



Trends July 2019

While the global manufacturing PMI signaled an all-round slowdown in manufacturing activities in July 2019, back home, the slowdown in the auto sector has ticked off all the check boxes for alarm and concern for domestic steel industry in general and domestic steel demand in particular.

WORLD ECONOMY AT A GLANCE

- Reports from Markit Economics indicate that the slowdown in the global manufacturing sector entered its third consecutive month in July 2019 with the J.P. Morgan Global Manufacturing PMI at 49.3 during the month, its lowest level since October 2012.
- The reports indicate that China, Japan, Germany, South Korea, Taiwan, France, the UK, Italy and Brazil saw contractions during July 2019. Again, though the US and Canada saw expansions, their respective PMI levels (50.4 and 50.2) were only marginally above the neutral 50.0 mark.
- Markit Economics reports also indicate that in July 2019, international trade volumes declined for the eleventh month in a row, manufacturing employment declined for the third straight month and though price inflationary pressure remained stable, costs rose marginally.

Key Economic Figures			
Country	GDP 2018: %change*	Manufacturing PMI	
		June 2019	July 2019
India	7.3	52.1	52.5
China	6.6	49.4	49.9
Japan	1.9	49.3	49.4
USA	2.9	50.6	50.4
EU 28	1.9	47.8	46.4
Brazil	1.1	51.0	49.9
Russia	2.3	48.6	49.3
South Korea	2.7	47.5	47.3
Germany	1.5	45.0	43.2
Turkey	2.6	46.5	46.7
Italy	0.9	48.4	48.5

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

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production stood at 158.98 million tonnes (mt) in June 2019 up by 4.6 per cent year-on-year (yoy) i.e. over June 2018 and at 925.06 mt in January-June or H1 2019, up by 4.9 per cent yoy.

World Crude Steel Production: January-June 2019*			
Rank	Top 10	Qty (mt)	% change
1	China	492.17	9.9
2	India	56.96	5.0
3	Japan	51.08	-3.6
4	USA	44.35	5.4
5	South Korea	36.45	1.1
6	Russia	35.76	-0.7
7	Germany	20.72	-5.1
8	Brazil	17.24	-1.4
9	Turkey	16.99	-10.1
10	Iran	12.79	5.6
Total:10		784.50	6.1
World		925.06	4.9

Source: worldsteel; *prov.

- China produced 492.17 mt of crude steel during H1 2019, up by 9.9 per cent yoy. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was down by 0.3 per cent. China accounted for 75 per cent of Asian and 53 per cent of world crude steel production during this period.
- With a 6.2 per cent share in total world production and a 5 per cent growth in production over same period of 2018, India (56.96 mt) was the 2nd largest producer during this period.
- Japanese crude steel production (51.08 mt) was down by 3.6 per cent and the country was the 3rd largest crude steel producer in the world during this period.
- USA remained at the 4th largest spot, with production (44.35 mt) notching up a growth of 5.4 per cent while South Korea was the 5th largest, with a 1.1 per cent growth in production.
- Crude steel production in the EU (28) countries during H1 2019 was 84.74 mt, down by 2.5 per cent.
- At 660.18 mt, Asian crude steel production was up by 7.4 per cent during this period and the region accounted for 71 per cent of world crude steel production during this period.
- The top 10 countries accounted for 85 per cent of total world crude steel production and saw production go up by 6.1 per cent yoy during this period.

NEWS AROUND THE WORLD

THE AMERICAS

- The United States Department of Commerce (DoC) has calculated average dumping margins for imports of Mexico-origin steel reinforcing bar (rebar) at 3.65%, while leaving Deacero out of the final results. It has also issued affirmative preliminary determinations in its countervailing duty investigations into carbon and alloy steel threaded rod imports from China and India.
- Construction for Steel Dynamics Inc's new \$1.9-million EAF flat-rolled steel mill is planned for early 2020 and will include an estimated 0.55 mtpa galvanizing line and 0.25 mtpa paint line.
- U.S. Steel plans to slash approximately 2,500 jobs at its flat-rolled steel mill in Kosice, Slovakia, as it looks to cut costs to combat deteriorating market conditions in Europe.
- The Brazilian government has imposed a definitive anti-dumping duty on imports of non-grain-oriented electrical steel products from Germany. The duty will be imposed at a rate of \$166.32/t for a period of one year.

ASIA

- Hebei province's Tangshan city has loosened output cut orders at its local blast furnaces and converters for July 2019, by shortening the output cuts period for steel mills with a better environmental protection performance.
- India's Steel Authority of India Ltd.(SAIL) is considering selling three of its loss-making specialty steel units - Visvesvaraya Iron and Steel, Alloy Steels and Salem Steel plants- according to documents filed via the Department of Investment and Public Asset Management. The steelmaker is seeking expressions of interest for selling 100% stakes in these plants.
- India has imposed provisional anti-dumping duties ranging over \$28.67-\$199.53/t on imports of coated flat steel products from China, South Korea and Vietnam following preliminary findings.
- India has started anti-dumping investigations into flat-rolled stainless steel products from 15 countries/regions covering China, the EU, Hong Kong, Indonesia, Japan, Malaysia, Mexico, Singapore, South Africa, South Korea, Taiwan, Thailand, the UAE, the US and Vietnam.
- South Korea's Fair Trade Commission has approved a local consortium's (KG Group and Cactus Private Equity) bid (Korean won 360 billion or \$304.7 million) to take over debt-ridden Dongbu Steel.
- Taiwan may extend tariffs on CRSS products from China and South Korea by at least five years, after a sunset review determined that revoking the duty "would be likely to lead to a continuation or recurrence of injury to the domestic industry".
- Vietnam aims to start six new steel projects by the end of 2020, according to the Vietnam Steel Association. This would add a total of 6.2 mtpa of finished and crude steel capacity on top of its fast-growing ferrous industry and bring its total steel capacity to 30.15 mtpa.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- Russia has initiated a dispute at the World Trade Organization against the United States' anti-dumping duties on Russian HRC products.
- NLMK has started a large-scale overhaul of two of the three BOFs which will increase its capacity by 18%, from 8.5 mtpa to 10 mtpa of crude steel.
- Chelyabinsk Iron & Steel Works has shut one of three BF's for an overhaul and reduce its hazardous emissions by 42 mtpa.
- Mobarakeh Steel Co. will raise its capacity to 12.8 mtpa through the next Iranian year (to March 2020), with its Sefid Dasht Steel Complex project nearing completion and is expected to be launched within the next few months.
- The Eurasian Economic Commission – comprising Russia, Kazakhstan, Belarus, Armenia and Kyrgyzstan - is considering, bringing in a 996,596 t annual quota and a special customs duty of 25% for any extra tonnage for imports of HR flats with a view of curbing their further growth.
- Iranian state mining and metals holding Imidro plans to expand steel production near the Persian Gulf and has signed a MoU with leading domestic steel producers, including Hosco, and Saba Steel.
- The Saudi Arabian government is planning to impose a new export duty on steel rebar.

EU AND OTHER EUROPE

- British Steel's French subsidiary, British Steel Saint Saulve (B3S), has been taken out of liquidation by a French court ruling. The Strasbourg High Court has approved an investment plan backed by private investor Greybull Capital -- British Steel's former owner -- the French state and others, which makes B3S (formerly known as Ascoval) completely operational.
- European apparent steel consumption will decrease by 0.4% year-on-year over the full 12 months of 2019, according to a forecast by Eurofer. Apparent steel consumption will fall to 163 million tonnes in 2019, from 164 million tonnes a year earlier, it said. In the first quarter of the year, it declined by 2.5% year-on-year, to 42.6 million tonnes, Eurofer added.
- Germany's Salzgitter is planning to build new HDG line to supply automotive sector. Salzgitter, plans to build a hot-dipped galvanizing (HDG) line with capacity for 0.5 mtpa.
- ArcelorMittal Poland has decided to postpone the temporary idling of primary operations at its flat steel plant in Krakow, which was originally planned for September 2019. The plant was supposed to be temporarily idled as part of the first round of production cuts announced by ArcelorMittal across Europe.
- German steelmaker ThyssenKrupp approved investment funds to build a 230,000 tonne per year chromium coating line for packaging steel at its Rasselstein site in Andernach, western Germany,

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

WORLD STEEL PRICE TRENDS

Q3 2019 started on the same tone as noted at the end of Q2, with global prices, though steady, but reporting a softening across markets, affected more by local developments rather than global ones including rising raw material prices globally. For, it is certainly a fact that the latter continued to remain well above the new levels they have charted out, be it iron ore, coal or scrap. The limelight meanwhile remained on China with markets awaiting cues on announced production curbs in Tangshan and trade tensions with the USA brewing high.

Long Product

- July 2019 USA rebar prices fell in view of slow demand and fresh inflow of imports Transactions, as per Metal Bulletin reports, stood around \$630-650/ s.t at month-end, reaching pre-Section 232 levels.
- Though stable, yet slow demand kept European rebar prices south-bound in July 2019. Transactions, as per Metal Bulletin reports, stood around €470-485/t (\$524-541) in Southern Europe and around €500-520/t (\$557-580) in Northern Europe.
- China's rebar prices were flat in July 2019 with demand being reported as steady but weak and tracking the movement on production cuts announced in Tangshan. Transactions, as per Metal Bulletin reports, stood around 3,920-3,940 yuan/t (\$569-572) in Shanghai and around 3,830-3,850 yuan/t in Beijing.
- July 2019 rebar prices in Russia moved north with injection of fresh supply from Tula Steel. Transactions, as per Metal Bulletin reports, stood around 41,000-41,500 rubles/t (\$650-658) cpt Moscow including 20% VAT.

Flat Product

- HRC prices inched up in the US market in July 2019 following price hikes by market leaders. Transactions, as per Metal Bulletin reports, stood around \$580/t at month-end.
- Slow demand, limited activities weighed upon European HRC prices in July 2019. Transactions, as per Metal Bulletin reports, stood around €465-480/t (\$518-535) in Northern Europe and around €435-460/t in Southern Europe.
- Limited trading and a wait-and-watch policy on announced production curbs made Chinese HRC prices move south in July 2019. Transactions, as per Metal Bulletin reports, stood around 3,830-3,840 yuan/t in Shanghai and around 3,820 yuan/t in Tangshan.
- Seasonal demand growth and a hike in prices by market players pushed up HRC prices in Russia in July 2019. Transactions, as per Metal Bulletin reports, stood around 44,500-45,000 roubles/t (\$706-714) including 20% VAT cpt Moscow for hot-rolled sheet.

[Source Credit: Metal Bulletin]

SPECIAL FOCUS

India, Iran drives up global DRI production by 10% in January-June 2019

DRI production worldwide rose to 7.45 million tonnes (mt) in June 2019 (p), up by 9.1% 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 16%) during the month as compared to same month of last year. For January-June 2019 (p), provisional worldsteel report indicates that global DRI output (44.61 mt, up by 6.3%) continued to be driven by India (16.72 mt) at the number one spot with a growth of 6% in production over same period of last year. The country also accounted for 38% of total global output during this period. For the cumulative period, Iran's DRI output (14.18 mt) saw a growth (15%) and along with India, these two countries accounted for 69% of global DRI output during this period. Together, the top five countries accounted for 88% of the world DRI production during this period and saw their cumulative output rise by 8% 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-June 2019 (p)			
Rank	Country	Qty (mt)	% change
1	India	16.72	6.0
2	Iran	14.12	14.7
3	Egypt	3.27	14.7
4	Mexico	2.88	-1.9
5	Saudi Arabia	2.21	-8.6
	Top 5	39.19	8.0
	World	44.61	6.3
	%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-June 2019, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report. 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-June 2019* (mt)	April-June 2018 (mt)	% change*
Crude Steel Production	27.905	26.824	4.0
Hot Metal Production	18.820	18.161	3.6
Pig Iron Production	1.591	1.545	3.0
Sponge Iron Production	9.270	8.665	7.0
Total Finished Steel (alloy/stainless + non-alloy)			
Production	26.442	24.531	7.8
Import	1.724	1.897	-9.1
Export	1.014	1.397	-27.4
Consumption	25.190	23.573	6.9
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- Crude Steel: Production at 27.905million tonnes (mt), up by 4%.
- Hot Metal: Production at 18.82mt, up by 3.6%.
- Pig Iron: Production at 1.591mt, up by 3%.
- Sponge Iron:Production at 9.27mt, up by 7%,led by coal-based route (79% share)
- Total Finished Steel : Production at 26.442mt, up by 7.8%.

Contribution of Other Producers

- Crude Steel: SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 16.053mt (58% share) during this period, up by 4%. The rest (11.852mt) came from the Other Producers, up by 4.3%.
- Hot Metal: SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 15.437mt(82% share) up by 3%. The rest (3.383mt) came from the Other Producers, up by 5.3%.
- Pig Iron:SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 0.342mt (21% share) up by 45%. The rest (1.249 mt) came from the Other Producers, down by 5%.
- Total Finished Steel:SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 14.262 mt (54% share) up by 5%. The rest (12.18mt)came from the Other Producers, up by 12%.

Contribution of Public Sector Units (PSU)

- Crude Steel: With an 81% share, the Private Sector (22.672mt, up by 5.1%) led crude steel production compared to the 19% contribution of the PSUs.
- Hot Metal: With 69% share, the Private Sector (13.046mt, up by 4.7%) led hot metal production, compared to the 31% contribution of the PSUs.
- Pig Iron:With an 86% share, the Private Sector (1.373mt, down by 1.2%) led pig iron production, compared to the 14% contribution of the PSUs.
- Total Finished Steel: With an 84% share, the Private Sector (22.286mt, up by 9.3%) led production of total finished steel, compared to the 16% contribution of the PSUs.

Finished Steel Production Trends

- At 26.442mt, production of total finished steel grew by 7.8% in April-June 2019.
- Contribution of the non-alloy steel segment stood at 25.312mt (96% share), while the rest was the contribution of the alloy steel segment (including stainless steel).
- In the non-alloy, non-flat segment, in volume terms, major contributor to production of total finished steel was Bars & Rods (11.19mt, up by 19%) while growth in the non-alloy, flat segment was led by HRC (10.62mt, up by 2.4%) during this period.

Finished Steel Export Trends

- At 1.014mt, export of total finished steel was down by 27.4% during this period.
- Volume-wise, non-alloy HRC (0.38 mt) was the most exported item (44% share in total) while Bars & Rods (81 thousand tonnes, down by 25%) led exports in the non-alloy, non-flat category.
- Nepal led exports of total finished steel – not only overall (0.24 mt, 23% share) but also had the highest share in case of Bars & Rods (62%), HRC (32%) and CRC (30% share).

Finished Steel Import Trends

- Import of total finished steel was at 1.724 mt during this period, down by 9.1%.
- India was a net importer of total finished steel during this period.
- Volume-wise, non-alloy HRC (0.46 mt) was the item most imported item (34% share in total), led by imports from Korea (61% share of total).
- Bars & Rods (0.1 mt, up by 13.3%) led imports in the non-alloy, non-flat category, led by imports from. Singapore (40% share of total import of Bars & Rods).
- The share of China in total finished steel import declined from 19% in April-June 2018 to 15% in April-June 2019. Volume-wise also, Chinese import dropped by 31% in April-June 2019 over same period of last year.

Finished Steel Consumption Trends

- At 25.19mt, consumption of total finished steel grew by 6.9% in April-June 2019.
- Contribution of the non-alloy steel segment stood at 23.84mt (94% share), while the rest was the contribution of the alloy steel segment (including stainless steel).
- In the non-alloy, non-flat segment, in volume terms, major contributor to consumption of total finished steel was Bars & Rods (10.05mt, up by 11%) while growth in the non-alloy, flat segment was led by HRC (10.36 mt, up by 8%) during this period.

Note: Current period data are all provisional. Percentage changes are with regard to same period of last year unless otherwise mentioned.

E. JPC Market Prices (Retail)

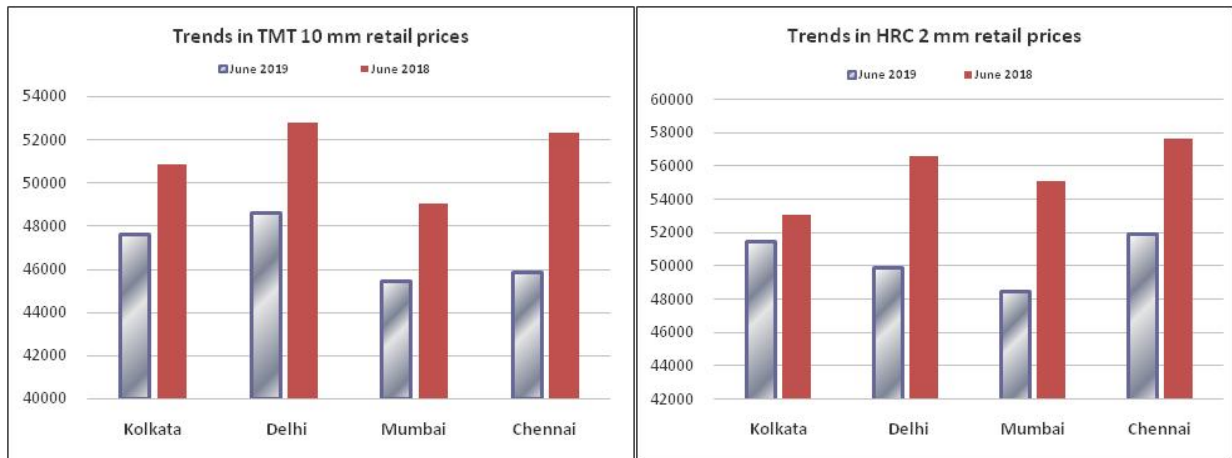
Delhi market prices: Compared to June 2018, average (retail) market prices in Delhi market in June 2019 decreased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), largely in response to domestic demand-supply conditions and global influences. The trend was just the same for both items when compared to May 2019. The trend in retail market prices of TMT 10 mm and HRC 2.0 mm in the Delhi market in June 2019 with regard to June 2018 is shown in the table below.

Trends in JPC market price (retail) in Delhi market in June 2019		
Item	Delhi market prices (Rs/t)	%change over June 2018
TMT, 10 mm	48,610	-7.9
HRC, 2.0 mm	49,914	-11.9
Source: JPC		

All markets: Compared to June 2018, average (retail) market prices in June 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 for both items when compared to May 2019. The situation in June 2019 with regard to June 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 June 2019 over June 2018				
Item	Kolkata	Delhi	Mumbai	Chennai
TMT 10mm	-6.3	-7.9	-7.2	-12.3
HR Coils 2.00mm	-3.0	-11.9	-11.9	-10.0
Source: JPC				

TMT prices were highest in the Delhi market (Rs 48,610/t) and lowest in the Mumbai market (Rs. 45,471/t) while HRC prices were highest in the Chennai market (Rs. 51,920/t) and lowest in Mumbai market (Rs. 48,516/t) during June 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 the 2018-19, both at constant (2011-12) and current prices. As per the Report, Real GDP or GDP at Constant (2011-12) Prices for the year 2018-19 is estimated at Rs. 140.78 lakh crore showing a growth rate of 6.8 per cent over 2017-18. Real GVA, i.e., GVA at Basic Constant (2011-12) Prices for the year 2018-19 is estimated at Rs.129.07 lakh crores showing a growth rate of 6.6 per cent over 2017-18. The sectors which registered growth rate of over 7 per cent are 'public administration, defence and other services' (8.6 per cent), construction (8.7 per cent), 'financial, real estate and professional services' (7.4 per cent), 'electricity, gas, water supply & other utility services (7 per cent)'. The growth in the 'agriculture, forestry and fishing', 'mining & quarrying', 'manufacturing' and 'trade, hotels, transport, communication and services related to broadcasting' is estimated to be 2.9 per cent, 1.3 per cent, 6.9 per cent and 6.9 per cent respectively.

Industrial Production: Provisional CSO data show that the Index of Industrial Production (IIP) was up by 3.7% during April-May 2019 (prov.), encouraged by stable growth in Electricity (6.7%) and Mining (4.1%) while Manufacturing reported a growth of 3.2%. The Use-Based scenario of the Index of Industrial Production (IIP) during April-May 2019(prov.) show that all the sectors recorded a growth with Capital Goods and Consumer Goods(both at 1%)reporting the lowest and Infrastructure / Construction Goods, the highest (6.4%).

Infrastructure Growth: Provisional data released by the CSO indicate that the growth rate of the Eight Core Infrastructure Industries was up by 5.7% during April-May 2019 (prov.), encouraged by growth in sectors like Electricity and Steel but pulled down by decline in growth rate in most others like Crude Oil and Fertilizers.

Inflation: In May 2019 (prov.), the annual rate of inflation, based on monthly WPI, stood at 2.45% while the all India CPI inflation rate (combined) stood at 3.05% and compared to same period of last year, both parameters registered a decline..

Trade: Provisional figures from DGCI&S show that during April-May 2019-20, in dollar terms, overall exports were up by 2.37 per cent while overall imports were up by 4.39 per cent, both on

yoy basis. During the same period, oil imports were valued at USD 23.82 billion, which was 8.72 per cent higher yoy while non-oil imports were valued at USD 62.93 billion which was 2.84 per cent higher yoy. The overall trade deficit for April-May 2019-20 is estimated at USD 17.42 billion as compared to USD 15.72 billion in April-May 2018-19.

Prepared by: Joint Plant Committee