



# Trends .... August 2017

Post-GST, all eyes were on the performance and pulse of the market in August 2017 – to understand how and to what extent market forces adapted, adjusted and responded to the new tax regime. Markit Economics reports indicated a bouncing back of the PMI numbers for the month above the no-growth threshold (after July's slippage below the said level) reflecting a renewed improvement in the health of the sector and resumed growth of new orders, production and employment. The Q1 FY 18 GDP (up by 5.7%) number released at month-end however showed that much needs to be done to prop up the economy, though most analysts regarded the said number as more of a temporal phenomenon.

## WORLD ECONOMY AT A GLANCE

- The J.P.Morgan Global Manufacturing PMI touched a 75-month high of 53.1 in August 2017, up from 52.7 in July 2017 and indicated sustained rise in the rate of growth of the global manufacturing sector, as per reports released by the Markit Economics.
- The said reports indicate that on an average, the developed nations outperformed the emerging markets again in the month of August 2017. The Euro area PMI matched its June's six-year record, while growth in the UK was among the best seen since mid-2014. Expansions were also registered in the US, Japan and Canada but slowed in Russia. August 2017 PMI readings accelerated in case of China and Taiwan and moved back into the expansion territory in both Brazil and India while contractions were seen in Thailand and Myanmar.
- The Markit Economics reports also indicate that during the month, global trade flows strengthened, employment increased at the quickest pace since June 2011, cost inflation rose to a four-month high, while output charges increased at the quickest pace since March.

Key Economic Figures			
Country	GDP Q2 2017: % yoy change*	Manufacturing PMI	
		July 2017	August 2017
India	5.7	47.9	51.2
China	6.9	51.1	51.6
Japan	2.0	52.1	52.2
USA	2.2	53.3	52.8
EU 28	2.2	56.6	57.4
Brazil	0.3	50.0	50.9
Russia	2.5	52.7	51.6
South Korea	2.7	49.1	49.9
Italy	1.5	55.1	56.3
Germany	2.1	58.1	59.3
Turkey	-	53.6	-

Source: GDP:IMF ; PMI- Markit Economics, \*provisional

## GLOBAL CRUDE STEEL PRODUCTION

World Steel Association (worldsteel) data shows that world crude steel production for August 2017 was 143.58 million tonnes (mt), up by 6.3 per cent year-on-year (yoy) and was 1121.74 mt during January-August 2017, up by 4.9 per cent yoy.

<b>World Crude Steel Production: January - August 2017*</b>			
<b>Rank</b>	<b>Country</b>	<b>Qty (mt)</b>	<b>% change over last year</b>
1	China	566.41	5.6
2	Japan	69.64	-0.4
3	India	66.46	5.1
4	United States	54.70	2.4
5	South Korea	47.01	3.7
6	Russia	46.53	-1.0
7	Germany	29.37	2.1
8	Turkey	24.74	13.6
9	Brazil	22.51	9.3
10	Italy	15.58	1.6
	<b>Top 10</b>	<b>942.95</b>	<b>4.6</b>
	<b>World</b>	<b>1121.74</b>	<b>4.9</b>
Source: worldsteel, JPC; * provisional			

- With a robust 9 per cent growth rate over August 2016, Chinese crude steel production surged during August 2017 reaching the peak (74.59 mt) in the year so far, displacing its earlier similar record noted for July 2017. Production stood at 566.41 mt during January-August 2017, up by 5.6 per cent yoy. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was up by 4.2 per cent. China accounted for 73 per cent of Asian and 51 per cent of world crude steel production during this period.
- August 2017 Japanese crude steel production (8.7 mt) was down by 2 per cent and production at 69.64 mt during January-August 2017 also saw a decline (by 0.4 per cent). The country remained the second largest crude steel producer in the world during 2017 so far.
- With a 6 per cent share in total world production and a 5.1 per cent rise in production over same period of last year, India remained the third largest crude steel producer in the world in January-August 2017.
- Crude steel production in the EU (28) countries during August 2017 was at 12.62 mt, up by 3.6 per cent yoy and was at 112.7 mt, during January-August 2017, up by 4.3 per cent yoy.
- At 101.23 mt, Asian crude steel production was up by 7.2 per cent in August 2017 and at 776.66 mt, during January-August 2017, it was up by 5.3 per cent yoy. Asia accounted for 69 per cent of world crude steel production during this period.
- The top ten countries accounted for 84 per cent of world crude steel production and recorded a yoy production growth of 4.9 per cent during this period.

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## NEWS AROUND THE WORLD

### THE AMERICAS

- The US Department of Commerce has announced affirmative preliminary determinations in the CVD investigations of imports of carbon and alloy steel wire rod from Italy (1.7%-44.18%) and Turkey (2.27%), except for Icdas Celik Eberji Tersane Ve Ulasim San, which received a de minimis rate.
- Mexico has imposed preliminary anti-dumping duties (ADD) on imports of welded tube from China.
- The Chilean government has rejected an iron ore and copper mining project put forward by Andes Iron, in the country's northern Coquimbo region, due to a lack of consideration and provision of proper solutions for the eventual consequences of the operation.
- Brazil's Administrative Council for Economic Defense has approved Ternium's acquisition of CSA, the Rio de Janeiro-based steel slab plant owned by Germany's Thyssenkrupp.
- With Jan.-July 2017 steel exports up 16% yoy, Brazil is keeping hopes pinned on the export market as any rebound in domestic steel demand is not expected in the medium-run.
- Nucor is to acquire St. Louis Cold Drawn to gain two plants that serve the US and Mexican automotive industry and further its push into downstream steel products.

### ASIA

- China's Ministry of Environmental Protection is implementing a new nationwide pollutants discharge permit system to control industrial emissions. The system has been extended to 13 industries including steel and the ministry will issue permits to enterprises in these sectors. Only mills with such pollutants discharge permits will be allowed to engage in steel production.
- Hebei, China's biggest steelmaking province, has pledged to eliminate 3.98 mtpa of pig iron and 5.09 mtpa of crude steel capacity during the current July-September quarter.
- China's Baowu Steel Group will aid Shandong Xinhai Technology in its plans for a 3.8 mtpa stainless steel works project in east China's Shandong province.
- China's ferrous futures fell during morning trading on August 23, a day after Chinese authorities announced heightened scrutiny on criminal activities damaging the country's financial markets.
- China's steel PMI rose 2.3 points to 57.2 points in August, according to data released by the China Federation of Logistics & Purchasing (CFLP).
- China's finished steel exports continued to decline (32% yoy) in July 2017 (6.96 mt).
- Hebei's provincial government has directed mills in the cities of Shijiazhuang, Tangshan and Handan to cap steel production at 50% of capacity during the upcoming heating season from November to March.
- China's Sinosteel Equipment is all set to carry out a final technical evaluation of natural gas and water supply for construction of steelworks near Mutun iron ore mine in Bolivia.
- Zhanjiang Iron & Steel has commissioned its second 2.55 mtpa CSM.

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- Nippon Steel & Sumitomo Metal Corp has announced that its 2.8 mtpa plate mill at its Oita works in Kyushu was restarted from August 6 after a seven-month stoppage due to a fire.
  - The Korea Trade Commission has begun an antidumping investigation into China-origin galvanized steel wire imports.
  - Hyundai Steel will be able to produce beams up to 450mm web height, after installing a new straightening machine at its Incheon works.
  - The Indian government has recommended keeping steel in the negative list under the proposed Regional Comprehensive Economic Partnership (RCEP) agreement, in order to avoid influx of imports hitting domestic manufacturers of the alloy.
  - India's Bhushan Steel has been placed in a corporate insolvency resolution process.
  - A dispute panel of the WTO has upheld one of the claims made by Taiwan and Vietnam against Indonesia's imposition of safeguard duties on imports of aluminium/zinc-coated (Galvalume). Indonesia has initiated an investigation into the extension of safeguard measures applied to imported I- and H-section steel products.

### **RUSSIA, MID-EAST, AFRICA, AUSTRALIA**

- Severstal is creating Data Lake – a digital repository that holds a vast amount of data – to bring the retention of its steel manufacturing information to 50%, up from 5% currently,
- Evraz has begun production of B500B-grade rebar in 10-40mm diameters, in accordance with a British standard, which should allow the company to expand its exports of such rebar, especially in the Asia-Pacific region.
- The Algerian government has finally released the long-expected licenses to import rebars into the country. Reliable sources said that the government issued in total only 0.534 million tonnes (mt), down significantly from last year's total of around 2 mt.
- Australia's Anti-Dumping Commission has terminated its AD and anti-subsidy investigation on HDG sheet/coil from Vietnam, saying the Vietnamese exporters have no case to answer.

### **EU AND OTHER EUROPE**

- The European Commission (EC) has initiated provisional ADD of 17.2%-28.5% for imports of corrosion resistant coated steel from China. It has also decided to impose provisional ADD on imports of HDG coil originating from China at rates of 17.20-28.50% and has imposed preliminary ADD of 25.3% to 42.8% on imports of Chinese cast iron products. Further, the EC has decreased the minimum import price applied to HRC imported from Russia, Ukraine, Brazil and Iran to €468.49 (\$550.23).
- UK steel producer Sheffield Forgemasters has completed a £2 million upgrade of its EAF which enable it to produce higher-quality steels with lower energy consumption.
- Kardemir will build a new, 1.25 mtpa continuous casting machine at its Karabuk plant as a part of the company's ultimate target to increase its capacity to 3.5 mtpa.
- Salzgitter has taken legal action against the US government's decision to impose an ADD of 22.9% on its heavy plate and wide strip products coming into the US. It is also now considering bringing the case to the WTO.
- The European Union has amended its regulation of 17 June 2017, imposing a definitive ADD on imports of certain concrete reinforcing bars from Belarus.

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## WORLD STEEL PRICE TRENDS

Q3 2017 so far continued to witness a sustained rise in steel prices in the major steel pockets around the world, prompted by a combination of factors – stringent supply/stable demand/rising raw material costs. China continued to be at the centre of all global actions with its strong GDP and steel PMI numbers providing a stable base. Markets overall remained optimistic, riding on the hopes of a demand resurgence with all eyes on the progress of investigations on Section 232 in the USA.

### Long Product

- August 2017 rebar prices in the USA headed north as leading producers – Nucor, SDI, CMC, Gerdau - raised prices (by around \$25/t) in response to market conditions (higher scrap prices and tight supply). Transactions, as per Metal Bulletin reports, were quoted at around \$530-540/t at month-end.
- Rising costs, coupled with reduced supply and stable demand across the EU saw rebar prices rise with transactions quoted at around €505-530/t (\$606-636) delivered in Southern Europe and at around €525-545/t (\$630-654) delivered in Northern Europe, as per Metal Bulletin reports.
- Strong trends in economic growth, steel PMI in August and continued focus to streamline capacity boosted Chinese markets with rebar prices heading north. Transactions for grade III rebar, as per Metal Bulletin reports, were quoted at around 4000-4060 yuan/t in Shanghai and at around 3900-3920 yuan/t in Beijing. All prices are ex-w and includes VAT.
- August 2017 Russian rebar prices escalated as rebar production was sold at higher prices than were achieved for July-rolled material, a fall-out of stable demand but stringent supply. Metal Bulletin's price assessment for Russian domestic 12mm A500C rebar stood at 31,500-32,000 roubles/t (\$538-546) cpt Moscow, including VAT, at month-end.

### Flat Product

- August 2017 saw flat steel prices in the USA move north on account of higher input costs that prompted price hikes by leading producers. HRC transactions, as per Metal Bulletin reports, were quoted at around \$625-630/t at month-end.
- Stable demand, global trends, slowed import-supply led flat steel prices to move north in the EU in August 2017 with HRC transactions quoted at around €500-530/t (\$589-624) delivered in Southern Europe and at around €520-530/t (\$620-632) delivered in Northern Europe, as per Metal Bulletin reports.
- Factors similar to those for rebar pushed up Chinese HRC prices, with transactions, as per Metal Bulletin reports, quoted at around 4100-4140 yuan/t in Shanghai and at around 4030-4050 yuan/t in Tianjin at month-end. All prices are ex-w and includes VAT.
- August 2017 saw Russian flat steel prices going up in response to steady rise in export demand/prices. Metal Bulletin's Russian price assessment for 4mm HR sheet was at 38,000-41,900 roubles/t (\$649-716) cpt Moscow, including VAT, at month-end.

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[Source Credit: Metal Bulletin]

## SPECIAL FOCUS

### World DRI production shoots up by 14% in July 2017

World output of direct reduced iron (DRI) or sponge iron stood at 5.11 million tonnes (mt) in July 2017, notching up a growth of 13.5% year-on-year (yoy), according to provisional data published by the World Steel Association (worldsteel).

Such growth was propelled by Iran (production up by 26%), which has been the largest DRI producer in the world in 2017 so far and aided by strong growth rates of Mexico (up by 31%) and Saudi Arabia (up by 11%). For the two other members in the top five list, July 2017 saw production register a tepid 0.4% growth in case of India and a decline (by 1.7%) as in case of the UAE. In fact, the emergence of Iran as the world producer of DRI is not surprising, as its DRI production is slated for an increase given the slew of new plants which were commissioned before the end of 2016, as part of mega, state-sponsored projects intended to boost the country's steelmaking capacity.

As far as the cumulative growth picture i.e. January-July 2017 is concerned (shown below), the trends were largely similar to those applicable for the month of July 2017. World DRI production stood at 34.17 mt in January-July 2017, a growth of 10.5% yoy, led by Iran with a growth of 13.6%, Mexico (up by 18.6%), UAE (up by 18.8%) and India (up by 4.9%) while production saw a decline for Saudi Arabia (by 3.6%) during this period.

World DRI Production: January - July 2017*			
Rank	Country	Qty (mt)	% change over last year
1	Iran	10.41	13.6
2	India	8.59	4.9
3	Mexico	3.64	18.6
4	Saudi Arabia	2.95	-3.6
5	United Arab Emirates	2.15	18.8
	<b>Top 5</b>	<b>27.74</b>	<b>9.7</b>
	<b>World</b>	<b>34.17</b>	<b>10.5</b>

Source: worldsteel; \*provisional

## INDIAN STEEL MARKET ROUND-UP

The following is a report on the performance of Indian steel industry during April-August 2017 based on provisional data released by JPC.

Item	Performance Highlights		
	April-August 2017* (mt)	April-August 2016* (mt)	%yoy change*
<b>Crude steel production</b>	<b>41.365</b>	<b>39.942</b>	<b>3.6</b>
<b>Total Finished Steel (alloy + non-alloy)</b>			
Production for sale	43.265	40.803	6.0
Import	3.508	2.983	17.6
Export	3.733	2.375	57.2
Consumption	35.434	33.829	4.7
Source: JPC ;*provisional			

### **Crude Steel**

- Production of crude steel during April-August 2017 was at 41.365 million tonnes (m), a growth of 3.6 per cent compared to April - August 2016.
- SAIL, RINL, TSL, ESSAR, JSWL & JSPL produced 23.594 mt during this period, which was a growth of 6.2 per cent compared to last year. The rest i.e. 17.771 mt was the contribution of the Other Producers, which was a growth of 0.2 per cent compared to last year.
- Overall crude steel production in August 2017 (8.474 mt) was up by 4.1 per cent over August 2016 and was up by 1.7 per cent over July 2017.

### **Production for sale**

- During April-August 2017, production for sale stood at 43.265 mt, a growth of 6 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 39.371 mt (up by 7.2 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where production for sale was down by 4.7 per cent.
- Analyzing by broad divisions, in the total production for sale of finished non-alloy steel, contribution of the non-flat segment stood at 18.138 mt (up by 1.3 per cent) while that of the flat segment stood at 21.233 mt (up by 12.8 per cent).
- Analyzing by segments, one finds that in the non-flat, non-alloy segment, production for sale of bars & rods, structurals and railway materials stood respectively at 14.32 mt (up by 0.5 per cent), 3.33 mt (up by 2.3 per cent) and 0.49 mt (up by 22 per cent).
- On the other hand, for the flat segment, production for sale was up for all leading items like Plates (2.06 mt, up by 18 per cent), HRC (10.5 mt, up by 14 per cent), CRC (3.43 mt, up by 5 per cent), and GP/GC Sheets (3.2 mt; up by 7.2 per cent).
- Production for sale stood at 8.836 mt in August 2017, up by 3 per cent over August 2016 and was up by 7 per cent over July 2017.

### **Export**

- Exports stood at 3.733 mt during April-August 2017, a growth of 57.2 per cent compared to last year, in which contribution of the non-alloy steel segment stood at

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3.344 mt (growth of 54 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where exports were up by 92 per cent.

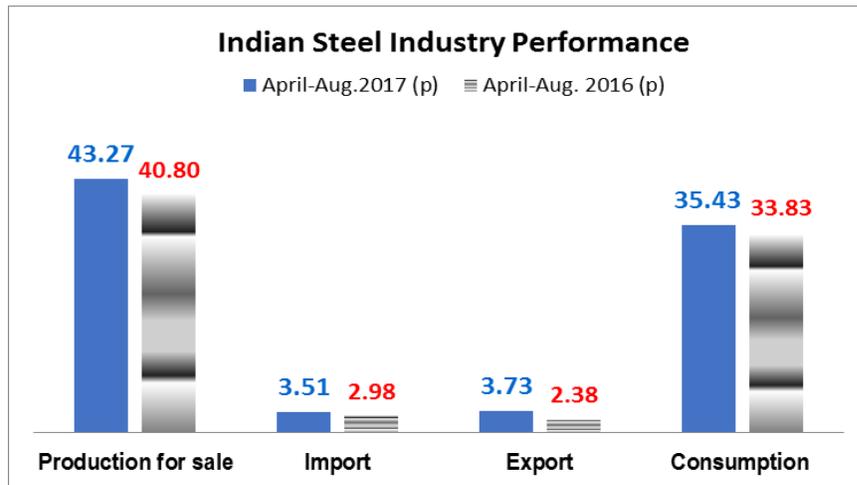
- In the total export of finished non-alloy steel, export of non-flat was at 0.833 mt (up by 215 per cent) and that of flat steel was at 2.511 mt (up by 32 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to export was bars & rods (0.75 mt, up by 231 per cent) while growth in exports in the non-alloy, flat segment was led by HRC (0.89 mt, up by 55 per cent).
- Exports stood at 0.93 mt in August 2017, up by 36.4 per cent over August 2016 and was up by 20.3 per cent over July 2017.

### **Import**

- Imports stood at 3.508 mt during April-August 2017, a growth of 17.6 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 2.663 mt (growth of 19.4 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where imports were up by 12.4 per cent.
- In the import of total finished non-alloy steel, non-flat imports were at 0.154 mt (down by 22 per cent) and flat imports were at 2.51 mt (up by 23.4 per cent).
- In the non-alloy, non-flat segment, major contributor to import was bars & rods (0.13 mt, down by 19 per cent) while for the flat segment, import was led by HRC (0.88 mt; up by 8.4 per cent).
- Imports stood at 1.01 mt in August 2017, up by 70.3 per cent over August 2016 and was up by 26.3 per cent over July 2017.
- Such trends in export-import implied that for total finished steel, India was a net importer in August 2017 but was a net exporter during April-August 2017.

### **Consumption**

- During April-August 2017, real consumption (or simply consumption) of total finished steel stood at 35.434 mt, a growth of 4.7 per cent over same period of last year.
- For non-alloy steel, contribution of the non-flat segment stood at 17.128 mt, down by 1.6 per cent over same period of last year and that of the flat segment (after accounting for double counting) stood at 15.275 mt, up by 16.1 per cent over same period of last year, taking total non-alloy consumption (after double counting) to 32.403 mt, up by 6 per cent. The remainder was the contribution of the alloy/stainless segment, which reported a decline of 7.1 per cent during this period.
- In the non-alloy, non-flat segment, the major contributor to consumption was bars & rods (13.45 mt; down by 3 per cent) whereas for the flat segment, consumption was led by HRC (10.31 mt, up by 11.1 per cent).
- Consumption stood at 7.521 mt in August 2017, up by 6 per cent over August 2016 and was up by 8.9 per cent over July 2017.



### **JPC Market Prices (Retail)**

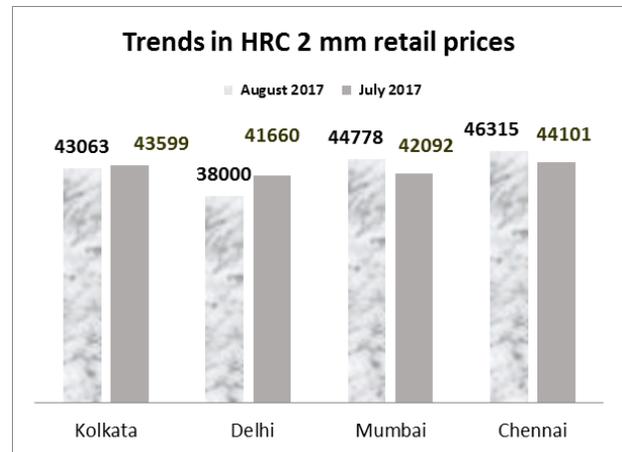
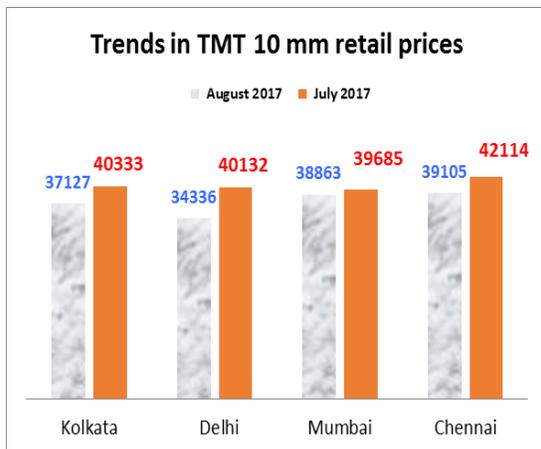
*Delhi market prices:* Compared to August 2016, average (retail) market prices in Delhi market in August 2017 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), largely in response to domestic demand-supply conditions and global influences. When compared to July 2017, however, the trend was the opposite for prices of both the items. The situation in August 2017 with regard to August 2016 is shown in the table below for TMT 10 mm and HRC 2.0 mm.

<b>Trends in JPC market price (retail) in Delhi market in August 2017</b>		
<b>Item</b>	<b>Delhi market prices (Rs/t)</b>	<b>% change over August 2016</b>
TMT, 10 mm	34,336	14.4
HRC, 2.0 mm	38,000	10.1
Source: JPC		

*All markets:* Compared to August 2016, average (retail) market prices in August 2017 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm) in all metro cities, largely in response to domestic demand-supply conditions and global influences. When compared to July 2017, however, the trend was different for prices of both the items in that while prices of TMT saw a decline in all the four markets in August 2017, those for HRC declined in the markets of Kolkata and Delhi but increased in cases of Mumbai and Chennai in August 2017. The situation in August 2017 with regard to August 2016 is shown in the table below for TMT 10 mm and HRC 2.0 mm for all the four markets.

<b>Trends in JPC (retail) market price: %change in August 2017 over August 2016</b>				
<b>Item</b>	<b>Kolkata</b>	<b>Delhi</b>	<b>Mumbai</b>	<b>Chennai</b>
TMT 10mm	22.2	14.4	31.8	24.8
HR Coils 2.00mm	25.4	10.1	25.6	25.1
Source: JPC				

TMT prices were highest in the Chennai market (Rs 39,105/t) and lowest in the Delhi market (Rs 34,336/t) while HRC prices were highest in the Chennai market (Rs 46,315/t) and lowest in the Delhi market (Rs 38,000/t) during August 2017.



## INDIAN ECONOMY – HIGHLIGHTS OF PERFORMANCE

**GDP:** The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation has released the provisional estimates of national income for the first quarter, (Q1) April-June 2017-18 both at constant (2011-12) and current prices. GDP at constant (2011-12) prices in Q1 of 2017-18 is estimated at Rs 31.1 lakh crore, a growth rate of 5.7 per cent while GVA is estimated at Rs 29.04 lakh crore, a growth rate of 5.6 per cent, both over the corresponding quarter of previous year. The economic activities which registered growth of over 7 per cent in Q1 of 2017-18 over Q1 of 2016-17 are 'trade, hotels, transport & communication and services related to broadcasting', 'public administration, defence and other services' and 'electricity, gas, water supply & other utility services'. The growth in the 'agriculture, forestry and fishing', 'mining and quarrying', 'manufacturing', 'construction' and financial, insurance, real estate and professional services is estimated to be 2.3 per cent, (-) 0.7 per cent, 1.2 per cent, 2 per cent and 6.4 per cent respectively during this period. At current prices, GDP for the above period is estimated at Rs 38.84 lakh crore, a growth rate of 9.3 per cent while for GVA, the respective values are Rs 35.77 lakh crore and 7.9 per cent.

**Industrial Production:** Provisional CSO data show that the Index of Industrial Production (IIP) under new series was up by 1.2 per cent yoy in July 2017 and by 1.7 per cent during April-July 2017, depressed by slow growth in sectors like Manufacturing, Infrastructure/Construction Goods, Primary Goods and declining growth rates in sectors like Capital Goods, Consumer Durables

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**Inflation:** The annual rate of inflation, based on monthly WPI with base 2011-12, stood at 3.24 per cent (provisional) for August 2017 (over August 2016) as compared to 1.88 per cent (provisional) for the previous month. Build-up inflation rate in the financial year so far was 1.41 per cent compared to a build-up rate of 3.25 per cent in the corresponding period of the previous year. The all India CPI inflation rate (combined) for August 2017 stood at 3.36 cent as compared to 2.36 per cent of previous month.

**Infrastructure Growth:** The yoy growth rate of the eight core infrastructure industries was up by 2.4 per cent in July 2017 and by 2.5 per cent in April-July 2017 encouraged by growth in most sectors except coal, fertilizers and cement.

**Trade:** Provisional figures from DGCI&S show that during April-August 2017 in dollar terms, overall exports were up by 8.57 per cent while overall imports were up by 26.63 per cent, both on yoy basis. During the same period, oil imports were valued at US\$ 38777.18 million, 18.89 per cent higher yoy while non-oil imports were valued at US\$ 142942.32 million, 28.91 per cent higher yoy. Overall trade deficit for April-August 2017-18 is estimated at US \$ 39872.54 million as compared to US \$ 12723.43 million during April-August 2016-17.

**Policy:**

- The government has decided to upgrade the 352 km Mizoram NH which will improve economic connectivity to Myanmar as also create an alternate trade route for mainland traders doing business in the north-east.
- The government is to extend tax exemption for industry in north-east, hilly states.
- The Union Cabinet has approved the new metro rail policy that entails that the Centre will approve and aid metro rail projects only if they have private participation and ensure last-mile connectivity.
- The government plans Rs 45,000 crore investment in north-east states and in collaboration with Japan, will jointly develop infrastructure, tourism, food processing and collaborate in skill development in the region.

Prepared by Joint Plant Committee