



# Indian Steel Industry: July 2022 – A Trend Report

Q1 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.

## WORLD ECONOMY AT A GLANCE

- The global manufacturing sector stagnated in July 2022, following a brief return to growth in the previous month as per reports from Markit Economics. The survey indicated that the stalling of the upturn was largely due to weakness in developed nations (output declined in the US, the Euro area, Japan and the UK) while Emerging markets saw output rise for the second month running in July 2022. The performances among emerging nations were varied: while upturns continued in China, India and Brazil, contractions were seen in nations such as Russia, Poland, Mexico and Turkey. At an overall level, the J.P. Morgan Global Manufacturing PMI fell to a two-year low of 51.1 in July 2022, down from 52.2 in June 2022.
- New export business businesses contracted for the fifth month running and at a faster pace as per the Report in July 2022, which saw rates of input cost and output charge inflation both ease to 17-month lows. Although employment rose for the twenty-first consecutive month, the rate of increase was among the weakest during that sequence.

Key Economic Figures			
Country	GDP 2021: %change*	Manufacturing PMI	
		June 2022	July 2022
India	8.2	53.9	56.4
China	8.1	51.7	50.4
Japan	1.7	52.7	52.1
USA	5.7	52.7	52.2
Eurozone	5.2	52.1	49.8
Brazil	4.6	54.1	54
Russia	4.7	50.9	50.3
South Korea	4.0	51.3	49.8
Germany	2.9	52	49.3
Turkey	11.0	48.1	46.9
Italy	6.6	50.9	48.5

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

## GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 949.4 mt in January-June 2022, registering a decline of 5.5% year-on-year (yoy), according to provisional data released by World Steel Association (worldsteel). In the month of June 2022, world crude steel production stood at 158.1 mt, down 5.9% yoy. The following table shows crude steel production by world's top 10 countries in January-June 2022 and percentage change in comparison to their output in the corresponding period of the previous year.

World Crude Steel Production (Prov)			
Rank	Top 10	Jan-Jun '22 (mt)	% yoy change
1	China	526.9	(-) 6.5
2	India	63.2	8.8
3	Japan	46.0	(-) 4.3
4	USA	41.1	(-) 2.2
5	Russia	35.4	(-) 7.2
6	South Korea	33.8	(-) 3.9
7	Germany	19.6	(-) 5.5
8	Turkey	19.0	(-) 4.6
9	Brazil	17.4	(-) 2.9
10	Iran	13.6	(-) 10.8
<b>Top 10 Total</b>		<b>816</b>	<b>(-) 5.0</b>
<b>World</b>		<b>949.4</b>	<b>(-) 5.5</b>
<b>Source: worldsteel</b>			

- China remained the leader in world crude steel production with an output of 526.9 mt in January-June 2022, a decline of 6.5% yoy. The country accounted for 55.5% of world crude steel production during the period.
- **With a share of 6.7% of global production, India was the 2<sup>nd</sup> largest producer of crude steel with an output of 63.2 mt in January-June 2022, up by 8.8% and was the only nation in the Top 10 bracket to report a growth in production.**
- Japan was the 3<sup>rd</sup> largest producer of crude steel with an output of 46 mt in January-June 2022 period, down by 4.3% yoy.
- With crude steel production of 41.1 mt (down 2.2% yoy), the USA was the 4<sup>th</sup> largest producer of crude steel during January-June 2022.
- Russia's crude steel production stood at 35.4 mt (down 7.2% yoy) in January-June 2022 period and the country was the 5<sup>th</sup> largest producer of crude steel.
- The top 10 countries' cumulative production in January-June 2022 stood at 816 mt (down 5% yoy) and they accounted for nearly 86% of world production during this period.
- Asian crude steel production stood at 698.3 mt during January-June 2022, showing a 4.9% decline yoy, led primarily by China and India, with their respective shares of 75% and 9% in total Asian crude steel production during the period.

## NEWS AROUND THE WORLD

- The United States Department of Energy (DOE) plans to help finance the advancement of a range of decarbonization technologies that can shrink the carbon footprint of key industries including iron and steel, it said on Thursday June 30. The two-to-three-year funding opportunities will be announced in August and are part of the DOE's efforts to decarbonize the US industrial sector and move the country toward net-zero carbon emissions.
- Oversupply still remains in China's steel market due to stagnant steel demand, with sharply slowed property construction and unfavorable weather as two major reasons behind the sluggishness.
- Brazilian chemical maker Unigel is building the first industrial green hydrogen plant in the northeastern state of Bahia, with the goal of helping customers, including those in the steel sector, decarbonize their operations.
- Turkish steelmaker Habas plans to raise its hot-rolling capacity with a new 1.25 mtpa mill to meet rising demand from the domestic and export markets.
- BHP and steelmaker Tata Steel have partnered to explore lower carbon iron and steelmaking technology in India. The two companies have signed a MoU to try to reduce CO<sub>2</sub> emissions from BF route by using biomass as an energy source or through the application of carbon capture and utilization.
- At 7.56 mt, China's finished steel exports fell by 2.6% in June 2022 after hitting a 13-month high in May 2022. However, June exports were still 17.2% higher year on year.
- The UK government has proposed that the antidumping measures on rebar from China are removed to meet demand from the construction industry.
- Anglo American has signed a MoU with Nippon Steel to speed up the transition to lower carbon steelmaking. As part of the agreement, Anglo will look for ways to optimize premium lump ore produced by Anglo American's mines to decrease emissions through the traditional blast furnace steelmaking process.
- A 1.5 mt capacity blast furnace at ArcelorMittal's Dunkirk, France, steelworks is being idled following a rundown of operations, and weak market conditions.
- India's Tata Steel July 4 completed its takeover of NINL, and reiterated its plans to add 10 mtpa of long steel production capacity to NINL by 2030.
- Liberty Steel Group, part of the GFG Alliance grouping has signed a contract with Danieli for two hybrid EAFs to the integrated Liberty Ostrava steel mill in the Czech Republic as part of the mill's green steel drive.
- Salzgitter's supervisory board has approved a Eur723 million (\$729.2 million) investment for the first expansion stage of the low-carbon emissions steel SALCOS, which will fully convert in three stages its integrated steelworks in the city of Salzgitter to produce to low-carbon emission crude steel using hydrogen direct reduction by 2033
- Russian Industry and Trade Minister Denis Manturov has asked for the president's approval to reduce federal taxes on steel and raw materials used for steelmaking.

[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 July 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. Prices thus remained south-bound in the first month of Q3 2022 due largely to limited transactions, demand-supply imbalance and dull demand/weak market sentiments, sliding raw material prices almost in all the major markets, with participants adopting a wait-and-watch outlook – for price-slide to bottom out and stabilise before they return to market. Relevant to note here that with the exception of India, global crude steel production in the first six months of 2022 remains on a declining trend in all the major steel producing markets.

### Long Products

- US rebar prices softened in July 2022 amidst bearish sentiments, falling scrap prices and hit by inflation and general economic downtrend. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$1060/t at month-end.
- July 2022 rebar prices remained depressed in the European market, in view of weak demand, most awaiting a wait-n-watch policy, low transactions, surging energy cost and seasonal maintenance drive. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €930-1,000/t (\$946-1017) in Northern Europe and around €860-910/t (\$873-924) in Southern Europe.
- China's domestic rebar prices increased in July 2022 due to the optimistic outlook following government's announcement of further infrastructure development and easing of pandemic-led restrictions. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 4,080-4,100 yuan/t (\$605-608) in Shanghai. Sentiments, however, took a setback owing to high inventory levels and extreme summer temperatures.
- Domestic steel rebar prices in softened in July 2022 following active restocking in the earlier weeks and low demand. Fastmarkets' price assessment for steel rebar, domestic, cpt Moscow, Russia stood at 46,000-48,000 roubles/t (\$801- 836) at month-end.

### Flat Products

- US HRC prices remained south-bound in July 2022, pulled down by weak market sentiments and factors affecting long market. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$813/s.t. at month-end.
- Slow demand, output cut, and low transactions led European HRC prices head south in July 2022. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €856/t (\$871/t) in Northern Europe, and around €780/t in Southern Europe.
- Surge in future prices, government announcement on economic development and easing of COVID-19 restrictions boosted Chinese HRC prices in July 2022. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 3950-3970 yuan/t (\$586-589) at month-end.
- Russian flat steel prices moved south in July 2022, faced by low demand, oversupply and weak market conditions. Fastmarkets' price assessment for steel hot-rolled sheet, domestic, cpt Moscow, Russia stood at 50,800 roubles/t including 20% VAT.

[Source Credit: Fastmarkets Metal Bulletin]

## SPECIAL FOCUS

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

World DRI production stood at 54.5 mt in January-June 2022 period, showing a yoy growth of 1.6%, according to provisional data released by worldsteel. The following table shows DRI production by world's top 5 countries in January-June 2022 period and percentage change in comparison to their output in the corresponding period of the previous year.

World DRI Production (Prov)			
Rank	Top 5	Jan-Jun '22 (mt)	% yoy change
1	India	20.5	4
2	Iran	15.6	(-)8.1
3	Russia	4	3.2
4	Saudi Arabia	3.6	23.2
5	Egypt	3	18.2
<b>Top 5 Total</b>		<b>46.8</b>	<b>1.5</b>
<b>World</b>		<b>54.5</b>	<b>1.6</b>
Source: worldsteel			

- India remained the leader in world DRI production with an output of 20.5 mt (up 4% yoy) in January-June 2022 period. The country accounted for 37.6% of world DRI production during the first six months of 2022.
- Iran was the 2<sup>nd</sup> largest producer of DRI with a cumulative production of 15.6 mt in January-June 2022 period, a yoy decline of 8.1%. It accounted for 28.7% of world DRI production during the period.
- The top 5 countries accounted for nearly 86% of total world DRI production in January-June 2022 with a cumulative output of 46.8 mt, up by 1.5% yoy.

## RAW MATERIAL SCENARIO

- Seaborne iron ore prices remained south-bound in July 2022 given the sustained bearish mood in spot markets, which however, got some encouragement from news that China will look to support infrastructure development and easing of COVID-19 restrictions. The Platts IODEX 62% Fe fines was assessed around \$114/dmt CFR north China at month-end.
- Metinvest has started winding down iron ore operations at its Ingulets GOK, Southern GOK and Northern GOK mining operations citing changes in supply-chain disruptions but will continue to maintain production at Central GOK, though at reduced levels.
- Vale has reduced its iron ore output guidance for 2022 due to a 1.2% yoy drop in Q2 2022 and the sale of its Midwestern System, to 310-320 mt, compared with a previous target of 320-335 mt set earlier.

- China's Baosteel will install the country's largest hydrogen-based direct reduced iron (DRI) plant in Guangdong at its Zhanjiang Iron & Steel subsidiary. The plant will produce 1 mtpa of premium DRI using natural gas, coke oven gas and hydrogen, with a targeted start date of early 2024.
- Seaborne coking coal prices mostly declined in fob Australia and cfr markets on Friday July 29 due to temporarily sufficient supply in the fob Australia market. Premium Low vol HCC FOB Australia stood at 191\$/t at month-end.
- Coal exports from Australia's Queensland (17.93 mt) fell by 0.5% yoy in June 2020 but were 6% higher over May 2022.
- India aims to produce 140 mt of raw coking coal per year by 2030, as per announcement from the country's ministry of coal.
- Steel scrap prices in both Turkey and the major Asian markets were under pressure in July 2022 amidst weak sales of steel products.
- China's steel scrap consumption totaled 119.55 mt in H1 2022, down by 13.3% yoy as per, the China Association of Metalscrap Utilization (CAMU) with the drop attributed to Chinese mills' low appetite for the product amid cross-industry pandemic-induced lockdown.
- Shagang Group effected five cuts to steel scrap purchase price in response to persistent bearish market sentiment in China.

[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-June 2022, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-June 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-June 2022*(mt)	April-June 2021 (mt)	% change*
Crude Steel Production	30.980	27.986	10.7
Hot Metal Production	19.671	18.920	4.0
Pig Iron Production	1.484	1.629	-8.9
Sponge Iron Production	10.496	9.874	6.3
<b>Total Finished Steel (alloy/stainless + non-alloy)</b>			
Production	28.889	26.476	9.1
Import	1.172	1.158	1.2
Export	2.190	3.557	-38.4
Consumption	27.361	24.989	9.5
Source: JPC; *provisional; mt=million tonnes			

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## Overall Production

- **Crude Steel:** Production at 30.980 million tonnes (mt), up by 10.7%.
- **Hot Metal:** Production at 19.671 mt, up by 4.0%.
- **Pig Iron:** Production at 1.484 mt, down by 8.9%.
- **Sponge Iron:** Production at 10.496 mt, up by 6.3%, led by coal-based route (79% share).
- **Total Finished Steel:** Production at 28.889 mt, up by 9.1%.

## Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 18.787 mt (61% share) during this period, up by 7.9%. The rest (12.193 mt) came from the Other Producers, up by 15.3%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 17.827 mt (91% share) up by 5.7%. The rest (1.844 mt) came from the Other Producers, down by 10.3%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 0.343 mt (23% share) down by 38.5%. The rest (1.141 mt) came from the Other Producers, up by 6.5%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 16.176 mt (56% share) up by 4.6%. The rest (12.713 mt) came from the Other Producers, up by 15.5%.

## Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 83% share, the Private Sector (25.640 mt, up by 12.2%) led crude steel production compared to the 17% contribution of the PSUs (up by 4.1%).
- **Hot Metal:** With 70% share, the Private Sector (13.865 mt, up by 4.7%) led hot metal production, compared to the 30% contribution of the PSUs (up by 2.3%).
- **Pig Iron:** With 87% share, the Private Sector (1.295 mt, down by 9.1%) led pig iron production, compared to the 13% contribution of the PSUs (down by 7.6%).
- **Total Finished Steel:** With 86% share, the Private Sector (24.737 mt, up by 9.7%) led production of total finished steel, compared to the 14% contribution of the PSUs.

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

- **Production:** Non-flat products accounted for 54% share (up by 12.3%), the rest 46% was the share of flats (up by 5.7%).
- **Import:** Flat products accounted for 95% share (up by 7.0%), the rest 5% was the share of non-flats (down by 48.4%).
- **Export:** Flat products accounted for 85% share (down by 35.6%), the rest 15% was the share of non-flats (down by 50.3%).
- **Consumption:** Led by Non-flat steel (56% share; up by 8.2%) while the rest 44% was the share of flat steel (up by 11.2%).

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## Finished Steel Production Trends

- At 28.889 mt, production of total finished steel was up by 9.1%.
- Contribution of the non-alloy steel segment stood at 27.147 mt (94% share, up by 9.4%), 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 (12.136 mt, up by 11.3%) while growth in the non-alloy, flat segment was led by HRC (11.486 mt, up by 6.0%) during this period.

## Finished Steel Export Trends

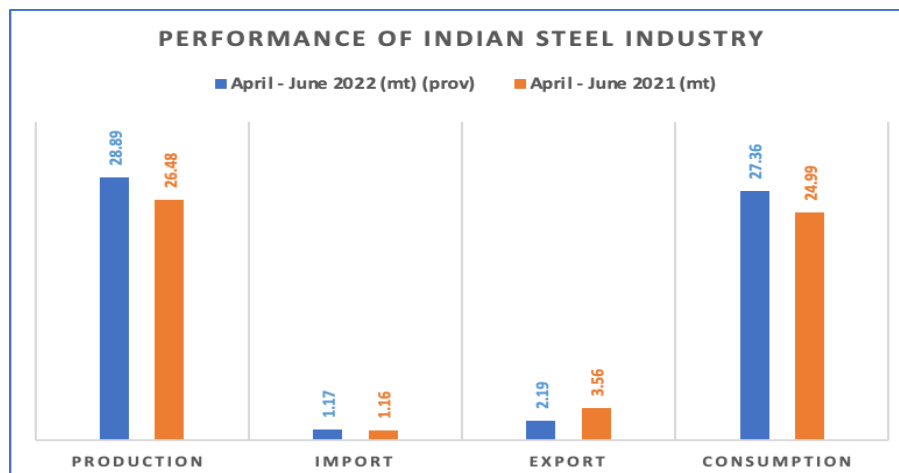
- Overall exports of total finished steel at 2.19 mt, down by 38.4%.
- Volume wise, Non-alloy HR Coil/Strip (0.864 mt, down by 47.7%) was the item most exported (46% share in total non-alloy).
- Italy (0.398 mt) was the largest export market for India.

## Finished Steel Import Trends

- Overall imports of total finished steel at 1.172 mt, up by 1.2%.
- India was a net exporter of total finished steel in April-June 2022.
- Volume wise, HR Coil/ Strip (0.21 mt, up by 2.6%) was the item most imported (34% share in total non-alloy).
- Korea (0.518 mt) was the largest import market for India (44% share in total).

## Finished Steel Consumption Trends

- At 27.361 mt, consumption of total finished steel was up by 9.5%.
- Contribution of the non-alloy steel segment stood at 25.473 mt (93% share, up by 9.6%), 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 (12.045 mt, up by 6.5%) while growth in the non-alloy, flat segment was led by HRC (10.389 mt, up by 13.2%) during this period.





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## 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 the year 2021-22 is estimated to attain a level of ₹ 147.36 lakh crore, as against the First Revised Estimate of ₹ 135.58 lakh crore for the year 2020-21. The growth in GDP during 2021-22 is estimated at 8.7% as compared to a contraction of 6.6% in 2020-21 while that in GVA is estimated at 8.1% in 2021-22. Almost all the lead sectors reported a growth during 2021-22, with Public Administration, Defence & Other Services reporting the highest growth (12.6%) and Agriculture, Forestry and Fishing, the lowest (3%).

**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 13.7% during April-June 2022 with all the sectors reporting a rise.

**Inflation:** In June 2022 (prov.), the annual rate of inflation, based on monthly WPI, stood at 15.18% while the all India CPI inflation rate (combined) stood at 7.01% and compared to the previous month, both the parameters registered a decline.

**Trade:** Provisional figures from DoC show that during April-June 2022, in dollar terms, overall exports were up by 30.31% while overall imports were up by 56.39%, both on yoy basis. Overall trade deficit for this period is estimated at USD 45.18 billion as compared to the deficit of USD 5.61 billion of last year.

Prepared by: Joint Plant Committee