



Arab Steel Industry 2005

The Changing Face of the Steel Markets

By M.L. Lachger
AISU Secretary General

The result of 2005 was positive in general, either in terms of the production figures or of the profitability levels achieved by the Arab iron and steel companies, even though this result was below the level achieved in 2004 which is considered distinctive in every measure. Though the fourth quarter of 2005 had been of an unsatisfactory states with regard to the price levels which resulted in the drop of sales for some companies, the overall situation of 2005 inspires continuation of the new states experienced by this industry. This is disclosed in the following report presented by Mr. Mohamed Laid Lachgar, Secretary General of the Arab Iron and Steel Union, in the ordinary meeting of the Board of Directors of the Union in November in the Saudi iron and steel company, covering the states of this industry at the level of the Arab steel companies during the first nine months of 2005:

Arab Steel Production Overview

During the first nine months of the year Arab crude steel production showed a continuous development compared with the same period in 2004.

In the first quarter of this year, production of crude steel reached 3.2million tons, i.e., up by 11.5%% over the production level of the first quarter of 2004, which amounted to 2.9 million tons.

Production continued being increasing during the second quarter. Steel production during the first half of this year amounted to 14.2% over the production level of the first nine months of 2004 when it amounted to 5.9 millions tons.

Crude steel production during the first nine months of this year amounted to 10.2 million tons, i.e., up by 12.4% over the production level of the same period of 2004, which amounted to 9 million tons.

From this table the following are noticeable:

- ❖ The Libyan Iron and Steel Company achieved the highest rate of increase in the crude steel production, which amounted to 34.8%.
- ❖ Egypt's crude steel production amounted to 4.1 million tons, which equals 40.5% of the total Arab crude steel production during the first nine months of this year.
- ❖ Steel production retreated in some Arab companies, but the steel production increase in other companies has compensated this decrease and added new production capacities to it.

Table 1 illustrates the development of Arab crude steel production during the first nine months of this year compared with the same period of 2004.

Evolution of production of final products during the first nine months of this year

Our analysis of the evolution of the production of final products depends on the production of the Arab companies in particular the companies, which are members in the Arab Iron and Steel Union (AISU). Production of final products of the largest eight Arab companies showed and evident improvement during the first nine months of this year compared with the same period of 2004. This improvement was not limited only to producing long products but it also covered the flat products. This increase in production is the result of responding to the increasing demand for steel products. It is possible through reading the data connected with the production of the largest eight Arab final products producing companies as illustrated in the **table 2** to point out the following remarks:

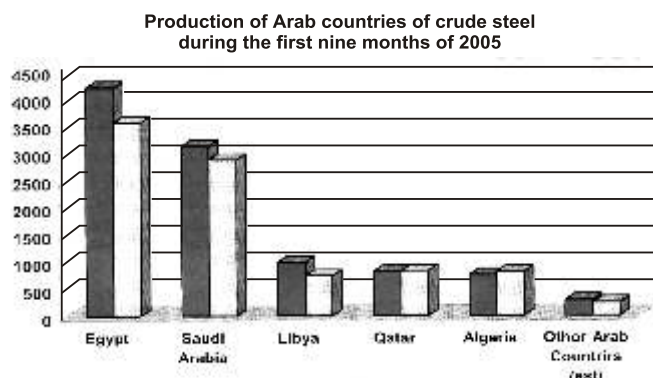
	2005	2004	Change %
Egypt	4187	3517	18.0
Saudi Arabia	3112	2863	8.7
Libya	984	730	34.8
Qatar	814	822	-0.9
Algeria	748	806	-7.1
Other Arab Countries*	285	240	19.0
Total	10130	9008	12.45

Table 1 : Production of Arab countries of crude steel during the first nine months of 2005 compared with the same period of last year. * Initial Figures

our analysis of the evolution of the production of final products depends on the production of the Arab companies in particular the companies, which are members in the Arab Iron and Steel Union (AISU). Production of final products of the largest eight Arab companies showed and evident improvement during the first nine months of this year compared with the same period of 2004. This improvement was not limited only to producing long products but it also covered the flat products. This increase in production is the result of responding to the increasing demand for steel products. It is possible through reading the data connected with the production of the

largest eight Arab final products producing companies as illustrated in the **table 2** to point out the following remarks:

1 - Production of Ezz-Dikheila during the first nine months of this year amounted to 3.360 million tons, i.e., up by 18.1% over the production level of the same period of 2004, which amounted to 3.005 million tons.



	2004	2005	Change %
EZDK / Egypt	1922	2156	12.17%
Saudi Iron and Steel Company (Hadeed) / Saudi Arabia	1970	2043	3.71%
National Iron and Steel Company (Sonasid) / Morocco	0.595	0.659	10.78%
Qatar Iron and Steel Company (Qasco) / Qatar	0.580	0.621	10.89%
Libyan Iron and Steel Company (Lisco) / Libya	0.344	0.519	51.3%
Mittal Steel - Annaba / Algeria	0.322	0.322	12.42%
United Steel Company (Unisteel) / Kuwait	0.261	0.320	13.88%
Other companies *	0.261	0.248	-4.98%
TOTAL	8.505	9.378	10.26

Table 2 : Production of long products Arab producing companies during the first nine months of 2004 and 2005

2 - Production of Saudi Iron and Steel Company (Hadeed) amounted to 2.8 million tons during the first nine months of this year, i.e., up by 10% over the production level of the same period in 2004.

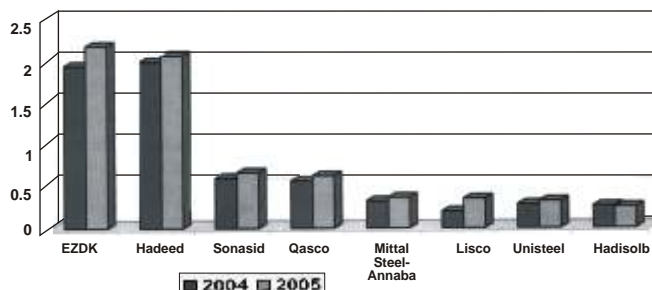
3 - The Libyan Iron and Steel Company achieved the highest rate of increase during the first nine months of this year. Its production increased by 65% in the period January - June 2005 compared with the same period of 2004.

Its production of long products during the first nine months of this year was over half a million tons i.e., it is more than the total production of the same products in 2004.

4 - Production of Six flat products producing companies during nine months amounted to 3.273 million tons, i.e., up by 10.8% over the production level of the same period of 2004, which amounted to 2.954 million tons. Ezz-Dikheila Group ranked first with a figure of 1.2 million tons, followed by Saudi Hadeed Company for 848 thousand tons. Production of these two companies constitutes 60% of the total Arab production of steel flat products.

5 - Arab companies produced 9.378 million tons of long products, i.e., by 10.26% over the production level of the same period of 2004 which amounted to 8.505 million tons.

Production of Arab companies of long products during the first nine months of 2004 and 2005



	2004	2005	% تغير
EZDK / Egypt	1.922	2.156	11.17%
Saudi Iron and Steel Company (Hadeed) / Saudi Arabia	0.659	0.648	28.68%
Libyan Iron and Steel Company (Lisco) / Libya	0.305	0.392	-2.05%
Egyptian Iron and Steel Company / Egypt	0.380	0.382	49.67%
Mittal Steel - Annaba / Algeria	0.342	0.287	-16.08%
Maghreb Steel Company / Morocco	0.175	0.160	8.57%
Total	2.8	3.107	10.98

Table 3: Production of the Arab companies of flat products during the first nine months of 2004 and 2006

* These figures include production of only six months

Ezz-Dikheila Group ranked first among the long products producing companies, followed by Saudi Hadeed Company. Production of each one of these two companies exceeded two million tons during 2005.

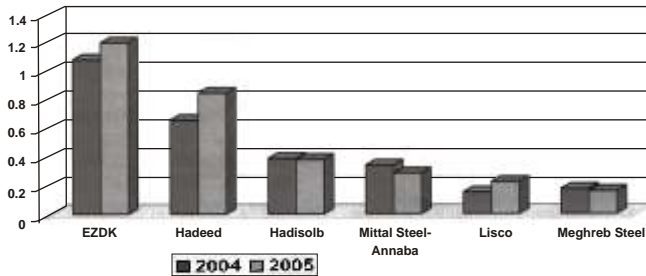
There are three companies the production of each of which exceeded half a million tons, they are: The National Iron and Steel Company (SO-NASID), Morocco, Qatar Iron and Steel Company (QASCO), Qatar, and the Libyan Iron and Steel Company (LISCO), Libya. There are also two companies the production of each of which exceeded 300 thousand tons and came close to 400 thousand tons, they are: Mittal Steel in Algeria, United Steel Company, Kuwait, and Libyan Iron and Steel Company, during the first nine months of this year (**Table 3**).

Increasing demand in local markets:

The Arab markets witnessed an increased demand for the steel products during the first nine months of this year, which motivated the Arab companies to increase their products and which pushed some companies to stop or curb their exports to the foreign markets.



Production of the Arab companies of flat products during the first nine months of 2004 and 2005



The table concerning the sales of the Arab companies during this period reveals a number of remarks which we may mention as follows:

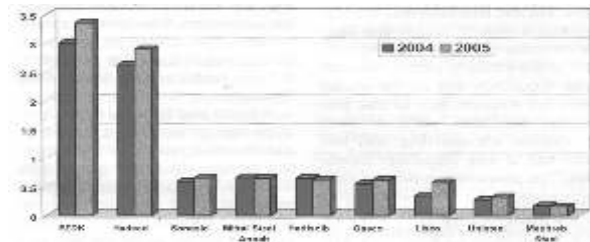
- ❖ The volume of Ezz-Dikheila Group during the first nine months of this year amounted to 3.390 million tons, i.e., up by 13.5% over the sales level of the same period of 2004, which had amounted to 2.988 million tons.
- ❖ The volume of the sales of Saudi Iron and Steel Company amounted to 2.7 million tons most of which went to the local market which had witnessed a remarkable growth of demand. According to the estimates of Hadeed Company, the Saudi market needs 4 million tons of long products and 2 million tons of flat products.
- ❖ The sales of long products in the local markets of most Arab companies increased during the first nine months of this year compared with the same period of 2004. The rate of these sales was 25.5% for Ezz-Dikheila Group, 70% for the Libyan Iron and Steel Company, 150% for the United Steel Rolling in Kuwait, 44% for Jordan Steel and 8.4% for the National Iron and Steel Company (SONASID) IN Morocco.
- ❖ Most of the sales of flat products went to the export markets. This is due to the weak demand in the local markets for the flat products and to the inability of the end-users of these products. Besides, despite what they have witnessed of price fluctuation, the prices of the flat products have witnessed during some months good price levels, which encouraged exports. Ezz-Dikheila Group is considered one of the first exporting companies exporting flat products. Its total exports of this products amounted to 789 thousand tons during the first nine months of this year, which constitutes 68% of the total sales of these products which amounted to 1.158 million tons while the volume of exports of the long products amounted to 303 thousand tons, i.e., 13.6% of the total sales of these products which amounted to 2.298 million tons. The same thing is applicable to the sales of the Libyan Iron and Steel Company, which stopped its exports of long products during this year. The volume of its sales in the

	2004	2005	Change%
Ezz-Dikheila Group / Egypt	3.005	3.360	11.61
Saudi Iron and Steel Company / Saudi Arabia	2.623	2.991	9.97
Libyan Iron and Steel Company / Libya	0.648	0.911	64.94
National Iron and Steel Company / Morocco	0.551	0.630	13.25
Mittal Steel- Annaba / Algeria	0.590	0.621	10.68
Egyptian Iron and Steel Company/ Egypt	0.564	0.448	-2.28
Oman Iron and Steel Company / Qatar	0.595	0.659	10.76
United Steel Company / Kuwait	0.291	0.320	13.86
Meghreb Steel Company / Morocco	0.175	0.160	-8.57
Other companies *	2.250	2.450	8.88
TOTAL	11.456	12.654	10.41

Table 4 : Production of Arab companies of final products (long + flat) during the first nine months of 2004 and 2006

local market mounted to 474 thousand tons of long products and 84187 tons of flat products during the first nine months of this year? With. The volume of its exports of long products amounted to 6715 tons of long products and 231347 tons of flat products.

Production of Arab Companies of finished products during the first nine months of 2004 and 2005



	2004	2005	التغير %
Ezz-Dikheila Group / Egypt	2.988	3.390	13.5
Saudi Iron and Steel Company / Saudi Arabia	2.787	2.711	- 2.8
National Iron and Steel Company / Morocco	0.615	0.667	8.4
Egyptian Iron and Steel Company/ Egypt	0.635	0.605	- 5
Libyan Iron and Steel Company / Libya	0.571	0.796	+39.3
United Steel Company / Kuwait	0.111	0.278	+150

Table 5 : Arab companies during the first nine months of 2005 compared with the same period of 2004

- ❖ The level of exports of most companies, particularly export of the long products, has retreated during the first nine months of this year compared with the same period of 2004. Due to the improved demand in the local market and also to the increased freight costs for export, which weakened the temptation of export to the foreign markets, to increased competition in the world market, especially after entering of China into being a net exporter over more than eight successive months which has created confusion in the export market.
- ❖ Ezz-Dikheila Group increased its exports with a very limited rate. Its exports have exceeded one million tons for the second year respectively. The National Iron and Steel Company in Morocco has also doubled the volume of its exports during the first nine months of this year. The volume of these exports was 33 thousand tons against 3000 tons during the same period of 2004. Jordan Steel Company has also increased its exports from 20 thousand tons during the first nine months of 2004 to 35 thousand tons during the same period of 2005. □□□

(Courtesy : Arab & Iron Steel Union)

To be continued in next issue