



**ENGINEERING
IRON AND
STEEL
ASSOCIATION OF
ZIMBABWE**

STATE OF THE ENGINEERING IRON AND STEEL INDUSTRY IN ZIMBABWE

By D. MAZAMBANI

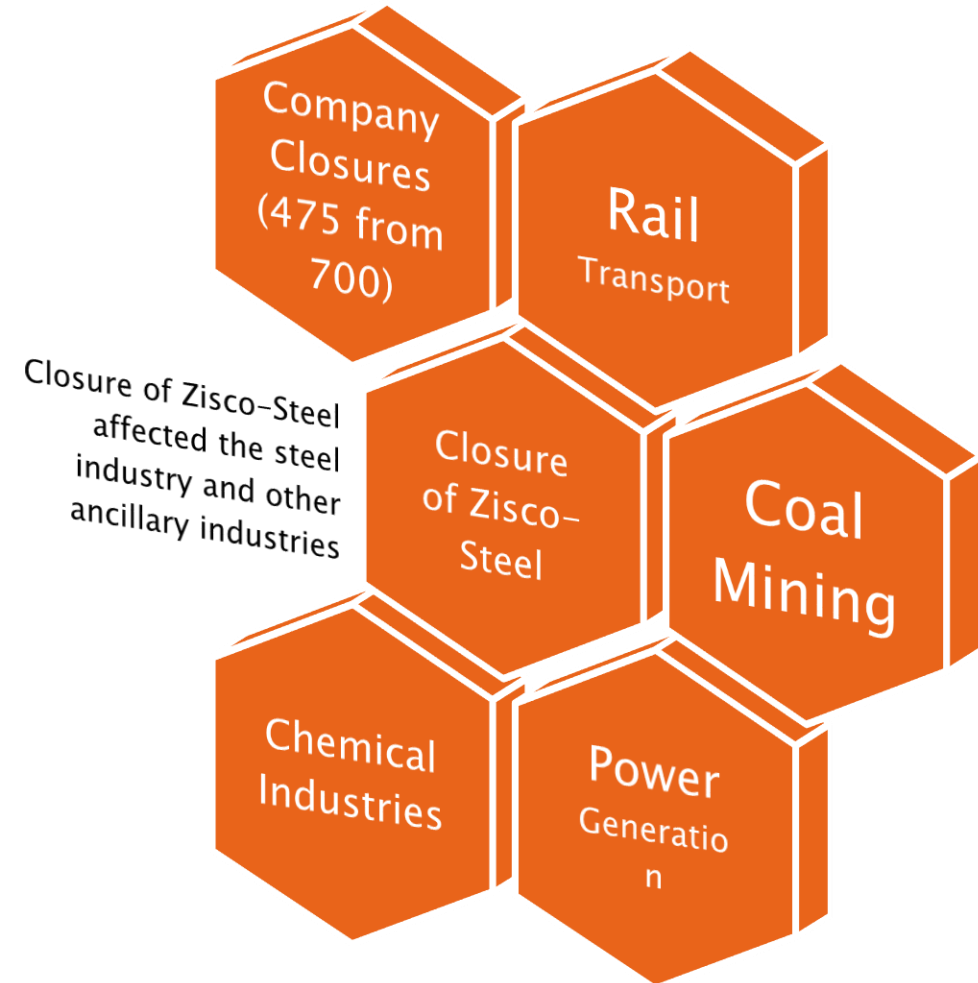
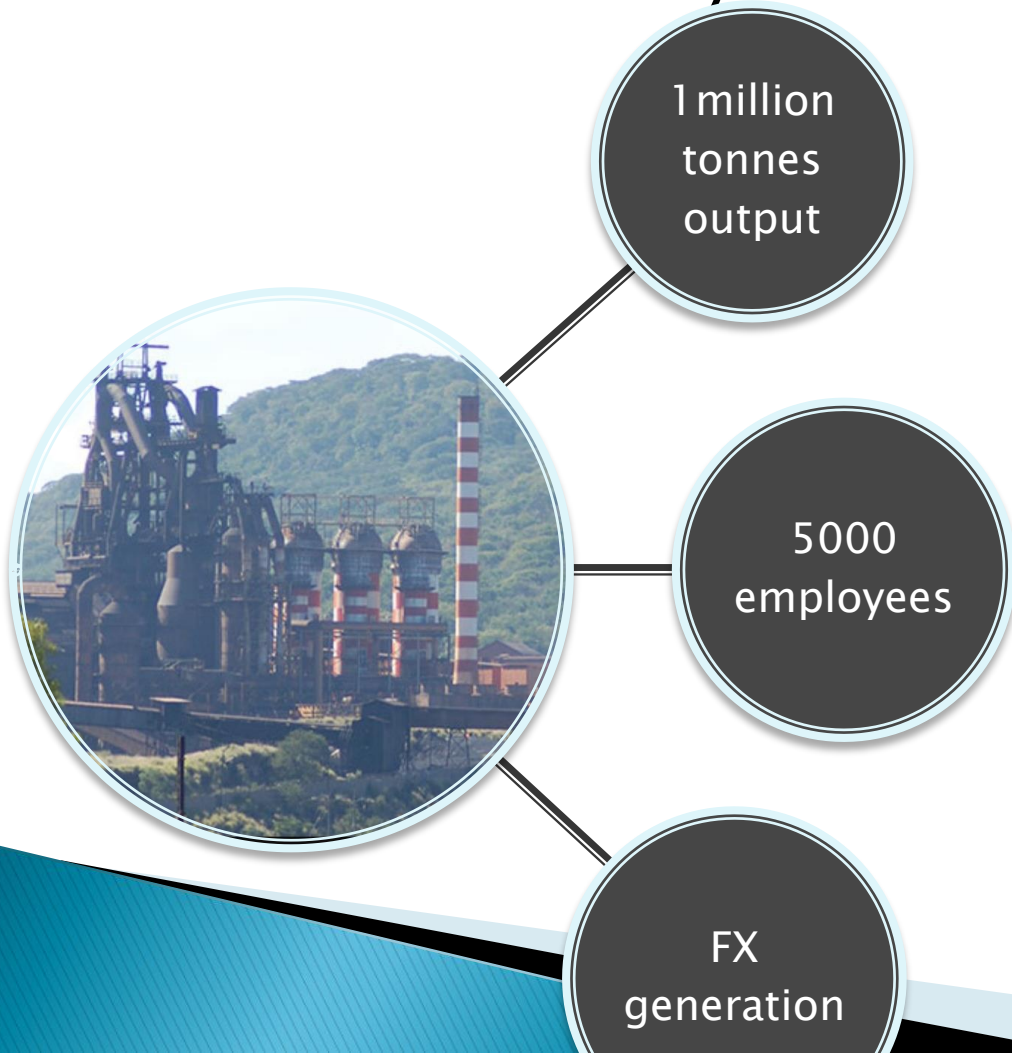
Introduction

- ▶ The importance of the Engineering, Iron and Steel Sector,



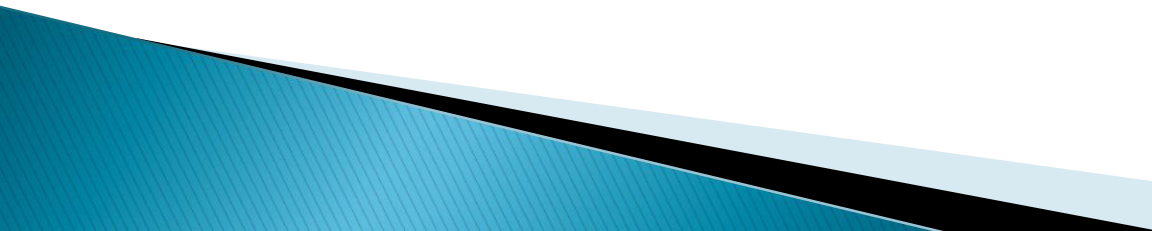
Introduction – Background on Zim

- ▶ Sector's vibrancy revolved around Zisco-Steel



MACROECONOMIC ENVIRONMENT

Global Landscape

- ▶ Global prospects remain highly uncertain one year into the pandemic with new virus mutations and accumulating human toll raising concerns even as growing vaccine coverage lifts sentiments,
 - ▶ Economic recoveries diverging across countries and sectors, reflecting variation in pandemic-induced disruptions and the extent of policy support,
 - ▶ Recovery and growth depends on the outcome of the battle between the virus and the vaccine as well as how effectively economic policies deployed under high uncertainty can limit lasting damage from the crisis.
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Global Economic Growth Projections

	2020	Projections	
		2021	2022
World Output	-3.3	6.0	4.4
Advanced Economies	-4.7	5.1	3.6
United States	-3.5	6.4	3.5
Euro Area	-6.6	4.4	3.8
Germany	-4.9	3.6	3.4
France	-8.2	5.8	4.2
Italy	-8.9	4.2	3.6
Spain	-11.0	6.4	4.7
Japan	-4.8	3.3	2.5
United Kingdom	-9.9	5.3	5.1
Canada	-5.4	5.0	4.7
Other Advanced Economies ²	-2.1	4.4	3.4
Emerging Market and Developing Economies	-2.2	6.7	5.0
Emerging and Developing Asia	-1.0	8.6	6.0
China	2.3	8.4	5.6
India ³	-8.0	12.5	6.9
ASEAN-5 ⁴	-3.4	4.9	6.1
Emerging and Developing Europe	-2.0	4.4	3.9
Russia	-3.1	3.8	3.8
Latin America and the Caribbean	-7.0	4.6	3.1
Brazil	-4.1	3.7	2.6
Mexico	-8.2	5.0	3.0
Middle East and Central Asia	-2.9	3.7	3.8
Saudi Arabia	-4.1	2.9	4.0
Sub-Saharan Africa	-1.9	3.4	4.0
Nigeria	-1.8	2.5	2.3
South Africa	-7.0	3.1	2.0

Source:
IMF WEO
April 2021

Local Economy

- ▶ Economy is expected to grow by 7.4%
- ▶ Inflation deceleration (YOY April 194.1%, MOM 1.6%), Single digit over a 9 month period,
- ▶ Fiscal surplus,
- ▶ Tight monetary policy,
- ▶ Improved access to foreign currency on the formal market by importers,
- ▶ Trade deficits of +/- USD0.5billion.

Macroeconomic Policies Governing the EIS Sector



SWOT ANALYSIS

SWOT ANALYSIS

Strengths

- Raw Material Availability
- Skilled Labour force

Weaknesses

- High Cost of Capital
- High Cost of basic inputs
- Poor Quality Infrastructure
- Skewed Labour Laws
- Ageing Equipment
- Dependency on Imports


Opportunities

- Revival of Zisco-Steel
- Substitution and Cost Effective Usage
- Many Potential Sectors
- Commodity Prices set to rise
- Policy Induced Opportunities

Threats


- COVID-19 pandemic induced poor economic performance
- Dumping by other competitors
- Slow growth in infrastructure development
- Global economic slowdown

Policy Induced Opportunities

- ▶ Agriculture Sector Policies (Mechanization and Irrigation)
 - ▶ Mining Sector Policies (\$12 billion mining sector roadmap)
 - ▶ Energy Sector Policies (Renewable energy targets)
 - ▶ National Development Strategy 1
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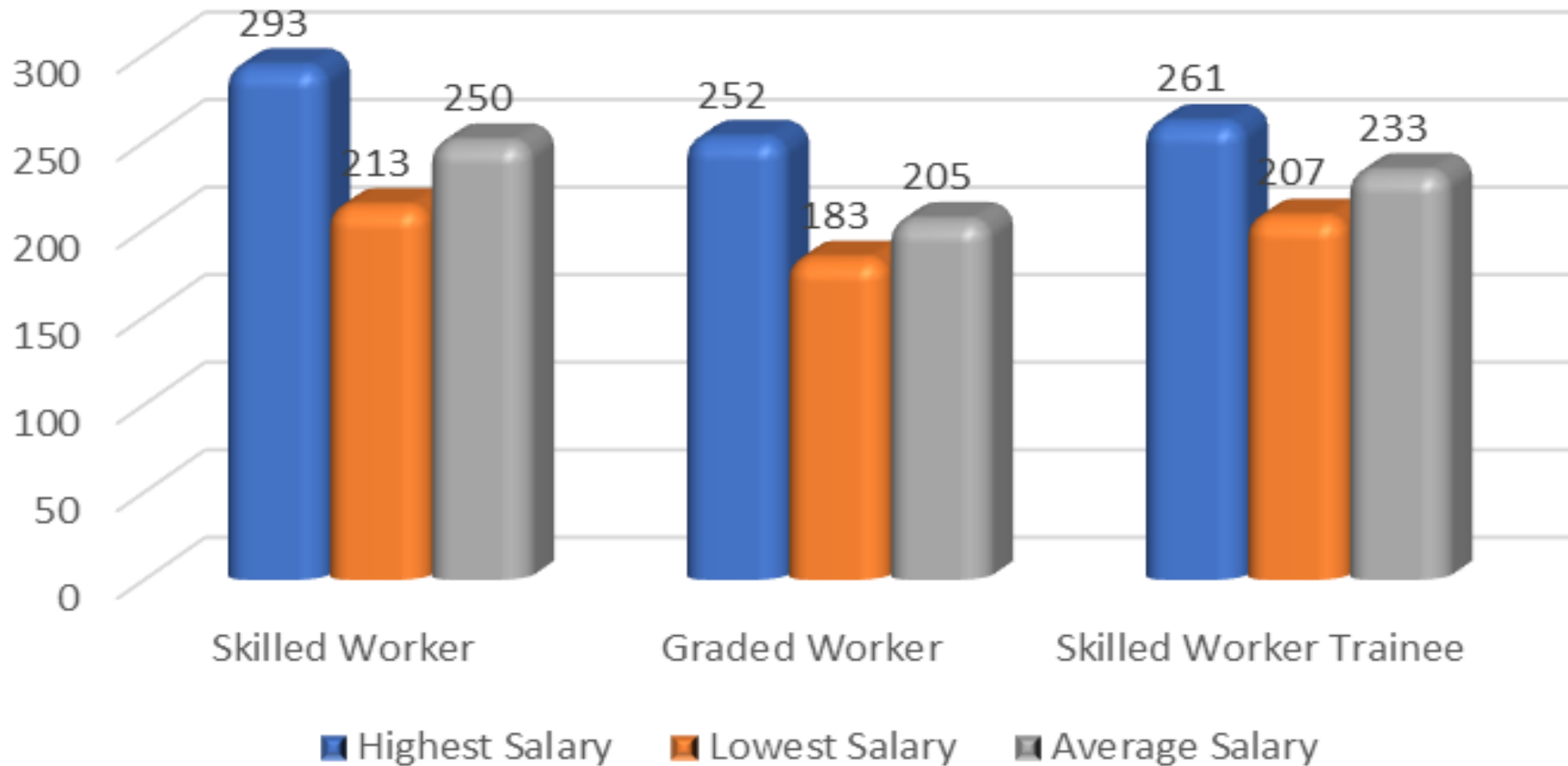
COST DRIVERS AND CONSTRAINTS

MAJOR COST DRIVERS

- Raw Materials Costs,
 - Labour Costs,
 - Cost of compliance with legal and regulatory requirements,
 - Energy and utilities costs,
 - Trade Costs,
 - COVID-19 related costs.
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Salaries and Wages

Salaries as per Latest Wage Agreement



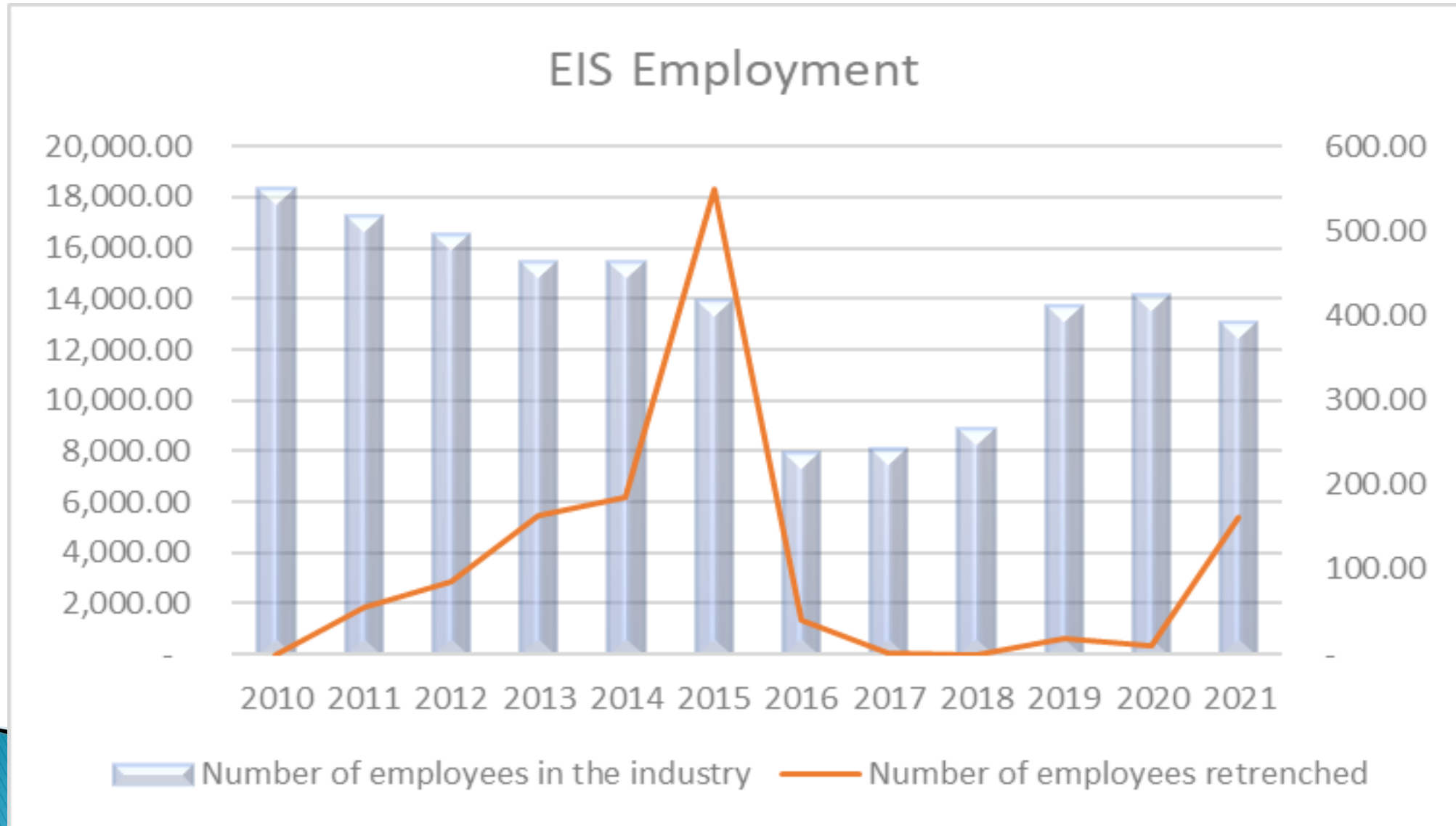
Source: NEC Engineering 2021

Other Constraints

- ▶ Policy Inconsistences and limited coordination by various licencing authorities,
- ▶ Exports of raw materials

HUMAN CAPITAL & TECHNOLOGICAL STATE

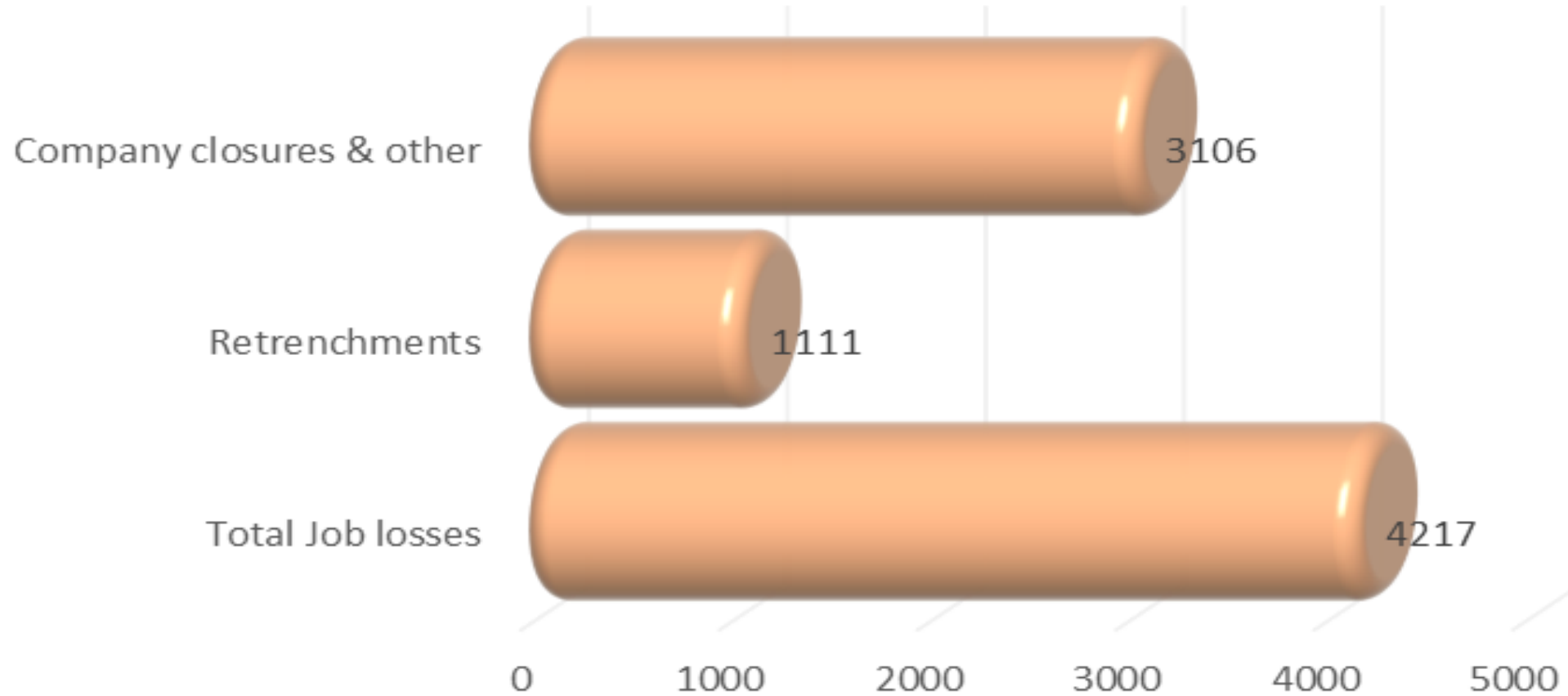
Trends in Employment



Source: NEC Engineering

Job Losses

JOB LOSSES(2010-2020)

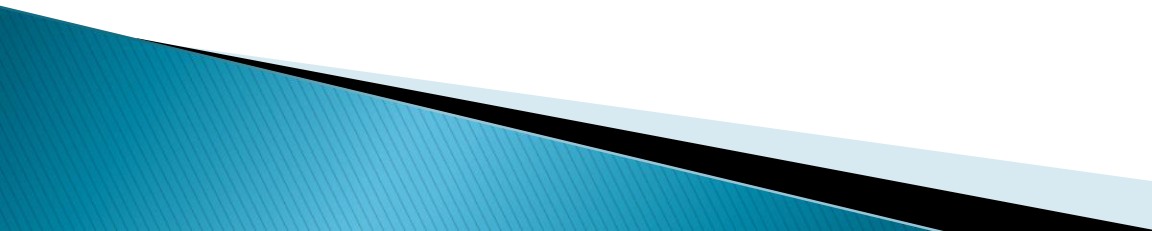


Skills Availability

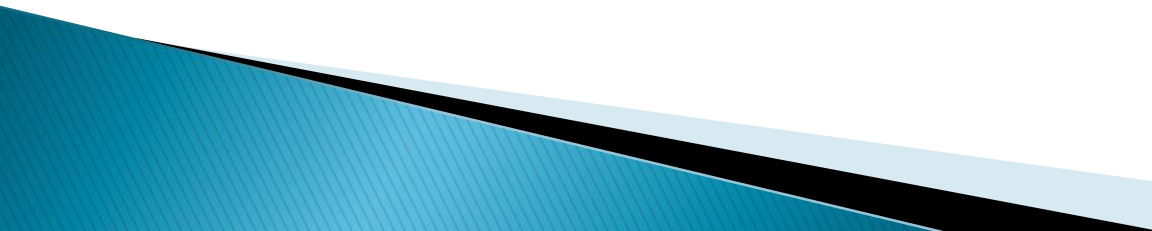
Zimbabwe National Critical Skills Audit Report 2018

Engineering Area	Ideal (By OECD Level)	Available	Shortage	% Availability	% Surplus/Shortage
Mining	2,430	322	2,108	13.25%	-86.75%
Fuels, Energy & Renewable	325	13	312	3.99%	-96.01%
Civil	15,877	1,049	14,828	6.61%	-93.39%
Electrical and Electronic	22,308	2,822	19,486	12.65%	-87.35%
Mechanical	22,942	1,632	21,310	7.11%	-92.89%
Chemical	8,637	220	8,417	2.55%	-97.45%
Industrial/ Manufacturing	20,753	595	20,158	2.87%	-97.13%
Other	12,533	146	12,387	1.16%	-98.84%
Total	105,805	6,799	99,006	6.43%	-93.57%

Technological Situation

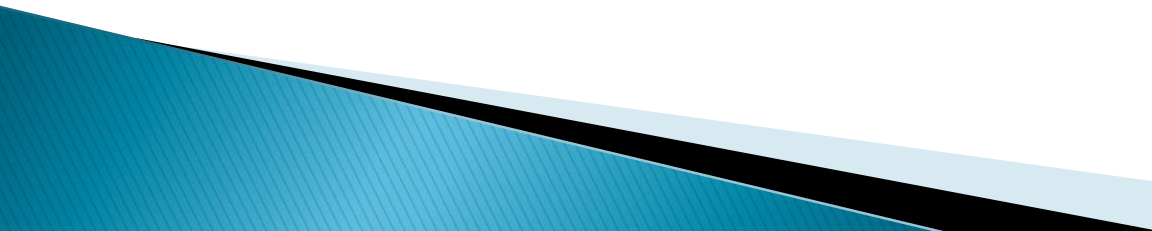
- ▶ The steel industry needs to keep up and take advantage of all that this revolution has to offer because it is happening at lightning speed.
 - ▶ The steel value chain is affected by the changes in the provision of after-sales service, owing to new technology
 - ▶ Legacy equipment
 - ▶ Some challenges related to technological inefficiencies: –
 - ❖ Ensuring continued responsiveness
 - ❖ Preserving competitiveness through efficient process and cost structures
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Key Technologies

- ▶ In an energy-consuming industry like EIS industry, the technological transformation of the production processes is relevant
 - ▶ Therefore, it is necessary for the industry to invest in technology after considering the following factors.
 - ❖ Energy consumption,
 - ❖ Durability,
 - ❖ Maintenance costs,
 - ❖ Production yields, and
 - ❖ Labour intensity.
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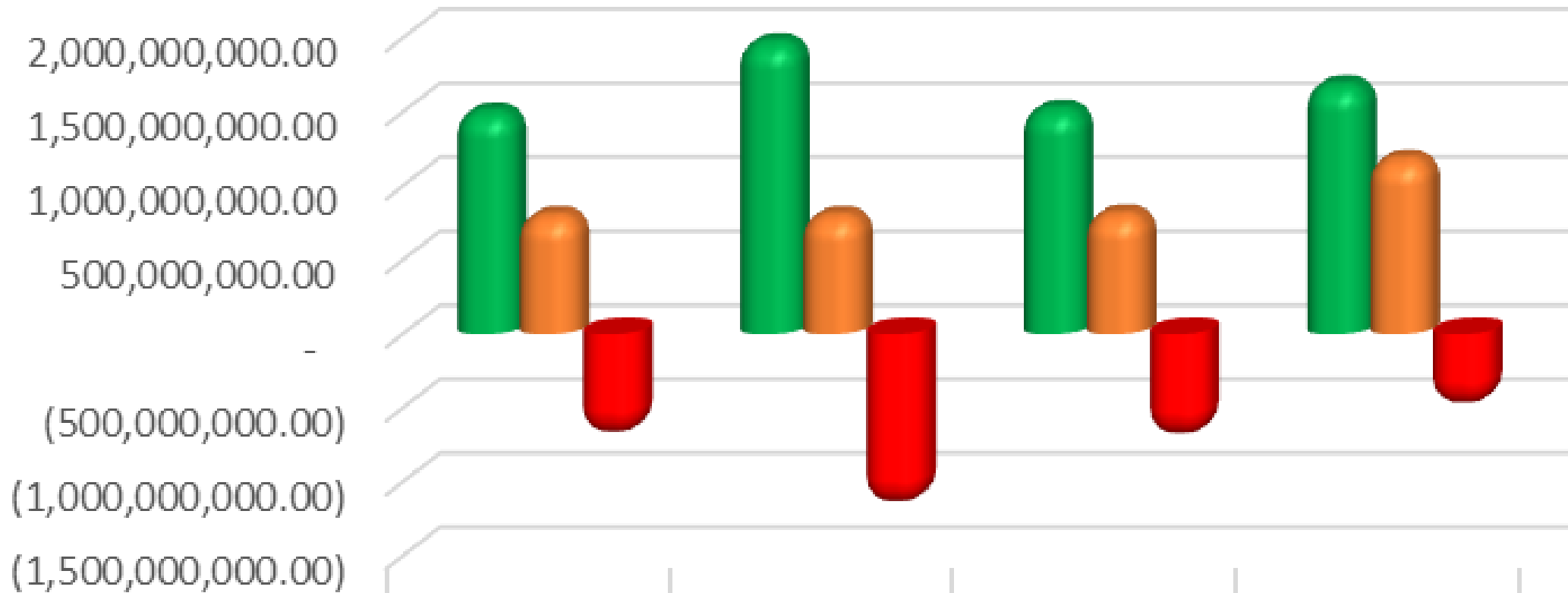
CAPACITY SITUATION, STATE OF EXPORTS AND IMPORTS

Capacity Situation

- ▶ Capacity in the Metals and Metals Products including engineering, iron and steel sector improved from 40% in 2019 to 47% in 2020 (CZI)
 - ▶ Players in this sector expect to increase capacity to average of 60% in 2021
 - ▶ The volume of iron and steel production in 2019 was estimated at 332,106 tonnes, a decline of 15.4% from the production recorded in 2018 (0.02 of world's production)
 - ▶ In Africa, only South Africa, Egypt and Algeria are ranked in the top 50 steel producing countries.
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Source: Zimstat

Engineering, Iron & Steel Trade



	2017	2018	2019	2020
Imports	1,495,102,37	1,965,560,04	1,514,321,60	1,678,657,50
Exports	796,325,666.	796,325,666.	805,844,090.	1,176,213,75
Net Exports	(698,776,709	(1,169,234,3	(708,477,517	(502,443,746

Top Exports and Imports – 2020

Top 5 Exports

- Nickel mattes, oxide sinters and products of nickel metallurgy
- Ferro-alloys
- Iron/steel structures and parts thereof; plates, rods... Therefor
- Electric accumulators (incl. separators therefor)
- Table, kitchen or household articles and parts thereof of iron or steel

Top 5 Imports

Table, kitchen or household articles and parts thereof of iron or steel

Tractors

Iron/steel structures and parts thereof; plates, rods... Thereof

Machinery for sorting..., agglomerating... earth, stone, ores, etc

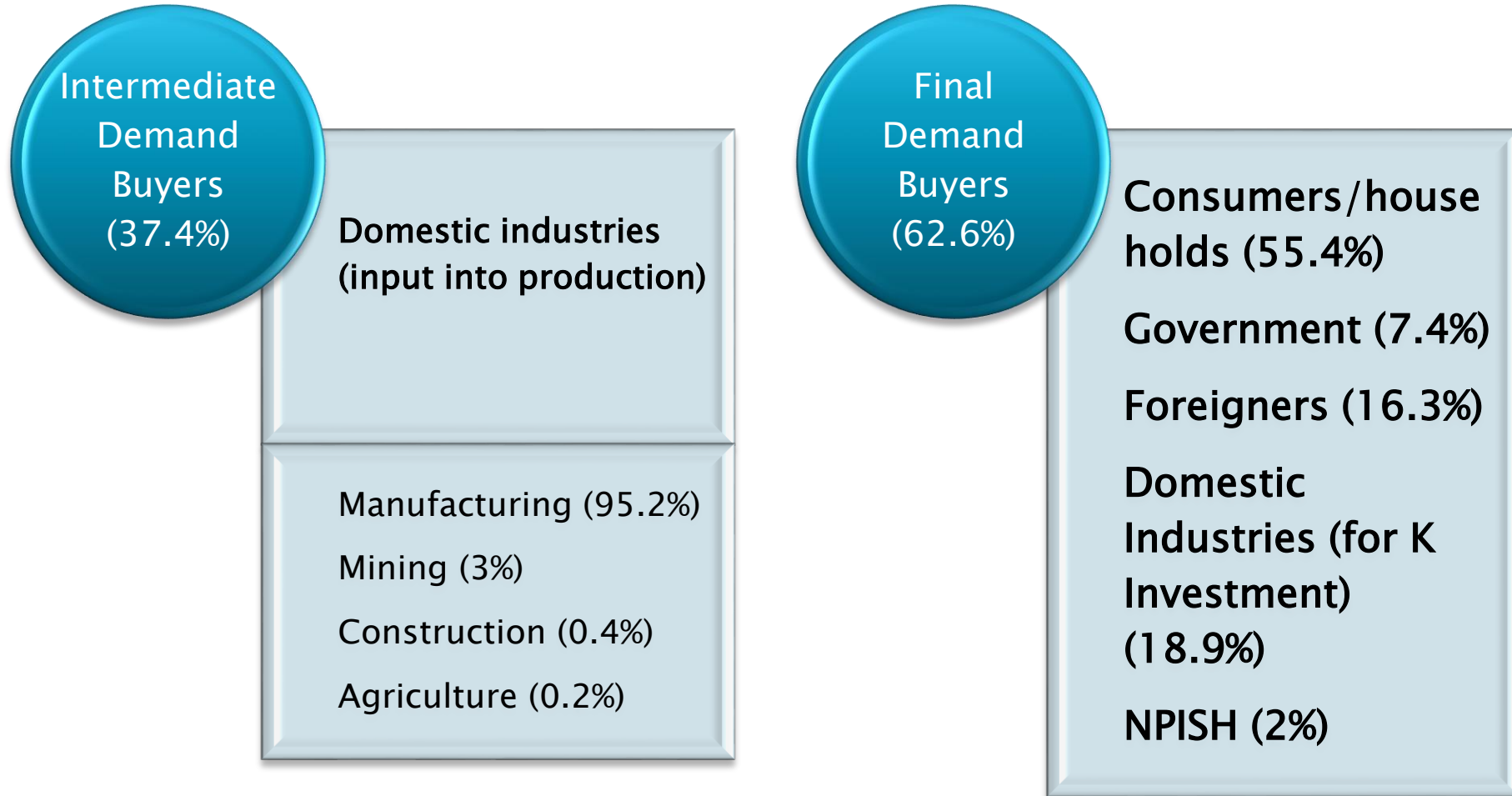
Self-propelled bulldozers, angledozers, graders, levellers, etc

Markets for Top 5 Exports

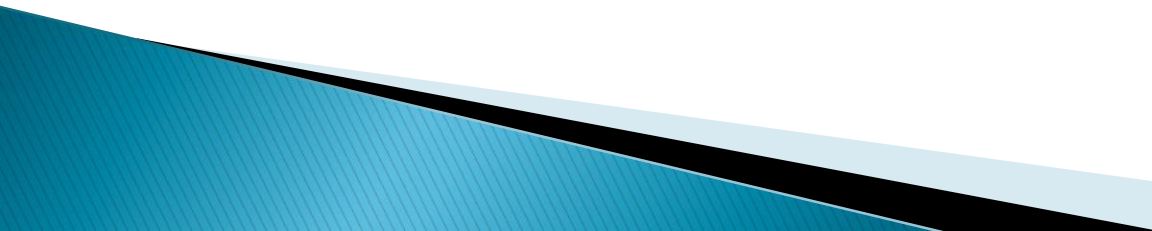
Top 5 Exports	Top Markets
▪Nickel mattes, oxide sinters and other products of nickel metallurgy	South Africa
Ferro-alloys	EU, Sweden, Belgium, South Africa and Japan
Iron/steel structures and parts thereof; plates, rods... Therefor	Mozambique and South Africa
Electric accumulators (incl. separators therefor)	Zambia, Malawi and Yemen
Table, kitchen or household articles and parts thereof of iron or steel	Zambia, Namibia and South Africa (other markets include Ghana and Uganda)

DEMAND FOR MAJOR PRODUCTS

Types of Buyers

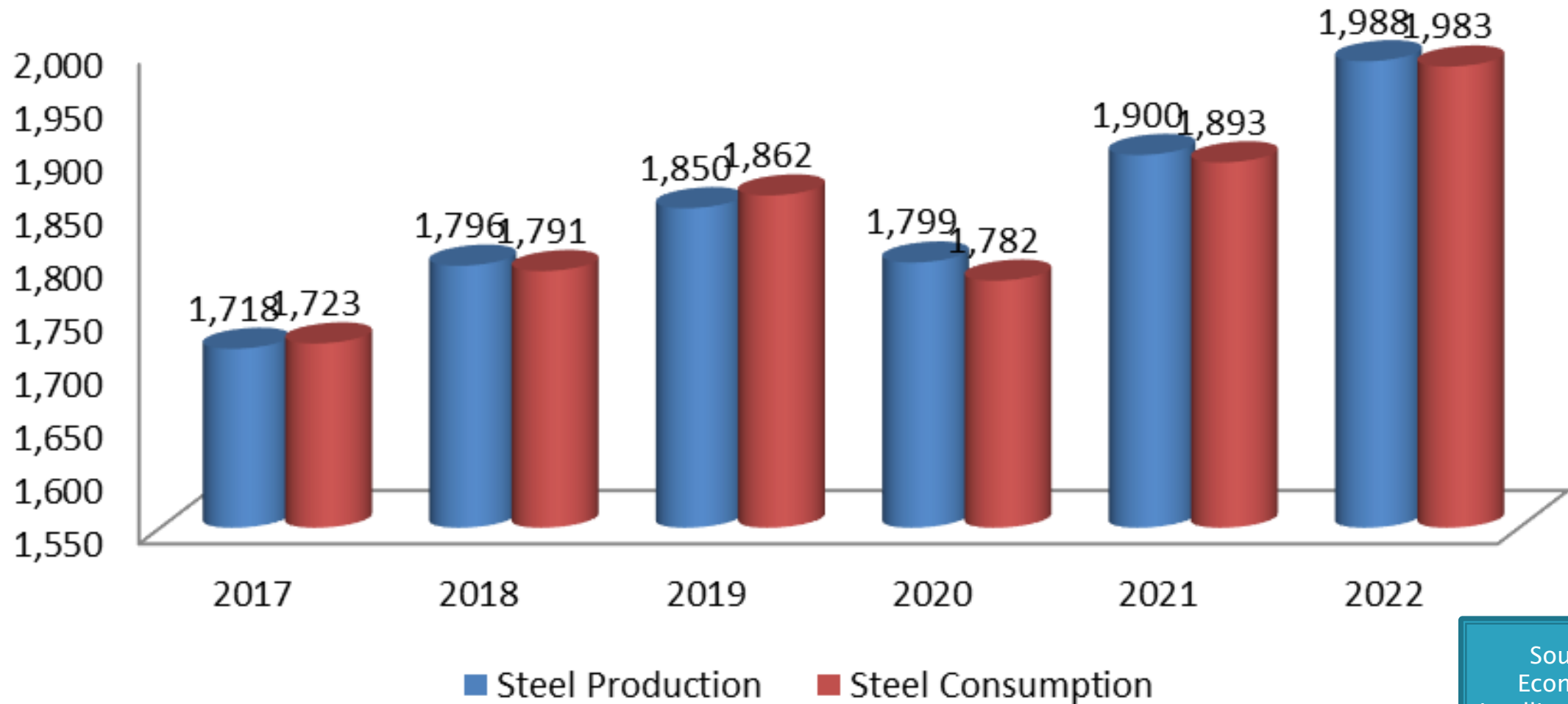


DEMAND OUTLOOK FOR EIS PRODUCTS

- ▶ Manufacturing Sector – expected to grow by an average 5.5% per annum
 - ▶ Mining sector – equipment and technologies for artisanal miners, opportunities presented by deposits of PGMs, chrome and lithium
 - ▶ Infrastructure development
 - ▶ Agriculture – mechanization
 - ▶ Construction projects
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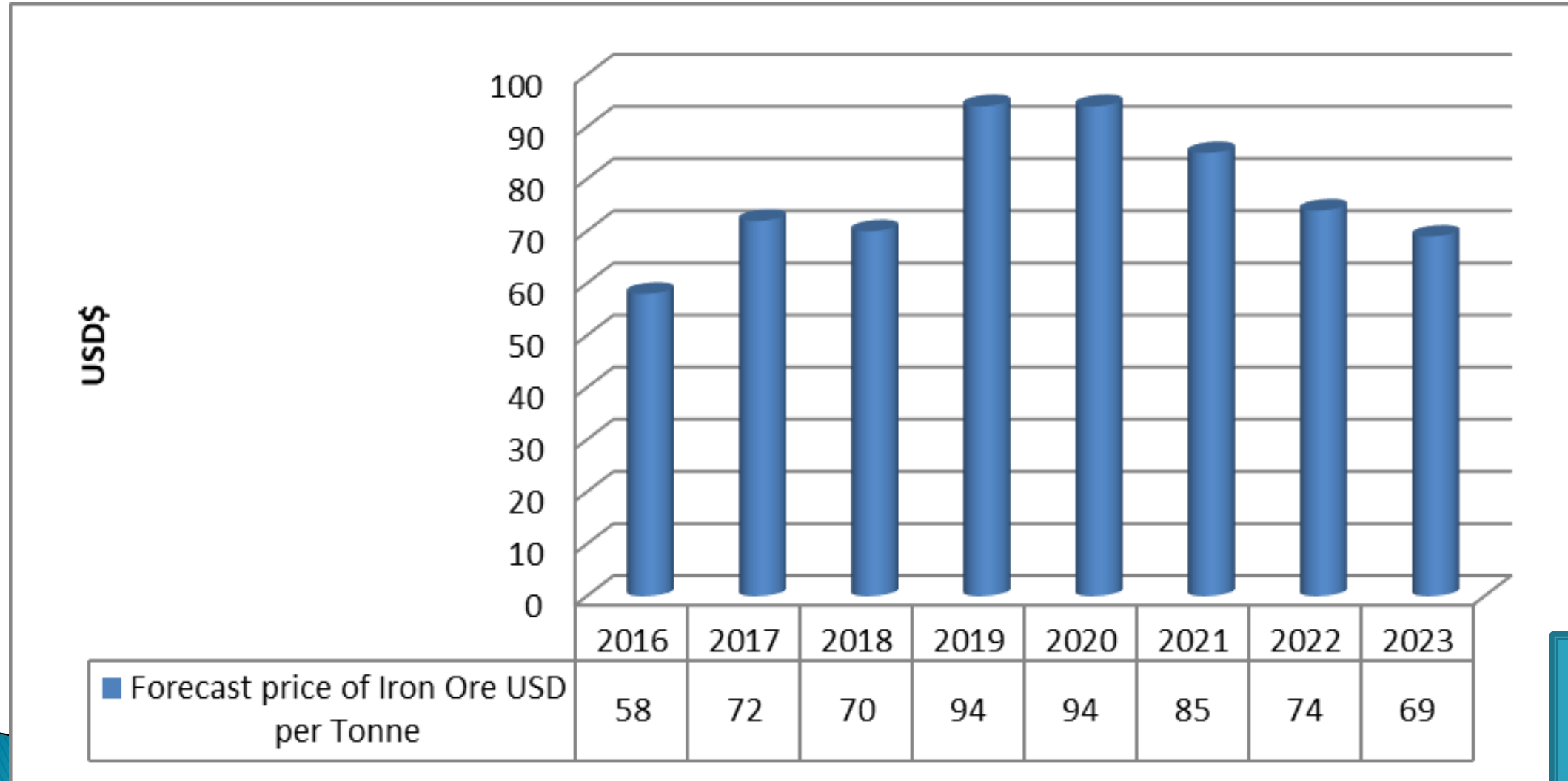
MARKET DEVELOPMENTS

Global Steel Supply and Demand (min tonnes)



Source:
Economic
Intelligence Unit

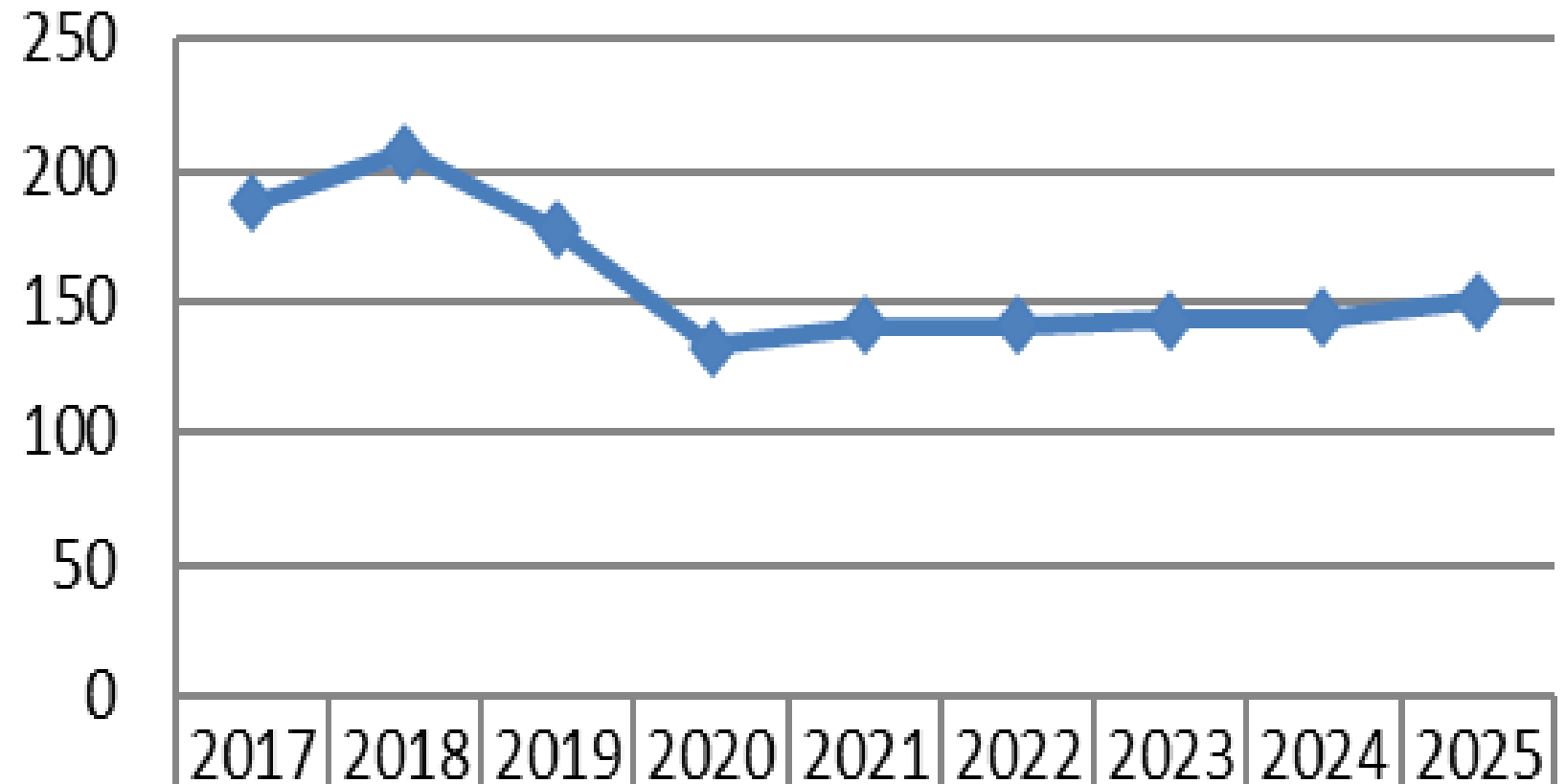
Raw Material Prices – Price of Iron Ore



Source:
Economic
Intelligence
Unit

Raw Material Prices - Coking Coal

Source:
Economic
Intelligence
Unit



◆ prices USD per Tonne

2017	2018	2019	2020	2021	2022	2023	2024	2025
187	207	177	133	141	141	143	144	150

Global Steel Prices



Source:
Economic
Intelligence
Unit

Recommendations

Short Term

- Reducing Policy Inconsistence
- Leveraging capacity building programmes in the National Trade Policy and the Export Strategy
- Ban Export of Scrap Metal

Medium Term

- Facilitating access to EU and USA markets
- Strengthening linkages with other sectors in the economy
- Coordination of agents at the border

Long Term

- Dealing with unfair competition
- Incentivising machine and equipment building
- Moving up the value chain
- Infrastructure rehabilitation
- Regulations & Trade Costs

THANK YOU