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South African Iron and Steel Institute

Steelnews is the quarterly statistical newsletter of the South African Iron and Steel Institute (SAISI).

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STEEL The most recycled material

Domestic carbon steel sales increased by 23,7% during first 9 months of 2004

Total domestic carbon steel sales increased by 23,7% during the first 9 months of 2004 compared with the first 9 months of 2003. During this period sales of carbon steel flat products increased by 24,8% while sales of long products increased by 22,3%. Total domestic carbon steel sales increased by 5,9% during the 3rd quarter 2004 compared with the 2nd quarter 2004.

Economic growth progressively accelerated over the second half of 2003 and into 2004 mainly due to increases in manufacturing output, the output of the transport and communications industry, the output of finance, real estate and business services and the output of wholesale and retail trade. The upward trend in growth continued as the delayed impact of interest rate cuts handsomely counterweighted the appreciating currency that made it difficult to compete internationally.

Growth in domestic demand is probably set to continue at current, if not more robust, levels into 2005 and should result in further growth in imports of foreign manufactured goods as these become more affordable. The deficit on the current account is expected to persist. Imports of manufactured goods are of particular concern as domestic demand will remain the primary driver of manufacturing business as the outlook for exports appears slightly less attractive.

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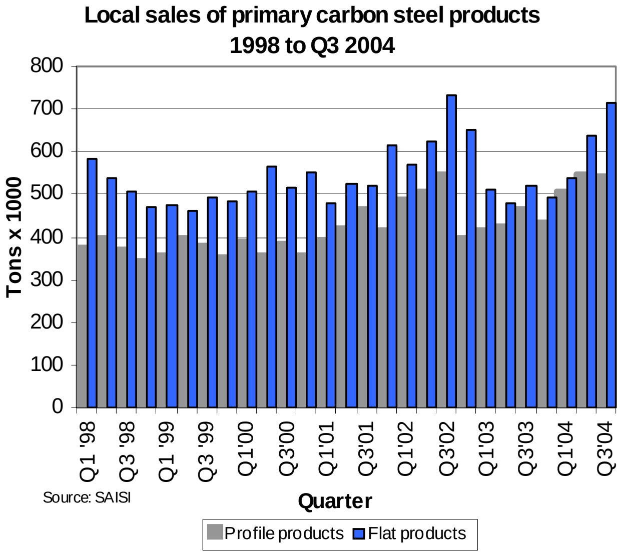

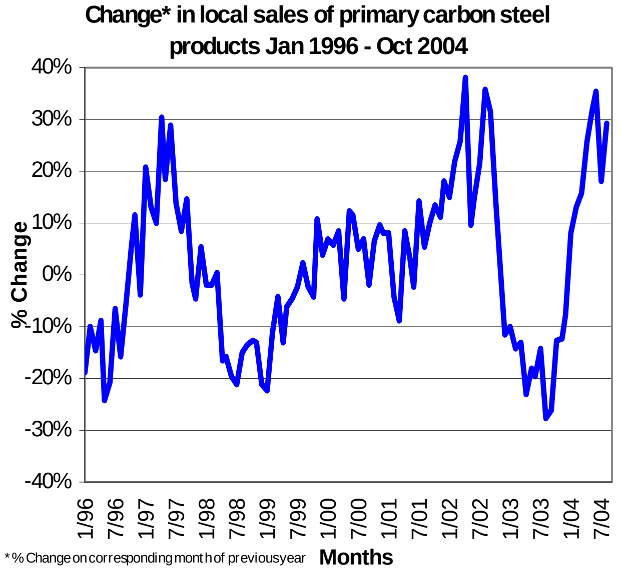

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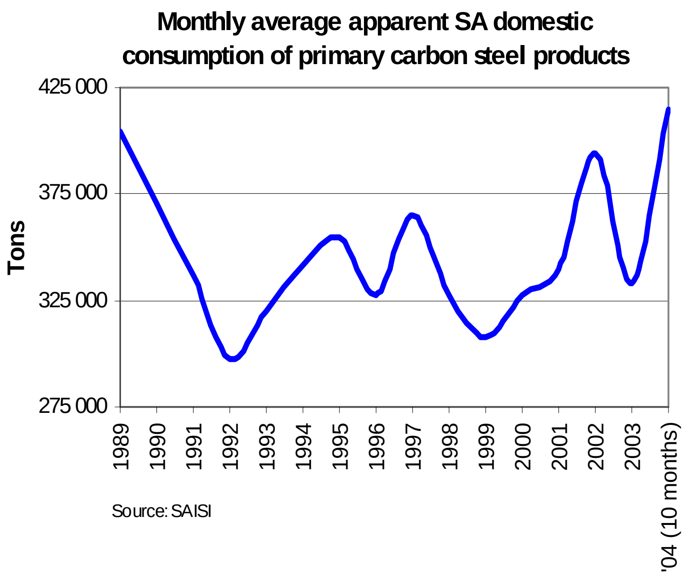
Steel sales increase 23,7% during 9 months 2004 (continued from page 1)

Total local sales of primary carbon steel products - 2003 to Oct 2004 ('000 tons)

MONTH	2003			2004		
	PROF	FLAT	TOTAL	PROF	FLAT	TOTAL
JAN	129.1	175.3	304.4	145.6	184.0	329.5
FEB	139.8	158.5	298.3	164.1	173.5	337.6
MAR	147.7	176.8	324.5	196.7	179.0	375.7
Q1	**416.6**	**510.6**	**927.2**	**506.3**	**536.4**	**1042.8**
APRIL	135.3	162.1	297.4	176.3	198.0	374.4
MAY	147.8	157.1	304.9	190.6	211.8	402.3
JUNE	141.1	159.9	301.1	181.7	225.8	407.6
Q2	**424.3**	**479.1**	**903.4**	**548.6**	**635.6**	**1184.3**
JULY	161.4	187.5	348.9	176.1	235.9	412.0
AUG	155.6	161.7	317.2	174.4	235.7	410.1
SEP	147.5	170.6	318.0	190.8	240.8	431.5
Q3	**464.5**	**519.7**	**984.2**	**541.3**	**712.3**	**1253.6**
OCT	174.8	194.8	369.6	157.0	244.6	401.6
NOV	169.2	180.0	349.1			0.0
DEC	87.9	120.1	208.0			0.0
Q4	**431.9**	**494.8**	**926.7**	**157.0**	**244.6**	**401.6**
TOTAL	**1 737.3**	**2 004.2**	**3 741.5**	**1 753.3**	**2 128.9**	**3 882.2**

Source: SAISI



Imports of primary steel products at 6,3% of apparent domestic carbon steel consumption - 9 months 2004

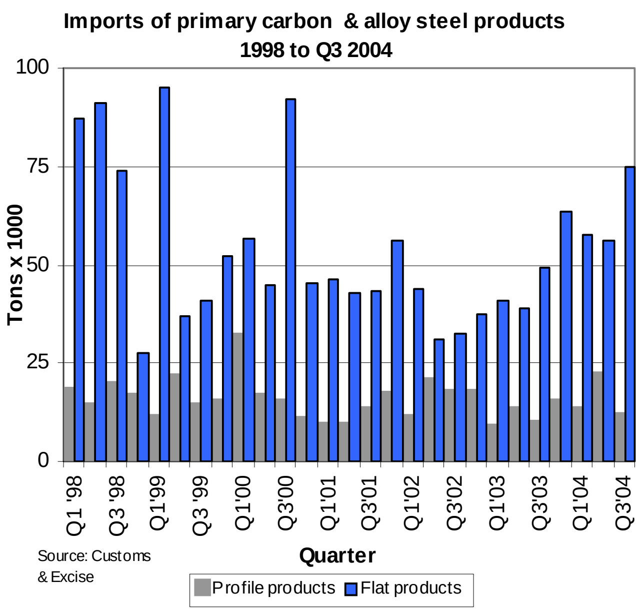
Imports of primary carbon and alloy steel products as a percentage of total apparent domestic carbon steel consumption amounted to 6,3% during the first 9 months of 2004 compared with 6,0% during 2003 as a whole. According to statistics released by Customs and Excise, imports of primary carbon and alloy steel products (excluding wire and stainless steel, but including rails) increased by 46,8% during the first 9 months of 2004 compared with the first 9 months of 2003. Imports during the third quarter of 2004 increased by 10,5% compared with imports during the second quarter of 2004. Imports of flat products during the third quarter of 2004 increased by 33,8%, while imports of profile products decreased by 47,8% compared with the second quarter of 2004.

Continued on page 3

Imports of primary carbon and alloy steel products - 2003 to Sept 2004 ('000 tons)

MONTH	2003			2004		
	PROF	FLAT	TOTAL	PROF	FLAT	TOTAL
JAN	3.1	10.7	13.8	3.2	16.1	19.4
FEB	1.4	9.6	11.0	7.1	16.5	23.6
MAR	4.2	20.4	24.6	2.8	24.9	27.8
Q1	**8.7**	**40.7**	**49.4**	**13.2**	**57.6**	**70.7**
APRIL	3.5	12.3	15.8	2.7	14.1	16.7
MAY	2.4	11.1	13.5	11.2	17.2	28.5
JUNE	7.4	15.4	22.9	8.5	24.6	33.1
Q2	**13.3**	**38.8**	**52.2**	**22.4**	**55.9**	**78.3**
JULY	3.7	16.1	19.8	3.4	22.0	25.4
AUG	3.3	12.9	16.2	5.4	33.0	38.4
SEP	2.8	20.1	22.9	3.0	19.7	22.7
Q3	**9.8**	**49.1**	**58.9**	**11.7**	**74.8**	**86.5**
OCT	6.9	13.9	20.9			0.0
NOV	6.5	19.8	26.4			0.0
DEC	1.8	29.7	31.5			0.0
Q4	**15.3**	**63.5**	**78.7**	**0.0**	**0.0**	**0.0**
TOTAL	**47.1**	**192.0**	**239.2**	**47.3**	**188.3**	**235.5**

Source: Customs & Excise



Imports at 6,3% of demand in 9 months of 2004 (continued from page 2)

IMPORTS - South Africa's ten most important steel trading partners in 2003 and 2004 (9 months)
(All products including stainless steel and finished wire—HS codes 7206 to 7302 - tons)

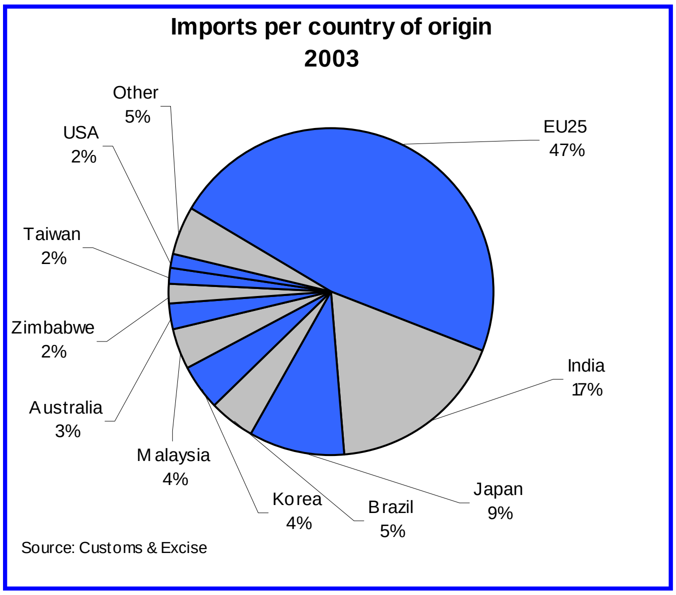
Countries	2003	Countries	2004 (9 m)
EU25	132 611	EU25	112 863
India	48 384	India	70 872
Japan	26 218	Korea	16 658
Brazil	13 056	Japan	14 439
Korea	11 986	Australia	10 481
Malaysia	11 259	Zimbabwe	8 143
Australia	7 439	Brazil	7 428
Zimbabwe	4 982	Malaysia	4 659
Taiwan	4 830	Taiwan	3 865
USA	4 298	Kenya	2 969
Total 10 countries	265 062	Total 10 countries	252 378
Total imports	**277 803**	**Total imports**	**269 079**
10 Countries/ total	95.4%	10 Countries/ total	93.8%
Other	12 741	Other	16 701

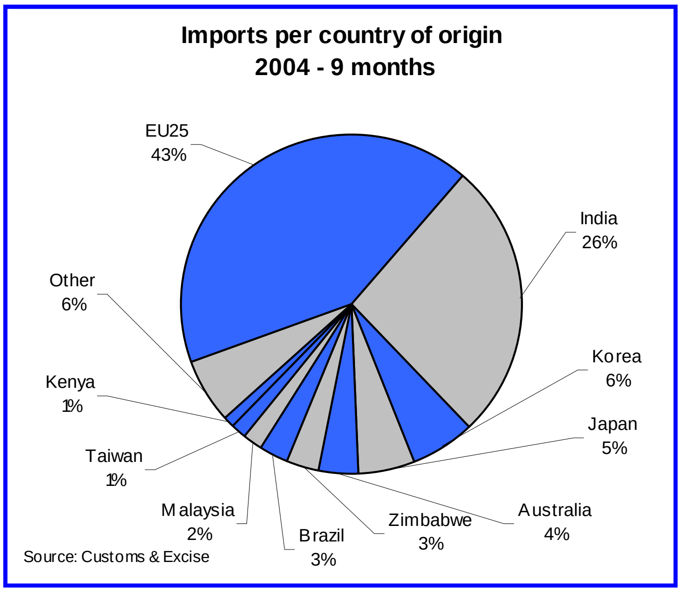
Source: Customs & Excise

During the first 9 months of 2004 imports from India consisted mostly (67%) of hot-dipped galvanised sheet, representing 79% of all carbon steel hot-dipped galvanised sheet imports into South Africa. Imports of carbon steel cold-rolled coil & sheet from India amounted to 8 917 tons, or 80% of all carbon steel cold-rolled coil & sheet imports and imports of carbon steel hot- rolled coil & sheet from India amounted to 6 394 tons, or 68% of all carbon steel hot-rolled coil & sheet imports into South Africa.

Imports from Korea consisted mostly (51%) of TFS, Alu-zinc & other coated sheet products, representing 34% of all TFS, Alu-zinc & other coated sheet products imports. Imports from Brazil consisted mostly (49%) of stainless steel products.

Imports from Australia consisted mostly (76%) of painted sheet, representing 40% of the total of 19 851 tons of painted sheet imported during the first nine months of 2004. Imports from Zimbabwe consisted mostly of hot-rolled sections & reinforcing bar.





Exports of carbon steel products as reported by South African producers decreased by 26,4% during the first 9 months of 2004

Exports of primary carbon steel products, reported by South African primary steel manufacturers, decreased by 26,4% during the first 9 months of 2004 compared with the first 9 months of 2003. Exports declined as domestic demand absorbed a growing portion of total production. During the third quarter of 2004, exports increased by 2,0% compared with the second quarter of 2004. During the third quarter of 2004 flat product exports increased by 8,5% compared with the second quarter of 2004 while exports of profile products showed a decrease of 9,7% during the same period.

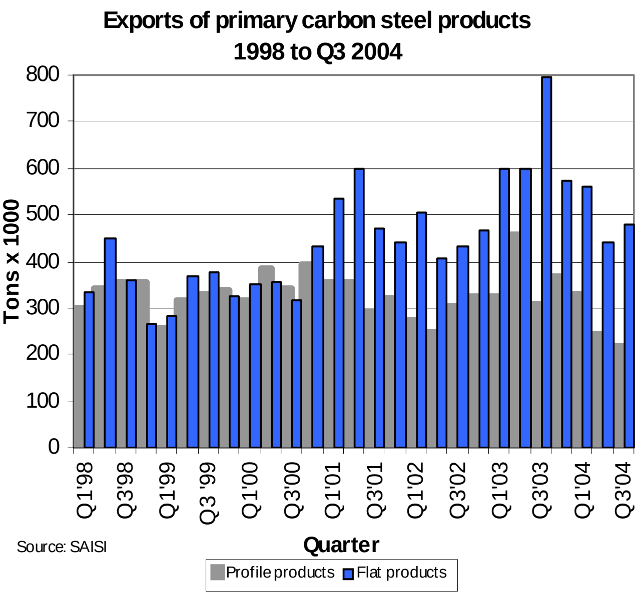
During the first 9 months of 2004, exports of flat carbon steel products amounted to 65,2% of total exports and the exports of profile carbon steel products to 34,8% of total exports. (continued on page 4)

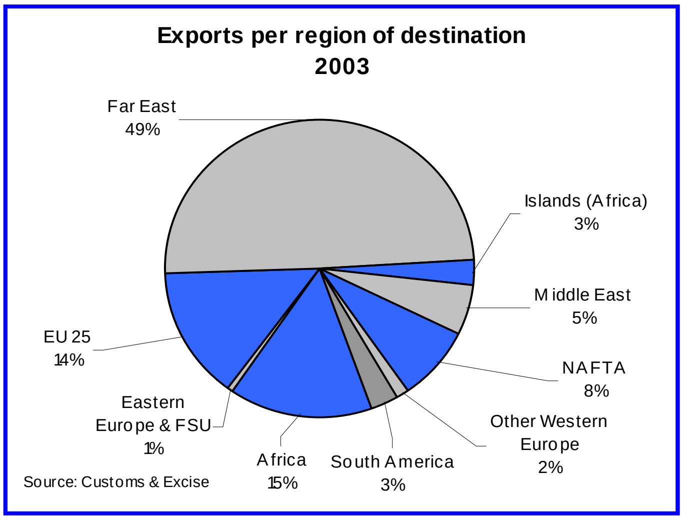
Exports decreased by 26,4% during 9 months 2004 (cont. from page 3)

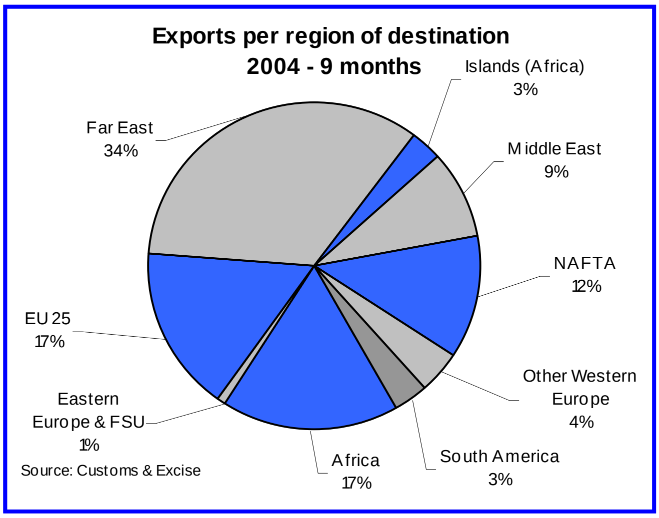
Exports of primary carbon steel products reported by the primary steel producers - 2003 & 2004 (10 months) ('000 tons)

MONTH	2003			2004		
	PROF	FLAT	TOTAL	PROF	FLAT	TOTAL
JAN	91.8	209.0	300.8	103.9	154.6	258.4
FEB	104.1	200.6	304.7	97.6	154.0	251.6
MAR	130.1	188.5	318.6	126.2	250.8	376.9
Q1	**326.0**	**598.0**	**924.1**	**327.6**	**559.3**	**887.0**
APRIL	149.0	193.9	342.9	104.6	174.9	279.5
MAY	130.6	163.0	293.6	73.2	181.5	254.7
JUNE	177.3	243.6	420.9	66.0	85.2	151.3
Q2	**456.9**	**600.5**	**1057.4**	**243.9**	**441.6**	**685.5**
JULY	120.8	272.7	393.5	91.6	114.6	206.2
AUG	78.2	259.1	337.3	75.9	170.6	246.5
SEP	111.0	262.2	373.2	52.7	194.0	246.7
Q3	**309.9**	**794.0**	**1103.9**	**220.2**	**479.2**	**699.4**
OCT	164.7	193.4	358.2	76.7	166.5	243.2
NOV	107.7	179.7	287.4			0.0
DEC	96.6	202.2	298.8			0.0
Q4	**369.0**	**575.4**	**944.4**	**76.7**	**166.5**	**243.2**
TOTAL	**1 461.8**	**2 568.0**	**4 029.8**	**868.4**	**1 646.6**	**2 515.0**

Source: SAISI





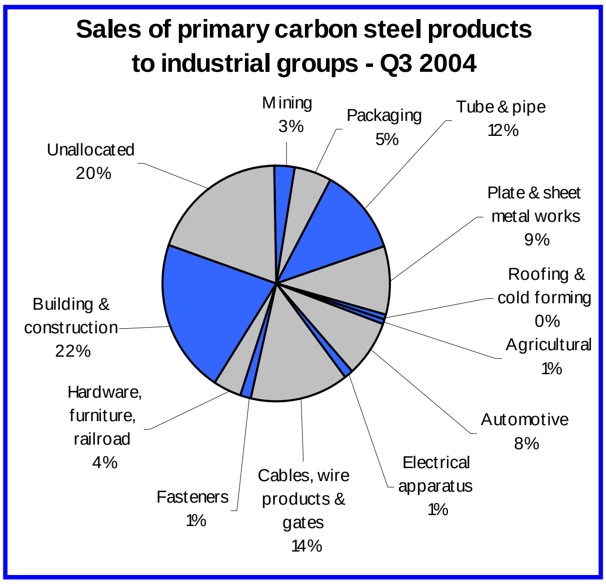


Carbon steel sales to industrial groups during Q3 of 2004

(continued on page 5)

Sales of primary carbon steel products to industrial groups			
	Q3 2004		
Metric tons	Profile	Flat	Total
1 Mining	20 004	19 922	39 926
2 Total Manufacturing	236 237	460 122	696 359
Packaging	171	63 217	63 388
Structural Metal	2 573	269 584	272 157
Tube & pipe	998	150 080	151 078
Plate & sheet metal works	1 575	113 251	114 826
Roofing & cold forming	0	6 253	6 253
Agricultural	9 697	695	10 392
Automotive	6 760	88 157	94 917
Electrical apparatus	46	14 099	14 145
Cables, wire products & gates	172 919	4 045	176 964
Fasteners	16 043	173	16 216
Other: Hardware, furniture,rail	28 028	20 152	48 180
3 Building & construction	208 511	60 526	269 037
4 Unallocated	84 004	167 503	251 507
5 Total	548 756	708 073	1 256 829

Source: South African Iron and Steel Institute



Carbon steel sales to industrial groups during Q3 of 2004

(continued from page 4)

Sales of primary carbon steel products to industrial groups

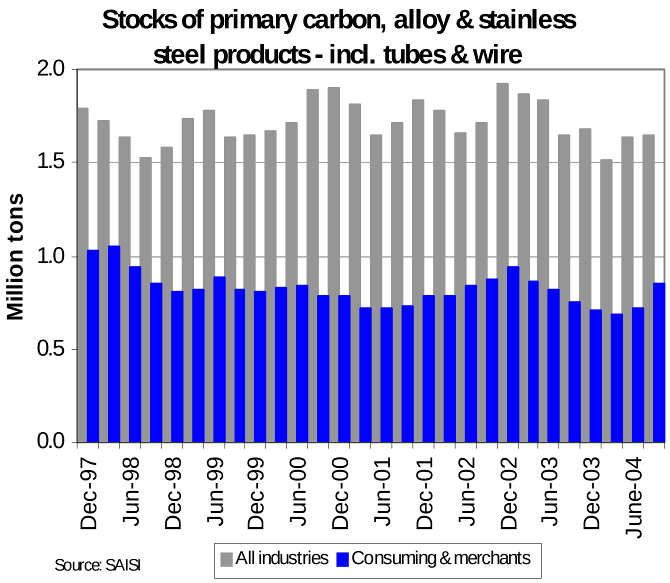
Metric tons	2001/2000	2002/2001	2003	2003/2002	¾ 2003	¾ 2004	¾ '04/ ¾ '03
Mining	-1.3%	11.7%	110 500	-11.6%	80 522	117 738	46.2%
Manufacturing	3.8%	18.1%	2 207 350	-17.8%	1 685 249	1 933 938	14.8%
Packaging	6.2%	3.4%	281 874	-9.9%	203 633	192 233	-5.6%
Structural Metal	-2.7%	21.5%	781 231	-26.9%	598 308	756 467	26.4%
Tube & Pipe	2.5%	24.3%	396 253	-24.2%	308 142	405 214	31.5%
Plate & Sheet metal works	-8.0%	18.0%	355 571	-25.1%	267 547	334 954	25.2%
Roofing & Cold forming	0.2%	25.8%	29 407	-58.9%	22 619	16 299	-27.9%
Agricultural	-4.6%	16.0%	41 509	41.1%	31 176	31 960	2.5%
Automotive	-4.3%	29.9%	236 078	-23.4%	181 280	236 706	30.6%
Electrical Apparatus/White Goods	-0.6%	9.5%	54 277	-3.5%	41 435	37 637	-9.2%
Cables, wire products & gates	16.0%	23.9%	617 247	-8.2%	475 607	506 679	6.5%
Fasteners	16.7%	6.0%	49 333	-5.3%	40 178	36 479	-9.2%
Other	12.9%	-0.1%	145 801	-21.1%	113 632	135 777	19.5%
Building & Construction	17.9%	16.8%	864 935	-16.3%	633 674	794 499	25.4%
Unallocated	0.0%	20.9%	564 701	-16.6%	414 151	652 306	57.5%
Total	6.0%	18.0%	3 747 486	-17.1%	2 813 596	3 498 481	24.3%

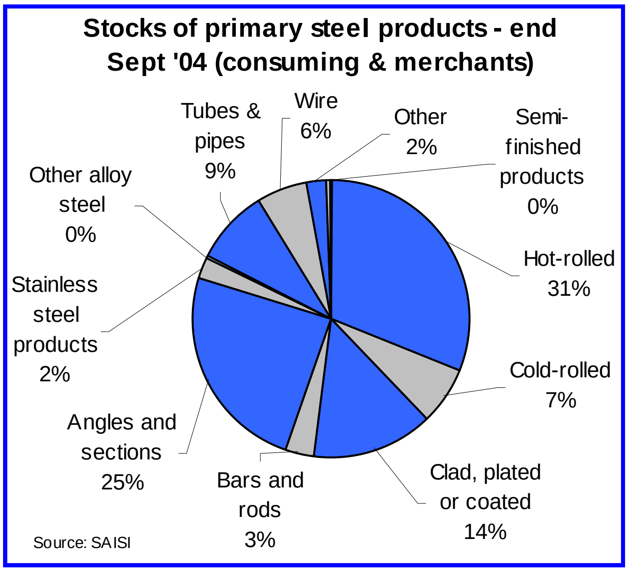
Source: South African Iron and Steel Institute

Stocks of primary steel products on hand - end of Sept '04

Products (metric tons)	March 2004		June 2004 - Revised		September 2004	
	All industries*	Consuming**	All industries*	Consuming**	All industries*	Consuming**
1 **Iron and non-alloy steel**	1 375 189	590 205	1 493 613	627 626	1 485 027	739 415
A **Semi-finished products**	340 689	4 639	440 930	3 672	323 307	3 410
B **Total finished products**	1 034 500	585 566	1 052 683	623 954	1 161 720	736 005
C **Total flat rolled products**	675 397	388 185	684 229	408 762	744 628	479 110
i Hot-rolled	381 919	220 226	387 060	242 221	433 987	284 739
ii Cold-rolled	133 832	49 925	138 976	52 799	130 581	62 090
iii Clad, plated or coated	159 646	118 034	158 193	113 742	180 060	132 281
D **Total profile products**	359 103	197 381	368 454	215 192	417 092	256 895
i Bars and rods	97 254	21 083	94 286	23 324	104 745	28 879
ii Angles and sections	261 849	176 298	274 168	191 868	312 347	228 016
2 **Stainless steel products**	57 684	19 429	60 678	20 408	67 363	22 891
3 **Other alloy steel**	3 139	3 139	3 239	3 239	3 477	3 477
4 **Other products**	77 874	69 576	80 605	69 252	92 585	80 715
i Tubes & pipes	52 746	46 122	58 023	49 292	66 480	56 012
ii Wire	16 904	16 904	14 414	14 414	19 138	19 138
iii Other	8 224	6 550	8 168	5 546	6 967	5 565

Source: South African Iron and Steel Institute





* Primary & consuming industries and merchants ** Consuming industries & merchants

Increased financial support for exports of value added carbon steel products

The South African Iron and Steel Industry announced on 25 November 2004 that it would boost its financial support to the country's exporters of secondary steel products.

The primary steel industry, through its representative body, the South African Iron and Steel Institute (SAISI), will increase the assistance offered to secondary carbon steel exporters by 22.7% from R110 to R135 per tonne from 1 January 2005, to enable the sector to compete more effectively in global markets.

Approximately thirty years ago the South African steel industry established a fund to promote secondary steel exports, which has contributed over R265 million in assistance in the past five years. The increase in assistance is now aimed at counteracting the effect the appreciating currency has on the viability of the country's value added steel exports.

SAISI administers the scheme through the Committee of Secondary Manufacture (COSM) Fund. The COSM Fund is fully funded by SAISI's members and is completely independent of rebates offered to the secondary steel industry by SAISI's individual members.

The Fund promotes the development of the value added steel processing industry in South Africa in order to expand the market for locally produced primary steel products. This enhances the country's foreign currency earnings and increases employment opportunities in general, while developing the value added steel industry's export potential. In the past five years, the COSM Fund has assisted some 400 registered value added carbon steel product exporters.

EXPORTERS WHO QUALIFY FOR ASSISTANCE - The Fund provides financial assistance to exporters of value added products under the following conditions:

a) A minimum of 20% added value should be attained.

b) The article(s) exported should be manufactured from South African produced rolled and/or drawn primary steel.

EXPORTING TERRITORIES THAT QUALIFY FOR ASSISTANCE - Exporters of value added articles conforming to the conditions mentioned above and who export to any geographical area outside the Southern African Customs Union.

EXCLUSIONS

1) All overland African exports; and/or

2) Sea- and/or air freight exports to Mozambique, Zimbabwe, Zambia and Malawi.

3) The following products do not qualify for assistance:

a) Blooms, billets and/or slabs supplied ex local steel producers or ex imports for re-rolling in the works by participating primary steel producers.

b) Products manufactured from:

i) Castings.
ii) Reinforcing steel - Except as in steel mesh.
iii) Stainless steel.
iv) Tinplate.
v) Primary steel items.
vi) Forgings, inclusive of forged grinding media on which no COSM levy was paid on the input material.

c) Other Exceptions

i) Cutting, slitting, drilling, bending and coating; and
ii) Products available on the price list of a SAISI member.
iii) Value added products produced from primary steel on which no COSM levy was paid.