

## Strong steel growth : An increasing trend in GCC region



**Abdulaziz Sulaiman Al-Humaid**, Executive Vice President - Metals SABIC

**R**anked among the world's largest petrochemicals manufacturers, SABIC is a public company based in Riyadh, Saudi Arabia. 70% of the Company's shares are owned by the Saudi Arabian government, with the remaining 30% held by private investors in Saudi Arabia and other countries of the Gulf Cooperation Council. SABIC is composed of six business units, each headed by an Executive Vice President. These are: Chemicals, Polymers, Performance Chemicals, Fertilizers, Metals and Innovative Plastics. These six operating units make four distinctly different kinds of products: Chemicals – Chemicals and Performance Chemicals; Plastics – Polymers and Innovative Plastics; Fertilizers and Metals.

Saudi Iron and Steel Company (Hadeed) is wholly owned by the Saudi Basic Industries Corporation (SABIC). It is the first integrated iron and steel complex in the Kingdom of Saudi Arabia. HADEED started production by the beginning of 1983 with an annual design capacity of 800,000 metric tons of long products. Hadeed's Flat Products Complex with an annual design production capacity of 850,000 tons of hot rolled, cold rolled and galvanized flat steel products started commercial production in January 2000. Following several enhancements and expansions, the annual production capacity of HADEED facilities exceeded 3.3 million metric tons of long products, and 2.2 million metric tons of flat products.

Currently Abdulaziz Sulaiman Al-Humaid is the Executive Vice-President, Metals SABIC. Before taking up his current post as Executive Vice-President, Metals in April 2009, he was the Company President successively in Saudi Iron and Steel Company (HADEED), Al-Jubail Petrochemical Company (KEMYA) and National Industrial Gases Company (GAS). From year 1996 to 2000, he was Senior Vice President of Arabian Petrochemical Company (PETROKEMYA), where he started his career in 1981. He is also the Chairman of the Board of National Industrial Gases Company (GAS). Al-Humaid is also on the board of Aluminium Bahrain (ALBA) and Gulf Aluminium Rolling Mill Company (GARMCO), both companies are in the Kingdom of Bahrain; and board of Royal Commission Colleges and Institutes for Jubail and Yanbu. He holds a Bachelor's Degree in Chemical Engineering Science from the King Fahd University, Kingdom of Saudi Arabia.

“We are however confident that the economic situation will improve soon due to the increasing demand, especially in the Long Products segment. This can be evidenced by the ongoing projects across GCC to cater to the needs of both semi and finished products”, says **Abdulaziz Sulaiman Al-Humaid**, Executive Vice President, Metals SABIC in an exclusive interview to **Steelworld**. Excerpts:

**How do you see the present status of Iron & Steel Industry in Saudi Arabia as well as in the Middle East region?**

The Middle East, particularly the Gulf Cooperation Council (GCC) countries, continues to see steady economic growth. The construction sector in Saudi Arabia is adjusting to new labor regulations. Proposed economic cities and infrastructure projects are good opportunities for

industrial growth. We'll have to wait and see whether the drop in oil prices will have an impact on the construction sector in GCC countries. In any case, I believe that the oil price decline is temporary.

#### **How do you see the prospects of Iron & Steel Industry in Middle East region?**

The Middle East and Gulf Cooperation Council (GCC) countries continue to see steady economic growth. The slowdown in the global economy, along with a drop in iron ore prices have been somewhat impacting the GCC market with significant dumping of steel products by some overseas suppliers at much higher volumes than in 2013. Despite global oversupply and cheaper steel products, the GCC market remains efficient and is able to compete with imports, especially in the Long Products segment.

We are however confident that the economic situation will improve soon due to the increasing demand, especially in the Long Products segment. This can be evidenced by the ongoing projects across GCC to cater to the needs of both semi and finished products. Overall, it continues to be an attractive market for investments, driven by steady market growth and

supported by new industrial sectors.

#### **Do you see growth of steel demand in the region?**

I certainly see strong growth. Steel demand is still healthy, and growth has been an increasing trend in the GCC region as compared to other parts of the world. Saudi Arabia has planned to execute many government projects, such as economic cities, railways, offshore clusters, maritime yards, shipbuilding & ship repair, energy plants and windmill towers. These are mega projects, which are expected to continue over a long period of time. The construction market in KSA is expected to grow at a strong pace, driven by a strong focus on housing, economic development and major energy projects.

As for other GCC countries, Qatar is preparing for the World Cup 2022 and UAE is getting ready for Expo 2020. All of these projects are strategic projects in the region that will ensure healthier steel demand for a number of years.

In general, an optimistic growth is foreseen in both KSA and other GCC region.

#### **With many projects coming up in Saudi Arabia as well as other parts of Middle East, do you see imports being reduced in coming years?**

High volumes of steel production from local producers are still not adequate to reduce imports. Imports always compete with their lower prices. For example, the iron ore prices below \$80 have allowed prices of some imported products to fall by 18% since the beginning of the year and allowed these goods to compete with domestic products. It's about being efficient to stay competitive. The current utilization rate of steel mills is around 76%. However, the upcoming new projects in the region might have an impact on imports, resulting in reduced volumes of imported goods.

Anti-dumping policies with adequate custom duty protection may be needed in the GCC region for the new projects to source from domestic supplies.

#### **What are the present facilities at Hadeed Iron & Steel Company and what are its future expansion plans?**

With integrated steel plant facilities, SABIC has been the largest steel producer in the GCC region. Now it produces a total of 5.9 million metric tons of steel including both long and flat products. SABIC has five DRI modules of 5.5MTPY gross capacity with four Midrex and one HYL plant.

SABIC's integrated Long Products facilities are equipped with five rolling mills and straightening facilities with an installed capacity of 4MTPY of rebar and wire rod coils. Its integrated flat product facilities are equipped with 2.2MTPY of steel plant with slab casters, 2MTPY of hot strip mill complex and 420 KT cold mill complex. CMC is capable of producing cold rolled, hot dip galvanized and paint coated coils. The state-of-the-art plants are operating to full capacity.

As per SABIC's strategic vision of achieving nearly 10MTPY by 2025, various expansion project are under consideration and study. We will announce any specific future plans as soon as they are finalized.

