
Vietnamese steel industry growth may result in oversupply

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VNS reported that the overheated growth of Vietnam's steel industry over the past few years could soon result in massive oversupply when a number of steel super projects come on line. Industry watchers are issuing the warning even though domestic demand for steel has remained stable during the current global economic crisis.

Prior to the economic downturn, domestic and foreign investors piled into the industry, eager to take advantage of a building boom, and what seemed like an unlimited potential for growth. In the past 2 years, a number of major foreign invested steel production projects have registered. Six of these, with a total potential annual output of nearly 35 million tonnes, have been granted business licenses and are under construction.

In addition to Van Loi Steel Co, which has invested in 3 steel production plants with an annual output of 500,000 tonnes to 1 million tonnes each, the Viet Nam Steel Corporation now has an annual production capacity of about three million tonnes. But, even major companies like Hoa Phat, Vinashin and the Vinacomin Group have all stuck a toe into steel production, building a number of plants nationwide.

Another 5 million tonnes steel project, a JV with TATA Group, is also queuing up for government approval to break ground in Vung Ang in the central province of Ha Tinh.

If all of these projects are completed on schedule and run at designed capacity, it is estimated the industry will churn out a whopping 50 million tonnes of steel yearly.

Meanwhile, according to estimates from the Ministry of Industry and Trade's Strategic Research Institute, domestic demand for steel will be at roughly 20 million tonnes by 2020. The figure for 2025 was also estimated at only about 25 million tonnes under a master plan approved by Prime Minister last year. With the anticipated demands, Viet Nam Steel Association chairman Mr Pham Chi Cuong said that just one or two of the major steel projects currently being developed would be enough to meet domestic demand.

The ministry of industry & trade has been willing to give the green light to so many steel projects in anticipation of tax revenues and new jobs for many locals, particularly in the country's more impoverished central region. The Viet Nam Steel Association also issued a report warning that steel projects would not be able to operate sustainably were they to depend solely on domestic input materials, but dependence on imported materials could prove to be highly costly.

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