POLISH STEEL INDUSTRY REPORT
Supply and demand-side review

Metals Consulting International

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After some turbulence in recent years with respect to plant closures, spin-offs and general industry restructuring, the Polish steel industry today comprises 26 plants. These include (by steelmaking capacity) the two multi-million tonne plants at Katowice and in Kraków, a small middle tier including the long product facilities at Ostrowiec and Zawiercie, and a lower tier of 22 relatively small producers. Eleven Polish facilities are run by five multinational firms. These include ArcelorMittal and other Spanish, Ukrainian and US firms, with the Polish Government now only having a minimal ownership role (and only the tube sector remaining largely outside of foreign control). Within this industry structure, much production of flat rolled steel is under monopoly control, or in some product instances oligopolistic; long product supply is relatively competitive, and tube making moderately competitive. Some pre-World War I, 1930s and 1950s production facilities contribute to the existing production assets, but significant investment in new steel rolling plant (especially steel bar) is underway.

Whilst a review of environmental performance suggests that much progress has been made in areas such as emissions and waste management, many issues to do with Old Environmental Burdens (relating especially to ground pollution by former State-owned firms) appear still to remain. Because of legislative weaknesses and land ownership considerations, responsibility for clean-up is not entirely clear and recent progress with land remediation appears to have paused.

Overall industry employment at ~19,400 [for crude steel output of 9.7 mt] means that productivity is low by Western standards. With production dominated by three adjacent voivodships, steelmaking is highly regionalised however and much dominated by producers in the south of the country.

Polish demand for finished steel products currently amounts to ~11.0 mt / year. This corresponds to ~289 kg / capita, which is a little low compared to Western Europe. Whilst the geographic spread of steel demand is not as concentrated as steel production, two southern voivodships still account for ~40% of consumption.

Although there has been strong demand growth in recent years and strong growth of the Polish steel market can also be expected in the foreseeable future, the recent growth has been fed by imports, not by expansion of domestic production. Indeed, demand is still very import penetrated, with ~84% of 2008 flat product consumption supplied from abroad.

With future investment, the opportunity arises for significant displacement of import volumes as the physical attributes of Polish steel quality improve to international norms. The suggestion is made that more attention should also placed by steelmakers on less tangible aspects of steelmaking operations - with more emphasis given to matters such as purchasing, order-taking, production scheduling best practice etc - if the market is to be captured from foreign suppliers. Further attention must also be paid to ownership and governance issues, to further industry rationalisation and to continuing productivity improvement, with immediate emphasis on creation of a comprehensive contaminated land register and attention given to the matter of Old Environmental Burdens if the long-term prosperity of the sector is to be assured.

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