

# ArcelorMittal SA sinks deeper into the red

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ArcelorMittal SA sank deeper into the red in the six months to June, as the struggling steel producer buckled under the weight of unrelentingly low steel demand, rising input costs and a stronger rand.



Image source: [www.pixabay.com](http://www.pixabay.com)

The headline loss for the review period widened to R1.61bn, from R458m in the year-earlier period, as the costs of imported coking coal and iron ore rose, dealing a further blow to the company, whose fortunes are closely tied to the performance of the economy.

High international coal and iron ore prices were the main contributor to the increase in raw material costs, the company said on Thursday, 27 July, in its results statement.

Electricity costs also increased due to annual electricity price increases.

Total steel sales volumes fell by 95,000 tonnes, with local sales dropping 9.2%, which the company attributed to difficult trading conditions.

Export sales rose 15.9%, helping to mitigate lower sales in SA.

Revenue rose 12.6% to R19.151bn, mainly due to an 18.9% increase in average net realised steel prices, from R6,845 a tonne to R8,138 a tonne.

The company said local and export steel markets were constrained because of minimal local investment and infrastructure spend, high raw material costs and the volatility of the exchange rate.

An impairment of R600m was recognised against property, plant and equipment for the long products unit. This was due to a stronger rand and loss of volumes due to higher coal prices compared with scrap-based local competitors.

The market reacted negatively to the results, with the share price dropping 2.6% to R4.87 in early trade on the JSE, valuing the company at R5.5bn. Back in 2010, the market valuation was R35bn.

*Source: BDpro*

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