Trends ….. March 2019

Vale production cuts, continued strong rise in Chinese steel production, its VAT cut raising expectations, Section 232 tariffs completing its first year and winning over a challenge thrown at its constitutional validity, Iran clamping down on its long product export, EU coming out with its 3-year safeguard measures, China restricting port access to Australian coal, India emerging as a net importer amidst strong domestic demand growth – some of the many such developments in Q1 2019 promises major challenges in the days ahead.

WORLD ECONOMY AT A GLANCE

- Market Economics reports indicate that at 50.6 in March 2019, the J.P.Morgan Global Manufacturing PMI was at the same level as in February 2019 and being so, indicated a lacklustre improvement in operating conditions in global manufacturing.
- As per the reports, among the largest regions covered by the survey, PMI readings were above the neutral 50.0 mark in India, China, the US, Brazil, Russia and the UK. PMI readings below 50.0 were registered for the Euro Area, Japan and South Korea.
- Growth of manufacturing production remained weak in March 2019, as new order inflows stagnated and international trade flows declined. The month also witnessed a further modest rise in global manufacturing employment, with job creation seen across the consumer, intermediate and investment goods sectors. The Markit reports indicate a relatively stable price inflationary pressure, with output charges and input costs both rising at similar rates as noted for February 2019.

Key Economic Figures			
Country	GDP 2018: %change*	Manufacturing PMI	
		February 2019	March 2019
India	7.3	54.3	52.6
China	6.6	49.9	50.8
Japan	1.9	48.9	49.2
USA	2.9	53.0	52.4
EU 28	1.9	49.3	47.5
Brazil	1.1	53.4	52.8
Russia	-	50.1	52.8
South Korea	2.7	47.2	48.8
Germany	1.5	47.6	44.1
Turkey	2.6	46.4	47.2
Italy	0.9	47.7	47.4
Source: GDP: official releases; PMI- Markit Economics, *provisional			

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production stood at 137.27 million tonnes (mt) in February 2019 up by 4.1% year-on-year (yoy) i.e. over February 2018 and at 287.61 mt in January-February 2019, up by 3.8% yoy.

World Crude Steel Production: January-February 2019*			
Rank	**Top 10**	**Qty (mt)**	**% change**
1	China	149.58	9.2
2	India	17.92	0.1
3	Japan	15.88	-8.3
4	USA	14.41	6.9
5	South Korea	11.85	1.1
6	Russia	11.02	-4.5
7	Germany	6.58	-7.6
8	Brazil	5.59	0.4
9	Turkey	5.20	-16.1
10	Iran	4.24	7.6
Total:10		**242.27**	**4.5**
World		**287.61**	**3.8**
Source: worldsteel; *prov.			

- China produced 149.58 mt of crude steel during January-February 2019, up by 9.2% yoy. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was down by 1.5%. China accounted for 72% of Asian and 52% of world crude steel production during this period.
- With a 6.2% share in total world production and a 0.1% growth in production over same period of 2018, India (17.92 mt) was the 2nd largest producer during January-February 2019.
- Japanese crude steel production (15.88 mt) was down by 8.3% 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 (14.41 mt) notching up a growth of 6.9% while South Korea was the 5th largest, with a 1.1% growth in production.
- Crude steel production in the EU (28) countries during January-February 2019 was at 26.88 mt, down by 3.9% yoy.
- At 202.74 mt, Asian crude steel production was up by 6.3% in January-February 2019 and the region accounted for 72% of world crude steel production during this period.
- The top 10 countries accounted for 84.2% of total world crude steel production and saw production go up by 4.5% yoy during this period.
- Brazil (5.59 mt) which replaced Turkey as the 8th largest crude steel producer last month maintained its new rank during this period as well.

NEWS AROUND THE WORLD

THE AMERICAS

- A motion to undo United States President Donald Trump's blanket tariffs on imports of steel and aluminium has been denied, the US Court of International Trade (CIT) said in a ruling dated Monday March 25, 2019.
- Import tariffs on steel products in the USA created under Section 232 are likely to remain in place at least until the end of 2019 as per industry reports.
- The Mexican government has officially reinstated a 15% safeguard duty on imports of certain steel products from countries with which it does not have free trade agreements.
- Venezuela's largest steelmaker Sidor shut down all operations after the country's energy blackout on March 8, 2019. There was no timetable for resumption.

ASIA

- The Chinese government is reducing VAT on the manufacturing sector from 16% to 13% and that on the transportation and construction industries from 10% to 9%. The VAT cut is widely seen as a form of stimulus for the country's domestic markets.
- Tangshan city will continue output cuts at sintering plants / blast furnaces for April 2019 in a bid to reduce air pollution. Earlier, Handan and Tangshan city, China's major steelmaking hubs in Hebei province, had announced greater pig iron and sintering cuts for March 2019 in a bid to accomplish their winter PM 2.5 (particulate matter) reduction targets by the end of the month. Handan has told 14 mills in its Wu'an district to lower their average blast furnace utilization rates from 49% to around 39% for the rest of March. Tangshan has ordered sintering plants that have not yet reached ultra-low emissions standards to suspend operations over March 2019.
- Japan's Godo Steel acquired 86.96% of shares in Asahi Industries, making it one of the mini-mill's subsidiaries, as part of an overall plan to improve competitiveness.
- India has again postponed the implementation of increased tariffs on 29 agricultural, iron and steel products imported from the US to May 2, from April 1, 2019.
- India's National Company Law Tribunal has approved ArcelorMittal's resolution plan for bankrupt Essar Steel, thereby clearing its way to take over the debt-ridden steelmaker.
- India's JSW Steel has signed an agreement with Switzerland-based Duferco International Trading Holdings to repay a $700 million loan with physical steel deliveries over five years. The deal is considered unusual for the steel sector, as steel is challenging to hedge due to a lack of a liquid futures market.
- The Korea Trade Commission has proposed antidumping duties on stainless steel bars from Italy (10.21%-13.74%) and Taiwan (9.47%-18.56%) for a period of five years.
- Malaysia has imposed anti-dumping duties ranging from 2.66-16.13% on HDG steel coils and sheets imported from China and Vietnam.
- Indonesia recently extended anti-dumping duty on flat rolled iron & steel products from seven countries namely India, China,Taiwan, Thailand, Kazakhstan, Russia and Belarus. The country has set anti dumping duty by upto 20% for a number of flat-rolled iron and steel products import.

- Indonesia's Krakatau Steel could start up a 1.5 mtpa HSM at Cilegon as early as June 2019 which will increase the steelmaker's total HRC production capacity to 3.9 mtpa.
- The Pakistani government plans to sell Pakistan Steel Mills before 2023. The country's Privatization Commission said 48 public sector entities will be privatized, which includes the steelmaker.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- According to a new directive, traders and dealers will no longer be allowed to export steel long products from Iran. Producers can export a portion of their output after obtaining government permission, according to the directive issued by the Minister of Industries, Mining and Trade. It is the second restriction on steel exports as previously all steel exporters were instructed to submit a certificate of manufacture origin.
- NLMK is planning further expansion of its iron ore and steel output in the next four years,. The company's steel output is set to expand by 1 mtpa by 2022, to 14.2 mtpa of crude steel.
- Russian steel companies, AEMZ, Abinsk Electric Steel Works and NPZ, Novorossiisk Rolling Plant, are set to increase their wire rod output with new H3 rolling mills, expected to become operational by 2020.
- Evraz continues to modernize its Nizhniy Tagil Iron and Steel Works to reduce production costs and the burden on the region's ecology.
- Libyan state-owned iron and steel company Lisco has re-started exports of rebar after a halt of 15 years and is also targeting a rise in crude steel output this year.
- Metinvest will redirect some of its merchant pig iron output to steel production, increasing slab and hot-rolled coil exports.
- Bahraini rebar producer Unirol has increased its rebar production capacity to 0.27 mtpa from 0.175 mtpa with the launch of a new unit and is now offering material that is officially labeled 'Made in Bahrain'.

EU AND OTHER EUROPE

- Turkey's largest integrated steel producer, Erdemir Group, will spend $1 billion on new investments to increase its capacity.
- Turkish mills are continuing to focus on HRC export sales, amid slowed industrial production in Turkey and financial problems in the domestic market.
- UK Steel and British Steel have both welcomed a recent government announcement that the UK will formally adopt many of the existing EU trade protection measures for the steel sector once the country leaves the trading bloc.
- Eurofer wants the Global Forum on Steel Excess Capacity to continue beyond November when its mandate is set to expire, citing that the forum's work is starting to address persistent problems of overcapacity in the global steel market.

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

WORLD STEEL PRICE TRENDS

Q1 2019 was strewn with developments which have a potentially significant impact on steel and steel prices globally, which declined for flats and either declined or showed mild growth for non-flat during this period. On the raw material side, supply restrictions specially for iron ore is an issue of concern as Vale struggles to factor in production cuts in its planned supply. It remains to be seen how much of the actual shortage would be met up by other pockets of supply so that any distortion in market dynamics may be avoided, steel as well as iron ore. For steel, the onset of spring and seasonally-rejuvenated demand conditions will no doubt act as a propeller for growth. But with Chinese demand still on the softer side (but production growth remains unabated), the impact of its VAT cut yet to be seen, the USA market bolstered by its 1-year old Section 232 tariffs, trade tensions distorting global flows and restricting market access (raw material as well as steel) in an overall global economic framework of moderating growth and investment remain major challenges for steel in the coming days.

Long Product

- USA rebar prices were steady in March 2019,with market sentiments on the upswing given the controls on import firmly in place and increased demand with the arrival of spring season. Transactions, as per Metal Bulletin reports, were quoted around $717/t at month-end.
- March 2019 prices for rebar produced and delivered in both Southern and Northern Europe mostly remained flat, with some limited upward movements. Transactions, as per Metal Bulletin reports, were quoted around €515-520/t in Southern Europe and around €540-550/t ($610-621) in Northern Europe at month-end.
- China's rebar prices showed recovery in March 2019, with pick-up in demand conditions. Transactions, as per Metal Bulletin reports, were quoted around 3,840-3,890 yuan/t ($570-577) in Shanghai and around 3,840-3,880 yuan/t in Beijing at month-end.
- Russian rebar prices moved north in March 2019 with seasonal factors boosting demand. Metal Bulletin's weekly price assessment for domestic 12mm A500C rebar in Russia, including 20% VAT, were quoted around 39,000-40,000 roubles/t ($603-618) cpt Moscow at month-end.

Flat Product

- USA HRC prices remained steady in March 2019 and even moved north slightly. Transactions, as per Metal Bulletin reports, were quoted around $680-690/t at month-end.
- March 2019 European HRC prices declined in both Southern and Northern Europe due to slow trading but remained stable otherwise. Transactions, as per Metal Bulletin reports, were quoted around €460-480/t ($520-542) in Southern Europe and around €500-510 in Northern Europe at month-end.
- China's March 2019 HRC prices moved north, relying on modest demand before the VAT cut took effect. Transactions, as per Metal Bulletin reports, were quoted around 33,850-3,860 yuan/t ($573-574) in Shanghai and around 3,790-3,800 yuan/t in Beijing at month-end.

- Russian HRC prices moved north banking on seasonally improved demand and rising export. Metal Bulletin's weekly price assessment for Russia-origin 4mm HR sheet was quoted around 42,000-43,000 roubles/t ($634-649) cpt Moscow, including 20% VAT.

[Source Credit: Metal Bulletin]

SPECIAL FOCUS

India, Iran drives up global DRI production by 7% in February 2019

Global output of direct reduced iron (DRI) increased by 7% in February 2019 (p) and by 7.3% during January-February 2019 (p) as per provisional World Steel Association (worldsteel) report. DRI production worldwide rose to 6.99 million tonnes (mt) in February 2019 (p), up by 7% over same period of last year, according to worldsteel, driven by India (production up by 1%) and Iran (production up by 24%) during the month.

For January-February 2019 (p), provisional worldsteel report indicates that global DRI output (14.65 mt, up by 7.3%) continued to be driven by India (5.37 mt) at the number one spot despite a 1.2% decline in production when compared to same period of last year. The country also accounted for 37% of total global output during this period. For the cumulative period, Iran's DRI output (4.82 mt) saw a growth (30%) and along with India, these two countries accounted for 69% of global DRI output during this period. Together, the top five countries (details below) accounted for 88% of the world DRI production during this period and saw their cumulative output rise by 9.1% as compared to same period of last year. Saudi Arabia replaced UAE as the 5th largest DRI producer in the world during this period.

World DRI Production, Jan.-Feb. 2019 (p)			
Rank	**Country**	**Qty (mt)**	**% change**
1	India	5.37	-1.2
2	Iran	4.82	30.0
3	Egypt	1.11	16.6
4	Mexico	0.91	-8.5
5	Saudi Arabia	0.70	-6.5
	Top 5	**12.90**	**9.1**
	World	**14.65**	**7.3**
	%Share: Top 5	**88**	**-**
Source: worldsteel			

INDIAN STEEL MARKET ROUND-UP

Performance of Indian Steel Industry: April-February 2018-19

The following is a status report on the performance of Indian steel industry during April – February 2018-19, based on provisional data released by JPC. 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	Indian steel scene (million tonnes)		
	April - February 2018-19 (prov)	April – February 2017-18	% change (prov.)
Crude Steel Production	97.152	93.625	3.8
Hot Metal Production	66.075	61.734	7.0
Pig Iron Production	5.554	5.217	6.3
Sponge Iron Production	30.202	27.651	9.2
Total Finished Steel (alloy + non-alloy)			
Production	119.446	115.148	3.7
Import	7.132	6.999	1.9
Export	5.77	8.911	-35.2
Consumption	88.05	82.012	7.4
Source: JPC			

I. Crude Steel:

- During April - February 2018-19, crude steel production was 97.152 million tonnes (mt), a growth of 3.8 per cent over same period of last year.
- SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 57.775 mt during this period which was a growth of 7.4 per cent compared to same period of last year. The rest 40 per cent i.e. 39.377 mt came from the Other Producers, which was a decline of 1.1 per cent over same period of last year.
- With a 80 per cent share, the Private Sector (77.65 mt, up by 2.5 per cent) led crude steel production (97.152 mt) during this period.
- Shares of the Oxygen Route, EAF Route and IF Route stood at 47 per cent, 26 per cent and 27 per cent respectively in total crude steel production during this period.

II. Hot Metal:

- During April - February 2018-19, hot metal production was 66.075 million tonnes (mt), a growth of 7 per cent over same period of last year.
- SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 55.436 mt during this period which was a growth of 9 per cent over same period of last year. The rest 16 per cent i.e. 10.639 mt came from the Other Producers, which was a decline of 2.2 per cent over same period of last year.

III. Pig Iron:

- During April - February 2018-19, pig iron production was 5.544 mt, up by 6.3 per cent over same period of last year.
- SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 0.881 mt during this period which was a growth of 32.7 per cent over same period of last year. The rest 84 per cent i.e. 4.663 mt came from the Other Producers, which was a growth of 2.4 per cent over same period of last year.

IV. Sponge Iron:

- During April - February 2018-19, sponge iron production was 30.202 mt, up by 9.2 per cent over same period of last year.
- The Other Producers (22.366 mt) accounted for 74 per cent of total production, a growth of 9.7 per cent over same period of last year.

V. Total Finished Steel

A. Gross Production

- Gross Production or simply Production of total finished steel was at 119.446 and grew by 3.7 per cent during April - February 2018-19 over same period of last year.
- SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 66.667 mt during this period which was a growth of 6.2 per cent over same period of last year. The rest 44 per cent i.e. 52.779 mt came from the Other Producers, which was a growth of 0.7 per cent over same period of last year.
- Analyzing by broad divisions, in the total production of finished non-alloy steel during this period, contribution of the non-flat segment stood at 43.633 mt (up by 7.1 per cent) while that of the flat segment stood at 65.844 mt (down by 0.7 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to production of total finished steel was bars & rods (34.525 mt, up by 6.5 per cent) while growth in the non-alloy, flat segment was led by HRC (33.793 mt, down by 2.2 per cent) during this period.

B. Exports

- At 5.77 mt, export of total finished steel was down by 35.2 per cent in April-February 2018-19 over same period of last year. in which contribution of the non-alloy steel segment stood at 5.223 mt (down by 35.3 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where export was down by 35 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 0.634 mt (down by 71.2 per cent) while that of the flat segment stood at 4.589 mt (down by 22 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to export was bars & rods (4.45 mt, down by 77.7 per cent) while non-alloy, flat export was led by HRC (2.329 mt, down by 9.9 per cent) during this period.

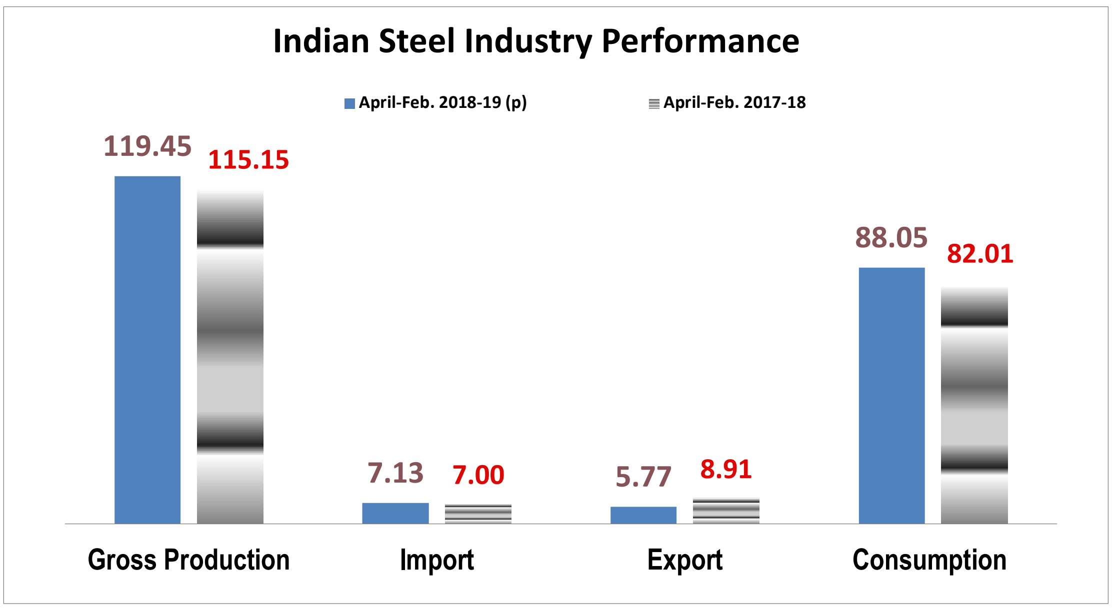
C. Imports

- Import of total finished steel was at 7.132 mt in April - February 2018-19 and was up by 1.9 per cent over same period of last year. in which contribution of the non-alloy steel segment stood at 5.411 mt (up by 3.1 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where import was down by 1.7 per cent.

- Analyzing by broad divisions, in the total import of finished non-alloy steel during this period, contribution of the non-flat segment stood at 0.4 mt (up by 44.4 per cent) while that of the flat segment stood at 5.011 mt (up by 0.8 per cent) .
- In the non-alloy, non-flat segment, in volume terms, major contributor to import was bars & rods (0.314 mt, up by 39.6 per cent) while non-alloy, flat import was led by HRC (1.755 mt, up by 9.1 per cent) during this period.
- India was a net importer of total finished steel during this period.

D. Consumption

- India's consumption of total finished steel saw a growth of 7.4% in April–February 2018-19 (88.050 mt) over same period of last year, in which contribution of the non-alloy steel segment stood at 78.668 mt (up by 5.9 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where consumption was up by 22 per cent.
- Analyzing by broad divisions, in the total consumptionof finished non-alloy steel during this period, contribution of the non-flat segment stood at 40.948 mt (up by 5.6 per cent) while that of the flat segment stood at 37.719 mt (up by 6.2 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to consumption was bars & rods (32.19 mt, up by 6.3 per cent) while non-alloy, flat consumption was led by HRC (13.578 mt, up by 1.3 per cent) during this period.



III. JPC Market Prices (Retail)

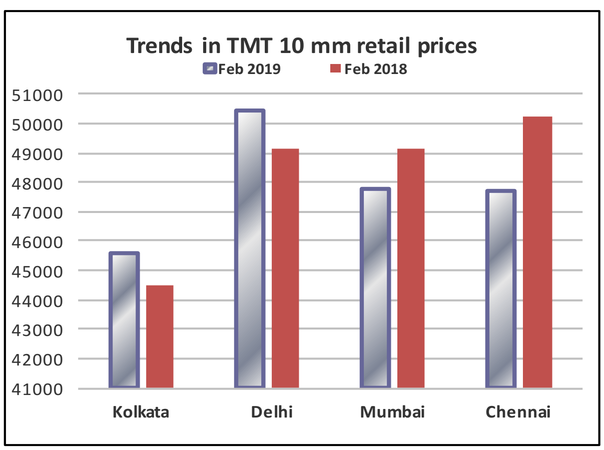
Delhi market prices: Compared to February 2018, average (retail) market prices in Delhi market in February 2019 increased for long products (represented by TMT 10 mm) but declined for flat products (represented by HRC 2 mm), largely in response to domestic demand-supply conditions and global influences. The trend was just the same when compared to January 2019 for TMT while prices for HRC showed a mild increase. The situation in February 2019 with regard to February 2018 is shown in the table below for TMT 10 mm and HRC 2.0 mm for retail market prices in the Delhi market.

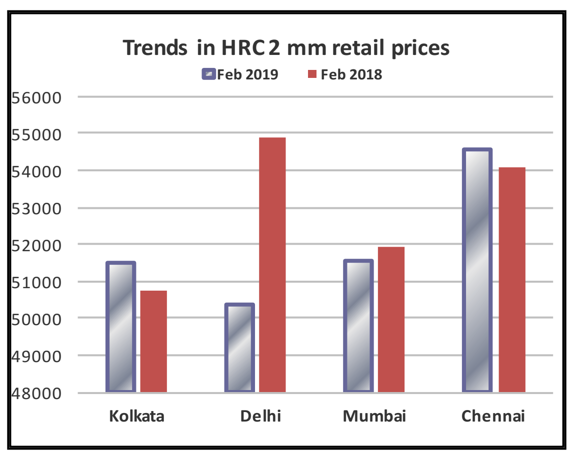
Trends in JPC market price (retail) in Delhi market in February 2019		
Item	**Delhi market prices (Rs/t)**	**%change over February 2018**
TMT, 10 mm	50,457	2.6
HRC, 2.0 mm	50,387	-8.2
Source: JPC		

All markets: Compared to February 2018, average (retail) market prices in February 2019 increased for long products (represented by TMT 10 mm) in the markets of Kolkata and Delhi and reported a decline in the other two markets (Mumbai and Chennai) while for HRC, prices reported a rise in the markets of Kolkata and Chennai while declining in the other two markets. However, when February 2019 prices are compared to those in January 2019, prices of TMT reported a rise in all markets except Kolkata and those of HRC reported a rise in all markets except Chennai. The situation in February 2019 with regard to February 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 February 2019 over February 2018				
Item	**Kolkata**	**Delhi**	**Mumbai**	**Chennai**
TMT 10mm	2.5	2.6	-2.7	-5.1
HR Coils 2.00mm	1.4	-8.2	-0.7	0.9
Source: JPC				

TMT prices were highest in the Delhi market (Rs 50,457/t) and lowest in the Kolkata market (Rs. 45,612/t) while HRC prices were highest in the Chennai market (Rs. 54,575/t) and lowest in Delhi market (Rs. 50,387/t) during February 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 3rd quarter (October-December) Q3, of 2018-19, both at constant (2011-12) and current prices. As per CSO Report, GDP at Constant (2011-12) Prices in Q3 of 2018-19 is estimated at Rs. 35 lakh crore, showing a growth rate of 6.6 per cent. GVA at Basic Prices at Constant (2011-12) Prices in Q3 of 2018-19 is estimated at Rs. 32.31 lakh crore, showing a growth rate of 6.3 per cent. The growth rates in the various sectors are reported as follows: 'Agriculture, Forestry and Fishing' (2.7per cent), 'Mining and Quarrying' (1.3 per cent), 'Manufacturing' (6.7 per cent), 'Electricity, Gas, Water Supply and Other Utility Services' (8.2 per cent) 'Construction' (9.6 per cent), 'Trade, Hotels, Transport, Communication and Services Related to Broadcasting' (6.9 per cent), 'Financial, Real Estate and Professional Services' (7.3 per cent), and 'Public Administration, Defence and Other Services' (7.6 per cent). For the year as a whole, growth in GDP during 2018-19 is estimated at 7 per cent as compared to the growth rate of 7.2 per cent in 2017-18.

Industrial Production: Provisional CSO data show that the growth rate of the Index of Industrial Production (IIP) was up by 4.4% during April-January 2018-19 (prov.), encouraged by stable growth in Electricity (5.9%), Manufacturing (4.4%) and Mining (3.2%). The Use-Based scenario of the Index of Industrial Production (IIP) during April-January 2018-19 (prov.) recorded a growth in all the leading steel-related end-use sectors with Infrastructure/ Construction Goods (8.4%) reporting the highest and Intermediate Goods, the lowest (0.1%).

Infrastructure Growth: Provisional data released by the CSO indicate that the growth rate of the Eight Core Infrastructure Industries was up by 4.5% during April-January 2018-19 (prov.), encouraged by growth in most sectors, specially Coal (7.1%) and Cement (13.6%), Electricity (5.7%) but pulled down by decline in growth rates in case of Crude Oil (3.8%) and Fertilizers (0.3%).

Inflation: In February 2019 (prov.), the annual rate of inflation, based on monthly WPI, stood at 2.93% while the all India CPI inflation rate (combined) stood at 2.57% and both parameters reported a rise during the month as compared to trends in the preceding month.

Trade: Provisional figures from DGCI&S show that during April-February 2018-19, in dollar terms, overall exports were up by 8.85 per cent while overall imports were up by 9.75 per cent, both on yoy basis. During the same period, oil imports were valued at USD 128.72 billion, which was 32 per cent higher yoy while non-oil imports were valued at USD 335.28 billion which was 3.1 per cent higher yoy. The overall trade deficit for April-February 2018-19 is estimated at USD 93.32 billion as compared to USD 82.46 billion in April-February 2017-18.

Prepared by: Joint Plant Committee