



# Trends ....August 2021

On a year-on-year basis, China's crude steel production declined in July 2021, marking the first month of such a fall since April 2020. If that is not an indicator of the start of the large scale production curbs slated for the country's steel industry, Chinese PMI slipped below the neutral 50.0 mark as sentiments took a backseat with release of economic data. Chinese iron ore prices plummeted during the month, sending signals of an impending drop in steel prices. Bengang merged with steel giant Angang, making the latter the 3<sup>rd</sup> largest global steelmaker. Happenings, it seems, are all focused squarely on China.

## WORLD ECONOMY AT A GLANCE

- August 2021 saw the global manufacturing sector lose momentum, as rates of output growth decelerated in major markets including the US and the Euro Area and slipped into contraction in Asia. Severe constraints on supply side raised major issues as transportation and delays threatened to disrupt operations. The J.P. Morgan Global Manufacturing PMI dropped to a six-month low of 54.1 during the month as per latest reports from Markit Economics.
- While growth continued in many nations like US, Japan, Germany, the UK, France, India, South Korea and Brazil, countries like China, Russia and Mexico went on to record sub-50 reading during the month.
- Manufacturing production and new orders both showed an increase but growth of new exports eased to a seven-month low in August 2021. Severe imbalance in demand and supply led to sharp rise in average purchasing cost, leading to a hike in selling prices, as per Markit reports.

| Key Economic Figures |                       |                   |             |
|----------------------|-----------------------|-------------------|-------------|
| Country              | GDP 2020:<br>%change* | Manufacturing PMI |             |
|                      |                       | July 2021         | August 2021 |
| India                | -7.0                  | 55.3              | 52.3        |
| China                | 2.3                   | 50.3              | 49.2        |
| Japan                | -4.8                  | 53.0              | 52.7        |
| USA                  | -3.5                  | 63.4              | 61.1        |
| EU 28                | -6.6                  | 62.8              | 61.4        |
| Brazil               | -4.1                  | 56.7              | 53.6        |
| Russia               | -3.1                  | 47.5              | 46.5        |
| South Korea          | -1.0                  | 53.0              | 51.2        |
| Germany              | -4.9                  | 65.9              | 62.6        |
| Turkey               | 1.8                   | 54.0              | 54.1        |
| Italy                | -8.9                  | 60.3              | 60.9        |

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

## GLOBAL CRUDE STEEL PRODUCTION

Having already crossed the 1 billion tonne mark, world crude steel production continued to create new records and stood at 1165.34 million tonnes (mt) in January – July 2021, up by a robust 12.4% over same period of last year as per provisional data released by World Steel Association (worldsteel). Even though the high growth rate may be attributed partly to low base effect but the volume growth indicates that the impact of COVID-19 has seen slow waning out as countries around the world have resurrected themselves, operating under the New Normal conditions.

| World Crude Steel Production: January-July 2021* |              |                |             |
|--|--------------|----------------|-------------|
| Rank   | Top 10       | Qty (mt)       | % change    |
| 1  | China        | 649.33         | 8.0         |
| <b>2</b>   | <b>India</b> | <b>67.98</b>   | <b>28.8</b> |
| 3  | Japan        | 56.06          | 16.1        |
| 4  | USA          | 49.54          | 18.5        |
| 5  | Russia       | 44.88          | 9.2         |
| 6  | South Korea  | 41.32          | 8.7         |
| 7  | Germany      | 23.64          | 18.9        |
| 8  | Turkey       | 22.93          | 17.7        |
| 9  | Brazil       | 20.97          | 22.0        |
| 10   | Iran         | 17.83          | 9.9         |
| <b>Total: Top 10</b>                             |              | <b>994.48</b>  | <b>11.0</b> |
| <b>World</b>                                     |              | <b>1165.34</b> | <b>12.4</b> |
| Source: worldsteel; *provisional                 |              |                |             |

- China remained the leader in world crude steel production which stood at 649.33 mt during January-July 2021, up 8% over same period of last year. The nation accounted for 76% of Asian and 56% of world crude steel production during this period.
- With a 6% share in total world production, India (67.98 mt) reported a yoy production growth of 29% during this period and remained the 2<sup>nd</sup> largest producer during this period.
- Japanese crude steel production (56.06 mt) was up by 16.1% yoy during this period and the country was the 3<sup>rd</sup> largest crude steel producer in the world.
- USA remained at the 4<sup>th</sup> largest spot, with production (49.54 mt), up by 18.5% yoy while Russia (44.88 mt, up by 9.2% yoy) was the 5<sup>th</sup> largest crude steel producer during this period.
- Crude steel production in the EU (27) countries stood at 90.82 mt during this period, up by 20.1% yoy.
- At 849.3 mt, Asian crude steel production was up by 11% during this period and the region accounted for 73% of world crude steel production during this period.
- The top 10 countries accounted for 85% of total world crude steel production during this period and saw their cumulative production go up by 11% yoy.

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## NEWS AROUND THE WORLD

### THE AMERICAS

- US steelmakers praised the passage of the Infrastructure Investment and Jobs Act, which upon implementation, is expected to substantially boost steel demand. The deal includes \$550 billion in new federal investment in US infrastructure, including \$110 billion in new funds for roads, bridges and major projects, and \$7.5 billion to build out a national network of electric vehicle chargers.
- ArcelorMittal Brazil announced that rolling mill No. 3 at Monlevade in Minas Gerais will start operating in January 2022 motivated by market demand and economic growth prospects. The company has allocated around Real 580 million to the new rolling mill, with capacity to produce 1 mtpa of long steel.
- Gerdau plans to expand output capacity of HRC by 0.25 mtpa and of structural beams by 0.5 mtpa at its Ouro Branco plant in Minas Gerais state. About \$200 million would be allocated to the HRC mill and about \$300 million to the profiles equipment as per the plan.

### ASIA

- China's Anshan Iron & Steel's merger with Benxi Iron & Steel finally materialized August 19, 2021 after going through several hurdles since 2005. The move not only signals accelerated consolidation in the steel industry, but also points to an intensifying competition between steelmakers at a time when economic growth is slowing down. China's Liaoning province has agreed to transfer its 51% shares of Benxi Iron & Steel, or Bengang, to central government-owned Anshan Iron & Steel, or Angang, for free. After the takeover, Angang will become China's second-largest steelmaker after Baowu Group. The combined entity's crude steel output comes at 55.55 mt for 2020, compared to Baowu's 115.29 mt. Overall, this deal makes Angang the world's third largest steelmaker after Baowu and ArcelorMittal.
- China has announced the removal of VAT rebates for the export of cold-rolled, coated and silicon steel from August 1, 2021, following a similar move for several other steel products from May 1, in line with its bid to discourage the outflow of steel and raw materials. At the same time, the export duties on ferrochrome and high-purity iron were raised to 40% and 20%, respectively, with the same effective date, from temporary rates of 20% and 15%.
- China's total finished steel exports over January-July 2021 increased 31% yoy to 43.051 rising from the 30% yoy growth seen during H1 2021. At 5.67 mt, China's finished steel exports in July rose 36% yoy.
- China's crude steel output fell 8.4% yoy to 86.79 mt in July 2021, marking the first month of year-on-year decline since April 2020. Crude steel output averaged 2.8 mt/day in July 2021, down 10.5% from June 2021 and also marking the lowest level since April 2020.
- At 16.94 mt, Japanese exports of iron and steel products for H1 2021 were down by 0.8% yoy.

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## RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- NLMK has temporarily suspended operations at its NLMK Lipetsk basic oxygen furnace shop No. 2 to enable additional works on facilities that supply oxygen to the shop.
- Severstal has carried out measures to increase daily converter steel melts to 86 from 82 at its Cherepovets Iron and Steel Works (CherMK) northwest Russia, in a bid to raise crude steel production. The ramp up of daily melts was aimed at helping the company meet its goal of 13 mtpa crude steel output in 2023.
- Abu Dhabi National Energy Company PJSC (TAQA), one of the largest listed integrated utilities in the region, has announced a partnership with Emirates Steel, to develop a large-scale green hydrogen project enabling the first green steel produced in the MENA region.
- Evraz is likely to reduce its August 2021 exports of steel billet by 40,000-50,000 t because the country's new export tax – 15% of export prices or a minimal \$115/mt payment in force from Aug. 1 till Dec. 31 – is undermining these sales' viability.
- Metinvest said it has purchased PJSC Dneprovsky Iron & Steel Integrated Works (DMK) assets in Kamianske for Hryvnia 9.17 billion (\$341 million), increasing the group's steel output and billet supplies.
- ArcelorMittal South Africa (AMSA), South Africa's largest primary steel producer, saw liquid steel production in the first six months of 2021 up 36% to 1.5 mt.

## EU AND OTHER EUROPE

- The EU's apparent steel consumption is expected to return to pre-pandemic levels this year and continue growing in 2022, driven by the continued improvement in demand from steel-using sectors, as per latest Eurofer projections which indicated that consumption is set to increase by 11.2% in 2021, reaching 143 mt, and then to grow "more moderately" by 3.7% in 2022 to 149 mt. Consumption stood at 129 mt in 2020, a decline of 10.6%.
- The UK government has approved a recommendation from the country's Trade Remedies Authority and the Department for International Trade to no longer apply antidumping measures on imports of certain types of welded tubes and pipes from Russia while it will continue to be applied to imports of these products from China and Belarus.
- Liberty Steel Group's Galati integrated steelworks in Romania is to boost crude steel production by 50% this year to 3 mtpa, up from around 2 mt in 2020.
- Salzgitter expects European HRC prices to continue "sideways at a high level" of around Eur1100/mt (\$1,293/mt) for the rest of this year and into Q1 2022 with some fluctuations in coming months, on a continuing shortage of material in the market.
- Thyssenkrupp Steel Europe lifted its force majeure on 6<sup>th</sup> August 2021, after the easing of logistics problems caused by floods in July, but kept its declaration at Thyssenkrupp Precision Steel.
- The HYBRIT project, whose stakeholders are Sweden's specialty steelmaker SSAB, iron ore pellet producer LKAB and power producer Vattenfall, has manufactured the world's first fossil-free steel and delivered it the Volvo Group during August 2021. HYBRIT plans to deliver fossil-free steel to the market and run the technology on an industrial scale as early as 2026.

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

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## WORLD STEEL PRICE TRENDS

After reaching record-breaking highs at the end of 2020, global steel prices continued to show signs of a return to “normalcy” with most markets reporting either a softening or a stability at a reduced level. Nonetheless, they remained on strong grounds during the 3<sup>rd</sup> quarter of the year, impacted by rising demand, stringent supply and a volatile raw material (read iron ore, scrap) market. Of potential concern was the drop in iron ore prices, impacted by announced production curbs in China, which, if sustained, may go on to impact steel prices gradually. Meanwhile, global crude steel production continued to put in a strong performance show in January-July 2021, its 12% growth propelled by a robust 11% rise in Asian crude steel production contributed by a strong show by China and India during this period.

### Long Products

- August 2021 rebar prices in the USA remained steady and moved north over last month's, courtesy strong domestic demand. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$985/st at month-end.
- Rebar prices in Europe inched down marginally in August 2021 from the record levels reached earlier, but held strong nonetheless, owing to strong demand and restricted imports. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €880-900/t (\$1,040-1,063) in Northern Europe and around €760-800/t (\$898-945) in Southern Europe.
- China's domestic rebar prices slipped only slightly in August 2021, its fall held in check due to strong domestic demand. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 5,220-5,260 yuan/t (\$807-813) in Shanghai.
- Russian rebar prices moved south in August 2021, due to slow transactions and impacted by new export duties on steel products which have led to surplus availability. Fastmarkets' assessment for steel rebar, domestic, cpt Moscow, Russia, stood at 61,000-62,500 roubles/t (\$832-852) at month-end, including 20% VAT.

### Flat Products

- August 2021 HRC prices in the USA held strong with service centres reporting better supply and demand continuing to remain strong. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$1920/st at month-end.
- EU HRC prices remained moderate in August 2021 after market transactions picked up post-summer holiday lull. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €1,138.33/t (\$1,343.04) in Northern Europe and around €1,017/t in Southern Europe.
- Chinese HRC prices slipped in August 2021 following futures prices which were clouded by release of economic data casting shadow over recovery. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 5,700-5,730 yuan/t (\$881-886) in Shanghai.
- Flat steel prices moved south in August 2021, impacted by the introduction of export duties that have led to surplus in availability. Fastmarkets' price assessment for steel hot-rolled sheet, domestic, cpt Moscow, Russia, stood at 85,000-88,000 roubles/t (\$1,147-1,187) at month-end, including 20% value-added tax.

[Source Credit: Fastmarkets Metal Bulletin]

## SPECIAL FOCUS

### India leads global DRI production in 2021 so far

Provisional worldsteel report indicates that global DRI output stood at 51.13 mt in January-July 2021, up 17% over same period of last year. Such production growth was driven by India (22.68 mt, 37% share, up by 27%) at the number one spot and Iran, where production stood at 19.1 mt (31% share), up by 9% over same period of last year. The two countries together accounted for 68% of global DRI output during this period. Together, the top five countries accounted for 86% of the world DRI production during this period (87% in same period of last year) and saw their cumulative output grow by 16.3% over same period of last year.

| Global DRI Production |              |                     |                    |          |
|-----------------------|--------------|---------------------|--------------------|----------|
| Rank                  | Country      | Jan-July 2021* (mt) | Jan-July 2020 (mt) | % change |
| 1                     | India        | 22.68               | 17.85              | 27.0     |
| 2                     | Iran         | 19.10               | 17.52              | 9.0      |
| 3                     | Russia       | 4.61                | 4.74               | -2.7     |
| 4                     | Mexico       | 3.63                | 2.79               | 30.1     |
| 5                     | Saudi Arabia | 3.39                | 3.02               | 12.3     |
| Top 5                 |              | 53.41               | 45.92              | 16.3     |
| World                 |              | 61.87               | 52.74              | 17.3     |

Source: worldsteel; \*provisional

## INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-July 2021, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-July 2021. 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 2021*(mt)                 | April-July 2020 (mt) | % change* |
| Crude Steel Production                                    | 37.848                               | 25.955               | 45.8      |
| Hot Metal Production                                      | 25.351                               | 18.303               | 38.5      |
| Pig Iron Production                                       | 2.125                                | 1.255                | 69.4      |
| Sponge Iron Production                                    | 12.826                               | 8.783                | 46.0      |
| <b>Total Finished Steel (alloy/stainless + non-alloy)</b> |                                      |                      |           |
| Production  | 35.264                               | 22.165               | 59.1      |
| Import  | 1.568                                | 1.505                | 4.1       |
| Export  | 5.069                                | 4.641                | 9.2       |
| Consumption   | 33.026                               | 19.922               | 65.8      |
| Source: JPC; *provisional; mt=million tonnes              |                                      |                      |           |

### Overall Production

- **Crude Steel:** Production at 37.848 million tonnes (mt), up by 45.8%.
- **Hot Metal:** Production at 25.351 mt, up by 38.5%.
- **Pig Iron:** Production at 2.125 mt, up by 69.4%.
- **Sponge Iron:** Production at 12.826 mt, up by 46.0%, led by coal-based route (78% share).
- **Total Finished Steel:** Production at 35.264 mt, up by 59.1%.

### Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 23.678 mt (63% share) during this period, up by 37.5%. The rest (14.17 mt) came from the Other Producers, up by 62.1%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 22.753 mt (90% share) up by 36.4%. The rest (2.598 mt) came from the Other Producers, up by 60.3%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 0.683 mt (32% share) up by 50.4%. The rest (1.442 mt) came from the Other Producers, up by 80.1%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 20.562 mt (58% share) up by 57.1%. The rest (14.701 mt) came from the Other Producers, up by 62.0%.

### Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 81% share, the Private Sector (30.732 mt, up by 43.1%) led crude steel production compared to the 19% contribution of the PSUs.
- **Hot Metal:** With 69% share, the Private Sector (17.56 mt, up by 30.5%) led hot metal production, compared to the 31% contribution of the PSUs.



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- **Pig Iron:** With 88% share, the Private Sector (1.88 mt, up by 68.8%) led pig iron production, compared to the 12% contribution of the PSUs.
  - **Total Finished Steel:** With 85% share, the Private Sector (29.95 mt, up by 56.3%) led production of total finished steel, compared to the 15% contribution of the PSUs.

### Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Non-flat products accounted for 51% share (up by 70.2%), the rest 49% was the share of flats (up by 49.1%).
- **Import:** Flat products accounted for 91% share (up by 6.6%), the rest 9% was the share of non-flats (down by 14.7%).
- **Export:** Flat products accounted for 79% share (down by 3.5%), the rest 21% was the share of non-flats (up by 122.5%).
- **Consumption:** Led by Non-flat steel (54% share; up by 66.3%) while the rest 46% was the share of flat steel (up by 65.1%).

### Finished Steel Production Trends

- At 35.264 mt, production of total finished steel was up by 59.1% in April-July 2021.
- Contribution of the non-alloy steel segment stood at 33.031 mt (94% share, up by 55.7%), 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 (13.898 mt, up by 73.0%) while growth in the non-alloy, flat segment was led by HRC (15.014 mt, up by 44.8%) during this period.

### Finished Steel Export Trends

- Overall exports of total finished steel at 5.069 mt, up by 9.2%.
- Volume wise, non-alloy HR Coil/Strip (2.272 mt, down by 31.0%) was the item most exported (48% share in total non-alloy).
- Italy (0.730 mt) was the largest export market for India.

### Finished Steel Import Trends

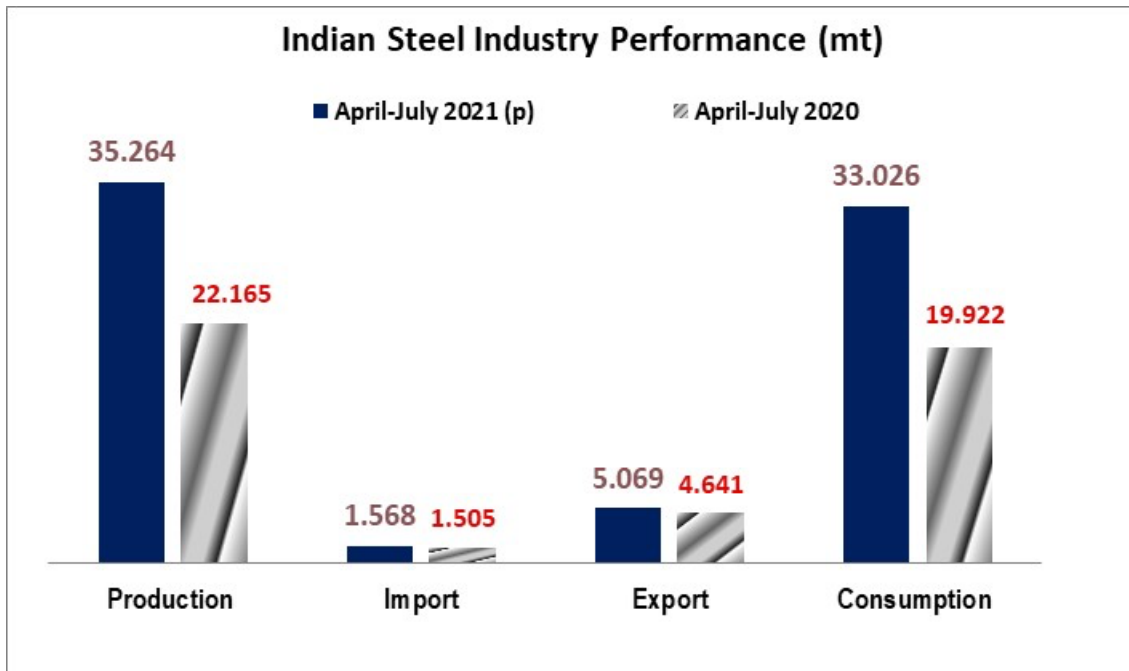
- Overall imports of total finished steel at 1.568 mt, up by 4.1%.
- India was a net exporter of total finished steel in April-July 2021.
- Volume wise, non-alloy GP/GC Sheets/Coils (0.285 mt, up by 29.7%) was the item most imported (27% share in total non-alloy).
- Korea (0.659 mt) was the largest import market for India (42% share in total).

### Finished Steel Consumption Trends

- At 33.026 mt, consumption of total finished steel was up by 65.8% in April-July 2021.



- Contribution of the non-alloy steel segment stood at 30.59 mt (93% share, up by 63.1%), 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 (14.061 mt, up by 69.5%) while growth in the non-alloy, flat segment was led by HRC (12.62 mt, up by 67.6%) during this period.



## 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 Q1 2021-22. As per the reports, GDP at Constant (2011-12) Prices in Q1 of 2021-22 is estimated at ₹ 32.38 lakh crore, as against ₹ 26.95 lakh crore in Q1 of 2020-21, showing a growth of 20.1% as compared to contraction of 24.4% in Q1 2020-21. Quarterly GVA at Basic Price at Constant (2011-12) Prices for Q1 of 2021-22 is estimated at ₹ 30.48 lakh crore, as against ₹ 25.66 lakh crore in Q1 of 2020-21, showing a growth of 18.8%. Almost all the lead sectors reported double digit growth during this period, except *Agriculture and allied sectors* (4.5%), *Financial, Real Estate and Professional Services* (3.7%) and *Public Administration, Defence and Other Sectors* (5.8%).

**Industrial Production:** Provisional CSO data show that the overall Index of Industrial Production (IIP) for the month of April-June 2021, rose by 45% due to a significantly low base of same period of last year. Similar high levels of growth trends were noted for the various sectors/sub-sectors due to the same reason.

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**Infrastructure Growth:** Provisional data released by the DPIIT indicate that the Index for the Eight Core Infrastructure Industries saw a growth of 21.2% during April-July 2021 with all the sectors reporting a rise except Crude Oil and Fertilisers.

**Inflation:** In July 2021 (prov.), the annual rate of inflation, based on monthly WPI, stood at 11.16% while the all India CPI inflation rate (combined) stood at 5.59% and compared to the previous month, both the parameters registered a softening.

**Trade:** Provisional figures from DGCI&S show that during April-July 2021, in dollar terms, overall exports were up by 71% while overall imports were up by 90%, both on yoy basis. During the same period, oil imports were valued at USD 43.9 billion, 124% higher yoy while non-oil imports were valued at USD 128.65 billion, 86% higher yoy. Overall trade deficit for April-July 2021 is estimated at USD 9.74 Billion as compared to the surplus of USD 13.84 Billion in same period of last year.

**Prepared by: Joint Plant Committee**