Trends ….. June 2017

At the end of the 1st quarter of the current fiscal, the mood in the domestic steel industry remained mixed. Trends remained largely unchanged - a subdued steel consumption growth, continued drop in imports and rise in exports encouraged by growing indigenous supply side. However, with implementation of GST round the corner, the mood is upbeat as the Change is expected to usher in considerable lower cost and improved efficiency for the domestic steel industry.

WORLD ECONOMY AT A GLANCE

- At the same level as in May 2017, i.e. 52.6, the J.P.Morgan Global Manufacturing PMI in June 2017 remained steady and signalled a continued improvement in global manufacturing. Moreover, the Markit Economics report also indicate that the average PMI reading over Q2 2017 as a whole stood at 52.7 and though this was slightly below that for Q1 (52.9), the general consensus is one of strong and stable global manufacturing conditions in 2017 so far.
- The Markit Economics report has also pointed out that on an average, the developed markets tended to outperform emerging ones in June 2017, mainly due to the ongoing improvement in the Euro area manufacturing sector, where the PMI rose to its highest level in over six years. Not only that the rates of expansion shot up in almost all of the Euro area nations covered with the strongest growth registered in Austria, Germany and the Netherlands. The June 2017 PMI readings also indicate notable improvement in the China Manufacturing PMI while growth slowed in India, Brazil, Russia and a stagnation was signalled (on average) for the ASEAN group of nations.
- Staffing levels rose across the majority of the nations, while cost inflationary pressures and average input prices inched up mildly in June 2017.

Key Economic Figures			
Country	GDP 2016: % yoy change*	Manufacturing PMI	
		May 2017	June 2017
India	6.8	51.6	50.9
China	6.7	49.6	50.4
Japan	1.0	53.1	52.4
USA	1.6	52.7	52.0
EU 28	1.7	57.0	57.4
Brazil	-3.6	52.0	50.5
Russia	-0.2	52.4	50.3
South Korea	2.8	49.2	50.1
Italy	0.9	55.1	55.2
Source: GDP:IMF ; PMI- Markit Economics, *provisional			

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association (worldsteel) data shows that world crude steel production for June 2017 was 141.05 million tonnes (mt), up by 3.2 per cent year-on-year (yoy) and was 836.03 mt during the first half of the year, i.e. January-June 2017, up by 4.5 **per cent** yoy.

World Crude Steel Production: January - June 2017*			
Rank	**Country**	**Qty (mt)**	**% change over last year**
1	China	419.74	4.6
2	Japan	52.30	0.5
3	India	49.48	5.3
4	United States	40.59	1.3
5	Russia	35.34	0.8
6	South Korea	34.69	3.7
7	Germany	22.22	1.7
8	Turkey	18.21	11.4
9	Brazil	16.72	12.4
10	Italy	12.36	1.7
	Top 10	**701.65**	**4.1**
	World	**836.03**	**4.5**
Source: worldsteel, JPC; * provisional			

- Chinese crude steel production surged during the first half of the year, with June 2017 reaching the peak (73.23 mt), up by a strong 5.7 per cent over June 2016 while production stood at 419.74 mt during January-June 2017, up by 4.6 per cent yoy. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was up by 4.4 per cent. China accounted for 73 per cent of Asian and 50 per cent of world crude steel production during this period.
- June 2017 Japanese crude steel production (8.39 mt) was down by 4.3 per cent and was at 52.3 mt, during January-June 2017, up by 0.5 per cent yoy. The country remained the second largest crude steel producer in the world during 2017 so far.
- With a 6 per cent share in total world production and a 5.3 per cent rise in production over same period of last year, India remained the third largest crude steel producer in the world in January-June 2017.
- Crude steel production in the EU (28) countries during June 2017 was at 14.38 mt, up by 3.9 per cent yoy and was at 86.13 mt, during January-June 2017, up by 4.1 per cent yoy.
- At 98.72 mt, Asian crude steel production was up by 4.5 per cent in June 2017 and at 576.79 mt, during January-June 2017, it was up by 4.8 per cent yoy. Asia accounted for 69 per cent of world crude steel production during this period.
- The top ten countries accounted for 84 per cent of world crude steel production and recorded a yoy production growth of 4.1 per cent during this period.

THE STEEL WORLD LAST MONTH

THE AMERICAS

- Steel Dynamics Inc faced operational setbacks related to its new galvalume and paint line at its Columbus, Mississippi mill, one factor lowering the steelmaker's second-quarter guidance.
- Rebar producers in the USA have been materially injured by imports from Japan and Turkey, the US International Trade Commission said in a final determination.
- The Mexican government has renewed a voluntary agreement with South Korea's Posco and Hyundai Hysco to limit imports of CRC.
- ArcelorMittal Long Products Canada has inaugurated a new finishing line at its bar mill in Longueil, Quebec. The upgrade increases annual rolling capacity from 400,000 st to 500,000 st and expands the mill's capabilities to produce new value-added products.
- The Canadian Border Service Agency has launched an anti-dumping investigation on steel line pipe from South Korea.
- CSN plans to modernize three continuous slab casters at its Volta Redonda site in Rio de Janeiro so as to improve product quality and reduce maintenance costs.

ASIA

- Maanshan Iron & Steel has commissioned a new 0.32 mtpa HDG line, targeting the automobile and white goods manufacturing sectors.
- NDRC reports indicated that in the first five months of 2017, China has cut 42.39 mt of crude steel capacity (84.8% of its full-year target) and 97 mt of annual coal production capacity (65% of its full-year target).
- Guangdong province has released its third batch of IFs identified for elimination, involving 32 local steelmakers and 105 IFs, ranging from 1.2 mt to 60 mt.
- Jinan Iron & Steel will stop all production facilities from July 8 due to its relocation to Rizhao city.
- The Korean Standards Association (KSA) said the latest Chinese mill to win its endorsement of the quality of its bars was Rizhao Steel Holding Group. There are now 20 Chinese steelmakers whose bars have met the KSA's approval.
- India has called for World Trade Organization action after the USA failed to meet an April 2016 deadline to drop countervailing duties on hot-rolled carbon steel flat products from India.
- India's Jindal Steel & Power Limited has commissioned a new blast furnace at its Angul steelworks in Odisha, which has raised the works' steelmaking capacity to 6 mtpa.
- India has slashed customs duty on HRC, CR magnesium oxide coated and annealed steel, HR annealed and pickled coils, CR full hard for the manufacture of CRGO to 5% with immediate effect.
- Indonesia has decided to extend existing safeguarding duties on aluminium-zinc-coated flat steel imports for a further three years.
- Pakistani rebar producer Agha Steel Industries is to install a new rolling mill which will add 0.3 mtpa of rebar capacity to its plant in Bin Qasim near Karachi.

- Pakistan imposed an ADD of 24.04% on China's continuous casting billet, to be in place for five years.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- The Egyptian Ministry of Trade & Industry has imposed temporary anti-dumping duties (ADD) on rebar imports from China (10-19%) , Turkey (10-19%) and Ukraine (15-27%).
- Egypt's El-Garhy Steel Group will start production at its new steel billet and rebar plants in Suez by the end of 2018.
- Iran is planning to construct a new 2.4-3.0 mtpa steelworks of flat rolled products at Gol Gohar.
- Australia has set provisional ADD on imports of galvanized steel products from India (4.0-8.4%), Malaysia (14.5-16.5%) and Vietnam (8.4-14.2%). Imports from India will also be subjected to countervailing duties.
- The Australian Anti-Dumping Commission has extended for a second time the deadline of an anti-dumping investigation into imports of alloy round steel bar from China.

EU AND OTHER EUROPE

- Italy awards Ilva to ArcelorMittal-Marcegaglia combine as government signs decree that authorized the special commissioners to sell Ilva, Italy's largest steel company, to AM Investco Italy, owned 85% by ArcelorMittal and 15% by Marcegaglia.
- The European Union is considering taking action in response to the US's Section 232 investigation against steel imports as it could have a "disastrous" impact on world steel trade.
- The European Commission has set definitive ADD of 10.6% on rebar imported from Belarus for five years and definitive anti-subsidy duties of 4.6-35.9% on HRC from China. Also, it has advised EU steel producers that AD and CVD duties on imports of organic-coated sheet from China will expire on 16 March 2018 and has invited them to apply for an expiry review which could result in the duties being extended.
- The European Commission will increase the import surveillance exemption threshold for certain steel products up to 5 tonnes, up from 2.50 tonnes.
- One of the largest Belgian reinforcement fabricating companies,Columbus Steel, has been officially declared in bankruptcy.
- German re-roller Risse + Wilke Kaltband is aiming to improve its productivity with a new cold rolling mill, from Austrian technology supplier Andritz.
- Turkish steel group Tosyali will start production on the third rebar mill (1.5 mtpa) at its Oran works in Algeria soon.

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

WORLD STEEL PRICE TRENDS

Q2 2017 ended with subdued trends in steel prices in major pockets around the world. Demand remained weak-to-modest and outcome / imposition of trade actions specially those related to Section 232 in the USA were under the limelight. China continued to be at the centre of all global actions with official reports claiming that in the first five months of 2017, China has cut 42.39 mt of crude steel capacity (84.8% of its full-year target) and 97 mt of annual coal production capacity (65% of its full-year target). Markets overall remained optimistic, riding on the hopes of a demand resurgence with all eyes on the progress of investigations on Section 232 in the USA.

Long product

- Metal Bulletin reports indicate that amidst stringent investigations on Section 232, June 2017 USA rebar market remained in a lull with domestic rebar prices staying largely flat and was quoted at around \$530/t level at month-end.
- June 2017 saw hardly any major change in market conditions but European long steel producers are expected to raise rebar prices in the coming months, following rising scrap prices. Transactions, as per Metal Bulletin reports, were placed at around €400-410/t (\$450-461) in Southern Europe and at around €450-455/t (\$506-512) in Northern Europe at June-end.
- Chinese billet prices broke past records due to tight supply and reached a four-year high in June and encouraged hike in rebar prices as well. But the same could not be sustained and average rebar prices saw a dip at month-end. Transactions, as per Metal Bulletin reports, were placed at around 3550-3600 yuan/t in Shanghai and at around 3590-3610 yuan/t in Beijing. All prices are ex-w and includes VAT.
- June 2017 Russian rebar prices increased on the back of high-value deals as per Metal Bulletin reports, whose assessment for Russian domestic 12mm A500C rebar stood at around 27,400-27,500 roubles/t (\$462-463) cpt Moscow, including VAT.

Flat product

- US flat steel markets remained mixed in June 2017 in view of on-going investigations related to Section 232. Transactions, as per Metal Bulletin reports were quoted at around \$600/t at month-end.
- European domestic HRC prices maintained their free-fall in June 2017. Transactions, as per Metal Bulletin reports were quoted at around €490-510/t (\$556-579) ex-w in Northern Europe and at around €440-470/t (\$500-534) in Southern Europe at month-end.
- A fluctuating futures market saw Chinese HRC prices follow a volatile path during June 2017, with prices quoted at around 3500-3530 yuan/t in Shanghai and at around 3520-3540 yuan/t in Tianjin at month-end. All prices are ex-w and includes VAT.
- Weak demand and rising imports dragged Russian flat prices down in June 2017, with Metal Bulletin's assessment for 4mm HR sheet placed at around 33,100-36,000 roubles/t (\$560-609) cpt Moscow, including VAT.

[Source Credit: Metal Bulletin]

SPECIAL FOCUS

Global consumption of ferrous scrap up in 2016: BIR Report

A steel recycling report released by the Bureau of International Recycling (BIR) showed that world ferrous scrap consumption increased in 2016, with China emerging as the largest global scrap consumer during the year. Select highlights of the BIR report:

- As per the Report, global ferrous scrap consumption stood at an estimated 560 million tonnes in 2016, an increase of 0.9% from 555 million tonnes of 2015.
- 2016 global scrap consumption was led by China, world's largest steel-producing country whose consumption was up by 8.2% to 90.1 million tonnes.
- US ferrous scrap consumption increased by 0.4% in 2016 to reach an estimated 56.7 million tonnes, with the Report indicating that EAF producers raised their overall market share to 67.1% during the year.
- Japan and India stood as the world's second and third-largest steel-producing nations, respectively during 2016, with scrap consumption by the former rising nearly 0.2% yoy to 33.58 million tonnes.
- Turkey maintained its position as the largest importer of ferrous scrap, with an estimated imports of the material at 17.71 million tonnes of the total 25.88 million tonnes consumed by it while the EU remained the largest exporter of ferrous scrap at 89.2 million tonnes, up 1.1% yoy in 2016.

Eurofer calls on MEPs to support new anti-dumping methodology

A report by Metal Bulletin indicates that Eurofer has called on Members of the European Parliament (MEPs) to support a report on a new anti-dumping methodology with the European Parliament's International Trade Committee (InTA) expected to vote on the same.Regional trade body Eurofer has come out in support of the new approach / methodology given that local industry indicates dumping of steel from other countries has undermined the European steel industry.The Metal Bulletin report points out that the European Commission's proposal was based on the concept of 'significant distortions' but the scope was incomplete and the procedure unclear. These issues, the report has indicated, have been avoided/addressed by the new approach which is intended to ensure that anti-dumping tools under the new "non-standard" methodology remain effective. Further, the draft InTA report not only defines these "significant distortions" in a better way and strengthens the processes for use of this new methodology, it also allows the European Commission to use external, undistorted prices and costs for every factor of production. The European Economic & Social Committee have stressed that the proposal "provides a balanced approach between the issue of China's market economy status, on the one hand, and the goal of having an effective dumping calculation method, on the other.

INDIAN STEEL MARKET ROUND-UP

The following is a report on the performance of Indian steel industry in terms of total finished steel during April-June 2017 based on provisional data released by JPC. All growth comparisons are with regard to same period of last year.

Total Finished Steel (alloy + non-alloy)	Performance Highlights		
	April-June 2017* (mt)	April-June 2016* (mt)	%yoy change*
Production for sale	26.173	24.651	6.2
Import	1.707	1.832	-6.8
Export	2.037	1.227	66.0
Consumption	21.005	20.077	4.6
Source: JPC ;*provisional			

Production for sale

- During April-June 2017, production for sale stood at 26.173 mt, a growth of 6.2 per cent compared to same period of last year, in which contribution of the non-alloy steel segment stood at 23.84 mt (up by 7.5 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel), where production for sale was down by 5.5 per cent.
- Analyzing by broad divisions, in the total production for sale of finished non-alloy steel, contribution of the non-flat segment stood at 11.118 mt (up by 1.1 per cent) while that of the flat segment stood at 12.722 mt (up by 13.8 per cent).
- Analyzing by segments, one finds that in the non-flat, non-alloy segment, production for sale of bars & rods, structurals and railway materials stood respectively at 8.8 mt (up by 0.1 per cent), 2.04 mt (up by 2.8 per cent) and 0.28 mt (up by 23 per cent).
- On the other hand, for the flat segment, production for sale was up for all leading items like Plates (1.18 mt, up by 13 per cent), HRC (6.29 mt, up by 19 per cent), CRC (2.06 mt, up by 3 per cent), and GP/GC Sheets (1.94 mt; up by 8 per cent).

Export

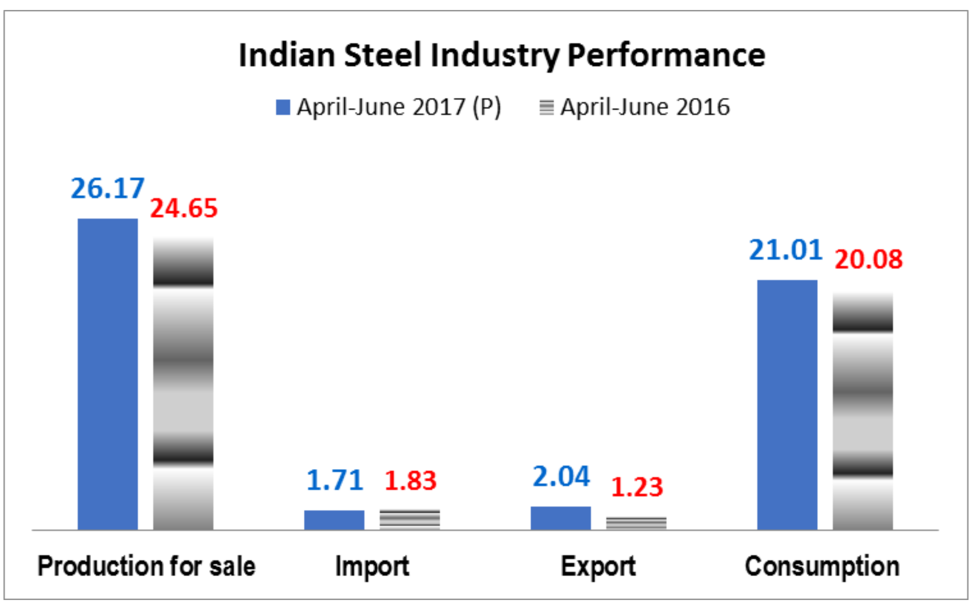
- During April-June 2017, export of total finished steel was 2.04 mt, up by 66 per cent compared to same period of last year.
- Contribution of the non-alloy steel segment stood at 1.779 mt (up by 60 per cent) while the rest was that of alloy steel (including stainless steel) segment, where exports were up by 122 per cent.
- In the total export of finished non-alloy steel, export of non-flat was at 0.369 mt (up by 149 per cent) and that of flat steel was at 1.41 mt (up by 46 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to export was bars & rods (0.32 mt, up by 160 per cent) while growth in exports in the non-alloy, flat segment was led by HRC (0.46 mt, up by 59 per cent).

Import

- Import of total finished steel during April-June 2017 was at 1.707 mt, down by 7 per cent compared to same period of last year.
- However, with exports at 2.04 mt, India remained a net exporter of total finished steel during April-June 2017.
- In total finished steel import, contribution of the non-alloy steel segment was 1.202 mt (15 per cent decline) while the rest was the contribution of alloy steel (including stainless steel) segment, which was up by 22 per cent.
- In the import of total finished non-alloy steel, non-flat imports were at 99 thousand tonnes (down by 30 per cent) and flat imports were at 1.103 mt (down by 14 per cent).
- In the non-alloy, non-flat segment, major contributor to import was bars & rods (90 thousand tonnes, down by 20 per cent) while for the flat segment, import was led by HRC (0.37 mt; down by 33 per cent).

Consumption

- During April-June 2017, real consumption (or simply consumption) of total finished steel stood at 21.005 mt, a growth of 4.6 per cent over same period of last year.
- For non-alloy steel, contribution of the non-flat segment stood at 10.444 mt, down by 1.8 per cent over same period of last year and that of the flat segment (after accounting for double counting) stood at 8.733 mt, up by 16.3 per cent over same period of last year, taking total non-alloy consumption (after double counting) to 19.177 mt, up by 5.7 per cent. The remainder was the contribution of the alloy/stainless segment, which reported a decline of 5.4 per cent during this period.
- In the non-alloy, non-flat segment, the major contributor to consumption was bars & rods (8.3 mt; down by 3 per cent) whereas for the flat segment, consumption was led by HRC (5.9 mt, up by 15 per cent).



JPC Market Prices (Retail)

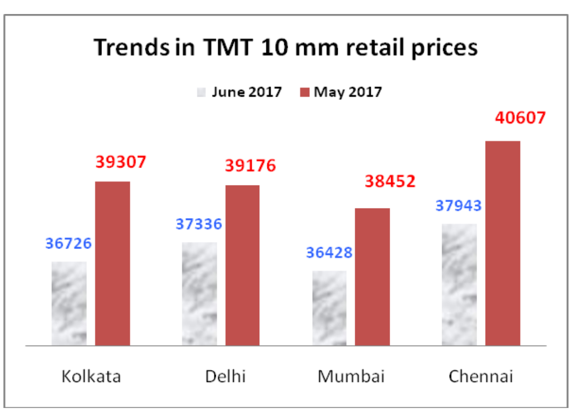
Delhi market prices: Compared to June 2016, average (retail) market prices in Delhi market in June 2017 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), largely in response to domestic demand-supply conditions and global influences. When compared to May 2017, the trend was reverse and saw prices of both **move south**. The situation in June 2017 with regard to June 2016 is shown in the table below for TMT 10 mm and HRC 2.0 mm.

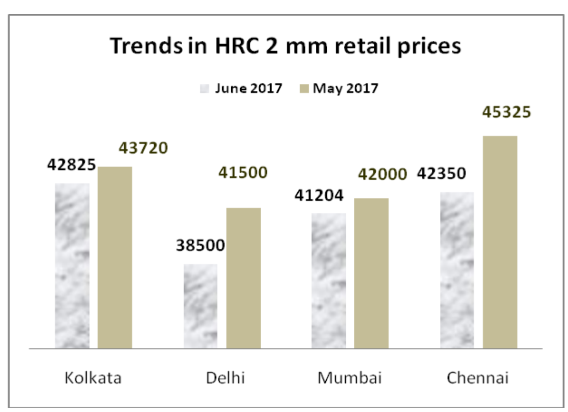
Trends in JPC market price (retail) in Delhi market in June 2017		
Item	**Delhi market prices (Rs/t)**	**% change over June 2016**
TMT, 10 mm	37336	7.4
HRC, 2.0 mm	38500	3.5
Source: JPC		

All markets: Compared to June 2016, average (retail) market prices in June 2017 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm) in all metro cities, largely in response to domestic demand-supply conditions and global influences. Compared to May 2017, however, the trend was one of decline across markets for TMT as well for HRC. The situation in June 2017 with regard to June 2016 is shown in the table below for TMT 10 mm and HRC 2.0 mm for all the four markets.

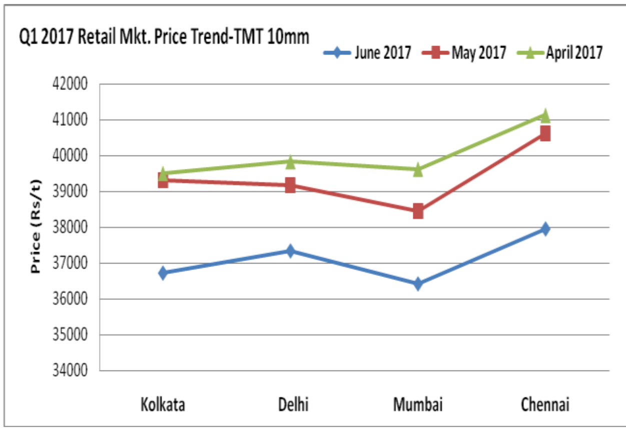
Trends in JPC (retail) market price: %change in June 2017 over June 2016				
Item	**Kolkata**	**Delhi**	**Mumbai**	**Chennai**
TMT 10mm	11.5	7.4	8.0	5.8
HR Coils 2.00mm	17.4	3.5	18.2	10.4
Source: JPC				

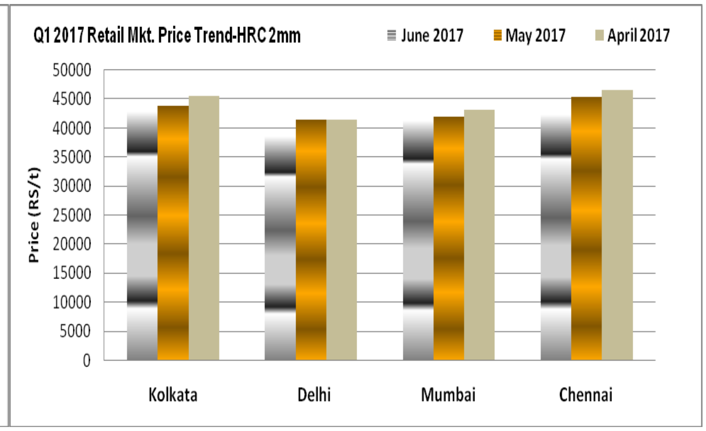
TMT prices were highest in the Chennai market (Rs 37,943/t) and lowest in the Mumbai market (Rs 36,428/t) while HRC prices were highest in the Kolkata market (Rs 42,825/t) and lowest in the Delhi market (Rs 38,500/t) during June 2017.





Q1 Trends: Average (retail) market prices in Q1 (April-June) 2017 showed a sustained decline for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm) in all metro cities, largely in response to domestic demand-supply conditions and global influences. This is shown below and indicates that for both TMT and HRC, the sustained decline throughout Q1 (month-on-month) has dragged June 2017 prices to be the least of the lot.





INDIAN ECONOMY – HIGHLIGHTS OF PERFORMANCE

GDP: The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation, has released the Provisional estimates of national income for the financial year 2016-17, both at constant (2011-12) and current prices. The estimates of Quarterly GDP have been compiled using the new series of Index of Industrial Production (IIP) and Wholesale price Indices (WPI). GDP at current prices in the year 2016-17 is estimated at Rs 151.84 lakh crore, showing a growth rate of 11 per cent over the estimates of GDP for the year 2015-16 of Rs 136.82 lakh crore. The sectors which registered growth rate of over 9 per cent and above at current prices are 'agriculture', 'manufacturing' , 'trade, hotels, transport, communication and services related to broadcasting', 'financial, real estate and professional services', and 'public administration, defence and other services'. Real GDP or GDP at constant (2011-12) prices for the year 2016-17 is estimated at Rs 121.90 lakh crore showing a growth rate of 7.1 per cent over the year 2015-16 of Rs 113.81 lakh crore. Real GVA, i.e, GVA at basic constant (2011-12) prices for the year 2016-17 is estimated at Rs 111.85 lakh crore showing a growth rate of 6.6 per cent over the GVA for the year 2015-16 of Rs 104.91 lakh crore. The sectors which registered growth rate of over 7 per cent at constant prices are 'public administration, defence and other services' (11.3 per cent), manufacturing (7.9 per cent),' trade, hotels, transport, communication and services related to broadcasting' (7.8 per cent),'electricity, gas, water supply other utility services (7.2 per cent) '.The growth in the 'agriculture, forestry and fishing', 'mining and quarrying', 'construction' and 'financial, real estate and professional services' is estimated to be 4.9 per cent, 1.8 per cent, 1.7 per cent and 5.7 per cent respectively**.**

Industrial Production: The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation has revised the base year of the all-India Index of Industrial Production (IIP) from 2004-05 to 2011-12 while at the same time, reviewing the basket of items and associated weightages under coverage. As per the new series, IIP was up by 1.7 per cent in May 2017 and by 2.3 per cent in April-May 2017, weighed down by decline in sectors like Capital Goods (down by 3.4 per cent), Consumer Durables (down by 5 per cent) and slow growth in sectors like Mining (1.1 per cent), Manufacturing (1.8 per cent) and Primary Goods (3.2 per cent).

Inflation: The annual rate of inflation, based on monthly WPI with base 2011-12, stood at 0.9 per cent (provisional) for June 2017 (over June 2016) as compared to 2.17 per cent (provisional) for the previous month. Build up inflation rate in the financial year so far was (-) 0.44 per cent compared to a build up rate of 3.71 per cent in the corresponding period of the previous year. The all India CPI inflation rate (combined) for June 2017 stood at 1.54 cent as compared to 2.18 per cent of previous month.

Infrastructure Growth: The yoy growth rate of the eight core infrastructure industries was up by 3.6 per cent in May 2017 and by 3.2 per cent in April-May 2017 encouraged by growth in most sectors except coal and fertilizers.

Trade: Provisional figures from DGCI&S show that during April-June 2017 in dollar terms, overall exports were up by 10.57 per cent while overall imports were up by 32.78 per cent, both on yoy basis. During the same period, oil imports were valued at US$ 23177.49 million, 22.98 per cent higher yoy while non-oil imports were valued at US$ 89085.61million, 35.6 per cent higher yoy. The trade deficit for April-June 2017 was estimated at US$ 40050.77million as against the deficit of US$ 19234.01 million during April-June 2016.

Policy:

- The Union Cabinet has approved the Financial Resolution and Deposit Insurance Bill, 2017 to deal with bankruptcy at banks and insurance firms which aims to set up a Resolution Corporation that will protect stability and resilience of India's financial sector.
- CBDT issues draft norms for transition of foreign firms to resident status under POEM but clarifies that such companies will be taxed at 40%.
- Cabinet gives green signal to bankruptcy framework for financial sector which will help resolve insolvency in financial sector entities such as banks and insurance companies.
- Aadhaar made mandatory for new bank accounts and transactions above Rs 50,000.
- The Government is planning to raise four-fold a key cap that is keeping exporters from availing themselves of benefits given to exports via online platform.

Prepared by Joint Plant Committee