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Steel products overcapacity to be resolved by 2022, says MISIF

MISIF: Cheap steel imports not only hurting Malaysia but also China's steel producers

by FARAH ADILLA

THE influx of cheap steel imports from China into Malaysia is expected to be resolved by 2022 as the former tries to address the overcapacity issue facing its steel industry.

The Malaysian Iron and Steel Industry Federation (MISIF) president Datuk Soh Thian Lai said the cheap steel imports are not only hurting Malaysia's steel industry, but also China's steel producers which have posted losses between July and September this year.

"According to statistics by the Australia & New Zealand Banking Group Ltd, Chinese steel producers posted losses of 55 billion yuan (RM36.85 billion) across all steel products between July and September.

"The industries in China are under a lot of pressure to address this issue. While the new reforms are only expected to materialise in 2017, it will take another three to five years before the Malaysia's steel industry reaches the equilibrium state," he told reporters after officiating the 2015 Asean Iron and Steel Sustainability Forum in Kuala Lumpur yesterday.

Soh said the Malaysian steel products are sold at RM1,500 per tonne which is higher than Chinese steel.

He also said statistics show that the gap between imports and exports of iron and steel products has widened to 4.96 million tonnes in 2014 (exports: 2.77 million tonnes, imports: 7.73 million tonnes) from 1.02 million tonnes in 2009 (exports: 3.02 million tonnes, imports: 4.04 million tonnes).

"Although steel consumption in Malaysia increased 52% from 6.65 million tonne to 10.08 million tonne over the same six-year period, the increase, however, is due to higher imports.

"Available statistics from the first six months of this year are pointing to a much wider import-export gap of over five million tonnes," he said.

He said from January to June 2015, exports amount to 1.41 million tonnes while imports at 4.03 million tonnes.

China's State Council in August agreed to several measures to curb the Chinese steel industry's overcapacity.

This move is aimed to consolidate the country's fragmented steel industry and address the shortcomings of the National Development and Reform Commission's Steel Development Policy of 2005.

Meanwhile, Construction Industry Development Board chairman Tan Sri Dr Ahmad Tajuddin Ali said in order to confront the overcapacity issue, local industries are expected to further consolidate.

"We expect an aggressive consolidation in the near future to sustain their business. We are encouraging local players to do so," said Ahmad Tajuddin.