

Trends December 2019

2019 ended on predictable grounds and developments on home front remained subdued but optimistic enough to usher in the New Year with hopes of recovery.

WORLD ECONOMY AT A GLANCE

- Global manufacturing scenario remained lacklustre at the end of 2019. Reports from Markit Economics show that the J.P.Morgan Global Manufacturing PMI fell to 50.1 in December 2019, from 50.3 in November 2019. For 2019 as a whole, average value of the PMI stood at the threshold value of 50.0, in contrast to 52.9 of 2018.
- The survey data at the national level signalled expansions in 14 nations as per the Report. The top-three ranked countries were Greece, India and the USA. The main drag on global manufacturing remained the Euro Area, which saw output fall for the eleventh successive month. PMI of China, South Korea and Brazil expanded whereas those of Japan, the UK and Italy contracted during December 2019.
- December 2019 saw moderate rise in the rates of increase in average input costs and output charges and decline in employment levels.

Key Economic Figures				
Country	GDP Q3 2019: %change*	Manufacturing PMI		
		November 2019	December 2019	Avg. 2019
India	4.5	51.2	52.7	52.3
China	6.0	51.8	51.5	50.5
Japan	1.3	48.9	48.4	49.2
USA	2.1	52.6	52.4	51.8
EU 28	1.2	46.9	46.3	47.4
Brazil	1.2	52.9	50.2	52.0
Russia	1.7	45.6	47.5	49.1
South Korea	2.0	49.4	50.1	48.7
Germany	0.5	44.1	43.7	44.5
Turkey	0.9	49.5	49.5	47.6
Italy	0.3	47.6	46.2	48.1

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

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production stood at 147.79 million tonnes (mt) in November 2019, down by 1% year-on-year (yoy) i.e. over November 2018 and stood at 1684.19 mt in January-November 2019, up by 2.7% yoy.

World Crude Steel Production: January-November 2019*			
Rank	Top 10	Qty (mt)	% change
1	China	904.18	7.0
2	India	101.95	2.0
3	Japan	91.53	-4.5
4	USA	80.62	1.9
5	South Korea	66.03	-0.4
6	Russia	65.57	-0.6
7	Germany	37.09	-5.4
8	Turkey	30.86	-10.4
9	Brazil	29.82	-8.8
10	Iran	23.65	5.3
Total:10		1431.29	3.7
World		1684.19	2.7

Source: worldsteel; *prov.

- China produced 904.18 mt of crude steel during January-November 2019, up by 7%. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was down by 1.9%.
- China accounted for 75% of Asian and 54% of world crude steel production during this period.
- With a 6.1% share in total world production and a 2% growth in production over same period of 2018, India (101.95 mt) was the 2nd largest producer during this period.
- Japanese crude steel production (91.53 mt) was down by 4.5% 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 (80.62 mt) notching up a growth of 1.9% while South Korea was the 5th largest, with a 0.4% decline in production.
- Crude steel production in the EU (28) countries during this period was 148.45 mt, down by 4.2%.

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- At 1209.58 mt, Asian crude steel production was up by 5.1% during this period and the region accounted for 72% of world crude steel production during this period.
 - The top 10 countries accounted for 85% of total world crude steel production and saw production go up by 3.7% yoy during this period.

NEWS AROUND THE WORLD

THE AMERICAS

- US-based iron ore miner Cleveland-Cliffs Inc. has entered into a definitive merger agreement with US sheet steel producer AK Steel Holding Corp. Cliffs will acquire all the issued and outstanding shares of AK Steel common stock.
- United States President Donald Trump has resumed imposition of Section 232 tariffs on steel imports from Brazil and Argentina, which were earlier exempted.
- US Steel plans to indefinitely idle "a significant portion" of its Great Lakes Works near Detroit, in the US state of Michigan. The Pittsburgh-based steelmaker expects to begin idling the iron and steelmaking facilities on or around April 1, 2020 and the HSM before the end of 2020.
- Brazilian steel demand is set to grow in 2020 and support higher domestic prices, as per a statement issued by the CSN which projected flat-rolled steel apparent consumption to total 12.92 million tonnes in 2020, rising by 4.7% in comparison with an estimated 12.34 million tonnes for 2019. Such growth is expected to be driven by a 10% increase in automotive sales.

ASIA

- Northern China's Puyang Iron & Steel (Puyang Steel) plans to add 1.37 mtpa of iron-making capacity and 1.52 mtpa of crude steel capacity by December 2021, according to Hebei Provincial Industry & Technology Information Department.
 - Eastern China's Rizhao Iron & Steel plans to install new iron and steelmaking equipment by 2022 in Lanshan district, Rizhao city, Shandong province, having bought over capacity totalling to 2.5 mtpa from other producers, according to a notice released by Shandong province's Industry & Information Technology Department.
 - Shagang plans to install a new EAF with 1 mtpa capacity by 2022 to replace an older one in Jinfeng town, Zhangjiagang city, Jiangsu province, according to a notice released by Jiangsu province's Industry & Information Technology Department.
 - Hebei Iron & Steel is planning a capacity replacement project called Laoting Iron & Steel in Laoting County, Hebei to replace Xuanhua Iron & Steel. Capacity expected
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to come up is 10 mtpa in two phases. Major facilities would include 2 sintering plants, 2 rotary kilns, 6 coke ovens, 3 4,300-cubic-meters blast furnaces, 6 converters besides hot and cold rolling mills.

- Two steel mills in northern China have sold 2.21 mtpa of iron-making capacity and 1.52 mtpa of crude steel capacity to mills in the southern region, according to local government notices.
- Japan's Nippon Steel Nisshin will start the process of stopping the No 2 blast furnace at its Kure steel works temporarily from February 2020. It will focus on production at the No 1 blast furnace to increase production efficiency.
- ArcelorMittal has completed the acquisition of Essar Steel India Ltd., or ESIL. The world's largest steelmaker also said that it has set up a joint venture with Nippon Steel Corp., called ArcelorMittal Nippon Steel India Ltd., which will own and operate ESIL. ArcelorMittal will own 60% of the JV, with Nippon Steel holding the rest 40%. The JV aims to grow its finished steel shipments to 15 mtpa in the long term.
- The Korea Trade Commission is expected to decide on whether to renew anti-dumping duties on stainless steel plates from Japan in H12020. The 13.17% tariffs came into effect in 2011 and are due to expire in December 2019.
- Vietnam's Hoa Phat Group has started hot metal production at the second blast furnace in its new Dung Quat Steel Complex. The blast furnace will slowly increase production rates to its designed capacity of 1.2 mt of hot metal. Hoa Phat Group had already started up its first blast furnace in June 2019 and its first converter in August 2019. The converters will produce liquid steel at a rate of 4 mtpa.
- Malaysia will impose anti-dumping tariffs of up to 26.39% on CRC imported from China, Japan, South Korea and Vietnam.
- Indonesia's steel consumption is expected to rise 50.3% from 15.1 mt in 2018 to 22.7 mt in 2024, as per projections from the Indonesian Iron and Steel Industry Association.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- Novolipetsk Iron and Steel has completed a large-scale overhaul of its 3 mtpa BOF No. 2.
- Severstal aims to bring the share of new products to 30% of its portfolio by 2023, up from 5% currently as the company shifts focus to compound and premium steel solutions.
- Steel demand in North Africa is projected to grow by around 3% in the coming year to 23.5 million tonnes, delegates were told at Fastmarkets' Middle East Iron & Steel Conference.

EU AND OTHER EUROPE

- Italy's Marcegaglia Group has acquired 100% of the equity in re-roller Palini & Bertoli, also located in Italy, from Russia's Evraz for €40 million (\$44 million).
- AM InvestCo, the consortium led by ArcelorMittal, has signed a non-binding agreement with the government-appointed commissioners of Italian plant Ilva, ArcelorMittal.
- The European steel industry has welcomed the European Commission's recently launched European Green Deal although further policy and support are required to ensure competitiveness.
- The European Commission (EC) is planning to again review its safeguard measures for hot-dipped galvanized (HDG) flat steel destined for the automotive sector.
- ArcelorMittal Poland has completed the second stage of the modernization of its Sosnowiec mill in Poland to improve efficiency and quality of wire rod production. The investment will increase the mill's wire rod manufacturing capacity by 100,000 tpa to 800,000 tpa.
- Anti-dumping duties on some Chinese steel pipes and Chinese and Ukrainian galvanized coil imports into the Eurasian Economic Union will be introduced in early January 2020 for five years as per the Commission.

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

WORLD STEEL PRICE TRENDS

Global steel prices ended 2019 on a south-bound note, impacted, as was seen throughout the year, by a volatility across markets, owing to varied factors but mostly traceable to weak demand. If there were north-bound movements, those mostly turned out to be spurts, occasioned primarily by supply shocks emanating from the raw material side given the Vale conditions (iron ore) and natural calamities impacting Australia (coal). While Section 232 tariffs continued to prevail, trade restrictions were rampant, blocking local market access and dis-balancing global supply-demand equations and hence, prices. Overcapacity too ruled markets, despite China's efforts to weed out obsolete capacities. Going ahead, while certainly demand conditions are expected to improve at the local level courtesy policy impacts and home market dynamics, given subdued global economic growth, current geo-political tensions, prevailing trade restrictions, among others, how much of that local improvement will translate into cumulative progress at a global level remains to be watch out for in 2020.

Long Product

- US domestic rebar prices were largely stable in December 2019, with seasonally weak market conditions continuing to outweigh upward pressure from rising raw material costs. Transactions, as per Metal Bulletin reports, stood around \$590-600/s.t at month-end.
- European rebar prices remained stable at year-end with some improvement noted in Northern part owing to rising scrap costs. Transactions, as per Metal Bulletin reports, stood around €470-480/t (\$512-529) in Southern Europe and around €470-490/t (\$524-546) in Northern Europe at end-December 2019.
- China's rebar prices moved north in December 2019 courtesy re-stocking on the hope of rising prices in the New Year. Transactions, as per Metal Bulletin reports, stood around 3,700-3,750 yuan/t (\$531-538) in Shanghai and around 3,550-3,570 yuan/t in Beijing.
- Rebar prices in Russia moved north in December 2019 following improvements in market conditions as most mills increased prices. Transactions, as per Metal Bulletin reports, stood around 32,000-33,000 roubles/t including 20% VAT, cpt Moscow, Russia.

Flat Product

- December 2019 HRC prices in the USA saw some softening but remained stable in view of limited transactions and also some mixed reaction owing to resumption of Section 232 tariffs on Brazil and Argentina. Transactions, as per Metal Bulletin reports, stood around \$579/t.
- Weak demand in view of festive season slowdown kept European HRC prices on the lower side in December 2019. Transactions, as per Metal Bulletin reports, stood around €439/t (\$492/t) in Northern Europe and around €420-430/t (\$465-476/t) in Southern Europe.
- China's HRC prices remained firm in December 2019, with trading noted to be moderate. Transactions, as per Metal Bulletin reports, stood around 3,900-3,920 yuan/t (\$559-562) in Shanghai and around 3,630-3,640 yuan/t in Tangshan at month-end.
- HRC prices in Russia moved north in December 2019 following improvements in market conditions as most mills increased prices though demand remained seasonally subdued. Transactions, as per Metal Bulletin reports, stood around 39,500-40,000 roubles/t (\$634-642) for HR sheet, domestic, cpt Moscow, including 20% VAT.

[Source Credit: Metal Bulletin]

SPECIAL FOCUS

Global DRI production up by 2.7% in January-November 2019

DRI production worldwide rose to 7.58 million tonnes (mt) in November 2019 (p), up by 0.8% over same period of last year, as per provisional World Steel Association (worldsteel) report, driven by India (production up by 15%) and Iran (production up by 11%) during the month as compared to same month of last year. However, the main drag came from steep declines noted for countries like Mexico (down 11%), Egypt (down 67%), UAE (down by 25%) and South Africa (down 78%).

For January-November 2019 (p), provisional worldsteel report indicates that global DRI output (82.5 mt, up by 2.7%) continued to be driven by India (33.48 mt) at the number one spot with a growth of 7.1% over same period of last year. The country also accounted for 39% of total global output during this period. For the same period, Iran's DRI output (25.63 mt) saw a growth (10.4%) and along with India, these two countries accounted for 72% 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 grow by 4.3% 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-November 2019 (p)			
Rank	Country	Qty (mt)	% change
1	India	33.48	7.1
2	Iran	25.63	10.4
3	Mexico	5.40	-1.2
4	Egypt	4.05	-22.6
5	Saudi Arabia	4.32	-7.6
	Top 5	72.88	4.3
	World	82.50	2.7
	%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-November 2019, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for November 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-November 2019* (mt)	April-November 2018 (mt)	% change*
Crude Steel Production	72.900	72.510	0.5
Hot Metal Production	48.283	48.519	-0.5
Pig Iron Production	4.001	4.179	-4.3
Sponge Iron Production	24.692	22.961	7.5
Total Finished Steel (alloy/stainless + non-alloy)			
Production	67.666	66.252	2.1
Import	5.077	5.361	-5.3
Export	5.753	4.308	33.5
Consumption	66.517	64.176	3.65
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 72.900 million tonnes (mt), up by 0.5%.
- **Hot Metal:** Production at 48.283 mt, down by 0.5%.
- **Pig Iron:** Production at 4.001 mt, down by 4.3%.
- **Sponge Iron:** Production at 24.692 mt, up by 7.5%, led by coal-based route (85% share)
- **Total Finished Steel :** Production at 67.666 mt, up by 2.1%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 41.407 mt (57% share) during this period, down by 0.3%. The rest (31.493 mt) came from the Other Producers, up by 1.7%.
- **Hot Metal:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 40.13 mt (83% share) up by 0.7%. The rest (8.153 mt) came from the Other Producers, down by 6.1%.
- **Pig Iron:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 0.74 mt (19% share) up by 37.6%. The rest (3.257 mt) came from the Other Producers, down by 10.5%.
- **Total Finished Steel:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 36.391 mt (54% share) down by 0.9%. The rest (31.275 mt) came from the Other Producers, up by 5.9%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With an 81% share, the Private Sector (59.256 mt, up by 1.1%) led crude steel production compared to the 19% contribution of the PSUs.
- **Hot Metal:** With 69% share, the Private Sector (33.467 mt, down by 0.1%) led hot metal production, compared to the 31% contribution of the PSUs.
- **Pig Iron:** With an 89% share, the Private Sector (3.545 mt, down by 7.2%) led pig iron production, compared to the 11% contribution of the PSUs.
- **Total Finished Steel:** With an 85% share, the Private Sector (57.283 mt, up by 3.8%) led production of total finished steel, compared to the 15% contribution of the PSUs.

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Led by Non-flat steel (53% share; up by 5.7%) while the rest 47% was the share of Flat steel (down by 1.5%).
- **Import:** Flat products accounted for 89% share (down by 2.0%), the rest was the share of non-flats (down by 25.4%).
- **Export:** Flat products accounted for 89% share (up by 39.6%), the rest was the share of non-flats (down by 1.3%).
- **Consumption:** Led by Non-flat steel (52% share; up by 7.4%) while the rest 48% was the share of Flat steel (down by 0.1%).

Finished Steel Production Trends

- At 67.666 mt, production of total finished steel grew by 2.1% in April-November 2019.
- Contribution of the non-alloy steel segment stood at 64.657 mt (96% share, up by 4.5%), 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 (27.550 mt, up by 9.1%) while growth in the non-alloy, flat segment was led by HRC (27.933 mt, up by 0.3%) during this period.

Finished Steel Export Trends

- Exports of total finished steel outpaced imports during April-November 2019-20 and India was a net exporter for this period.
- At 5.753 mt, export of total finished steel was up by 33.5% during this period.
- Volume-wise, non-alloy HRC (3.41 mt) was the most exported item (65% share in total) while Bars & Rods (0.35 mt, up by 10%) led exports in the non-alloy, non-flat category.
- Vietnam led exports of total finished steel – not only overall (1.7 mt, 30% share) but also had the highest share in case HRC (49%).

Finished Steel Import Trends

- Import of total finished steel was at 5.077 mt during this period, down by 5.3%.
- Volume-wise, non-alloy HRC (1.292 mt) was the item most imported item (36% share in total), led by imports from Korea (38% share of total finished steel imports).
- The share of China in total finished steel import declined from 22% in April-November 2018 to 18% in April-November 2019, with volumes slipping by 19% in during this period.

Finished Steel Consumption Trends

- At 66.517 mt, consumption of total finished steel grew by 3.65% in April-November 2019.
- Contribution of the non-alloy steel segment stood at 62.176 mt (93% share, up by 5.6%), 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 (26.437 mt, up by 11.6%) while growth in the non-alloy, flat segment was led by HRC (26.847 mt, up by 0.2%) during this period.

JPC Market Prices (Retail)

- **Delhi market prices:** Compared to November 2018, average (retail) market prices in Delhi market in November 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. When compared to October 2019, the trend was just the same for HRC while TMT saw a marginal rise. The trend in retail market prices of TMT 10 mm and HRC 2.0 mm in the Delhi market in November 2019 with regard to November 2018 is shown in the table below.

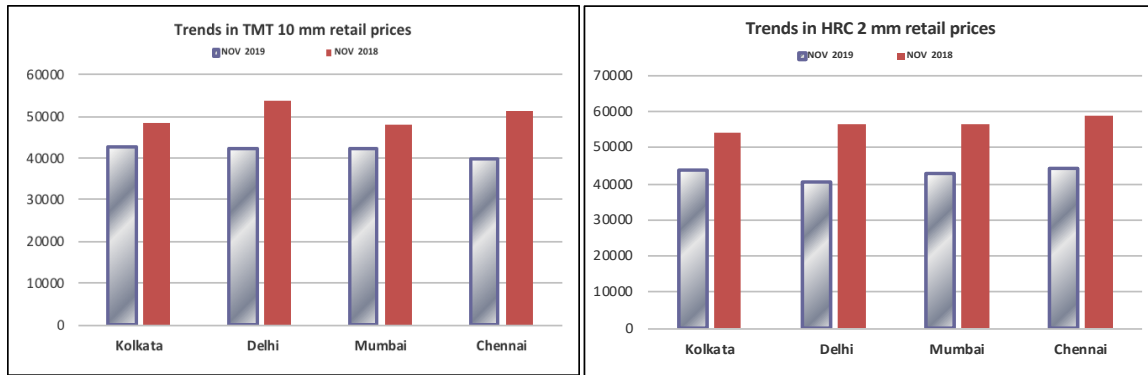
Trends in JPC market price (retail) in Delhi market in November 2019		
Item	Delhi market prices (Rs/t)	%change over November 2018
TMT, 10 mm	42,480	-20.9
HRC, 2.0 mm	40,680	-27.7

Source: JPC

- **All markets:** Compared to November 2018, average (retail) market prices in November 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 October 2019 for HRC (except Kolkata market which saw a marginal rise) whereas for TMT, prices rose in Delhi and Chennai but declined in Kolkata and Mumbai, all marginally however. The situation in November 2019 with regard to November 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 November 2019 over November 2018				
Item	Kolkata	Delhi	Mumbai	Chennai
TMT 10mm	-11.8	-20.9	-12.6	-22.3
HR Coils 2.00mm	-18.9	-27.7	-24.6	-24.2

Source: JPC



- TMT prices were highest in the Kolkata market (Rs. 42,730/t) and lowest in the Chennai market (Rs. 40,010/t) while HRC prices were highest in the Chennai market (Rs. 44,430/t) and lowest in Delhi market (Rs. 40,680/t) during November 2019.

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 July-September (Q2) 2019-20, both at constant (2011-12) and current prices. As per the Report, Real GDP or GDP at Constant (2011-12) Prices for Q2 2019 is estimated at Rs. 35.99 lakh crore, showing a growth rate of 4.5 per cent. Quarterly GVA (Basic Price) at Constant (2011-2012) Prices for Q2 of 2019-20 is estimated at Rs. 33.16 lakh crore, showing a growth rate of 4.3 per cent over the corresponding quarter of previous year. The economic activities which registered growth of over 4.3 per cent in Q2 of 2019-20 over Q2 of 2018-19 are 'Trade, Hotels, Transport, Communication and Services related to Broadcasting', 'Financial, Real Estate and Professional Services' and 'Public Administration, Defence and Other Services'. The growth in the 'Agriculture, Forestry and Fishing', 'Mining and Quarrying', 'Manufacturing', 'Electricity, Gas, Water Supply & Other Utility Services', and 'Construction' is estimated to be 2.1 per cent, 0.1 per cent, (-) 1.0 per cent, 3.6 per cent and 3.3 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 0.5 per cent during April-October 2019 (prov.), dampened by significant decline in October 2019 (over October 2018) for all lead sectors like Mining (down by 8 per cent), Manufacturing (down by 2.1 per cent), Electricity (down by 12.2. per cent), Capital Goods (down by 22 per cent), Infrastructure/Construction Goods (down by 9.2 per cent) and Consumer Durables (down by 18 per cent). Cumulative IIP numbers remained subdued for all the major sectors, with growth rates remaining dismal for all three: Mining (down by 0.4 per cent), Manufacturing (up by 0.5 per cent) and Electricity (up by 1.6 per cent) and declines noted also for all the

lead use-based sectors i.e. Capital Goods, Infrastructure/ Construction Goods and Consumer Durables.

Infrastructure Growth: Provisional data released by the DPIIT indicate that the growth rate of the Eight Core Infrastructure Industries was up by 0.2 per cent during April-October 2019 (prov.), dampened by significant declines in October 2019 (over October 2018) for all lead sectors like Cement (down by 7.7 per cent), Electricity (down by 12.4 per cent), Coal (down by 17.6 per cent), Crude Oil (down by 5.1 per cent) and Natural Gas (down by 5.7 per cent). Cumulative numbers excepting Steel (6.7 per cent growth) remained subdued for all the major sectors, with declines noted for Coal, Crude Oil, Natural Gas, Refinery Products and Cement during this period.

Inflation: In October 2019 (prov.), the annual rate of inflation, based on monthly WPI, stood at 0.16 per cent while the all India CPI inflation rate (combined) stood at 4.62 per cent and compared to October 2018, the former registered a decline and the latter, a mild rise.

Trade: Provisional figures from DGCI&S show that during April-September 2019-20, in dollar terms, overall exports were down by 2.2 per cent while overall imports were down by 8.37 per cent, both on yoy basis. During the same period, oil imports were valued at USD 73.93 billion, 12.2 per cent lower yoy while non-oil imports were valued at USD 206.74 billion, 6.93 per cent lower yoy. The overall trade deficit for April-October 2019-20 is estimated at USD49.45 billion as compared to USD71.45 billion in April-October 2018-19.

Prepared by: Joint Plant Committee