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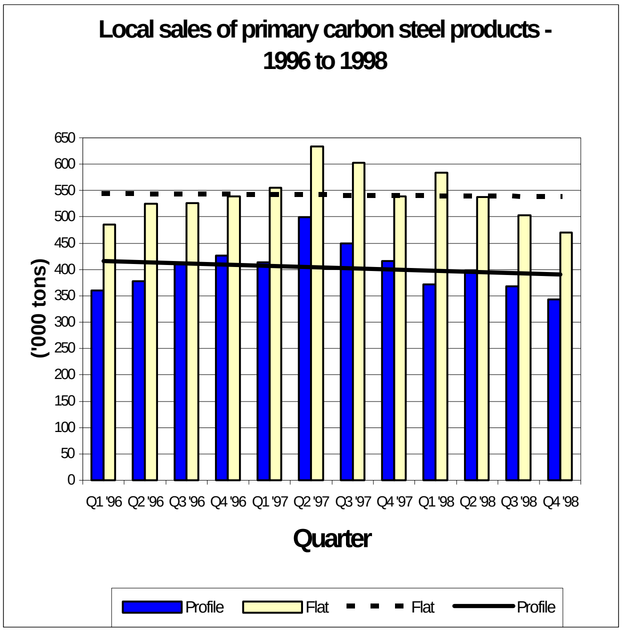
LOCAL SALES DECLINED BY 13% DURING 1998

Domestic sales of primary carbon steel products mirrored the economic downturn in the South African economy as a growth rate in real Gross Domestic Product of only 0,1% was realised for 1998 against a growth rate of 1,7% for 1997.



Although domestic sales declined by only 1,4% during the first quarter of 1998 compared with the corresponding quarter of 1997, the decline in sales accelerated to 17,3%, 17,2% and 14,8% in the second, third and fourth quarters of 1998 respectively compared with the same periods of 1997.

The major steel consuming sectors of the economy all experienced negative growth during 1998. The total value of buildings completed at constant prices declined by 4,7% during 1998 against an increase of 2,1% during 1997. Total new vehicle sales to the domestic market declined by 12,2% to 350 576 units during 1998 as high interest rates and consumer debt, falling share and bond prices and a stagnation of employment growth curtailed durable consumption expenditure.

The real output of the manufacturing industry declined at a rate of 1,7% during 1998 against a growth rate of 3,3% during 1997. This downturn was due to the slowdown in the growth of local demand due to high interest rates, weak export demand and steadily diminishing activity in the primary sectors. Total output of the mining sector declined at a rate of 0,4% during 1998 against a growth rate of 1,2% during 1997. Mining products were adversely affected by weak international demand, particularly from the depressed economies in Asia, and a severe slump in commodity prices.

Steelnews is the official newsletter of the South African Iron and Steel Institute.

Comments on the contents and contributions for future editions are welcomed and should be sent to the Editor.

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THIS ISSUE

Total local sales of primary carbon steel products - 1997 to 1998 ('000 tons)

MONTH	1997			1998		
	PROF	FLAT	TOTAL	PROF	FLAT	TOTAL
JAN	129.2	205.7	334.9	118.2	208.9	327.1
FEB	144.0	178.9	322.9	123.9	192.7	316.6
MAR	140.9	170.9	311.8	130.0	182.4	312.4
Q1	**414.1**	**555.5**	**969.6**	**372.1**	**584.0**	**956.1**
APRIL	161.4	211.5	372.9	131.0	180.9	311.9
MAY	166.1	204.9	371.0	135.6	177.0	312.6
JUNE	171.6	217.3	388.9	132.4	180.0	312.4
Q2	**499.1**	**633.6**	**1132.8**	**399.0**	**537.9**	**936.9**
JULY	146.7	217.6	364.3	120.3	166.4	286.7
AUG	144.4	185.5	329.9	117.3	157.9	275.2
SEP	158.8	200.0	358.7	131.2	178.6	309.8
Q3	**449.9**	**603.0**	**1053.0**	**368.8**	**502.9**	**871.7**
OCT	162.8	205.8	368.6	134.2	188.2	322.4
NOV	160.9	181.5	342.4	132.0	166.1	298.1
DEC	92.3	151.0	243.3	76.3	115.9	192.2
Q4	**416.0**	**538.3**	**954.3**	**342.5**	**470.2**	**812.7**
TOTAL	**1 779.2**	**2 330.5**	**4 109.7**	**1 482.4**	**2 095.0**	**3 577.4**

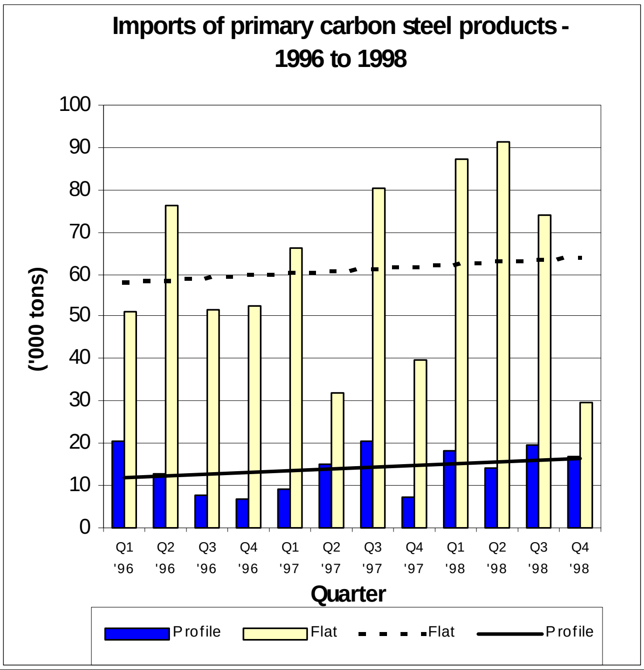
improve substantially and therefore the prospects of an improvement in the local demand for flat products will only increase during the latter part of 1999. Due to the severe market conditions experienced in the building and construction industries and the time it takes for the effect of an interest rate decline to flow through and improve business confidence, a significant improvement in the demand for long products is not expected during 1999.

IMPORTS OF FLAT PRODUCTS DECLINED RAPIDLY DURING THE FOURTH QUARTER OF 1998

According to statistics from Customs and Excise, imports of primary carbon steel products (excl. wire, incl. rails) increased substantially by 29,8% during 1998 compared with 1997. Flat product imports increased by 29,3% and profile product imports by 31,9% during 1998. Although imports of flat products increased by 32,1% and an alarming 184,0% during the first and second quarters of 1998 compared with the same period of 1997, imports declined by 8,9% and 24,7% during the third and fourth quarters of 1998 compared with the same period of 1997.

The devaluation of the rand and the preliminary dumping margins instituted against Russia and the Ukrain contributed to the decline in imports, but it is expected that total imports could soon return to previous high levels. Total steel product imports from Russia amounted to 20 064, 20483, 9 314 and 866 tons respectively in the four quarters of 1998. Imports from the Ukraine amounted to 6 884, 2 978, 4 429, and 3 tons respectively in the four quarters of 1998.

Imports of primary carbon steel products represented an average of 9,8% of domestic despatches during 1998, from a high of 11,2% during the second quarter to a low of 5,7% during the fourth quarter 1998. During 1998 the exports of primary carbon steel products were approximately 7,9 times more than the tonnage imported during that period, down from 9,6 and 10,2 times respectively in 1997 and 1996, due in the main to the rapid



Imports of primary carbon steel products - 1997 to 1998 ('000 tons)

MONTH	1997			1998		
	PROF	FLAT	TOTAL	PROF	FLAT	TOTAL
JAN	4.9	22.6	27.5	12.6	27.8	40.4
FEB	2.4	16.8	19.2	3.0	47.1	50.1
MAR	1.7	26.8	28.5	2.5	12.5	15.0
Q1	**9.1**	**66.1**	**75.2**	**18.1**	**87.4**	**105.5**
APRIL	3.2	8.2	11.5	5.6	54.7	60.3
MAY	2.6	12.3	14.8	5.6	10.1	15.7
JUNE	9.2	11.6	20.7	3.1	26.3	29.4
Q2	**15.0**	**32.1**	**47.0**	**14.2**	**91.1**	**105.3**
JULY	5.2	28.3	33.5	8.2	26.8	35.0
AUG	9.2	19.1	28.3	4.1	28.6	32.6
SEP	6.2	33.0	39.2	7.5	18.5	67.7
Q3	**20.6**	**80.4**	**101.0**	**19.7**	**73.9**	**93.7**
OCT	3.1	17.8	21.0	4.4	14.9	19.3
NOV	2.2	10.9	13.1	5.8	9.0	14.8
DEC	2.2	10.9	13.1	6.5	5.9	34.2
Q4	**7.5**	**39.7**	**47.2**	**16.7**	**29.8**	**46.5**
TOTAL	**52.1**	**218.3**	**270.4**	**68.8**	**282.3**	**351.0**

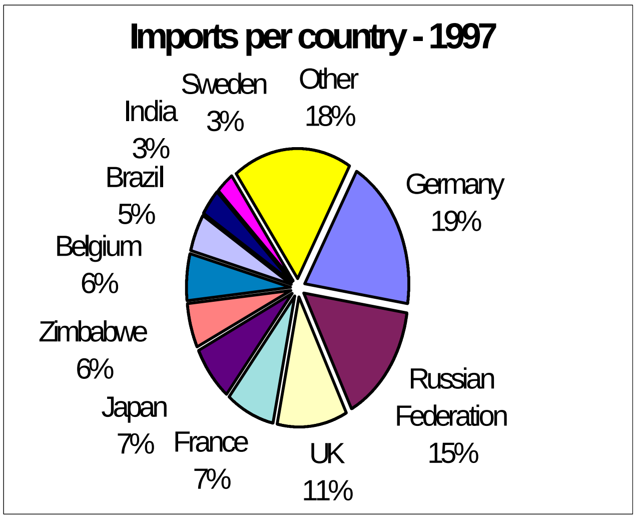
Imports of all products, including stainless steel but excluding finished wire, represented 9,1% of domestic consumption of carbon , alloy and stainless steel products calculated as 4,186 million tons during 1998. Import penetration amounted to 6,4% and 7,4% respectively in 1997 and 1996.

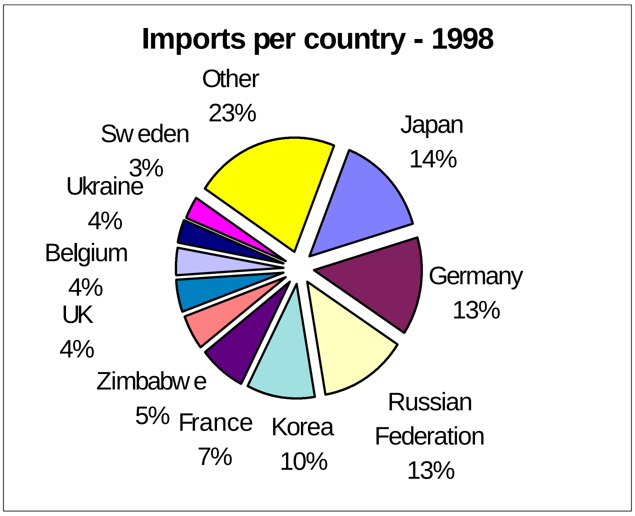
South Africa's ten most important steel trading partners in 1997 and 1998 Imports ('000 tons) (All products incl. stainless and finished wire)

Countries	1997	Countries	1998
Germany	59354	Japan	56168
Russian Federation	45987	Germany	51708
UK	33814	Russian Federation	50727
France	23163	Korea	38393
Japan	21418	France	28381
Zimbabwe	17805	Zimbabwe	19298
Belgium	17324	UK	17329
Brazil	15233	Belgium	14499
India	10357	Ukraine	14294
Sweden	8156	Sweden	12391
Total 10 countries	252611	Total 10 countries	303188
Total imports	**309432**	**Total imports**	**389534**
10 Countries/ total	81.6%	10 Countries/ total	77.8%

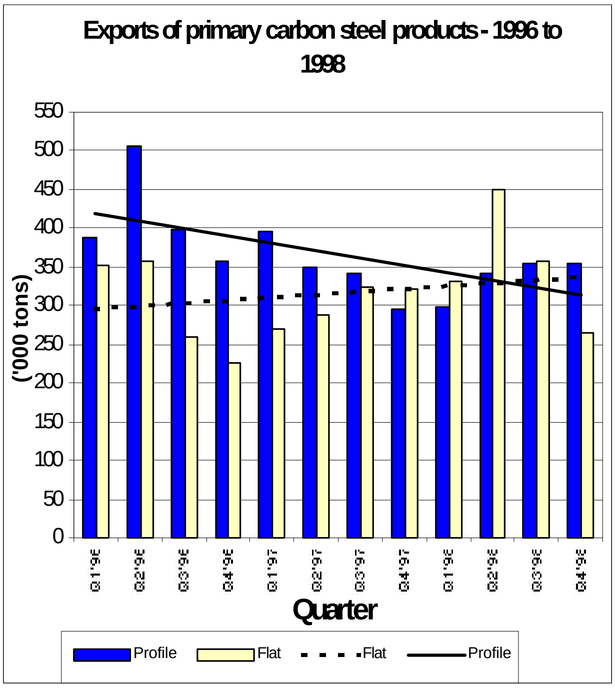
Imports from Korea showed the greatest increase, from 726 tons in 1997 to 38 393 tons in 1998, and represented about 10% of all primary steel imports into South Africa. Imports from Japan increased by 162% to 56 168 tons to represent 14% of total imports during 1998 from 7% during 1997.

Imports from India and Brazil respectively declined to 6 318 and 7 701 tons in 1998 and imports from the United Kingdom declined by 48,8% to 17 329 to represent only 4% of total imports during 1998.





EXPORTS INCREASED MODERATELY NOTWITHSTANDING THE OVER-SOLD INTERNATIONAL MARKET



Exports of primary carbon steel products, as reported by the members of SAISI, showed an increase of 6,6% during 1998 compared with 1997. Exports of profile products declined by 2,3% during 1998 while exports of flat products increased by 16,8% during 1998. Exports of flat products represented 51% of all exports during 1998, up from 46,5% during 1997, while the share of profile products exported declined from 53,5% in 1997 to 49% in 1998.

The depressed world steel market impacted negatively on exports of flat products as flat product exports declined rapidly from the high level of the second quarter of 1998. Exports of flat products declined quarter on preceding quarter by 20,7% and 26,3% during the third and fourth quarters of 1998.

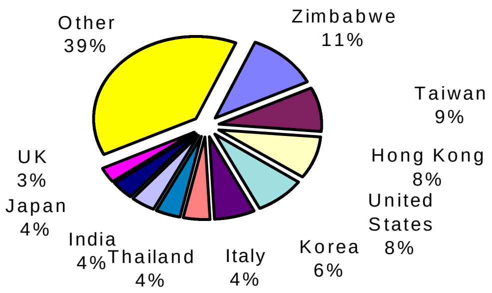
Exports of primary carbon steel products reported by the primary steel producers - 1997 to 1998 ('000 tons)

MONTH	1997			1998		
	PROF	FLAT	TOTAL	PROF	FLAT	TOTAL
JAN	130.0	90.3	220.3	76.2	110.7	186.9
FEB	139.1	88.3	227.4	133.8	106.3	240.1
MAR	126.5	90.8	217.3	87.7	115.2	202.9
Q1	**395.7**	**269.4**	**665.0**	**297.7**	**332.2**	**629.9**
APRIL	105.2	100.0	205.3	103.4	137.5	240.9
MAY	119.8	96.2	216.0	102.5	156.4	258.9
JUNE	123.8	91.5	215.4	137.0	156.9	294.0
Q2	**348.8**	**287.8**	**636.6**	**342.9**	**450.8**	**793.8**
JULY	89.8	96.5	186.4	104.3	122.0	226.3
AUG	145.3	117.5	262.8	157.9	118.2	276.1
SEP	107.2	109.4	216.6	93.3	117.4	210.7
Q3	**342.3**	**323.4**	**665.7**	**355.5**	**357.6**	**713.1**
OCT	89.2	110.8	200.0	150.5	103.6	254.1
NOV	112.1	92.5	204.6	106.4	79.8	186.2
DEC	94.1	117.9	212.0	97.0	80.1	177.1
Q4	**295.4**	**321.2**	**616.5**	**353.9**	**263.5**	**617.4**
TOTAL	**1 382.2**	**1 201.8**	**2 583.9**	**1 350.0**	**1 404.1**	**2 754.2**

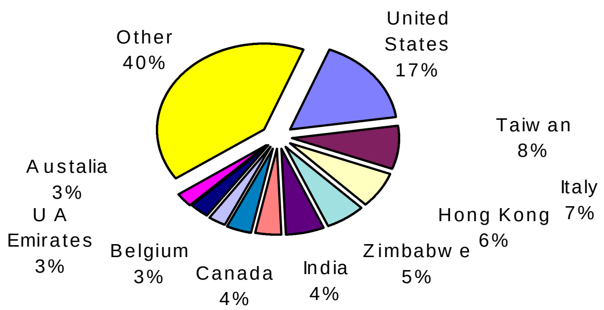
South Africa's ten most important steel trading partners in 1997 and 1998
Exports ('000 tons)
(All products incl. stainless and finished wire)

Countries	1997	Countries	1998
Zimbabwe	413.3	United States	600.9
Taiwan	309.4	Taiwan	285.3
Hong Kong	304.2	Italy	237.9
United States	288.0	Hong Kong	212.2
Korea	231.9	Zimbabwe	192.9
Italy	148.0	India	149.2
Thailand	146.2	Canada	138.3
India	140.6	Belgium	100.1
Japan	134.2	U A Emirates	99.0
UK	102.4	Austalia	95.8
Total 10 countries	2 218.2	Total 10 countries	2 111.6
Total exports	**3 620.1**	**Total exports**	**3 606.6**
10 Countries/ total	61.3%	10 Countries/ total	58.5%

Exports per country - 1997



Exports per country - 1998



CONSUMPTION OF FERROUS SCRAP AND OTHER FE UNITS EXPECTED TO INCREASE IN 1999 DUE TO THE COMMISSIONING OF SALDANHA STEEL

Consumption of ferrous scrap and other Fe units in South Africa

Fe unit	1998	Estimate 1999	Expected percentage increase / (decrease) from 1997 to 1998.
Consumption of Fe scrap	**1 507 834**	**1 510 022**	**0.1**
Consumption of other Fe units:			
Liquid iron - Other	**911 299**	**1 314 644**	**44.3**
Liquid iron - Blast Furnace	**4 307 389**	**3 884 634**	**-9.8**
Pig / pool iron	**419 163**	**318 601**	**-24.0**
DRI / Sponge iron	**879 459**	**1 414 458**	**60.8**
Other salvaged in works	**97 404**	**144 614**	**48.5**
Process scrap	**1 202 424**	**1 149 891**	**-4.4**
Total consumption - all Fe units	**9 324 972**	**9 736 864**	**4.4**

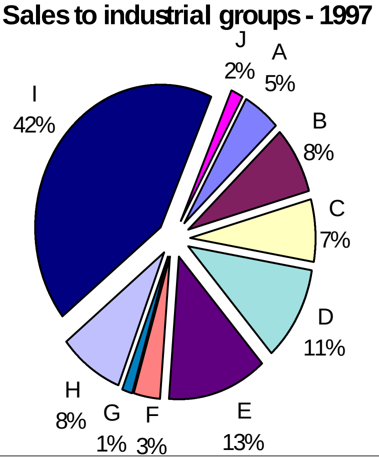
SALES TO INDUSTRIAL GROUPS

The most prominent change in despatches to industrial groups took place in despatches to the tin cans and tinware and merchant industrial groups. Despatches to tin cans and tinware industries increased by 16,3% or 45 655 tons during 1998 and despatches to merchants declined by 18,7% or 328 085 tons during 1998.

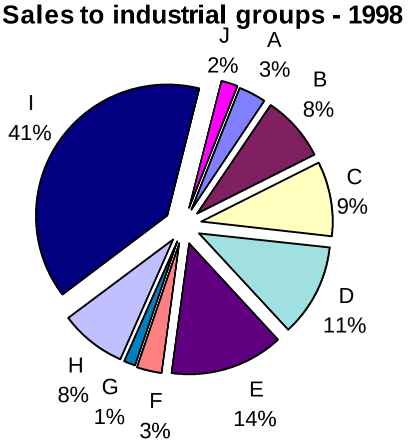
INDUSTRIAL GROUP: 1997		TONS	%
Basic Industries	A	196 367	4.8
Metal pipes, tubes and fittings	B	322 694	7.8
Tin cans and tinware	C	280 863	6.8
Plate and sheet metal works except tinware	D	451 479	10.9
Cables, wire products & gates	E	517 264	12.5
Other metal products except machinery and transport equipment	F	134 467	3.3
Transport equipment	G	60 091	1.5
Construction	H	338 246	8.2
Merchants	I	1756 413	42.5
Other	J	70 397	1.7
TOTAL		4 128 281	100.0

INDUSTRIAL GROUP: 1998		TONS	%
Basic Industries	A	124 791	3.5
Metal pipes, tubes and fittings	B	288 498	8.0
Tin cans and tinware	C	326 518	9.0
Plate and sheet metal works except tinware	D	402 004	11.1
Cables, wire products & gates	E	501 644	13.9
Other metal products except machinery and transport equipment	F	109 876	3.0
Transport equipment	G	48 212	1.3
Construction	H	299 403	8.3
Merchants	I	1 428 328	39.6
Other	J	82 016	2.3
TOTAL		3 611 290	100.0

Sales to industrial groups - 1997



Sales to industrial groups - 1998



STATUS OF PROGRESS WITH THE DUMPING COMPLAINT FILED AGAINST RUSSIA, THE UKRAINE AND BRAZIL

After the intention to investigate the dumping of hot-rolled flat products imported from Russia, the Ukraine and Brazil was published in the Government Gazette on 17 July 1998, the provisional findings were published on 27 November 1998. The BTT imposed a provisional antidumping duty of R 290 per ton (14,1 %) on Russian and R 120 per ton (6,1 %) on Ukrainian imports. No duty was imposed on imports from Brazil. These preliminary duties will be in force up to 28 May 1999, the date when the final duties should be in place.

The report from the BTT on the preliminary determination was made available on 4 December 1998 and interested parties were given 30 days to comment.

The South African Iron and Steel Institute, on behalf of Iscor and Highveld Steel, submitted a comprehensive report to the Board on Tariffs and Trade containing comments on the provisional duties calculated by the Board. The Institute argued in its comments that the BTT should have used the dumping margins of 81,7% for Russia and 94,8% for the Ukraine as published in the report from the BTT instead of the price disadvantage margin of 14,1% on Russia and 6,1% on the Ukraine. The Institute further argued that the final determination should in any case not be lower than 39,5% (Russia) and 33,8% (Ukraine), based on the price disadvantage due to the decline in export prices, or 37,0% (Russia) and 44,4%(Ukraine), based on the price disadvantage due to the devaluation of the Russian and Ukrainian currencies. The BTT has until 28 May 1999 to arrive at a final determination that will be in force for five years.

According to rumours in the market place the Russian exporters will shortly resume the exports of hot-rolled products to South Africa as the low preliminary dumping margins that were calculated by the BTT do not offer sufficient protection against low-priced imports from these countries and will not prevent further imports into South Africa, especially after the decline in the value of the Russian Rouble during the latter half of 1998 and the beginning of 1999.