

Russian Steel Executive Rings Alarm Bells for Struggling Industry

June 19, 2025



Severstal CEO Alexander Shevelev. Roscongress Photobank

The head of one of Russia's largest steel producers has warned of imminent production cuts and plant closures in the country's steel industry as a strengthening ruble and high interest rates choke off demand and profitability.

The steel industry, which employs more than 600,000 workers and accounts for roughly 10% of Russia's export revenues, has long been a pillar of the nation's heavy industry.

Speaking at the St. Petersburg International Economic Forum on Thursday, Severstal CEO Alexander Shevelev said the industry could be unable to sell up to 6 million metric tons of steel this year, nearly 10% of last year's total output.

The current forecast for domestic steel consumption predicts that demand could fall from 43-45 million tons to just 39 million tons this year, he said.

"That's effectively the disappearance of an entire industry's worth of demand," Shevelev

said.

At the same time, exporting steel has become unprofitable due to the sharp appreciation of the ruble.

"The industry ... today is practically unable to export metal products, because it is economically unviable," Shevelev said.

He said that an exchange rate of 90-100 rubles to the dollar, as well as a reduced key interest rate, would allow steel producers to stay competitive and revive business activity in steel-consuming industries.

"But for now, everything is heading toward the fact that we may see production halts at some plants, especially those struggling with high production costs," he warned.

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According to the World Steel Association, Russia's steel production declined 8.6% in 2024 — the sharpest drop among major producing countries — and fell another 7.2% in the first four months of 2025.

Russian steel exports have fallen by more than a third since the full-scale invasion of Ukraine, from 32 million tons in 2021 to 20 million tons in 2024.

Analysts say the downturn has now reached crisis proportions. A report by investment firm BCS noted that export prices for Russian steel have declined 5% in dollar terms and 26% in rubles since January. At the same time, a <u>construction slowdown</u> has sapped domestic demand.

Major producers are already reporting losses. Novolipetsk Steel (NLMK) posted a 0.3 billion ruble loss (\$3.9 million) for 2024, while Magnitogorsk Iron and Steel Works (MMK), Russia's largest steel supplier, lost 1.2 billion rubles (\$15.6 million) in the first quarter of this year.

Severstal remained profitable, reporting 11.9 billion rubles (\$154.7 million) in earnings between January and March, but suffered a negative cash flow of 33 billion rubles (\$429 million).

The government is considering tax relief and regulatory adjustments to support the industry.

Industry and Trade Minister Anton Alikhanov said this week that Moscow is looking at revising the excise tax formula for liquid steel as part of broader efforts to ease the burden on producers.

"The current exchange rate has unfortunately become prohibitive for exporters," Alikhanov said. "We believe it's time to optimize the fiscal burden on the metallurgical sector and reduce regulatory costs."

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industry-a89508