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## Recession reports - Severstal, Evraz and Mechel cutting spending

*Friday, 31 Oct, 2008*

Bloomberg reported that OAO Severstal, Russia's largest steelmaker, Evraz Group SA and OAO Mechel will cut spending as a global credit squeeze slows demand from automakers and builders.

Mr Sergei Kuznetsov CFO of Severstal said his company will need to reduce spending substantially' through 2009.

Mr Pavel Tatyatin CFO of Evraz said at the same event that his company will cut capital spending by two-thirds and may postpone USD 1.8 billion of investment projects. Mr Tatyatin said "In some cases we can say prices have fallen off the cliff."

Mr Tatyatin said Evraz started cutting output this month will probably extend the reduction to 25% in Russia and Ukraine. Mr Stanislav Ploschenko CFO of Mechel said at the conference that Mechel is cutting working hours and capital spending and may also reduce dividend payments.

Moscow-based Alfa Bank in a report said the country's six biggest steel companies had planned to invest more than USD 26 billion through 2012 until the crisis in global financial markets eroded demand and sparked a collapse in Russian stocks. Domestic steelmakers may cut production by as much as 20% on average to support prices,

Mr James Fenkner MD at Red Star Asset Management LP in Moscow said that "They are doing absolutely the right thing. Demand for steel is very bad and they are being responsible."

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