
OneSteel unveils challenging outlook

Thursday, 20 Aug, 2009

Mr Geoff Plummer CEO of OneSteel said that "While we are encouraged by recent improvements to the outlook, domestic market conditions in our key segments continue to be challenging with only a modest improvement in activity levels expected in the near term. We are seeing a small but steady increase in domestic demand from increased activity, but this is off a low base. Destocking through the channel appears to be complete and stocks seem now to be generally at relatively low levels."

He added that "Improvements in availability of credit and confidence are key to any significant lift in activity in our key markets. We expect non residential and engineering construction activity, particularly private investment to continue to be weak, but expect an improved level of activity in residential construction. In the mining sector, spending on consumables has stabilized and showing signs of building slowly but steadily. The manufacturing and rural sectors are expected to remain soft. We remain encouraged by state and Federal Government stimulus initiatives to invest in infrastructure and boost residential and non residential building activity. While we cannot be certain on the timing of benefits from these initiatives, we are expecting to benefit from the Government's Building Education Revolution stimulus from late 2009 and from larger infrastructure projects as they ramp up from around mid 2010."

Mr Plummer said that "Internationally, we expect there will continue to be overcapacity in steel production in the short term and this is expected to impact prices and margins for steel markets. However, there are clear indications that international steel and steelmaking input prices have passed the bottom and started to recover. Domestic steel prices fell significantly in the fourth quarter, but we believe prices have bottomed and will increase from here. In our more internationally exposed Iron Ore and Recycling segments, there is increased confidence that the market bottom has also passed with demand and pricing improving recently, underpinned by strong demand from China and increased activity in other regions. However, further price volatility is expected over the near term."

For more news visit at www.steelguru.com