

SIIS: Saudi Arabia to maintain cluster approach to unleash steel sector's potential

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Being focused for several years on the development of a cluster model for the local industrial sector, Saudi Arabia intends to use this approach further. The Kingdom's steel sector is about to get more business opportunities for unleashing its potential owing to more efficient operations, import substitution, as well as stronger positions in the global market.

Saudi Arabia intends to balance local steel supply owing to the implementation of the cluster approach and the development of the new production facilities under Vision 2030. "Since 2005, capacity outpaced demand growth by 3 times, mainly in construction related products (rebar and wire rod), creating challenges, but also opportunities to improve the economic impact of the sector, ensure sustainability and competitiveness," Matar Al-Harhi, vice president for Mining and Minerals at the National Industrial Development Center, mentioned during the 2nd Saudi International Iron and Steel Conference (SIIS), held on September 12-14 in Riyadh.

Local suppliers cover 100% of the Kingdom's rebar demand. For wire rod and light and medium sections the figures are 87% and 86%, respectively. But many other steel segments are highly dependent on imports. Specifically, plates, tinplate and round billet demand is fully covered by overseas supply; 57% HRC needs are supplied by domestic steel; CRC – by 28%, and coated steel – by 38%, Metal Expert learnt. However, the announced investments in steelmaking facilities (around 6.2 million tpy) as well as the development of consuming industries, including shipbuilding, automotive, home appliance, packaging, energy sectors will likely become a game changer.

Saudi Arabia intends to raise local supply coverage in plates to 80%, HRC – to 93%, CRC – to 100%, HDG and PPGI – to 85%, tinplate – to 60%, and round billets – to 100%. As a result, the overall supply coverage on a per tonne basis will increase from 67% in 2019 to 99.3% by 2030 owing to the development of high-value-added steel products.

The proposed transformations will turn Saudi Arabia from a net importer to a net exporter. Moreover, the country will be able to increase the steel sector's contribution to GDP by 110% and reduce finished steel imports by 48% by 2030. "The Kingdom has a smart approach to industrial development. It came from the lessons our country learnt from the long steel overcapacity. Now, the government looks at all value chain and use balanced policy to reach synergetic effect from the development of steel and consuming sectors," a SIIS delegate told Metal Expert.

According to the official information, Saudi Arabia has 16.4 million t of finished steel production capacity, with demand hovering at around 12 million t during the past several years, excluding the pandemic period.