

Indian Steel Industry: December 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 8.6% and 7.7% in 2023 and 2024 compared to a global growth of 1.8% and 1.9%, respectively, according to Short Range Outlook of The World Steel Association. Growth in India's construction sector is driven by government spending on infrastructure and recovery in private investment. Infrastructure investment will also support capital goods sector. Besides, healthy growth momentum is expected to continue in the automotive sector. These, in turn, will push up steel demand in the country, worldsteel said.

WORLD ECONOMY AT A GLANCE

- The JP Morgan Global Manufacturing PMI stood at 49.0 in December 2023, down from 49.3 in the previous month, and remained below the neutral 50.0 mark for the sixteenth consecutive month.
- Manufacturing production contracted at a slightly quicker pace in December 2023, with the latest decline centred on the intermediate goods sector. In contrast, producers of both consumer and investment goods saw expansions.
- The survey signalled contractions in output in all except seven of the 29 countries for which December reading were available. China, Colombia, Greece, Indonesia, Mexico, the Philippines, and Russia were the nations to register growth.
- US manufacturing output decreased for the first time in four months, while Japan posted its seventh successive month of contraction. However, the euro area remained the main source of weakness.

Key Economic Figures			
Country	GDP 2022: % change*	Manufacturing PMI	
		November 2023	December 2023
India	7.0	56	54.9
China	3.0	50.7	50.8
Japan	1.0	48.3	47.9
USA	2.1	49.4	47.9
Eurozone	3.5	44.2	44.4
Brazil	2.9	49.4	48.4
Russia	-2.1	53.8	54.6
South Korea	2.6	50	49.9
Germany	1.8	42.6	43.3
Turkey	5.6	47.2	47.4
Italy	3.7	44.4	45.3

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

GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 1715.12 mt in January-November 2023 period, registering a growth of 0.5% yoy, according to provisional data released by World Steel Association (worldsteel). In November 2023, world crude steel production stood at 145.5 mt, up 3.3% compared with the same period of the previous year.

World Crude Steel Production (Prov)			
Rank	Top 10	Jan-Nov '23 (mt)	% yoy change
1	China	952.14	1.5
2	India	128.15	12.1
3	Japan	80.02	(-)2.8
4	USA	73.87	(-)0.5
5	Russia	70.20	6.4
6	South Korea	61.30	1.1
7	Germany	32.81	(-)4.0
8	Turkey	30.49	(-)6.1
9	Brazil	29.35	(-)7.1
10	Iran	28.12	0.6
Top 10 Total		1486.44	1.7
World		1715.12	0.5

Major observations:

- China remained the leader in world crude steel production with an output of 952.14 mt in January-November 2023 period, registering a growth of 1.5% yoy. The country accounted for 55.5% of world crude steel production during the first eleven months of 2023.
- India was the 2nd largest producer of crude steel with an output of 128.15 mt in January-November 2023, showing a yoy growth of 12.1%. The country accounted for 7.5% of world crude steel production during the January-November 2023 period.
- Japan was the 3rd largest producer of crude steel with an output of 80.02 mt in January-November 2023 period, down by 2.8% yoy. Japan accounted for 4.7% of world crude steel production during the period.
- With crude steel production of 73.87 mt (down 0.5% yoy), the USA was the 4th largest producer of crude steel during January-November 2023.
- Russia's crude steel production stood at 70.20 mt (up 6.4% yoy) in January-November 2023 period and the country was the 5th largest producer of crude steel.
- The top 10 countries' cumulative production in January-November 2023 stood at 1486.44 mt (up 1.7% yoy) and they accounted for 86.7% of world crude steel production during the period.

- Among the top 10 steel producing countries, China, India, Russia, South Korea and Iran registered yoy growth in production during January-November 2023 period, while the remaining countries reported yoy contraction in production.
- Asian crude steel production stood at 1265.85 mt in January-November 2023, showing a 1.8% growth yoy, led primarily by China and India, with their respective shares of 75% and 10% in total Asian crude steel production during the period.

GLOBAL DRI PRODUCTION

India led global DRI production in January-November 2023 period

World DRI production stood at 109.42 mt in January-November 2023 period, showing a yoy growth of 7.6%, according to provisional data released by worldsteel.

World DRI Production (Prov)			
Rank	Top 5	Jan-Nov '23 (mt)	% yoy change
1	India	44.80	16.7
2	Iran	30.62	(-)0.2
3	Russia	6.99	(-)1.0
4	Egypt	6.57	18.5
5	Saudi Arabia	6.21	1.6
Top 5 Total		95.19	8.4
World		109.42	7.6
Source: worldsteel			

Major observations:

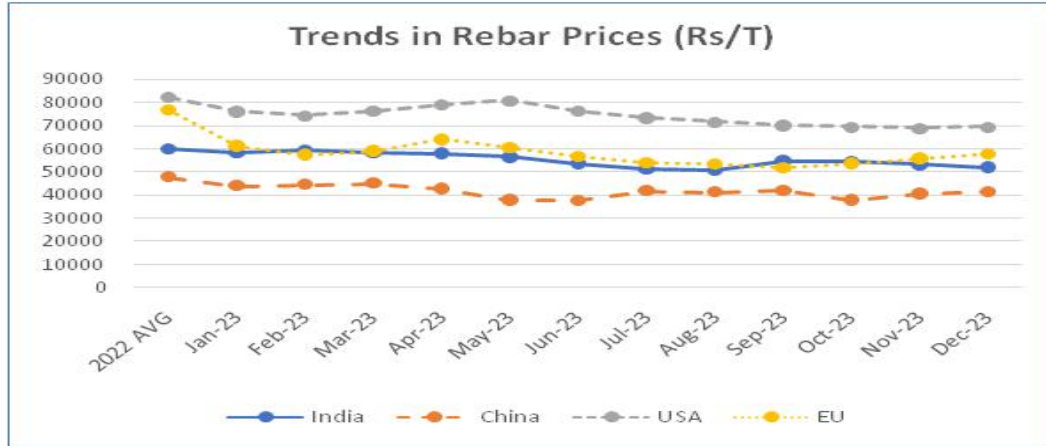
- India remained the leader in world DRI production with an output of 44.80 mt (up 16.7% yoy) in January-November 2023 period. The country accounted for 40.9% of world DRI production during the period under review.
- Iran was the 2nd largest producer of DRI with an output of 30.62 mt in January-November 2023 period (down 0.2% yoy). It accounted for 28% of world DRI production during the first eleven months of this year.
- Russia ranked third in terms of DRI production with an output of 6.99 mt (down 1% yoy) in January-November 2023. The country accounted for 6.4% of world DRI production during the period.
- The top 5 countries accounted for 87% of total world DRI production in January-November 2023 with a cumulative output of 95.19 mt, up by 8.4% yoy.

WORLD STEEL PRICE TRENDS

- ❖ Global steel price trends remained mixed in December 2023 due to a combination of local and global issues. While prices showed a slight downward bias month-on-month in India and China, the situation was reverse in the US and Europe where prices followed an upward trajectory month-on-month. Prices in all the four markets, however, are far below the levels achieved in April 2022. Going forward, the movement of global steel prices will be contingent upon how the following issues pan out.
 - a) Global growth outlook: The global economy is expected to slow slightly in 2024 but the risk of a hard landing has, however, subsided despite high levels of debt and uncertainty over interest rates, according to OECD.
 - b) China's property slump: Spiralling property downturn and the government's usage of stimulus to lift the sector is posing risk to the Chinese economy. China's proposed production cuts and higher domestic demand, however, may push up steel prices.
 - c) Eurozone factory downturn: The Eurozone manufacturing sector remained stuck in contraction at the end of 2023. The entire continent struggles through a period of economic turmoil that began in late 2022.
 - d) Regional conflicts: Regional conflicts and unrest such as the war between Russia and Ukraine and situation in Israel and elsewhere have been contributing to rising oil prices and further geo-economic fragmentation, affecting the normal trade flow.
 - e) Prices of raw material like iron ore and coking coal, which are on the rise over the last few months, will play a major role in steel price movements.
- ❖ Relevant to note here that with the exception of China, India, Russia, South Korea and Iran, global crude steel production in January-November 2023 remained on a declining trend in all the major steel producing markets.

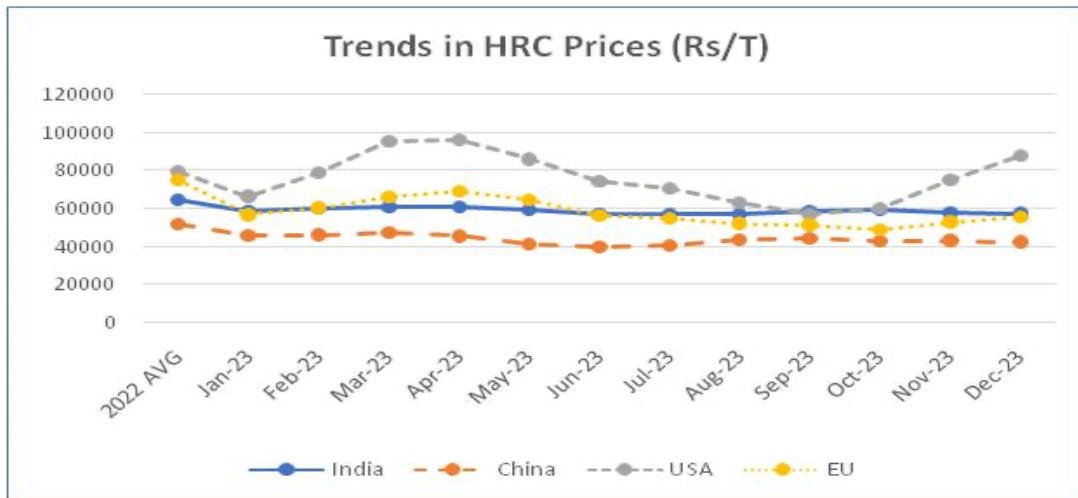
Long Products

- 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. Prices have gone up in the USA and European Union, and marginally in China in December 2023 compared with the previous month. In India, however, rebar prices have come down slightly on month-on-month basis. On a year-on-year basis, rebar prices have softened in all the four markets under consideration here.
- Rebar prices went up in China triggered by market expectation that China could introduce further stimulus in the property and infrastructure sectors in 2024. Both of these sectors are key steel demand drivers in China.
- In the USA, rebar prices were mostly steady as the buyers were assessing if the domestic mills will increase prices as scrap prices are expected to rise going forward. Rebar prices were also steady in India due to lower participation levels in the market amid expectations of an improvement going ahead.
- Northwest European domestic rebar prices, meanwhile, jumped as mills hiked offers amid high costs. However, demand remained slow as buyers usually hold back from placing new orders at the end of the year.



Flat Products

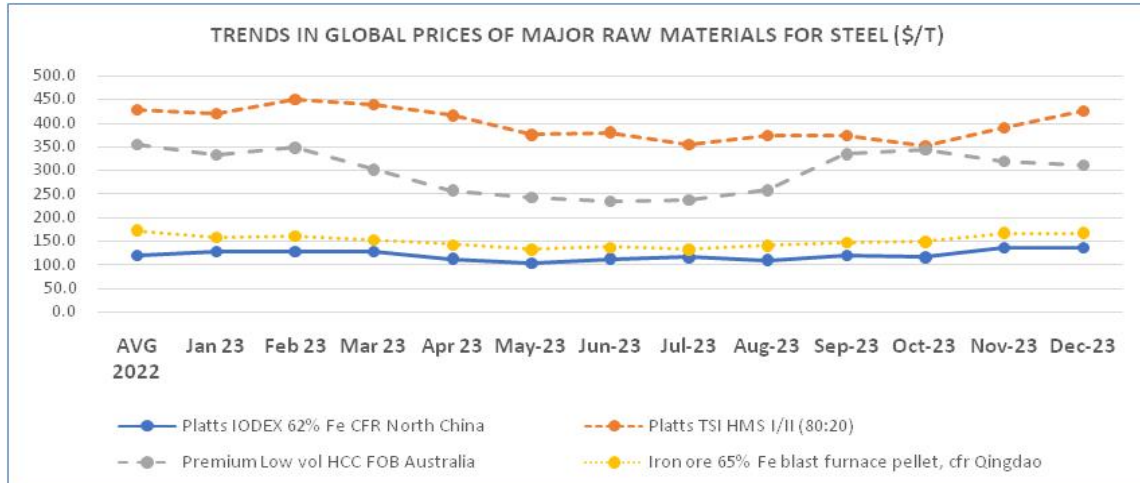
- As in case of rebar, HRC prices have also seen fluctuations in major markets, due to a mix of seasonal factors, local supply-demand imbalance and policy impact. Prices have gone up in the USA and the European Union, while in India and China, prices have come down marginally in December 2023 compared with the previous month. On a year-on-year basis, HRC prices, have gone up in all the markets barring China.
- Market sentiment in China has not recovered fully, according to market watchers. However, they are optimistic about the near-term outlook, though end-users are not keen to procure high-priced HRCs in large quantities.
- European steelmakers have been aiming for higher domestic HRC prices, and good order books of the mills have been supporting the increase.
- In India, HRC prices remained stable as demand remained at lower levels amid expectations of muted activity in December. Similarly, in the USA, prices remained steady as mills were reported to be holding to higher offers amid healthy demand for contractual volumes.



[Source Credit: Fastmarkets Metal Bulletin]

RAW MATERIAL SCENARIO

Prices of major raw materials for steel making – iron ore, scrap, coal – had shown an upward bias in the first two months of 2023. Thereafter, the prices either remained flat or followed a downward trajectory till June-July 2023. From July-August 2023 onwards, prices have started to move up slowly. Especially, Premium low volume HCC FOB Australia and Platts TSI HMS I/II (80:20) have shown a steep rise in prices from August 2023 onwards.



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

NEWS AROUND THE GLOBE

- Japan's largest steelmaker, Nippon Steel said that it will acquire Pennsylvania-located US Steel for a deal equating to more than \$14 billion, a move Nippon Steel said would help boost its annual crude steel production capacity to 86 million mt/year.
- German crude steel production is expected to drop 4% year on year in 2023 to 35.5 million mt, the lowest production level recorded since 2009. The energy-intensive electric arc furnace-based production has been affected the most and expected to drop to 10.1 million mt in 2023, a drop of 11% year on year.
- The European Commission looks set to announce an extension of quotas for sanctions-free imports of Russian-origin semi-finished steel products past September 30, 2024, when the current quotas expire.
- Europe risks a delay in decarbonisation amid a looming ferrous scrap supply risk, European steel federation Eurofer said. Eurofer is responding to the expected adoption of the Critical Raw Materials Act and EU Waste Shipment regulation which are expected to become law, if approved at final stage, early in 2024.
- Latin American steel traders welcomed moves by Argentina's new government to facilitate imports by removing bureaucratic hurdles. However, it is still early to gauge the overall impact of the country's latest economic plan.

- Usiminas, Brazil’s largest flat products steelmaker, has now started the process of halting its blast furnace no. 1 due to weak domestic market conditions and high steel import levels.
- Turkish metal exporters are expecting a recovery both in output and sales volumes starting in the second quarter of 2024, with the gradual easing of tight monetary policies and inflationary environment that have put the market under pressure.
- UK Steel has urged the government to safeguard its own domestic scrap supplies, underlining its status as a key raw material for US net-zero steel production.
- China’s finished steel exports in November rebounded to the fourth-highest so far in 2023 at 8.005 million mt, up 3% month-on-month and 43.2% year-on-year.
- Several US environmental groups sent a letter to President Joe Biden and the US Trade Representative Katherine Tai urging the US to expedite negotiations with the EU on the Global Arrangement on Sustainable Steel and Aluminium after the government missed an October deadline.
- H2 Green Steel is on schedule to produce its first low-carbon steel using hydrogen by the end of 2025 or the beginning of 2026, before ramping up output, in a process that could cut carbon dioxide emissions by 95%.
- South Africa’s largest primary steel producer ArcelorMittal South Africa said that it was contemplating the wind-down of its long steel products business at the Newcastle and Vereeniging works, which for now it said may be place on care and maintenance.

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-November 2023, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-November 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-November 2023*(mt)	April-November 2022 (mt)	% change*
Crude Steel Production	94.114	87.072	14.7
Hot Metal Production	56.686	52.384	8.2
Pig Iron Production	4.808	4.002	20.1
Sponge Iron Production	33.452	28.377	17.9
Total Finished Steel (alloy/stainless + non-alloy)			
Production	89.711	78.498	14.3
Import	4.253	3.751	13.4
Export	4.032	4.299	-6.2
Consumption	87.066	75.765	14.9
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 94.114 million tonnes (mt), up by 14.7%.
- **Hot Metal:** Production at 56.686 mt, up by 8.2%.
- **Pig Iron:** Production at 4.808 mt, up by 20.1%.
- **Sponge Iron:** Production at 33.452 mt, up by 17.9%, led by coal-based route (81% share).
- **Total Finished Steel:** Production at 89.711 mt, up by 14.3%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 55.170 mt (59% share) during this period, up by 6.8%. The rest (38.944 mt) came from the Other Producers, up by 28.1%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 51.156 mt (90% share) up by 4.5%. The rest (5.530 mt) came from the Other Producers, up by 61.5%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 0.930 mt (19% share) down by 4.6%. The rest (3.878 mt) came from the Other Producers, up by 28.1%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 50.531 mt (56% share) up by 9.7%. The rest (39.181 mt) came from the Other Producers, up by 20.9%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 84% share, the Private Sector (78.684 mt, up by 15.9%) led crude steel production compared to the 16% contribution of the PSUs (up by 8.6%).
- **Hot Metal:** With 71% share, the Private Sector (40.250 mt, up by 8.1%) led hot metal production, compared to the 29% contribution of the PSUs (up by 8.6%).
- **Pig Iron:** With 94% share, the Private Sector (4.536 mt, up by 22.5%) led pig iron production, compared to the 6% contribution of the PSUs (down by 9.3%).
- **Total Finished Steel:** With 85% share, the Private Sector (76.527 mt, up by 14.9%) led production of total finished steel, compared to the 15% contribution of the PSUs (up by 10.9%).

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Non-flat products accounted for 55% share (up by 16.0%), the rest 45% was the share of flats (up by 12.2%).
- **Import:** Flat products accounted for 93% share (up by 13.2%), the rest 7% was the share of non-flats (up by 15.7%).
- **Export:** Flat products accounted for 87% share (down by 4.5%), the rest 13% was the share of non-flats (down by 16.2%).
- **Consumption:** Led by Non-flat steel (55% share; up by 15.7%) while the rest 45%

was the share of flat steel (up by 14.0%).

Finished Steel Production Trends

- At 89.711 mt, production of total finished steel was up by 14.3%.
- Contribution of the non-alloy steel segment stood at 83.613 mt (93% share, up by 15.6%), 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 production of total finished steel was Bars & Rods (37.831 mt, up by 15.8%) while growth in the non-alloy, flat segment was led by HRC (34.510 mt, up by 15.7%) during this period.

Finished Steel Export Trends

- Overall exports of total finished steel at 4.032 mt, down by 6.2%.
- Volume wise, HR Coil/Strip (1.392 mt) was the item most exported (35% share in total finished steel).
- Italy (0.746 mt) was the largest export market for India.

Finished Steel Import Trends

- Overall imports of total finished steel at 4.253 mt, up by 13.4%.
- India was a net importer of total finished steel in April-November 2023.
- Volume wise, HR Coil/Strip (1.773 mt, up by 45.4%) was the item most imported (42% share in total finished steel).
- China (1.334 mt) was the largest import market for India (31% share in total).

Finished Steel Consumption Trends

- At 87.066 mt, consumption of total finished steel was up by 14.9%.
- Contribution of the non-alloy steel segment stood at 80.298 mt (92% share, up by 14.4%), 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 (36.588 mt, up by 14.4%) while growth in the non-alloy, flat segment was led by HRC (32.901 mt, up by 13.3%) 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 Q2 2023-24 is estimated to have attained a level of ₹41.74 lakh crore, as against ₹38.78 lakh crore in Q2 2022-23, showing a growth of 7.6 per cent. All the sectors reported positive growth during this period, with the *Manufacturing sector* reporting the highest growth (13.9%) and *Agriculture, Livestock, Forestry & Fishing sector*, the lowest (1.2%).

Industrial Production: Provisional CSO data show that the overall Index of Industrial Production (IIP) for the April-November period of financial year 2023-24 rose by 6.4% 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 8.6% during the April-November period of financial year 2023-24, with all the sectors, excluding only crude oil, registering growth ranging from 5% to 14.2% on yoy basis.

Inflation: The rate of inflation based on Consumer Price Index stood at 5.69% and that on Wholesale Price Index stood at 0.73% in December 2023. Both CPI and WPI inflation went up marginally during the month under review compared with the previous month.

Prepared by: Joint Plant Committee