

Balli Steel Warns Russian Steel Market Continuing To Face Challenging Conditions



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Balli Steel, one of the world's largest privately owned independent commodity traders, has warned that despite the bottoming out of the global steel market, the Russian market will continue to face challenging conditions for the next 12 to 18 months. Speaking at Metal Bulletin's 7th Russian Steel Summit in Moscow, Nasser Alaghband, Director of Balli Steel, outlined that the strengthening Rouble and the impact of the annual Iron Ore negotiations could weaken the competitiveness of Russian producers.

According to [Balli Steel](#), the Russian Steel market has undergone considerable growth and wide scale transformation over the past decade with gradual modernisation of plants and production facilities. Russia is able to take advantage of abundant natural resources and competitive labour costs to produce steel on the lower side of the cost curve and has established a strong position as the 4th largest [producer of steel](#) in the world.

Balli Steel highlighted that the downturn in global [steel prices](#) has not been easy for the majority of Russian producers to absorb, with many in the midst of extensive capital investment initiatives on plant modernisations and new acquisitions.

Steel consumption appears to be down by 40% year-on-year, with Russia's largest steel company, Severstal, expecting domestic demand to fall by 25% in 2009. Balli Steel anticipates that domestic demand will remain low as the country heads towards its first recession for 10 years.

However until very recently the decline in domestic steel demand was offset by export growth, with the weak Rouble, which had declined by as much as 36% against the Dollar in the previous year, making Russian Steel an attractive proposition to importers. However, in the last month, the Rouble has undergone a substantial appreciation which has put considerable pressure on the export prices. The profit margins for many of the Russian Mills have begun to shrink, with most producers now operating at close to cost. As a result, any further strengthening of the Rouble would put increasing pressure on Russian steel exports.

Nasser Alaghband, Director of Balli Steel commented: "Global steel prices have shown signs of recovery in recent months. However, whilst price improvements have been promising, steel has not recovered as well as some precious metals or energy commodities. We believe that steel prices will increase further amidst the global economic revival, although the recovery will not be smooth or uniform and individual markets, such as Russia, will continue to react differently to both domestic and international factors."

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About Balli:

Balli Steel is part of Balli Holdings, is a large private, multi-national corporation, chaired by [Vahid Alaghband](#). The company is headquartered in London, but has offices in Dubai and other key business hubs around the world.

Balli was established in 1982 and operates a number of affiliated companies specialising in commodity trading, industrial, real estate and private equity with operations in over 20 countries. Together with its affiliated companies, Balli employs over 2,000 people worldwide.

Balli Steel is the company's principal operating subsidiary, and is one of the largest independent traders of steel in the world. Balli Steel provides raw materials and steel to a number of market segments including steel mills, steel service centres, pipe and tube makers, the

oil and gas industry and other designated end-user segments such as the packaging products industry.

The company's real estate operations currently have are invested in a significant property portfolio comprised of over 900,000 sq ft of property under development with a Gross Development Value of some \$800 million, and an additional 2 million sq ft and a GDV of almost \$2.5 billion in the pipeline.

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