



TrendsJuly 2021

Domestic industry at the start of the 2nd quarter of 2021-22 remained in stable mode, elated at the introduction of the PLI scheme by the government that promises to open up new avenues of growth in the coming days both in the supply and demand sides. Globally, the spotlight remained on China with its fresh curbs on annual production, its export tariffs, but what came specially under the focus was the inaugural trading in the national carbon market with the first CO₂ trade done during the month, thereby opening up a new chapter in the operation of the domestic steel industry there.

WORLD ECONOMY AT A GLANCE

- Market Economics reports indicate that the global manufacturing sector expanded at a robust rate at the beginning of Q3, 2021 with the J.P. Morgan Global Manufacturing PMI hitting 55.4 in July 2021, only marginally below the 55.5 mark noted for June 2021.
- The reports also show that out of the 29 nations surveyed, the Eurozone remained a bright spot, with the three highest-ranked countries based on PMI readings - the Netherlands, Germany and Austria – all coming from this zone. The US was in the fourth place overall while PMI readings for China (50.3) and Japan (53.0) were well below the global average. The data also indicated that the emerging markets tended to underperform compared with developed nations in July, continuing a trend observed over the past eight months.
- The reports indicate that on the flip side, supply chain issues remained a concern and pushed up input costs in July 2021 while purchase price inflation remained steeply north-bound.

| Key Economic Figures | | | |
|----------------------|-----------------------|-------------------|-----------|
| Country | GDP 2020: %change* | Manufacturing PMI | |
| | | June 2021 | July 2021 |
| India | -7.0 | 48.1 | 55.3 |
| China | 2.3 | 51.3 | 50.3 |
| Japan | -4.8 | 52.4 | 53.0 |
| USA | -3.5 | 62.1 | 63.4 |
| EU 28 | -6.6 | 63.4 | 62.8 |
| Brazil | -4.1 | 56.4 | 56.7 |
| Russia | -3.1 | 49.2 | 47.5 |
| South Korea | -1.0 | 53.9 | 53.0 |
| Germany | -4.9 | 65.1 | 65.9 |
| Turkey | 1.8 | 51.3 | 54.0 |
| Italy | -8.9 | 62.2 | 60.3 |

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

GLOBAL CRUDE STEEL PRODUCTION

Within only a span of six months into 2021, world crude steel production has crossed the 1 billion tonne mark and stood at 1003.93 million tonnes (mt) in January - June 2021, up by a robust 14.4% 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-June 2021* | | | |
|--|-------------|----------------|-------------|
| Rank | Top 10 | Qty (mt) | % change |
| 1 | China | 563.33 | 11.8 |
| 2 | India | 57.93 | 31.3 |
| 3 | Japan | 48.06 | 13.8 |
| 4 | USA | 42.04 | 15.5 |
| 5 | Russia | 38.23 | 8.5 |
| 6 | South Korea | 35.20 | 8.3 |
| 7 | Germany | 20.62 | 18.1 |
| 8 | Turkey | 19.71 | 20.6 |
| 9 | Brazil | 18.06 | 24.0 |
| 10 | Iran | 14.99 | 8.0 |
| Total: Top 10 | | 858.15 | 13.4 |
| World | | 1003.93 | 14.4 |
| Source: worldsteel; *provisional | | | |

- China remained the leader in world crude steel production which stood at 563.33 mt during January-June 2021, up nearly 12% over same period of last year. The nation accounted for 77% of Asian and 56% of world crude steel production during this period.
- With a 6% share in total world production, India (57.93 mt) reported a yoy production growth of 31.3% during this period and remained the 2nd largest producer during this period.
- Japanese crude steel production (48.06 mt) was up by 14.8% yoy during this period and the country was the 3rd largest crude steel producer in the world.
- USA remained at the 4th largest spot, with production (42.04 mt), up by 15.5% yoy while Russia (38.23 mt, up by 8.5% yoy) was the 5th largest crude steel producer during this period.
- Crude steel production in the EU (27) countries stood at 77.76 mt during this period, up by 18.4% yoy.
- At 733.75 mt, Asian crude steel production was up by 14% during this period and the region accounted for 73% 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 their cumulative production go up by 13.4% yoy.

NEWS AROUND THE WORLD

THE AMERICAS

- US Democrats have introduced a legislation that would levy a fee on imported carbon-intensive goods, including steel and aluminum, following a move by the EU to implement a similar policy. The legislation would establish a border carbon adjustment (BCA) on polluting imports.
- Steel Dynamics plans to reach carbon neutrality across its North American steelmaking operations by 2050.
- Miner Rio Tinto will pursue low-carbon steelmaking together with South Korea's POSCO, building on technical cooperation with China Baowu Steel Group and Nippon Steel Corp.
- Brazilian steel producers have accepted a reduction of 10% in import duties and agreed to avoid raising domestic prices further during the year.

ASIA

- China exported 1.03 mt of HRC in June 2021, up 168% yoy while imports at 158,935 tonnes, fell by 79% yoy. Vietnam remained the principal buyer of Chinese HRC.
- China will raise its export tariffs on ferro-chrome and high-purity pig iron from August 1, 2021. While the export tariff for pig iron will be hiked to 20% (15% earlier), that for ferro-chrome will rise to 40% from 20%. The hike is meant to promote the "transformation and high-quality development" of the Chinese steel industry.
- China's national carbon market started trading in July 2021 with the first CO₂ trade done at Yuan 52.8/t (\$8.20/t). The highly anticipated launch of China's carbon market paves the way for the decarbonisation of its industries, starting from the power sector and is expected to help meet the country's long-term 2060 carbon neutrality goals.
- China's central bank is freeing up 1 trillion yuan (\$154 billion) via a reduction of banks' RRR to support the Chinese economy.
- Since early July, China has started widening its efforts to cut steel output across the country, as it aims to keep production in 2021 below that of 2020. So far major mills in 11 provinces have been given verbal orders to maintain their crude steel production within 2020 levels. Further, mills whose H1 crude steel output exceeded year-ago levels, have been directed to cut H2 production to ensure their annual output remains within 2020 level. Newly commissioned units have been exempted from such controls, however.
- India's Odisha state is all set to become a key steel hub of the nation with the State Government approving several projects worth 1.46 trillion Rupees (\$19.6 billion) that would almost double steel production capacity in Odisha to 58 mtpa.
- Production of steel will be halted for at least two weeks in Bangladesh when the country's latest Covid-19-related lockdown starts on July 23, 2021.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- Donelectrosteel plans to invest Rb20 billion (\$269 million) in the development of billet and rebar producer Rostov Electrometallurgical Plant (REMZ) in Russia's Rostov region. The proposed 1.2 mtpa plant will have a rolling mill and a sponge iron plant.

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- South Africa's largest primary steel producer, ArcelorMittal South Africa, or AMSA has given notice to its customers of a force majeure, with factors beyond the company's control preventing it from fulfilling its contractual and delivery obligations.
 - The Zakat, Tax & Customs Authority in Saudi Arabia has decreed that all imports into the country will be subject to import duty, whether they come from free-trade zones or other member-states of the Gulf Co-operation Council (GCC).
 - UAE-based Dana Steel has resumed production at its HDG plant, having stopped production in 2020 amid the coronavirus pandemic, market restrictions and raw material limitations.

EU AND OTHER EUROPE

- Disruption of steel shipments due to the intense flooding in Germany's Rhine-Ruhr region has further intensified logistics issues for the domestic steel industry with Thyssenkrupp being the latest declaring force majeure, citing transport disruptions.
- Steelmaking sites in Belgium, Germany and Luxembourg owned by Arcelor Mittal have been awarded the world's first responsible steel certifications by ResponsibleSteel, a not-for-profit organization formed to establish global, multi-stakeholder standards and certifications.
- Following the announcement of the Carbon Border Adjustment Mechanism (CBAM) by the European Union, Turkey unveiled its 'Green Deal Action Plan' as a roadmap to realize the transformation of Turkey to a more source-efficient and a green economy.
- Beltrame Group, the largest merchant bar producer in Europe, plans to build a 0.6 mtpa greenfield steel plant in Romania and a 100 MW solar power farm. The project would be the first new greenfield steelworks built in Europe in several decades, as per Platts reports.
- Turkish long steel producer, Ekinciler Demir Celik upgraded its CCM so as to raise its value-added steel product range, along with its EAF as well.
- Mescier Iron and Steel, which started up its new 1 mtpa EAF in March 2020, is targeting to raise its rolling mill capacity with a new investment.
- The European Union's definitive antidumping duty decision on imports of hot-rolled coil from Turkey, which came into force July 5, 2021 is expected to raise pressure on Turkish mills' HRC pricing.
- The United Kingdom has extended safeguard measures against imported steel for three years - until June 30, 2024 - the UK Trade Remedies Authority (TRA) has announced.

[Source Credit: Fastmarkets 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 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 at the end of the start of the 2nd half of the year, impacted by rising demand, stringent supply and a volatile raw material (read iron ore, scrap) market. Meanwhile, global crude steel production continued to put in a strong performance show in January-June 2021, its 14.4% growth propelled by a robust 14% rise in Asian crude steel production contributed by a strong show by China and India during this period.

Long Products

- July 2021 rebar prices in the USA inched up with leading producers like Nucor going for hikes. Transactions, as per Fastmarkets Metal Bulletin reports, were quoted around \$980/s.t. at month-end.
- European rebar prices were northbound in July 2021 impacted by short supply due to import restrictions and heavy floods impacting operations in key pockets like Germany. Transactions, as per Fastmarkets Metal Bulletin reports, were quoted around €905-940/t (\$1,069-1,110) in Northern Europe and around €760-815/t (\$897-962) in Southern European at month-end.
- July 2021 saw rebar prices in China maintain their upward momentum. Transactions, as per Fastmarkets Metal Bulletin reports, were quoted around 5,340-5,370 yuan/t (\$827-831) in Shanghai and around 5,250-5,320 yuan/t in Beijing. Spread of COVID-19 infections in Nanjing raised concerns about slowing down of construction work but any tangible outcome is yet to be felt.
- Russian rebar prices remained stable in July 2021. Fastmarkets’ assessment for steel rebar, domestic, cpt Moscow, stood at 70,000-73,000 roubles/t at month-end.

Flat Products

- US HRC prices continued to create records, touching \$93/ hundredweight (\$1,800 per short ton) for three consecutive days in July 2021, with analysts pointing out that backed by strong demand, the rally is expected to sustain for quite some time now.
- European HRC prices remained stable in July 2021 in view of slowed transactions. Transactions, as per Fastmarkets Metal Bulletin reports, were quoted around €1143/t (\$1357) in Northern Europe and around €1152/t in Southern European at month-end.
- Chinese HRC prices moved north in July 2021 riding high on strong demand. Transactions, as per Fastmarkets Metal Bulletin reports, were quoted around 6,000-6,010 yuan/t (\$929-930) in Shanghai and around 5,880-5,920 yuan/t in Tangshan at month-end.
- Russian HRC prices slipped in July 2021 in view of muted transactions with buyers abstaining in the hope of further fall in prices. Fastmarkets’ price assessment for steel hot-rolled sheet, domestic, cpt Moscow, stood at 95,000-97,000 roubles/t (\$1,286-1,313) at month-end.

[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-June 2021, up 14% over same period of last year. Such production growth was driven by India (19.47 mt, 38% share, up by 32%) at the number one spot and Iran, where production stood at 14.6 mt (29% share), down by 3.4% over same period of last year. The two countries together accounted for 67% 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 13% over same period of last year.

| Global DRI Production | | | | |
|-----------------------|--------------|---------------------|--------------------|-------------|
| Rank | Country | Jan-June 2021* (mt) | Jan-June 2020 (mt) | % change |
| 1 | India | 19.47 | 14.74 | 32.1 |
| 2 | Iran | 14.60 | 15.12 | -3.4 |
| 3 | Russia | 3.90 | 4.12 | -5.4 |
| 4 | Mexico | 3.06 | 2.37 | 28.9 |
| 5 | Saudi Arabia | 2.94 | 2.60 | 13.1 |
| Top 5 | | 43.96 | 38.95 | 12.9 |
| World | | 51.13 | 44.93 | 13.8 |

Source: worldsteel; *provisional

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-June 2021, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-June 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-June 2021*(mt) | April-June 2020 (mt) | % change* |
| Crude Steel Production | 27.802 | 17.263 | 61.1 |
| Hot Metal Production | 18.867 | 12.550 | 50.3 |
| Pig Iron Production | 1.576 | 0.816 | 93.3 |
| Sponge Iron Production | 9.617 | 5.669 | 69.6 |

| Total Finished Steel (alloy/stainless + non-alloy) | | | |
|---|--------|--------|-------|
| Production | 26.334 | 14.034 | 87.6 |
| Import | 1.157 | 1.212 | -4.5 |
| Export | 3.557 | 3.265 | 8.9 |
| Consumption | 24.846 | 12.235 | 103.1 |
| Source: JPC; *provisional; mt=million tonnes | | | |

Overall Production

- **Crude Steel:** Production at 27.802 million tonnes (mt), up by 61.1%.
- **Hot Metal:** Production at 18.867 mt, up by 50.3%.
- **Pig Iron:** Production at 1.576 mt, up by 93.3%.
- **Sponge Iron:** Production at 9.617 mt, up by 69.6%, led by coal-based route (79% share).
- **Total Finished Steel:** Production at 26.334 mt, up by 87.6%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 17.408 mt (63% share) during this period, up by 47.1%. The rest (10.394 mt) came from the Other Producers, up by 91.5%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 16.858 mt (89% share) up by 46.3%. The rest (2.008 mt) came from the Other Producers, up by 95.7%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 0.559 mt (35% share) up by 68.7%. The rest (1.017 mt) came from the Other Producers, up by 110.1%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 15.46 mt (59% share) up by 82.5%. The rest (10.874 mt) came from the Other Producers, up by 95.4%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 82% share, the Private Sector (22.671 mt, up by 59.6%) led crude steel production compared to the 18% contribution of the PSUs.
- **Hot Metal:** With 70% share, the Private Sector (13.19 mt, up by 42.7%) led hot metal production, compared to the 30% contribution of the PSUs.
- **Pig Iron:** With 87% share, the Private Sector (1.372 mt, up by 94.0%) led pig iron production, compared to the 13% contribution of the PSUs.
- **Total Finished Steel:** With 85% share, the Private Sector (22.417 mt, up by 81.3%) 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 100.1%), the rest 49% was the share of flats (up by 76.4%).
- **Import:** Flat products accounted for 90% share (down by 2.9%), the rest 10% was the share of non-flats (down by 16.5%).
- **Export:** Flat products accounted for 81% share (down by 2.9%), the rest 19% was the share of non-flats (up by 124.2%).
- **Consumption:** Led by Flats steel (55% share; up by 95.5%) while the rest 45% was the share of non-flat steel (up by 113.0%).

Finished Steel Production Trends

- At 26.334 mt, production of total finished steel was up by 87.6% in April-June 2021.
- Contribution of the non-alloy steel segment stood at 24.658 mt (94% share, up by 82.8%), 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 (10.442 mt, up by 104.2%) while growth in the non-alloy, flat segment was led by HRC (11.223 mt, up by 69.8%) during this period.

Finished Steel Export Trends

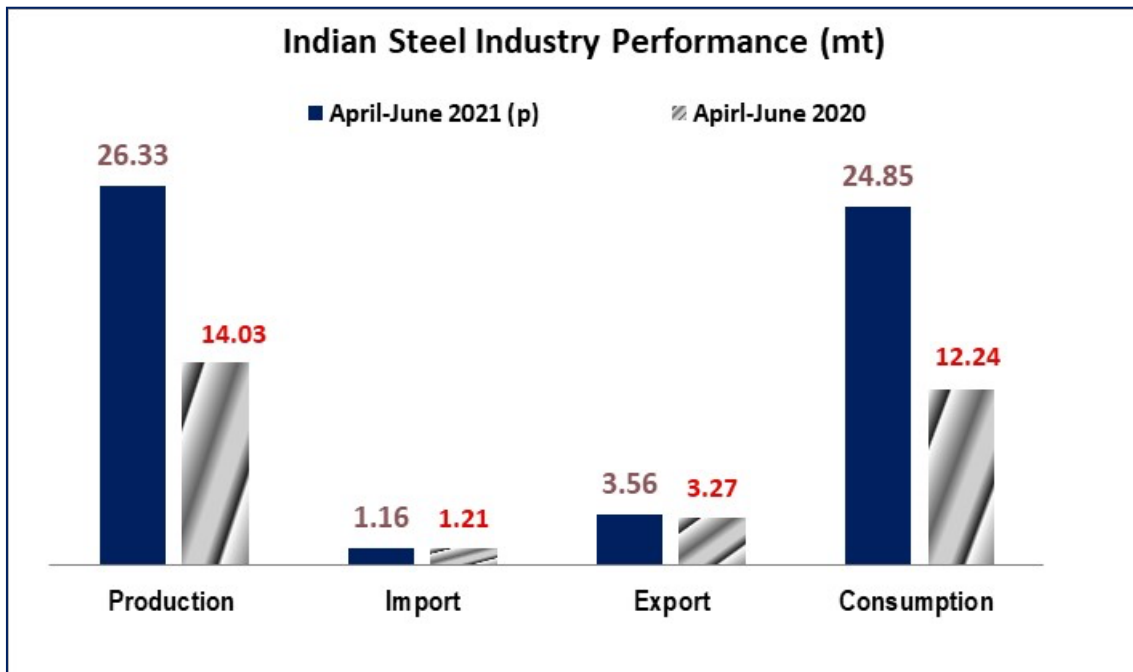
- Overall exports of total finished steel at 3.557 mt, up by 8.9%.
- Volume wise, non-alloy HR Coil/Strip (1.65 mt, down by 31.5%) was the item most exported (50% share in total non-alloy).
- Italy (0.547 mt) was the largest export market for India.

Finished Steel Import Trends

- Overall imports of total finished steel at 1.157 mt, down by 4.5%.
- India was a net exporter of total finished steel in April-June 2021.
- Volume wise, non-alloy GP/GC Sheets/Coils (0.217 mt, up by 31.8%) was the item most imported (26% share in total non-alloy).
- Korea (0.480 mt) was the largest import market for India (41% share in total).

Finished Steel Consumption Trends

- At 24.846 mt, consumption of total finished steel was up by 103.1% in April-June 2021.
- Contribution of the non-alloy steel segment stood at 22.974 mt (92% share, up by 98.7%), 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 (10.694 mt, up by 97.7%) while in the non-alloy, flat segment was led by HRC (9.54 mt, up by 118.7%) 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 2020-21, both at constant (2011-12) and current prices. As per the Report, GDP at Constant (2011-12) Prices during 2020-21 is estimated at Rs.135.13 lakh crore, and its growth estimated at (-) 7.3 % during the year as compared to 4% in 2019-20 while GVA at basic prices is estimated to have declined by 6.2% during the year as compared to 4.1% in 2019-20. Almost all the lead sectors reported a decline in 2020-21 except Agriculture and allied sectors and Electricity, Gas, Water and Other Utility Services.

Industrial Production: Provisional CSO data show that the overall Index of Industrial Production (IIP) for the month of April-May 2021, rose by 68.8% 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.

Infrastructure Growth: Provisional data released by the DPIIT indicate that the Index for the Eight Core Infrastructure Industries saw a growth of 25.3% during April-June 2021 with all the sectors reporting a rise except Crude Oil and Fertilisers.

Inflation: In June 2021 (prov.), the annual rate of inflation, based on monthly WPI, stood at 12.07% while the all India CPI inflation rate (combined) stood at 6.26% and compared to the previous month, both the parameters registered a softening.

Trade: Provisional figures from DGC&S show that during April-June 2021, in dollar terms, overall exports were up by 80.85% while overall imports were up by 103.09%, both on yoy basis. During the same period, oil imports were valued at USD 31 billion, 137.02% higher yoy while non-oil imports were valued at USD 95.14 billion, 100.9% higher yoy. Overall trade deficit for April-June 2021 is estimated at USD 8.94 Billion as compared to the surplus of USD 11.64 Billion in same period of last year.

Prepared by: Joint Plant Committee