Publication: Business Day (Late Final), Companies & Markets
Date: Tuesday, August 21, 2018
Page: 10

# Stainless steel makers under pressure

● *Cheaper imports from China, high labour and power costs and increased trade tariffs put the squeeze on Southern African manufacturers*

**Siseko Njobeni**
Industrial Writer

The local stainless steel industry is taking strain because of cheaper imports from China while also battling domestic factors such as high labour costs and rising electricity prices, the Southern African Stainless Steel Development Association (Sassda) says.

This compounds the effects of the recent imposition of a 25% trade tariff on imported steel in the US. SA was one of the countries whose exports to the US increased significantly from 2011 to 2017.

As a result, steel flat products, steel long products and steel pipe and tube products were subject to the 25% tariff. Sassda said the move would severely affect exports of flat rolled stainless steel.

Sassda executive director John Tarboton said the hostile global trade market has raised the need for a strong local market, thus reducing local producers' reliance on exports.

SA produces about 500,000 tons of primary stainless steel a year and imports another 40,000 tons a year. Local stainless steel consumption is about 150,000 tons a year, according to Sassda. Tarboton said Chinese imports are cheaper because of a number of factors, including the use of automation, six-day work weeks, higher productivity and subsidies. As a result, SA producers could not compete with the imports on price.

The China factor also had a key role to play in the recent imposition of a 25% tariff on SA stainless steel imports into the US market.

"This stems from the huge increase in China's production of stainless steel into the global market with, for example, the country's state-owned producer increasing its production of stainless steel from 3.8% of global production in 2001 to a whopping 54.5% in 2016, resulting in excess supply into the global market," Tarboton said.

The industry is concerned about the effect of the proposed Chinese-financed $10bn metallurgical complex in Limpopo, he said. There is no capacity in the local market to absorb additional stainless steel output. Output from the proposed complex would have to be exported, he said. "The concern is that the local stainless steel market is relatively small."

Stainless steel producer Columbus Stainless "exports about 75% of their product.

"Our aim is to grow the local market. We want to grow the downstream conversion industry," he said.

Plans for the plant in the Musina-Makhado special economic zone in Limpopo emerged during Chinese President Xi Jinping's state visit to SA in July and construction could begin in 2019.

Sassda has about 400 member companies and promotes the conversion of stainless steel primary products to stainless steel finished products.

"The value comes from the conversion of primary steel product to a finished product," said Tarboton.

The local industry is also looking for markets in the rest of Africa, he said. "The African continent, which is home to some of the highest growth rates in the world, also presents an exciting opportunity and one which we are actively pursuing in the form of key country visits for the identification of potential manufacturing partnerships where our members can share expertise and secure lucrative supply contracts," he said.

njobenis@businesslive.co.za