



Trends August 2019

India's GDP growth slipped to a record low, notching up a 5% growth of per cent during April-June 2019 as per latest reports from the CSO.

WORLD ECONOMY AT A GLANCE

- Reports from Markit Economics show that at 49.5 in August 2019, up slightly from July's 81-month low of 49.3, the J.P.Morgan Global Manufacturing PMI remained below the neutral 50.0 mark for the fourth month running, its longest sequence in contraction territory since 2012. The outlook was also dim, with business optimism falling to its lowest level since July 2012.
- The reports also indicate that majority of the nations covered by the survey had a PMI reading below the 50.0 mark. The steepest rates of decline were signalled for Germany and the Czech Republic. Among the largest industrial countries, growth was registered in the USA and China, whereas downturns were seen in the Eurozone and Japan.
- The trend in new orders continued to weaken and so did manufacturing during August 2019 which also saw reduced purchasing activity and a dip in business confidence. However, input costs rose only slightly while output charges fell for the first time since March 2016, mainly due to a sharp decrease in China.

Key Economic Figures			
Country	GDP Q2 2019: %change*	Manufacturing PMI	
		July 2019	August 2019
India	5.0	52.5	51.4
China	6.2	49.9	50.4
Japan	1.2	49.4	49.3
USA	2.3	50.4	50.3
EU 28	1.2	46.4	47.0
Brazil	1.0	49.9	52.5
Russia	0.9	49.3	49.1
South Korea	2.0	47.3	49.0
Germany	0.4	43.2	43.5
Turkey	-1.5	46.7	48.0
Italy	-0.1	48.5	48.7
Source: GDP: official releases; PMI- Markit Economics, *provisional			

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production stood at 156.69 million tonnes (mt) in July 2019 up by 1.7 per cent year-on-year (yoy) i.e. over July 2018 and stood at 1083.95 mt in January-July 2019, up by 4.6 per cent yoy.

World Crude Steel Production: January-July 2019*			
Rank	Top 10	Qty (mt)	% change
1	China	577.06	9.0
2	India	66.19	4.6
3	Japan	59.47	-3.1
4	USA	51.83	4.8
5	South Korea	42.49	0.6
6	Russia	42.46	0.4
7	Germany	24.08	-4.6
8	Turkey	19.92	-10.2
9	Brazil	19.69	-4.3
10	Iran	14.99	6.4
Total:10		918.18	5.5
World		1083.95	4.6
Source: worldsteel; *prov.			

- China produced 577.06 mt of crude steel during January-July 2019, up by 9 per cent. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was down by 0.1 per cent. China accounted for 74 per cent of Asian and 53 per cent of world crude steel production during this period.
- With a 6.1 per cent share in total world production and a 5 per cent growth in production over same period of 2018, India (66.19 mt) was the 2nd largest producer during this period.
- Japanese crude steel production (59.47 mt) was down by 3.1 per cent and the country was the 3rd largest crude steel producer in the world during this period.
- USA remained at the 4th largest spot, with production (51.83 mt) notching up a growth of 4.8 per cent while South Korea was the 5th largest, with a 0.6 per cent growth in production.
- Crude steel production in the EU (28) countries during January-July 2019 was 98.19 mt, down by 2.4 per cent.
- At 775.09 mt, Asian crude steel production was up by 7 per cent during this period and the region accounted for 72 per cent of world crude steel production during this period.
- The top 10 countries accounted for 85 per cent of total world crude steel production and saw production go up by 5.5 per cent yoy during this period.

NEWS AROUND THE WORLD

THE AMERICAS

- CSN aims to raise domestic prices for its flat steel products by about 10% by year-end, citing a strong need to pass on higher costs and low premiums for domestic material compared with imported goods.
- ArcelorMittal Brazil has extended the stoppage of its Tubarão's Blast Furnace No. 2 to the end of the year, from an initially expected 70-day time frame.

ASIA

- Anyang Iron & Steel is investing 5.84 billion yuan (\$828 million) in a 1.66 mtpa new steel production facility in Henan province.
- China said that it would impose import tariffs of 5-10% on \$75 billion worth of US products in stages from September 1, 2019. US President Donald Trump in response announced an additional duty of 5% on \$550 billion worth of Chinese goods in retaliation.
- China's Hebei Iron & Steel has failed to get approval from the Hebei government to purchase a majority stake in Tata Steel's businesses in Thailand and Singapore.
- Hebei province's Tangshan city Ecology and Environment Bureau has submitted a plan to gear down the city's steel output cuts in August from the levels in July. The plan is awaiting the city government's approval.
- The weakening of the yuan to a decade-low against the US dollar made buyers outside China hesitate to book imports amid a high possibility of prices falling further. The People's Bank of China listed an exchange rate of 6.9683 yuan to \$1 on August 6, 2019 compared with 6.8841 yuan to \$1 on July 31, 2019.
- India's JSW Steel expects to have 45 mtpa of domestic production capacity by 2030.
- Taiwan may extend tariffs on CR-SS products from China and South Korea by at least five years, following a sunset review which determined that revoking the duty "would be likely to lead to a continuation or recurrence of injury to the domestic industry,".
- India's Maharashtra state government has indicated that NLMK plans to invest as much as Rs. 68 billion (\$986 million) to build facilities at Auranagabad to produce grain-oriented electrical steel.
- Indonesia will renew antidumping duties on steel plates from China, Singapore and Ukraine for five years effective August 14, 2019. Under the move, plates from China will incur a tariff of 10.47%; Singapore, 12.5%, and Ukraine, 12.33%, in line with the tariffs imposed by a similar regulation introduced in 2016 that expired April 2. The renewal of duties had been expected following petitions by Indonesian mills.
- Vietnam's Hoa Phat Group has started up a converter at its new steel complex in the Dung Quat Economic Zone, some 700km south of capital city Hanoi. It plans to start up three more converters by the end of 2020 which will produce liquid steel at a rate of 4 mtpa.
- South Korea is seeking to end measures limiting exports of cold-rolled steel sheets to Mexico, as part of WTO regulations which require member countries to review anti-dumping measures after every five years.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- The acquisition of Russia's Kosogorsky metallurgical plant (Kosaya Gora) by Satkinsky Pig Iron Works has been put on hold despite the deal having received the approval of the country's anti-monopoly service.
- Egypt's Administrative Court has once again postponed its session to discuss the country's import safeguard duties, but did not indicate any reason for the delay.
- Algeria Qatar Steel's works at Bellara will start testing at its 1.1 mtpa first meltshop in September, 2019. The facility currently imports billet, but once its meltshop is in operation, it will produce its own crude steel and semi-finished products, leading to fewer imports of billets into Algeria.
- Severstal is set to recycle dust waste from the BOF gas-cleaning plants at its Cherepovets steelworks. The briquettes formed from the collected dust will be tested for zinc content and should Zn content be sufficient, they would be marketed to the nonferrous metals sector.

EU AND OTHER EUROPE

- The European Commission has reduced the planned increase in tariff-free steel quotas to 3% from 5% across all product categories, noting that 2018 was a record year for shipments to the EU. The announcement followed a review of market safeguard measures imposed earlier.
- The European Commission is to start an anti-dumping investigation into imports of HR SS sheets and coils originating from China, Indonesia and Taiwan, following a complaint by Eurofer that imports from these countries are at "dumped prices," and damaging European steel producers.
- The European Commission has approved, under the EU Merger Regulation, the acquisition of the control of Spanish steelmaker Grupo Gallardo Balboa SLU by US-based global investment group KKR & Co Inc.
- Turkey's military pension fund, OYAK, has reached a provisional agreement to buy steelmaker British Steel.
- Mescier Iron and Steel, a privately-owned steelmaker in Bartin, northern Turkey, is targeting to launch their new 1 mtpa electric arc furnace within a year.

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

WORLD STEEL PRICE TRENDS

Global steel prices moved south in August 2019, marked by a volatility across markets, owing to varied factors but mostly traceable to weak demand. Sentiments too remained uncertain and on the edge with global giants China and the USA launching into full-fledged battle of trade barriers against each other which unnerved market participants. For, as most analysts agree that this economic battle has the potential to re-write the rules of global steel trade and any

resolution in the short to medium term, may well be ruled out. The other factor that weighed on the system was the weakening of the yuan to a decade-low against the US dollar, which had a marked impact on steel trade.

Long Product

- Despite rising imports and falling raw material prices, USA rebar prices remained stable in August 2019. Transactions, as per Metal Bulletin reports, stood around \$630-650/ s.t at month-end.
- Traditional slow-demand season and limited market transactions kept European rebar prices southbound in August 2019. Transactions, as per Metal Bulletin reports, stood around €470-485/t (\$522-538) in Southern Europe and around €500-520/t (\$555-577) in Northern Europe.
- Futures market gains and news of lessened restrictions in Tangshan made Chinese rebar prices show some momentum in August 2019. Transactions, as per Metal Bulletin reports, stood around 3,540-3,590 yuan/t (\$495-502) in Shanghai and around 3,540-3,560 yuan/t in Beijing.
- Rebar prices in Russia slipped in August 2019 owing to a supply glut and low demand. Transactions, as per Metal Bulletin reports, stood around 37,000-38,000 roubles/t (\$557-572) including 20% VAT, cpt Moscow, Russia.

Flat Product

- Lower prices for value-added products (CR, GP) affected US HRC prices with the latter moving south in August 2019. Transactions, as per Metal Bulletin reports, stood around \$640/t at month-end.
- Weak demand kept European rebar prices on the lower side in August 2019. Transactions, as per Metal Bulletin reports, stood around €465-480/t in Northern Europe and around €435-460/t in Southern Europe at month-end.
- Slow demand, market uncertainties, trade friction and dampened sentiments kept any rise in Chinese HRC prices on hold in August 2019. Transactions, as per Metal Bulletin reports, stood around 3,620-3,630 yuan/t (\$506-507) in Shanghai and around 3,600-3,620 yuan/t in Tangshan at month-end.
- Demand slowdown pulled down Russian HRC prices in August 2019. Transactions, as per Metal Bulletin reports, stood around 45,100-45,500 roubles/t (\$676-681) for HR sheet, domestic, cpt Moscow, including 20% VAT.

[Source Credit: Metal Bulletin]

SPECIAL FOCUS

Global DRI production up by 6% in January-July 2019

DRI production worldwide rose to 7.19 million tonnes (mt) in July 2019 (p), up by 5.9% over same period of last year, as per provisional World Steel Association (worldsteel) report, driven by India (production up by 5.6%) and Iran (production up by 23%) during the month as compared to same month of last year.

For January-July 2019 (p), provisional worldsteel report indicates that global DRI output (51.53 mt, up by 5.7%) continued to be driven by India (19.37 mt) at the number one spot with a growth of 6% in production over same period of last year. The country also accounted for 38% of total global output during this period. For the cumulative period, Iran's DRI output (16.65 mt) saw a growth (16.3%) and along with India, these two countries accounted for 70% of global DRI output during this period.

Together, the top five countries accounted for 88% of the world DRI production during this period and saw their cumulative output rise by 7.4% as compared to same period of last year. Saudi Arabia which had earlier replaced UAE as the 5th largest DRI producer in the world continued to remain at the same spot during this period as well.

World DRI Production, January-July 2019 (p)			
Rank	Country	Qty (mt)	% change
1	India	19.37	5.9
2	Iran	16.65	16.3
3	Egypt	3.41	3.5
4	Mexico	3.26	-4.2
5	Saudi Arabia	2.64	-8.7
	Top 5	45.32	7.4
	World	51.53	5.7
	%Share: Top 5	88	-

Source: worldsteel

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-July 2019, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for July 2019. 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-July 2019* (mt)	April-July 2018 (mt)	% change*
Crude Steel Production	37.133	35.884	3.5
Hot Metal Production	25.089	24.196	3.7
Pig Iron Production	2.151	2.098	2.5
Sponge Iron Production	12.445	11.557	7.7
Total Finished Steel (alloy/stainless + non-alloy)			
Production	34.490	32.692	5.5
Import	2.496	2.655	-6.0
Export	1.474	1.926	-23.5
Consumption	33.706	31.607	6.6
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 37.133 million tonnes (mt), up by 3.5%.
- **Hot Metal:** Production at 25.089 mt, up by 3.7%.
- **Pig Iron:** Production at 2.151 mt, up by 2.5%.
- **Sponge Iron:** Production at 12.445 mt, up by 7.7%, led by coal-based route (84% share)
- **Total Finished Steel :** Production at 34.490 mt, up by 5.5%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 21.422 mt (58% share) during this period, up by 3.6%. The rest (15.711 mt) came from the Other Producers, up by 3.3%.
- **Hot Metal:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 20.67 mt (82% share) up by 4%. The rest (4.416 mt) came from the Other Producers, up by 2.4%.
- **Pig Iron:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 0.44 mt (21% share) up by 44%. The rest (1.707 mt) came from the Other Producers, down by 5%.
- **Total Finished Steel:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 18.961 mt (55% share) up by 4.5%. The rest (15.529 mt) came from the Other Producers, up by 6.8%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With an 81% share, the Private Sector (30.080 mt, up by 3.9%) led crude steel production compared to the 19% contribution of the PSUs.
- **Hot Metal:** With 69% share, the Private Sector (17.336 mt, up by 4.1%) led hot metal production, compared to the 31% contribution of the PSUs.
- **Pig Iron:** With an 87% share, the Private Sector (1.878 mt, down by 0.8%) led pig iron production, compared to the 13% contribution of the PSUs.
- **Total Finished Steel:** With an 84% share, the Private Sector (29.02 mt, up by 6.5%) led production of total finished steel, compared to the 16% contribution of the PSUs.

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Led by Non-flat steel (53% share; up by 11%) while the rest 47% was the share of Flat steel (down by 0.1%).
- **Import:** Flat products accounted for 88% share (down by 1%), the rest was the share of non-flats (down by 33%).
- **Export:** Flat products accounted for 82% share (down by 28%), the rest was the share of non-flats (up by 6%).
- **Consumption:** Led by Non-flat steel (50.1% share; up by 8.5%) while the rest 49.9% was the share of Flat steel (up by 4.8%).

Finished Steel Production Trends

- At 34.49 mt, production of total finished steel grew by 5.5% in April-July 2019.
- Contribution of the non-alloy steel segment stood at 32.898 mt (95% share), 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 (14.20 mt, up by 15%) while growth in the non-alloy, flat segment was led by HRC (14.13 mt, up by 2%) during this period.

Finished Steel Export Trends

- At 1.474 mt, export of total finished steel was down by 23.5% during this period.
- Volume-wise, non-alloy HRC (0.62 mt) was the most exported item (48% share in total) while Bars & Rods (0.12 mt, down by 10%) led exports in the non-alloy, non-flat category.
- Nepal led exports of total finished steel – not only overall (0.33 mt, 22% share) but also had the highest share in case of Bars and Rods (66%), and Structural (49%).

Finished Steel Import Trends

- Import of total finished steel was at 2.496 mt during this period, down by 6.0%.
- India was a net importer of total finished steel during this period.
- Volume-wise, non-alloy HRC (0.66 mt) was the item most imported item (35% share in total), led by imports from Korea (58% share of total).
- Bars & Rods (0.14 mt, up by 9.7%) led imports in the non-alloy, non-flat category, led by imports from Singapore (40% share of total import of Bars & Rods).
- The share of China in total finished steel import declined from 19% in April-July 2018 to 16% in April-July 2019, with volumes slipping by 20% in during this period.

Finished Steel Consumption Trends

- At 33.706 mt, consumption of total finished steel grew by 6.6% in April-July 2019.
- Contribution of the non-alloy steel segment stood at 31.534 mt (94% share), 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 (13.216 mt, up by 13.3%) while growth in the non-alloy, flat segment was led by HRC (14.055 mt, up by 5.2%) during this period.

JPC Market Prices (Retail)

- **Delhi market prices:** Compared to July 2018, average (retail) market prices in Delhi market in July 2019 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. The trend was just the same when compared to June 2019 for both items. The trend in retail market prices of TMT 10 mm and HRC 2.0 mm in the Delhi market in July 2019 with regard to July 2018 is shown in the table below.

Trends in JPC market price (retail) in Delhi market in July 2019		
Item	Delhi market prices (Rs/t)	%change over July 2018
TMT, 10 mm	46,207	-6.8
HRC, 2.0 mm	46,779	-14.4
Source: JPC		

- **All markets:** Compared to July 2018, average (retail) market prices in July 2019 decreased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm) in all the markets. The trend was just the same when compared to June 2019 for both items. The situation in July 2019 with regard to July 2018 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 2019 over July 2018				
Item	Kolkata	Delhi	Mumbai	Chennai
TMT 10mm	-1.6	-6.8	-4.1	-13.7
HR Coils 2.00mm	-9.2	-14.4	-13.7	-11.9
Source: JPC				

- TMT prices were highest in the Delhi market (Rs. 46,207/t) and lowest in the Mumbai market (Rs. 43,623/t) while HRC prices were highest in the Chennai market (Rs. 50,927/t) and lowest in Delhi market (Rs. 46,779/t) during July 2019.

GDP: The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation has released the estimates of Gross Domestic Product (GDP) for April-June (Q1) 2019-20, both at constant (2011-12) and current prices. As per the Report, Real GDP or GDP at Constant (2011-12) Prices for Q1 2019 is estimated at Rs 35.85 lakh crore against Rs. 34.14 lakh crore in Q1 of 2018-19, showing a growth rate of 5.0 per cent. Quarterly GVA at Basic Price at Constant (2011-12) Prices for Q1 of 2019-20 is estimated at Rs 33.48 lakh crore, as against Rs 31.90 lakh crore in Q1 of 2018-19, showing a growth rate of 4.9 per cent over the corresponding quarter of previous year. The economic activities which registered growth of over 7 per cent in Q1 of 2019-20 over Q1 of 2018-19 are *'Electricity, Gas, Water Supply & Other Utility Services', 'Trade, Hotels, Transport, Communication and Services Related to Broadcasting'* and *'Public Administration, Defence and Other Services'*. The growth in the *'Agriculture, Forestry and Fishing', 'Mining and Quarrying', 'Manufacturing', 'Construction'* and *'Financial, Real Estate and Professional Services'* is estimated to be 2 per cent, 2.7 per cent, 0.6 per cent, 5.7 per cent, and 5.9 per cent, respectively, during this period.

Industrial Production: Provisional CSO data show that the growth rate of the Index of Industrial Production (IIP) was up by 3.6 per cent during April-June 2019 (prov.), encouraged by stable growth in Electricity (7.2 per cent) while Manufacturing (3.1 per cent) and Mining (3 per cent) growth both remained subdued. The Use-Based scenario show a decline in Capital Goods and Consumer Durables sectors and modest growth in the others, with Infrastructure/ Construction Goods (2.3 per cent) reporting the lowest and Intermediate Goods, the highest (9.4 per cent).

Infrastructure Growth: Provisional data released by the CSO indicate that the growth rate of the Eight Core Infrastructure Industries was up by 3.5 per cent during April-June 2019 (prov.), encouraged by growth in sectors like Steel, Electricity but pulled down by decline in growth rate in most others like Crude Oil, Natural Gas, Refinery Products and Fertilizers during this period.

Inflation: In June 2019 (prov.), the annual rate of inflation, based on monthly WPI, stood at 2.02 per cent while the all India CPI inflation rate (combined) stood at 3.18 per cent and compared to June 2018, the former registered a decline and the latter saw a rise.

Trade: Provisional figures from DGCI&S show that during April-June 2019-20, in dollar terms, overall exports were down by 1.69 per cent while overall imports were down by 0.29 per cent, both on yoy basis. During the same period, oil imports were valued at USD 34.85 billion, 0.62 per cent higher yoy while non-oil imports were valued at USD 92.19 billion which was 0.62 per cent lower yoy. The overall trade deficit for April-June 2019-20 is estimated at USD 27.24 billion as compared to USD 25.75 billion in April-June 2018-19.

Prepared by: Joint Plant Committee