



# Trends ..... November 2019

India's economic growth slipped in Q2 2019-20 with GDP growing by 4.5% during this period and by 4.8% during H1 2019-20, over same period of last year in both cases.

## WORLD ECONOMY AT A GLANCE

- Markit Economics reports indicate that global manufacturing showed initial signs of recovery in November 2019 with the J.P. Morgan Global Manufacturing PMI touching a seven-month high of 50.3 during the month, marginally crossing the 50.0 line for the first time since April 2019.
- Markit reports point out that the observed recovery was centred on the consumed goods sector while PMI readings for the intermediate and investment goods industries both signalled contraction. Amongst the nations, the strongest growth in PMI was signalled for Greece, Colombia and Brazil and improvements were noted for the USA, China and France. Germany and the Czech Republic remained at the bottom of the growth rankings.
- The trend in global manufacturing employment stabilized in November 2019 which also saw purchase price pressures remaining contained.

Key Economic Figures			
Country	GDP Q3 2019: %change*	Manufacturing PMI	
		October 2019	November 2019
India	4.5	50.6	51.2
China	6.0	51.7	51.8
Japan	1.3	48.4	48.9
USA	2.1	51.3	52.6
EU 28	1.2	45.9	46.9
Brazil	-	52.2	52.9
Russia	1.7	47.2	45.6
South Korea	2.0	48.4	49.4
Germany	0.5	42.1	44.1
Turkey	0.9	49.0	49.5
Italy	0.3	47.7	47.6

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

## GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production stood at 151.49 million tonnes (mt) in October 2019 , down by 2.8% year-on-year (yoy) i.e. over October 2018 and stood at 1541.64 mt in January-October 2019, up by 3.2% yoy.

World Crude Steel Production: January-October 2019*			
Rank	Top 10	Qty (mt)	% change
1	China	829.21	7.4
2	India	93.31	2.9
3	Japan	83.79	-3.9
4	USA	73.54	2.5
5	South Korea	60.12	-0.4
6	Russia	59.34	-0.1
7	Germany	33.87	-4.6
8	Turkey	27.97	-10.6
9	Brazil	27.22	-8.6
10	Iran	21.52	6.2
Total:10		1309.89	4.1
World		1541.64	3.2

Source: worldsteel; \*prov.

- China produced 829.21 mt of crude steel during January-October October 2019, up by 7.4%. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was down by 1.4%.
- **China accounted for 75% of Asian and 54% of world crude steel production during this period.**
- With a 6.1% share in total world production and a 2.9% growth in production over same period of 2018, India (93.31 mt) was the 2<sup>nd</sup> largest producer during this period.
- Japanese crude steel production (83.79 mt) was down by 3.9% and the country was the 3<sup>rd</sup> largest crude steel producer in the world during this period.
- USA remained at the 4<sup>th</sup> largest spot, with production (73.54 mt) notching up a growth of 2.5% while South Korea was the 5<sup>th</sup> largest, with a 0.4% decline in production.
- Crude steel production in the EU (28) countries during this period was 135.46 mt, down by 3.6%.
- At 1108.62 mt, Asian crude steel production was up by 5.5% during this period and the region accounted for 72% of world crude steel production during this period.
- The top 10 countries accounted for 85% of total world crude steel production and saw production go up by 4.1% yoy during this period.

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## NEWS AROUND THE WORLD

### THE AMERICAS

- The Canada Border Services Agency has announced estimated margins of dumping on certain corrosion-resistant steel sheet from Turkey, the UAE and Vietnam, as part of an anti-dumping investigation. The estimated margin of dumping for Turkey is 7% of the export price, 22% for the UAE and 20% for Vietnam, according to the agency.
- An injunction from a Brazilian court has halted Vale's acquisition process of Ferrous Resources for 30 days, until the miner can provide proof that it will implement international environmental compliance standards.
- Gerdau has agreed to buy 96.4% of Siderúrgica Latino-Americana (Silat) shares from Spanish group Hierros Añón for \$110.8 million, in a shift from its divestment strategy of the past four years.
- Usiminas has decided to postpone a revamp of the No.3 blast furnace at its Ipatinga mill in the south-eastern state of Minas Gerais, by 12 months to mid-2022.

### ASIA

- Xinya Group has started construction of a 1.5 mtpa HR steel strip plant at its JV, Indonesia Asia International, located at Sidoarjo Industrial Park, Surabaya, East Java.
- Hebei Jingye Group has agreed to acquire British Steel, including its Scunthorpe steelworks and other assets, the UK government's Official Receiver and the company's administrator, EY has said.
- Chinese steel exporters are bracing for a tough year-end and an equally challenging 2020, even if the US holds off on increasing its tariffs on Chinese imports but stiffer global competition is likely to intensify in the coming days.
- Nippon Steel will re-organize three steelworks in Wakayama (4.32 million tonnes), Agamasaki and Osaka (40,000 t) into its Kansai Works to increase competitiveness, manufacturing capabilities, autonomy and efficiency.
- ArcelorMittal India Private Limited's resolution plan for Essar Steel India Limited (ESIL) has been unconditionally approved by the Indian Supreme Court. After completion, ArcelorMittal will jointly own and operate ESIL in partnership with Nippon Steel Corporation.

### RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- Novolipetsk steelworks, part of Russian mining and steel company NLMK, has added new products to its high-strength hot-rolled coil portfolio aimed at special-purpose machines manufacturers. The new 12m long coils come in 4-8mm thicknesses and up to 1,500mm widths and can be cut to different lengths.
- Cherepovets Iron and Steel Works (CherMK), part of Russian mining and steel company Severstal, has completed the upgrade of its 2,000 mm wide strip HRM, enabling a 0.14 mtpa increase in steel supplies to the oil and gas sector. The new equipment provides

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higher accuracy of cooling along the length and width of the strip, as well as speeding up the cooling process.

- Russia's Magnitogorsk Iron & Steel Works (MMK) plans to increase its production of HRC and pig iron over the next five years and also plans to keep export sales low next year due to higher steel consumption in the local market and the reconstruction of its HRM.
- Severstal, MMK and United Metallurgical Company have requested the Russian government to reinstate the 5% customs duties on imports of wide plate under three customs codes, 7208512009, 7208519100 and 7225404000.

## **EU AND OTHER EUROPE**

- Eurofer is calling for a fresh review of the EU steel imports safeguards system following a further deterioration of market conditions since a first review introduced some changes in October 2019.
- The European Commission (EC) has started an investigation into HDG flat steel from China concerning a possible circumvention of anti-dumping measures, and will make such imports subject to registration.
- Eurofer is preparing to lodge a complaint with the European Commission regarding alleged dumping of hot-rolled coil originating from Turkey,
- The European Commission has approved the acquisition of Evraz Palini & Bertoli, currently owned by Russia's Evraz, by re-roller Marcegaglia Plates.
- Acciaieria Arvedi, has targeted "zero impact" in CO<sub>2</sub> emissions in 2023, which would make Arvedi to be the world's first producer to achieve carbon neutrality, according to official release.
- Turkey's largest integrated longs steelmaker, Kardemir, which is also Turkey's only producer of 72 meter-long rails, has recently started serial production of railway wheels. Kardemir is targeting to replace all of Turkey's railway wheels imports.. The company's new railway wheel mill will have a 200,000 units/year production capacity.
- Turkey's steelmaking trade body has called on the government to impose tough new tariffs on imports to help protect the domestic industry.
- Voestalpine has started up a 6 MW pilot plant to produce CO<sub>2</sub>-neutral hydrogen at its Linz site, thus advancing new energy supply options as steelmakers seek to decarbonize their production processes.
- ArcelorMittal Poland will begin the temporary closure of its blast furnace and steel plant in Krakow on November 23, 2019 in view of market conditions.

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

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## WORLD STEEL PRICE TRENDS

Global steel prices continued to remain south-bound in Q4 2019 so far, marked, as seen earlier, by a volatility across markets, owing to varied factors but mostly traceable to weak demand. Sentiments continued to remain uncertain as trade tensions remained and market access continued to be restricted. Meanwhile, though Chinese crude steel production reported a decline in October 2019 over both September 2019 and October 2018, yet production reported a robust 7.4% during January-October 2019, with the nation's share in world production maintained at 54% during this period.

### Long Product

- US domestic rebar prices declined in November 2019, falling to their lowest since early January 2018, in response to the threat of imported material and low demand. Transactions, as per Metal Bulletin reports, stood around \$590-600/ s.t at month-end.
- European rebar prices remained stable with some improvement noted in Southern part owing to rising scrap costs. Transactions, as per Metal Bulletin reports, stood around €465-480/t (\$512-529) in Southern Europe and around €475-485/t (\$523-534) in Northern Europe.
- China's domestic rebar prices moved south in November 2019 though sentiments remained positive about a rise in prices in the New Year. Transactions, as per Metal Bulletin reports, stood around 4,010-4,040 yuan/t (\$570-574) in Shanghai and around 3,780-3,820 yuan/t in Beijing.
- Rebar prices in Russia slipped in November 2019 owing to a supply glut and low demand. Transactions, as per Metal Bulletin reports, stood around 32,500-33,500 roubles/t including 20% VAT, cpt Moscow, Russia.

### Flat Product

- November 2019 HRC prices in the USA remained stable in view of limited transactions before the national Thanksgiving holiday. Transactions, as per Metal Bulletin reports, stood around \$555/t at month-end.
- Weak demand kept European HRC prices on the lower side in November 2019. Transactions, as per Metal Bulletin reports, stood around €420-425/t (\$463-468) in Northern Europe and around €410-420/t in Southern Europe at month-end.
- China's HRC prices weakened at end-November 2019, with trading noted to be moderate. Transactions, as per Metal Bulletin reports, stood around 3,690-3,720 yuan/t (\$525-530) in Shanghai and around 3,630-3,640 yuan/t in Tangshan at month-end.
- Seasonally weak demand in Russia's Central Federal District around Moscow pushed down HRC prices in November 2019. Transactions, as per Metal Bulletin reports, stood around 39,000-40,000 roubles/t (\$611-627) for HR sheet, domestic, cpt Moscow, including 20% VAT.

[Source Credit: Metal Bulletin]

## SPECIAL FOCUS

### Global DRI production up by 4.1% in January-October 2019

DRI production worldwide rose to 7.36 million tonnes (mt) in October 2019 (p), down by 5% over same period of last year, as per provisional World Steel Association (worldsteel) report, driven by India (production up by 5%) and Iran (production up by 3.3%) during the month as compared to same month of last year. However, the main drag came from steep declines noted for countries like Mexico (down 9%), Egypt (down 68%), UAE (down by 13%) and South Africa (down 33%).

For January-October 2019 (p), provisional worldsteel report indicates that global DRI output (75.75 mt, up by 4.1%) continued to be driven by India (30.06 mt) at the number one spot with a growth of 6.1% over same period of last year. The country also accounted for 39% of total global output during this period. For the same period, Iran's DRI output (24.01 mt) saw a growth (14.4%) and along with India, these two countries accounted for 72% 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 grow by 5.7% as compared to same period of last year. Saudi Arabia which had earlier replaced UAE as the 5<sup>th</sup> largest DRI producer in the world continued to remain at the same spot during this period as well.

World DRI Production, January-October 2019 (p)			
Rank	Country	Qty (mt)	% change
1	India	30.06	6.1
2	Iran	24.01	14.4
3	Mexico	4.95	-0.3
4	Egypt	3.89	-18.1
5	Saudi Arabia	4.00	-6.6
	<b>Top 5</b>	<b>66.91</b>	<b>5.7</b>
	<b>World</b>	<b>75.75</b>	<b>4.1</b>
	<b>%Share: Top 5</b>	<b>88</b>	<b>-</b>

Source: worldsteel

## INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-October 2019, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for October 2019. 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-October 2019* (mt)	April-October 2018 (mt)	% change*
Crude Steel Production	64.252	63.318	1.5
Hot Metal Production	42.549	42.235	0.7
Pig Iron Production	3.426	3.684	-7.0
Sponge Iron Production	21.271	20.027	6.2
<b>Total Finished Steel (alloy/stainless + non-alloy)</b>			
Production	59.726	57.863	3.2
Import	4.648	4.680	-0.7
Export	4.886	3.826	27.7
Consumption	59.050	56.823	3.9
Source: JPC; *provisional; mt=million tonnes			

### Overall Production

- **Crude Steel:** Production at 64.252 million tonnes (mt), up by 1.5%.
- **Hot Metal:** Production at 42.549 mt, up by 0.7%.
- **Pig Iron:** Production at 3.426 mt, down by 7.0%.
- **Sponge Iron:** Production at 21.271 mt, up by 6.2%, led by coal-based route (84% share)
- **Total Finished Steel :** Production at 59.726 mt, up by 3.2%.

### Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 36.413 mt (57% share) during this period, up by 0.3%. The rest (27.839 mt) came from the Other Producers, up by 3.0%.
- **Hot Metal:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 35.27 mt (83% share) up by 1.8%. The rest (7.275 mt) came from the Other Producers, down by 4.1%.
- **Pig Iron:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 0.65 mt (19% share) up by 37%. The rest (2.777 mt) came from the Other Producers, down by 13.5%.
- **Total Finished Steel:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 31.953 mt (53% share) down by 0.3%. The rest (27.773 mt) came from the Other Producers, up by 7.6%.

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### Contribution of Public Sector Units (PSU)

- **Crude Steel:** With an 81% share, the Private Sector (52.302 mt, up by 2.2%) led crude steel production compared to the 19% contribution of the PSUs.
- **Hot Metal:** With 69% share, the Private Sector (29.568 mt, up by 1.0%) led hot metal production, compared to the 31% contribution of the PSUs.
- **Pig Iron:** With an 88% share, the Private Sector (3.033 mt, down by 9.9%) led pig iron production, compared to the 12% contribution of the PSUs.
- **Total Finished Steel:** With an 85% share, the Private Sector (50.672 mt, up by 5.1%) led production of total finished steel, compared to the 15% contribution of the PSUs.

### Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Led by Non-flat steel (53% share; up by 7.3%) while the rest 47% was the share of Flat steel (down by 1.0%).
- **Import:** Flat products accounted for 89% share (up by 4.5%), the rest was the share of non-flats (down by 30.2%).
- **Export:** Flat products accounted for 89% share (up by 32%), the rest was the share of non-flats (up by 2.1%).
- **Consumption:** Led by Non-flat steel (52% share; up by 7.4%) while the rest 48% was the share of Flat steel (up by 0.3%).

### Finished Steel Production Trends

- At 59.726 mt, production of total finished steel grew by 3.2% in April-October 2019.
- Contribution of the non-alloy steel segment stood at 57.004 mt (95% share, up by 5.5%), 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 (24.375 mt, up by 11%) while growth in the non-alloy, flat segment was led by HRC (24.601 mt, up by 1%) during this period.

### Finished Steel Export Trends

- Exports of total finished steel outpaced imports during April-October 2019-20 and India emerged as a net exporter for this period.
- At 4.886 mt, export of total finished steel was up by 27.7% during this period.
- Volume-wise, non-alloy HRC (2.88 mt) was the most exported item (65% share in total) while Bars & Rods (0.27 mt, up by 68%) led exports in the non-alloy, non-flat category.
- Vietnam led exports of total finished steel – not only overall (1.4 mt, 29% share) but also had the highest share in case HRC (48%).

### Finished Steel Import Trends

- Import of total finished steel was at 4.648 mt during this period, down by 0.7%.
- Volume-wise, non-alloy HRC (1.227 mt) was the item most imported item (37% share in total), led by imports from Korea (38% share of total finished steel imports).



- The share of China in total finished steel import declined from 20% in April-October 2018 to 19% in April-October 2019, with volumes slipping by 5% in during this period.

#### Finished Steel Consumption Trends

- At 59.05 mt, consumption of total finished steel grew by 3.9% in April-October 2019.
- Contribution of the non-alloy steel segment stood at 55.075 mt (93% share, up by 5.5%), 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 (23.663 mt, up by 11%) while growth in the non-alloy, flat segment was led by HRC (23.693 mt, up by 0.2%) during this period.

#### JPC Market Prices (Retail)

- **Delhi market prices:** Compared to October 2018, average (retail) market prices in Delhi market in October 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 September 2019 for both items. The trend in retail market prices of TMT 10 mm and HRC 2.0 mm in the Delhi market in October 2019 with regard to October 2018 is shown in the table below.

Trends in JPC market price (retail) in Delhi market in October 2019		
Item	Delhi market prices (Rs/t)	%change over October 2018
TMT, 10 mm	42,330	-17.3
HRC, 2.0 mm	42,540	-26.8

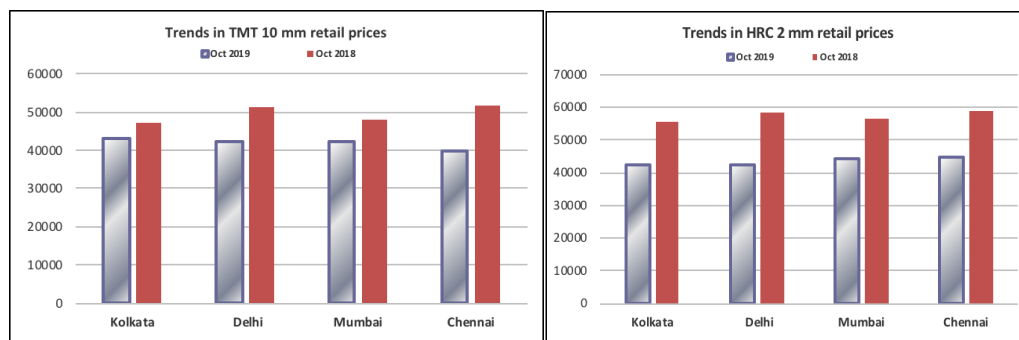
Source: JPC

- **All markets:** Compared to October 2018, average (retail) market prices in October 2019 decreased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm) in all the markets. The trend was just the same when compared to September 2019 for both items. The situation in October 2019 with regard to October 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 October 2019 over October 2018				
Item	Kolkata	Delhi	Mumbai	Chennai
TMT 10mm	-8.7	-17.3	-11.4	-22.7
HR Coils 2.00mm	-23.1	-26.8	-21.7	-23.6

Source: JPC

- TMT prices were highest in the Kolkata market (Rs. 42,980/t) and lowest in the Chennai market (Rs. 39,990/t) while HRC prices were highest in the Chennai market (Rs. 44,820/t) and lowest in Delhi market (Rs. 42,540/t) during October 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 July-September (Q2) 2019-20, both at constant (2011-12) and current prices. As per the Report, Real GDP or GDP at Constant (2011-12) Prices for Q2 2019 is estimated at Rs. 35.99 lakh crore, showing a growth rate of 4.5 per cent. Quarterly GVA (Basic Price) at Constant (2011-2012) Prices for Q2 of 2019-20 is estimated at Rs. 33.16 lakh crore, showing a growth rate of 4.3 per cent over the corresponding quarter of previous year. The economic activities which registered growth of over 4.3 per cent in Q2 of 2019-20 over Q2 of 2018-19 are 'Trade, Hotels, Transport, Communication and Services related to Broadcasting' 'Financial, Real Estate and Professional Services' and 'Public Administration, Defence and Other Services'. The growth in the 'Agriculture, Forestry and Fishing', 'Mining and Quarrying', 'Manufacturing', 'Electricity, Gas, Water Supply & Other Utility Services', and 'Construction' is estimated to be 2.1 per cent, 0.1 per cent, (-) 1.0 per cent, 3.6 per cent and 3.3 per cent respectively during this period.

**Industrial Production:** Provisional CSO data show that the growth rate of the Index of Industrial Production (IIP) was up by 1.3 per cent during April-September 2019 (prov.), dampened by significant decline in September 2019 (over September 2018) for all lead sectors like Manufacturing (down by 3.9 per cent), Capital Goods (down by 20.7 per cent), Infrastructure/ Construction Goods (down by 6.4 per cent) and Consumer Durables (down by 9.9 per cent). Cumulative IIP numbers remained subdued for all the major sectors, with growth rates remaining dismal for all three: Mining (1 per cent), Manufacturing (1 per cent) and Electricity (3.8 per cent) and declines noted also for all the above-mentioned use-based sectors i.e. Capital Goods, Infrastructure/ Construction Goods and Consumer Durables.

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**Infrastructure Growth:** Provisional data released by the DPIIT indicate that the growth rate of the Eight Core Infrastructure Industries was up by 1.3 per cent during April-September 2019 (prov.), dampened by significant declines in September 2019 (over September 2018) for all lead sectors like Cement (down by 2.1 per cent), Electricity (down by 3.7 per cent), Coal (down by 20.5 per cent), Crude Oil (down by 5.4 per cent) and Natural Gas (down by 4.9 per cent). Cumulative numbers excepting Steel (8.5 per cent growth) remained subdued for all the major sectors, with declines noted for Coal, Crude Oil, Natural Gas and Refinery Products during this period.

**Inflation:** In September 2019 (prov.), the annual rate of inflation, based on monthly WPI, stood at 0.33 per cent while the all India CPI inflation rate (combined) stood at 3.99 per cent and compared to September 2018, the former registered a decline and the latter, a mild rise.

**Trade:** Provisional figures from DGCI&S show that during April-September 2019-20, in dollar terms, overall exports were down by 2.39 per cent while overall imports were down by 7.01 per cent, both on yoy basis. During the same period, oil imports were valued at USD64.30billion, 8.22 per cent lower yoy while non-oil imports were valued at USD 178.97 billion, 6.57 per cent lower yoy. The overall trade deficit for April-September 2019-20 is estimated at USD 44.95 billion as compared to USD 60.16 billion in April-September 2018-19.

**Prepared by: Joint Plant Committee**