



Topic

Competition Concerns in the Steel Market in Tanzania

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Overview

- The importance of steel industry in an economy can not be overemphasized.
- It is key for development and growth of other sectors especially construction sub-sector.
- Steel is key in construction, housing and ground transportation.

Overview continues

- Construction activities e.g. airports, roads, housing, water, electricity, and other engineering infrastructures requires considerable steel related raw materials.
- In fact, globally, country's steel consumption is taken to be an indicator of economic development.

Overview continues

- Tanzania steel industry recorded positive growth rate of 16.8% in 2015 (14.1%: 2014), making construction the second higher contributor to GDP behind agriculture.
- The major catalyst being increased economic activities especially construction of residential and business projects and the general infrastructure development.

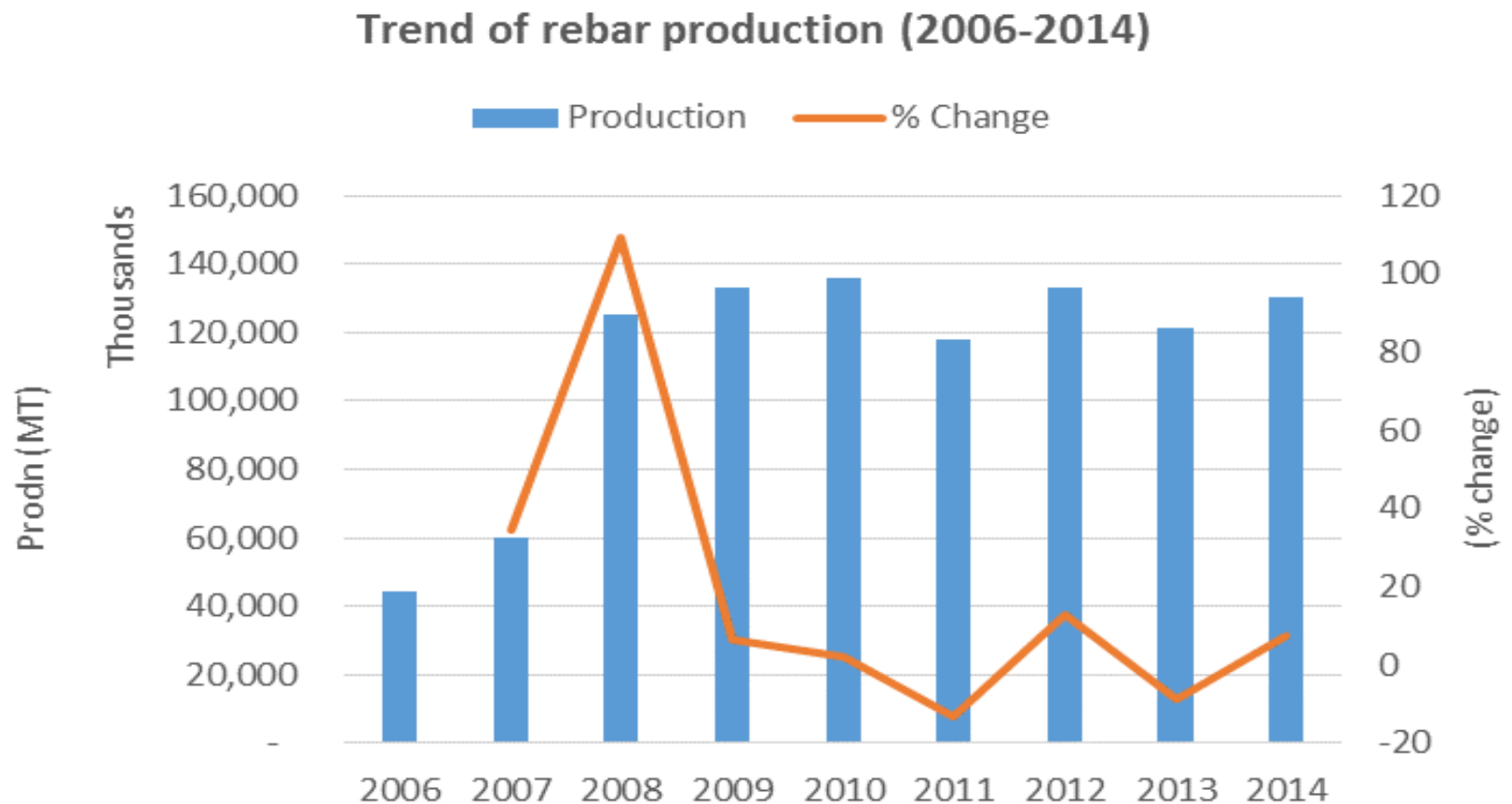
Overview continues

- The growth is projected to grow even further in the future.
- Spurred by rapid growth of cities population, engineering, transportation and electricity sub-sectors.
- However, despite of this positive developments, Tanzania's steel consumption per capita is comparatively low.

Tanzania's Rebar Production

- In general, Tanzania's rebar production has been increasing.
- Gradual production increase recorded during 2005 – 2007, followed by a record growth in 2008, reaching 109%.
- In 2010, the industry breaking operational capacity of 136,000 MT was recorded, mainly as result of increased capacity.

Tanzania's Re-Bars Production Trends (2006 – 2014)



Tanzania Rebar Imports

- The trend of show an increased imports, especially in the last five years period.
- Major importers are local steel producers, traders, builders (contractors) and Government entities.
- Significant import was recorded in 2014 and 2020, where total import was about 96,000 and 74,000 MT respectively.



Import continues...

- The major sourcing countries are China, Turkey, South Africa and Ukraine.
- It was found that the push towards importation is mainly aimed to meet the need for high tensile strength re-bars.

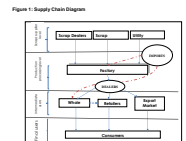
Tanzania Rebar Exports

- In general, the country has relatively low exports (compared to import figures), i.e. the country imports more than it export.
- Higher exports of 9,000 MT (approx.) were recorded in 2010 and 2012.
- Local producers supply to Rwanda, Burundi, Uganda and Kenya markets. Zambia and Malawi are served by merchants.



Supply Chain

- Rebar supply chain consists of input suppliers (scrap collectors), rebar producers and consumers, as shown in the figure below.



Market Definition, Utilization and Pricing

Market Definition

- The relevant market is construed to be the market for locally produced rebar in Tanzania.

Market Concentration

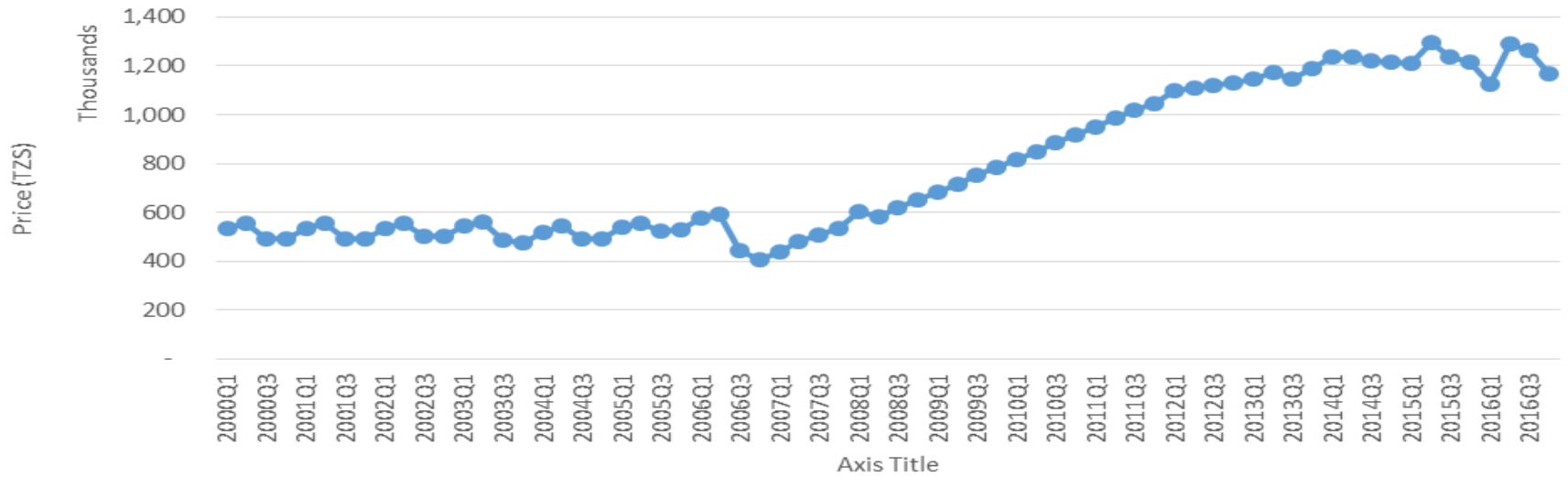
- HHI show a concentration index of 5,255.57, which suggest that the market is highly concentrated.

Capacity Utilization

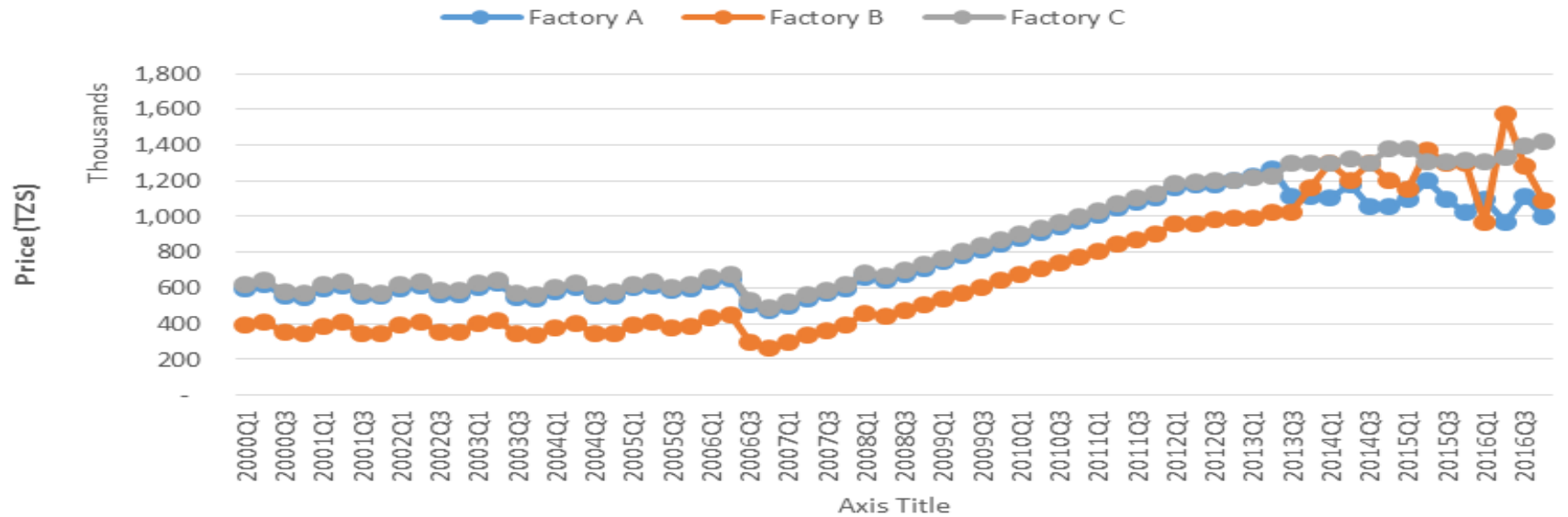
- The average capacity utilization of rebar plants stand at 43%. Which gives an indication that for most part, the actual production is below the potential average.
- Utilization of the three leading producers i.e. MMI Steel Ltd, Hong Yu Steel (T) Co. Ltd and KAMAL Steel Mills are 47% and 9% and 28% for 2015.

Capacity Utilization and Market Share (%) by Fiber Production				
Factories	Capacity (MT/yr)	Production (MT/yr)	Market Share (%)	Capacity Utilization (%)
MM Integrated Steel Mills	26,000	16,000	77	61
Central Steel Mills	40,000	14,000	68	35
Iron and Steel	12,000	10,800	43	90
A M Steel & Iron Mills	25,000	NA	NA	NA
Hong Yee Steel (Yi) Co. Ltd.	120,000	11,130	4.7	9
Beiyuan Steel Mills	16,400	10,800	4.0	65
Nankai Steel Mills	16,400	10,800	4.0	65
Beihai Steel Mills	2,800	2,800	1.0	100
Liaohua Steel Mills	14,000	5,622	4.1	39
TOTAL	586,000	254,500	100	43

Annual Average Prices in DSM Market (2000-2016)



Annual Re-bar Ex-factory Prices (2000-2016)



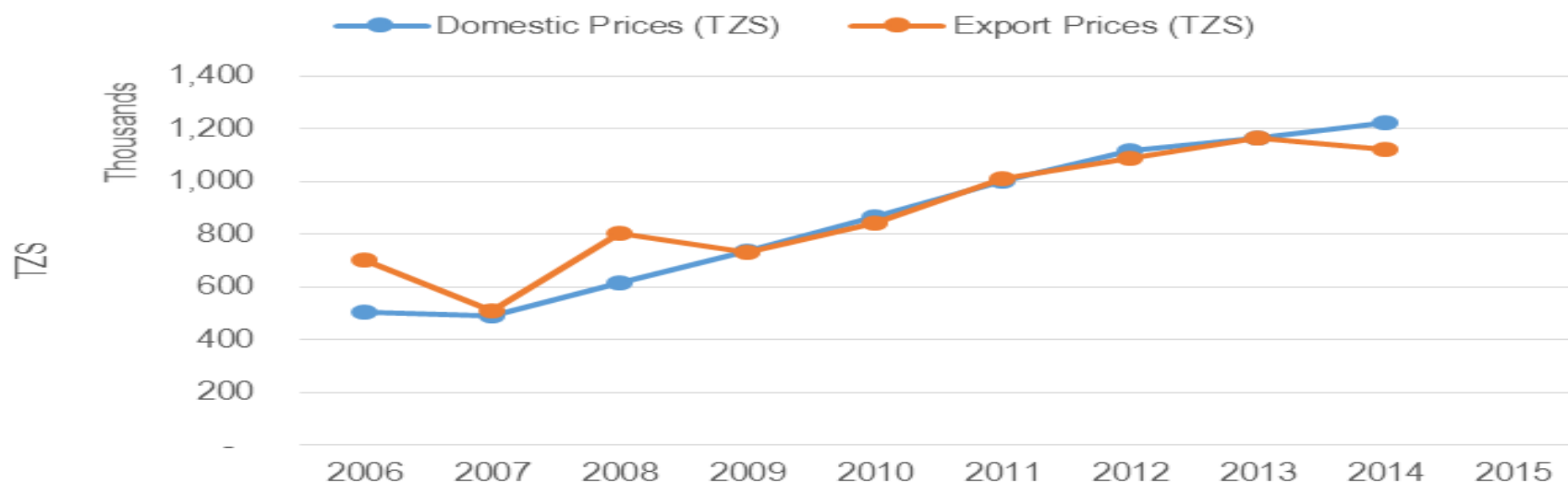
Domestic Pricing

- The average prices remained constant for much of first half of 2000s.
- It declined sharply in 2006 and started escalating sharply up to first quarter of 2012.
- While the trend leading up to 2006 can be expected due to the nature of the products (homogeneous and undifferentiated), it is still unclear as to why the prices have continuously registered upward trend post 2006 period.

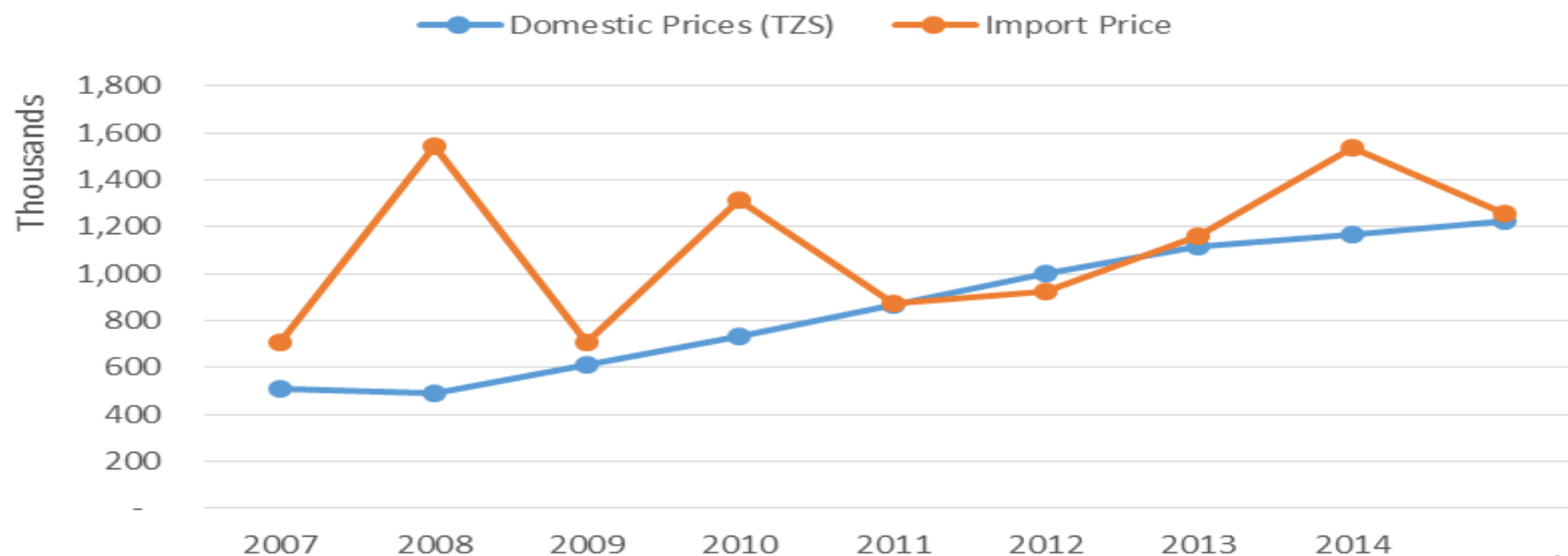
Domestic Pricing Continues...

- The trend further suggest a similar pattern for three producers.
- The major cost driver in the rebar production is the availability of scrap metals, which is the major raw material used (it account for about 95% of the material used).
- There is no bottlenecks to scrap availability.
- Imported raw materials in form of chemicals accounts for 5%.

Average Rebar Domestic and Export Prices (2006-2014)



Average Domestic and Import Prices (TZS/MT)



Average Export and Import Prices

- The export prices mirrors the average domestic prices, with exception of 2014 the domestic prices was higher than export price.
- Average import price are generally above the average domestic prices, with exception of year 2012.
- The trend on import price is mostly determined on the changes in FOB price and country's taxation policy.

Average Export and Import Prices

- Traditionally, import taxes has been strategically employed in order to protect local industries from foreign competition.
- It is also important to note that the imported rebars are the high tensile strength rebars.

Concerns/Issues

Higher Concentration Index

The market has few suppliers (producing plants)

Existence of High Unutilized Capacity

- The country utilizes 254,569 MT of its production capacity (598,400 MT), which is equivalent to 43%.

Higher Imports Relative to Exports

- Highest exports were recorded in 2010 and 2012, where the country exported about 9,000 MT.

Concerns/Issues

Low Trading Volume Between Tanzania and Neighbouring Countries

- With country's capacity of 598,400 MT ,000 installed capacity, more trade volume was expected.
- The export trade volume 9,000 MT are insignificant.

Concerns/Issues

Uncharacteristic Price Rise

- The upward price trend is rather unexpected given the nature of the products (homogeneous and undifferentiated) and available of the raw material.

END OF PRESENTATION

THANK YOU FOR LISTENING