



Trends September 2017

The first half of the year 2017-18 is now behind us and the takeaways appear mixed. GST, the biggest structural reform of the country, has been ushered in and though a holistic impact of the same is too early to be gauged, the general perception is of distinct betterment in the medium-to-long run as entrepreneurs educate and align themselves with the new regime. For steel, the trends were predictable on home-ground and globally, September 2017 saw Chinese crude steel production dip on a month-on-month basis after a steady stretch of northbound movement. Further, as analysts point out the upcoming winter production caps in China has the potential to impact global supply-demand balance in a marked way.

WORLD ECONOMY AT A GLANCE

- The J.P. Morgan Global Manufacturing PMI stood at 53.2 in September 2017, was at same level as in August 2017 and indicated that global manufacturing economy continued to expand at a steady pace in 2017 so far as per reports released by Markit Economics.
- As per the report, growth accelerated in the eurozone, the US and Japan but slowed slightly in China, the UK and Taiwan. The South Korea PMI moved back into expansion territory. The upturn in the euro area was again led by Germany, the Netherlands and Austria.
- Manufacturing production, as per the report, increased at the quickest pace in six months in September 2017, helped by increases in total new orders and international trade volumes, both. Staffing levels were increased in almost all of the nations covered by the survey. Price pressures intensified in September 2017 with input cost inflation going up sharply to a seven-month high, as per the report.

Key Economic Figures			
Country	GDP Q2 2017: % yoy change*	Manufacturing PMI	
		August 2017	September 2017
India	5.7	51.2	51.2
China	6.9	51.6	51.0
Japan	2.0	52.2	52.9
USA	2.2	52.8	53.1
EU 28	2.2	57.4	58.1
Brazil	0.3	50.9	50.9
Russia	2.5	51.6	51.9
South Korea	2.7	49.9	50.6
Italy	1.5	56.3	56.3
Germany	2.1	59.3	60.6
Turkey	5.1	55.3	53.5

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

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association (worldsteel) data shows that world crude steel production for September 2017 was 141.43 million tonnes (mt), up by 5.6 per cent year-on-year (yoy) and was 1266.92 mt during January-September 2017, up by 5.6 per cent yoy.

World Crude Steel Production: January - September 2017*			
Rank	Country	Qty (mt)	% change over last year
1	China	638.73	6.3
2	Japan	78.26	-0.2
3	India	74.86	5.3
4	United States	61.45	3.1
5	Russia	54.20	2.8
6	South Korea	52.82	3.5
7	Germany	32.87	2.7
8	Turkey	27.74	13.5
9	Brazil	25.47	9.1
10	Italy	17.77	2.5
	Top 10	1064.17	5.2
	World	1266.92	5.6
Source: worldsteel, JPC; * provisional			

- At 71.83 mt, Chinese crude steel production grew by 5.3 per cent during September 2017 but declined over August 2017 thereby breaking the long-stretch of steady month-on-month growth that was witnessed so far. Production stood at 638.73 mt during January-September 2017, up by 6.3 per cent yoy. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was up by 5 per cent. China accounted for 73 per cent of Asian and 50 per cent of world crude steel production during this period.
- September 2017 Japanese crude steel production (8.62 mt) was up by 2 per cent while production at 78.26 mt during January-September 2017 saw a decline (by 0.2 per cent). The country remained the second largest crude steel producer in the world during 2017 so far.
- With a 6 per cent share in total world production and a 5.3 per cent rise in production over same period of last year, India remained the third largest crude steel producer in the world in January-September 2017.
- Crude steel production in the EU (28) countries during September 2017 was at 13.78 mt, up by 2.7 per cent yoy and was at 126.43 mt, during January-September 2017, up by 4.1 per cent yoy.
- At 97.93 mt, Asian crude steel production was up by 5.1 per cent in September 2017 and at 876.27 mt, during January-September 2017, it was up by 5.9 per cent yoy. Asia accounted for 69 per cent of world crude steel production during this period.
- The top ten countries accounted for 84 per cent of world crude steel production and recorded a yoy production growth of 5.2 per cent during this period, which also saw Russia regain its position as the 5th largest crude steel producer displacing South Korea which was back at its 6th largest spot.

NEWS AROUND THE WORLD

THE AMERICAS

- The US Department of Commerce will not take action on its Section 232 investigation of steel imports until the administration is able to make progress on tax reform.
- The US will extend anti-dumping duties (ADD) on stainless steel sheet and strip from Japan, Korea and Taiwan, as a result of an affirmative determination by the US ITC.
- The USA has further extended the deadline for its circumvention investigation into imports of coated steel and CRC from Vietnam, as well as determining that wire rod from Italy and Turkey is subsidised.
- The US Department of Commerce has assessed imports of Russia-origin wire rod with preliminary but high ADD of 756.93% and a rate of 280.02% for imports from Belarus while wire rod exporters in the UAE, including Emirates Steel, were given rates of 84.1%.
- The unprecedented destruction resulting from Hurricane Harvey's assault on the US Gulf Coast region is expected to tighten steel and scrap supplies and put upward pressure on prices.
- Brazil-based Samarco has filed an environmental report with local authorities, as part of the "corrective" licensing process that will allow it to resume its pelletizing activities.
- A technical report issued by the Brazilian competition regulator, Cade, recommended the refusal of acquisition of local long steel producer Votorantim Siderurgia by ArcelorMittal's Brazilian subsidiary.
- Ternium to build 3.7 mtpa rolling mill in Mexico, 0.52 mtpa rebar unit in Colombia to "further develop its industrial system to better serve its customers".

ASIA

- The Sichuan provincial government in southwest China has recently approved the installation of 20 new electric arc furnaces of a combined crude steel capacity of 10.26 mtpa, according to an announcement made by the provincial Economic and Information Commission.
- The Hebei provincial government issued an off-peak 'production' notice as per which steelmakers in major cities such as Shijiazhuang, Tangshan and Handan are to reduce overall blast furnace utilization rates to 50% during the winter heating season, starting November 15, 2017 to March 15, 2018.
- China exported 6.52 mt of steel in August 2017, down 6.3% month-on-month (m-o-m) and down 27.6% yoy.
- Zongheng Iron & Steel has idled all of its blast furnaces, marking the start of the permanent shutdown of the Handan city-based steelworks.
- Sintering and blast furnace operations have been partially or fully suspended at a number of mills in the Wu'an region in Hebei, after tighter regulations were introduced to lower emissions.
- China's Shanghai Futures Exchange has collected feedback among stainless market participants in the country with a view to launching a futures contract by 2018.

-
- Steel industry representatives from Japan and China are expected to meet this month for their first steel-sector ‘dialogue’ in two years.
 - Japan’s steel exports in July 2017 decreased by 17.2% yoy to 2.96 mt, as per JISF reports.
 - India has imposed 18.9% CVD for 5 years on imports of HR, CR stainless steel from China.
 - Indonesia’s PT Krakatau Steel is planning to blow-in its new 1.2 mtpa blast furnace in December 2017. The \$635 million furnace will utilize coal rather than natural gas, reducing energy costs.
 - Vietnam has imposed final ADD on wide flange beams from China effective September 5, 2017 for a period of 5 years.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- NLMK has begun installing a briquetting plant at its flagship Novolipetsk Iron and Steel Works in west Russia, which will utilize BF waste to reduce input costs. Once commissioned by the end of 2018, the plant will produce up to 0.7 mtpa of briquettes made from iron ore concentrate mixed with BF sludge and other BF waste, including dust.
- GFG Alliance is investigating the potential to increase crude steel capacity in Australia. The group is exploring the possibility of building a new 4-5 mtpa blast furnace in Whyalla, in addition to the existing 1.2 mtpa capacity.
- Major Iranian iron ore producer Chadormalu has announced plans to build a 1.2 mtpa rolling mill and a pelletizing plant.
- The Australian government has introduced new legislation aimed at removing the loopholes in the country’s antidumping regime – a move welcomed by flat steel producer BlueScope Steel. This legislation will establish an expanded range of methods that can be used by the Anti-Dumping Commission.
- Egypt’s ministry of trade extended the ADD on rebar from China (17%), Turkey (10-19%) and Ukraine (15-27%) for another two months.

EU AND OTHER EUROPE

- The EU’s competition regulators are scheduled to make a decision on the sale of Italian flat-steel maker Ilva by October 2017.
- The European Commission has proposed applying a fixed price per tonne instead of a MIP on HRC brought into the region from four countries involved in a trade defence case.
- Tata Steel has announced that it has signed a MoU with ThyssenKrupp over the 50:50 merger of their European steel businesses.
- Italy’s largest steel producer, Ilva, has started to build up daily production levels to 11,000-12,000 t crude steel, after producing at 9,000 tpd for several weeks due to problems at two converters.
- The Turkish Competition Authority said Kardemir and four other long product makers and re-rollers had not violated Turkish competition law.
- Voestalpine has increased its wire rod production capacity by 50% with the opening of a new plant in Donawitz, Austria. The new facility, which is the result of a €140 million (\$166 million) investment, will take the company’s overall wire rod capacity to around 1.10 mtpa.
- The global shortage of carbon graphite electrodes is threatening to “strangle EU steel production”, as per Eurofer.

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

WORLD STEEL PRICE TRENDS

Q3 2017 ended on a note similar to the one that had prevailed so far - a sustained rise in steel prices in the major steel pockets around the world, prompted by a combination of factors – stringent supply/stable demand/rising raw material costs. China however bucked the trend in September 2017 with transactions taking a hit due to the upcoming week-long festivities owing to National Day holiday and Autumn Festival. Nonetheless, it continued to be at the centre of all global actions what with major production caps being announced in Hebei during the winter heating season, starting November 15, 2017 to March 15, 2018.

Long Product

- September 2017 saw US rebar prices stay flat during the month but at a level higher than last month's, supported by price hikes announced by Gerdau Long Steel North America and CMC, among other market leaders. Transactions, as per Metal Bulletin reports, were quoted around \$580/t at month-end.
- Supply shortage and strong demand led EU rebar prices head north in September 2017. Transactions, as per Metal Bulletin reports, were quoted around €545-580/t (\$644-685) in Northern Europe and around €510-535/t in Southern Europe.
- September 2017 rebar prices in China moved south dampened by push sales in a weak market ahead of a week-long National Day holiday in the country. Transactions, as per Metal Bulletin reports, were quoted around 3820-3860 yuan/t in Shanghai and around 3670-3720 yuan/t in Beijing for grade III rebar. All prices are ex-w and includes VAT.
- Better demand-supply conditions pushed up Russian rebar prices in September 2017 over last month. Metal Bulletin's price assessment for Russian domestic 12mm A500C rebar was 35,000-38,000 roubles/t (\$608-660) cpt Moscow, including VAT at month-end.

Flat Product

- After an August push, US HRC prices in September 2017 moved south in view of uncertainty in market operations specially stability in prices. Transactions, as per Metal Bulletin reports, were quoted around \$600-630/t at month-end.
- European HRC prices saw an increase in September 2017 over last month, encouraged by better market conditions. Transactions, as per Metal Bulletin reports, were quoted around €510-540/t in Southern Europe and around €520-540/t in Northern Europe at month-end.
- Factors similar to those affecting rebar market impacted HRC prices as well in China during September 2017. Transactions, as per Metal Bulletin reports, were quoted around 3980-4030 yuan/t in Shanghai and around 3960-4000 yuan/t in Tianjin. All prices are ex-w and includes VAT.
- Russian flat steel prices remained stable during September 2017, notching up a rise over August. Metal Bulletin's price assessment for Russian 4mm HR sheet was around 38,000-43,600 roubles/t (\$660-757) cpt Moscow, including VAT at month-end.

[Source Credit: Metal Bulletin]

SPECIAL FOCUS

World DRI output up 3% in August 2017

World output of direct reduced iron (DRI) or sponge iron stood at 4.73 million tonnes (mt) in August 2017, notching up a growth of 2.57% year-on-year (yoy), according to provisional data released by the World Steel Association (worldsteel). Iran, currently the world's largest DRI producer, produced 1.43 mt in August 2017, up by 6% yoy while, India, world's second-largest DRI producer, saw DRI output rising by 0.8% to 1.23 mt in August 2017. The largest rise in production was seen in South Africa, with output jumping by 276% to 87,626 tonnes in August 2017, compared with 23,299 tonnes in the same month last year. As far as the cumulative growth picture i.e. January-August 2017 is concerned (shown below), the trends were largely similar to those for the month of August 2017. World DRI production stood at 38.54 mt in January-August 2017, a growth of 8.5% yoy, led by Iran with a growth of 11.2%, Mexico (up by 16.1%), Egypt (up by 45.2%) and India (up by 4.4%) while production saw a decline for Saudi Arabia (by 4.3%) during this period. The top five global producers accounted for 81% of total world production of DRI during January-August 2017.

World DRI Production: January - August 2017*			
Rank	Country	Qty (mt)	% change over last year
1	Iran	11.69	11.2
2	India	9.82	4.4
3	Mexico	4.12	16.1
4	Saudi Arabia	3.34	-4.3
5	Egypt	2.44	45.2
	Top 5	31.41	9.7
	World	38.54	8.5

Source: worldsteel; *provisional

INDIAN STEEL MARKET ROUND-UP

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

Item	Performance Highlights		
	April-September 2017* (mt)	April-September 2016 (mt)	%yoy change*
Crude steel production	49.766	47.607	4.5
Total Finished Steel (alloy + non-alloy)			
Production for sale	52.021	49.562	5.0
Import	4.316	3.596	20.0
Export	4.848	3.032	59.9
Consumption	42.853	41.097	4.3

Crude Steel

- Production of crude steel during April-September 2017 was at 49.766 million tonnes (mt), a growth of 4.5 per cent compared to April - September 2016.
- SAIL, RINL, TSL,ESSAR, JSWL & JSPL produced 28.44 mt during this period, which was a growth of 6.7 per cent compared to last year. The rest i.e. 21.326 mt was the contribution of the Other Producers, which was a growth of 1.8 per cent as compared to same period of last year.
- Overall crude steel production in September 2017 (8.401 mt) was up by 6.8 per cent over September 2016 but was down by 0.9 per cent over August 2017.

Production for sale

- During April-September 2017, production for sale stood at 52.021 mt, a growth of 5 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 47.349 mt (up by 4.1 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where production for sale was up by 14.3 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 21.911 mt (up by 1.8 per cent) while that of the flat segment stood at 25.438 mt (up by 6.2 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 17.26 mt (up by 1.7 per cent), 4.05 mt (down by 0.2 per cent) and 0.6 mt (up by 22 per cent).
- On the other hand, for the flat segment, production for sale was up for items like Plates (2.5 mt, up by 12.4 per cent) and HRC (12.51 mt, up by 9.5 per cent) but was down for CRC (4.14 mt, down by 4 per cent) and GP/GC Sheets (3.8 mt; down by 0.6 per cent).
- Production for sale stood at 8.75 mt in September 2017, up by 5 per cent over September 2016 but was down by 1 per cent over August 2017.

Export

- Exports stood at 4.848 mt during April-September 2017, a growth of 59.9 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 4.358 mt (growth of 57 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where exports were up by 87 per cent.
- In the total export of finished non-alloy steel, export of non-flat was at 1.253 mt (up by 264 per cent) and that of flat steel was at 3.105 mt (up by 28 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to export was bars & rods (1.14 mt, up by 283 per cent) while growth in exports in the non-alloy, flat segment was led by HRC (1.17 mt, up by 49 per cent).
- Exports stood at 1.115 mt in September 2017, up by 70 per cent over September 2016 and was up by 20 per cent over August 2017.

Import

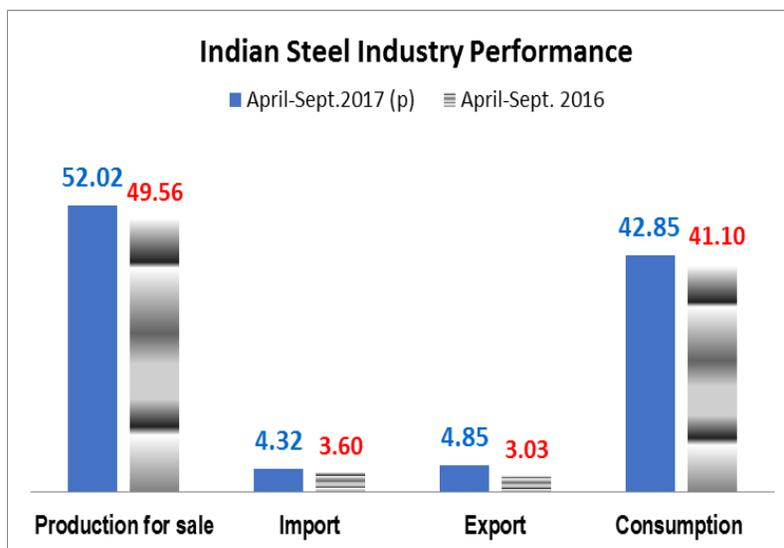
- Imports stood at 4.316 mt during April-September 2017, a growth of 20 per cent compared to last year, in which contribution of the non-alloy steel segment stood at

3.245 mt (growth of 20.4 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where imports were up by 19 per cent.

- In the import of total finished non-alloy steel, non-flat imports were at 0.19 mt (down by 26 per cent) and flat imports were at 3.05 mt (up by 25.3 per cent).
- In the non-alloy, non-flat segment, major contributor to import was bars & rods (0.16 mt, down by 25 per cent) while for the flat segment, import was led by HRC (1.09 mt; up by 15 per cent).
- Imports stood at 0.81 mt in September 2017, up by 32 per cent over September 2016 but was down by 20 per cent over August 2017.
- Such trends in export-import implied that for total finished steel, India was a net exporter in both September 2017 as well as April-September 2017.

Consumption

- During April-September 2017, real consumption (or simply consumption) of total finished steel stood at 42.853 mt, a growth of 4.3 per cent over same period of last year.
- For non-alloy steel, contribution of the non-flat segment stood at 20.937 mt, up by 0.8 per cent over same period of last year and that of the flat segment (after accounting for double counting) stood at 18.263 mt, up by 8.3 per cent over same period of last year, taking total non-alloy consumption (after double counting) to 39.2 mt, up by 4.2 per cent. The remainder was the contribution of the alloy/stainless segment, which reported a growth of 5.4 per cent during this period.
- In the non-alloy, non-flat segment, the major contributor to consumption was bars & rods (16.52 mt; up by 1.3 per cent) whereas for the flat segment, consumption was led by HRC (12.39 mt, up by 7.7 per cent).
- Consumption stood at 7.41 mt in September 2017, up by 3.5 per cent over September 2016 but was down by 1.5 per cent over August 2017.



JPC Market Prices (Retail)

Delhi market prices: Compared to September 2016, average (retail) market prices in Delhi market in September 2017 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), largely in response to domestic demand-supply conditions and global influences. When compared to August 2017, the trend was the same for prices of both the items. The situation in September 2017 with regard to September 2016 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 September 2017		
Item	Delhi market prices (Rs/t)	% change over September 2016
TMT, 10 mm	39,077	17.8
HRC, 2.0 mm	46,000	17.9
Source: JPC		

All markets: Compared to September 2016, average (retail) market prices in September 2017 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm) in all metro cities, largely in response to domestic demand-supply conditions and global influences. When compared to August 2017, however, prices of both the items saw a rise in all the markets except in Mumbai. The situation in September 2017 with regard to September 2016 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 September 2017 over September 2016				
Item	Kolkata	Delhi	Mumbai	Chennai
TMT 10mm	29.9	17.8	20.8	23.3
HR Coils 2.00mm	25.2	17.9	18.8	31.5
Source: JPC				

TMT prices were highest in the Chennai market (Rs 40,672/t) and lowest in the Mumbai market (Rs 38,081/t) while HRC prices were highest in the Chennai market (Rs 49,363/t) and lowest in the Mumbai market (Rs 44,396/t) during September 2017.



INDIAN ECONOMY – HIGHLIGHTS OF PERFORMANCE

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

Industrial Production: Provisional CSO data show that the Index of Industrial Production (IIP) under new series was up by 4.3 per cent yoy in August 2017 and by 2.2 per cent during April-August 2017, depressed by slow growth in sectors like Manufacturing, Infrastructure/Construction Goods, Primary Goods and declining growth rates in sectors like Capital Goods, Intermediate Goods and Consumer Durables.

Inflation: The annual rate of inflation, based on monthly WPI, stood at 2.6 per cent (provisional) for the month of September 2017 (over September 2016) as compared to 3.24 per cent (provisional) for the previous month. Build up inflation rate in the financial year so far was 0.97 per cent compared to a build up rate of 3.44 per cent in the corresponding period of the previous year. The all India CPI inflation rate (combined) for September 2017 stood at 3.28 cent, at same level as in the previous month.

Infrastructure Growth: The yoy growth rate of the eight core infrastructure industries was up by 4.9 per cent in August 2017 and by 3 per cent in April-August 2017 encouraged by growth in most sectors except coal, fertilizers and cement.

Trade: Provisional figures from DGCI&S show that during April-September 2017 in dollar terms, overall exports were up by 11.52 per cent while overall imports were up by 25.08 per cent, both on yoy basis. During the same period, oil imports were valued at US\$ 46965.26 million, 18.82 per cent higher yoy while non-oil imports were valued at US\$ 172351.94 million, 26.9 per cent higher yoy. Overall trade deficit for April-September 2017-18 is estimated at US \$ 43813.83 million as compared to US \$ 16467.10 million during April-September 2016-17.

Policy:

- With exporters citing difficulty in furnishing bonds under GST, the Centre has permitted letters of undertaking for exports.
- The government is planning to set up five scrap-based steel plants at an investment of Rs 500 crore within a year to ensure that a chunk of the country's targeted 300 million tonnes steel output is met through scrap.
- The government has notified new duty drawback rates from 1 October, 2017.

Prepared by Joint Plant Committee