thousands more work in the supply chain.

“We will be meeting with Tata Steel to discuss these reports and how best we can build a sustainable steel industry together,” said a spokesperson for the union.

Reports suggested that the site, which makes steel used in carmaking, engineering and consumer goods, was at risk of closure and that a restructuring of the business was likely in order to save the plant. Local MP Stephen Kinnock said that redundancies could number the hundreds.

The British steelmaking industry has been hit in the past year by a toxic mix of falling prices, high energy costs and the impact of a strong pound. About 5,000 jobs were shed or earmarked for loss in 2015, from a workforce that was 30,000-strong at the start of the year.

This included 2,200 employees at the historic Redcar steelworks in Teesside, north-east England, which closed permanently in October following the collapse of Thai owner SSI UK.

Throughout last year, Tata Steel also said it planned to cut about 1,900 positions at locations such as Rotherham and Scunthorpe, while a restructuring in one division saw Scotland’s last two steel mills mothballed.

Although companies around the world accuse China of flooding markets with cheap steel, British producers say UK environmental taxes put them at a disadvantage.

The government has introduced compensation for these taxes, but the steel industry is also lobbying for more use of UK goods in public construction projects and reform of business rates.