

Balli Steel Forecasts Economic Recovery In Five Phases



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Industry: [Industrial](#)

Balli Steel, one of the world's largest privately owned independent commodity traders, has forecast that the global economic recovery will sequentially occur in five phases, with increased demand for steel in each sector acting as a barometer or indicator of such recovery.

[Balli Steel](#) highlights that global annualised steel production this year is forecast to be 1.1 billion tonnes, down on last year's record 1.3 billion tonnes, but significantly higher than the 800 million tonnes recorded in 2000.

Balli considers the steel markets of North America, Europe and the Gulf Cooperation Countries (GCC) the hardest hit by, not only the credit crisis, but by overstocking and speculation on future prices. Balli expects the market in the GCC economies to see a gradual improvement while North America and Europe will experience continued problems. Forecasts indicate that Japan and South Korea will also continue to face economic challenges since their industries are more dependent on Western Europe and North America.

[Vahid Alaghband](#), Group Chairman of Balli Steel, said: "The credit crunch and global economic downturn has had a 'Tsunami Effect' covering all key economic sectors: steel and other commodities, property, automotive, capital goods and finance. At present steel producers are operating only at around 50-60% of their capacity. We consider the implementation of government driven stimulus packages, which will see significant public sector investment in civil engineering and infrastructure projects, will procure the first phase of the global economic recovery."

Balli Steel considers that the second phase will be characterised by a gradual recovery of the housing market that is expected to begin in Q4 2009, and which will be led by key cities such as London, New York, Singapore and Hong Kong.

Vahid Alaghband observed: "With prices down by up to 40% in certain markets, overnight interest rates at the near zero level, and yields at up to 10%, property has become a good long term investment again. With supply at a record low we expect the market to grow steadily through to beginning 2010 and well into 2014. The return to the market of competitive mortgages will prove a further boost."

Phase three of the recovery will be characterised by increased demand for products that rely on unsecured loans and consumer-credit. Balli Steel calculates that the retail, white goods and automotive industry will begin to see a return to recovery to begin around Q2 2010.

Balli also expects a recovery of the global shipbuilding industry, providing a major boost to [steel traders](#), in the first quarter of 2011, marking the return to more normal international trading patterns and leading the fourth phase of the global recovery. The fifth phase will be a return to more normal investment in capital goods by producers as they gain confidence in the state of the world economy.

"We are by no means out of the woods yet and there is a lot of pain ahead of us in 2009 and 2010. But in the last few weeks as I speak to business counterparts the general consensus appears to be that we are no longer in a state of uncontrolled free-fall and we are at or close to the bottom in a number of markets", said Vahid Alaghband.

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About

Balli:

Balli Holdings, is a large private, multi-national corporation, headquartered in London, but with offices in Dubai and other key business hubs around the world.

Balli was established in 1982 and operates a number of affiliated companies specialising in commodity trading, industrial, real estate and private equity with operations in over 20 countries. Together with its affiliated companies, Balli employs over 2,000 people worldwide.

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