

Indian Steel Industry: August 2023 – A Trend Report

India remains a bright spot in the global steel industry and the steel demand in the country is expected to show a healthy growth of 7.3% and 6.2% in 2023 and 2024 compared to a global growth of 2.3% and 1.7%, respectively, according to Short Range Outlook of The World Steel Association. The worldsteel forecast comes against the backdrop of the country's macro-economic fundamentals like manufacturing and services PMIs, IIP, core infrastructure growth, remaining steady and strong and it is expected to register a GDP growth ranging from 6 to 6.5% in fiscal 2023-24, as estimated by different agencies including the RBI, IMF & World

WORLD ECONOMY AT A GLANCE

- The JP Morgan Global Manufacturing PMI rose to a three-month high of 49.0 in August 2023, from 48.6 in the previous month. It remained below the neutral 50.0 mark separating improvement from deterioration for the twelfth successive month.
- Although the downturn in the global manufacturing sector continued, with output falling for the third straight month, August PMI data provided signs that the contraction was easing.
- Underlining the latest scaling back of global manufacturing production was a decrease in new orders. New businesses fell for the fourteenth month running, albeit at the slowest pace since May 2023.
- The euro area, the US and Japan all saw new work intakes contract, in contrast to a modest increase in mainland China. International trade flows declined, extending the current sequence of contraction to one-and-a-half years.

Key Economic Figures			
Country	GDP 2022: % change*	Manufacturing PMI	
		July 2023	August 2023
India	7.0	57.7	58.6
China	3.0	49.2	51
Japan	1.0	49.6	49.6
USA	2.1	49	47.9
Eurozone	3.5	42.7	43.5
Brazil	2.9	47.8	50.1
Russia	-2.1	52.1	52.7
South Korea	2.6	49.4	48.9
Germany	1.8	38.8	39.1
Turkey	5.6	49.9	49
Italy	3.7	44.5	45.4

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

GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 1103.2 mt in January-July 2023 period, registering a decline of 0.1% yoy, according to provisional data released by World Steel Association (worldsteel). In July 2023, world crude steel production stood at 158.5 mt, up 6.6% compared with the same period of the previous year.

World Crude Steel Production (Prov)			
Rank	Top 10	Jan-Jul '23 (mt)	% yoy change
1	China	626.5	2.5
2	India	79.9	9.0
3	Japan	51.2	(-)3.9
4	USA	46.8	(-)2.3
5	Russia	44.2	2.8
6	South Korea	39.4	(-)1.8
7	Germany	21.5	(-)4.6
8	Turkey	18.8	(-)13.5
9	Brazil	18.6	(-)8.6
10	Iran	18.1	4.1
Top 10 Total		965.1	1.5
World		1103.2	(-)0.1

Major observations:

- China remained the leader in world crude steel production with an output of 626.5 mt in January-July 2023 period, registering a growth of 2.5% yoy. The country accounted for 56.8% of world crude steel production during the first seven months of 2023.
- India was the 2nd largest producer of crude steel with an output of 79.9 mt in January-July 2023, showing a yoy growth of 9.0%. The country accounted for 7.2% of world crude steel production during the January-July 2023 period.
- Japan was the 3rd largest producer of crude steel with an output of 51.2 mt in January-July 2023 period, down by 3.9% yoy. Japan accounted for 4.6% of world crude steel production during the period.
- With crude steel production of 46.8 mt (down 2.3% yoy), the USA was the 4th largest producer of crude steel during January-July 2023.
- Russia's crude steel production stood at 44.2 mt (up 2.8% yoy) in January-July 2023 period and the country was the 5th largest producer of crude steel.
- The top 10 countries' cumulative production in January-July 2023 stood at 965.1 mt (up 1.5% yoy) and they accounted for 87.5% of world crude steel production during the period.

- Among the top 10 steel producing countries, China, India, Russia and Iran registered yoy growth in production during January-July 2023 period, while the remaining countries reported yoy contraction in production.
- Asian crude steel production stood at 824.8 mt in January-July 2023, showing a 1.7% growth yoy, led primarily by China and India, with their respective shares of 76% and 10% in total Asian crude steel production during the period.

GLOBAL DRI PRODUCTION

India led global DRI production in January-July 2023 period

World DRI production stood at 67.2 mt in January-July 2023 period, showing a yoy growth of 4.9%, according to provisional data released by worldsteel.

World DRI Production (Prov)			
Rank	Top 5	Jan-Jul '23 (mt)	% yoy change
1	India	27.7	14.9
2	Iran	18.3	-2.6
3	Russia	4.4	(-)10.0
4	Egypt	4.0	16.5
5	Saudi Arabia	3.9	(-)1.0
Top 5 Total		58.4	5.7
World		67.2	4.9
Source: worldsteel			

Major observations:

- India remained the leader in world DRI production with an output of 27.7 mt (up 14.9% yoy) in January-July 2023 period. The country accounted for 41.2% of world DRI production during the period under review.
- Iran was the 2nd largest producer of DRI with an output of 18.3 mt in January-July 2023 period (down 2.6% yoy). It accounted for 27.3% of world DRI production during the first seven months of this year.
- Russia ranked third in terms of DRI production with an output of 4.4 mt (down 10% yoy) in January-July 2023. The country accounted for 6.6% of world DRI production during the period.
- The top 5 countries accounted for nearly 86.9% of total world DRI production in January-July 2023 with a cumulative output of 58.4 mt, up by 5.7% yoy.

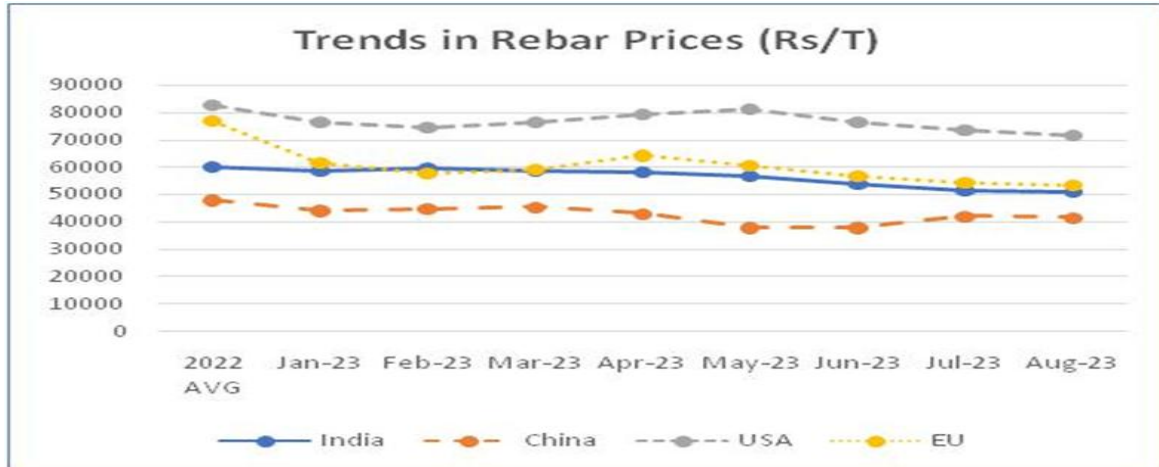
WORLD STEEL PRICE TRENDS

- ❖ Global steel prices continued the southbound journey in August 2023 due to a combination of local and global factors. In China, however, prices showed a marginal improvement compared to the previous month:
 - a) Weak property sector continues to impact construction-related manufacturing as well as steel demand in China. Steel prices, however, briefly rallied as the country started discussing output control at steel mills during this year.
 - b) In Europe, the construction sector, particularly the residential sub-segment, is experiencing a slowdown and likely to enter a recession this year, primarily due to rise in interest rates, affecting steel demand.
 - c) In the USA, amid weakened buying in a typically slow part of the year, concerns about oversupply pressured finished steel prices.
 - d) The Russia-Ukraine conflict is still continuing, impacting not only production and consumption in both the countries, but also affecting the trade flows and supply-chain logistics in a greater part of the world.
 - e) Turmoil in select financial markets, tight monetary policies and high inflation across most of the geographies weighing on global growth outlook.

- ❖ Relevant to note here that with the exception of China, India, Russia and Iran, global crude steel production in January-July 2023 remained on a declining trend in all the major steel producing markets.

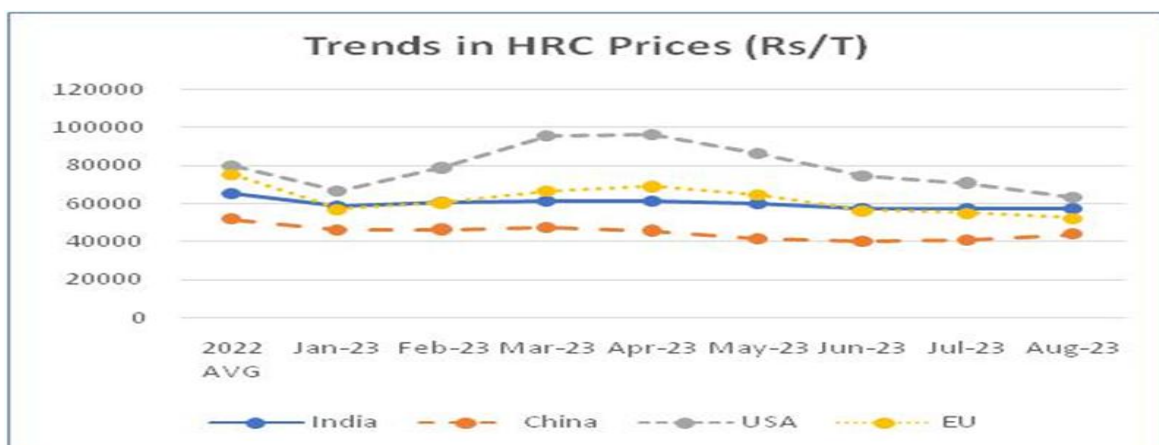
Long Products

- Rebar / TMT prices have seen fluctuations in all the major markets, due to a mix of seasonal factors, local supply-demand imbalance and policy impact. The general trend, however, was of a decline.
- Rebar prices have come down in all the major markets – India, China, the USA and the European Union – in August 2023 compared with the previous month.
- In China, both production and demand have shown signs of weakness, with steel consumption continuously restrained by adverse weather events, while output at mills – mostly blast-furnace steelmakers – witnessing reduction.
- Indian rebar demand, according to industry experts, is likely to show signs of recovery around end-September this year as construction activity is expected to pick up pace on the back of receding monsoon.
- US rebar prices inched lower in August 2023 compared to the previous month as market participants were searching for a bottom to the market amid an uncertain outlook.



Flat Products

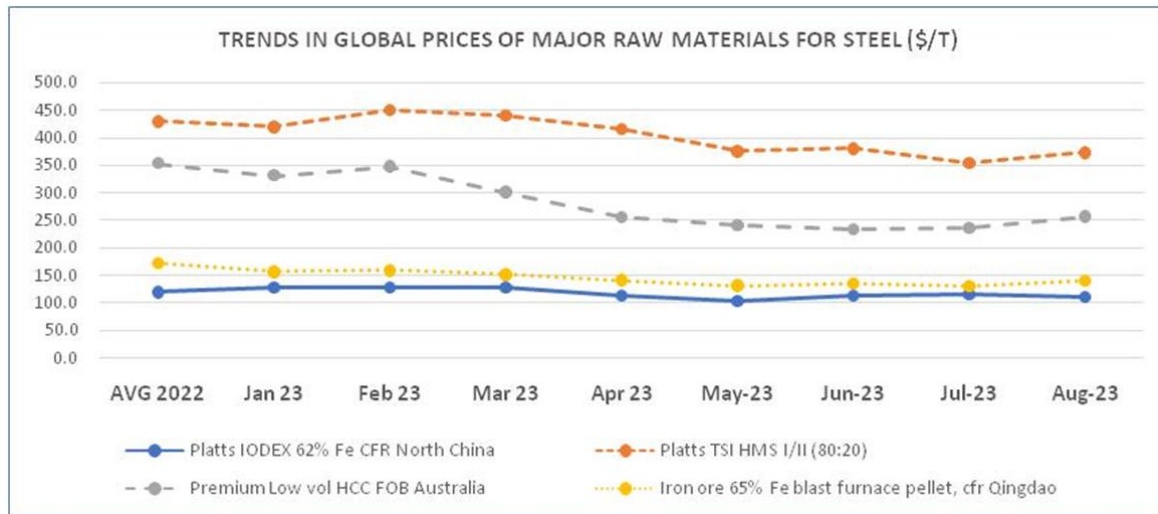
- HRC prices had shown an upward trend since January 2023 till March/April of this year. Thereafter, prices are again on a downward trajectory, especially in the USA, the European Union and India. Prices in China, however, have shown early signs of pick-up in the month under review.
- China HRC prices are forecast to soften in the coming weeks again as end-users may be inactive in replenishing their stocks, while mills' output may hardly witness declines.
- HRC prices in the US continued to stall as buyers were overall cautious of the spot market with some sources saying aggressive competition from imports. Meanwhile, Indian HRC prices were steady amid expectations of further increases in prices going ahead.
- The mood in European HRC market was bearish as demand remained sluggish amid a seasonal slowdown in market activity. Besides, the fact that a significant volume of imported coal is awaiting custom clearance added to the sombre mood.



[Source Credit: Fastmarkets Metal Bulletin]

RAW MATERIAL SCENARIO

Prices of major raw materials for steel making – iron ore, scrap, coal - have shown an upward bias in the first two months of 2023. Thereafter, the prices have either remained flat or followed a downward trajectory.



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

NEWS AROUND THE GLOBE

- The Global Steel Climate Council released a final proposed “Steel Climate Standard”, advocating for a consistent decarbonisation benchmark for all steelmakers regardless of their production process or dominant raw material feedstock.
- ArcelorMittal will proceed with a project to build a new electric arc furnace at its Gijon site in northern Spain replacing one of its two blast furnaces. The new EAF with 1.1 million tonnes capacity is due to come online in the second half of 2025.
- The construction seen in global demand has forced Turkish steel producer to adjust their output, with some beginning to announce output cuts.
- UK steel trade body International Steel Association will be meeting the government to discuss the issue of UK steelmaker Tata Steel importing significant volumes of Indian HRC to supply its own production, filling up the country’s import quotas.
- German steel and metals processor and distributor Klockner & Co said it has completed the acquisition of National Material of Mexico, an independent service centre and materials supplier catering to automotive and industrial end-markets in North America.

- Ukraine’s steel production in July rose 38% month on month to 601,500 million tonnes, recovering from a sharp decline in June following the destruction of the Kakhovska hydropower plant and water reservoir early in the month.
- Latin American steelmakers are greatly concerned at continuing high levels of global steel overcapacity, which are leading to rising regional steel import levels.
- China’s excavator sales in the domestic market fell in July for the fourth straight month. Weak excavator sales suggested China’s property related steel demand would continue to decline through 2023 and weigh on construction steel prices.
- An upswing in demand for small and medium-diameter steel pipes from Russia’s construction and energy industries is allowing manufacturers to run at high utilization rates equal to year-ago levels.
- South Korea’s Posco plans to buy a 50% stake in joint venture PT Krakatau Posco for Won 888.1 billion (\$662.39 million) from its parent Posco Holdings.
- Brazil’s ferrous scrap exports are set to double in 2023 to around 700,000 million tonnes as scrap demand from domestic mills dwindles on lower crude steel output.
- US Steel began a maintenance outage at one of three blast furnaces at its USS Kosice mill in Slovakia. The outage is expected to last about 50 days, and is timed with the typical seasonal slowdown in demand.

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-July 2023, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-July 2023. 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 2023*(mt)	April-July 2022 (mt)	% change*
Crude Steel Production	45.817	41.076	11.5
Hot Metal Production	27.950	25.840	8.2
Pig Iron Production	2.276	1.953	16.5
Sponge Iron Production	16.351	14.103	15.9
Total Finished Steel (alloy/stainless + non-alloy)			
Production	43.565	38.704	12.6
Import	1.989	1.616	23.0
Export	2.563	2.570	-0.3
Consumption	41.157	36.680	12.2
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 45.817 million tonnes (mt), up by 11.5%.
- **Hot Metal:** Production at 27.950 mt, up by 8.2%.
- **Pig Iron:** Production at 2.276 mt, up by 16.5%.
- **Sponge Iron:** Production at 16.351 mt, up by 15.9%, led by coal-based route (81% share).
- **Total Finished Steel:** Production at 43.565 mt, up by 12.6%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 27.353 mt (60% share) during this period, up by 6.1%. The rest (18.464 mt) came from the Other Producers, up by 20.7%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 25.360 mt (91% share) up by 4.8%. The rest (2.590 mt) came from the Other Producers, up by 58.3%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 0.524 mt (23% share) up by 8.5%. The rest (1.752 mt) came from the Other Producers, up by 19.2%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 24.690 mt (57% share) up by 9.7%. The rest (18.875 mt) came from the Other Producers, up by 16.6%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 83% share, the Private Sector (38.091 mt, up by 11.7%) led crude steel production compared to the 17% contribution of the PSUs (up by 10.6%).
- **Hot Metal:** With 70% share, the Private Sector (19.669 mt, up by 7.5%) led hot metal production, compared to the 30% contribution of the PSUs (up by 9.7%).
- **Pig Iron:** With 92% share, the Private Sector (2.100 mt, up by 20.7%) led pig iron production, compared to the 8% contribution of the PSUs (down by 17.3%).
- **Total Finished Steel:** With 85% share, the Private Sector (37.236 mt, up by 12.9%) led production of total finished steel, compared to the 15% contribution of the PSUs (up by 10.3%).

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Non-flat products accounted for 55% share (up by 14.0%), the rest 45% was the share of flats (up by 10.8%).
 - **Import:** Flat products accounted for 93% share (up by 20.6%), the rest 7% was the share of non-flats (up by 67.2%).
 - **Export:** Flat products accounted for 89% share (up by 5.5%), the rest 11% was the share of non-flats (down by 30.7%).
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- **Consumption:** Led by Non-flat steel (56% share; up by 12.3%) while the rest 44% was the share of flat steel (up by 12.1%).

Finished Steel Production Trends

- At 43.565 mt, production of total finished steel was up by 12.6%.
- Contribution of the non-alloy steel segment stood at 40.724 mt (93% share, up by 12.8%), 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 production of total finished steel was Bars & Rods (18.464 mt, up by 13.3%) while growth in the non-alloy, flat segment was led by HRC (16.826 mt, up by 11.7%) during this period.

Finished Steel Export Trends

- Overall exports of total finished steel at 2.563 mt, down by 0.3%.
- Volume wise, HR Coil/Strip (1.008 mt) was the item most exported (39% share in total finished steel).
- Italy (0.589 mt) was the largest export market for India.

Finished Steel Import Trends

- Overall imports of total finished steel at 1.989 mt, up by 23.0%.
- India was a net exporter of total finished steel in April-July 2023.
- Volume wise, HR Coil/Strip (0.652 mt, up by 38.4%) was the item most imported (33% share in total finished steel).
- Korea (0.686 mt) was the largest import market for India (34% share in total).

Finished Steel Consumption Trends

- At 41.157 mt, consumption of total finished steel was up by 12.2%.
- Contribution of the non-alloy steel segment stood at 37.914 mt (92% share, up by 11.6%), 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 (17.495 mt, up by 9.7%) while growth in the non-alloy, flat segment was led by HRC (15.358 mt, up by 10.9%) 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 2023-24 is estimated to have attained a level of ₹40.37 lakh crore, as against ₹37.44 lakh crore in Q1 2022-23, showing a growth of 7.8 per cent. All the sectors reported positive growth during this period, with *Financial, Real Estate & Professional Services* sector reporting the highest growth (12.2%) and *Electricity, Gas, Water Supply & Other Utility Services* sector, the lowest (2.9%).

Industrial Production: Provisional CSO data show that the overall Index of Industrial Production (IIP) for the April-July period of financial year 2023-24 rose by 4.8% over the 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 6.4% during the April-July period of financial year 2023-24, with all the sectors, excluding only crude oil, registering growth ranging from as low as 2.3% to 15.3% on yoy basis.

Inflation: The rate of inflation based on Consumer Price Index stood at 6.83% and that on Wholesale Price Index stood at -0.52% in August 2023. CPI inflation came down during the month under review compared with the previous month. In case of WPI Inflation, it continued to stay in the negative territory.