Trends ….March 2021

Preliminary estimates showed industry having put in a commendable show during FY21, despite the pandemic. The Vehicle Scrappage Policy was announced with deep implications for the economy in general and input-dynamics for the steel sector in particular in the medium to long term. Global crude steel production got a robust support from the 10% production growth of Asia (India, China) during January-February 2021. But it's the changing policy environment in China that needs a closer watch in the coming days.

WORLD ECONOMY AT A GLANCE

- Challenges remained in the form of rising inflationary pressures and supply side issues but Market Economics reports indicate that at the end of Q1 2021, conditions in the global manufacturing sector continued to brighten with the J.P.Morgan Global Manufacturing PMI reaching a historic high of 55.0 in March 2021 – its best since February 2011.
- 23 out of the 27 nations for which March 2021 data were available had a PMI reading above the 50.0 mark as per the said Report. Further, five of the six top-ranked nations were located in the Euro area (Germany, the Netherlands, Austria, Italy and France),taking the combined PMI for the currency bloc to its highest on record. Elsewhere, the strongest improvements were seen in Taiwan and the US while improvements were signalled for Japan and China, but both PMIs were below the global average.
- Global manufacturing output rose at one of its quickest pace during March 2021 helped by demand side growth and a rapid expansion in export orders. However, inflationary pressures continued to persist as both input costs and output charges moved north, as demand shot past supply.

Key Economic Figures			
Country	GDP 2020: %change*	Manufacturing PMI	
		February 2021	March 2021
India	-7.0	57.5	55.4
China	2.3	50.9	50.6
Japan	-4.8	51.4	52.7
USA	-3.5	58.6	59.1
EU 28	-6.6	57.9	62.5
Brazil	-4.1	58.4	52.8
Russia	-3.1	51.5	51.1
South Korea	-1.0	55.3	55.3
Germany	-4.9	60.7	66.6
Turkey	1.8	51.7	52.6
Italy	-8.9	56.9	59.8
Source: GDP: official releases; PMI- Markit Economics, *provisional			

GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 315 million tonnes (mt) in January - February 2021, up by a robust 6.6% over same period of last year as per provisional data released by World Steel Association (worldsteel) and indicated a diminishing impact of COVID-19 at the level of the major countries during this period.

World Crude Steel Production: January-February 2021*			
Rank	**Top 10**	**Qty (mt)**	**% change**
1	China	174.99	12.9
2	**India**	**19.39**	**3.4**
3	Japan	15.40	-4.7
4	USA	13.27	-9.9
5	Russia	12.07	-0.2
6	South Korea	11.52	3.3
7	Turkey	6.42	9.6
8	Germany	6.40	-2.6
9	Brazil	5.85	7.3
10	Iran	4.95	10.7
	Total: Top 10	**270.26**	**8.0**
	World	**314.99**	**6.6**
Source: worldsteel; *provisional			

- China remained the leader in world crude steel production which stood at 175 mt during January-February 2021, up 12.9% over same period of last year. The nation accounted for 76% of Asian and 56% of world crude steel production during this period.
- With a 6.2% share in total world production, India (19.4 mt) reported a yoy production growth of 3.4% during this period and remained the 2nd largest producer during this period.
- Japanese crude steel production (15.4 mt) was down by 4.7% 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 (13.3 mt), down by 9.9% yoy while Russia (12.07 mt, down by 0.2% yoy) was the 5th largest crude steel producer during this period.
- Crude steel production in the EU (27) countries stood at 24.1 mt during this period, down by 3.7% yoy.
- At 229.75 mt, Asian crude steel production was up by 10.1% in January-February 2021 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 the first two months of 2021 and saw their cumulative production go up 8% yoy during this period.

NEWS AROUND THE WORLD

THE AMERICAS

- Nucor plans to build a new $164 million tube mill in the Midwest amid strong steel demand. As per company reports, the proposed will have the capacity to produce roughly 250,000 st of hollow structural section (HSS) tubing, mechanical steel tubing and galvanized solar torque tube, which will increase Nucor's product offerings for construction, infrastructure and renewable energy in the expanding solar market in the US, the company said.
- The OECD Steel Committee plans to accelerate creation of a comprehensive database on government support to steel producers in large steel-producing economies. Such subsidies and other support measures have led to distortions in steel trade flows and contributed to trade tensions, the OECD said.
- Brazilian integrated long steel producer, Aço Verde do Brasil has achieved the pioneering milestone of carbon neutral steel production, certified by Société Générale de Surveillance (SGS). The 0.6 mtpa mill, based in Brazil's northern Maranhão state, has relied on renewable power and invested in circular use of raw materials, along with its hot metal production based on eucalyptus charcoal, replacing traditional coking coal.
- Brazilian domestic steel shipments are likely to increase by 5.3% in 2021 compared to 2020, to 20.27 mt, while crude steel production is expected to increase by 6.7% to 33.04 mt, industry institute Aço Brasil has reported.

ASIA

- China has set a GDP growth target for 2021 of "above 6%," below the market consensus of 7%-9%, indicating that stable economic growth, deleveraging and decarbonizing of the economy will be priorities for the year, rather than maintaining high GDP growth, which is set to adversely impact infrastructure and property steel demand, as well as steel production, according to S&P Global Platts Analytics.
- Chinese local government has announced BFs and converters in Tangshan would have to reduce utilization rates by 30%-50% from March 20 to the end of 2021. Seven local mills will have to undergo such reduction by 50% from March 20 to June 30, and by 30% from July 1 to Dec. 31. For the other 16 local mills, pig iron and crude steel making capacity utilization rates will be reduced by 30% from March 20 to the end of 2021. As a result, Tangshan's overall blast furnace utilization rate will be reduced to around 70% over March 20 to June 30, and to around 75% over July 1 to Dec. 31.
- At 10.14 mt, China's finished steel exports jumped 29.9% yoy in January-February 2021, amid increasing demand.
- China's EAF capacity will increase by 14.3 mtpa in 2021 to about 196 mtpa, accounting for 15% of China's total crude steel capacity in 2021, according to S&P Global Platts Analytics. However, the such growth will slow down in 2022-2023, as tight scrap supply and expensive electricity will continue to undermine EAF steel's profitability.
- India's JSW Steel has completed its takeover of debt-ridden Bhushan Power and Steel Ltd., boosting to the former's overall output to 21.5 mtpa. JSW Steel's has 18 mtpa of capacity,

which will hit more than 26 mtpa with the addition of BPSL and a doubling of capacity at JSW Steel's Dolvi steel mill to 10 mtpa.

- Japan's Nippon Steel plans to further streamline its steel business due to weaker demand in the domestic market while boosting overseas production amid goals to produce zero-carbon steel
- Vietnam's biggest steelmaker Hoa Phat Group plans to expand its existing steel plant at Dung Quat as early as 2022, to a total capacity of 5.6 mtpa (4.6 mtpa of HRC and 1 mtpa of bar and wire rod products.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- Severstal aims to grow sales in premium or higher margin markets by 1.3 mt by 2023, up 18% from 10.5 mt sold in 2020.
- Emirates Steel is evaluating the possibility of expanding into flat products with the addition of HRC production facilities, raising capacity over 5 mtpa.

EU AND OTHER EUROPE

- ArcelorMittal has announced a long-term project to propel its sites at Bremen and Eisenhüttenstadt in Germany towards sustainability, involving capital expenditure of between Eur1 billion and Eur 1.5 billion.
- The International Steel Trade Association has proposed to lift the import safeguard quota for 12 months from July amid the current material shortage in Europe, a March 18 letter by ISTA sent to the
- European Commission said. The letter is a response to the current review by the EC of the safeguard quotas that are due to expire by the end of June.
- Salzgitter has obtained certification for the production of lower carbon emissions galvanized steel and slab from verification agency TUV SUD based on cuts of up to 75% compared with the blast furnace route.
- The European Commission has opened an investigation to determine whether the current system of EU steel import safeguards should continue after its expiry on June 30, 2021.
- Isdemir is aiming to raise meltshop capacity to 6.5 mtpa from current 5.25 mtpa and plans to build an additional 3 mt of coke crushing and screening capacity to meet the rising demand.

[Source Credit: 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, impacted by rising demand, stringent supply and a volatile raw material (read iron ore, scrap) market that too showed signs of cooling down. China as usual remained at the spotlight, with Tangshan city coming out with suoer stringent measures to reduce emissions and rein in adhoc industrial growth. The measures have far reaching consequences specially on the raw material front. Meanwhile, global crude steel production put in a strongs performance show in January-February 2021, its 6.6% growth propelled by a robust 10% rise in Asian crude steel production during this period. Going ahead, even though the world continues to battle COVID-19 pandemic, for steel industry, policy developments at its own turf is going to have a significant impact on trends in global steel prices.

Long Product

- Prices for US rebar continued to hold steady in March 2021 with strong demand leading to a price rise that was accepted by the market. Transactions, as per Fastmarkets' Metal Bulletin (MB) reports, were quoted around $835/t at month-end.
- March 2021 European rebar prices remained steady in a market that limited transactions during the month. Prices as per Fastmarkets' MB reports were quoted around €640-660/t ($751-775) in Northern Europe and around € 585-595/t ($687-698) in Southern Europe.
- Chinese rebar prices remained steady in March 2021, edging north slightly under limited selling pressure. Transactions as per Fastmarkets' MB reports were quoted around 4,860-4880 yuan/t in Shanghai.
- Uptick in construction activity prompted a rise in rebar prices in Russia in March 2021. Fastmarkets' MB assessed the price for steel rebar domestic, cpt Moscow, Russia, at 53,000-54,000 roubles/t ($699-712) including 20% VAT at month-end.

Flat Products

- HRC prices in the USA remained steady at around $1334/s.t. owing to stable demand from end-user segments in March 2021.
- March 2021 saw European HRC prices remained stable amidst modest demand and short supply. Transactions, as per Fastmarkets' MB reports, were quoted around €836/t ($981) in Northern Europe and around €780-820/t in Southern Europe.
- March 2021 Chinese HRC prices remained strong due to demand-supply imbalance and reports of upcoming supply restrctions in Tangshan region. Transactions, as per Fastmarkets' MB reports, were quoted around 5250-5290 yuan/t ($830-809) in Shaghai at month-end.
- Russian market for flat steel bounced back in March 2021 helped by rising demand and export prices. Fastmarkets' MB weekly price assessment for HR sheet, domestic, cpt Moscow, Russia was around 69,000-70,000 roubles/t ($909-923), including 20% VAT 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 15.31 mt in January-February 2021, up 0.9% over same period of last year., driven by India (6.4 mt, 42% share) at the number one spot despite production showing a decline of 3.6% yoy and Iran, where production stood at 4.8 mt (31% share), up by 15% over same period of last year. The two countries together accounted for 73% of global DRI output during this period. Together, the top five countries accounted for 91% of the world DRI production during January-February 2021 (89% in same period of last year) and saw their cumulative output grow by 2.8% over same period of last year.

Global DRI Production				
Rank	**Country**	**Jan-Feb 2021* (mt)**	**Jan-Feb 2020* (mt)**	**% change**
1	India	6.37	6.60	-3.6
2	Iran	4.76	4.15	**14.8**
3	Mexico	1.01	0.86	18.0
4	Saudi Arabia	0.93	0.96	-3.1
5	Egypt	0.81	0.92	-12.4
	Top 5	**13.87**	**13.49**	**2.8**
	World	**15.31**	**15.18**	**0.9**
Source:worldsteel; *provisional				

India set to introduce Vehicle Scrappage Policy

India, the 2nd largest global producer of steel and the 4th largest automobile market in the world is spreading its wings further to foray into another highly potential yet untapped metal industry. The recent formal announcement by the Ministry of Road, Transport & Highways, Government of India, following its unveiling in the Union Budget 2021-'22 throws a clearer light on the new endeavor with its "Vehicle Scrappage Policy" (VSP) that intends to de-clutter the nation of its huge automobile and white goods waste through recycling. This proposed policy seeks to phase out unfit vehicles to reduce vehicular pollution, meet the climate commitments, improve road-safety and fuel efficiency, formalize informal vehicle scrapping industry and recover low-cost material for automotive, steel and electronics industry. The policy expects to spin jobs and attract investment as well. Specifically, as per the Policy, personal vehicles older than 20 years and commercial vehicles older than 15 years will have to undergo a fitness test at the government registered 'Automated Fitness Centers'. The policy will come into effect from April 1st, 2022.

Primarily this new policy aims to boost the new vehicles sales which will in turn stimulate the economy. Not only will the automobile manufacturers benefit from this policy, so will the allied industries. With the scrapping of old vehicles, raw materials such as plastic, copper, aluminium, steel, and rubber will be recycled. This will bring down the cost component and help the industry become more cost competitive. Further, there is a potential realize multiple other benefits like - greater fuel efficiency which will help reduce the adverse environmental impact, new jobs will be created, and raw material availability will surge.The policy is like the "Cash for Clunkers" policy implemented in USA in 2009, which offered buyers discount to trade in older cars and trucks for new, more fuel-efficient vehicles. Across the globe, in the past 2 decades, countries have implemented similar policy for boosting their automobile industry, which in turn provides an impetus to the growth of the economy.

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-February 2020-21, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-February 2020-21. 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-February 2020-21* (mt)	April-February 2019-20(mt)	% change*
Crude Steel Production	92.782	101.042	-8.2
Hot Metal Production	62.295	66.925	-6.9
Pig Iron Production	4.357	5.164	-15.6
Sponge Iron Production	30.866	34.637	-10.9
Total Finished Steel (alloy/stainless + non-alloy)			
Production	85.604	95.421	-10.3
Import	4.252	6.392	-33.5
Export	9.492	7.783	22.0
Consumption	84.693	93.959	-9.9
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 92.782million tonnes (mt), down by 8.2%.
- **Hot Metal:** Production at 62.295mt, down by 6.9%.
- **Pig Iron**: Production at 4.357mt, down by 15.6%.
- **Sponge Iron**:Production at 30.866mt, down by 10.9%,led by coal-based route (82% share).
- **Total Finished Steel:** Production at 85.604mt, downby 10.3%

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS (erstwhile Essar Steel), JSWL & JSPL together produced 58.508 mt (63% share) during this period, down by 6.6%. The rest (34.274mt) came from the Other Producers, down by 10.7%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 56.369mt (90% share) down by 6.3%. The rest (5.926mt) came from the Other Producers, down by 12.5%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 1.297mt (30% share) up by 18.4%. The rest (3.06mt) came from the Other Producers, down by 24.8%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 49.469 mt (58% share) down by 12.1%. The rest (36.135mt) came from the Other Producers, down by 7.7%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 81% share, the Private Sector (75.429mt, down by 8.0%) led crude steel production compared to the 19% contribution of the PSUs.
- **Hot Metal:** With 70% share, the Private Sector (43.367mt, down by 6.4%) led hot metal production, compared to the 30% contribution of the PSUs.
- **Pig Iron**: With 86% share, the Private Sector (3.76mt, down by 18.3%) led pig iron production, compared to the 14% contribution of the PSUs.
- **Total Finished Steel**: With 86% share, the Private Sector (73.502mt, down by 9.0%) led production of total finished steel, compared to the 14% contribution of the PSUs.

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Both Non-Flat steel (down by 13%) and Flat steel (down by 13%) accounted for 50% of production.
- **Import:** Flat products accounted for 88% share (down by 34%), the rest12% was the share of non-flats (down by 27%).
- **Export:** Flat products accounted for 88% share (upby 28%), the rest 12% was the share of non-flats (up by 21%).
- **Consumption:** Led by Non-flats steel (54% share; down by 6%) while the rest 46% was the share of flat steel (down by 14%).

Finished Steel Production Trends

- At 85.604 mt, production of total finished steel declined by 10.3% in April-February 2020-21.
- Contribution of the non-alloy steel segment stood at 80.705mt (94% share, down by 11.0%), 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 (32.801 mt, down by 13.5%) while growth in the non-alloy, flat segment was led by HRC (37.057 mt, down by 6.9%) during this period.

Finished Steel Export Trends

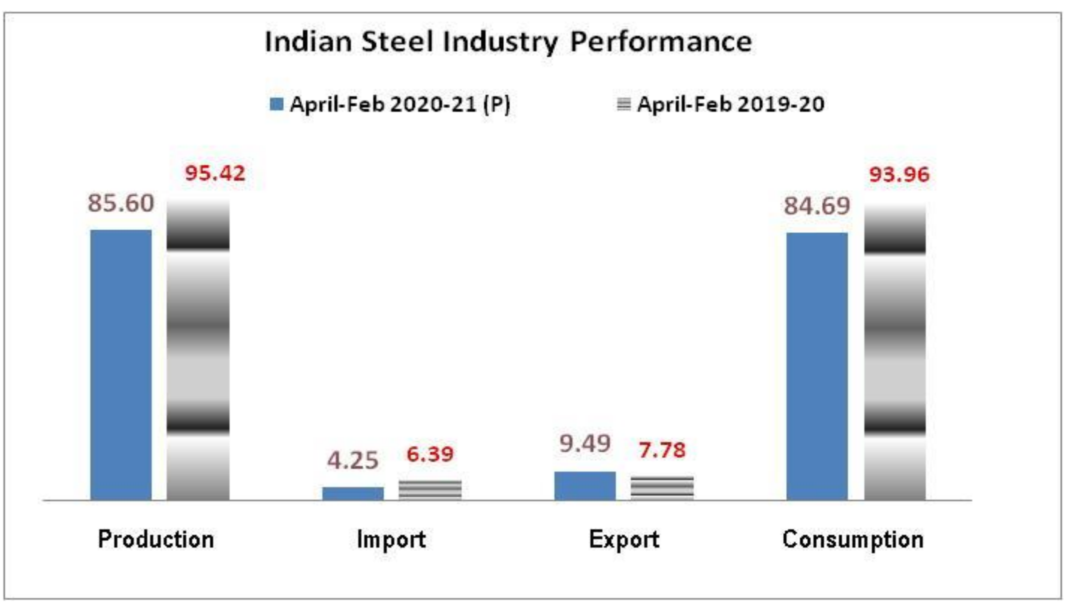
- Overall exports of total finished steel (9.492 mt) were up by 22.0%.
- Volume-wise, non-alloy HRC (5.968 mt, up by 33.0%) was the most exported item(68% share in total non-alloy).
- China (22% share) was the largest export market (2.053 mt) for India.

Finished Steel Import Trends

- Overall imports of total finished steel (4.252 mt) were down by 33.5%.
- Volume-wise, non-alloy HR Coil/Strip (0.743 mt, down by 52.5%) was the item most imported (26% share in total non-alloy).
- Korea (1.739 mt) was the largest import market for India.
- India was a net exporter of total finished steel.

Finished Steel Consumption Trends

- At 84.693 mt, consumption of total finished steel declined by 9.9% in April-February 2020-21.
- Contribution of the non-alloy steel segment stood at 79.156mt (93% share, down by 9.7%), 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 (35.368mt, down by 4.9%) while growth in the non-alloy, flat segment was led by HRC (32.844mt, down by 13.0%) 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 Q2 2020-21, both at constant (2011-12) and current prices. As per the Report, GDP at Constant (2011-12) Prices during Q3 2020-21 is estimated at Rs 36.22 lakh crore, showing a growth of 0.4%. Quarterly GVA at Basic Price at Constant (2011-12) Prices for Q3 of 2020-21 is estimated at Rs 33.37 lakh crore, a growth of 1%. *Mining and Quarrying, Trade, Hotels, Transport, Communication and Services related to Broadcasting* and *Public Administration, Defence and Other Services* were the only sectors to record a declining rate of growth during this period, as over same period of last year.

Industrial Production: Provisional CSO data show that the Index of Industrial Production (IIP) declined by 11.3% during April-February 2020-21 (prov.), dampened by declines in the indices of all the lead sectors during this period as compared to same period of last year.

Infrastructure Growth: Provisional data released by the DPIIT indicate that the Eight Core Infrastructure Industries saw a decline of 8.3% during April-February 2020-21 (prov.), dampened by significant declines in all lead sectors except Fertilisers.

Inflation: In February 2021 (prov.), the annual rate of inflation, based on monthly WPI, stood at 4.17% while the all India CPI inflation rate (combined) stood at 5.03% and compared to the previous month, both the parameters registered an increase.

Trade: Provisional figures from DGCI&S show that during April-February 2020-21, in dollar terms, overall exports were down by 12.23% while overall imports were down by 23.11%, both on yoy basis. During the same period, oil imports were valued at USD 72.08 billion, 40.18% lower yoy while non-oil imports were valued at USD 268.72 billion, 16.74% lower yoy. Overall trade deficit for this period is estimated at USD 7.8 billion as compared to the deficit of USD 75.9 billion in same period of last year.

Prepared by: Joint Plant Committee