



# Trends ....January 2021

Global crude steel production reported a healthy growth in 2020, led by China despite COVID-19. India remained the 2<sup>nd</sup> largest world crude steel producer and the largest DRI producer in the world in 2020, again despite the constraints imposed by COVID-19. Domestic steel prices surged in the opening month of 2021 due to a variety of factors but showed some cooling down at month-end. The Economic Survey stayed true to the needs of the economy coming out of a lockdown-pandemic mode, promising strong growth in the days ahead.

## WORLD ECONOMY AT A GLANCE

- Market Economics reports indicate that the global manufacturing sector remained on strong ground in the opening month of 2021 and though the J.P.Morgan Global Manufacturing PMI slipped to a three month low of 53.5 in January 2021, it was at one of its highest levels over the past three years.
- January 2021 manufacturing growth was led by Taiwan, the US, the Netherlands and India, while upturns in China and the Euro area (on an average) continued. The reports also indicate that PMIs for Japan, Spain, Thailand, Malaysia, Kazakhstan and Myanmar all signalled contraction and that of Greece posted a reading identical to the stagnation-mark of 50.0 during January 2021.
- The Markit reports show further that world manufacturing production and new orders both expanded again in January 2021, thereby extending the current sequence of concurrent growth to seven months. But the rates of expansion eased and the growth of new export orders slipped to near-stagnation.
- The labour market continued to stabilise at the start of 2021 and disruptions in supply chains led to price inflations.

Key Economic Figures			
Country	Q3 GDP 2020: %change*	Manufacturing PMI	
		2020: Avg	January 2021
India	-23.9	49.3	57.7
China	3.2	51.1	51.5
Japan	-1.7	45.8	49.8
USA	-9.5	50.1	59.2
EU 28	-15.0	48.6	54.8
Brazil	-11.4	54.8	56.5
Russia	-8.5	45.8	50.9
South Korea	-2.9	47.6	53.2
Germany	-11.7	49.1	57.1
Turkey	-9.9	50.0	54.4
Italy	-17.3	48.2	55.1

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

## GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 1827.81 million tonnes (mt) 2020, down only 1% over 2019 as per provisional data released by World Steel Association (worldsteel) and indicate a limited impact of COVID-19 at the overall level and differential impact levels in the leading steel making countries around the world in 2020.

World Crude Steel Production*						
Rank	Top 10	2020 (mt)	%Share	2019 (mt)	%Share	% change
1	China	1052.99	57.6	1001.31	54.2	5.2
2	<b>India</b>	<b>99.57</b>	<b>5.4</b>	<b>111.35</b>	<b>6.0</b>	<b>-10.6</b>
3	Japan	83.19	4.6	99.28	5.4	-16.2
4	USA	72.73	4.0	87.76	4.8	-17.1
5	Russia	71.87	3.9	71.57	3.9	0.4
6	South Korea	67.12	3.7	71.41	3.9	-6.0
7	Turkey	35.76	2.0	33.74	1.8	6.0
8	Germany	35.66	2.0	39.63	2.1	-10.0
9	Brazil	30.97	1.7	32.57	1.8	-4.9
10	Iran	29.03	1.6	25.61	1.4	13.4
<b>Total: Top 10</b>		<b>1578.89</b>	<b>86.4</b>	<b>1574.23</b>	<b>85.3</b>	<b>0.3</b>
<b>World</b>		<b>1827.81</b>	<b>100.0</b>	<b>1846.39</b>	<b>100.0</b>	<b>-1.0</b>
Source: worldsteel; *provisional						

- China remained the leader in world crude steel production in 2020 with production crossing the 1 billion tonne mark to reach 1053 mt during the year, up 5.2% over 2019. The nation accounted for 78% of Asian and 58% of world crude steel production during this period, significantly up compared to the 75% and 54% shares achieved in 2019.
- With a 5.4% share in total world production, India (99.57 mt) reported a yoy production decline of 10.6% during 2020 and was the 2<sup>nd</sup> largest producer during this period.
- Japanese crude steel production (83.19 mt) was down by 16.2% yoy in 2020 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 (72.73 mt), down by 17.1% yoy while Russia (71.87 mt, up by 0.4% yoy) was the 5<sup>th</sup> largest crude steel producer during this period.
- Crude steel production in the EU (28) countries stood at 139 mt during 2020, down by 12% yoy.
- At 1351.15 mt, Asian crude steel production was up by 1.6% in 2020 and contributed significantly by China, the region accounted for 74% of world crude steel production compared to 72% in 2019.
- The top 10 countries accounted for 86.4% of total world crude steel production during 2020 (85.3% in 2019) and saw production go up 0.3% yoy in 2020.

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## NEWS AROUND THE WORLD

### THE AMERICAS

- Steelmakers in the United States and the United Steelworkers union applauded President Joe Biden's plan to sign an executive order intended to strengthen "Buy America" laws.
- US HRC prices crossed the \$1,000/st mark in the final week of December 2020, thereby marking the highest level in more than a decade with analysts expecting prices to remain elevated in early 2021.
- Mexican long steel group Simec will expand at its operations in Brazil in 2021, increasing crude steelmaking capacity at its Cariacica plant to 0,8 mtpa, up from the current 0.6 mtpa. This would raise the group's annual production capacity to 1.3 mt of crude steel and 1.05 mt of rolled products.
- Latin American crude steel production in November increased 9.6% to 5.29 mt, becoming "the best month in 2020," as per regional steel organization Alacero. Although the production growth occurred in all countries of the region, the group pointed out that it was Brazil's production increase that led the way.
- The US is imposing sanctions on several companies in connection with Iran's steel industry, alleging that revenue from the sector is used by the Iranian regime to fund "nefarious" activities, the US Treasury Department said.

### ASIA

- According to data released by China's National Bureau of Statistics (NBS) on Monday, the country's Gross Domestic Product (GDP) in 2020 reached a record high of 101.6 trillion yuan, up by 2.3% yoy.
  - China's steel exports fell by 16.5% yoy in 2020 to 53.67 mt but analysts opine that export performance would improve in 2021 with recovery of global business activity from the effects of the Covid-19 pandemic.
  - China's Baowu Steel Group, the world's largest steelmaker, is in talks with Shandong Iron & Steel Group Co for a potential merger which could take the group's capacity to 200 mtpa.
  - Japan's Nippon Steel restarted its No. 1 blast furnace at Kashima with plans for an end-January restart, amid recovery in the domestic automotive industry. The 5,370 cu m furnace, which is run by its East Nippon Works, was placed on "banking" since April 16 2020, due to lower demand amid the coronavirus pandemic. With the restart of the No. 1 blast furnace, Nippon Steel now has 12 operational furnaces in Japan.
  - The Indian government has offered a 10% stake, or 206.53 million shares, in the Steel Authority of India Limited or SAIL to investors.
  - Hyundai Steel has suspended production at its Incheon, Pohang and Suncheon steelworks, effective Jan. 13 to Jan. 15, because its unionized workforce have gone on strike over a collective wage Agreement.
  - Vietnam's Hoa Phat has fired up its No. 4 blast furnace at its Dung Quat complex at Quan Ngai province on Jan. 6, 2021, making it the last of four new furnaces to come online and increasing the production capacity of 16,000 tpd of crude steel.
  - Malaysia has imposed provisional antidumping duties of 7.73% to 34.82% on cold-rolled stainless steel from Indonesia and Vietnam effective Dec. 26 for 120 days.
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## **RUSSIA, MID-EAST, AFRICA, AUSTRALIA**

- Severstal hiked large diameter pipe exports by 80% in 2020 and aims to boost this further if needed at a double-digit percentage rate in 2021 and beyond, to secure itself against a scenario under which domestic demand recovery does not live up to expectations.
- Russian antimonopoly service (FAS) has initiated an investigation to determine whether rapidly increasing domestic steel prices, particularly rebar, violated federal competition laws, with export duties being mentioned as possible countermeasures.

## **EU AND OTHER EUROPE**

- The European Commission (EC) has imposed a provisional anti-dumping duty of 4.8%-7.6% on imports of HRC from Turkey, with major Turkish HRC producer Colakoglu subject to the highest provisional duty of 7.6%, while Turkey's largest integrated steel producer, Oyak Maden Metalurji Group (Erdemir and Isdemir) having a duty rate of 5.4%.
- Turkey has officially started a dumping investigation against HRC imports from the EU region and South Korea.
- An Environmental Impact Assessment (EIA) process has started for one of Turkey's largest steel producers, Tosal Demir Celik's, new 3.5 mt HRC mill project in Turkey.
- UK steel trade association ISTA urged the UK government not to impose an automatic 25% duty on steel imports into Northern Ireland from non-GB and non-EU sources.
- ArcelorMittal has increased crude steel production at its Spanish Sestao site for this year to an initial 45,000 t/month.
- ArcelorMittal Italia is in the process of restarting blast furnace 2 at its site in Taranto and aims to boost crude steel output in 2021 to 5 mt from 3.4 mt produced in 2020,
- Liberty Steel has submitted "a firmed-up bid" for thyssenkrupp Steel Europe, Germany's largest steelmaker, whose acquisition it has been targeting for several months. Voestalpine has restarted its second blast furnace to meet demand growth at its Donawitz site. The two blast furnaces combined have an annual capacity of 1.5 mt.

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

## **WORLD STEEL PRICE TRENDS**

After reaching record-breaking highs at the end of 2020, global steel prices showed 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, impacted by rising demand, stringent supply and a volatile raw material (read iron ore, scrap) market that too showed signs of cooling down. China as usual remained at the spotlight, with its crude steel production in 2020 shooting past the 1 billion tonne mark, a remarkable feat considering the lockdown-laden year that it had been. Chinese exports too showed a strong rally though for the year as a whole, it showed a decline, which market analysts indicate would recover in 2021, with gradual recovery of global markets.

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## Long Product

- Rebar prices held steady in the USA in the opening month of 2021 helped by stable demand and with all eyes on trends in scrap prices. Transactions as per Fastmarkets' Metal Bulletin were quoted around \$39.75 per hundredweight (\$795/st) at month-end.
- Domestic steel rebar prices in both North and South European markets were broadly stable in January 2021 with market participants keeping a watch on weakening scrap prices. Transactions as per Fastmarkets' Metal Bulletin were quoted around €650-670/t (\$789-814) in Northern Europe and around €610-635/t (\$741-771) in Southern Europe at month-end.
- Upcoming New Year celebrations saw some softening in transaction volumes in China in January 2021 but otherwise Chinese domestic rebar prices were largely stable with demand remaining modest. Transactions as per Fastmarkets' Metal Bulletin were quoted around 4,280-4,310 yuan/t (\$663-667) in Shanghai and around 4,110-4,160 yuan/t in Beijing.
- Russian rebar prices saw some softening in end-January 2021 owing largely to seasonal factors and low demand. Fastmarkets' Metal Bulletin assessed steel reinforcing bar (rebar), domestic, cpt Moscow, Russia price at 60,500-63,000 roubles/t including 20% VAT at month-end.

## Flat Products

- After reaching a record in 2020-end, US HRC prices softened marginally but remained on strong grounds, helped by stringent supply and strong demand which as per Fastmarkets' Metal Bulletin reports, pushed up HRC prices past \$57cwt at month-end.
- January 2021 HRC prices remained stable in the European markets. Transactions as per Fastmarkets' Metal Bulletin reports were quoted around at €712.50/t (\$862.83) in Northern Europe and around €700-710/t in Southern Europe.
- Despite a slow demand, Chinese HRC exporters raised their offers amidst concerns over rebate cut for outbound shipments. Transactions as per Fastmarkets' Metal Bulletin reports were quoted around 4,440-4,460 yuan/t (\$687-690) in Shanghai and around 4,350-4,420 yuan/t in Tangshan.
- Russia's flat steel market softened in January 2021 owing to slow demand and declining exports. Fastmarkets' Metal Bulletin's price assessment for HR steel sheet, domestic, cpt Moscow, Russia, stood at 64,000-65,000 roubles/t (\$850-863) including 20% VAT.

[Source Credit: Fastmarkets' Metal Bulletin]

## SPECIAL FOCUS

### India leads global DRI production in 2020

Provisional worldsteel report indicates that global DRI output stood at 86.49 mt in 2020, down 6% over 2019. Global DRI production in 2020 was driven by India (33.13 mt, 38.3% share) at the number one spot despite production showing a decline of 10% yoy while production stood at 31.5 mt for Iran (36% share), up by 10.4% over 2019. The two countries together accounted for 75% of global DRI output during 2020 as compared to 71% of 2019. Together, the top five

countries accounted for slightly over 92% of the world DRI production during 2020 (89% in 2019) and saw their cumulative output decline by 2% over 2019.

World DRI Production*						
Rank	Country	2020 (mt)	2019 (mt)	% change over 2019	%Share: 2020	%Share:2019
1	India	33.13	36.8	-10.0	38.3	40.0
2	Iran	31.50	28.5	10.4	36.4	31.0
3	Mexico	5.27	5.9	-11.7	6.1	6
4	Saudi Arabia	5.19	5.8	-10.2	6.0	6
5	Egypt	4.83	4.4	9.0	5.6	5
<b>Top 5</b>		<b>79.92</b>	<b>81.52</b>	<b>-2.0</b>	<b>92.4</b>	<b>89</b>
<b>World</b>		<b>86.49</b>	<b>92.05</b>	<b>-6.0</b>	<b>100</b>	<b>100</b>

### INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-December 2020-21, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-December 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-December 2020-21* (mt)	April-December 2019-20(mt)	% change*
Crude Steel Production	72.730	82.297	-11.6
Hot Metal Production	49.403	54.676	-9.6
Pig Iron Production	3.398	4.316	-21.3
Sponge Iron Production	24.060	28.034	-14.2
<b>Total Finished Steel (alloy/stainless + non-alloy)</b>			
Production	66.555	77.742	-14.4
Import	3.209	5.514	-41.8
Export	8.314	6.519	27.5
Consumption	64.608	76.241	-15.3
Source: JPC; *provisional; mt=million tonnes			

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## Overall Production

- **Crude Steel:** Production at 72.73 million tonnes (mt), down by 11.6%.
- **Hot Metal:** Production at 49.403mt, down by 9.6%.
- **Pig Iron:** Production at 3.398mt, down by 21.3%.
- **Sponge Iron:** Production at 24.06mt, down by 14.2%, led by coal-based route (81% share).
- **Total Finished Steel:** Production at 66.555mt, down by 14.4%.

## Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS (erstwhile Essar Steel), JSWL & JSPL together produced 46.433mt (64% share) during this period, down by 8.5%. The rest (26.298mt) came from the Other Producers, down by 16.6%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 44.706mt (90% share) down by 8.9%. The rest (4.697mt) came from the Other Producers, down by 16.1%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 1.01mt (30% share) up by 6.0%. The rest (2.388mt) came from the Other Producers, down by 29.0%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 38.922 mt (58% share) down by 14.6%. The rest (27.633mt) came from the Other Producers, down by 14.1%.

## Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 82% share, the Private Sector (59.346mt, down by 11.4%) led crude steel production compared to the 18% contribution of the PSUs.
- **Hot Metal:** With 70% share, the Private Sector (34.795mt, down by 8.5%) led hot metal production, compared to the 30% contribution of the PSUs.
- **Pig Iron:** With 87% share, the Private Sector (2.944mt, down by 22.9%) led pig iron production, compared to the 13% contribution of the PSUs.
- **Total Finished Steel:** With 86% share, the Private Sector (57.282mt, down by 13.2%) 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 9%) while the rest 49% was the share of Non-Flat steel (down by 20%).
  - **Import:** Flat products accounted for 89% share (down by 42%), the rest 11% was the share of non-flats (down by 39%).
  - **Export:** Flat products accounted for 89% share (up by 27%), the rest 11% was the share of non-flats (up by 32%).
  - **Consumption:** Led by non-flats steel (53% share; down by 14%) while the rest 47% was the share of flat steel (down by 17%).
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### Finished Steel Production Trends

- At 66.555mt, production of total finished steel declined by 14.4% in April-December 2020-21.
- Contribution of the non-alloy steel segment stood at 62.917mt (95% share, down by 14.8%), 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 (24.874 mt, down by 20.7%) while growth in the non-alloy, flat segment was led by HRC (29.449 mt, down by 7.8%) during this period.

### Finished Steel Export Trends

- Overall exports of total finished steel (8.314 mt) were up by 27.5%.
- Volume-wise, non-alloy HRC (5.453 mt, up by 43.1%) was the most exported item (71% share in total non-alloy).
- China (25% share) was the largest export market (2.05 mt) for India.

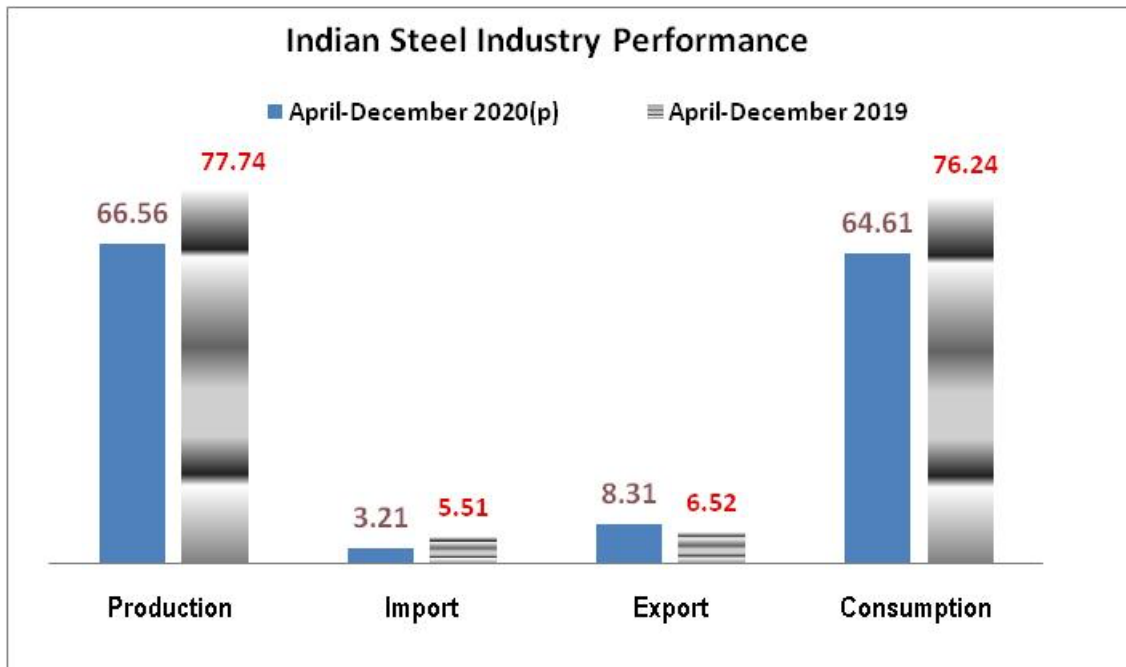
### Finished Steel Import Trends

- Overall imports of total finished steel (3.209 mt) were down by 41.8%.
- India was a net exporter of total finished steel.
- Volume-wise, non-alloy HR COIL/STRIP (0.544 mt, down by 60.8%) was the item most imported (25% share in total non-alloy).
- Korea (1.299 mt) was the largest import market for India (40% share in total).

### Finished Steel Consumption Trends

- At 64.608mt, consumption of total finished steel declined by 15.3% in April-December 2020-21.
- Contribution of the non-alloy steel segment stood at 60.518 mt (94% share, down by 14.6%), 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 (26.294mt, down by 13.7%) while growth in the non-alloy, flat segment was led by HRC (25.422mt, down by 15.4%) 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 13.5% during April-December 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 10.1% during April-December 2020-21 (prov.), dampened by significant declines in all lead sectors except Fertilisers.

**Inflation:** In December 2020 (prov.), the annual rate of inflation, based on monthly WPI, stood at 1.22% while the all India CPI inflation rate (combined) stood at 4.59% and compared to the previous month, both registered a decline.

**Trade:** Provisional figures from DGCI&S show that during April-December 2020-21, in dollar terms, overall exports were down by 15.73% while overall imports were down by 29.08%, both on yoy basis. During the same period, oil imports were valued at USD 53.69 billion, 44.49% lower yoy

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while non-oil imports were valued at USD 204.58 billion, 23.51% lower yoy. Overall trade surplus for this period is estimated at USD 5.22 billion as compared to the deficit of USD 64.09 billion in same period of last year.

**Prepared by: Joint Plant Committee**