

Steelmakers face continued profit squeeze

by FARAH SAAD

STEEL producers will continue to see operating margins come under pressure for the remainder of 2012 and the first-half (1H) of 2013, unless measures are taken to achieve economies of scale.

The producers are affected by the influx of cheaper imports from China, said the Malaysian Iron and Steel Federation (Misif) president Datuk Soh Thian Lai during a media briefing in Kuala Lumpur yesterday.

"At the moment they are, on average, producing at 50% capacity and the smaller your output, the greater your cost per unit," he said.

He said effective measures should be taken by the Ministry of International Trade and Industry including encouraging the use of made-in-Malaysia steel and iron for government projects.

"The mass rapid transit project will use a lot of steel, and the local producers can supply it," he said.



Pic by Muhd Amin Naharul

(From left) Misif immediate past president Chow Chong Long, Misif deputy president Azlan Abdullah and consultant Frank Mizuno at the conference in Petaling Jaya

He said the use of local steel would result in higher output for the producers, eventually leading to lower prices for finished products.

Increased local output will also help reduce net import of steel, which was two million tonnes in 2011.

Malaysia was a net importer of steel in 2011, with five million tonnes imported and three million tonnes exported.

Meanwhile, the domestic demand for steel is expected to grow at a rate of 3% to 4% per year over the next two years, from the 2012 figure of 8.4 million metric tonnes, driven mainly by projects in the pipeline.

Domestic demand picked up in the 1H of the year, due to various ongoing infrastructure projects, said Soh in his opening address at the

Misif industry outlook conference in Kuala Lumpur yesterday. However, the outlook remains uncertain in view of the tough external environment, said Soh.

"There are no signs of immediate recovery yet, in view of the weak global economy, the sluggish external environment will continue to weigh down on any potential recovery in steel prices," he said.