



Trends March 2016

Imports of total finished steel at an all-time high of nearly 12 million tonnes in FY 16 creating a 1st-time record which given the plummeting exports, kept the Indian steel industry firmly as a net importer of the commodity during the said year.

WORLD ECONOMY AT A GLANCE

- From the near-stagnation level of 50.0 reached in February 2016, the J.P.Morgan Global Manufacturing PMI edged up to 50.5 in March 2016, indicating that global manufacturing sector continued to remain subdued as per reports released by Markit Economics. The latter also indicates that the average PMI reading during Q1 2016 stood at 50.4 and was the weakest since the second quarter of 2013.
- Regional PMI data shows that conditions remained lacklustre in the three main industrial regions covered by the survey. Manufacturing production was near-stagnant in Asia, as marginal increases in China, Taiwan, Indonesia and Vietnam were offset by contractions in Japan, South Korea and Malaysia. The Americas fared slightly better what with growth improving to a four-month high in Mexico, while output expanded in Canada following a seven-month of contraction. The downturn in Brazil however continued, but momentum picked up in the USA. Output growth was also noted in the Euro area with growth recorded for most member-nations except Greece.
- The Markit Economics report has also indicated that while global manufacturing employment declined for the second successive month in March 2016, price pressures remained on the downside as both input costs and output charges fell further.

Key Economic Figures			
Country	GDP 2015: % yoy change*	Manufacturing PMI	
		February 2016	March 2016
India ^	7.5	51.1	52.4
China	6.9	48.0	49.7
Japan	0.5	50.1	49.1
USA	2.4	51.3	51.5
EU 28	1.8	51.2	51.6
Brazil	-3.8	44.5	46.0
Russia	-3.7	49.3	48.3
South Korea	2.6	48.7	49.5

Source: GDP-official estimates; PMI- Markit Economics, *provisional; ^based on new series data

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production for March 2016 was 137.32 million tonnes (mt), a decline of 0.5 per cent over March 2015 and 385.67 mt during January–March 2016, down by 3.6 per cent year-on-year (yoy).

World Crude Steel Production: January-March 2016*			
Rank	Country	Qty (mt)	% change
1	China	192.01	-3.2
2	Japan	25.77	-3.6
3	India	22.91	1.8
4	United States	19.63	-1.3
5	Russia	17.22	-5.2
6	South Korea	16.18	-4.3
7	Germany	10.78	-2.5
8	Turkey	7.69	1.9
9	Brazil	7.39	-12.3
10	Ukraine	6.08	18.1
	Top 10	325.66	-2.7
	World	385.67	-3.6
Source: WSA, JPC; over last year;* provisional			

- China produced 70.65 mt of crude steel in March 2016, down by 3 per cent over March 2015 and 192.01 mt during January – March 2016, down by 3.2 per cent yoy and remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was down by 4 per cent.
- China accounted for 73 per cent of Asian and 50 per cent of world crude steel production in January-March 2016.
- March 2016 Japanese crude steel production (8.65 mt) was a yoy decline of 7 per cent and was further down by 3.6 per cent in January-March 2016 (25.77 mt). The country remained the second largest crude steel producer in the world in 2016 so far.
- With a 6 per cent share in total world production and a 1.8 per cent rise in production over same period of last year, India remained the third largest crude steel producer in the world in January - March 2016.
- Crude steel production in the EU (28) countries during March 2016 was at 14.12 mt, down by 8.7 per cent yoy and at 40.89 mt in January-March 2016, it was down by 7 per cent yoy.
- At 95.07 mt, Asian crude steel production was up by 0.8 per cent yoy in March 2016 but declined by 3.1 per cent in January–March 2016 (263.58 mt). Asia accounted for 68 per cent of world crude steel production during this period.

THE STEEL WORLD LAST MONTH

THE AMERICAS

- ArcelorMittal said it expects to complete its sale of three US longs mills – in Louisiana, Pennsylvania and Texas – during the current quarter.
- The US International Trade Commission will maintain the existing AD and CVD orders on imports of seamless carbon and alloy steel standard, line and pressure pipe from China.
- The US Department of Commerce has found preliminary CVD on imported welded stainless pressure pipe from India of 2.96-6.21%.
- The US Department of Commerce revised the net countervailable subsidies on Turkish OCTG and has issued prohibitive preliminary ADD on CRC from China (265.79%), Brazil (38.93%), Japan (71.35%) and the UK (12.62- 31.39%) as well as lower duties for India (6.78%), South Korea (2.17-6.85%) and Russia (12.62-16.89%).
- The US placed preliminary ADD on HRC imports from South Korea (4-7%), Japan (7-11%), Netherlands (5%), Turkey (5-7%), Australia (23%), Brazil (34%) and the UK (49%).
- The US imposed preliminary duties of roughly 3-16% on heavy-walled rectangular welded steel pipes and tubes from South Korea, Mexico and Turkey.
- Mexico has applied a definite ADD on imports of pre-stressed wire rod from China (\$1.02/kg)(13 cents/kg), Spain and Portugal (40 cents/kg).
- Mexico has started a review of its CVD on imports of seamless steel tubes from China, regardless of the country of origin.
- CSN considers the USA's imposition of preliminary AD and CVD of 33.91% to 34.28% on imports of Brazil-origin HRC to be "harmful."

ASIA

- Hebei has vowed to remove 10 mtpa of pig iron capacity and 8 mtpa crude steel capacity from the province in 2016.
- A new CRM has begun production at the 0.6 mtpa Beihai Chengde Stainless Steel Co's plant in Guangxi and is to produce strip of 800-1,300mm width and 0.3-3.0mm thickness.
- „Wuhan Iron & Steel's 2.2 mtpa first CSM at its Fangchenggang steelworks in Guangxi province is ready for commercial production.
- 52 year old, Kyohei Steel, Japan's largest rebar producer, confirmed that it plans to stop steelmaking at its Osaka plant in March 2016.
- JFE Steel and Marubeni-Itochu Steel Inc acquired a combined 16.5% shareholding in Kandil Steel, the Egyptian producer of cold rolled and coated sheet.
- Posco has signed a memorandum of agreement for the construction of a joint venture steel plant with capacity to produce 1.6 mtpa of crude steel in Iran's Chabahar free economic zone.
- Tata Steel is in discussion for investments up to Rs 20,000 crore in heavy industries over the next five years at its Special Economic Zone (SEZ) project at Gopalpur in Odisha.
- India has extended the safeguard duty on HRC imports till March 2018. However, the duty would be reduced to 10% in stages over the next two years.

-
- Taiwan launched two AD investigations; one examining galvanized sheet imports from China and South Korea, and the other plate imports from Brazil, China, India, Indonesia, South Korea and Ukraine.
 - With effect from 22.3.2016, Vietnam is to impose provisional safeguard duties of 23.3% on imports of billets and 14.2% on long rolled products for up to 200 days.
 - Pakistan's Economic Co-ordination Committee of the Cabinet has approved an additional regulatory duty of 15% on imports of most steel products.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- NLMK is to stop blast furnace No.6 —one of the five operative BFs at its flagship mill, Novolipetsk Iron & Steel Works, in Lipetsk, west Russia — for a 135-day rebuild.
- The Eurasian Economic Commission has introduced ADD of 9.32% and 10.11% on imports of long steel products from Ukraine.
- Iranian steelmakers Mobarakeh Steel Co and Esfahan Steel Co are planning to start production of special and stainless steel grades in a move to allow Iran to substitute imports of these products.
- Iran's third largest steelmaker, Esfahan Steel Company is installing the first rail mill in the Middle East. It will have capacity to produce 0.4 mtpa of rails, or 0.7 mtpa of beams, and is 92% complete.
- Egypt has imposed a registration process for exporters selling their materials into the country for several commodities (around 50), including steel rebar and wire rod.
- The Iranian government announced increases of 5-16% in import duties on most steel products, effective from the beginning of the next Iranian year.
- Oman's Jindal Shadeed, part of India's Jindal Group, inaugurated its newly expanded 1.4 mtpa rebar mill at the Sohar Industrial Port.

EU AND OTHER EUROPE

- Tata Steel has announced plans to sell its UK business as it battles to control its "deteriorating financial performance", almost a decade after it bought steel giant Corus for over \$14 billion.
- The European Commission (EC) has initiated an anti-dumping investigation into imports of rebar from Belarus. It has also imposed definitive ADD of 14.1% and CVD of 8.7-9% on ductile cast iron pipe imports from India.
- The EU terminated ADD against imports of iron and steel fasteners from Malaysia after a WTO ruling that its investigation of the case failed to meet WTO requirements.
- Spain's Sarralle Group is to build a new, 1.2 mtpa EF-based slab making plant in Iran, planned to start up in 2017.
- ArcelorMittal has shut its Point Lisas steelworks in Trinidad, due to market conditions and is to partially cease activity at its EAF-based longs mill in Zumarraga, owing to "exceptionally difficult market conditions".
- The Turkish ministry of economy determined a 30.01% dumping margin for pre-painted galvanized coil imports from China.

[Source Credit: Steel First, Platts, leading news papers (India news)]

WORLD STEEL PRICE TRENDS

March 2016 saw global steel prices move north, influenced by a variety of factors – some local and some external. Most critical of the latter was the revival in Chinese steel prices, post-Lunar holidays, as general positivity in market sentiments along with a buoyancy in global ore prices led steel prices to move north in China, despite the fact that demand conditions did not show any noticeable signs of improvement.

Long products

- US rebar prices headed north in March 2016, riding on rising scrap prices, weaker imports and emerging construction demand. Gerdau Long Steel North America announced a \$30/t hike effective from March 21, 2016 while CMC will raise its rebar prices by \$20/t from April 1, 2016. Transactions as per Steel First reports were quoted at around \$460-480/t fob US Midwest mill at end of March 2016.
- Domestic rebar prices in Northern and Southern Europe edged northwards in March 2016 with rise in scrap prices and rising exports. Transactions as per Steel First reports were quoted at around €345-370/t (\$387-415) in Northern Europe and at around €375-385 (\$420-432) in Southern Europe.
- March 2016 saw Chinese spot rebar prices maintain an overall upward trend despite the fact that sentiments got somewhat depressed with the news of a default by a state-owned steelmaker. Transactions for grade III rebar as per Steel First reports were quoted at around 2270-2330 yuan/t in Shanghai and at around 2270-2310 yuan/t in Beijing on the last day of the month. All prices are ex-w and includes VAT.
- Russian domestic rebar prices moved north in March 2016 on the back of rising demand. Steel First's price assessment for 12mm A500C rebar was 25,300-25,350 roubles/t (\$372-373) cpt Moscow, including VAT.

Flat products

- March 2016 HRC prices in the USA moved up, with ArcelorMittal USA increasing prices by \$30/short ton for all new orders. Transactions were quoted at around \$430/t and likely to remain stable as demand starts looking up.
- Definitive actions and progress with trade cases, emergent demand, slowing of flow of imports propped up EU flat prices in March 2016. Steel First's weekly price assessment for domestic HRC in Southern Europe was €350-360/t (\$396-407) ex-w and at €330-350/t (\$373-396) ex-w in Northern Europe at end-March 2016.
- March 2016 ended with China's spot HRC prices going up, encouraged by rise in billet and futures prices. Transactions as per Steel First reports were quoted at around 2430-2450yuan/t in Shanghai and at around 2420-2430 yuan/t in Beijing on the last day of the month. All prices are ex-w and includes VAT.
- Russian flat steel prices moved north in March 2016 on the back of modest demand and higher export prices. Steel First's assessment for Russian domestic 4mm HR sheet was at around 29,000-29,050 roubles/t (\$426-427) cpt Moscow, including VAT.

[Source Credit: Steel First]

SPECIAL FOCUS

UN bans coal, iron ore exports from North Korea

The United Nations Security Council has imposed a ban on all exports from North Korea, including its two largest exported commodities – coal and iron ore, as per a Steel First report. The vote to toughen sanctions against the country was held on March 2, 2016 in response to ongoing nuclear and ballistic missile-related activities that "threaten international peace and security". The Democratic People's Republic of Korea (DPRK) is reported to use revenues from its commodities sector to fund its nuclear and missile programmes. However, the UN's decision is seen as a clear message that the DPRK must return to full compliance with its international obligations. According to the Observatory of Economic Complexity, the country's export sector in 2013 was valued at some \$3.28 billion. Its top exports were coal briquettes (\$1.25 billion), followed by iron ore (\$258 million).

Ukraine sets scrap export quota for 2016

Ukraine's Ministry of Economic Development and Trade has set a quota for ferrous scrap exports of 1.1 million tonnes (mt) for 2016. The scrap volume for 2016 is 12% lower than in 2015. It may be adjusted on a quarterly basis according to the production performance of Ukrainian steelmakers and other factors that affect scrap collection levels, according to a Steel First report. Ferrous scrap exports out of Ukraine totalled 1.2 mt last year, after the Ukrainian government set the year's quota for scrap exports at 1.25 mt.

June 2016 quarter coking coal benchmark set at \$84/t fob

Steel First reports have highlighted that Anglo American and Nippon Steel & Sumitomo Metal Corp. have agreed on a premium hard coking coal contract price of \$84/t fob Australia for the April-June 2016 quarter, up from the \$81/t fob for the current (January-March 2016) quarter and also the first upward adjustment since 2013. For low-vol pulverised coal injection (PCI) coal, the agreed contract price stands at \$73/t fob Australia for April-June 2016 quarter which is also up from \$69/t for the January-March 2016 quarter. Steel First reports indicate that coking coal spot prices have experienced a strong revival since early February moving up by 14% or more than \$10/t – as tighter supply from rain-affected mining operations met with expectations of better steel demand. At the same time, a stronger Australian dollar also meant that Australian producers need US-dollar-denominated prices to be higher. In fact, as the Steel First reports indicate that the \$84/t benchmark currently equates to A\$110.50/t, the lowest Australian dollar realised price since 2004.

INDIAN STEEL MARKET ROUND-UP

2015-16 : A Performance Summary

A modest consumption growth driven mainly by a record level of imports, an indigenous supply side that slipped into the red, plunging exports, “recovering” prices, sliding bottomlines, expanding capacity - these summed up the domestic steel scene during 2015-16. On hindsight, 2015-16 was a year that offered very few takeaways to the Indian steel industry, excepting perhaps for a handful of important lessons - to develop a strong domestic market and adopt measures to sharpen competitiveness in a global market, which time and again, will be wont to pass through upheavals and volatility of unpredictable extents. Here's a look at some of key statistics reflecting the performance of the Indian iron and steel industry during 2015-16 as per provisional data released by the JPC:

- Production of crude steel was at 89.78 million tonnes (mt), a growth of 0.9 per cent.
- Crude steel capacity reached 118.2 mt, a growth of 7.6 per cent.
- Production for sale of sponge iron was 16.28 mt, a decline of 20 per cent.
- Pig iron production for sale was 9.63 mt, a decline of 0.6 per cent.
- Hot metal production was 57.13 mt, an increase of 1.3 per cent.
- Total finished steel production for sale was 90.39 mt, a decline of 1.9 per cent.
- Export of total finished steel reached 4.08 mt, a decline of 27.1 per cent.
- Import of total finished steel was 11.71 mt, an increase of 25.6 per cent.
- India was a net importer of total finished steel and imports accounted for 15 per cent of domestic steel consumption, in sharp contrast to the average 10 per cent rate achieved for the five year period ending 2014-15
- Consumption of total finished steel was 80.45 mt, an increase of 4.5 per cent
- Per capita total finished steel consumption stood at 61.9 kg, an increase of 1.8 per cent.

Item	Indian Steel: Performance Highlights		
	2015-16* (mt)	2014-15 (mt)	%change
Crude steel production	89.78	88.98	0.9
Crude steel capacity	118.20	109.85	7.6
Hot metal production	57.13	56.41	1.3
Pig iron production for sale	9.63	9.69	-0.6
Sponge iron production for sale	16.28	20.38	-20.1
Total Finished Steel (alloy + non-alloy)			
Production for sale	90.39	92.16	-1.9
Import	11.71	9.32	25.7
Export	4.08	5.59	-27.1
Consumption	80.45	76.99	4.5
Source: JPC; mt=million tones; *provisional			

The following is a report on the performance of Indian steel industry in terms of total finished steel during April-March 2015-16 based on provisional data released by JPC. All growth comparisons are with regard to same period of last year.

Production for sale

- During April-March 2015-16, production for sale stood at 90.391 mt, a decline of 1.9 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 81.822 mt (2.1 per cent decline), while the rest was the contribution of the alloy steel segment (including stainless steel), where production for sale was up by 0.3 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 41.392 mt (up by 2 per cent) while that of the flat segment stood at 40.43 mt (decline of 6 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 33 mt (up by 2.3 per cent), 7.5 mt (up by 0.2 per cent) and 0.89 mt (up by 6.1 per cent) as compared to last year.
- On the other hand, for the flat segment, with the exception of HR Sheets and pipes, production for sale was down for all other items like Plates (4.32 mt, down by 8 per cent), HRC (18.6 mt, down by 8 per cent), CRC (6.9 mt, down by 7 per cent) and GP/GC Sheets (6.5 mt, down by 5 per cent).

Export

- During April-March 2015-16, export of total finished steel was 4.079 mt, down by 27.1 per cent compared to last year.
- Contribution of the non-alloy steel segment stood at 3.475 mt (down by 29 per cent) while the rest was that of alloy steel (including stainless steel) segment, where exports were down by 12 per cent.
- In the total export of finished non-alloy steel, export of non-flat was at 0.449 mt (down by 6 per cent) and that of flat steel was at 3.026 mt (down by 32 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to export was bars & rods (0.365 mt, down by 7 per cent) while growth in exports in the non-alloy, flat segment was led by GP/GC sheets (1.42 mt, down by 13 per cent).

Import

- With import of total finished steel during April-March 2015-16 at 11.712 mt (up by 25.7 per cent compared to last year) and remaining well above exports, India remained a net importer of total finished steel in 2015-16 so far.
- In total finished steel import, contribution of the non-alloy steel segment was 8.719 mt (29 per cent rise) while the rest was the contribution of alloy steel (including stainless steel) segment, which was up by 17 per cent over same period of last year.
- In the import of total finished non-alloy steel, non-flat imports were at 0.66 mt (down by 29 per cent) and flat imports were at 8.06 mt (up by 38 per cent).
- In the non-alloy, non-flat segment, major contributor to import was bars & rods (0.62 mt, down by 27 per cent) while for the flat segment, import was led by HRC (3.4 mt; up by 70 per cent).

Real Consumption

- During April-March 2015-16, real consumption (or simply consumption) of total finished steel stood at 80.447 mt, a growth of 4.5 per cent compared to last year.
- For non-alloy steel, contribution of the non-flat segment stood at 41.12 mt, up by 5 per cent over last year and that of the flat segment (after accounting for double counting) stood at 31.58 mt, up by 1.9 per cent over last year, taking total non-alloy consumption (after double counting) to 72.70 mt, up by 4 per cent. The remainder was the contribution of the alloy/stainless segment, which reported a growth of 15 per cent during this period.
- In the non-alloy, non-flat segment, the major contributor to consumption was bars & rods (33 mt; up by 5.6 per cent) whereas for the flat segment, consumption was led by HRC (21.4 mt, up by 4.1 per cent).

JPC Market Prices (Retail):

Delhi market prices: Compared to March 2015, average (retail) market prices in Delhi market in March 2016 declined 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. When compared to February 2016, TMT prices recorded a decline and HRC prices recorded an increase in March 2016. The situation in March 2016 with regard to March 2015 is shown in the table below for TMT 10 mm and HRC 2.0 mm.

Trends in JPC market price (retail) in Delhi market in March 2016		
Item	Delhi market prices (Rs/t)	% change over March 2015
TMT, 10 mm	35,000	-14.7
HRC, 2.0 mm	34,500	-13.0

Source: JPC

All markets: Compared to March 2015, average (retail) market prices in all four metro cities (Kolkata, Delhi, Mumbai and Chennai) in March 2016 declined 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. Compared to February 2016, TMT prices in March 2016 increased in all the markets except Delhi while for HRC, prices increased in all the markets. The situation in March 2016 with regard to March 2015 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 March 2016 over March 2015				
Item	Kolkata	Delhi	Mumbai	Chennai
TMT 10mm	-6.2	-14.7	-9.9	-10.6
HR Coils 2.00mm	-8.2	-13.0	-17.0	-13.5

Source: JPC

TMT prices were highest in the Chennai market (Rs 36,838/t) and lowest in the Delhi market (Rs 35,000/t) while HRC prices were highest in the Kolkata market (Rs 38,405/t) and lowest in the Delhi market (Rs 34,500/t) during March 2016.

INDIAN ECONOMY – HIGHLIGHTS OF PERFORMANCE

GDP: The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation have released the advance estimates of national income at constant (2011-12) and current prices for the financial year 2015-16 as also the quarterly estimates of GDP for the third quarter October-December (Q3), 2015-16 both at constant and current prices. As per their report, the growth in GDP during 2015-16 is estimated at 7.6 per cent as compared to the growth rate of 7.2 per cent in 2014-15.

Industrial Production: Provisional CSO data show that the Index of Industrial Production (IIP) was up by 2 per cent yoy in February 2016 depressed by declining growth in sectors like Capital Goods and during April-February 2015-16, IIP recorded a 2.6 per cent rise yoy.

Inflation: The annual rate of inflation, based on monthly WPI, stood at (-)0.91% (provisional) for the month of February 2016 (over February 2015) as compared to (-)0.90% (provisional) for the previous month. Build up inflation rate in the financial year so far was (-) 1.19% compared to a build up rate of (-) 2.61% in the corresponding period of the previous year. The all India CPI inflation rate (combined) for February 2016 stood at 5.18 per cent as compared to 5.69 per cent of previous month.

Infrastructure Growth: The yoy growth rate of the eight core infrastructure industries stood at 5.7 per cent in February 2016 and at 2.3 per cent in April-February 2015-16, weighed down by the decline in growth rates in the production of crude oil, natural gas and steel.

Trade: Provisional figures from DGCI&S show that during April-March 2015-16 in dollar terms, overall exports were down by 15.85 per cent and imports were also down (by 15.28 per cent), both on yoy basis. During the same period, oil imports were valued at US\$ 82662.26 million, which was 40.24 per cent lower yoy while non-oil imports were valued at US\$ 296933.91 million which was 4.12 per cent lower yoy. The trade deficit for April-March 2015-16 was estimated at US\$ 118459.37 million which was lower than the deficit of US\$ 137694.95 million during the same period of last year.

Policy:

- The Government has notified new Solid Waste Management rules which will replace SWM rules 2000.
- The Government extended the safeguard duty on specified steel products — first imposed on September 14 2015 for 200 days — for two years till March 2018 to guard domestic primary steelmakers from imports.
- The Government caps price of gas from difficult fields at \$6.61 per mmBtu.
- Centre allows 100 per cent FDI in marketplace-based e-tailing that legitimises e-commerce majors' operations.

-
- RBI tweaks upcoming lending rate rules to be adopted by banks from April 1.
 - Government notifies Aadhaar Act expected to provide for efficient, transparent, and targeted delivery of subsidies, benefits and services.
 - The Government has approved 11 highway projects worth Rs 6,284 crore for various states.
 - The Government proposes new rules on liquid discharge by industries-in line with environment ministry's plan to update pollution monitoring standards for industries and bring in new sectors under its rules.
 - The Real Estate Bill was passed; expected to bring the real estate sector into strong regulatory framework by setting up a real estate regulator.
 - Centre to amend Mines and Minerals Act to allow transfer of captive mining leases.
 - Effective April 1, 2016, companies will have to pay service tax on services availed from government.

Prepared by Joint Plant Committee