

Trends May 2018

With a 7.7% GDP growth in Q4 2017-18 that pulled up overall annual growth to 6.7%, the Indian economy grew at a robust pace, beating all forecasts/expectations. This, along with the forecast of a normal monsoon ahead, will no doubt, act as big boost for domestic steel demand growth in the coming days.

WORLD ECONOMY AT A GLANCE

- Down from 53.5 in April 2018 and rising at the same pace as March's eight-month low, the J.P.Morgan Global Manufacturing PMI posted a nine-month low of 53.1 in May 2018, as per reports from Markit Economics. The latter has indicated that a moderation in the pace of expansion of new business and a slowdown in growth of new export orders to near-stagnation, as the main constraints on faster growth in output during this period.
- Markit Economics reports also indicate that the USA outperformed the Euro Area for the second straight month while growth slowed in Taiwan and remained subdued for China and South Korea. The Russia and Brazil PMI numbers also reached contraction/stagnation.
- Global manufacturing employment increased at the weakest pace while rates of increase in input costs and output charges strengthened for the second successive month in May 2018, as per the Markit report.

Key Economic Figures			
Country	GDP 2017: % yoy change*	Manufacturing PMI	
		April 2018	May 2018
India	6.7	51.6	51.2
China	6.9	51.1	51.1
Japan	1.7	53.8	52.8
USA	2.3	56.5	56.4
EU 28	2.3	56.2	55.5
Brazil	1.0	52.3	50.7
Russia	1.5	51.3	49.8
South Korea	3.1	48.4	48.9
Germany	2.5	58.1	56.9
Turkey	7.4	48.9	46.4
Italy	1.5	53.5	52.7

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

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production for April 2018 was 148.32 million tonnes (mt), up by 4.1% year-on-year (yoy) i.e. over April 2017 and stood at 575.15 mt during January-April 2018, up by 4% yoy.

World Crude Steel Production: January-April 2018 (p)			
Rank	Country	Qty (mt)	% yoy change
1	China	288.98	5.0
2	India	35.38	4.2
3	Japan	35.13	0.4
4	USA	27.75	2.9
5	Russia	23.80	1.0
6	South Korea	23.70	3.9
7	Germany	14.78	-0.3
8	Turkey	12.49	5.0
9	Brazil	11.59	4.0
10	Italy	8.49	3.9
	Top 10	482.08	4.3
	World	575.15	4.0
Source: worldsteel; p= provisional; mt=million tonnes			

- China produced 76.7 mt of crude steel in April 2018, up by 4.8% over April 2017 and production during January-April 2018 stood at 288.98 mt, up by 5% yoy. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was up by 3%. China accounted for 73% of Asian and 50% of world crude steel production during this period.
- **With a 6.1% share in total world production and a 4.2% rise in production over same period of last year, Indian crude steel production during January-April 2018 (35.38 mt) surpassed Japan, thereby enabling the country to maintain the second largest spot that it had attained in recent times.**
- April 2018 Japanese crude steel production (8.72 mt) was down by 0.4% yoy and production during January-April 2018 stood at 35.13 mt, up by 0.4% yoy. The country was the third largest crude steel producer in the world in 2018 so far.
- Crude steel production in the EU (28) countries during April 2018 was at 14.88 mt, up by 3.4% yoy and production during January-April 2018 stood at 58.23 mt, up by 2% yoy.
- At 103.46 mt, Asian crude steel production was up by 4.2% in April 2018 and production during January-April 2018 stood at 396.87 mt, up by 4.1% yoy. Asia accounted for 69% of world crude steel production in January-April 2018.
- The top 10 countries accounted for 84% of total world crude steel production in January-April 2018 and saw production go up by 4% yoy.

NEWS AROUND THE WORLD

THE AMERICAS

- The US has reached agreements in principle with Argentina, Australia and Brazil that will exempt those countries from the US tariffs on imports of steel and aluminium. The temporary exemptions given to Canada, Mexico and the EU have been extended through June 1, 2018. However, no countries will be granted a permanent exemption from the US tariffs on steel and aluminum imports without a quota or other import restriction in place, as per official release from the White House National Trade Council.
- The US International Trade Commission has made a final affirmative injury determination regarding imports of wire rod from five countries, with dumping duties of roughly 5% -148% and countervailing duties of roughly 4%-44%.
- The US Department of Commerce determined imports of corrosion resistant steel and certain CRC from Vietnam made from Chinese feedstock are effectively circumventing existing US antidumping and countervailing duty orders on Chinese steel.
- The US Department of Commerce has proposed a quota system to Brazil in order to avoid the 25% US tariffs on steel imports. Reports from Platts indicate that the proposition includes a 70% annual limit on finished steel exports to the US based on the average of the past three years. Semi-finished products would be eligible for a 100% quota under the same average scheme.
- Nucor will construct a \$240 million, 0.5 mtpa galvanizing line at its sheet mill in Arkansas, expected to be operational in the first half of 2021. It is also undergoing upgrades at its 2.5 stpa mill in Decatur, Alabama, that will allow production of an additional 800,000 stpa.
- Brazil's government has rejected a petition to initiate an antidumping investigation of exports of steel tubes from China and South Korea to Brazil.
- Aço Verde do Brasil has commissioned its 0.6 mtpa, two-line HRM, marking its debut in the Brazilian long steel market.
- Despite prior efforts to restart this year, Venezuela's state-owned CSN has not produced steel so far in 2018.

ASIA

- Xuzhou city has ordered 19 local mills to consolidate in the next 2-3 years.
- Handan city has ordered local steel mills to carry out environmental protection facility upgrades this year to meet ultra-low emissions standards.
- As per a Platts report, China is finalising new guidelines for the next phase of its steel industry development, as the target set in 2016 of eliminating up to 150 mtpa of crude steel capacity within 2016-2020 will be achieved this year. The guidelines are expected to be issued later in 2018.
- Handan city aims to cut iron-making capacity by 1.51 mtpa and steel-making capacity by 0.3 mtpa by end of August 2018.
- Nippon Steel & Sumitomo Metal Corp. has announced that it has started commercial production at its 36,000 tpa cold-heading quality wire plant in the US.
- Kobe Steel is currently under investigation by Japanese authorities related to the company's data falsification scandal that erupted last October. In addition to Kobe's own investigation,

an independent investigation committee found that 163 companies had received products with false data.

- Tokyo Tekko and Itoh Iron & Steel has have agreed to a capital involvement alliance under which Tokyo Tekko will increase its shares in Itoh I&S to 21.07% from 2.17%.
- Nippon Steel & Sumitomo Metal Corp will raise its shareholding in Nisshin Steel to 100% from 51%, making Nisshin its 100% owned subsidiary from January 1, 2019.
- India's JSW Steel is set to sign a deal with Algeria-headquartered Cevital to acquire Aferpi Spa (formerly known as Lucchini SpA) for about Rs.440 crore.
- India has dragged the US to the WTO's dispute settlement mechanism over the imposition of import duties on steel and aluminium, stating that the decision is not in compliance with global trade norms.
- Lion Group, Malaysia's biggest steelmaker by capacity, is working to restart operations at two subsidiaries making long products, as safeguard duties and a rebound in regional and domestic steel prices improve margins.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- MMK hopes to restart the hot end of its Turkish subsidiary, MMK Metalurji, in H2 of 2018 as per company release. It has also expedited the implementation of major upstream investment projects included in its Strategy-2025 plan.
- Russia's largest steelmaker, NLMK, is to upgrade one of the continuous casting lines at its Lipetsk facility to enable it to increase its slab output and expand its product range by 2020.
- Iran plans to raise its steel output to 26 million tonnes (mt) in the current Iranian fiscal year (to April 20, 2019), about 19% more than the previous year, as per a Platts report.

EU AND OTHER EUROPE

- The European Union will impose a 25% duty on US carbon and alloy flat and long steel product imports, as well as aluminum, from June 20, 2018 as a safeguard measure if it does not receive extended exemptions from Section 232 tariffs on steel and aluminum exports to the US beyond June 1.
- The European Commission has approved ArcelorMittal's long-awaited acquisition of Italian steelmaker Ilva.
- The European Commission has opened an anti-dumping investigation into imports of HR sheet steel piles sourced from China.
- Turkey has formally notified the WTO of its intention to impose duties on various imports from the US, in response to the US Section 232 metal tariffs.
- Voestalpine broke ground at its new special steel plant in Kapfenberg, Austria, and will start to produce 205,000 tpa of special steel from mid-2021.
- Turkey's Tosyali Holding, which will see its Algerian long steel production surpass 4 mt this year with the completion of its 3rd phase of investments there, produced the first liquid steel at its new 2.5 mtpa Algeria steelworks during the month.

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

WORLD STEEL PRICE TRENDS

Into the second month of Q2 2018, global steel prices largely continued to head north, moving in a market environment heavily influenced by the USA's Section 232 related tariffs on steel imports and general demand-supply imbalance. Exemptions, though stated to be temporary, remain in place, bolstering the spirit of those opting for retaliatory actions. China's crude steel output continued to rise driving up global crude steel capacity utilization to a record 77% in April 2018, dampening market sentiments to some extent. But ultimately, it was the impact of Section 232 related import tariffs that dominated market sentiments and substantiated the views of market analysts' that this is just the beginning of a long-drawn trade war involving the giants of global steel.

Long Product

- Rebar prices in the USA in May 2018 moved north in response to healthy demand from the construction sector and a stringent supply side as imports came under pressure owing to Section 232 measures. Transactions, as per Metal Bulletin reports, were quoted around \$710/t near month-end.
- Subdued market demand led to softened rebar prices in May 2018 in Eurozone with Metal Bulletin's price assessment for rebar in Southern Europe quoted around €485-520/t (\$572-613) and around €535-550/t (\$631-648) in Northern Europe.
- China's domestic rebar prices showed mild movements at month-end, following trend in higher futures. Transactions, as per Metal Bulletin reports, were quoted around 3,850-3,890 yuan/t (\$602-608) in Shanghai and around 3,860-3,880 yuan/t in Beijing.
- Russian rebar prices in May 2018 increased in view of stable market conditions and modest demand. Metal Bulletin's weekly assessment of the price for Russian domestic 12mm A500C rebar was around 38,500-39,000 roubles/t (\$737-744) cpt Moscow, including VAT.

Flat Product

- US HRC prices in May 2018 moved up in response to modest demand with transactions, as per Metal Bulletin reports, were quoted around \$870-880/t near month-end.
- Eurozone HRC prices in May 2018 remained subdued and moved south in view of slow trading. Transactions, as per Metal Bulletin reports, were quoted around €560-580/t (\$660-684) ex-works in Northern Europe and around €520-550/t ex-works in Southern Europe.
- China's HRC prices edged ahead in May 2018 in view of substantial trading activity and gains in the futures market. Transactions, as per Metal Bulletin reports, were quoted around 4,250-4,280 yuan/t (\$665-669) in Shanghai and around 4,100-4,120 yuan/t in Tianjin.
- Russian HRC prices remained largely stable in May 2018 and increased over last month. Metal Bulletin's weekly assessment of Russia-origin 4mm HR sheet price was around 46,000-46,400 roubles/t (\$737-744) cpt Moscow, including VAT.

[Source Credit: Metal Bulletin]

SPECIAL FOCUS

India, Iran drives up global DRI production by 15 per cent in April 2018

Global output of direct reduced iron (DRI) increased by 14.8 per cent year-on-year (yoy) in April 2018 and by 17.6 per cent during January-April 2018, as per provisional World Steel Association (worldsteel) report. DRI production worldwide rose to 7.11 million tonnes (mt) in April 2018, compared with 6.19 mt in the corresponding month last year, according to worldsteel. April 2018 DRI output was driven by a substantial growth in Iran, where output rose by 43 per cent yoy during this month to 2.24 mt. India also recorded substantial growth in production during the month with its April 2018 output (2.41 mt) up by 12 per cent on yoy basis and the nation continued to be the world's largest DRI producer. The top 5 accounted for 85 per cent of total global DRI output in April 2018 compared to its 82 per cent share of same month of last year.

For January-April 2018, provisional worldsteel report indicates that global DRI output (28.12 mt) continued to be driven by India (9.93 mt) at the number one spot with a 5.2 per cent growth in production when compared to same period of last year. The country also accounted for 35 per cent of total global output during this period. As in case of the monthly trend, for the cumulative period also, Iran's DRI output (8.87 mt) rose by a significant 58 per cent during this period and along with India, these two countries accounted for 67 per cent of global DRI output during this period. Together, the top five countries (details below) accounted for 87 per cent of the world DRI production during this period and saw their cumulative output rise by 21 per cent as compared to same period of last year.

World DRI Production: January-April 2018*			
Rank	Country	Qty (mt)	%change over last year
1	India	9.928	5.2
2	Iran	8.875	58.1
3	Mexico	2.072	2.3
4	Egypt	1.924	23.7
5	Saudi Arabia	1.561	-0.5
	Top 5	24.360	20.6
	World	28.120	17.6
	%Share : Top 5	87	-
Source: worldsteel; *provisional			

INDIAN STEEL MARKET ROUND-UP

Performance of Indian Steel Industry: April 2018

The following is a status report on the performance of Indian steel industry during April 2018, based on data released by the 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: Performance Highlights		
	April 2018 (mt)*	April 2017 (mt)*	per cent change*
Crude steel production	8.692	8.228	5.6
Total Finished Steel (alloy + non-alloy)			
Production for sale	8.757	8.286	5.7
Import	0.599	0.504	18.8
Export	0.558	0.746	-25.2
Consumption	6.989	6.454	8.3
Source: JPC; mt=million tonnes;* provisional			

I. Crude Steel

- Production of crude steel during April 2018 was at 8.692 million tonnes (mt), a growth of 5.6 per cent compared to same period of last year.
- SAIL, RINL, TSL, ESSAR, JSWL & JSPL produced 5.114 mt during this period, which was a growth of 8.8 per cent compared to last year. The rest i.e. 3.578 mt was the contribution of the Other Producers, which was a growth of 1.4 per cent compared to last year.

II. Total Finished Steel

a) Production for sale

- During April 2018, production for sale stood at 8.757 mt, a growth of 5.7 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 7.903 mt (up by 5 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where production for sale was up by 14 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 3.732 mt (up by 5.2 per cent) while that of the flat segment stood at 4.171 mt (up by 5 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 2.96 mt (up by 6 per cent), 0.69 mt (up by 5 per cent) and 84 thousand tonnes (down by 15.2 per cent).
- On the other hand, for the flat segment, with the exception of GP/GC Sheets (0.586 mt, down by 5 per cent), production for sale was up for most of the leading items like Plates (0.452 mt, up by 19 per cent), HRC (2.05 mt, up by 2 per cent) and CRC (0.64 mt, up by 10.3 per cent).

b) Export

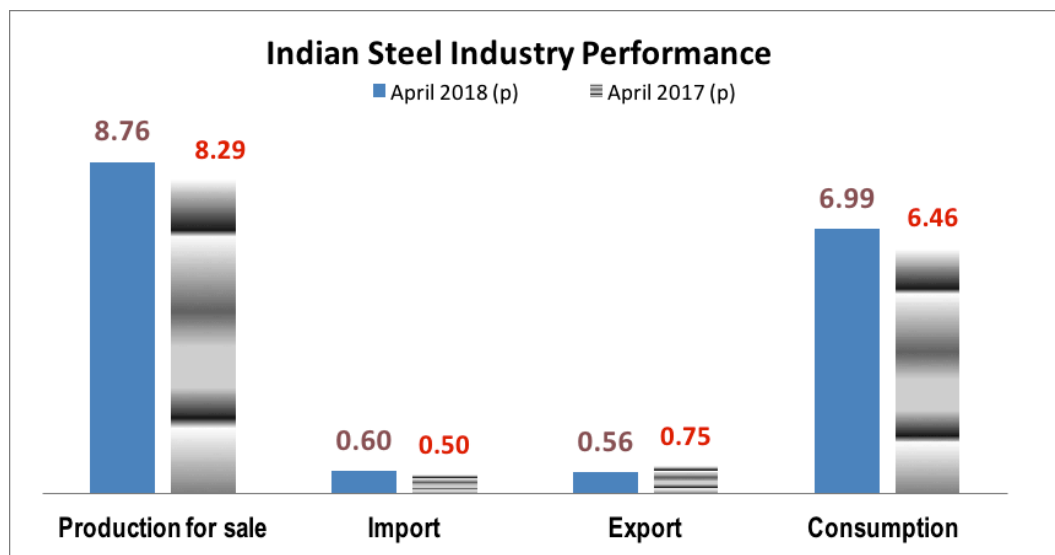
- Exports stood at 0.558 mt during April 2018, a decline of 25.2 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 0.52 mt (decline of 19.3 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where exports were down by 63 per cent.
- In the total export of finished non-alloy steel, export of non-flat was at 43 thousand tonnes (down by 58.3 per cent) and that of flat steel was at 0.477 mt (down by 12 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to export was bars & rods (38 thousand tonnes, down by 46.5 per cent) while growth in exports in the non-alloy, flat segment was led by HRC (0.23 mt, up by 25 per cent).

c) Import

- Imports stood at 0.599 mt during April 2018, a growth of 18.8 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 0.458 mt (growth of 25 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where imports were up by 3 per cent.
- In the import of total finished non-alloy steel, non-flat imports were at 30 thousand tonnes (down by 19 per cent) and flat imports were at 0.428 mt (up by 30 per cent).
- In the non-alloy, non-flat segment, major contributor to import was bars & rods (29 thousand tonnes, down by 15 per cent) while for the flat segment, import was led by HRC (0.154 mt; up by 45.3 per cent).
- Such trends in export-import implied that for total finished steel, India was a net importer in April 2018.

d) Consumption

- During April 2018, consumption of total finished steel stood at 6.989 mt, a growth of 8.3 per cent over same period of last year.
- For non-alloy steel, contribution of the non-flat segment stood at 3.195 mt, down by 2 per cent over same period of last year and that of the flat segment (after accounting for double counting) stood at 3.083 mt, up by 18 per cent over same period of last year, taking total non-alloy consumption (after double counting) to 6.278 mt, up by 6.8 per cent. The remainder was the contribution of the alloy/stainless segment, which reported a growth of 24 per cent during this period.
- In the non-alloy, non-flat segment, the major contributor to consumption was bars & rods (2.44 mt; down by 8 per cent) whereas for the flat segment, consumption was led by HRC (1.79 mt, down by 0.1 per cent).



III. JPC Market Prices (Retail)

The opening month of 2018-19 i.e. April 2018 saw domestic steel prices in a north-bound mode, in tune with strong trends in demand-supply in the domestic market reflected in a strong growth in domestic consumption and a rise in indigenous supply side and bolstered further by global recovery, as steel markets around the world remained largely stable.

Delhi market prices: Compared to April 2017, average (retail) market prices in Delhi market in April 2018 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. The situation in April 2018 with regard to April 2017 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 April 2018		
Item	Delhi market prices (Rs/t)	%change over April 2017
TMT, 10 mm	52,409	31.6
HRC, 2.0 mm	54,870	32.2

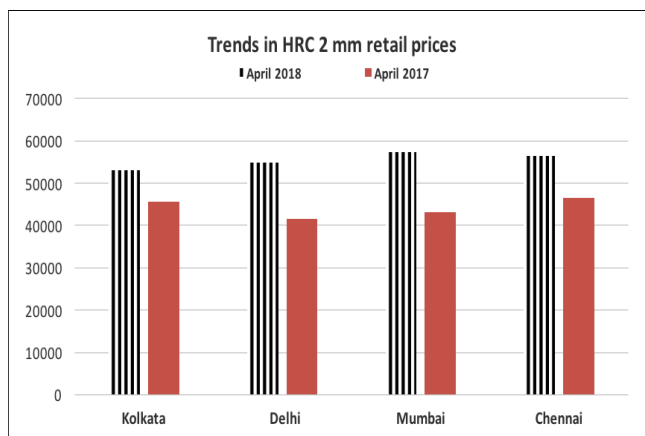
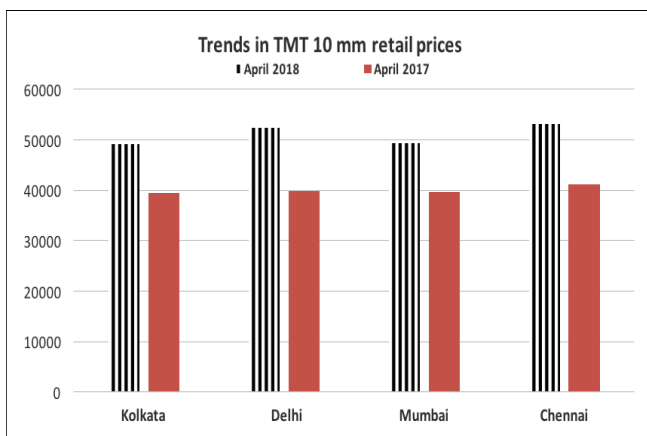
Source: JPC

All markets: Compared to April 2017, average (retail) market prices of iron and steel in April 2018 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), in response to domestic demand-supply conditions and partly global influence. The situation in April 2018 with regard to April 2017 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 April 2018 over April 2017				
Item	Kolkata	Delhi	Mumbai	Chennai
TMT 10mm	24.2	31.6	24.7	29.1
HR Coils 2.00mm	16.2	32.2	32.3	21.0

Source: JPC

TMT prices were highest in the Chennai market (Rs 53,116/t) and lowest in the Kolkata market (Rs 49,088/t) while HRC prices were highest in the Mumbai market (Rs 57,230/t) and lowest in Kolkata market (Rs 53,025/t) during April 2018.



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 January-March i.e. Q4 of 2017-18 and Provisional estimates (PE) of national income for the financial year 2017-18. As per the report, GDP at constant (2011-12) prices in Q4 2017-18 registered growth rate of 7.7 per cent and for the financial year 2017-18, GDP grew by 6.7 per cent. At the sectoral level, the growth rate of GVA at constant (2011-12) prices for agriculture & allied sectors, industry and services sectors for the year 2017-18 are estimated at 3.4 per cent, 5.5 per cent and 7.9 per cent respectively.

Industrial Production: Provisional CSO data show that the Index of Industrial Production (IIP) under new series was up by 4.4 per cent yoy in March 2018 and by 4.3 per cent during April-March 2017-18, encouraged by stable growth in most of the leading sectors.

Infrastructure Growth: The yoy growth rate of the eight core infrastructure industries was up by 4.1 per cent in March 2018 and by 4.2 per cent during April-March 2017-18, encouraged by growth in most sectors except crude oil and negligible growth in case of fertilizers.

Inflation: The annual rate of inflation, based on monthly WPI, stood at 3.18 per cent (provisional) for the month of April 2018 (over April 2017) as compared to 2.47 per cent (provisional) for the previous month. Build up inflation rate in the financial year so far was 0.69 per cent compared to a build up rate of 0.00 per cent in the corresponding period of the previous year. The all India CPI inflation rate (combined) for April 2018 stood at 4.58 per cent, compared to 4.28 per cent of the previous month.

Trade: Provisional figures from DGCI&S show that during April 2018, in dollar terms, overall exports were up by 5.17 per cent while overall imports were up by 4.6 per cent, both on yoy basis. During the same period, oil imports were valued at US\$ 10.41 billion which was 41.49 per cent higher yoy while non-oil imports were valued at US\$ 29.21 billion which was 4.3 per cent higher yoy. The trade deficit for April 2018 was estimated at US\$ 13.72 billion as against the deficit of US\$ 13.25 billion during April 2017.

Prepared by Joint Plant Committee