



Indian Steel Industry: June 2022 – A Trend Report

A month after the imposition of export duty on steel, the industry continues to factor in the full impact of the same even as May 2022 saw steep decline in exports over last year and growth remained insignificant over last month.

WORLD ECONOMY AT A GLANCE

- Markit Economics reports indicate that global manufacturing production increased for the first time in June 2022 following rebound in China. But underlying weaknesses and headwinds remained, dragging down overall PMI values. The J. P. Morgan Global Manufacturing PMI stood at 52.2 in June 2022 compared to 52.3 of May 2022, but fell to a 22-month low in June 2022.
- The reports also highlight that growth slowed in US, Brazil, India, Japan, UK while the Eurozone and South Korea reported decline in output during June 2022.
- As per the reports, June 2022 saw growth of new order intakes easing to a near-standstill pace, international trade flows continuing to decline and the volume of new export business contracting for the fourth straight month.
- Apart from the subdued demand environment, the global manufacturing sector continued to be buffeted by ongoing headwinds. Business optimism dipped to a two-year low, inflationary pressure remained elevated and supply chains also remained stretched.

Key Economic Figures			
Country	GDP 2021: %change*	Manufacturing PMI	
		May 2022	June 2022
India	8.2	54.6	53.9
China	8.1	48.1	51.7
Japan	1.7	53.3	52.7
USA	5.7	57.0	52.7
Eurozone	5.2	54.6	52.1
Brazil	4.6	54.2	54.1
Russia	4.7	50.8	50.9
South Korea	4.0	51.8	51.3
Germany	2.9	54.8	52
Turkey	11.0	49.2	48.1
Italy	6.6	51.9	50.9

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

GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 791.82 mt in January-May 2022, registering a decline of 6.3% year-on-year (yoy), according to provisional data released by World Steel Association (worldsteel). World production stood at 169.48 mt in May 2022, down 3.5% yoy but up 3.7% over April 2022.

World Crude Steel Production (Prov)			
Rank	Top 10	Jan-May '22 (mt)	% yoy change
1	China	435.02	(-)8.7
2	India	53.16	6.5
3	Japan	38.55	(-)3.5
4	USA	34.34	(-)1.6
5	Russia	31.03	(-)2.3
6	South Korea	28.23	(-)3.4
7	Germany	16.37	(-)4.8
8	Turkey	16.01	(-)2.8
9	Brazil	14.52	(-)2.2
10	Iran	11.43	(-)10.8
Top 10 Total		678.66	(-)6.2
World		791.82	(-)6.3
Source: worldsteel			

- China remained the leader in world crude steel production with an output of 435.02 mt in January-May 2022, a decline of 8.7% yoy. China's production in May 2022 stood at 96.61 mt, registering a yoy decline of 3.5%. The country accounted for 55% share in world crude steel production during this period.
- Accounting for 7% share of global production, India was the 2nd largest producer of crude steel with an output of 53.16 mt in January-May 2022, a yoy growth of 6.5%. In May 2022, the country's crude steel production stood at 10.62 mt, up by 17.3% yoy.
- **Further, India was the only one among the top 10 steel producing countries which registered growth in production during January-May 2022.**
- Japan was the 3rd largest producer of crude steel with an output of 38.55 mt in January-May 2022 period, down by 3.5% yoy. In May this year, the country's crude steel production stood at 8.07 mt, down by 4.2% yoy.
- With crude steel production of 34.34 mt (down 1.6% yoy), the USA was the 4th largest producer of crude steel during this period. In May 2022, the USA produced 7.18 mt crude steel, showing a yoy decline of 2.6%.
- Russia's crude steel production stood at 31.03 mt (down 2.3% yoy) in January-May 2022 period and the country was the 5th largest producer of crude steel. In May this year, the country's production stood at 6.4 mt, showing a yoy decline of 1.4%.
- The top 10 countries' cumulative production in January-May 2022 stood at 678.66 mt (down 6.2% yoy) and they accounted for 86% of world crude steel production during this period.

NEWS AROUND THE WORLD

- Shandong province's move to cap 2022 steel output at 2021 level's is expected to be followed by other regions, a development that would support prices and pull back the oversupply situation prevailing in the markets. Shandong, China's third-largest steel producing province, became the first local government to officially announce that it will limit local steel production at no more than 2021 levels. Other parts of China are likely to follow the suit soon, contributing to the country's efforts to cap carbon emissions.
- ArcelorMittal will idle a 1.5 million mtpa blast furnace at its site in Dunkirk, France, from July 11, 2022 citing "marginally weaker real demand, specifically in the automotive sector due to ongoing supply chain issues,".
- The Turkish Trade Ministry is expected to announce the final decision on its antidumping investigation into HRC imports from the EU and South Korea in late-June or early-July 2022.
- NLMK said the nation's steel output may shrink by 11.2 mt to 59.6 mt in 2022, compared with 2021's 70.8 mt.
- POSCO has restarted its No. 4 blast furnace at its Gwangyang steel mill after it was upgraded at a cost of Won 370.3 billion (\$291.6 million).
- Czech Republic-based steelmaker Trinecke Zelezarny is set to produce about 2.5 mt of crude steel in 2022, up from 2.4 million of 2021.
- ArcelorMittal Nippon Steel India, or AM/NS India, is expected to start up a new cold-rolling mill at Hazira by July 2024. The coupled pickling line and tandem cold mill (PLTCM) will have a production capacity of 1.92 mtpa of "steel grades for the automotive industry,".
- Turkish CR SS producer Trinox Metal's project to increase its stainless steel cold rolling capacity has received environmental impact assessment (EIA) approval from the Turkish Ministry of Environment and Urbanization.
- Iran's exports of semi-finished steel products jumped 74% on the year to 636,000 t in the first month (March 21-April 20) of the current Iranian year, although finished steel exports fell 31% to 184,000 t.
- Evraz has made a pilot batch of rails with low-carbon steel, which was shipped to network operator Russian Railways. The 5,000 t batch was made at the Evraz-owned Western Siberian Steelworks (Zapsib) using an EAF powered entirely or partly by renewable sources, including solar energy, and with minimal use of pig iron in the furnace charge.
- The Russian steelmakers' association has asked the government to drop the excise duty on liquid steel and abolish the increase in mineral extraction taxes, or METs, on ore and coking coal implemented from Jan. 1, 2022.
- The European Commission plans to introduce global quotas for some products and prolong steel safeguard measures to 2024. The Commission also updated the list of developing countries and added Vietnam to the other countries quotas.
- The Iranian government has reduced export duties for steel products and raw materials for the second time since April due to difficulties facing the steel industry.
- The European Commission has announced provisional anti-dumping duty rates on electrolytic chromium coated steel, or ECCS, imports from China and Brazil.

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

WORLD STEEL PRICE TRENDS

Global steel prices continued to remain under pressure from two basic sides in June 2022: one, the Russia-Ukraine conflict and its many-sided repercussions and secondly, the significantly rising COVID-19 cases in China, which has gone on to impact both supply and demand side movements. The Chinese government aimed to boost sentiments through measures intended to synergise sentiments but was met with lukewarm response from market. Steel prices remained south-bound in the first half of 2022 due largely to limited transactions, demand-supply imbalance and dull market conditions almost everywhere, with market participants adopting a wait-and-watch outlook.

Long Products

- US rebar market remained near-static in June 2022 with prices showing limited movements. Demand remained steady and faced limited challenges from imports. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$1130/t at month-end.
- June 2022 rebar prices moved south in the European market, in view of weak demand, sluggish sentiments, falling scrap prices among others. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €950-1,100/t (\$1,001-1,159) in Northern Europe, and around €630-640/t (\$664-675) in Southern Europe.
- Adverse weather and seasonal effect led to softened rebar prices in China in June 2022. Demand nonetheless remained strong but markets remained cautious in view of still-significant COVID cases. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 4,240-4,280 yuan/t (\$634-640).
- Supply-demand imbalance pulled down Russian rebar prices in June 2022. Fastmarkets' price assessment for steel reinforcing bar (rebar), domestic, cpt Moscow, Russia, stood at 40,000-45,500 roubles/t (\$676-769) at month-end.

Flat Products

- US HRC prices remained south-bound in June 2022, pulled down by weak market sentiments though demand remained strong. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$1,011/s.t. at month-end.
- Slow demand, output cut, and low transactions led European HRC prices head south in June 2022. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €862/t (\$910) in Northern Europe, and around €790/t in Southern Europe.
- Surge in future prices boosted Chinese HRC prices in June 2022. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 4,360-4,380 yuan/t (\$652-655) at month-end.
- Russian flat steel prices moved south in June 2022, faced by low demand and weak market conditions. Fastmarkets' price assessment for steel hot-rolled sheet, domestic, cpt Moscow, Russia stood at 57,000-58,000 roubles/t including 20% VAT.

[Source Credit: Fastmarkets Metal Bulletin]

SPECIAL FOCUS

India leads global DRI production in 2022 so far

World DRI production stood at 45.38 mt in January-May 2022 period, showing a yoy decline of 1.2%, according to provisional data released by worldsteel. In May 2022, world DRI production stood at 9.74 mt, up by 5.2% yoy and up also when compared to April 2022 (growth of 1.9%).

World DRI Production (Prov)			
Rank	Top 5	Jan-May '22 (mt)	% yoy change
1	India	17.19	(-)1.6
2	Iran	12.83	(-)9.5
3	Russia	3.39	4.4
4	Saudi Arabia	3.02	20.7
5	Egypt	2.58	21.2
Top 5 Total		39.01	(-) 1.32
World		45.38	(-) 1.2
Source: worldsteel			

- World DRI production was led by India in January-May 2022 which produced 17.19 mt during this period, which, however, reported a yoy decline of 1.6%. In May 2022, India's DRI production stood at 3.6 mt, up by 5.8% yoy and registered a marginal growth of 0.8% when compared over April 2022.
- Iran was the 2nd largest producer of DRI with a cumulative production of 12.83 mt in January-May 2022 period, a yoy decline of 9.5%. In May this year, Iran's DRI production stood at 2.9 mt, showing a yoy decline of 4.5%.
- Russia ranked third in terms of DRI production with a cumulative output of 3.39 mt (up 4.4% yoy) during first five months of 2022. In May 2022, the country's DRI production at 0.65 mt grew by 16.7% yoy.
- The top 5 countries accounted for 86% share in total world DRI production in January-May 2022 with a cumulative output of 39.01 mt, down by 1.32% yoy.

RAW MATERIAL SCENARIO

- Seaborne iron ore prices slumped in June 2022 following a massive fall in future prices amidst weak steel demand in China, limited policy impact to battle COVID-19 pandemic to resurrect markets and triggered by the move by United States Federal Reserve Bank to hike its benchmark interest rate and news of impending global recession. The Platts IODEX 62% Fe fines was assessed around \$122/dmt CFR north China at month-end.
- Rio Tinto has delivered the first ore from its 43 mtpa Gudai-Darri iron ore mine, its first greenfield mine in Australia's Pilbara region in more than a decade.

- Brazilian iron ore exports (25.52 mt) declined by 3.82% yoy in May 2022, according to figures released by the country's Ministry of Economy.
- Seaborne coking coal prices were south-bound in June 2022, following weak demand for steel. Premium low-volume HCC fob Australiawere quoted around \$377/t at month-end.
- Mongolia overtook Russia to become China's largest source of coking coal imports in May 2022, accounting for 1.8 mt of a total supply of 4.57 mt during the month.
- The Queensland state government in northeast Australia has announced new progressive royalty rates for coal w.e.f. July 1, 2022, after a ten-year freeze. The new rates will be 20% for prices above A\$175 (\$122), 30% per cent for prices above A\$225 and a 40% when prices exceed A\$300. The higher tiers only take effect on the proportion of the above the threshold.
- China's imports of ferrous scrap, excluding stainless steel scrap, totaled 22,714 tonnes in May 2022, up by 11.42% over April 2022 but down 80% yoy.
- Supply-demand distortion made global scrap prices head south in June 2022. Platts TSI HMS II (80:20) was quoted around \$367.5/t at month-end.

[Source Credit: Fastmarkets Metal Bulletin, Platts, JPC (India news)]

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-May 2022, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-May 2022. 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-May 2022*(mt)	April-May 2021 (mt)	% change*
Crude Steel Production	20.936	18.609	12.5
Hot Metal Production	13.504	12.664	6.6
Pig Iron Production	1.044	1.139	-8.4
Sponge Iron Production	7.175	6.727	6.7
Total Finished Steel (alloy/stainless + non-alloy)			
Production	19.454	17.746	9.6
Import	0.706	0.756	-6.7
Export	1.492	2.188	-31.8
Consumption	18.472	16.820	9.8
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 20.936 million tonnes (mt), up by 12.5%.
- **Hot Metal:** Production at 13.504 mt, up by 6.6%.
- **Pig Iron:** Production at 1.044 mt, down by 8.4%.

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- **Sponge Iron:** Production at 7.175 mt, up by 6.7%, led by coal-based route (79% share).
 - **Total Finished Steel:** Production at 19.454 mt, up by 9.6%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 12.821 mt (61% share) during this period, up by 10.3%. The rest (8.115 mt) came from the Other Producers, up by 16.1%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 12.191 mt (90% share) up by 7.7%. The rest (1.313 mt) came from the Other Producers, down by 2.6%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 0.276 mt (26% share) down by 36.7%. The rest (0.768 mt) came from the Other Producers, up by 9.2 %.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 11.056 mt (57% share) up by 6.2%. The rest (8.399 mt) came from the Other Producers, up by 14.5%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 83% share, the Private Sector (17.351 mt, up by 14.0%) led crude steel production compared to the 17% contribution of the PSUs.
- **Hot Metal:** With 71% share, the Private Sector (9.577 mt, up by 8.3%) led hot metal production, compared to the 29% contribution of the PSUs.
- **Pig Iron:** With 85% share, the Private Sector (0.892 mt, down by 7.0%) led pig iron production, compared to the 15% contribution of the PSUs.
- **Total Finished Steel:** With 86% share, the Private Sector (16.728 mt, up by 10.6%) led production of total finished steel, compared to the 14% contribution of the PSUs.

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Non-flat products accounted for 53% share (up by 11.0%), the rest 47% was the share of flats (up by 8.1%).
- **Import:** Flat products accounted for 94% share (down by 0.5%), the rest 6% was the share of non-flats (down by 54.6%).
- **Export:** Flat products accounted for 85% share (down by 29.3%), the rest 15% was the share of non-flats (down by 43.1%).
- **Consumption:** Led by Non-flat steel (55% share; up by 6.9%) while the rest 45% was the share of flat steel (up by 13.6%).

Finished Steel Production Trends

- At 19.454 mt, production of total finished steel was up by 9.6%.
 - Contribution of the non-alloy steel segment stood at 18.253 mt (94% share, up by 9.7%), 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 (8.030 mt, up by 9.7%) while growth in the non-alloy, flat
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segment was led by HRC (7.898 mt, up by 8.2%) during this period.

Finished Steel Export Trends

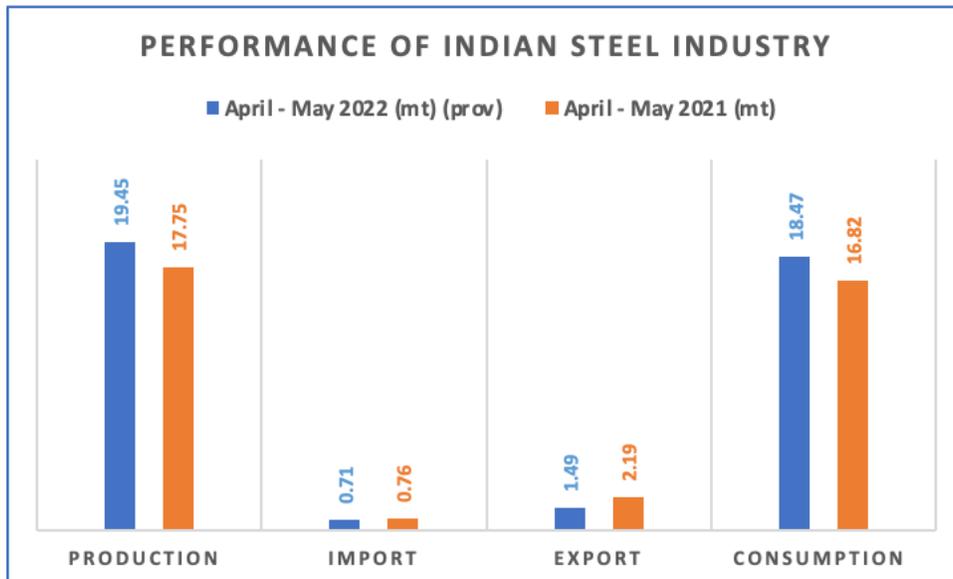
- Overall exports of total finished steel at 1.492 mt, down by 31.8%.
- Volume wise, Non-alloy HR Coil/Strip (0.670 mt, down by 35.2%) was the item most exported (49% share in total non-alloy).
- Italy (0.316 mt) was the largest export market for India.

Finished Steel Import Trends

- Overall imports of total finished steel at 0.706 mt, down by 6.7%.
- India was a net exporter of total finished steel in April-May 2022.
- Volume wise, HR Coil/ Strip (0.14 mt, up by 7.2%) was the item most imported (34% share in total non-alloy).
- Korea (0.345 mt) was the largest import market for India (49% share in total).

Finished Steel Consumption Trends

- At 18.472 mt, consumption of total finished steel was up by 9.8%.
- Contribution of the non-alloy steel segment stood at 17.110 mt (93% share, up by 9.3%), 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 (8.022 mt, up by 4.1%) while growth in the non-alloy, flat segment was led by HRC (7.099 mt, up by 15.6%) during this period.



INDIAN ECONOMY – HIGHLIGHTS OF PERFORMANCE

GDP: As per provisional estimates of the Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation, real Gross Domestic Product(GDP) at Constant (2011-12) Prices in the year 2021-22 is estimated to attain a level of ₹ 147.36 lakh crore, as against the First Revised Estimate of ₹ 135.58 lakh crore for the year 2020-21. The growth in GDP during 2021-22 is estimated at 8.7% as compared to a contraction of 6.6% in 2020-21 while that in GVA is estimated at 8.1% in 2021-22. Almost all the lead sectors reported a growth during 2021-22, with Public Administration, Defence & Other Services reporting the highest growth (12.6%) and Agriculture, Forestry and Fishing, the lowest (3%).

Industrial Production: Provisional CSO data show that the overall Index of Industrial Production (IIP) for April-May 2022 rose by 12.9% over same period of last year, encouraged by similar high levels of growth trends noted for the various sectors/sub-sectors.

Infrastructure Growth: Provisional data released by the DPIIT indicate that the Index for the Eight Core Infrastructure Industries saw a growth of 13.6% during April-May 2022 with all the sectors reporting a rise.

Inflation: In May 2022 (prov.), the annual rate of inflation, based on monthly WPI, stood at 15.88% while the all India CPI inflation rate (combined) stood at 7.04% and compared to the previous month, the former registered a growth and the latter, a decline.

Trade: Provisional figures from DoC show that during April-May 2022, in dollar terms, overall exports were up by 29.74% while overall imports were up by 51%, both on yoy basis. Overall trade deficit for this period is estimated at USD 27.3 billion as compared to the deficit of USD 5.47 billion of last year.

Prepared by: Joint Plant Committee