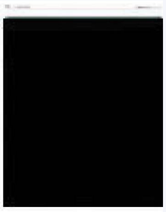

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Malaysian steel firms under pressure from new US tariffs

The Edge, Malaysia

Malaysian steel firms under pressure from new US tariffs

BY LIEW JIA TENG

In a major move to protect US metal producers, President Donald Trump last Monday imposed 25% tariffs on all steel and aluminium imports, removing all previous exemptions. The decision, seen as a step towards a full-blown trade war, aims to close loopholes that allowed tariff circumvention through countries such as Canada, Brazil, Mexico, South Korea and Vietnam.

China, despite accounting for just 1.8% of total US steel imports (508,000 net tonnes in 2024), remains Washington's main target because of its role in global overcapacity.

The new metals tariffs — effective March 12 — are expected to cause trade diversion, flooding Southeast Asia with excess steel supply, warns Malaysian Iron and Steel Industry Federation (Misif) president Roshan M Abdullah.

Malaysia's steelmakers are already struggling against cheaper imports from China and Vietnam, and the latest US measures could further compound the situation.

Domestic steel prices have hit a four-year low, with billets at RM2,185 per tonne and steel bars at RM2,466 per tonne as at December 2024, according to the Ministry of Investment, Trade and Industry (Miti).

For perspective, during his first term, Trump imposed steel and aluminium tariffs of 25% and 10% respectively in 2018, but later granted exemptions to allies such as Canada, Mexico and Australia, while setting duty-free quotas for Brazil, South Korea and Argentina.

His successor, Joe Biden, then expanded exemptions to include the UK, Japan and the European Union, reducing the tariffs' effectiveness.

In 2024, Malaysia exported RM5.8 billion worth of iron and steel products to the US, just 2.9% of its total exports to the country, a relatively small share.

But industry observers note that Chinese steel often bypassed US tariffs by shipping through intermediary countries.

Now, with Trump's latest executive order three weeks into his second term, all exemptions and duty-free quotas are gone, leaving steel producers around the world, including those in Malaysia, bracing for impact.

Minimal direct impact, indirect risks loom

While the 25% tariff on all US steel imports will not have a direct impact on the steel industry in Malaysia, Ann Joo Resources Bhd (KL:ANNJOO) group managing director Datuk Lim Hong Thye says players are concerned about its indirect impact, considering that South Korea and Vietnam were the fourth- and fifth-largest exporters of the metal to the US in 2024.

"We are closely monitoring the situation ...whether steel products from China and Vietnam in particular, will be [coming] directly to Malaysia," he tells *The Edge*.

Lim adds that local steel players want Miti to step up its trade measures, especially anti-dumping duty, if there are any signs of steel products being dumped in Malaysia.

"Misif has started a preliminary discussion with Miti. We hope Miti realises the potential impact of this on the local steel industry, and will work closely with local players to take swift action when there is a sign of dumping activities in Malaysia. We hope our government realises that the US is moving away from the free trade policy that it advocated," he says.

Hiap Teck Venture Bhd (KL:HIAPTEK) executive director Foo Kok Siew concurs, noting that the US' latest tariff on steel imports does not have a direct impact on its 27.3%-owned steel slabs and billets producer, Eastern Steel Sdn Bhd (ESSB).

According to Foo, the previous US tariff on Malaysian steel was 25% and, even then, Malaysia did not enjoy any exemption. Thus, ESSB does not export to the US, as its markets are mainly in Europe and Asia.

But now, the new US tariffs, without exception or exemption, will cause a reduction in US steel imports, leading to a surplus of steel in the global markets.

"This will lead to trade diversion from producers in the affected countries redirecting their exports to other markets, including Europe and Asia. China, with the largest steel-producing capacity in the world, poses the biggest threat in terms of potential steel dumping," he tells *The Edge*.

Foo says ESSB stands with Misif in calling on the government for immediate and decisive action to reinforce anti-dumping legislation, expedite investigations and implement immediate measures to protect the domestic steel industry against unfair trades.

Likewise, Malaysia Steel Works (KL) Bhd (KL:MASTEEL) executive vice-chairman Datuk Seri Tai Hean Leng believes the US tariff will have no direct impact on his company.

"We have never exported to the US, even before the imposition of US import tariffs. Masteel produces steel billets and bars. Given our competitive local prices, we do not expect any trade diversion to be a significant problem," he remarks.

Nevertheless, Tai stresses that the Malaysian government should initiate safeguard measures, including import duties and tariffs, to counter a potential surge in imports.

"Current anti-dumping measures may not be sufficient, as procedural requirements make this trade remedy slow to implement," he observes.

He adds that Masteel has invested RM350 million in new steel manufacturing equipment over the past few years to reduce its cost of production and greenhouse gas (GHG) emissions as the group strives to be the lowest GHG-emitting steel producer in Malaysia.

Leon Fuat Bhd (KL:LEONFB) executive director Calvin Ooi Shang How also sees no direct impact, as the group does not export to the US.

"With this new tariff, we believe there will be a shift in the global supply chain, as buyers will always be looking for lower cost. Export of steel will most likely be diverted to countries with favourable tariff rates, including Malaysia," he reckons.

As such, says Ooi, the Malaysian government should identify the source of dumping and analyse the impact on local steel manufacturers.

"Adverse impact on local steel manufacturers may affect the local economy, employment and downstream industries. However, our government also needs to strike a balance to make sure it does not bring negative impact on the export of [Malaysian] steel-related products," he says.

Press Metal Aluminium Holdings Bhd's (KL:PMETAL) direct exposure to the US market remains minimal, accounting for less than 0.01% of its total sales volume in the first nine months of 2024.

"At this stage, it is premature to determine the potential impact on global metal flows and regional pricing, as adjustments to the tariff details remain possible. While initial market reactions may reflect uncertainty, pricing dynamics are expected to stabilise as more clarity emerges," it says.

Nonetheless, Press Metal believes the overall impact will create both opportunities and challenges for various stakeholders worldwide.

"The US is a net importer of aluminium, as domestic primary aluminium production is less than one million tonnes, while annual consumption exceeds four million tonnes. This supply gap necessitates reliance on external sources.

"The imposition of tariffs may lead to shifts in global metal flows; however, the aluminium market currently remains largely balanced in terms of supply and demand," it says.

'Steel' struggling?

Based on the financial data of Bursa Malaysia-listed metal stocks, here is a brief analysis of their performance.

Pantech Group Holdings Bhd (KL:PANTECH) emerged as one of the strongest players in the industry, recording an annual profit of RM105.5 million and a net profit margin of 11.15%. This suggests strong demand for its pipe, flanges and valve products.

Similarly, Hiap Teck and Lysaght Galvanized Steel Bhd (KL:LYSAGHT) performed well, with net margins of 6.32% and 13.34% respectively.

Companies such as CSC Steel Holdings Bhd (KL:CSCSTEL), Leon Fuat and Mycron Steel Bhd (KL:MYCRON) maintained profitability, but with moderate single-digit margins.

On the weaker side, Lion Industries Corp Bhd (KL:LIONIND) stands out with a significant loss of RM401.3 million and a -20.96% net margin, making it the worst performer in this list. Southern Steel Bhd (KL:SSTEEL) and Asteel Group Bhd (KL:ASTEEL) are also in the red.

Among the aluminium stocks, Press Metal dominates with a market capitalisation of RM40.87 billion and an annual profit of RM1.22 billion, reflecting a strong 8.8% net margin. Its integrated operations and global presence make it the regional industry leader. ■

ASKEDGE, ABSOLUTELYSTOCKS, COMPANY

Steel in trouble?

Comparison of Bursa Malaysia-listed metal stocks	Products	Market cap (RM mil)	Annual profit/ (loss) (RM mil)*	Net margin (%)
Southern Steel Bhd	Billet, steel bar, wire rod, mesh, pipe	735.5	(55.8)	-2.49
Ann Joo Resources Bhd	Billet, steel bar, wire rod	571.9	(2.2)	-0.09
Hiap Teck Venture Bhd	Hot rolled coils, slab, billet, steel pipe, scafffolding and formwork products	548.8	106.3	6.32
CSC Steel Holdings Bhd	Hot rolled pickled and oiled steel, cold rolled steel, hot dipped galvanised steel	417.3	49.5	3.17
Malaysia Steel Works (KL) Bhd	Billet, steel bar	203.8	2.4	0.12
Lion Industries Corp Bhd	Billet, steel bar, wire rod	136.2	(401.3)	-20.96
Mycron Steel Bhd	Cold rolled coils, pipe	116.1	17.0	2.12
Pantech Group Holdings Bhd	Pipe, flanges, induction bends, valves	735.0	105.5	11.15
Leon Fuat Bhd	Pipe, metal sheet	153.4	36.0	3.88
Choo Bee Metal Industries Bhd	Tube, pipe	132.5	1.1	0.28
Lysaght Galvanized Steel Bhd	Pole, mast	111.4	11.2	13.34
Melewar Industrial Group Bhd	Tube, pipe	71.89	5.2	0.64
Asteel Group Bhd	Coated steel products, metal roofing	33.9	(6.4)	-2.51
Press Metal Aluminium Holdings Bhd	Aluminium ingot, extrusion billet, wire rod	40,868.5	1,215.3	8.8
LB Aluminium Bhd	Aluminium extrusion, aluminium sheet and coil	213.08	29.3	3.06
A-Rank Bhd	Aluminium billet	89.38	15.4	2.15
Alcom Group Bhd	Rolled aluminium products	95.37	16.7	2.54

*Most recent full financial years

SHAHRILL BASRI/THE EDGE

Ann Joo's Lim says local steel players want Miti to step up its trade measures

PATRICK GOH/THE EDGE

Hiap Teck's Foo thinks China poses the biggest threat in terms of potential steel dumping

Masteel does not expect any trade diversion to be a significant problem, says Tai

SAM FONG/THE EDGE

Leon Fuat's Ooi says with the new tariff, there could be a shift in the global supply chain

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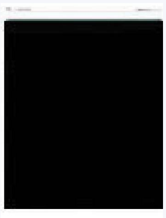

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SUMMARIES

N a major move to protect US metal producers, P r e s i d e n t Donald Trump last Monday imposed 25% tariffs o n all steel a n d a l u m i n i um i m p o r t s , r e m o v i n g all previous exemptions.