

Steelworld

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Editorial Desk

Dear Readers,

Statistical figures suggest that the industry is going through a slow down and I do agree with it. As mentioned in the earlier editions of this column, fuel price and interest rate rise will surely have a sizable impact on industrial activity. Automobile sales have come down, construction activity is not picking up and a lot of infrastructure projects are not progressing as per the schedule. All this has somewhat depressed the steel demand. Furthermore, the availability of iron ore has reduced substantially compelling many steel plants to cut down on the production. Naturally, the steel production did not grow as per the expectation in 2011. Will this trend continue in 2012? Is it the start of a 'long term slow down' or recession?

No, I definitely do not think it is the start of a recession for the simple fact that Asian region, comprising of Indian sub-continent, gulf and SE Asia need to improve their infrastructure and the process will take quite a few years. Various industrial sectors will have to gear up for this and they are going to consume huge quantities of steel. In case of China, through there may be a temporary slow down which is supposed to be a conscious decision by the government, I think their growth story will continue. Overall, the long term prospects for the Asian region look positive and bright. In fact, today, it is the only region which is giving hopes for survival to the economies in the other parts of the world. Fall of Asian economies will mean fall of the world economic order!

As regards India, its currency is falling with respect to US\$ and this is a situation to be worried about. It will surely increase its imports bill (mainly oil) and will shrink the foreign currency reserves. Apart from this, the weakening of rupee will have a positive impact too. Firstly it will shield the domestic markets from finished steel imports which have obviously become more costly. Secondly, this situation has made steel exports more viably for the Indian steel business houses. This is the time they can re-explore some markets which they had earlier lost because of price. Can it be Africa? In my opinion YES!!!

D. A. Chandekar