

## Iran's steel industry by 2020

Iran, already the largest iron ore and steel producer in the MENA region will double its production capacity (2010 basis) reaching around 38 mt of annual steelmaking capacity by 2020. This would be the result of a massive wave of steelmaking projects carried out in the country during more than a decade. The motion is set to be continued within the next decade until the country reaches around 55 mt of crude steel production capacity according to the country's 2025 steel industry outlook.

After several years of intensive growth in Iran's iron ore production from 10 to 56 mt between 2000 to 2013, the country's iron ore expansion motion eventually came to a halt along with the global iron ore market collapse. Thereafter, Iran's iron ore production has swung around 45 mt until 2016 when the production hiked up once again to almost 57 mt.

Even though Iran's iron ore production volume stopped expanding within the past few years, the iron ore processing industry has on the other side been extensively evolving all around the nation. This means that the country's iron ore product basket once dominated by fine and lump products transformed into a more enriched type of products mix i.e. iron ore concentrate and pellets. At present, Iran's iron ore beneficiation and pelletizing annual production capacity stands at around 44 and 37 mt respectively and it is anticipated that both sectors will reach to more than 50 mt of annual capacity by 2020.

Iran's steelmaking capacity has also been consistently growing at a CAGR of about 8 percent since 2010. The steelmaking capacity of the country rose from around 18 mt in 2010 to almost 30 mt in 1Q 2017. The crude steel production also grew from 12.4 mt in 2010 to more than 18 mt in 2016 at a CAGR of about 7 percent well above the world average rate of about 2.5 percent within the same period. The country has already ranked the 14<sup>th</sup> world largest steel maker by the World Steel Association (WSA).

Iran's steel outlook is to reach the production capacity of 55 mt crude steel by 2025. The target however seems a little out of reach since it requires a few billions extra dollars - to be injected into the already a few percent physically progressed projects - which is hardly accessible with the current financial situation of the state. Anyhow if not 55 mt, it is anticipated that Iran will reach around 45 mt of steelmaking capacity by 2025 considering the extent of work already carried out on the ground. The capacity will likely reach around 38mt by 2020

With the country's iron ore processing and steelmaking capacities in 2020, Iran's Iron ore and steelmaking trade balance is going to be entirely shifted during the next few years. From 2010 onwards, Iran has consistently been exporting between 15 to 20 mt of iron ore products via the seaborne market. It is very likely that Iran's total export of iron ore products will be reduced about 10 mt by 2020. Instead, the country may start importing some specific types of iron ore products more importantly the iron ore pellet feed.

On the other hand, the country's steel products trade balance (both crude and finished products) will soon be reversed changing the country's face from a net steel importer into a net exporter state (as it is the case in 2016). Despite of the extensive growth in the steelmaking capacity and production, Iran's steel consumption has been constant around 19 mt from 2010 onwards. The highest volume consumed in the country peaked around 21 mt in 2011 by a massive construction project carried out by the government at the time. With the current steel consumption outlook of the country in a contraction

mode, the rise in the export capacity of the country is inevitable. The export volume can be a number up to 10 mt of steel products by 2020.

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