

# Steel Market Could Begin Recovery This Year

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April 10, 2013

**The**  **Moscow Times**

Hit by Europe's debt crisis, global steel demand is likely to start recovering this year driven by emerging economies like China and Russia, with the pick up to continue in 2014, the World Steel Association said Thursday.

The association expects consumption of the metal to resume in the second half of the year after "the key risks to the global economy," including the euro-zone crisis and the economic slowdown in China, "have all stabilized considerably," it said in a report.

According to the report, Russia is likely to see steel consumption grow 2.6 percent this year to 42.9 million metric tons, followed by a 3.9 percent increase to 44.6 million metric tons in 2014. The growth will apparently be driven by energy and construction projects, the association predicted.

The news will apparently add optimism to domestic steelmakers, which have been facing hard

times amid weak prices and poor economic conditions globally. Steel demand in the European Union slid by 9 percent last year, Reuters reported.

In the most recent example confirming the challenges, Evraz, Russia's largest steelmaker by output, said Thursday it is considering a possible sale of its loss-making Czech unit, which had been partly shut down earlier this month due to poor demand in Europe.

The steel giant is looking at two options for developing its Ostrava-based facility: It might either retain only steel-rolling lines while completely halting crude steel production or sell the whole property "if the buyer can keep the steel manufacturing and we are satisfied with the terms of the deal," Evraz chief executive Alexander Frolov told reporters during a conference call.

Poor demand for the metal globally had a negative effect on the steel maker's financial performance, resulting in Evraz posting a net loss of \$335 million in 2012 against a net profit of \$453 million a year earlier, the company said in a financial statement released Thursday.

As a result of weak metal prices, the company saw revenues slide by 10 percent to \$14.7 billion.

The results were seriously affected by falling prices for finished goods, said Investcafe analyst Pavel Yemelyantsev. An average price for long steel products used in construction fell by 7.5 percent in 2012, while prices for flat steel used in car manufacturing slid by 14 percent from 2011, he said.

Despite the first "signs of stabilization" in the steel industry, Evraz remained cautious about the global prospects, saying that volatility is "likely to persist throughout the year."

But Alexei Mordashov, owner and chief executive of steel giant Severstal, was more optimistic, saying his firm expects stable consumption growth in Russia.

"Despite the remaining risks and a considerable level of uncertainty in the global economy, we in general expect that steel demand in the Russian market over the next five years will grow by 3 percent to 4 percent or even more," he said in e-mailed comments.

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