

Middle East steel industry set for massive growth: report

Steel production in the Middle East is set to touch 35 million tonnes by 2010 thanks to the fast expanding construction sector in the region, according to a new report.

Despite accounting for only two percent of the global steel trade, the Middle East steel industry is undergoing rapid expansion to meet the needs of the construction sector, according to the report by MEED, the region's premier business intelligence service.

'High oil incomes, coupled with major changes to real estate and mortgage laws, have fuelled a construction boom, with developers scrambling to bring on fresh supply,' Peter Shaw-Smith, MEED's senior writer, research and information, said while releasing the report.

'This is causing a backlog in the projects market, where strains are being placed on contractor capacity and building materials supplies. Unsurprisingly against this backdrop, steel prices have been volatile,' he added.

According to the report, the Middle East produced 21.1 million tonnes of raw steel in 2006 and consumed 41.6 million tonnes of finished goods. This is forecast to rise to 35 million tonnes of production and 60 million tonnes of finished goods by 2010.

'Projects worth \$2 trillion are planned or under way in the Gulf, with less than one quarter already awarded,' the report stated.

'The regional steel trade stands to make about \$50 billion from projects currently under way and an additional \$150 billion in the coming years from new schemes in the pipeline.'

It said rebar prices went through the \$1,000 a tonne barrier in late March 2008.

This shot up from \$600 a tonne to well above \$800 a tonne in the three months to end-January 2008, reflecting the huge demand for long products from the booming construction industry.

'The rise of China as a steel powerhouse, producing one third of the world's raw steel, is not expected to destabilise other markets - barring the unlikely removal by Beijing of export controls,' according to the report.

'China also faces ore supply challenges, putting further upward pressure on global ore prices while encouraging the country to continue stockpiling resources for infrastructure development,' it added.

According to MEED, with Iran troubled by tension with the West, Saudi Arabia is the only country in the region in a position to substantially ramp up production to meet the strong regional demand.

Egypt is the region's other major player, but exports little to the GCC, it said.

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