



# Trends ..... March 2020

March 2020 was witness to further spread of COVID-19 which went on to wreak havoc on the global economy, through complete shutting down of all sorts of economic activities as nations grappled to control the fast spreading virus. The overall weakening of the entire economic framework has deep and severe ramifications for the global economy, ramifications of which are bound to bite in the days to come.

## WORLD ECONOMY AT A GLANCE

- Global manufacturing output bled in March 2020 following the large-scale disruption caused by the outbreak of novel coronavirus disease 2019 (COVID-19). Output fell as the entire supply chain from production to employment to deliveries to procurement shrunk in March 2020 across all the major markets around the world.
- The sole exception was China where manufacturing PMI rose sharply from 40.3 in February 2020 to 50.1 in March 2020 while PMI elsewhere saw modest to sharp declines. It is this Chinese support which helped global manufacturing PMI to record a modest growth in March 2020 as captured in the J.P.Morgan Global Manufacturing PMI which grew from 47.1 in February 2020 to 47.6 in March 2020, as reported by Markit Economics.
- The said reports also indicate a decline in new orders, sharp reduction in global trade flows, drop in new export orders, job losses, transportation disruption, increased border restrictions and company closures, all of which contributed to lead to one of the steepest increases in average vendor lead times in the survey history.

Key Economic Figures			
Country	GDP 2019: %change*	Manufacturing PMI	
		February 2020	March 2020
India	4.8	54.5	51.8
China	6.1	40.3	50.1
Japan	1.0	47.8	44.8
USA	2.3	50.7	48.5
EU 28	1.2	49.2	44.5
Brazil	1.1	52.3	48.4
Russia	1.3	48.2	47.5
South Korea	2.0	48.7	44.2
Germany	0.6	48.0	45.4
Turkey	0.9	52.4	48.1
Italy	0.3	48.7	40.3

## GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production stood at 293.98 million tonnes (mt) in January-February 2020, up by 1% year-on-year (yoy) i.e. over same period of last year.

<b>World Crude Steel Production: January-February 2020 (prov)</b>			
<b>Rank</b>	<b>Country</b>	<b>Qty (mt)</b>	<b>% change</b>
1	China	154.70	3.1
2	India	18.85	-0.8
3	Japan	16.16	1.7
4	USA	14.82	2.4
5	Russia	11.61	-3.3
6	South Korea	11.13	-3.4
7	Germany	6.04	-10.8
8	Turkey	5.86	12.7
9	Iran	5.60	40.4
10	Brazil	5.38	-6.4
<b>Total Top 10</b>		<b>250.15</b>	<b>2.2</b>
<b>Total World</b>		<b>293.98</b>	<b>1.0</b>
<b>Source: worldsteel</b>			

- World crude steel production was led by China in January-February 2020 (154.7 mt, up by 3.1% yoy) and the nation accounted for 74% of Asian and 53% of world crude steel production during this period.
- With a 6.4% share in total world production but a marginal yoy decline of 0.8%, India (18.85 mt) maintained its 2<sup>nd</sup> largest producer status during this period.
- Japanese crude steel production (16.16 mt) was up by 1.7% yoy and the country was the 3<sup>rd</sup> largest crude steel producer in the world during this period.
- USA remained at the 4<sup>th</sup> largest spot, with production (14.82 mt) notching up a growth of 2.4 yoy while Russia (11.61 mt, down by 3.3% yoy) was the 5<sup>th</sup> largest crude steel producer during this period.
- Crude steel production in the EU (28) countries during this period was 24.97 mt, down by 9.1% yoy.
- At 208.77 mt, Asian crude steel production was up by 2% yoy during this period and the region accounted for 71% of world crude steel production during this period.
- The top 10 countries accounted for 85% of total world crude steel production and saw production go up by 2.2% yoy.

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## THE AMERICAS

- Imports of carbon and alloy steel threaded rod from China and India are “materially” injuring US industry, the USITC has said in an affirmative determination.
- The United States Department of Commerce has announced an affirmative preliminary circumvention ruling against imports of steel concrete reinforcing bar from Mexico.
- Gerdau has temporarily halted operations in Argentina and Peru following lockdowns in both countries to combat the spread of the coronavirus pandemic. It has also suspended melting and rolling operations at most of its North American operations because of the same reason.
- US Steel will indefinitely idle its tubular steel mills in Texas and Ohio as a result of challenging market conditions and high import levels.
- The United Auto Workers union has asked General Motors, Ford and Fiat Chrysler Automobiles to shut down their operations in the US in view of the coronavirus pandemic.
- ArcelorMittal is idling two blast furnaces, in Indiana and Canada, due to the spread of the novel coronavirus and its impact on end markets.

## ASIA

- Jingye Group has completed the acquisition of British Steel’s UK and Netherlands assets from British Steel’s official receiver and will be undertaking its pledged investment of GBP1.2 billion (\$1.53 billion) to modernize British Steel sites.
  - China will raise export rebate to 13% from 10% for a large number of steel products (such as HRC, wire rod, cold-rolled strip, HDG strip and SS strip) from March 20, 2020.
  - The China Council for the Promotion of International Trade (CCPIT) has issued 1,615 force majeure certificates to businesses in China affected by the novel coronavirus outbreak.
  - Jiangsu Shagang has temporarily shut three of its EAF, given the severe weakness in the market leading to a loss of around 13,000 t of daily EAF production capacity.
  - A sharp decline in market sentiment, linked to the spread of the coronavirus, has halted activity and reduced prices in the Japanese construction steel sector.
  - Japan’s Toyota Motor plans to suspend production at seven production lines in five domestic plants over H1 April 2020, amid slowing demand.
  - India initiated a 21-day lockdown period to help prevent the spread of the novel coronavirus pandemic, but India’s steel sector will not come under any restriction during this period.
  - Steel Authority of India has joined the list of steelmakers in India to reduce production levels following the 21-day lockdown imposed in the country.
  - India’s JSW Steel expects a significant reduction in its capacity utilization during the country’s 21-day lockdown as it moves towards suspension or scaling down of operations across various locations.
  - Most Indonesian steelmakers are operating at reduced rates and some re-rollers have even suspended their operations due to a build-up of inventory.
  - Malaysian steelmakers suspended steel production in compliance to a government order to suspend all non-essential business to contain the spread of the coronavirus pandemic.
  - Bangladesh steel producer GPH Ispat has begun trial production at its around 1 mtpa new EAF in Kumira, Chattogram state.
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- Vietnamese steel giant Hoa Phat has indefinitely delayed startup of its new HRM in view of the COVID-19 pandemic.

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

- ArcelorMittal's specialist long-steel unit in Ukraine, Arcelor Mittal Kryvyi Rih is continuing to operate normally because the coronavirus pandemic is yet to reach a critical level.
- Tulachermet, one of Russia's largest merchant pig iron makers and exporters, will idle its major blast furnace in March 2020 for nearly a month long upgrade.
- Russian billet, bar, rod and wire producer, Abinsk Electrometallurgical Plant has targetted 3 mtpa capacity in 2021, doubling its capacity from present 1.5 mtpa.
- Metinvest aims to ramp up steel production, commercialize new coil and pellet products and aims for 8.1-8.2 mtpa steel output in 2020, up by 8% over 2019.
- Algerian steelmakers Algerian Qatari Steel and El-Hadjar Iron & Steel Complex have stopped crude steel production because of the COVID-19 pandemic.
- Algeria plans to set a 100% duty on imports of steel rebar to support domestic production.
- Australia's BlueScope has gauged that its China operations is likely to be "heavily impacted" by the coronavirus in H1 2020 and noted the outbreak was also having some impact on its supply chains outside of China.

### **EU AND OTHER EUROPE**

- Eurofer has urged the European Union and the United Kingdom to reach a trade agreement as soon as possible to guarantee frictionless trade.
- ArcelorMittal has requested for a new European carbon dioxide levy on non-EU imports as part of the European Commission's Eur1 trillion Green Deal.
- The European Commission has published guidelines for border management measures including goods transport during the outbreak of coronavirus pandemic.
- Europe's largest merchant steel bar producer, the Beltrame group, has temporarily closed its French operation, until the end of March because of the coronavirus pandemic.
- ArcelorMittal has announced that it intends to reduce steel output at its European plants due to the coronavirus pandemic.
- German steelmakers Saarstahl and Dillinger, both part of Stahl Holding Saar have cut production amid the novel coronavirus pandemic.
- European flat steel producers have reduced output to balance supply-demand after multiple automotive producers suspended their operations because of COVID-19 pandemic.
- The Italian government has ordered the closure of all non-essential production operations in the country, including steelmaking, as part of the measures to battle the coronavirus pandemic. Arcelor Mittal Italia, however, has opted to continue at reduced output rate.
- Kardemir is diversifying into flat steel production by starting to produce narrow tool steel plate, at its 25000 tpa capacity rail and profile rolling mill.
- Turkey has requested the intervention of the WTO's Dispute Settlement Body in connection with steel safeguard measures introduced by the European Union.

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## **WORLD STEEL PRICE TRENDS**

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The depressing effect of the coronavirus pandemic (COVID-19) took a further downturn in March 2020 as it continued to spread across all the major steel markets around the world, leading to shutting down of business activities, dampening demand, depressing prices, reducing output, eroding profitability and most markedly, causing an overall weakening of the entire economic framework. As nations struggled to combat the fast-spreading deadly menace and as demand started drying up, steel making operations took a hit, from procurement of raw materials to delivery of finished products, impacting prices as well.

### **Long Product**

- March 2020/Q12020 rebar prices moved south in the US market given growing uncertainties about direction of steel market movement amidst the COVID-19 crisis and slowing down of construction sector demand. Transactions, as per Metal Bulletin reports, stood around \$620-630/t at month-end.
- European rebar prices in March 2020/Q12020 declined as trading activities grounded to a halt, owing to the COVID-19 related shutdowns of steelmaking operations as ordered by the authorities. The situation was specially grim in Southern part where Italy reported a massive detrimental impact of the pandemic. Transactions, as per Metal Bulletin reports, stood around €480-500/t (\$519-540) in Northern Europe and around €440-465/t in Southern Europe.
- China's rebar prices declined in March 2020/ Q12020 as the COVID-19 pandemic continued to make its presence felt. Transactions, as per Metal Bulletin reports, stood around 3,470-3,500 yuan/t (\$490-495) in Shanghai and around 3,380-3,400 yuan/t in Beijing in March 2020.
- Russian rebar prices moved up in March 2020/Q1 2020, mostly owing to a sharp depreciation of the rouble against the dollar and supported by construction sector demand. Transactions, as per Metal Bulletin reports, stood around 34,500-35,000 roubles/t (\$432-437) cpt Moscow including 20% VAT.

### **Flat Product**

- HRC prices in the US market in March 2020/Q12020 moved south in view of emerging uncertainties in operations owing to steady spread of the pandemic. Transactions, as per Metal Bulletin reports, stood around \$620-630/t at month-end.
- European HRC prices dipped in March 2020/Q12020 as demand disappeared with end-use markets (specially auto) shutting down and steel market operations coming to standstill with government directive on closure. Transactions, as per Metal Bulletin reports, stood around €474-480/t in Northern Europe and around €435-445/t in Southern Europe.
- Chinese HRC prices dipped in March 2020/Q12020 as demand remained weak in view of the pandemic. Transactions, as per Metal Bulletin reports, stood at around 3,330-3,350 yuan/t (\$470-473) in Shanghai and around 3280 yuan/t in Tangshan at month-end.
- Same set of factors as for rebar prompted Russian HRC prices to rise in March 2020/Q12020 also. Transactions for HR sheet, as per Metal Bulletin reports, stood around 44,000-45,500 roubles/t (\$550-569) cpt Moscow, including 20% VAT.

[Source: Credit: Metal Bulletin]

**SPECIAL FOCUS**

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## India leads global DRI production in February 2020

Provisional worldsteel report indicates that global DRI output was at 7.47 mt in February 2020, up by 3.4% over February 2019. Global production in February 2020 continued to be driven by India (3.11 mt) at the number one spot with a growth of 10.5% over same period of 2019. The country also accounted for 42% of total global output during this period. For the same period, Iran's DRI output (2.34 mt) saw a growth of 4.7% and along with India, these two countries accounted for 73% of global DRI output during February 2020.

For the first two months of 2020, i.e. January – February 2020, provisional worldsteel report indicates that global DRI output was at 15.73 mt, up by 6% over same period of last year. Global production in January-February 2020 continued to be driven by India (6.52 mt) at the number one spot with a growth of 12.6% over same period of 2019. The country also accounted for 41% of total global output during this period. For the same period, Iran's DRI output (4.84 mt) saw a growth of 9% and along with India, these two countries accounted for 72% of global DRI output during January-February 2020. Together, the top five countries accounted for 89% of the world DRI production during 2020 so far and saw their cumulative output grow by 7.4% over same period of 2019. Saudi Arabia which emerged as the 4<sup>th</sup> largest DRI producer in the world in 2019 replacing Egypt, continued to be hold the same rank in January-February 2020 as well.

<b>World DRI Production: January-February 2020 (prov.)</b>				
<b>Rank</b>	<b>Country</b>	<b>Qty (mt)</b>	<b>% change</b>	<b>%Share</b>
1	India	6.52	12.6	41
2	Iran	4.84	9.0	31
3	Mexico	0.97	-5.8	6.2
4	Egypt	0.92	-17.1	6.0
5	Saudi Arabia	0.79	12.9	5.0
<b>Top 5</b>		<b>14.04</b>	<b>7.4</b>	<b>89</b>
<b>World</b>		<b>15.73</b>	<b>6.0</b>	<b>100</b>
Source: worldsteel				

The following is a status report on the performance of Indian steel industry during April-February 2019-20, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for February 2020. 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-February 2019-20* (mt)	April-February 2018-19(mt)	% change*
Crude Steel Production	101.114	100.878	0.2
Hot Metal Production	66.950	67.699	-1.1
Pig Iron Production	5.164	5.845	-11.6
Sponge Iron Production	34.532	31.712	8.9
<b>Total Finished Steel (alloy/stainless + non-alloy)</b>			
Production	94.287	91.994	2.5
Import	6.392	7.130	-10.4
Export	7.783	5.769	34.9
Consumption	92.680	89.190	3.9
Source: JPC; *provisional; mt=million tonnes			

### Overall Production

- **Crude Steel:** Production at 101.114 million tonnes (mt), up by 0.2%.
- **Hot Metal:** Production at 66.950mt, down by 1.1%.
- **Pig Iron:** Production at 5.164mt, down by 11.6%.
- **Sponge Iron:** Production at 34.532mt, up 8.9%, led by coal-based route (86% share)
- **Total Finished Steel:** Production at 94.287 mt, up by 2.5%.

### Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 57.734mt (57% share) during this period, up by 0.1%. The rest (43.38mt) came from the Other Producers, up by 0.4%.
- **Hot Metal:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 55.624mt (83% share) down by 0.2%. The rest (11.325mt) came from the Other Producers, down by 5.5%.
- **Pig Iron:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 0.929mt (18% share) up by 6.7%. The rest (4.235mt) came from the Other Producers, down by 14.9%.
- **Total Finished Steel:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 51.069 mt (54% share) up by 0.5%. The rest (43.218mt) came from the Other Producers, up 5%.

### Contribution of Public Sector Units (PSU)

- **Crude Steel:** With an 81% share, the Private Sector (82.091mt, up by 0.9%) led crude steel production compared to the 19% contribution of the PSUs.
- **Hot Metal:** With 69% share, the Private Sector (46.377mt, down by 0.4%) led hot metal production, compared to the 31% contribution of the PSUs.
- **Pig Iron:** With an 89% share, the Private Sector (4.6mt, down by 13.3%) led pig iron production, compared to the 11% contribution of the PSUs.

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- **Total Finished Steel:** With an 85% share, the Private Sector (79.682mt, up by 3.9%) 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 (52% share; up by 3.0%) while the rest 48% was the share of Flat steel (up by 2.0%).
- **Import:** Flat products accounted for 89% share (down by 7.8%), the rest was the share of non-flats (down by 26.7%).
- **Export:** Flat products accounted for 89% share (up by 41.5%), the rest was the share of non-flats (down by 1.0%).
- **Consumption:** Led by Non-flat steel (52% share; up by 6.6%) while the rest 49% was the share of Flat steel (up by 1.1%).

#### Finished Steel Production Trends

- At 94.287mt, production of total finished steel grew by 2.5% in April-February 2019-20.
- Contribution of the non-alloy steel segment stood at 90.16mt (96% share, up by 4.8%), 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 production of total finished steel was Bars & Rods (37.507 mt, up by 5.8%) while growth in the non-alloy, flat segment was led by HRC (39.931 mt, up by 4.8%) during this period.

#### Finished Steel Export Trends

- Exports of total finished steel outpaced imports during April-February 2019-20 and India was a net exporter for this period.
- At 7.783 mt, export of total finished steel was up by 34.9% during this period. Contribution of the non-alloy steel segment stood at 7.064 mt (up by 35%), while the rest was the contribution of the alloy steel segment (including stainless steel).
- Volume-wise, non-alloy HRC (4.489 mt) was the most exported item (64% share in total) while Bars & Rods (0.481mt, up by 7.9%) led exports in the non-alloy, non-flat category.
- Vietnam led exports of total finished steel – not only overall (2.214 mt, 28% share) but also recorded the highest share in case of HRC (49%).

#### Finished Steel Import Trends

- Import of total finished steel was at 6.392 mt during this period, down by 10.4%. Contribution of the non-alloy steel segment stood at 4.503 mt (down by 17%), while the rest was the contribution of the alloy steel segment (including stainless steel).
- Volume-wise, non-alloy HRC (1.565 mt, down by 10.9%) was the item most imported (35% share in total non-alloy), led by imports from Korea (40% share of total finished steel imports).
- Import of total finished steel from China declined by 17% in during this period.

#### Finished Steel Consumption Trends

- At 92.68mt, consumption of total finished steel grew by 3.9% in April-February 2019-20.
  - Contribution of the non-alloy steel segment stood at 87.01 mt (up by 6.0%), while the rest was the contribution of the alloy steel segment (including stainless steel).
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- In the non-alloy, non-flat segment, in volume terms, major contributor to consumption of total finished steel was Bars & Rods (36.668mt, up by 10.7%) while growth in the non-alloy, flat segment was led by HRC (37.778mt, up by 2.0%) during this period.

### JPC Market Prices (Retail)

- **Delhi market prices:** Compared to February 2019, average (retail) market prices in Delhi market in February 2020 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 January 2020, the trend was just the opposite for prices of both TMT and HRC. The trend in retail market prices of TMT 10 mm and HRC 2.0 mm in the Delhi market in February 2020 with regard to February 2019 is shown in the table below.

Trends in JPC market price (retail) in Delhi market in February 2020		
Item	Delhi market prices (Rs/t)	%change over February 2019
TMT, 10 mm	49,140	-2.6
HRC, 2.0 mm	47,200	-6.3

Source: JPC

- **All markets:** Compared to February 2019, average (retail) market prices in February 2020 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 January 2020, the trend was just the opposite for prices of both TMT and HRC across all the markets, with the exception of a marginal decline of HRC in Mumbai market. The situation in February 2020 with regard to February 2019 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 February 2020 over February 2019				
Item	Kolkata	Delhi	Mumbai	Chennai
TMT 10mm	-2.4	-2.6	-5.2	-5.2
HR Coils 2.00mm	-9.8	-5.8	-1.7	-17.2

Source: JPC

TMT prices were highest in the Delhi market (Rs. 49,140/t) and lowest in the Kolkata market (Rs. 44,540/t) while HRC prices were highest in the Mumbai market (Rs. 48,250/t) and lowest in Kolkata market (Rs. 47,180/t) during February 2020.



## 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 October - November (Q3) 2019-20, both at constant (2011-12) and current prices. As per the Report, GDP at Constant (2011-12) Prices in Q3 of 2019-20 is estimated at ₹36.65 lakh crore, showing a growth of 4.7 per cent over Q3 2018-19. Quarterly GVA (Basic Price) at Constant (2011-12) Prices for Q3 of 2019-20 is estimated at Rs. 33.51 lakh crore, showing a growth rate of 4.5 per cent over the corresponding quarter of previous year. The economic activities which registered growth of over 5 per cent in Q3 of 2019-20 over Q3 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 rates of 'Manufacturing', 'Electricity, Gas, Water Supply & Other Utility Services' declined, that of 'Construction' was negligible and those of 'Agriculture, Forestry and Fishing', 'Mining and Quarrying', remained weak. The Report has also indicated that Real GDP or Gross Domestic Product (GDP) at Constant (2011-12) Prices in the year 2019-20 is estimated at ₹ 146.84 lakh crore, showing a growth of 5 per cent over 6.1 per cent of 2018-19.

**Industrial Production:** Provisional CSO data show that the growth rate of the Index of Industrial Production (IIP) was up by 0.5 per cent during April-January 2019-20 (prov.), dampened by subdued growth/declines in lead sectors like Mining (up by 1 per cent), Manufacturing (up by 0.3 per cent), Capital Goods (down by 12 per cent), Infrastructure/ Construction Goods (down by 2.6 per cent) and Consumer Durables (down by 6.2 per cent).

**Infrastructure Growth:** Provisional data released by the DPIIT indicate that the Eight Core Infrastructure Industries saw a growth of 0.6 per cent during April-January 2019-20 (prov.), compared to same period of last year, dampened by subdued growth/significant declines in all lead sectors like Electricity (up by 0.9 per cent), Cement (up by 1.1 per cent), Coal (down by 2.4 per cent), Crude Oil (down by 6 per cent), Refinery Products (down by 0.4 per cent) and Natural Gas (down by 4.3 per cent) with growth noted only for Fertilisers (up by 4.2 per cent), and Steel (up by 5.3 per cent), during this period.

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**Inflation:** In January 2020 (prov.), the annual rate of inflation, based on monthly WPI, stood at 3.1 per cent while the all India CPI inflation rate (combined) stood at 7.59 per cent and compared to January 2019, both registered a rise.

**Trade:** Provisional figures from DGCI&S show that during April-January 2019-20, in dollar terms, overall exports were down by 1.93 per cent while overall imports were down by 8.12 per cent, both on yoy basis. During the same period, oil imports were valued at USD 108.66 billion, 9.24 per cent lower yoy while non-oil imports were valued at USD 289.87 billion, 7.7 per cent lower yoy. The overall trade deficit for April-January 2019-20 is estimated at USD 64.16 billion as compared to USD 97.79 billion in April-January 2018-19.

**Prepared by: Joint Plant Committee**