

## Commodities: Steel demand expected to climb sharply

Major steel producers seem certain that demand in the kingdom will continue to rise sharply this year, in part through recovery in the property sector through the government's 'Strong Thailand' stimulus projects.

Staff Writer

It seems that major steel producers in the kingdom are expecting demand for steel to continue to rise throughout the rest of the year, in line with a recovery in the property sector through projects under the government's 'Strong Thailand' program.

Saengrung Nitipawachon, managing director of Southern Steel, was quoted as saying in a National News Bureau report that recovery had been experienced in many industries, encouraging the steel industry to grow at a faster rate than the company had originally expected. Southern Steel produced over 5,500 tons of steel during the first half (H1) of 2009, but the company expects to raise its production to 9,000 tons by the end of the year.

Saengrung said he expected steel consumption during the second half (H2) of the year to increase as a result of a recovery in the domestic market and in global demand.

He said the price of Thai steel would also increase due to the sharp growth in domestic demand. However, he noted that demand for steel was notoriously difficult to forecast as it "depends on many factors". He said he hoped that the government's 'Strong Thailand' stimulus projects would boost demand for products in many business sectors, including the steel sector.

### Tata eyeing more opportunities

Tata Steel, part of India's leading industrial conglomerate, is seeking even more investment opportunities in Thailand both in the steel and automotive sectors, managing director B. Muthuraman was quoted as saying in the Thai media recently. The company has been encouraged by the steady increase in hot-rolled steel prices to US\$540 per ton this week (August 17) from \$400 in April, according to a Bangkok Post report.

The global steel market shrank 22% during the first half (H1) of 2009, after declining 1.2% in 2008, but it is expected to recover gradually during the second half of the year to finish with a 15% contraction, Muthuraman was quoted as saying. In the Thai market, the first-half contraction was 30% with a full-year projection of 17%.

"However, we believe the economy and industry will see some improvements from the third quarter [Q3] onwards," said Muthuraman on the sidelines of the shareholders' meeting of Tata Steel (Thailand [TSTH]) in Bangkok.

"Thailand still has attractive business conditions and we will definitely invest more in Thailand once the economy improves."

Tata's Indian parent and its wholly owned

subsidiary Natsteel Asia control 67% of SET-listed TSTH, the country's largest producer of construction steel. The Indian group also makes pickup trucks in Thailand and has been granted investment privileges for an eco-car project.

TSTH's new 3.8 billion baht (\$115-million) upstream steel facility will enable TSTH to trim production costs amid volatile raw material prices and be more competitive in export markets including India. While the steel market would decline globally in 2009, demand in India is still projected to grow 6% year-on-year, Muthuraman said.

The company aims to produce 1.1 million tons of wire rods and rebar this year, on par with last year, about 10% of which would be exported, mainly to neighbouring countries.

"We are awaiting a licence to export to southern India where supply is still short of demand," Santi said.

Demand for long-shape steel in Thailand is projected at 4.5 million tons this year, including 2.5 million tons of steel bars.

The government's planned rail projects, for which construction is expected to start later this year, would require about 100,000 tons, he said.

"The government's megaproject scheme will actually drive domestic steel demand to rise from next year onward," according to Santi.

Prices of steel bar peaked at 35,000 baht per ton in June last year before falling sharply, though they have since recovered to around 17,000 to 18,000 baht, he said.

Surachai Pramuancharoenkit, an analyst from Kim Eng Securities (Thailand), was quoted by the Post as saying that prices of all forms of steel were expected to go up during the remainder of the year.

"The launch of government's infrastructure projects is expected to boost steel consumption in the final quarter [of 2009]," Surachai said.

And while it is fairly typical for business executives to sound excessively bullish on such matters, a report this week by a automotive trade website suggests there is a reasonable indication to suggest that there is good reason to accept their rather rosy outlook for the steel sector.

According to the report, Thailand's car market showed further signs of recovery in July with sales of 43,156 units, representing a drop of just 3.6% when compared with the corresponding period last year. – Agencies, Bangkok Post, including additional reporting by Steve Thompson.