



Trends January 2020

India's steel consumption crossed the historic milestone of 100 million tonnes for the first time in 2019, touching 101.43 million tonnes as per provisional data released by JPC.

WORLD ECONOMY AT A GLANCE

- Stability, rise in business confidence and improvement in outlook marked the performance of the global manufacturing sector at the start of 2020 with the J.P.Morgan Global Manufacturing PMI reaching a nine-month high of 50.4 in January 2020 as per Markit Economics reports. The PMI posted 50.1 in December 2019 and averaged to 50.0 in 2019 as a whole.
- Markit Economics reports indicate that the strongest expansions were seen in India and Greece while downturns were indicated for the Euro area and Japan. The UK saw a stabilisation in manufacturing conditions. Growth of new business hit a 13-month high in January 2020, but was nonetheless lacklustre as the trend in new export business remained a constraint.
- The reports also indicate that global manufacturing employment fell for the eighth time in January 2020 which also recorded a mild uptick in the rate of input price inflation and higher output charges.

Key Economic Figures			
Country	GDP Q3 2019: %change*	Manufacturing PMI	
		2019 (avg.)	January 2020
India	4.5	52.3	55.3
China	6.0	50.5	51.1
Japan	1.3	49.2	48.8
USA	2.1	51.8	51.9
EU 28	1.2	47.4	47.9
Brazil	1.2	52.0	51.0
Russia	1.7	49.1	47.9
South Korea	2.0	48.7	49.8
Germany	0.5	44.5	45.3
Turkey	0.9	47.6	51.3
Italy	0.3	48.1	48.9

Source: GDP- official releases; PMI- Markit Economics *provisional

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production stood at 1869.9 million tonnes (mt) in 2019, up by 3.4% over 2018.

Global Crude Steel Production				
Top 10	Qty: 2019 (mt)*	Qty: 2018 (mt)	%Share: 2019*	% change: 2019 over 2018*
China	996.3	920.0	53	8.3
India	111.2	109.3	5.9	1.7
Japan	99.3	104.3	5.3	-4.8
USA	87.9	86.6	4.7	1.5
Russia	71.6	72.0	3.8	-0.6
South Korea	71.4	72.5	3.8	-1.5
Germany	39.7	42.4	2.1	-6.4
Turkey	33.7	37.3	1.8	-9.7
Brazil	32.2	35.4	1.7	-9.0
Iran	31.9	24.5	1.7	30.2
Top 10	1575.20	1504.3	84.2	4.7
World	1869.90	1808.40	100.0	3.4

Source: worldsteel; *provisional

- World crude steel production was led by China in 2019 (996.3 mt, up by 8.3% over 2018) and the nation accounted for 74% of Asian and 53% of world crude steel production during the year, such shares going up by two percentage points in both cases as compared to 2018.
- With a 6% share in total world production and a near-2% growth in production over 2018, India (111.2 mt) maintained its 2nd largest producer status during 2019 as well.
- Japanese crude steel production (99.3 mt) was down by 4.8% and the country was the 3rd largest crude steel producer in the world during the year.
- USA remained at the 4th largest spot, with production (87.9 mt) notching up a growth of 1.5% while Russia (71.6 mt, down by 0.6%) replaced South Korea as the 5th largest crude steel producer globally in 2019.
- Regional production growth was spearheaded in 2019 by a 19.2% growth by the Middle East (despite low volume) and Asia (1342 mt), up by 5.7% over 2018.
- Crude steel production declined in all the other blocks in 2019, be it the EU (28) countries (down by 4.9%), North America (down by 0.8%), South America (down by 8.4%), Africa (down by 2.3%) and Australia/New Zealand (down by 2.9%).
- The top 10 countries accounted for 84% of total world crude steel production in 2019 (83% in 2018) and saw production go up by 4.7% yoy during this period.

THE AMERICAS

- The Section 232 tariffs on steel and aluminium imports into the United States will be applied to select downstream steel and aluminium products as per latest announcement. The tariff rates for downstream steel and aluminium products imported into the US, or withdrawn from warehouse for consumption, will be 25% and 10% respectively, and will take effect at 12:01 am Eastern Time on February 8, 2020. Notably, steel shipments from Argentina, Australia, Brazil, Canada, Mexico and South Korea will be exempted, as will be aluminium imports from Argentina, Australia, Canada and Mexico, according to the proclamation.
- The United States Department of Commerce has increased the anti-dumping duties, from 3.65% to 6.75% , applied to some rebar imported from Mexico, and introduced a new duty (7.25%) on Deacero exempted earlier.
- The United States Commerce Department has issued affirmative final determinations in the anti-dumping duty and countervailing duty investigations into fabricated structural steel imports from Canada, China and Mexico.
- The Brazilian government has decided to suspend the imposition of anti-dumping duties on imports of hot-rolled coil from Russia and China.
- Mexico's largest integrated steelmaker, Ahmsa, has shut down its blast furnace No. 6 in the Monclova due to current market conditions.

ASIA

- The Lunar New Year holidays in China got off to a worrisome start with the onset of the Coronavirus in Wuhan, dampening sentiment in the steel and iron ore futures markets.
- China is offering force majeure certificates to local companies, if they are unable to fulfill their international contractual obligations due to the Coronavirus outbreak, as per a statement issued by the China Council for the Promotion of International Trade.
- China's Hebei will reduce steel capacity by 14 mtpa in 2020 as part of efforts to transform and upgrade the industry.
- Chinese steelmaker Hebei Jingye Group has moved a step closer to acquiring British Steel following an agreement made with the trade unions.
- Two steelmakers in Hebei - Tangshan Xinbaotai Iron & Steel and Xingtai Iron & Steel - plan to sell some of their crude steel capacity – 0.8 mtpa and 0.4 mtpa respectively - to mills outside the province as part of a government plan to cut capacity in the region.
- Xinda Iron & Steel is installing a new converter with 1.15 mtpa crude steel capacity, as part of a capacity replacement program in Hebei.
- Henan Luoyang Iron & Steel is to sell its 1.04 mtpa of crude steel capacity to a mill in southern China's Guangdong province.
- Henan Jiyuan Iron & Steel will replace some of its crude steel and iron-making facilities over the next three years, adding in the process 2.38 mtpa of iron-making capacity, 1.60 mtpa of crude steel capacity. Dismantling would start from 2021 and is expected to be over in 2023.
- China's finished steel exports stood at 64.29 million tonnes in 2019, down 7.3% over 2018 while its imports stood at 12.3 million tonnes in 2019, down 6.5% over 2018, making it a net exporter of finished steel during 2019.

- The China Iron & Steel Association (CISA) expects Chinese steel consumption to rise by 2% to 890 million tonnes in 2020 based on anticipated growth in the construction, home appliance and railway sectors.
- Indian steel producer Jindal Steel and Power (JSPL) has reopened a major DRI plant to boost its steel output by a further 1.5 million tonnes in the period ending March 2021.
- Malaysia has finalized antidumping duties - ranging earlier from zero to 20.09% - on steel concrete reinforcing bar from Singapore and Turkey for a period of five years. The finalized duties apply until January 21, 2025.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- Ukrainian steel billet producer Dneprovskiy Dzerzhinsky Metallurgical Plant (DMKD) has restarted its 0.9 mtpa No. 12 blast furnace at its steelmaking facility in the port city of Kamianske on the Dneiper river.
- NLMK aims to break ground on its first mill in India in the second half of the year, with the coldrolled grain-oriented steel (GOES) facility expected to come online by the end of 2021.
- Egyptian steel mills are set to step up their protest over the government's decision to impose import duties on steel billets and rebar last year, with 22 mills planning to suspend production.
- Iran's Ministry of Industries, Mining and Trade has imposed restrictions on steel slab exports in a move to regulate domestic market supplies. Effective January 28, 2020 all producers need to obtain government permission before any shipments are made.

EU AND OTHER EUROPE

- Czech steelmaker Trinecké Železárny plans to increase its capacity and production volumes in 2020 despite reducing its level of investment.
- Salzgitter Mannesmann Staalhandel, the trading part of Germany's Salzgitter group, has acquired heavy plate specialist trading company Statendam Steel Plates.
- The European Commission has backtracked on an end-use monitoring procedure which was applied as part of its safeguard measures on imports of HDG coil for the auto industry.
- Turkey has increased the import duty imposed on steel rebar, reduced the duty on cold-rolled coil imports by producers of coated coil and removed the duty on pig iron imports, according to the Turkish Official Gazette. According to the new regulations, the import duty on rebar is now 30%, up from the previous 10%. The 2% import duty on pig iron is now 0%. And the import duty on cold-rolled coil is 10% for coated coil producers, where previously it was 7%. All these changes came into effect from January 1, 2020. In addition to these changes, all steel imports from South Korea became exempt from duty from January 1, 2020.
- ArcelorMittal will temporarily stop production at its "B" blast furnace in Ghent, Belgium, for a reline from September 2020 until the work is finished. The Ghent mill has two BF's with a combined capacity of around 5 mtpa of crude steel.

[Source Credit: Metal Bulletin, Platts, leading news papers (India news)]

After a sombre 2019, global steel market at the start of 2020 looked forward to some relief what with most forecasts hinting at recovery of global growth, trade tensions between China and the USA being somewhat smoothed courtesy the Phase One trade deal, Chinese GDP posting a decent 6.1% growth during 2019, which despite being the slowest pace of growth in the last 29 years, still remains within the government's target of 6 -6.5% and global steel prices starting to show signs of firming up. While the Lunar New Year Holidays was expected to be marked by the traditionally-muted level of transactions, yet the outbreak and its massive spread of the Coronavirus in China (emanating from Wuhan, core of Chinese industry belt) has raised concerns. True the actions taken by the government to stem it has been commendable but the impossibility of stemming it permanently and given its fast spreading nature (now across continents) has led to shutting down of establishments and prolongation of the New Year Holidays. How far this will affect business is something only time can tell but the drastic cut down in business, spending, logistics, material flow, trade (as port handling gets affected) in China is certainly to have a cascading impact on manufacturing in general, steel in particular and of course, economic growth – of China and subsequently, world. The extent of the dampening is something which only time will tell.

Long Product

- Movement in scrap prices flow of import material and softened demand conditions led US rebar prices southward in January 2020. Transactions, as per Metal Bulletin reports, stood around \$630/t at month-end.
- January 2020 European rebar markets were muted with low level of transactions. Transactions, as per Metal Bulletin reports, stood around €490-500/t (\$540-551) in Northern Europe and around €450-485/t in Southern Europe.
- New Year Holidays and bearish mood after outbreak of Coronavirus kept China's rebar market quiet and prices south-bound in January 2020. Transactions, as per Metal Bulletin reports, stood around 3,640-3,670 yuan/t (\$527-531) in Shanghai and 3,540-3,560 yuan/t in Beijing.
- Seasonal slowdown made rebar prices in Russia move south in January 2020. Transactions, as per Metal Bulletin reports, stood around 32,500-33,000 roubles/t including 20% VAT, cpt Moscow, Russia.

Flat Product

- January 2020 saw HRC prices move south following scrap prices. Transactions, as per Metal Bulletin reports, stood around \$595/t.
- Slight recovery of demand, reduced imports led to mild rises in European HRC prices in January 2020. Transactions, as per Metal Bulletin reports, stood around €470-480/t in Northern Europe and around €445-460/t (\$494-510) in Southern Europe.
- Chinese HRC prices moved south in January 2020, impacted by the same factors as in the case of rebar. Transactions, as per Metal Bulletin reports, stood around 3,860-3,880 yuan/t (\$559-562) in Shanghai and around 3,590 yuan/t in Tangshan.
- Market leaders, Novolipetsk Steel and Severstal both raised flat steel prices during the month. Transactions, as per Metal Bulletin reports, stood around 41,000-42,500 roubles/t (\$643-659) for HR sheet, domestic, cpt Moscow, including 20% VAT.

[Source Credit: Metal Bulletin]

SPECIAL FOCUS

India leads global DRI production in 2019

For 2019, provisional worldsteel report indicates that global DRI output was at 90.07 mt, up by 2.2% over 2018. Global production continued to be driven by India (36.86 mt) at the number one spot with a growth of 7.7% over 2018. The country also accounted for 41% of total global output during this period (39% in 2018). For the same period, Iran's DRI output (27.73 mt) saw a growth of 7.7% and along with India, these two countries accounted for 72% of global DRI output during this period (68% in 2018).

However, the main drag on global production growth came from steep declines/meagre growth noted for other countries in the top five bracket like Mexico (up by 0.1% only), Egypt (down by 23.1%) and Saudi Arabia (down by 7%) during 2019 as compared to 2018.

Together, the top five countries accounted for 88% of the world DRI production during 2019 (87% in 2018) and saw their cumulative output grow by 3.9% over 2018. Saudi Arabia which had earlier replaced UAE as the 5th largest DRI producer in the world, scaled up its position to the 4th largest spot in 2019, replacing Egypt from the said spot.

World DRI Production					
Rank	Country	2019: Qty (mt)*	2018: Qty (mt)	%Share: 2019 *	% change: 2019 over 2018*
1	India	36.86	34.21	40.9	7.7
2	Iran	27.73	25.75	30.8	7.7
3	Mexico	5.98	5.97	6.6	0.1
4	Saudi Arabia	4.64	4.99	5.2	-7.0
5	Egypt	4.43	5.75	4.9	-23.1
Top 5		79.63	76.67	88.4	3.9
World		90.07	88.15	100	2.2

Source: worldsteel ; *provisional

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-December 2019, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for December 2019. It is to be noted that total finished steel includes both non-alloy and alloy (including stainless steel) and all comparisons are made with regard to same period of last year.

Item	Performance of Indian steel industry		
	April-December 2019* (mt)	April-December 2018 (mt)	% change*
Crude Steel Production	82.192	81.866	0.4
Hot Metal Production	54.619	54.897	-0.5
Pig Iron Production	4.314	4.748	-9.1
Sponge Iron Production	28.074	25.921	8.3
Total Finished Steel (alloy/stainless + non-alloy)			
Production	76.326	74.966	1.8
Import	5.514	5.909	-6.7
Export	6.520	4.676	39.4
Consumption	75.05	72.329	3.8
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 82.192 million tonnes (mt), up by 0.4%.
- **Hot Metal:** Production at 54.619 mt, down by 0.5%.
- **Pig Iron:** Production at 4.314 mt, down by 9.1%.
- **Sponge Iron:** Production at 28.074 mt, up 8.3%, led by coal-based route (86% share)
- **Total Finished Steel :** Production at 76.326 mt, up by 1.8%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 46.75 mt (57% share) during this period, down by 0.4%. The rest (35.44 mt) came from the Other Producers, up by 1.5%.
- **Hot Metal:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 45.351 mt (83% share) up by 0.6%. The rest (9.268 mt) came from the Other Producers, down by 5.4%.
- **Pig Iron:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 0.813 mt (19% share) up by 22.5%. The rest (3.501 mt) came from the Other Producers, down by 14.3%.
- **Total Finished Steel:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 41.299 mt (54% share) down by 0.5%. The rest (35.026 mt) came from the Other Producers, up by 4.7%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With an 81% share, the Private Sector (66.85 mt, up by 1.2%) led crude steel production compared to the 19% contribution of the PSUs.

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- **Hot Metal:** With 70% share, the Private Sector (37.98 mt, up by 0.6%) led hot metal production, compared to the 30% contribution of the PSUs.
 - **Pig Iron:** With an 89% share, the Private Sector (3.818 mt, down by 11.5%) led pig iron production, compared to the 11% contribution of the PSUs.
 - **Total Finished Steel:** With an 85% share, the Private Sector (64.583 mt, up by 3.4%) led production of total finished steel, compared to the 15% contribution of the PSUs.

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Led by Non-flat steel (53% share; up by 3.8%) while the rest 47% was the share of Flat steel (down by 0.3%).
- **Import:** Flat products accounted for 89% share (down by 3.7%), the rest was the share of non-flats (down by 25.6%).
- **Export:** Flat products accounted for 89% share (up by 47.2%), the rest was the share of non-flats (down by 2.5%).
- **Consumption:** Led by Non-flat steel (52% share; up by 7.1%) while the rest 48% was the share of Flat steel (up by 0.3%).

Finished Steel Production Trends

- At 76.326 mt, production of total finished steel grew by 1.8% in April-December 2019.
- Contribution of the non-alloy steel segment stood at 72.99 mt (96% share, up by 4.2%), while the rest was the contribution of the alloy steel segment (including stainless steel).
- In the non-alloy, non-flat segment, in volume terms, major contributor to production of total finished steel was Bars & Rods (30.744 mt, up by 7.2%) while growth in the non-alloy, flat segment was led by HRC (31.866 mt, up by 1.5%) during this period.

Finished Steel Export Trends

- Exports of total finished steel outpaced imports during April-December 2019-20 and India was a net exporter for this period.
- At 6.52 mt, export of total finished steel was up by 39.4% during this period.
- Volume-wise, non-alloy HRC (3.81 mt) was the most exported item (64% share in total) while Bars & Rods (0.38 mt, up by 5.6%) led exports in the non-alloy, non-flat category.
- Vietnam led exports of total finished steel – not only overall (1.9 mt, 29% share) but also recorded the highest share in case of HRC (49%).

Finished Steel Import Trends

- Import of total finished steel was at 5.514 mt during this period, down by 6.7%.
- Volume-wise, non-alloy HRC (1.386 mt) was the item most imported item (36% share

- in total), led by imports from Korea (38% share of total finished steel imports).
- The share of China in total finished steel import declined from 21% in April-December 2018 to 19% in April-December 2019, with volumes slipping by 16% in during this period.

Finished Steel Consumption Trends

- At 75.05 mt, consumption of total finished steel grew by 3.8% in April-December 2019.
- Contribution of the non-alloy steel segment stood at 70.269 mt (94% share, up by 5.8%), while the rest was the contribution of the alloy steel segment (including stainless steel).
- In the non-alloy, non-flat segment, in volume terms, major contributor to consumption of total finished steel was Bars & Rods (30.04 mt, up by 11.3%) while growth in the non-alloy, flat segment was led by HRC (30.013 mt, up by 0.4%) during this period.

JPC Market Prices (Retail)

- **Delhi market prices:** Compared to December 2018, average (retail) market prices in Delhi market in December 2019 decreased 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 November 2019, the trend was different: prices of TMT declined whereas prices of HRC saw a rise. The trend in retail market prices of TMT 10 mm and HRC 2.0 mm in the Delhi market in December 2019 with regard to December 2018 is shown in the table below.

Trends in JPC market price (retail) in Delhi market in December 2019		
Item	Delhi market prices (Rs/t)	%change over December 2018
TMT, 10 mm	42,290	-19.9
HRC, 2.0 mm	43,780	-16.6

Source: JPC

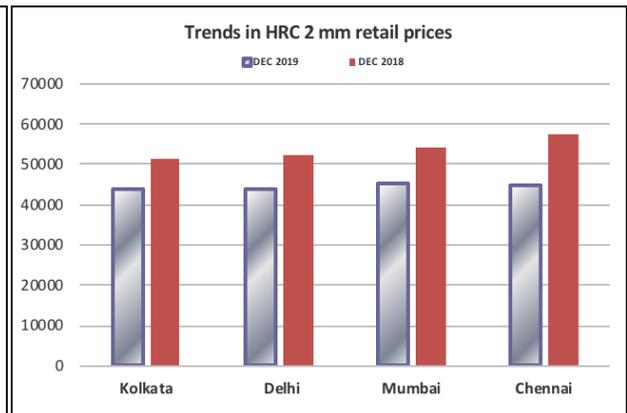
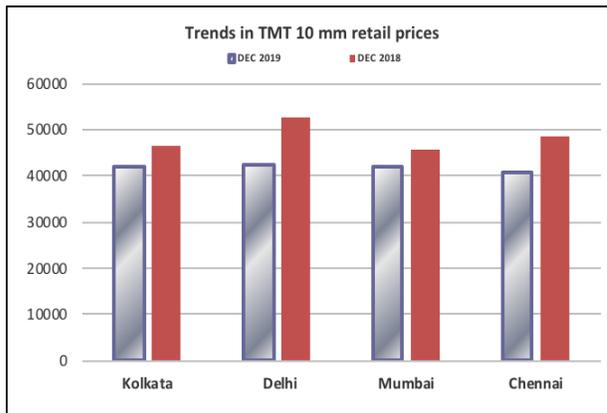
- **All markets:** Compared to December 2018, average (retail) market prices in December 2019 decreased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm) in all the markets. When compared to November 2019, the trend was different: prices of TMT declined in markets of Kolkata and Delhi, remained static in Mumbai and rose marginally in Chennai whereas prices of HRC saw a rise in all the markets. The situation in December 2019 with regard to December 2018 is shown in the table below for TMT 10 mm and HRC 2.0 mm for all the four markets.

Trends in JPC (retail) market price: %change in December 2019 over December 2018

Item	Kolkata	Delhi	Mumbai	Chennai
TMT 10mm	-9.8	-19.9	-7.6	-15.9
HR Coils 2.00mm	-14.4	-16.6	-16.3	-21.6

Source: JPC

- TMT prices were highest in the Kolkata market (Rs. 41,850/t) and lowest in the Chennai market (Rs. 40,710/t) while HRC prices were highest in the Chennai market (Rs. 45,000/t) and lowest in Delhi market (Rs. 43,780/t) during December 2019.



INDIAN ECONOMY – HIGHLIGHTS OF PERFORMANCE

GDP: The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation has released the estimates of Gross Domestic Product (GDP) for July-September (Q2) 2019-20, both at constant (2011-12) and current prices. As per the Report, Real GDP or GDP at Constant (2011-12) Prices for Q2 2019 is estimated at Rs. 35.99 lakh crore, showing a growth rate of 4.5 per cent. Quarterly GVA (Basic Price) at Constant (2011-2012) Prices for Q2 of 2019-20 is estimated at Rs. 33.16 lakh crore, showing a growth rate of 4.3 per cent over the corresponding quarter of previous year. The economic activities which registered growth of over 4.3 per cent in Q2 of 2019-20 over Q2 of 2018-19 are 'Trade, Hotels, Transport, Communication and Services related to Broadcasting' 'Financial, Real Estate and Professional Services' and 'Public Administration, Defence and Other Services'. The growth in the 'Agriculture, Forestry and Fishing', 'Mining and Quarrying', 'Manufacturing', 'Electricity, Gas, Water Supply & Other Utility Services', and 'Construction' is estimated to be 2.1 per cent, 0.1 per cent, (-) 1.0 per cent, 3.6 per cent and 3.3 per cent respectively during this period.

Industrial Production: Provisional CSO data show that the growth rate of the Index of Industrial Production (IIP) was up by 0.6 per cent during April- November 2019 (prov.),

dampened by subdued growth/declines in lead sectors like Mining (down by 0.1 per cent), Capital Goods (down by 12 per cent), Infrastructure/ Construction Goods (down by 2.7 per cent) and Consumer Durables (down by 6.5 per cent).

Infrastructure Growth: Provisional data released by the DPIIT indicate that the Eight Core Infrastructure Industries saw a nil growth during April-November 2019 (prov.), compared to same period of last year, dampened by subdued growth/significant declines in all lead sectors like Electricity (marginally up by 0.7 per cent), Cement (down by 0.02 per cent), Coal (down by 5.3 per cent), Crude Oil (down by 5.9 per cent), Refinery Products (down by 1.1 per cent) and Natural Gas (down by 3.1 per cent) with growth noted only for Fertilisers (up by 4 per cent), and Steel (up by 5.2 per cent), during this period.

Inflation: In November 2019 (prov.), the annual rate of inflation, based on monthly WPI, stood at 0.58 per cent while the all India CPI inflation rate (combined) stood at 5.54 per cent and compared to November 2018, the former registered a decline and the latter, a rise.

Trade: Provisional figures from DGCI&S show that during April-November 2019-20, in dollar terms, overall exports were down by 1.99 per cent while overall imports were down by 8.91 per cent, both on yoy basis. During the same period, oil imports were valued at USD 84.99 billion, 12.99 per cent lower yoy while non-oil imports were valued at USD 233.78 billion, 7.33 per cent lower yoy. The overall trade deficit for April-November 2019-20 is estimated at USD 54.06 billion as compared to USD 82.47 billion in April-November 2018-19.

Prepared by: Joint Plant Committee