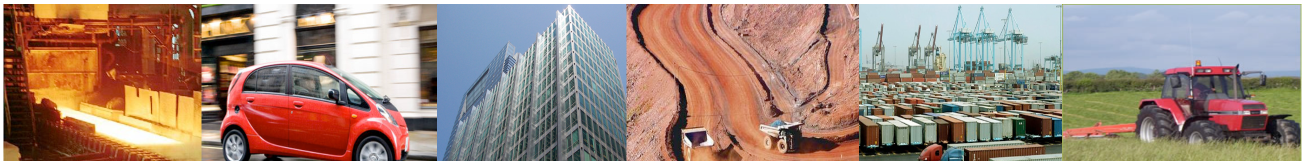


Trends ….. August 2018

CSO reports indicated a thriving Indian economy, encouraged by a GDP growth of 8.2% in the first quarter of the current fiscal. Not only that, it is an uptick on the January-March 2018 GDP growth of 7.7%, indicating thereby a steady sustenance of economic achievement. For steel, unsettled by the looming trade war globally and the rise in its imports during current period, this is indeed a piece of good news.

WORLD ECONOMY AT A GLANCE

- The J.P.Morgan Global Manufacturing PMI posted a 21-month low of 52.5 in August 2018 thereby indicating a subdued global manufacturing economy during the month, as per Markit Economics reports.
- The Markit reports also indicate that national PMI indices signalled growth in all but five of the nations (South Korea, Russia, Turkey, Thailand and Myanmar) for which data were available and that the developed nations tended, on average, to register faster rates of expansion than their emerging market counterparts. Growth in the US and the Euro Area remained robust in August 2018 while rates of expansion improved in Japan and Australia, but slowed in the UK. Among the largest emerging nations, the China PMI was only marginally above the 50.0 no-change mark and at its lowest level since June 2017. Growth eased in India and picked up to a four-month high in Brazil.
- As per the reports, the rate of expansion in incoming new orders eased to a near two-year low in August 2018, with the trend in new export business remaining at near-stagnation, employment has mostly on the riseand so was input cost inflation.

Key Economic Figures			
Country	GDP Q2 2018: % yoy change*	Manufacturing PMI	
		July 2018	August 2018
India	8.2	52.3	51.7
China	6.7	50.8	50.6
Japan	1.0	52.3	52.5
USA	2.9	55.3	54.7
EU 28	2.2	55.1	54.6
Brazil	1.0	50.5	51.1
Russia	1.8	48.1	48.9
South Korea	2.8	48.3	49.9
Germany	2.0	56.9	55.9
Turkey	5.2	49.0	46.4
Italy	1.2	51.5	50.1
Source:GDP: official releases; PMI- Markit Economics, *provisional			

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production for July 2018 was 154.58 million tonnes (mt), up by 5.8% year-on-year (yoy) i.e. over July 2017 and stood at 1038.37 mt during January-July 2018, up by 5% yoy.

World Crude Steel Production: January-July 2018 (p)			
Rank	**Country**	**Qty (mt)**	**% yoy change**
1	China	532.85	6.3
2	India	61.83	5.5
3	Japan	61.39	0.8
4	USA	49.33	3.5
5	South Korea	42.24	3.1
6	Russia	42.09	2.2
7	Germany	26.35	2.4
8	Turkey	22.16	2.8
9	Brazil	20.21	3.4
10	Italy	15.02	3.5
	Top 10	**873.47**	**5.0**
	World	**1038.37**	**5.0**
Source: worldsteel; p= provisional; mt=million tonnes			

- China produced 81.24 mt of crude steel in July 2018, up by 7.2% over July 2017 and production during January-July 2018 stood at 532.85 mt, up by 6.3% yoy. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was up by 3.7%. China accounted for 74% of Asian and 51% of world crude steel production during this period.
- With a 6% share in total world production and a 5.5% rise in production over same period of last year, Indian crude steel production during January-July 2018 (61.83 mt) was few notches above Japan and the country emerged as the 2nd largest producer during this period.
- July 2018 Japanese crude steel production (8.42 mt) was down by 2% yoy and production during January-July 2018 stood at 61.39 mt, up by 0.8% yoy. The country was the third largest crude steel producer in the world in 2018 so far.
- Crude steel production in the EU (28) countries during July 2018 was at 14.53 mt, up by 3.9% yoy and production during January-July 2018 stood at 101.98 mt, up by 2% yoy.
- At 108.98 mt, Asian crude steel production was up by 6.3% in July 2018 and production during January-July 2018 stood at 724.72 mt, up by 5.6% yoy. Asia accounted for 70% of world crude steel production during this period.
- The top 10 countries accounted for 84% of total world crude steel production in January-July 2018 and saw production go up by 5% yoy.

NEWS AROUND THE WORLD

THE AMERICAS

- The US President Donald Trump signed a proclamation that will allow companies to request product-specific exclusions for steel imports from South Korea, Brazil and Argentina, along with aluminium imports from Argentina, even after import quotas from those countries are filled.
- The US ITC will extend anti-dumping duties (ADD) on stainless steel bar from India.
- The U.S. Department of Commerce has announced ADD on large-diameter welded pipe from six countries: India (50.55%), China (132.63%), Greece (22.51%), Canada (24.38%), South Korea (14.97-22.21%) and Turkey (3.45-5.29%).
- The USA has reimposed its economic sanctions against Iran, with steel trade being one of the sectors to be directly affected.The sanctions are also intended to prevent Iran from using the US currency and stands to affect the trade of such metals and minerals as gold, aluminium, coal and graphite and prohibits sales of cars and aircraft.
- The USA has doubled its Section 232 duties on Turkish steel imports, from 25% earlier to 50%, leading to a weakening of the Lira against the USD and keeping market participants on edge. Turkish aluminum import also faces a doubling of duty to 20%.
- Usiminas has resumed operations in all equipments at Ipatinga complex, after the explosion at one of its natural gas storage tanks earlier during the month.
- ArcelorMittal is resuming the expansion project at its Brazilian flat product rolling mill Vega and will hike its annual rolling capacity to 1.6 mt from current 1.4 mt of CR/GP.
- Canada has initiated investigation into whether steel imports harm or threaten to harm domestic producers. Also, in a preliminary determination, it has found evidence to suggest that CRC/S imports from China, South Korea and Vietnam are injuring domestic producers.

ASIA

- NDRC reports indicate that China removed 24.7 mtpa of crude steel capacity during Jan-July 2018, achieving more than 80% of its 2018 target.
- Shandong province released its 'three-year blue skies' plan for the period of 2018-2020, as per which, seven 'air pollution transmission channel' cities will roll out winter output cut plans for industries of high pollutant emissions, including the steel industry. Accordingly:

  - Shandong province has ordered all of its 17 local governments to submit their winter output cut plans for industries with high pollutant emissions by end of September 2018. Among them, 11 cities have steel mills that will be subject to the winter cuts from 2018, while the number in 2017 was just seven.
  - Similar order has also been issued by Zhejiang province in a bid to further improve air quality. The province wasn't included in the winter output cuts last year.
  - Shanxi province too has stepped up its control, aiming to lower total emissions of sulfur dioxide and nitrogen oxide by more than 20% by 2020 compared to the level in 2015.
  - Anyang city has issued an order to curb output at local steel mills' sintering plants, BFs and converters over August 22-31, 2018.

- Tangshan went in for emergency measures to reduce emissions from 3pm on 21st August until 12pm of 27th August 2018 to combat anticipated high levels of air pollution. The measures include a 50% cut to sintering and pelletizing production at local mills, as well as a stoppage to steel re-rolling.
- Jiangsu province is urging steel mills to upgrade in a move to build up advanced steel industry clusters along the Yangtze River and East China Sea. By 2020, the province plans to have two steel industry clusters - one by the river and the other by the sea - with the aim of fostering "several thousand of specialty and advanced steel companies" using advanced technology and keeping high-quality standards.
- At 5.89 mt, China's finished steel exports fell in July 2018 by 15.4% yoy and by 15.1% over June 2018. Exports during January-June 2018 stood at 41.31 mt, down 13.6% yoy.
- China sets up first commercial HIsmelt plant in Shandong province to make steel directly from low grade iron ore fines and non-coking coal.
- Nippon Steel & Sumitomo Metal Corp will be making Sanyo Special Steel its subsidiary by March 2019 to strengthen the companies' special steel business.
- Gerdau has sold all of its assets and operations in India for $120 million, with the aim to focus on its operations in Brazil and the United States.
- South Korea's SeAH Steel Corp. plans to split into investment and operational entities to improve management transparency and help it better respond to growing trade pressures.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- With deals made in Lira, the on-going crisis between the USA and Turkey went on to have a deep impact on the operations of the long steel market in the Middle East.
- The Eurasian Economic Commission (EEC) has started a safeguard investigation into flat steel imports to its members, after three leading Russian flat steel producers, MMK, NLMK and Severstal, lodged a complaint.

EU AND OTHER EUROPE

- Ratings agency Moody's has lowered its credit rating for Erdemir Group to Ba3 from Ba2 and described its outlook as negative.
- The tender for the sale of Italian flat steel producer Ilva might be invalid, as per the country's minister for economic development, Luigi Di Maio.
- The UK steel industry has raised several concerns over the implications of a "no-deal" Brexit scenario, industry group UK Steel said in a briefing paper released last month.
- Turkey has requested dispute consultations with the USA at the WTO regarding the doubling of US duties on certain imported steel and aluminium products.Turkey has increased tariffs on some US-origin products, including coking coal, automobiles etc with tariff rates varying between 10% and 140%, depending on the product.
- Italy's Feralpi to boost billet capacity to 1.2m tpy at Brescia mill, following a revamp of its continuous billet caster.
- Aferpi is all set to restart production under its new owner, Indian steelmaker JSW, at the end of August 2018, after remaining offline for two years.

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

WORLD STEEL PRICE TRENDS

Q3 2018 continued to throw up new challenges and deepen existing ones. While regional issues continued to impact domestic demand-supply and therefore steel prices, the focus remained squarely on the Trump Trade War and emerging issues like the trade friction with Turkey, with potential far-reaching impact which started taking defined contours during the month as well as emerging trade barriers. China, meanwhile, continued to tread on its own line, with its focus firmly on capacity-production cuts and at the same time, drawing up a long-term plan of river/sea-side cluster development. Demand worldwide remained modest but it is the gloomy prospect of the now-brewing global trade war impacting both finished products as well as the raw material front, which is all poised to impact steel market dynamics in general and steel price movements in particular in the coming days.

Long Product

- August 2018 saw USA rebar prices hold steady with imports under control in view of the Section 232 tariffs. Transactions, as per Metal Bulletin reports, were quoted around $710/t at month-end.
- Rebar prices in the EU too remained stable during August 2018. Transactions, as per Metal Bulletin reports, were quoted around €540-560/t ($631-655) in Southern Europe and around €565-575/t ($661-672) in Northern Europe.
- Production cuts, gains in futures market and modest demand helped Chinese rebar prices to move north in August 2018, with transactions, as per Metal Bulletin reports, quoted around 4,450-4,500 yuan/t ($653-661) in Shanghai and around 4,400-4,430 yuan/t in Beijing.
- Supply shortage pushed up Russian rebar prices in August 2018, with market leaders like Severstal announcing steep hikes. Metal Bulletin’s assessment of domestic price for Russian 12mm A500C rebar was around 37,500-38,000 roubles/t cpt Moscow, including VAT.

Flat Product

- August 2018 saw HRC prices move south in the USA in view of tepid demand and market oversupply. Transactions, as per Metal Bulletin reports, were quoted around $866/t at month-end.
- EU domestic HRC prices remained stable in August 2018 and showed some modest gains. Transactions, as per Metal Bulletin reports, were quoted around €570-580/t ($658-669) in Northern Europe and around €550-560/t in Southern Europe.
- Buoyed by same factors as in rebar, Chinese HRC prices moved north in August 2018, with transactions, as per Metal Bulletin reports, quoted around 4,400-4,410 yuan/t ($646-648) in Shanghai and around ,4310-4,320/t in Tianjin.
- Russian flat steel prices showed a rise in August 2018 with market leaders like NLMK and Severstal both going for price hike. Metal Bulletin’s weekly price assessment for Russia-origin 4mm HR sheet stood at 44,600-46,600 roubles/t ($663-693) cpt Moscow, including VAT.

[Source Credit: Metal Bulletin]

SPECIAL FOCUS

India, Iran drives up global DRI production by 21% in July 2018

Global output of direct reduced iron (DRI) increased by 21.2% year-on-year (yoy) in July 2018 and by 17.8% during January-July 2018, as per provisional World Steel Association (worldsteel) report. DRI production worldwide rose to 6.83 million tonnes (mt) in July 2018, compared with 5.63 mt in the corresponding month last year, according to worldsteel, driven by a substantial growth in Iran, where output (2.02 mt) rose by 41% and India (2.51 mt), which remained the global leader and reported a 2% rise in its July 2018 output on yoy basis.

For January-July 2018, provisional worldsteel report indicates that global DRI output (48.78 mt) continued to be driven by India (17.29 mt) at the number one spot with a 8.1% growth in production when compared to same period of last year. The country also accounted for 35% of total global output during this period. As in case of the monthly trend, for the cumulative period also, Iran's DRI output (15.28 mt) rose by a robust 49% during this period and along with India, these two countries accounted for 67% of global DRI output during this period. Together, the top five countries (details below) accounted for 86% of the world DRI production during this period and saw their cumulative output rise by 18.5% as compared to same period of last year.

World DRI Production: January-July 2018*			
Rank	**Country**	**Qty (mt)**	**%change over last year**
1	India	17.29	8.1
2	Iran	15.28	48.9
3	Mexico	3.39	-6.6
4	Egypt	3.25	18.2
5	Saudi Arabia	2.89	0.3
	Top 5	**42.08**	**18.5**
	World	**48.78**	**17.8**
	%Share : Top 5	**86**	**-**
Source: World Steel Association; *provisional			

Doubled US 232 tariff goes into effect against Turkey

August 2018 ushered in a shock for Turkey's steel industry what with the USA announcing a surprise doubling (from 25% earlier to 50%) of its Section 232 tariffs on Turkish steel imports with immediate effect. Turkish aluminum import also faces a doubling of duty to 20%. The increased duties were reportedly necessary to protect US national security.

With this, Turkey's steel market and economic uncertainty sees a deep plunge given that its Lira has already on a downward slope and the EU safeguard measures has already blocked entry to one of the biggest steel markets, globally. The recent US doubling of duties effectively seals off the USA market for them.

Metal Bulletin reports indicate that not only steel and possible global dischord, the present stance of the USA in relation to the Turkish market could also impact ferrous scrap and long products as Turkey is both the top foreign reinforcing bar supplier to the USA and the top consumer of USA's ferrous scrap exports. According to the US Commerce Department reports, the USA imported 34.5 million tonnes of steel in 2017, and nearly 2 million tonnes (5.6%) of it came from Turkey and US import of rebar stood at 1,347,303 tonnes and 791,586 tonnes (59% of that total) came from Turkey. So, the new Section 232 tariffs of 50% on Turkish rebar in addition to the existing anti-dumping and countervailing duties has the serious potential to cut off Turkish rebar supply to the USA as per market analysts. Similarly, Turkey is the top destination for US scrap exports and till the Lira became expensive, an annual average of 30% of overall US scrap exports was going to Turkey. Trade relations and dynamics between Turkey and the USA is thus all set to change and in most likelihood, impact global operations as well.

INDIAN STEEL MARKET ROUND-UP

Performance of Indian Steel Industry: April-July 2018

The following is a status report on the performance of Indian steel industry during April-July 2018, based on provisional data released by the JPC. 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	Indian Steel: Performance Highlights		
	April-July 2018 (mt)*	April-July 2017 (mt)	% change*
Crude steel production	34.896	32.456	7.5
Total Finished Steel (alloy + non-alloy)			
Production	42.033	40.538	3.7
Import	2.657	2.503	6.2
Export	1.866	2.806	-33.5
Consumption	31.167	28.820	8.1
Source: JPC; mt=million tonnes;* provisional			

I. Crude Steel

- Production of crude steel during April-July 2018 was at 34.896 million tonnes (mt), a growth of 7.5 per cent compared to same period of last year.
- SAIL, RINL, TSL, ESSAR, JSWL & JSPL produced 20.928 mt during this period, which was a growth of 12.2 per cent compared to last year. The rest 40 per cent (i.e 13.968 mt) was the contribution of the Other Producers, which was a growth of 1.1 per cent compared to last year.

II. Total Finished Steel

a) Production

- During April-July 2018, gross production (or simply production) stood at 42.033 mt, a growth of 3.7 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 38.479 mt (up by 2 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where production was up by 27 per cent.
- Analyzing by broad divisions, in the total production of finished non-alloy steel, contribution of the non-flat segment stood at 15.445 mt (up by 10.3 per cent) while that of the flat segment stood at 23.034 mt (down by 3 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to production was bars & rods (12.24 mt, up by 8.5 per cent) while growth in the non-alloy, flat segment was led by HRC (12.19 mt, up by 0.9 per cent).

b) Export

- Exports stood at 1.866 mt during April-July 2018, a decline of 33.5 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 1.703 mt (decline of 31.6 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where exports were down by 48.7 per cent.
- In the total export of finished non-alloy steel, export of non-flat was at 0.18 mt (down by 69 per cent) and that of flat steel was at 1.53 mt (down by 21 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to export was bars & rods (0.14 mt, down by 72 per cent) while growth in exports in the non-alloy, flat segment was led by HRC (0.72 mt, up by 8.6 per cent).

c) Import

- Imports stood at 2.657 mt during April-July 2018, a growth of 6.2 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 2.06 mt (growth of 10.3 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where imports were down by 5.8 per cent.
- In the import of total finished non-alloy steel, non-flat imports were at 0.17 mt (up by 21 per cent) and flat imports were at 1.89 mt (up by 9.4 per cent).

- In the non-alloy, non-flat segment, major contributor to import was bars & rods (0.13 mt, up by 6.7 per cent) while for the flat segment, import was led by HRC (0.71 mt; up by 20 per cent).
- Such trends in export-import implied that for total finished steel, India was a net importer in April-July 2018.

d) Consumption

- During April-July 2018, consumption of total finished steel stood at 31.167 mt, a growth of 8.1 per cent over same period of last year, in which contribution of the non-alloy steel segment stood at 27.79 mt (growth of 6 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where consumption was up by 29.5 per cent.
- In the consumption of total finished non-alloy steel, that of non-flat steel was at 14.71 mt (up by 6 per cent) and that of flat steel was at 13.09 mt (up by 6.3 per cent).
- In the non-alloy, non-flat segment, the major contributor to consumption was bars & rods (11.70 mt; up by 4.1 per cent) whereas for the flat segment, consumption was led by HRC (5.04 mt, up by 3.6 per cent).

III. JPC Market Prices (Retail)

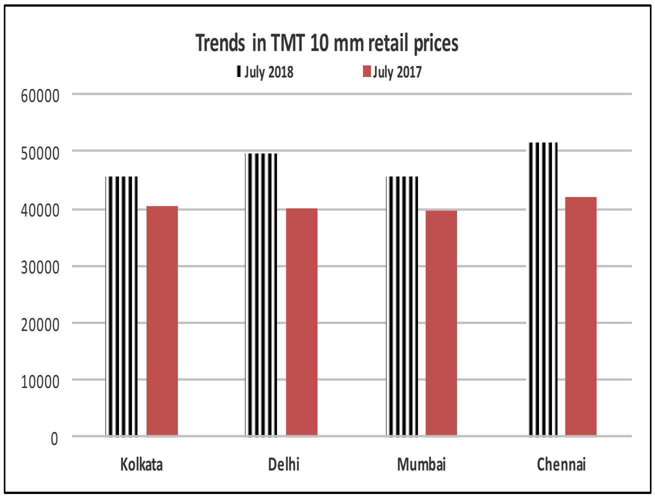
Delhi market prices: Compared to July 2017, average (retail) market prices in Delhi market in July 2018 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), largely in response to domestic demand-supply conditions and global influences. However, the trend was just the reverse when compared to June 2018, with prices of both the items showing a distinct decline in July 2018. The situation in July 2018 with regard to July 2017 is shown in the table below for TMT 10 mm and HRC 2.0 mm for retail market prices in the Delhi market.

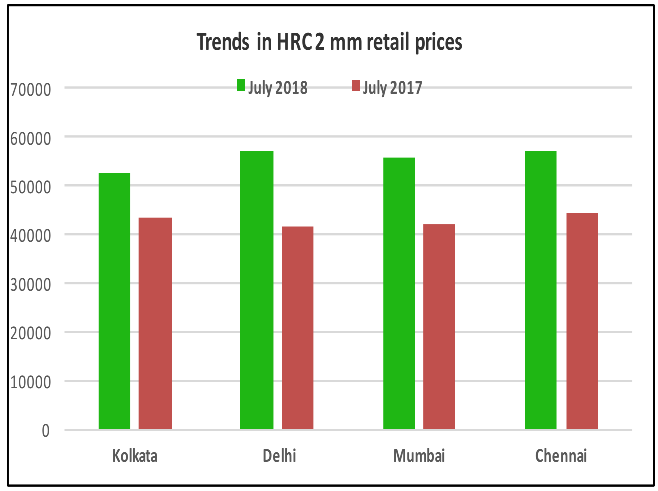
Trends in JPC market price (retail) in Delhi market in July 2018		
Item	**Delhi market prices (Rs/t)**	**%change over July 2017**
TMT, 10 mm	49,570	23.5
HRC, 2.0 mm	54,678	31.2
Source: JPC		

All markets: Compared to July 2017, average (retail) market prices in July 2018 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), in response to domestic demand-supply conditions and partly global influence. However, the trend was just the reverse when compared to June 2018 for TMT, with its prices showing a distinct decline in July 2018 across all markets while for HRC, retail prices in July 2018 declined in the markets of Kolkata and Delhi and registered marginal rise in the markets of Chennai and Mumbai. The situation in July 2018 with regard to July 2017 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 July 2018 over July 2017				
Item	**Kolkata**	**Delhi**	**Mumbai**	**Chennai**
TMT 10mm	12.7	23.5	14.6	22.3
HR Coils 2.00mm	21.3	31.2	32.1	31.1
Source: JPC				

TMT prices were highest in the Chennai market (Rs 51, 490/t) and lowest in the Kolkata market (Rs 45,466/t) while HRC prices were highest in the Chennai market (Rs 57,820/t) and lowest in Kolkata market (Rs 52,888/t) during July 2018.





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 January-March i.e. Q4 of 2017-18 and Provisional estimates (PE) of national income for the financial year 2017-18. As per the report, GDP at constant (2011-12) prices in Q4 2017-18 registered growth rate of 7.7 per cent and for the financial year 2017-18, GDP grew by 6.7 per cent. At the sectoral level, the growth rate of GVA at constant (2011-12) prices for agriculture & allied sectors, industry and services sectors for the year 2017-18 are estimated at 3.4 per cent, 5.5 per cent and 7.9 per cent respectively.

Industrial Production: Provisional CSO data show that the Index of Industrial Production (IIP) was up by 5.4% during April-July 2018 (prov.), encouraged by stable growth in Manufacturing (5.6%) and Mining (5%) while Electricity sector reported a growth rate of 5.3%. The Use-Based scenario of the Index of Industrial Production (IIP) during April-July 2018 (prov.) recorded a growth in all the leading steel-related end-use sectors with Consumer Durables reporting the highest (9.4%) and Intermediate Goods, the lowest (1%).

Infrastructure Growth: Provisional data released by the CSO indicate that the growth rate of the Eight Core Infrastructure Industries was up by 5.8% during April-July 2018 (prov.), encouraged by growth in most sectors, specially Coal (12.3%) and Cement (14.7%) but pulled down by decline in growth rate in case of Crude Oil (- 3.2%) and Natural Gas (1.1%).

Inflation: The annual rate of inflation, based on monthly WPI, stood at 5.09 per cent (provisional) for the month of July 2018 (over July, 2017) as compared to 5.77 per cent (provisional) for the previous month. Build up inflation rate in the financial year so far was 2.92 per cent compared to a build up rate of 0.62 per cent in the corresponding period of the previous year. The all India CPI inflation rate (combined) for July 2018 stood at 4.17 per cent, compared to 4.92 per cent of the previous month.

Trade: Provisional figures from DGCI&S show that during April-July 2018, in dollar terms, overall exports were up by 14.23 per cent while overall imports were up by 17.05 per cent, both on yoy basis. During the same period, oil imports were valued at US$ 6.98 billion which was 51.45 per cent higher yoy while non-oil imports were valued at US$ 124.21 billion which was 7.79 per cent higher yoy. The overall trade deficit for April-July 2018 is estimated at US$ 43.77 billion as compared to US$ 34.07 billion of same period of last year.

Prepared by Joint Plant Committee