

Metinvest International SA Gulf Branch: "Our products will certainly be in demand in the region"

Despite competition with other foreign suppliers, Metinvest International SA successfully maintains its positions in the GCC market. Metal Expert had an opportunity to communicate with Mr. Viktor Vukusic, General Manager of Metinvest International SA Gulf Branch, at the 2nd MENA Billet Import Conference held on April 13 in Dubai, the UAE. Mr. Vukusic with his more than a 14-year experience in international trading kindly agreed to discuss the company's position in the GCC market as well as business prospects in the region.

What benefits as well as problems does Metinvest International SA get from business in the GCC region?

There are almost no local flats producers in the GCC, while the projects for construction of flats rolling mills announced by SABIC and Emirates Steel have been rescheduled indefinitely. This makes the market quite attractive for many global producers. All are on an equal footing – steel imported from non-GCC countries is subject to a 5% duty.

The biggest problem comes from strong competition with suppliers from the CIS, Asia, Europe, regional and Turkish producers. However, the market has high capacity with stable steel demand. We expect some business slowdown in 2016-2017. For example, Saudi Arabia will invest around \$30 billion into construction this year, which is 20% down year-on-year due to the budget deficit of \$87 billion.

Saudi Arabia is now looking for additional funds to cover the budget shortfall – large state-owned plants, including some steelmaking facilities, are planned to be sold.

Will CIS billet exporters manage to maintain their positions in the GCC despite stiff competition, especially with China?

I believe that shipments of CIS billet will not fall below the last-year results in 2016. Suppliers are getting benefit from relatively cheap production cost of CIS semis and convenient logistics. Moreover, Chinese exporters have switched to the domestic market, which softened pressure significantly. In addition, risks connected with purchases from China have increased on cancellation of some contracts.

Plate demand has plunged in the GCC on closure and slowdown of certain oil projects. What other promising plate consuming segments can be found in the region?

Large-scale projects are underway in the region. The UAE and Qatar will host the world-class events in the next six years – World Expo 2020 and FIFA World Cup 2022. For that purpose, it is planned to construct a number of infrastructure and tourist objects.

Development of hotel and entertaining complexes continues in the UAE – the world's largest Ferris wheel Dubai Eye is being built on Palm Jumeirah Island. The Dubai Canal project will connect Business Bay and the Gulf. The Museum of the Future is under construction in Dubai; some other cultural sites as well as Motiongate, Bollywood Parks and Legoland theme parks are being built on Saadiyat Island in Abu-Dhabi and Dubai respectively.

In Saudi Arabia, two large shopping malls are planned for construction in Riyadh; preparations for the Jeddah Metro construction are in progress. Besides, construction is underway on the tallest building in the world – the Kingdom Tower in Jeddah (around 1 km high). King Abdullah Economic City, which will house 100,000 residential units, is also under construction. Development of the Jizan Refinery project is in progress too. In particular, Metinvest supplied more than 40,000 t of HR sheets for it.

In Oman, it is planned to reconstruct an airport in Seeb and upgrade infrastructure at Duqm port.

Our products will certainly be needed in the region as much as now because many pipe plants need coils, while sheets are used in construction, shipbuilding, building of water and oil tanks as well as other oil and gas projects.

Has the competition with Iranian suppliers got tougher in the GCC HRC segment after cancellation of sanctions?

No, nothing has changed for us because we work in different segments of the market. Iran's Mobarakeh Steel mostly exports HR coils, while Metinvest is commonly known in the GCC market as a supplier of HR sheets.

There were supplies of Iranian material to the GCC market during the sanctions period, so behaviour of Iranian producers has not changed after partial cancellation of sanctions and the material from Iran is regularly sold in the GCC countries.

What are the company's business plans for the GCC countries in 2016?

We plan to maintain our presence in the region, enhance sales of HVA steel products and focus on improving the client service.

In addition to stable business with stockists, we plan to maintain relations with major regional producers as well as expand participation in current and planned projects.

Apart from enhancing Metinvest's positions in Saudi Arabia, the biggest steel consumer in the region (especially in oil and gas projects), we will develop relations with clients from other countries, Kuwait and Qatar in particular.

We also plan to resume sales of coils of improved quality, which are made at Ilyich Iron and Steel Works. After the switch from open-hearth to BOF steel production, the output has no defects typical for previous technology and the steel is compliant with European standards.

As a client-oriented company, we will continue to arrange technical visits of engineers from mills producing goods that are present in the GCC market. Plate produced by Ilyich Steel and Azovstal is of top priority.