



# Trends ....December 2020

Global steel prices created records in some markets at the end of Q4 2020/2020 and ended on a “high” note, riding high on a combination of strong demand, supply concerns, gains in futures market, low inventories/need for re-stocking, stable export sector and a rise in raw material prices. Despite the continued constraints of COVID-19 and announced lockdowns in select markets in view of the new COVID-19 strain, global steel industry appears to have carved out a road of its own, operating under the conditions of a New Normal.

## WORLD ECONOMY AT A GLANCE

- 2020 ended on an overall positive note with growth rates of both global manufacturing production and new orders being among the strongest recorded over the past decade, as the sector continued to recover from the COVID-19 related downturn. On the flip side, world supply chains stayed severely stretched, leading to marked delays and disruption to raw material deliveries, production schedules and distribution timetables, as per Markit Economics Reports. The net effect was reflected in the J.P.Morgan Global Manufacturing PMI which at 53.8 in December 2020, remained at same level as November 2020, a record 33-month high figure and remained above the neutral 50.0 mark for six successive months.
- Markit Economics reports indicate that Germany, Brazil and India saw the strongest output growth in December 2020, while expansions were also seen in most of the other large industrial regions including China, the US and the euro area (as a whole). Although Japan was a notable exception to the growth trend, it nonetheless saw output volumes stabilise following 23 months of decline.
- The reports also indicate a subdued trend in employment, rise in average input cost and selling prices in December 2020.

Key Economic Figures				
Country	Q3 GDP 2020: %change*	Manufacturing PMI		
		November 2020	December 2020	2020: Avg
India	- 7.5	56.3	54.4	<b>49.3</b>
China	4.9	54.9	53.0	<b>51.1</b>
Japan	-5.8	49.0	50.0	<b>45.8</b>
USA	- 2.9	56.7	57.1	<b>50.1</b>
EU 28	- 4.3	53.8	55.2	<b>48.6</b>
Brazil	- 3.9	64.0	61.5	<b>54.8</b>
Russia	- 3.6	46.3	48.0	<b>45.8</b>
South Korea	- 1.3	52.9	52.9	<b>47.6</b>
Germany	- 4.3	57.8	58.3	<b>49.1</b>
Turkey	6.7	51.4	50.8	<b>50.0</b>
Italy	- 4.7	51.5	52.8	<b>48.2</b>

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

## GLOBAL CRUDE STEEL PRODUCTION

The impact of COVID-19 in leading steel making countries around the world continued to be felt in the country-wise crude steel production numbers released by World Steel Association (worldsteel). The data show that world crude steel production stood at 1670.39 million tonnes (mt) in January-November 2020, down 1.3% year-on-year (yoy) while production stood at 158.26 mt in November 2020, up 7% yoy.

<b>World Crude Steel Production: January-November 2020 (prov)</b>			
<b>Rank</b>	<b>Country</b>	<b>Qty (mt)</b>	<b>% change</b>
1	China	961.16	5.5
2	India	<b>89.39</b>	<b>-12.3</b>
3	Japan	75.67	-17.3
4	USA	66.07	-17.9
5	Russia	65.18	-0.6
6	South Korea	60.80	-7.2
7	Germany	32.52	-11.6
8	Turkey	32.26	4.6
9	Brazil	28.08	-6.7
10	Iran	26.37	12.8
<b>Total Top 10</b>		<b>1437.50</b>	<b>0.02</b>
<b>Total World</b>		<b>1670.39</b>	<b>-1.3</b>
Source: worldsteel			

- World crude steel production was led by China in January-November 2020 (961.16 mt, up by 5.5% yoy) and the nation accounted for 78% of Asian and 58% of world crude steel production during this period.
- With a 5.4% share in total world production, India (89.39 mt) reported a yoy production decline of 12.3% during January-November 2020 and was the 2<sup>nd</sup> largest producer during this period.
- Japanese crude steel production (75.67 mt) was down by 17.3% yoy and the country was the 3<sup>rd</sup> largest crude steel producer in the world during this period.
- USA remained at the 4<sup>th</sup> largest spot, with production (66.07 mt), down by 17.9% yoy while Russia (65.18 mt, down by 0.6% yoy) was the 5<sup>th</sup> largest crude steel producer during this period.
- Crude steel production in the EU (28) countries during this period was 125.16 mt, down by 15%.
- At 1239.79 mt, Asian crude steel production was up by 2% yoy and the region accounted for 74% of world crude steel production during this period.
- The top 10 countries accounted for 86% of total world crude steel production during this period and saw production go up marginally by 0.02% yoy.

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## NEWS AROUND THE WORLD

### THE AMERICAS

- US Steel has exercised its call option to acquire the remaining equity of Big River Steel for approximately \$774 million, with the transaction to be paid for with cash on hand.
- Liberty Steel will invest more than GBP60 million (\$80.61 million) at its South Yorkshire, UK, GREENSTEEL production hub to boost the works' viability by doubling production to 1 mtpa to supply the domestic market.
- ArcelorMittal and Nippon Steel have signed a definitive agreement to build an EAF at their AM/NS Calvert joint-venture site in Alabama.
- Brazil will start off 2021 with increasing volumes of imported steel rebar arriving at its ports, as consumers currently struggle with a combination of a strong short supply and month-on-month price hikes.
- Brazil's Usiminas plans to restart BF No. 2 at its Ipatinga plant from June 1, 2021, on the back of rising demand and firming up of prices.
- Ahmsa has received the green light from its controller Grupo Acerero del Norte, or GAN, to go ahead with a strategic alliance with Villacero Group involving the former's financial rescue and consolidation of the companies' production capacity.

### ASIA

- China's Baowu Steel Group Corp, the world's largest steelmaker, will continue with its merger strategy over the next few years, which could result in an increase in its steelmaking capacity to 200 mtpa as per CISA. The steelmaker's capacity exceeded 100 mtpa in September 2020 when it merged with Chongqing Iron & Steel Co, making it a bigger producer than ArcelorMittal.
- China has released a draft of stricter iron and steel capacity replacement measures. However, in a bid to promote mergers and acquisitions in the steel industry and development of electric arc furnaces and other environmentally friendly steelmaking facilities, capacity swaps involved in these areas will
- continue to apply to previous measures. Moreover, the stricter revised measures are expected to mainly impact projects that are still at the planning stage rather than those already commissioned, under construction, or those that have been approved.
- Platts expects China's iron and steel making capacity to continue to rise, from 1,243 mt in 2019 to 1,257 mt by the end of 2020 and further to 1,284 mt by end of 2021.
- S&P Global Ratings has upgraded its outlook for Tata Steel over the next 12-18 months, citing lower coking coal prices as a "key factor" in helping the steelmaker improve its financial position.
- Japan's Nippon Steel brought forward the restarts of two blast furnaces located at Muroran and Kimitsu bringing the number of operational furnaces to 11. One of the two BFs is the No. 2 BF at Muroran with capacity of 3,014 cu m while the other one is the No. 2 BF at Kimitsu, with a volume of 4,500 cu m.
- Nippon Steel has projected its non-consolidated crude steel production to hit 18.1 mt in the second half of the fiscal year ending March 31, 2021.

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- Japan's Nippon Steel and Australia's Rio Tinto signed a memorandum of understanding to research and develop technologies for low-carbon emission steel, thereby creating a tie-up between a major steelmaker and an iron ore producer.
  - A WTO ruling has indicated that South Korea's antidumping duties on SS bar imports from Japan were
  - inconsistent with the WTO's anti-dumping agreement and recommended that Korea brings its measure into conformity.
  - Posco aims to produce 5 mt of green hydrogen by 2050 as it intends to reduce its dependency on fossil fuels and moves to renewable energy sources and will set up a new division in January 2021, charged with expanding byproduct hydrogen production capacity to 70,000 mt by 2025.

### **RUSSIA, MID-EAST, AFRICA, AUSTRALIA**

- Rosneft is reviving its 2016 plan to build its 1.5 mtpa steel plate plant to supply Zvezda.
- Ukraine's interdepartmental commission on international trade has ruled to levy a 16.08% special customs duty on Belarus-made rebars – both cut to length and in coil – as well as rebars with unknown origin, if these are shipped from Belarus. The duty will come in force around Dec. 3, 2020.
- NLMK Ural is carrying out an upgrade to one of its two 1.1 mtpa casting machines at Revda, near Yekaterinburg that will allow it to cast 150 x 150 mm billet, as well as aluminum-, titanium- and boron-microalloyed wire rod, in addition to the 125 x 125 mm billet it currently makes.

### **EU AND OTHER EUROPE**

- ArcelorMittal has signed a binding agreement with Invitalia, Italy's agency for investment promotion and enterprise development, forming a public-private partnership for the former Ilva steel operations.
- Thyssenkrupp and energy company Steag are planning to build a 500 MW electrolysis plant to supply hydrogen to the steelmaker's mill in Duisburg-Bruckhausen and have started a feasibility study towards this end. Thyssenkrupp aims to substitute part of the carbon in the existing blast furnaces with
- hydrogen and later in the project wants hydrogen to be used in the new direct reduction plants.
- Turkey's largest integrated steelmaker Erdemir has started maintenance work at its 2<sup>nd</sup> blast furnace at its Iskenderun-based mill, Isdemir, expected to be completed within 44 days, with no major impact on overall production levels.
- Italy's Tenova said that its TSX SmartBurner for reheating furnaces, a megawatt-size flameless combustion system capable of burning any mixture of natural gas and hydrogen, and up to 100% hydrogen, is ready to be installed at industrial plants with potentially zero carbon dioxide emissions.
- A lockout by ArcelorMittal in Spain has halted the production of long products at the site, which has a capacity of 0.9 mtpa.
- Turkish mills are preparing to file objections to the EC's decision to impose provisional anti-dumping duties of 4.8%-7.6% on imports of certain Turkish hot-rolled flat products.

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

## WORLD STEEL PRICE TRENDS

With records being created in some markets, Q4 2020/2020 ended on a “high” note, reflected in a strong rise in global steel prices, riding high on a combination of strong demand, supply concerns, gains in futures market, low inventories/need for re-stocking, stable export sector and a rise in raw material prices. Despite the continued constraints of COVID-19 and announced lockdowns in select markets in view of the new COVID-19 strain, global steel industry appears to have carved out a road of its own, operating under the conditions of a New Normal. Crude steel production data released by worldsteel indicated a strong 7% rise in November 2020 yoy. China continued to rule markets, reporting a strong rise in its crude steel production and all set to close 2020 at 1 billion tonne-plus production level, something which analysts point out will put further pressure on an already-volatile raw material market and skyrocketing prices of principal raw materials for steel. Will it be sustained or whether the continued and stricter lockdown in developed markets will impact demand growth adversely – are some of the issues, answers to which are something only time can tell.

### Long Product

- Rebar prices in the USA reached almost an eight year high in December 2020, riding on stable demand, rising raw material prices and optimistic market outlook. Transactions, as per Metal Bulletin reports, were quoted around \$710-740/t at month-end.
- December 2020 saw rebar prices move north in the European market owing to steady demand, stringent supply and rising scrap prices. Transactions, as per Metal Bulletin reports, were quoted around €600-630/t in Northern Europe and around €575-595/t (\$702-726) in Southern Europe during the month.
- December 2020 rebar prices in China moved north on the back of strong demand and upcoming output cuts indicating supply shortages. Metal Bulletin reports quoted transactions at 4450-4470 yuan/t in Shanghai and around 3950-4000 yuan/t in Beijing at month-end.
- Russian rebar prices remained stable in December 2020 with producers keeping low-profile in view of proposed imposition of export duty on steel. Metal Bulletin’s assessment for rebar was quoted around 55,000 roubles/t including 20% VAT.

### Flat Products

- December 2020 US HRC prices not only reached the highest level seen all year but also the highest in more than 12 years, with prices reported by Metal Bulletin at \$1030/st.
- Supply side constraints, seasonal slowdown and strong demand continued to drive December 2020 HRC prices in the European market. Transactions, as per Metal Bulletin reports, were quoted around €665/t (\$810) in Northern Europe and around €640-660/t in Southern Europe
- China’s December 2020 HRC prices remained on strong grounds, with fresh output cuts promising further rise in prices. Transactions, as per Metal Bulletin reports were quoted around 4530-4570 yuan/t (\$694-700) in Shanghai and around 4430-4480 yuan/t in Tangshan.

- Stable demand, strong export sector and overall positive sentiments kept Russian HRC prices north-bound in December 2020. Metal Bulletin's assessment for steel hot-rolled sheet, domestic, cpt Moscow, Russia was 58,000 roubles (\$785/t) including 20% VAT.

[Source Credit: Metal Bulletin]

## SPECIAL FOCUS

### India leads global DRI production in January-November 2020

Provisional worldsteel report indicates that global DRI output was at 7.65 mt in November 2020, down 0.9% over same month of 2019. For the period, January–November 2020, provisional worldsteel report indicates that global DRI output was at 78.37 mt, down by 6.4% over same period of last year. Global DRI production in January-November 2020 was driven by India (29.88 mt, 38% share) at the number one spot despite production showing a decline of 11% yoy while production stood at 28.55 mt for Iran (36% share), up by 11.7% over same period of 2019. The two countries together accounted for 74% of global DRI output during 2020 so far. Together, the top five countries accounted for slightly over 92% of the world DRI production during 2020 so far and saw their cumulative output decline by 2.2% over same period of 2019.

World DRI Production: January-November 2020 (prov.)				
Rank	Country	Qty (mt)	% change	%Share
1	India	29.88	-11.0	38.1
2	Iran	28.55	11.7	36.4
3	Saudi Arabia	4.84	-8.7	6.2
4	Mexico	4.69	-14.1	6.0
5	Egypt	4.47	6.9	5.7
<b>Top 5</b>		<b>72.43</b>	<b>-2.2</b>	<b>92.4</b>
<b>World</b>		<b>78.37</b>	<b>-6.4</b>	<b>100</b>

Source: worldsteel

## INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-November 2020-21, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-November 2020-21. 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 2020-21* (mt)	April- November 2019-20 (mt)	% change*
Crude Steel Production	62.553	72.914	-14.2
Hot Metal Production	42.754	48.395	-11.7
Pig Iron Production	2.940	3.888	-24.4
Sponge Iron Production	20.814	24.775	-16.0
<b>Total Finished Steel (alloy/stainless + non-alloy)</b>			
Production	56.614	68.518	-17.4
Import	2.697	5.077	-46.9
Export	7.697	5.753	33.8
Consumption	54.314	67.589	-19.6
Source: JPC; *provisional; mt=million tonnes			

#### Overall Production

- **Crude Steel:** Production at 62.553 million tonnes (mt), down by 14.2%.
- **Hot Metal:** Production at 42.754 mt, down by 11.7%.
- **Pig Iron:** Production at 2.94 mt, down by 24.4%.
- **Sponge Iron:** Production at 20.814 mt, down by 16.0%, led by coal-based route (81% share).
- **Total Finished Steel:** Production at 56.314 mt, down by 17.4%.

#### Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS (erstwhile Essar Steel), JSWL & JSPL together produced 40.148 mt (64% share) during this period, down by 10.6%. The rest (22.405 mt) came from the Other Producers, down by 20.0%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 38.687 mt (90% share) down by 10.9%. The rest (4.067 mt) came from the Other Producers, down by 18.4%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 0.891 mt (30% share) up by 2.7%. The rest (2.049 mt) came from the Other Producers, down by 32.2%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 33.336 mt (59% share) down by 16.9%. The rest (23.278 mt) came from the Other Producers, down by 18.1%.

#### Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 82% share, the Private Sector (51.171 mt, down by 13.7%) led crude steel production compared to the 18% contribution of the PSUs.
- **Hot Metal:** With 71% share, the Private Sector (30.359 mt, down by 9.6%) led hot metal production, compared to the 29% contribution of the PSUs.

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- **Pig Iron:** With 88% share, the Private Sector (2.576 mt, down by 25.0%) led pig iron production, compared to the 12% contribution of the PSUs.
  - **Total Finished Steel:** With 86% share, the Private Sector (48.886 mt, down by 15.9%) led production of total finished steel, compared to the 14% contribution of the PSUs.

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

- **Production:** Led by Flat steel (51% share; down by 10%) while the rest 49% was the share of Non-Flat steel (down by 24%).
- **Import:** Flat products accounted for 89% share (down by 47%), the rest 11% was the share of non-flats (down by 46%).
- **Export:** Flat products accounted for 89% share (up by 34%), the rest 11% was the share of non-flats (up by 36%).
- **Consumption:** Led by non-flats steel (53% share; down by 18%) while the rest 47% was the share of flat steel (down by 22%).

#### Finished Steel Production Trends

- At 56.614 mt, production of total finished steel declined by 17.4% in April-November 2020-21.
- Contribution of the non-alloy steel segment stood at 53.671 mt (95% share, down by 17.5%), 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 (20.903 mt, down by 24.8%) while growth in the non-alloy, flat segment was led by HRC (25.435 mt, down by 9.2%) during this period.

#### Finished Steel Export Trends

- Overall exports of total finished steel (7.697 mt) were up by 33.8% and India was a net exporter for this period.
- Volume-wise, non-alloy HRC (5.133 mt, up by 50.5%) was the most exported item (72% share in total non-alloy).
- China (27% share) was the largest export market (2.05 mt) for India.

#### Finished Steel Import Trends

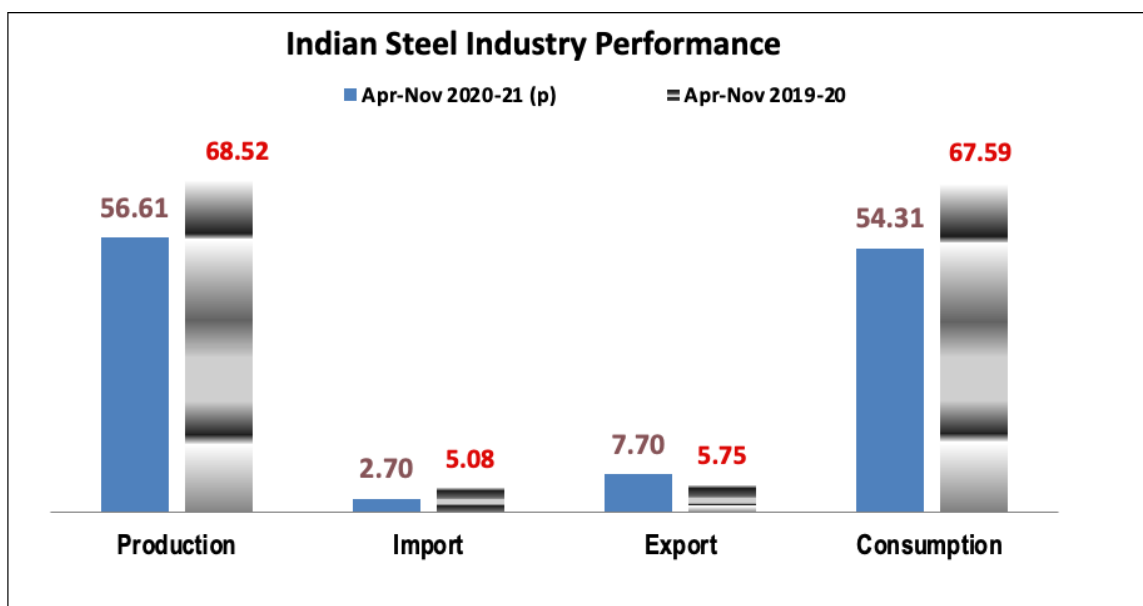
- Overall imports of total finished steel (2.697 mt) were down by 46.9%.
- Volume-wise, non-alloy GP/GC SHEETS/COIL (0.443 mt, down by 32.4%) was the item most imported (24% share in total non-alloy).
- Korea (1.067 mt) was the largest import market for India (40% share in total).

#### Finished Steel Consumption Trends

- At 54.314 mt, consumption of total finished steel declined by 19.6% in April-November 2020-21.



- Contribution of the non-alloy steel segment stood at 51.066 mt (94% share, down by 18.7%), 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 consumption of total finished steel was Bars & Rods (21.985 mt, down by 17.8%) while growth in the non-alloy, flat segment was led by HRC (21.578 mt, down by 20.3%) 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 Q2 2020-21, both at constant (2011-12) and current prices. As per the Report, GDP at Constant (2011-12) Prices during Q2 2020-21 is estimated at Rs 33.14 lakh crore, showing a contraction of 7.5%. Quarterly GVA at Basic Price at Constant (2011-12) Prices for Q2 of 2020-21 is estimated at Rs 30.49 lakh crore, a contraction of 7%. *Agriculture, forestry & fishing, Manufacturing, Electricity, Gas, Water Supply and Other Utility Services* were the only sectors to record a positive rate of growth during this period, as over same period of last year.

**Industrial Production:** Provisional CSO data show that the Index of Industrial Production (IIP) declined by 15.5% during April-November 2020-21 (prov.), dampened by declines in the indices of all the lead sectors during this period as compared to same period of last year.

**Infrastructure Growth:** Provisional data released by the DPIIT indicate that the Eight Core Infrastructure Industries saw a decline of 11.4% during April-November 2020-21 (prov.), dampened by significant declines in all lead sectors except Fertilisers.

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**Inflation:** In November 2020 (prov.), the annual rate of inflation, based on monthly WPI, stood at 1.55% while the all India CPI inflation rate (combined) stood at 6.93% and compared to the previous month, the former registered a rise, the latter, a decline.

**Trade:** Provisional figures from DGCI&S show that during April-November 2020-21, in dollar terms, overall exports were down by 17.76% while overall imports were down by 33.55%, both on yoy basis. During the same period, oil imports were valued at USD 44.11 billion, 48.71% lower yoy while non-oil imports were valued at USD 171.58 billion, 28.09% lower yoy. Overall trade surplus for April-November 2020-21 is estimated at USD 13.59 billion as compared to the deficit of USD 61.06 billion in same period of last year.

**Prepared by: Joint Plant Committee**