

Sales of steel on the international market fell by 100 million euros, which forced the HBIS group, the owner of the Smederevo ironworks, to halve production.

Steel quotas slowed down, and the Covid-19 pandemic nailed and closed production in one of the two blast furnaces at the Smederevo ironworks. When exports fell by a third, the Chinese put the furnace into a quiet mode and halved the production of Serbia's largest export trump card.

According to the data obtained by Politika, steel worth 211 million euros was exported from the Smederevo ironworks in the first five months of this year, which is about 33 percent less than in the same period in 2019. The drop in international demand for this product reduced Serbian exports by about 100 million euros.

Two years ago, the Chinese company HBIS removed "Fiat" from the throne of the largest exporters, when it sold Smederevo steel in the world for around 800 million euros. And last year, even when the European Union introduced quotas on steel imports, the Smederevo steel plant remained in the first position and exported steel worth about 600 million euros.

- The reasons for shutting down Blast Furnace No. 1 in HBIS Serbia are the impact of quotas on the export of our steel to European Union countries and reduced demand for steel on the market, because many of our customers stopped production due to the Covid-19 pandemic - they explained from the ironworks.

Ljubodrag Savic, a professor at the Faculty of Economics, says that the pandemic has led to global disturbances and, when combined with the quotas that the European Union has introduced for steel imports, nothing is unexpected.

- If one furnace is running quietly, it practically means that they can produce a million tons of steel at the most. This will reflect on exports, but also on the growth of Serbian GDP, because the ironworks had a significant place in its generation - says Savic.

The professor of the Faculty of Economics emphasizes that 5,500 workers are employed in the Smederevo factory.

- We have no information yet whether this will have consequences for the employees at this moment. In any case, a good part of the workers have nothing to do anymore. We can only guess whether they will go on paid leave of 60 percent of the salary or will temporarily fire someone. It will change something as far as the employees are concerned, because it is not normal for half of the factory not to work, and for everyone to remain as if nothing happened - says Savic.

Because of all this, our interlocutor is not optimistic when it comes to the positive growth rate of the Serbian economy. This company controls the thirtieth part of the Serbian GDP and its jump out of the system cannot pass without consequences.

Exports of base metals (a group of products that includes steel) are no longer number one when it comes to the value of exports. The latest issue of the magazine "Macroeconomic Analysis and Trends" states that the value of exports of basic metals in April amounted to

104 million euros and recorded a year-on-year decline in the value of exports by 32.5 million euros or 24 percent. She was in second place then. The following month, the value of exports was 99.5 million euros, with a year-on-year decline in value of 95 million euros, or 49 percent, lowering base metals to third place in products with the highest value of exports.

When it comes to the production of basic metals, it is stated that the seasonally adjusted index has dropped to a level that is 21 percent lower than the average of the previous year and is now stagnant. Year-on-year indices have been declining since the beginning of this year, and in May, the year-on-year decline was 30 percent. The production of iron, steel and ferroalloys was reduced by 42 percent. The impact of steel quotas has now been joined by a drop in demand in the era of the pandemic, the authors state in the June issue of this magazine.

However, Ivan Nikolic, the editor of MAT, points out that during 2019, the production of basic metals became a problematic area of the processing industry, but not in all its branches, but, above all, in the area of iron, steel and ferroalloys. Here, after excellent two-year results (2017, 2018), the added value collapsed again, with a negative sign of over 91 million euros.

In addition to falling demand due to the recessionary pressure facing the global automotive industry and some other segments, a key factor in the industry's poor performance stems from quotas for steel imports into the EU. EU protection measures in the form of import quotas were introduced in early February 2019 and referred to 26 categories of steel products originating from non-EU countries, including Serbia. The quotas for the import of steel into the EU have been increased, it is true, by about five percent since July 1, but that obviously did not significantly alleviate the problems.

On the other hand, this production was also faced with unfavorable price disparities, which raised costs. While the price of iron ore on the world market increased by about 60 percent compared to 2018, at the same time there was a significant drop in the price of steel, which brought down the value of output, Politika reports.