

Russian Steel Giant Reports Sharp Output Decline

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Donat Sorokin / TASS

Russia's second-largest steel producer has reported a sharp drop in output, underscoring the growing pressure on the country's steel industry from sanctions, export hurdles and weakening domestic demand.

In its second-quarter report <u>released</u> Thursday, Magnitogorsk Iron and Steel Works (MMK) said steel production fell 18% year-on-year to 5.2 million tons, while pig iron output dropped 9%.

Sales were down across all segments, with rolled steel declining 13%, long products 11% and premium steel nearly 20%.

Analysts at state-owned Promsvyazbank described MMK's results as "expectedly weak," citing weak domestic demand driven by the Central Bank's high interest rates.

MMK reported a first-quarter loss of 1.2 billion rubles (\$15.3 million).

The downturn is industry-wide. Novolipetsk Steel, Russia's largest steelmaker, posted a net loss of 300 million rubles (\$3.8 million) in 2024.

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Russia's total steel production fell 8.6% in 2024 and another 7.2% in early 2025, according to the World Steel Association, the steepest drop among major producing countries.

Exports have dropped by one-third since the invasion of Ukraine, from 32 million tons in the pre-war year of 2021 to 20 million tons in 2024.

Severstal CEO Alexander Shevelev <u>warned</u> in June that Russia's steelmakers may struggle to sell up to 6 million tons of steel this year, risking full plant shutdowns.

He projected domestic demand could fall from around 44 million tons last year to 39 million tons in 2025.

The same month, Industry and Trade Minister Anton Alikhanov <u>said</u> the government is considering tax cuts and other relief measures to ease the financial burden on steel companies.

"The current exchange rate effectively blocks exports," Alikhanov said, calling for reduced fiscal and regulatory pressure on the sector.

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