

Ukraine sees higher steel output, stable exports

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By Pavel Polityuk

KIEV, Oct 18 (Reuters) - Ukraine is likely to melt at least 5 percent more steel this year, taking output in the world's eighth-largest producer above 41 million tonnes, as steel mills invest over \$6 billion in upgrades, industry officials said.

Exports are unlikely to increase, however, as the domestic market will absorb the additional production resulting from upgrades to the country's 16 major steel mills.

"Output will exceed 41 million tonnes this year," Serhiy Gryshchenko, head of Ukraine's Association of Ferrous Metallurgy Enterprises (UkrMet), told Reuters on the sidelines of an industry conference on Thursday.

He said Ukraine produced 40.9 million tonnes of crude steel in 2006. International Iron and Steel Institute data give last year's output as 40.8 million tonnes, or 3.3 percent of world production. The country is a major exporter of rolled steel.

Deputy Industrial Policy Minister Dmytro Kolesnikov told the international Metal Forum of Ukraine 2007 in Kiev that more investment in steel was the main reason for the higher output. He said mills were likely to invest about \$6.3 billion in modernisation in 2007, compared with about \$5 billion in 2006.

"Exports of metal products rose by 1.6 percent in the first half of this year to 15.9 million tonnes," Kolesnikov said. But growth in domestic consumption was more striking: about 38 percent in January-June 2007, hitting 5.5 million tonnes.

Kolesnikov said domestic rolled steel consumption could jump to 10.3 million tonnes in 2007 from 8.7 million tonnes in 2006 and 8.2 million in 2005.

EXPORTS

Ukraine's largest single steel mill is ArcelorMittal Kryvorizhstal plant. Other leading producers include billionaire Rinat Akhmetov's Metinvest Holding group and Industrial Union of Donbass, which both group several plants.

About 24 percent of Ukraine's steel exports, or 3.8 million tonnes, were supplied to 27 European Union states in the first half of the year, Kolesnikov said. About 17 percent, or 2.8 million tonnes, were shipped to the Middle East, 14 percent or 2.4 million tonnes to Turkey and 10 percent or 1.6 million tonnes to Russia.

Ukrainian steel mills have lost market share in Asia due to the emergence of China -- which produced a third of the world's steel last year -- as a major power in the region. In the first half of 2007, about 8 percent of Ukraine's steel exports were shipped to Asia compared with 20 percent in the same period of 2004, said Volodymyr Vlasyuk, director of research company Ukrpromzovnishexpertiza.

"We are leaving this region because China is moving in," Vlasyuk said.

Ministry of Industrial Policy data showed crude steel output rose 5 percent year-on-year to 31.943 million tonnes in the first nine months of 2007. Pig iron production rose 9 percent to 26.604 million tonnes and rolled steel output by 5 percent to 28.232 million tonnes in the same comparison.