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Industry Study: Iron & Steel Industry (Long Steel Products)



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Iron and Steel Industry

(Long Steel Products)

1. Introduction

Long steel products are core components in various sectors, including building and construction. Such products typically include beams, channels, angles, reinforcement bars and wire rods, which are manufactured in extended lengths and are crucial for the integrity and stability of the structure. The manufacturing of long steel products involves processes such as rolling, which shapes steel into specific sections and dimensions. These products are known for their strength, durability and adaptability; hence their importance in constructing structures, bridges and other infrastructure projects. This report delves deep into the current trends, existing production capabilities and market dynamics regarding long steel products and highlights their impact on the national economy and infrastructure development.

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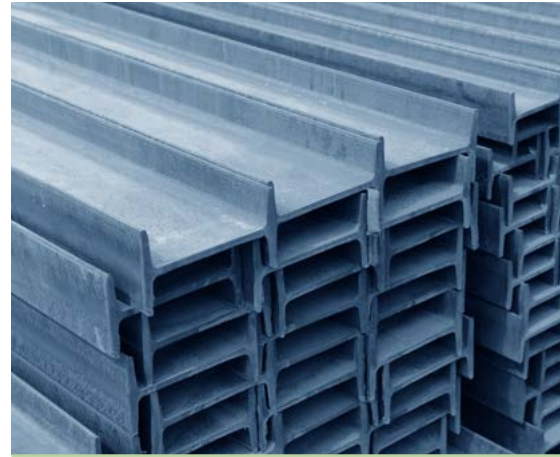
2. Product Types:

• Steel Rebar



Reinforcement iron or Reinforcing bars are iron bars used to strengthen the tension of the concrete. They support the concrete structures to bear the tension, flexural, shear and bond loads. Rebar increases the hardenability of the concrete structures to overcome weak points and protect the structure from collapsing.

• Steel Sections



A steel category used mainly in construction materials. The steel sections have different forms, including elongated beams with specific cross-section (such as I beams and H beams), angles etc. In general, steel sections are classified as light, medium or heavy and they have different forms, sizes and mechanical characteristics (strength and storage practices for example). They are used in the establishment of warehouses and commercial buildings and other buildings.

• Wire Rods



These are rolled steel products that are produced from semi-finished forms (such as billets). They can have circular, rectangular, cross sections, or other forms. Cross-sections are produced by subsequent cold heading (drawing). Wire rods are rolled and transported as coils and used in cutting, bending, wires and more specifically in pre-fabricated products that were cut in other sites, in addition to other various usages.

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3. Key Global Indicators

The global market for long steel products has experienced an increase in the past five years due to the growing demand from construction and infrastructure sectors because of the industrial and population growth. Long iron and steel products, such as rebar, beams and wire rods are essential for construction and industrial purposes. The market has witnessed such growth because of the new infrastructure projects, modernization efforts and usage of long steel products by the automotive industry. However, fluctuations in raw material costs constitute a major challenge. The Asia-Pacific region controls this market by benefiting from the presence of leading iron and steel producers and low labor costs. The market is expected to witness compound annual growth rate (CAGR) of 4.5% from now to 2030.

4. Key Regional Indicators

On the regional level, the iron and steel market in the Middle East is expected to experience significant growth due to the increased demand of construction and infrastructure projects, especially in KSA. Although Covid-19 epidemic led to regression, fluctuations in the supply chain and the decreased demand on iron and steel, the market is recovering due to the high government expenditures and the growing industrial activities. The market growth is supporting the strenuous efforts to diversify the resources of economy apart from oil, expand the production capacities and establish the region as the leading global exporter of iron and steel. The regional growth is expected to be 4.5% during 2024-2030.



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5. Demand in Saudi Market

Steel Rebar

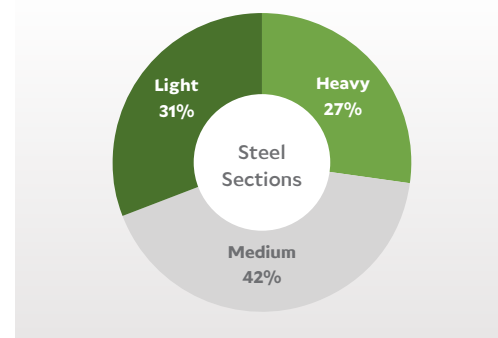
- » The local demand on steel rebar in KSA witnessed CAGR of 8% during 2018 to 2022. This demonstrates the significant growth in the market due to the increased demand on housing projects in the past five years.
- » More than 95% of KSA market demand were met by local production during the past five years.

Steel Wire Rods

- » The local demand on steel wire rods saw an annual growth of 6% during the period from 2018 to 2022, as a result of the increase in construction activities and major projects inside the Kingdom.
- » UAE and Egypt are the top exporters. Imports represented 12% of the total demand on steel wire rods in 2022.
- » Exports are mainly directed to Bahrain, Kuwait, Jordan and the MENA region. The total exports represented 12% of the total sales in 2022.

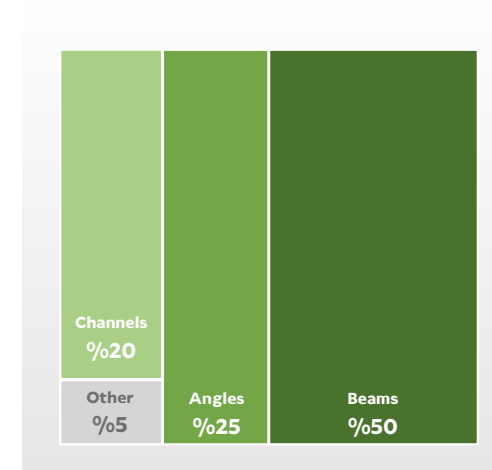
Steel Sections

- » Local demand witnessed a CAGR of 9% during the period from 2020 to 2023 due to the rise in industrial projects, power transmission and storage towers and infrastructure projects. This growth led to a CAGR of 12% in local sales and exports, a CAGR of 12% in local production and utilization rate was 69% in 2023. Despite this significant increase, the CAGR of the imports exceeded 6% due to the huge projects that required heavy steel sections that are not available locally. Steel sections are classified into three sizes: light (less than 80 mm), medium (from 80 mm to 200 mm) and heavy (greater than 200 mm). The following chart demonstrates their distribution in the market in 2023:



Local demand according to size - 2023

- » For product classification, beams were the most demanded product representing 50% of the demand in the steel sections market. The following chart demonstrates the product distribution in the local market in 2023:



Steel section market size per product - 2023

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6. Success Factors

Factors that must be considered in iron and steel projects are as follows:



Brand position and quality:

The brand position and product quality depend on reputation building and maintaining successful relationships with the customers by continuously providing rebar products of exceptional quality, offering discounts on huge quantities, providing printed manuals and catalogue and relationship marketing, such as participating in major international steel exhibitions and using social media in order to build the brand image.



Market Coverage:

The distribution network plays a vital role in businesses by ensuring the effective distribution of products, expanding the market access range and enhancing the customer satisfaction. Networks facilitate goods movement from producers to consumers and are responsible for warehousing, transporting and inventory management.



Backward Integration:

The studies have revealed that most of the rebar producers own private factories for billet melting (backward integration); however, this requires guaranteed demand. In addition, some of the producers owns integrated factory for steel manufacturing and/or steel billets selling to their subsidiaries.



Cost Management:

Positive cash flow are essential for any company to continue its operations. Whenever the cash flow increases and the sales accounts duration shortens, the financial situation of the company becomes better. If the company faces challenges in cash flows, this might affect many business fields such as raw material supply and the ability to sell.



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7. Opportunities and Challenges

Opportunities

The steel sector has some opportunities still exist for the industry:

- » New infrastructure projects implemented by the Public Investment Fund (PIF), and significant developments in infrastructure, economic and industrial projects, and urban projects to modernize facilities and services in the country will boost business opportunities.
- » Launching multiple government initiatives including increasing the home ownership rates, local content programs and products manufactured inside the Kingdom which will raise the demand on the local products
- » Availability of opportunities to export to neighboring countries to benefit from the ongoing initiatives aiming at developing the infrastructure.

Challenges

The steel sector sees multiple challenges that may place some parties (producers and end users) in difficult situations related to competitiveness and profitability. These main challenges can be summarized as follows:

- » Fluctuation of raw material prices: The steel prices are highly fluctuating, as they depend on many factors such as the international price, local and global demand level and the availability of scraps.
- » Lack of main raw materials (steel scraps): the Kingdom and the globe are facing a shortage in steel scrap.



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8. Conclusion

The long steel products industry is a vital sector for both local development and regional trade, by significantly focusing on steel rebar, wire rods and steel sections (called long products). This industry plays a major role in infrastructure and construction works that are necessary for economic growth in Saudi Arabia. Approximately 89% of the long steel products are allocated for steel rebar and wire rods needed for construction, while 11% are allocated for steel sections. The sector is experiencing a significant growth due to the increase in the construction and infrastructure activities, which can be manifested by achieving CAGR of 8% for steel rebar and 4% for wire rods during the period from 2018 to 2022. Globally, the long products market is expected to progressively grow to reach CAGR of 4.5%.

On the regional level, the iron and steel market in the Middle East is recovering and expanding due to the high government expenditures and economic diversification efforts. Despite the Covid-19 pandemic consequences, the iron and steel market in the Kingdom is expected to achieve a growth rate of 4% as a result of the technological advancement and the high local production capabilities. Leading companies in the region are working to promote their competitiveness through strategic innovations and expansions. Meanwhile, the sector faces

challenges such as fluctuation and lack of raw materials, especially steel scrap of prices, which can affect the production costs and profits. In addition, there are opportunities for growth in light of the new infrastructure projects implemented by the Public Investments Fund (PIF) and governmental initiatives aiming at increasing the local content and home ownership.

Export increase to neighboring countries that highly invest in infrastructure, represents a promising opportunity for growth. In order to achieve growth, the stakeholders must focus on the products quality, effectively cover the market, achieve backward integration, manage costs, overcome these challenges and benefit from growth opportunities.



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