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Severstal Chief Expects Flat Steel Prices in 2014, Plans Job Cuts

By The Moscow Times

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Global steel prices will remain flat in 2014, keeping almost two-thirds of producers cashflow-negative, the billionaire owner of Russia's second-biggest producer Severstal said in an interview.

Steelmakers have been battling weak steel prices and flagging demand for several years, with structural overcapacity likely to continue to dampen prices despite a fledgling recovery in developed economies this year.

"Prices will be just a little higher, about the same as last year," Alexei Mordashov said. "The situation, in which 60 percent of steel companies are cashflow-negative, will remain in 2014."

Severstal tumbled to a fourth-quarter net loss after taking a $349 million asset impairment, it reported Thursday. According to its owner, the company plans to cut its staff of 63,000 by 2 or

3 percent in 2014.

Mordashov also said Severstal planned to continue investing in downstream and high-quality products to counter the threat of aluminum substitution in cars, where producers have to shed vehicle weight to meet strict emissions standards.

To this end, the amount of aluminum — which is more expensive but a third of the weight of conventional steel — in autos has shot up, tripling in North American and European cars over the past two to three decades.

In January, Ford Motor Co unveiled a new pick-up truck made almost entirely of aluminum, dealing a blow to companies such as Severstal and sharpening their focus on rival products such as high-strength steel.

"It is a real challenge for us," Mordashov said. "However during the last 10 years steel, facing the risk of replacement, has always been able to develop new grades." He said high-strength steel had already been able to compete with aluminum.

Saikat Dey, chief executive of Severstal North America, echoed this sentiment on Thursday, saying the unit is preparing to move into new high-strength steel products to counter the aluminum threat.

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