



Trends June 2019

June 2019 global Manufacturing PMI dipped to its lowest level for over six-and-a-half years, global iron ore prices stuck to its \$100/t-plus levels, significant new steel capacities coming up in China along with planned restructuring of its steel industry, heightened trade tensions globally – global on-goings, it thus emerges, are slated to impact domestic steel industry significantly in the coming days.

WORLD ECONOMY AT A GLANCE

- At 49.4 in June 2019, the J.P. Morgan Global Manufacturing PMI slipped to its lowest level for over six-and-a-half years and posted back-to-back sub-50.0 readings for the first time since the second half of 2012, as per Markit Economics reports.
- The latter also indicate that the majority of the nations reported a contraction including China, Japan, Germany, the UK, Taiwan, South Korea, Italy and Russia. The US, India, Brazil and Australia were exceptions and registered an expansion.
- The Markit Economics reports have also highlighted that trend in international trade flows continued to weaken, new export business orders registered a decline, global manufacturing employment fell while rates of increase in input costs and output charges remained under control in June 2019.

Key Economic Figures			
Country	GDP 2018: %change*	Manufacturing PMI	
		May 2019	June 2019
India	7.3	52.7	52.1
China	6.6	50.2	49.4
Japan	1.9	49.8	49.3
USA	2.9	50.5	50.6
EU 28	1.9	47.7	47.8
Brazil	1.1	51.5	51.0
Russia	2.3	49.8	48.6
South Korea	2.7	48.4	47.5
Germany	1.5	44.3	45.0
Turkey	2.6	47.1	46.5
Italy	0.9	49.7	48.4

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

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production stood at 162.74 million tonnes (mt) in May 2019 up by 5.4 per cent year-on-year (yoy) i.e. over April 2018 and at 764.07 mt in January-May 2019, up by 5 per cent yoy.

World Crude Steel Production: January-May 2019*			
Rank	Top 10	Qty (mt)	% change
1	China	404.88	10.2
2	India	45.31	1.1
3	Japan	42.29	-4.3
4	USA	37.17	6.2
5	South Korea	30.49	1.8
6	Russia	29.76	-0.7
7	Germany	17.27	-5.2
8	Turkey	14.30	-10.0
9	Brazil	14.03	-1.5
10	Iran	10.62	5.5
Total:10		646.12	6.0
World		764.07	5.0
Source: worldsteel; *prov.			

- China produced 404.88 mt of crude steel during January-May 2019, up by 10.2 per cent yoy. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was down by 0.2 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 per cent share in total world production and a 1.1 per cent growth in production over same period of 2018, India (45.31 mt) was the 2nd largest producer during this period.
- Japanese crude steel production (42.29 mt) was down by 4.3 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 (37.17 mt) notching up a growth of 6.2 per cent while South Korea was the 5th largest, with a 1.8 per cent growth in production.
- Crude steel production in the EU (28) countries during January-May 2019 was 70.99 mt, down by 2.4 per cent yoy.
- At 541.96 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 per cent yoy during this period.
- Turkey replaced Brazil and regained its rank as the 8th largest crude steel producer during this period.

NEWS AROUND THE WORLD

THE AMERICAS

- The United States Commerce Department has eliminated anti-dumping duties against certain HRC imports from Turkey. It has also raised anti-dumping duties on HRC import from Japan and has increased anti-dumping duties on HRC import from Nippon Steel & Sumitomo Metal to 7.64% compared with the 4.99% earlier. The department also increased anti-dumping margins on most other Japanese steelmakers to 6.92% versus 5.58% in 2016 while setting anti-dumping margins for Tokyo Steel Manufacturing at 2.06%.
- Mexico's steel association, Canacero, has denied that Mexican producers of fabricated structural steel who export to the US have been receiving subsidies, as alleged by US authorities.
- Usiminas has approved investments for the refurbishment of the blast furnace No. 3 at its Ipatinga mill totalling Real 1.23 billion (\$305 million) by 2022.

ASIA

- A report from Platts indicate that China has commissioned several major iron and steel projects in the first five months of 2019, adding a combined 11.46 mtpa of crude steel and 10.42 mtpa of pig iron capacity to the market. For 2019 as a whole, some 50.20 mtpa of new crude steel and 38.20 mtpa of pig iron capacity are planned to be commissioned.
- Tangshan city has told its mills to cut production by 39% in June 2019 compared with a 50% cut in May 2019.
- Three privately-owned steel mills in eastern China's Shandong province have launched feasibility studies to set up a new hub in Rizhao city, according to the provincial Ministry of Industry and Information Technology. The move is in line with the government of Shandong province's plan to consolidate its local steel industry and relocate steel capacity away from urban to coastal areas.
- Nippon Steel has started operating a new CCL at the Tobata section of its Yawata works with a capacity of 1.7 mtpa for producing blooms for special steel longs and rails.
- India has imposed higher tariffs on 28 iron, steel and agricultural products imported from the USA, effective June 16, 2019. Additionally, it has tightened regulations for the use of imported steel in government projects by revising a policy that makes it mandatory for locally-made steel to be used in such projects. The Domestically Manufactured Iron and Steel Products (DMI&SP) policy, which gives preference to locally made iron and steel products was first introduced in May 2017. Under the revised policy, government agencies whose annual purchases of iron and steel products are Rs. 250 million (\$3.6 million) or more, will be covered now, as per the Ministry of Steel.
- Reaffirming its focus on product innovation, Tata Steel plans to develop 40 new product grades at its greenfield steel project at Kalinganagar (Odisha) in this financial year, which are aimed to meet the requirements of automotive and oil & gas industries.
- South Korean pipemaker SeAH Steel completed construction of its, \$37.8 million, 0.1 mtpa mill at Dong Nai, which will make 2-4- inch diameter general pipes and tubes for oil wells.

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- South Korea has established a public consultation group to resolve the release of pollutants when safety valves are opened at domestic blast furnaces, the Ministry of Environment said. Composed of 19 people from the government, provincial governments, industry experts and civic group, the group will conduct private meetings at least once a week until August 2019.
 - Vietnam plans to impose anti-dumping duties on coated steel from China and South Korea, effective from June 25, for around four months, before final determinations in the AD investigations are made.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- NLMK aims to fully capture and recycle off-gases from its six basic oxygen furnaces (BOFs) – with the combined 13.3 mtpa steel capacity – by building a power station that will convert furnace gases to electricity. The power station will be commissioned by the end of 2023 to generate 300 megawatt by recycling off-gases from BOFs and blast furnaces (BFs) alike.
- Russia has initiated a dispute at the World Trade Organization against the United States' anti-dumping duties on Russian HRC products, according to notice from the WTO's.
- ArcelorMittal South Africa (AMSA) may be fined \$1 million for alleged emissions breaches at its Vanderbijlpark steelworks, as a result of the introduction of the country's carbon tax.

EU AND OTHER EUROPE

- The European Commission has officially blocked the merger between Germany's Thyssenkrupp and Tata Steel's European operations. The EC said the tie-up would have resulted in diminished competition and higher prices, and "the parties did not offer adequate remedies to address these concerns."
- The UK House of Commons business, energy and industrial strategy select committee has launched an inquiry into the future of the steel industry in the country, with the former owners of British Steel to be the first called to testify.
- ArcelorMittal will further reduce its steel output as overall market weakness continues, starting off with cuts in primary steelmaking production at its plants in Dunkirk, France and Eisenhüttenstadt, Germany. It will also extend shut-downs for blast furnace repairs at its mills in Bremen, Germany and Asturias, Spain, in the fourth quarter.
- The European Commission has re-adopted a cartel ruling against five Italian rebar producers and imposed fines totalling €16.07 million (\$18.14 million). The decision related to the companies' participation in a price-fixing cartel between December 1989 and July 2000. The five steelmakers named by the EC were Alfa Acciai, Feralpi, Ferriere Nord (Pittini), Partecipazioni Industriali (Riva) and Ferriera Valsabbia. The aforementioned cartel had been subject to two previous EC decisions.
- Forty-five European steel company CEOs have sent an open letter to EU heads of state, government and institutions urging the strengthening of EU steel import safeguard measures from July 1, 2019. A flood of imports has distorted the market, "leading to a sudden and markedly negative shift in the EU steel industry's prospects," and putting plants, production and thousands of jobs at risk, they said.

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

WORLD STEEL PRICE TRENDS

Q2 2019 ended on the same note as witnessed earlier, with global prices, though steady, but reporting a softening across markets, affected more by local developments rather than global ones. Globally, of course, it was the iron ore situation that stole the limelight with supply concerns amid stable demand pushing up iron ore prices to a historic \$100/t-plus figure in May 2019 and continuing to sustain in June 2019 as well.

Long Product

- June 2019 rebar prices remained overall steady in the USA despite slipping under pressure from weak demand and softening in market activities. Transactions as per Metal Bulletin reports were quoted around \$600/t at month-end.
- China's rebar market remained stable in June 2019 but continued to suffer from weak demand, low market activities and uncertainties about future supply in view of fresh production cuts. Transactions as per Metal Bulletin reports were quoted around 3,960-4,000 yuan/t (\$577-583) in Shanghai and around 3,850-3,880 yuan/t in Beijing.
- Weak demand conditions marked EU rebar market in June 2019 with prices moving south. Transactions as per Metal Bulletin reports were quoted around €485-500/t (\$548-565) in Southern Europe and around €500-525/t (\$565-593) in Northern Europe at month-end.
- Rebar prices moved north in June 2019 in Russia as exports markets strengthened amid optimistic outlook. Transactions for domestic 12mm A500C rebar in Russia, including 20% VAT as per Metal Bulletin reports were quoted around 40,000-40,500 roubles/t (\$611-618).

Flat Product

- The HRC/flat steel market in the USA continued to suffer from supply side issues and low demand conditions, despite being stable otherwise in June 2019. Transactions as per Metal Bulletin reports were quoted around \$520/t at month-end.
- HRC prices in China remained stable in June 2019 and showed a spurt in view of uncertainties about future supply in view of fresh production cuts. Transactions as per Metal Bulletin reports were quoted around 3,920-3,940 yuan/t (\$570-573) in Shanghai and around 3,850-3,860 yuan/t in Tianjin.
- June 2019 EU HRC prices suffered from slow demand and slack market activities. Transactions as per Metal Bulletin reports were quoted around €485-495/t (\$552-564) in Northern Europe and around €470-490/t in Southern Europe at month-end.
- Seasonal demand supported HRC prices in June 2019 in Russian market. Transactions for Russia-origin 4mm HR sheet as per Metal Bulletin reports were quoted around 43,000-44,500 roubles/t (\$664-687) cpt Moscow, including 20% VAT.

[Source Credit: Metal Bulletin]

SPECIAL FOCUS

India, Iran drives up global DRI production by 9% in January-May 2019

DRI production worldwide rose to 7.78 million tonnes (mt) in May 2019 (p), up by 7.2% over same period of last year, as per provisional World Steel Association (worldsteel) report, driven by India (production up by 14%) and Iran (production up by 6%) during the month as compared to same month of last year.

For January-May 2019 (p), provisional worldsteel report indicates that global DRI output (37.08 mt, up by 5.5%) continued to be driven by India (13.92 mt) at the number one spot with a growth of 4.3% 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 (11.78 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 6.9% 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-May 2019 (p)			
Rank	Country	Qty (mt)	% change
1	India	13.92	4.3
2	Iran	11.78	15.0
3	Egypt	2.74	16.1
4	Mexico	2.39	-4.0
5	Saudi Arabia	1.69	-14.6
	Top 5	32.52	6.9
	World	37.08	5.5
	%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-May 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 (prov)		
	April-May 2019 (mt)	April-May 2018 (mt)	% change
Crude Steel Production	17.981	17.432	3.1
Hot Metal Production	12.172	11.937	2.0
Pig Iron Production	1.074	1.015	5.8
Sponge Iron Production	5.716	5.659	1.0
Total Finished Steel (alloy/stainless + non-alloy)			
Gross Production	21.910	21.211	3.3
Import	1.120	1.216	-7.9
Export	0.716	1.017	-29.6
Consumption	16.332	15.340	6.5
Source: JPC			

Major highlights

- Production of crude steel was at 17.981 million tonnes (mt), a growth of 3.1 per cent.
- Hot metal production was 12.172 mt, a growth of 2 per cent.
- Pig iron production was 1.074 mt, up by 5.8 per cent.
- Sponge iron production was 5.716 mt, up by 1.0 per cent.
- Total finished steel gross production was 21.910 mt, an increase of 3.3 per cent.
- Export of total finished steel reached 0.716 mt, a decrease of 29.6 per cent.
- Import of total finished steel was 1.12 mt, a decrease of 7.9 per cent.
- India was a net importer of total finished steel.
- Consumption of total finished steel was 16.332 mt, an increase of 6.5 per cent.

A. Crude Steel Production

- At 17.981 million tonnes (mt), India's crude steel production grew by 3.1 per cent in April-May 2019 (p) over same period of last year.
- With an 81 per cent share, the Private Sector (14.532 mt, up by 4.5 per cent) led crude steel production in April-May 2019 (p).
- With a 59.5 per cent share, SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 10.702 mt during April - May 2019, which was a growth of 4.4 per cent compared to same period of last year. The rest i.e. 7.279 mt came from the Other Producers, which was a growth of 1.4 per cent over same period of last year.

- The shares of the Oxygen, EAF and IF Routes stood respectively at 46 per cent, 27 per cent and 27 per cent.

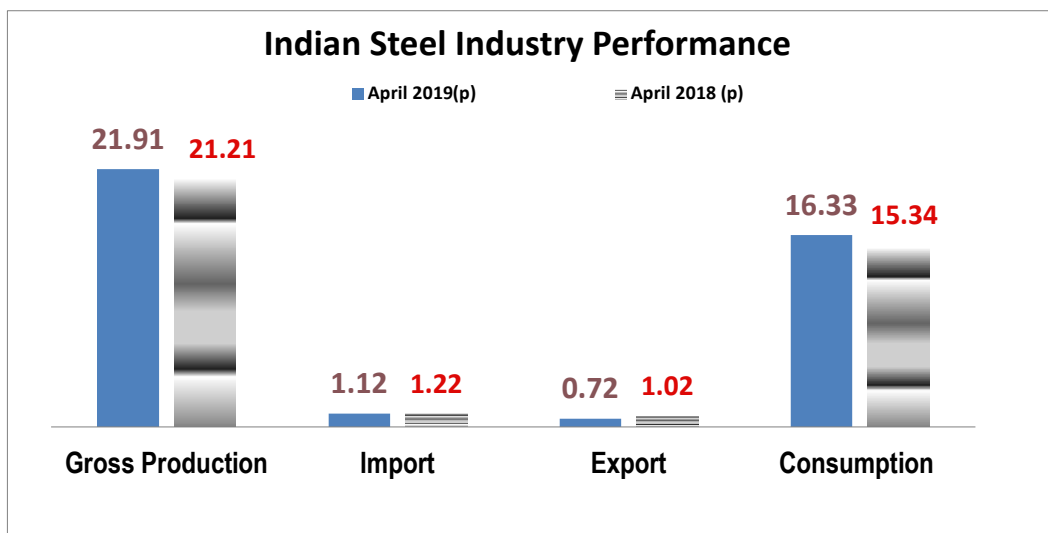
B. Pig Iron Production

- At 1.074 mt, India's pig iron production grew by 5.8 per cent in April-May 2019 (p) over same period of last year.
- With a 19.7 per cent share, SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 0.212 mt during April - May 2019, a growth of 20.5 per cent over same period of last year. The rest i.e. 0.862 mt came from the Other Producers, which was a growth of 2.8 per cent over same period of last year.
- With an 87 per cent share, the Private Sector (0.931 mt, up by 1.6 per cent) led pig iron production in April-May 2019.

C. Sponge Iron Production

- At 5.716 mt in April-May 2019 (p), India's sponge iron production grew by 1 per cent over same period of last year, led by the coal-based route with a 79 per cent share, the remaining being the share of the gas-based route.

D. Total Finished Steel



a. Gross Production

- At 21.91 mt, gross production of total finished steel grew by 3.3 per cent in April-May 2019 (p) over same period of last year, in which contribution of the non-alloy steel segment stood at 20.079 mt (up by 2.8 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where production was up by 9.4 per cent.
- With a 58 per cent share, SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 12.66 mt during April - May 2019, which was a growth of 7 per cent over same period of last

year. The rest i.e. 9.25 mt came from the Other Producers, which was a decline of 0.9 per cent over same period of last year.

- With an 86 per cent share, the Private Sector (18.841 mt, up by 3.2 per cent) led gross production of total finished steel in April-May 2019.
- Analyzing by broad divisions, in the total production of finished non-alloy steel during this period, contribution of the non-flat segment stood at 7.883 mt (up by 1 per cent) while that of the flat segment stood at 12.196 mt (up by 4 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to production of total finished steel was bars & rods (6.22 mt, down by 0.1 per cent) while growth in the non-alloy, flat segment was led by HRC (6.246 mt, up by 3.5 per cent) during this period.

b. Export

- In April-May 2019 (p), total finished steel exports stood at 0.716 mt and declined by 29.6 per cent over same period of last year, in which contribution of the non-alloy steel segment stood at 0.612 mt (down by 35 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where export was up by 25.3 per cent.
- Analyzing by broad divisions, in the total export of finished non-alloy steel during this period, contribution of the non-flat segment stood at 0.077 mt (down by 14.4 per cent) while that of the flat segment stood at 0.535 mt (down by 37 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to export was bars & rods (0.046 mt, down by 36 per cent) while non-alloy, flat export was led by HRC (0.27 mt, down by 19 per cent) during this period.

c. Import

- In April-May 2019 (p), total finished steel imports stood at 1.12 mt and decreased by 7.9 per cent over same period of last year, in which contribution of the non-alloy steel segment stood at 0.864 mt (down by 10.2 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where import was up by 0.8 per cent.
- Such trends implied that India was a net importer of total finished steel in April-May 2019 (p).
- Analyzing by broad divisions, in the total import of finished non-alloy steel during this period, contribution of the non-flat segment stood at 0.079 mt (down by 18 per cent) while that of the flat segment stood at 0.785 mt (down by 9.4 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to import was bars & rods (0.061 mt, down by 3.2 per cent) while non-alloy, flat import was led by HRC (0.248 mt, down by 30 per cent) during this period.

d. Consumption

- Finished steel consumption stood at 16.332 mt in April-May 2019 (p) and grew by 6.5 per cent over same period of last year, in which contribution of the non-alloy steel segment stood at 14.61 mt (up by 6.1 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where consumption was up by 9.3 per cent.
 - Analyzing by broad divisions, in the total consumption of finished non-alloy steel during this period, contribution of the non-flat segment stood at 7.212 mt (down by 2.2 per cent) while that of the flat segment stood at 7.398 mt (up by 16 per cent).
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- In the non-alloy, non-flat segment, in volume terms, major contributor to consumption was bars & rods (5.6 mt, down by 4 per cent) while non-alloy, flat consumption was led by HRC (2.56 mt, up by 11 per cent) during this period.

E. JPC Market Prices (Retail)

Delhi market prices: Compared to May 2018, average (retail) market prices in Delhi market in May 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 when compared to April 2019 for HRC while prices for TMT showed a mild increase. The trend in retail market prices of TMT 10 mm and HRC 2.0 mm in the Delhi market in May 2019 with regard to May 2018 is shown in the table below.

Trends in JPC market price (retail) in Delhi market in May 2019		
Item	Delhi market prices (Rs/t)	%change over May 2018
TMT, 10 mm	49,265	-6.2
HRC, 2.0 mm	51,025	-10.1

Source: JPC

All markets: Compared to May 2018, average (retail) market prices in May 2019 decreased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm) in all the markets. However, when May 2019 prices are compared to those in April 2019, while prices of TMT was similar as above in all metros except Delhi, those of HRC reported a decline in all markets except Kolkata. The situation in May 2019 with regard to May 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 May 2019 over May 2018				
Item	Kolkata	Delhi	Mumbai	Chennai
TMT 10mm	-3.5	-6.2	-6.4	-12.6
HR Coils 2.00mm	-2.8	-10.1	-8.9	-8.1

Source: JPC

TMT prices were highest in the Delhi market (Rs 49,265/t) and lowest in the Chennai market (Rs. 46,374/t) while HRC prices were highest in the Chennai market (Rs. 52,581/t) and lowest in Mumbai market (Rs. 50,225/t) during May 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 growth rate of the Index of Industrial Production (IIP) was up by 3.4 per cent during April 2019 (prov.), encouraged by stable growth in Electricity (6 per cent) and Mining (5.1 per cent) while Manufacturing reported a growth of 2.8 per cent. The Use-Based scenario of the Index of Industrial Production (IIP) during April 2019 (prov.) show that all the sectors recorded a growth with Intermediate Goods (1 per cent) reporting the lowest and Primary Goods, the highest (5.2 per cent).

Infrastructure Growth: Provisional data released by the CSO indicate that the growth rate of the Eight Core Infrastructure Industries was up by 2.6% during April 2019 (prov.), encouraged by growth in sectors like Electricity (5.8 per cent) and Refinery Products (4.3 per cent) but pulled down by decline in growth rate in most others like Crude Oil (6.9 per cent) and low growth in case of Cement (0.8% per cent).

Inflation: In April 2019 (prov.), the annual rate of inflation, based on monthly WPI, stood at 3.07 per cent while the all India CPI inflation rate (combined) stood at 3.05 per cent and compared to April 2018, the former registered a decline and the latter saw a rise.

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