

Indian Steel Industry: August 2022 – A Trend Report

The 2nd month of Q2 2022-23 saw domestic steel consumption grow by double digit rate encouraged by rising production, some mild growth in imports and a drastic decline in exports. Prices remained southbound but stable. Globally, however, it was speculation on impending recession with the US economy reporting back-to-back decline in its quarterly GDP, that gripped markets.

WORLD ECONOMY AT A GLANCE

- Market Economics reports indicate that global manufacturing output slipped into contraction in August 2022, giving out the signal that conditions may deteriorate further going ahead. While new order intakes declined for the second successive month, a reduction in backlogs of work combined with rising stocks of finished goods pointed to a possible build-up of excess capacity at factories. The J.P. Morgan Global Manufacturing PMI fell to a 26-month low of 50.3 in August 2022, down from 51.1 in July and only slightly above the 50.0 no- change mark.
- The reports highlight that only ten out of the 30 nations registered increases in production and while the majority reported only marginal growth (including China, Brazil Spain and Australia), the USA, the Euro Area, Japan and the UK were among the larger economies to see contractions.
- As per the reports, global trade retrenched further, with the volume of new export business down for the sixth month in a row while rates of input cost and output price inflation eased in August 2022.

Key Economic Figures			
Country	GDP 2021: %change*	Manufacturing PMI	
		July 2022	August 2022
India	8.2	56.4	56.2
China	8.1	50.4	49.5
Japan	1.7	52.1	51.5
USA	5.7	52.2	51.5
Eurozone	5.2	49.8	49.6
Brazil	4.6	54	51.9
Russia	4.7	50.3	51.7
South Korea	4.0	49.8	47.6
Germany	2.9	49.3	49.1
Turkey	11.0	46.9	47.4
Italy	6.6	48.5	48.0

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

GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 1,102.3 mt in January-July 2022, registering a decline of 5.4% year-on-year (yoy), according to provisional data released by World Steel Association (worldsteel). In the month of July 2022, world crude steel production stood at 149.3 mt, down 6.5% yoy.

World Crude Steel Production (Prov)			
Rank	Top 10	Jan-July '22 (mt)	% yoy change
1	China	609.3	(-)6.4
2	India	73.3	8
3	Japan	53.3	(-)4.9
4	USA	48	(-)3
5	Russia	41.4	(-)7
6	South Korea	39.9	(-)3.4
7	Germany	22.5	(-)5.1
8	Turkey	21.6	(-)6.9
9	Brazil	20.3	(-)3.5
10	Iran	17.4	3.7
Top 10 Total		947.1	(-)4.8
World		1,102.3	(-)5.4
Source: worldsteel			

- China remained the leader in world crude steel production with an output of 609.3 mt in January-July 2022, a decline of 6.4% yoy. China's production in July 2022 stood at 81.4 mt, registering a yoy decline of 6.4%. The country accounted for 55.3% of world crude steel production during the period.
- India was the 2nd largest producer of crude steel with an output of 73.3 mt in January-July 2022, showing a yoy growth of 8%. The country accounted for 6.7% of world crude steel production during the first seven months of calendar year 2022. In July 2022, India's crude steel production stood at 10.1 mt, up by 3.2% yoy.
- Japan was the 3rd largest producer of crude steel with an output of 53.3 mt in January-July 2022 period, down by 4.9% yoy. Japan accounted for 4.8% of world crude steel production during the period.
- With crude steel production of 48 mt (down 3% yoy), the USA was the 4th largest producer of crude steel during January-July 2022. Russia's crude steel production stood at 41.4 mt (down 7% yoy) in January-July 2022 period and the country was the 5th largest producer of crude steel.
- **India and Iran were the only two countries among the top 10 which registered growth in production during January-July 2022.**
- The top 10 countries' cumulative production in January-July 2022 stood at 947.1 mt (down 4.8% yoy) and they accounted for nearly 86% of world crude steel production during the period.

NEWS AROUND THE WORLD

- The Chinese city of Taiyuan, in Shanxi province, has imposed restrictions on sintering, crude steel output and coke production to limit the emission of air pollutants. First, mills in Taiyuan city are required to reduce crude steel output. Second, mills and coke plants in the city are required to reduce their coke production rates. Third, all cement producers in the city are required to halt production for 60 days. Last, 248 industrial enterprises in Taiyuan city are recommended to adopt staggered working hours.
- Tata Steel has signed a MOU to set up a new EAF in the north western state of Punjab with an annual production capacity of 750,000 tonnes for long steel products.
- A large portion of China is reeling under a record long and intense summer heatwave, and the persistent hot weather has been negatively affecting both production of and demand for ferrous products in the country. On the supply side, EAF units have been most affected by the power cuts.
- China's Ministry of Industry and Information Technology (MIIT) has released its carbon peaking action plan for industrial sectors and confirmed that industrial sectors are required to peak their total carbon emissions by the end of 2030.
- To aid China's goal of decarbonizing the steel industry, crude steel produced via electric-arc furnaces will exceed 15% by 2025 and 20% by 2030, as per the Ministry of Industry & Information Technology (MIIT). The proportion of EAF-produced crude steel was around 11% in 2021, one industry analyst said.
- China is set to cap its crude steel production below 2021 levels amid decarbonization goals, and the property sector.
- Turkish long steelmaker Kaptan Demir Celik will start flat steel production at the end of 2024 by building a new 2 mtpa EAD and a 2 mtpa RRM.
- The EU and Turkey have agreed that the EU will modify its safeguard measures on certain steel products until January 16, 2023 to comply with the GATT.
- The European Commission is imposing definitive anti-dumping duties on imports of HDG steel coils and sheets from Russia and Turkey having found evidence that Turkish and Russian material had been sold at 2.4%-39.8% dumping margins.
- Taiwan will consider extending tariffs on carbon steel plate and coated flat steel product imports from six countries for a further five years after a determination that ending the antidumping duties would affect local producers.
- The UK government is consulting on the option to increase support for high electricity-using businesses like the steel industry, aiming to boost the level of exemption for certain environmental and policy costs from 85% to up to 100%.
- South Korea's POSCO and Brazil's Vale will jointly explore the production of low-carbon HBI.
- Italian integrated flat steel producer Acciaierie d'Italia will temporarily idle another blast furnace at the start of August 2022.

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

WORLD STEEL PRICE TRENDS

Global steel prices continued to remain under pressure from many sides in August 2022 including the Russia-Ukraine conflict and its many-sided repercussions (from raw material supply to logistics to insecurities in trade and the impact of sanctions), the impact of COVID-19 cases in China on overall steel demand and hence supply and the extreme fluctuations in the trend in major raw materials for steel making – all these now exacerbated by speculation on impending global recession with US GDP reporting back-to-back decline in quarterly GDP. Prices thus remained south-bound in Q3 2022 with participants adopting a wait-and-watch outlook – for price-slide to stabilise before they return to market.

Long Products

- Rebar prices in the USA maintained their south-bound move in August 2022 view of demand-supply imbalance, amidst inflow of imports and steadily falling raw material prices. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$1010/s.t at month-end.
- Trading activity in the European rebar market remained slow in August 2022 amid seasonal mill closures and weak demand. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €860-940/t (\$856-935) exw in Southern Europe and around €930-1,000/t (\$925-995) exw in Northern Europe.
- China's domestic rebar prices dropped sharply at end-August 2022 amid losses in the futures market on renewed expectations of interest rate increases by the US Federal Reserve. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 4,100-4,130 yuan/t (\$592-597).
- Russian rebar prices were stable in August 2022, with the summer holiday season helping to align supply with demand. Fastmarkets' weekly price assessment for steel domestic, cpt Moscow, Russia was 47,000-49,000 roubles/t (\$753-785).

Flat Products

- HRC prices in the USA appear to have flatlined near \$800/s.t. with near-term sentiment gradually improving though the general tone remained cautious. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$806/s.t. at end-August 2022.
- European HRC prices were south-bound but broadly stable in August 2022 amid subdued activity, but producers have started raising offers on surging costs, though it is not clear if the market can absorb that. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €720/t (\$718.65) in Northern Europe and around €705/t in Southern Europe.
- China's HRC prices were similarly affected as in case of long products and remained south-bound in August 2022. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 3,920-3,950 yuan/t (\$566-571) in Shanghai.
- Russian flat steel prices too remained south-bound in August 2022 faced by low demand, oversupply and weak market conditions. Fastmarkets' price assessment for steel hot-rolled sheet, domestic, cpt Moscow, Russia stood at 52,000 roubles/t.

[Source Credit: Fastmarkets Metal Bulletin]

SPECIAL FOCUS

India leads global DRI production in 2022 so far

World DRI production stood at 64.7 mt in January-July 2022 period, showing a yoy growth of 5.4%, according to provisional data released by worldsteel. In July 2022, world DRI production stood at 9.2 mt, up by 20.7% yoy. The following table shows DRI production by world's top 5 countries in January-July 2022 period and % change in comparison to their output in the corresponding period of the previous year.

World DRI Production (Prov)			
Rank	Top 5	Jan-July '22 (mt)	% yoy change
1	India	24.1	5.4
2	Iran	19	0.8
3	Russia	4.8	5.4
4	Saudi Arabia	4.2	23.6
5	Mexico	3.5	2.8
Top 5 Total		55.6	4.8
World		64.7	5.4
Source: worldsteel			

- India remained the leader in world DRI production with an output of 24.1 mt (up 5.4% yoy) in January-July 2022 period. The country accounted for 37.2% of world DRI production during the first seven months of 2022. In July this year, India's DRI production stood at 3.5 mt, up by 12.7% yoy.
- Iran was the 2nd largest producer of DRI with a cumulative production of 19 mt in January-July 2022 period (up 0.8% yoy). It accounted for 29.5% of world DRI production during the period. In July 2022, Iran's DRI production stood at 2.6 mt, showing a spectacular yoy growth of 40%.
- Russia ranked third in terms of DRI production with a cumulative output of 4.8 mt (up 5.4% yoy) during the first seven months of 2022. The country accounted for 7.5% of world DRI production during the period. In July 2022, the country's DRI production stood at 0.7 mt, up 3% yoy.
- The top 5 countries accounted for nearly 86% of total world DRI production in January-July 2022 with a cumulative output of 55.6 mt, up by 4.8% yoy.

RAW MATERIAL SCENARIO

- Seaborne iron ore prices remained south-bound in August 2022 given the sustained bearish mood in spot markets, which got a double beating with news of possible Fed rate hike in the US and the NBS releasing data reflecting weakness in downstream construction and property sector. The Platts IODEX 62% Fe fines was assessed around \$106/dmt CFR north China at month-end.
- Vale has reduced its premiums for blast furnace and direct-reduced iron ore pellet for the fourth quarter of 2022. It settled its Q4 BF pellet premium at \$68/t, down by \$20/t from the previous settlement price of \$88/t and its Q4 DR pellet premium at settled at \$75.60 per tonne, a fall of \$19.40 per tonne from the previous quarter.
- BHP has flagged a number of risks and uncertainties for the steel and iron ore markets in the year ahead while announcing the results of its 2022 financial year. It is looking to raise its iron ore production from the current 283 mtpa to above mtpa in the medium term of five year - to as high as 330 mtpa - even as its South Flank iron ore project in Western Australia continues to ramp up.
- At 31.89 mt, Brazilian export volumes of iron ore rose by 1.04% yoy in July 2022.
- Seaborne coking coal prices in the fob Australia and cfr China markets were victim of a bearish sentiments in August 2022 with premium low volume HCC FOB Australia standing at 273\$/t at month-end.
- Steel scrap prices in the major Asian markets picked up in August 2022 with mills replenishing their stocks and an improving mood, though the same is yet to stabilise. Platts TSI HMS I/II (80:20) was reported around 402/\$t at month-end.
- Shagang Group, has increased its steel scrap purchase price by another 150 yuan/t (\$22) to total 550 yuan/t, amid rising restocking demand from Chinese mills, according to market sources. This is the fourth time the steelmaker has raised its steel scrap purchase price this month.
- High costs, weak demand and shrinking margins are making life increasingly difficult for Chinese steel mills, as per, vice general manager of Baoshan Iron & Steel (Baosteel).
- China's consumption of steel scrap was 226 million tonnes in 2021, down by 2.8% from 2020, according to the International Recycling Bureau. Industry analysts expect the consumption of steel scrap to reach 250 million tonnes in 2025. The annual processing capacity of steel scrap producers that meet MIIT's standards will exceed 180 million tonnes by 2025, the ministry said. MIIT also called for further innovation and implementation of technologies such as hydrogen-rich carbon recycling blast furnace smelting to further aid decarbonization.

[Source Credit: Fastmarkets Metal Bulletin, Platts, JPC (India news)]

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-July 2022, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-July 2022. 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-July 2022*(mt)	April-July 2021 (mt)	% change*
Crude Steel Production	41.087	37.742	8.9
Hot Metal Production	25.882	25.563	1.2
Pig Iron Production	1.972	2.111	-6.6
Sponge Iron Production	14.052	12.979	8.3
Total Finished Steel (alloy/stainless + non-alloy)			
Production	38.537	35.267	9.3
Import	1.616	1.568	3.1
Export	2.570	5.069	-49.3
Consumption	36.514	33.029	10.6
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 41.087 million tonnes (mt), up by 8.9%.
- **Hot Metal:** Production at 25.882 mt, up by 1.2%.
- **Pig Iron:** Production at 1.972 mt, down by 6.6%.
- **Sponge Iron:** Production at 14.052 mt, up by 8.3%, led by coal-based route (79% share).
- **Total Finished Steel:** Production at 38.537 mt, up by 9.3%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 24.748 mt (60% share) during this period, up by 4.5%. The rest (16.339 mt) came from the Other Producers, up by 16.2%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 23.530 mt (91% share) up by 3.4%. The rest (2.352 mt) came from the Other Producers, down by 16.3%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 0.457 mt (23% share) down by 33.1%. The rest (1.515 mt) came from the Other Producers, up by 6.1%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 21.781 mt (57% share) up by 5.9%. The rest (16.756 mt) came from the Other Producers, up by 14.0%

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 83% share, the Private Sector (34.101 mt, up by 11.3%) led crude steel production compared to the 17% contribution of the PSUs (down by 1.8%).
- **Hot Metal:** With 71% share, the Private Sector (18.333 mt, up by 3.2%) led hot metal production, compared to the 29% contribution of the PSUs (down by 3.1%).
- **Pig Iron:** With 89% share, the Private Sector (1.759 mt, down by 5.7%) led pig iron production, compared to the 11% contribution of the PSUs (down by 13.3%).
- **Total Finished Steel:** With 85% share, the Private Sector (32.833 mt, up by 9.6%) led production of total finished steel, compared to the 15% contribution of the PSUs (up by 7.3%).

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Non-flat products accounted for 54% share (up by 12.7%), the rest 46% was the share of flats (up by 5.5%).
- **Import:** Flat products accounted for 95% share (up by 7.8%), the rest 5% was the share of non-flats (down by 42.3%).
- **Export:** Flat products accounted for 84% share (down by 46.4%), the rest 16% was the share of non-flats (down by 60.5%).
- **Consumption:** Led by Non-flat steel (55% share; up by 8.0%) while the rest 45% was the share of flat steel (up by 13.8%).

Finished Steel Production Trends

- At 38.537 mt, production of total finished steel was up by 9.3%.
- Contribution of the non-alloy steel segment stood at 36.182 mt (94% share, up by 9.5%), 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 (16.168 mt, up by 12.4%) while growth in the non-alloy, flat segment was led by HRC (15.328 mt, up by 6.2%) during this period.

Finished Steel Export Trends

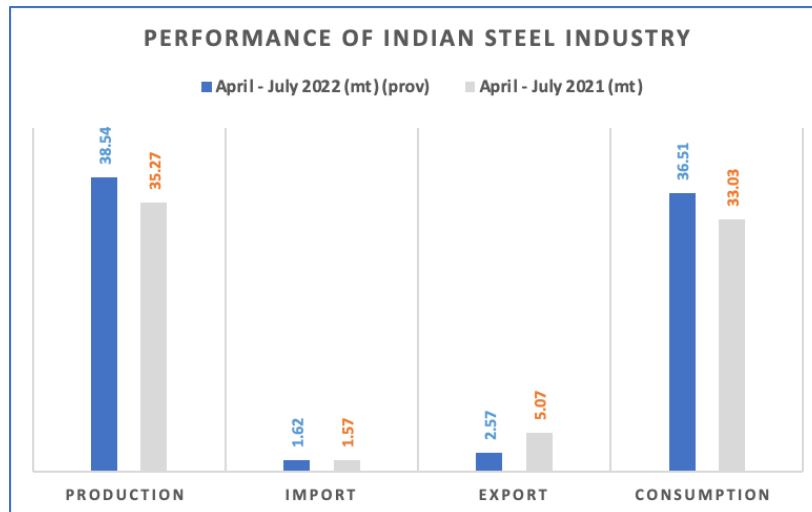
- Overall exports of total finished steel at 2.57 mt, down by 49.3%.
- Volume wise, Non-alloy HR Coil/Strip (0.895 mt, down by 60.6%) was the item most exported (44% share in total non-alloy).
- Italy (0.468 mt) was the largest export market for India.

Finished Steel Import Trends

- Overall imports of total finished steel at 1.616 mt, up by 3.1%.
- India was a net exporter of total finished steel in April-July 2022.
- Volume wise, HR Coil/ Strip (0.307 mt, up by 23.1%) was the item most imported (35% share in total non-alloy).
- Korea (0.713 mt) was the largest import market for India (44% share in total).

Finished Steel Consumption Trends

- At 36.514 mt, consumption of total finished steel was up by 10.6%.
- Contribution of the non-alloy steel segment stood at 33.989 mt (93% share, up by 10.8%), 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 (15.739 mt, up by 6.8%) while growth in the non-alloy, flat segment was led by HRC (14.124 mt, up by 17.5%) during this period.



INDIAN ECONOMY – HIGHLIGHTS OF PERFORMANCE

GDP: As per provisional estimates of the Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation, Real Gross Domestic Product (GDP) at Constant (2011-12) Prices in Q1 2022-23 is estimated to attain a level of ₹ 36.85 lakh crore, as against ₹ 32.46 lakh crore in Q1 2021-22, showing a growth of 13.5 per cent. Almost all the lead sectors reported a growth during this period, with *Public Administration, Defence & Other Services* reporting the highest growth (26.3%) and *Agriculture, Forestry and Fishing*, the lowest (4.5%).

Industrial Production: Provisional CSO data show that the overall Index of Industrial Production (IIP) for April-June 2022 rose by 12.7% over same period of last year, encouraged by similar high levels of growth trends noted for the various sectors/sub-sectors.

Infrastructure Growth: Provisional data released by the DPIIT indicate that the Index for the Eight Core Infrastructure Industries saw a growth of 11.5% during April-July 2022 with all the sectors reporting a rise.

Inflation: In July 2022 (prov.), the annual rate of inflation, based on monthly WPI, stood at 13.93% while the all India CPI inflation rate (combined) stood at 6.71% and compared to the previous month, both the parameters registered a decline.

Prepared by: Joint Plant Committee