



# Trend Report ... February 2022

The Russian-Ukraine crisis has the potential of inflicting a deep impact on the global steel market be it availability , logistics , trade , cost or prices.

## WORLD ECONOMY AT A GLANCE

- Markit Economics reports indicate that February 2022 saw a mild rise in the rate of expansion of the global manufacturing sector, as growth of output, new orders and employment all reported robust trends. This is also reflected in the J.P. Morgan Global Manufacturing PMI which stood at 53.6 in February 2022, up from 53.2 in January 2022.
- The reports also highlight that February 2022 PMI growth was led by Europe, with the seven top-ranked countries (Netherlands, Germany, Austria, Italy, the UK, Ireland and Greece) all located there. PMIs for China and Japan signalled expansions, but were below the global average. Russia, Mexico and Myanmar were the only nations to see contractions.
- February 2022 also saw new export business post a mild improvement, following a slight drop in January 2022, significantly stressed supply chain delivery and mild rise in both input costs and output charges.

Key Economic Figures			
Country	GDP 2021: %change*	Manufacturing PMI	
		January 2022	February 2022
India	8.2	54.0	54.9
China	8.1	49.1	50.4
Japan	1.7	55.4	52.7
USA	5.7	55.5	57.3
Eurozone	5.2	58.7	58.2
Brazil	4.6	47.8	49.6
Russia	4.7	51.8	48.6
South Korea	4.0	52.8	53.8
Germany	2.9	59.8	58.4
Turkey	11.0	50.5	50.4
Italy	6.6	58.3	58.3

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

## GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 155.03 million tonnes (mt) in January 2022, down by 6.1% yoy, as per provisional data released by World Steel Association (worldsteel).

World crude steel production: January 2022 (prov).			
Rank	Top 10	Qty (mt)	% change
1	China	81.685	-11.2
<b>2</b>	<b>India</b>	<b>10.781</b>	<b>4.7</b>
3	Japan	7.758	-2.1
4	USA	7.266	4.2
5	Russia	6.570	3.3
6	South Korea	5.980	-1.0
7	Germany	3.259	-1.4
8	Turkey	3.161	-7.8
9	Brazil	2.883	-4.8
10	Iran	2.800	20.3
<b>Total:10</b>		<b>132.143</b>	<b>-6.7</b>
<b>World</b>		<b>155.030</b>	<b>-6.1</b>
Source: worldsteel			

- Despite an 11.2% decline in crude steel production (81.685 mt), China remained the leader in world crude steel production in January 2022.
- The nation accounted for 73% of Asian and 53% of world crude steel production during this period.
- With a 7% share in total world production, India (10.781 mt) reported a yoy production growth of 4.7% in January 2022 and remained the 2<sup>nd</sup> largest producer.
- Japanese crude steel production (7.758 mt) was down 2.1% during this period and the country was the 3<sup>rd</sup> largest crude steel producer in the world.
- USA remained at the 4<sup>th</sup> largest spot, with production (7.266 mt), up 4.2% yoy while Russia (6.57 mt, up 3.3% yoy) was the 5<sup>th</sup> largest crude steel producer during this period.
- The top 10 countries accounted for 85% of total world crude steel production during this period and saw their cumulative production decline by 6.7% in January 2022.

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## NEWS AROUND THE WORLD

- China's HRC capacity is all set for expansion in 2022-2023 with around 14 new HSMs scheduled for commissioned in 2022, with a combined capacity of around 41.4 mtpa as per Platts reports. Another 10 HSMs are set to be commissioned in 2023, with a total capacity of 26.6 mtpa.
- Cleveland-Cliffs, one of the largest flat-rolled steel producers in North America, will indefinitely idle the 2.1 mtpa blast furnace 4 at its Indiana Harbor steel works within the next two months.
- The US will take steps to support the domestic production and procurement of steel and aluminum made with lower-carbon methods as part of a slate of new initiatives that are aimed at boosting American leadership in "clean" manufacturing.
- The White House said it will establish a "Buy Clean Task Force" comprised of several government agencies to encourage the purchase and use of more sustainably manufactured construction materials.
- ArcelorMittal Brasil will invest Real 1.3 billion (\$250.59 million) to double its Barra Mansa mill current 0.8 mtpa crude steel capacity, and increase finished output capacity.
- The US has reached a deal in which it will allow certain volumes of steel shipments from Japan to be imported duty-free without the application of its 25% Section 232 steel tariff.
- Turkey steel exports rose 20% to a record 19.9 mt in 2021.
- The European steel industry is set to continue its modest recovery in 2022, although high energy prices and uncertainty are expected to remain a risk until at least mid year as per the Eurofer.
- Japan's iron and steel product exports rose 7% yoy to 34.4 mt in 2021.
- India's Tata Steel Long Products has won the bidding process to acquire a 93.7% stake in Odisha-based Neelachal Ispat Nigam Limited, or NINL, for INR 12,100 crore (\$1.6 billion).
- The European Commission, which is investigating alleged dumping of HDG coil by Russia and Turkey, has decided not to impose provisional duties at this stage due to the complexity of the investigation.
- Vietnam's steel exports rose 42% in 2021 to 14 mt.
- The UK's Trade Remedies Authority has initiated a tariff rate quota review into all categories of imported steel products and will assess whether exceptions to the safeguard measures affecting developing countries need to be amended.
- Most Ukrainian ports have been closed since the Russian attack on the country started on February 24, 2022.
- Western sanctions on Russia for its aggression toward Ukraine, and in response to the Russian President's recognition of two eastern Ukrainian territories as autonomous regions, have impacted trade and disrupted the financing of deals for Russia-origin steel products and raw materials, as per market analysts.

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

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## WORLD STEEL PRICE TRENDS

The Russia-Ukraine conflict has caused panic in the market about supply shortage with the result that prices have moved north radically, be it iron ore or coking coal. Prices of steel have also responded to the crisis but its northward movement so far has been limited. Increasing risk of procurement, constraints of financial approval, non-accessibility due to port blockage, growing uncertainty about availability, rising safety and security concerns are among the major factors that have driven sentiments in the commodity markets around the world. To what extent, steel prices would be impacted hinges significantly on the extent of aggravation of the Russia-Ukraine crisis and its longevity.

### Long Products

- US rebar market remained quiet in February 2022, with demand remaining steady. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$1030/t at month-end.
- February 2022 steel rebar prices in European market were broadly stable. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €810-840/t (\$917-951) in Southern Europe and around €820-860/t (\$929-974) in Northern Europe.
- Chinese rebar prices saw mild gains in February 2022. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 4,700-4,740 yuan/t (\$744-751) in Shanghai and around 4,720-4,760 yuan/t in Beijing.
- Russian prices for steel rebar remained stable in February 2022, affected by muted transactions. Fastmarkets' assessment for steel reinforcing bar (rebar), domestic, cpt Moscow, Russia was 63,000-65,000 roubles/t at month-end.

### Flat Products

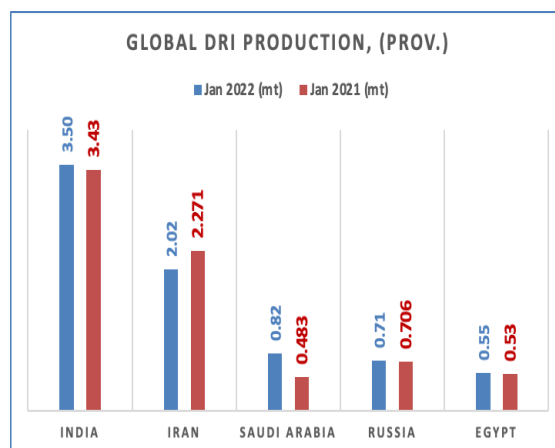
- February 2022 saw US HRC prices push past the \$1,000/s.t. mark following supply uncertainties in view of Russian-Ukraine conflict. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$1020/s.t. at month-end.
- The Russian-Ukraine conflict also impacted HRC prices in the European market, with most adopting a wait-and-watch policy for further price hikes. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €900/t in Southern Europe and around €970/t in Northern Europe.
- Chinese HRC prices shot up in February 2022 following movements in spot market and export market. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 4,930-4,950 yuan/t (\$782-785) in Shanghai.
- Supply shortages pushed up Russian hot rolled flat prices in February 2022. Fastmarkets' price assessment for steel hot-rolled sheet, domestic, cpt Moscow, Russia stood at 89,000 roubles/t (\$1,150) including 20% value-added tax.

[Source Credit: Fastmarkets Metal Bulletin]

## SPECIAL FOCUS

### India leads global DRI production in 2022 so far

Provisional worldsteel report indicates that global DRI output stood at 8.55 mt in January 2022, down 0.5% yoy. Such growth was driven by India (3.5 mt, up 2.1%) at the number one spot and Iran, where production stood at 2.02 mt, down 11.1%. The two countries together accounted for 65% of global DRI output during January 2022. Together, the top five countries accounted for 89% of the world DRI production during January 2022 and saw their cumulative output go up 2.4% yoy.



## INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-January 2021-22, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-January 2021-22. 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-January 2021-22*(mt)	April-January 2020-21 (mt)	% change*
Crude Steel Production	98.887	83.716	18.1
Hot Metal Production	64.959	56.116	15.8
Pig Iron Production	4.874	3.906	24.8
Sponge Iron Production	32.719	27.955	17.0
<b>Total Finished Steel (alloy/stainless + non-alloy)</b>			
Production	93.271	77.048	21.1
Import	3.907	3.792	3.0
Export	11.142	8.837	26.1
Consumption	86.829	75.580	14.9
Source: JPC; *provisional; mt=million tonnes			

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## Overall Production

- **Crude Steel:** Production at 98.887 million tonnes (mt), up by 18.1%.
- **Hot Metal:** Production at 64.959 mt, up by 15.8%.
- **Pig Iron:** Production at 4.874 mt, up by 24.8%.
- **Sponge Iron:** Production at 32.719 mt, up by 17.0%, led by coal-based route (77% share).
- **Total Finished Steel:** Production at 93.271 mt, up by 21.1%.

## Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 61.229 mt (62% share) during this period, up by 16.1%. The rest (37.658 mt) came from the Other Producers, up by 21.6%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 57.922 mt (89% share) up by 14.1%. The rest (7.037 mt) came from the Other Producers, up by 31.2%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 1.262 mt (26% share) up by 11.5%. The rest (3.612 mt) came from the Other Producers, up by 30.2%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 53.432 mt (57% share) up by 20.0%. The rest (39.839 mt) came from the Other Producers, up by 22.5%.

## Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 81% share, the Private Sector (80.09 mt, up by 17.3%) led crude steel production compared to the 19% contribution of the PSUs.
- **Hot Metal:** With 69% share, the Private Sector (44.562 mt, up by 13.5%) led hot metal production, compared to the 31% contribution of the PSUs.
- **Pig Iron:** With 89% share, the Private Sector (4.324 mt, up by 28.1%) led pig iron production, compared to the 11% contribution of the PSUs.
- **Total Finished Steel:** With 85% share, the Private Sector (78.913 mt, up by 19.2%) led production of total finished steel, compared to the 15% contribution of the PSUs.

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

- **Production:** Non-flat products accounted for 52% share (up by 25.7%), the rest 48% was the share of flats (up by 16.4%).
- **Import:** Flat products accounted for 92% share (up by 7.4%), the rest 8% was the share of non-flats (down by 29.7%).
- **Export:** Flat products accounted for 78% share (up by 11.0%), the rest 22% was the share of non-flats (up by 141.1%).
- **Consumption:** Led by Non-flat steel (54% share; up by 16.3%) while the rest 46% was the share of flat steel (up by 13.3%).

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## Finished Steel Production Trends

- At 93.271 mt, production of total finished steel was up by 21.1% in April-January 2021-22.
- Contribution of the non-alloy steel segment stood at 87.464 mt (94% share, up by 20.4%), 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 production of total finished steel was Bars & Rods (37.538 mt, up by 28.4%) while growth in the non-alloy, flat segment was led by HRC (38.470 mt, up by 14.7%) during this period.

## Finished Steel Export Trends

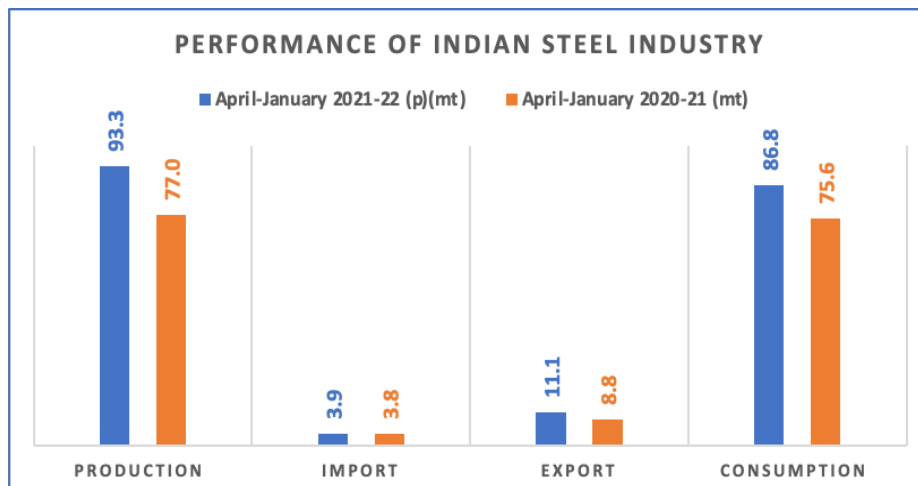
- Overall exports of total finished steel at 11.142 mt, up by 26.1%.
- Volume wise, Non-alloy HR Coil/Strip (4.952 mt, down by 12.8%) was the item most exported (49% share in total non-alloy).
- Vietnam (1.394 mt) was the largest export market for India.

## Finished Steel Import Trends

- Overall imports of total finished steel at 3.907 mt, up by 3.0%.
- India was a net exporter of total finished steel in April-January 2021-22.
- Volume wise, Non-alloy HR Coil/ Strip (0.682 mt, up by 6.4%) was the item most imported (28% share in total non-alloy).
- Korea (1.676 mt) was the largest import market for India (43% share in total).

## Finished Steel Consumption Trends

- At 86.829 mt, consumption of total finished steel was up by 14.9% in April-January 2021-22.
- Contribution of the non-alloy steel segment stood at 80.514 mt (93% share, up by 13.9%), 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 (36.686 mt, up by 17.7%) while growth in the non-alloy, flat segment was led by HRC (33.156 mt, up by 12.1%) during this period.





## INDIAN ECONOMY – HIGHLIGHTS OF PERFORMANCE

**GDP:** The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation has released the Second Advance Estimates of National Income, 2021-22 as well as Quarterly Estimates of GDP for the quarter October-December (Q3), 2021-22. As per the reports, GDP at Constant (2011-12) Prices in the year 2021-22 is estimated to attain a level of ₹ 147.72 lakh crore, as against the First Revised Estimate of GDP for the year 2020-21 of ₹ 135.58 lakh crore, indicating a growth of 8.9% as compared to a contraction of 6.6% in 2020-21. Further, GDP at Constant (2011-12) Prices in Q3 of 2021-22 is estimated at ₹ 38.22 lakh crore, showing a growth of 5.4%. Almost all the lead sectors reported a growth during Q3 of 2021-22, with the exception of *Construction* (decline by 2.8%). *Manufacturing* reported the lowest growth rate (0.2%) and *Public Administration, Defence and Other Sectors* (16.8%), the highest.

**Industrial Production:** Provisional CSO data show that the overall Index of Industrial Production (IIP) for the month of April-December 2021, rose by 15.2% due to a significantly low base of same period of last year. Similar high levels of growth trends were noted for the various sectors/sub-sectors due to the same reason.

**Infrastructure Growth:** Provisional data released by the DPIIT indicate that the Index for the Eight Core Infrastructure Industries saw a growth of 11.6% during April-January 2021-22 with all the sectors reporting a rise except Crude Oil and Fertilisers.

**Inflation:** In January 2022 (prov.), the annual rate of inflation, based on monthly WPI, stood at 12.96% while the all India CPI inflation rate (combined) stood at 6.01% and compared to the previous month, the former registered a decline and the latter registered a growth.

**Trade:** Provisional figures from DGCI&S show that during April-January 2021-22, in dollar terms, overall exports were up by 46.69% while overall imports were up by 62.8%, both on yoy basis. Overall trade deficit for this period is estimated at USD 71.19 billion as compared to the deficit of USD 3.3 billion in same period of last year.

Prepared by: Joint Plant Committee