

Belgium Metals Report Q1 2012

<https://marketpublishers.com/r/B1981301C3FEN.html>

Date: January 2012

Pages: 47

Price: US\$ 1,175.00 (Single User License)

ID: B1981301C3FEN

Abstracts

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A decline in demand growth in export markets has dealt a blow for the Belgian steel industry, according to BMI's latest Belgium Metals Report. In the first 10 months of 2011, Belgium's crude steel output grew 4.5% y-o-y to 7.02mn tonnes, which follows 52.6% growth to 7.97mn tonnes in 2010.

Insufficient demand prompted ArcelorMittal to temporarily close its 1.65mn tpa blast furnace B at its plant in Liège as well as idling its 1.25mn tpa No.2 blast furnace at Florange, France, one of which has remained offline since 2008 and the other was shuttered in August 2011. Both furnaces are now set for permanent closure which means that Belgium will not return to pre-crisis volumes of production even after the market picks up. The closures have prompted a downward revision in our crude steel forecast for 2011 from 8.61mn tonnes to 8.21mn tonnes, representing an increase of 3.0% y-o-y. We have also reviewed our forecast for 2012, predicting a 10% contraction in both crude and hot-rolled output compared with the previously forecast flat growth.

With total production capacity of around 8.5mn tpa of continuous casting slab and 8mn tpa of hot rolling mill capacity, ArcelorMittal's output will determine Belgian steel production over the medium term. The future of the three plants that were under control of the Russian-Belgian joint venture (JV) Steel Invest and Finance are, however, more secure following the decision by Novolipetsk Steel (NLMK) to buy out Duferco's stake in facilities in La Louviere and Clabecq. They have either been mothballed or are operating at 50-70% capacity since the recession struck in 2008, but the Russian owner now plans to invest in the facilities over the next four years.

In terms of performance in metals end-use markets, the Belgian automotive industry has been key to the revival in Belgian steel consumption. Belgium hosts five car

assembly plants, six truck manufacturers and more than 300 suppliers, with more than 96% of output dedicated to export markets. However, with the end of scrappage schemes in most countries in Europe, sales fell back to lower levels from H210, ending the short-term increase created by incentive packages and making the market outlook bleak. According to the European Automobile Manufacturers Association (ACEA), European demand for new cars in H111 fell 2.1% y-o-y. This in turn will limit domestic consumption and BMI estimates finished steel consumption growth slowed to 3.8% in 2011 from 26.9% in 2010, while aluminium consumption growth declined to 4.9% from 30.0%.

It will be 2014 at the earliest before domestic finished steel consumption exceeds 5mn tonnes again. A similar trend will be observed in the Belgian aluminium market. Consumption will be constrained by higher rates of unemployment, thereby dragging down spending on consumer durables and cars. Again, a sharp slowdown in 2012 will mean it will take a four- or five-year period for domestic consumption to return to pre-recession levels, with 2016 consumption reaching around 452,000 tonnes, a level more typical of the years prior to the collapse in demand. This will have a knock-on effect on imports of primary aluminium, for which we see a low growth scenario in the years ahead.

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BMI Methodology

How We Generate Our Industry Forecasts

Cross Checks

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