



Indian Steel Industry: July 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 global manufacturing sector remained mired in contraction at the start of the second half of the year. July 2023 saw output decline further as the downturn in new order intakes was extended to a thirteenth consecutive month.
- JP Morgan Global Manufacturing PMI stood at 48.7 in July 2023. It stayed below the critical 50.0 no-change mark for the eleventh month in a row.
- The main drag on output was a severe downturn in activity in the euro area, where production contracted to the greatest extent since the height of the global pandemic in 2020. The performance of Austria, Germany and Italy were especially weak.
- The downturn in global manufacturing was driven by several factors, including weak new order intakes, deteriorating international trade flows and a correction in stock levels in response to the weak demand environment.

Key Economic Figures			
Country	GDP 2022: % change*	Manufacturing PMI	
		June 2023	July 2023
India	7.0	57.8	57.7
China	3.0	50.5	49.2
Japan	1.0	49.8	49.6
USA	2.1	46.3	49
Eurozone	3.5	43.4	42.7
Brazil	2.9	46.6	47.8
Russia	-2.1	52.6	52.1
South Korea	2.6	47.8	49.4
Germany	1.8	40.6	38.8
Turkey	5.6	51.5	49.9
Italy	3.7	43.8	44.5

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

GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 943.9 mt in January-June 2023 period, registering a decline of 1.1% yoy, according to provisional data released by World Steel Association (worldsteel). In June 2023, world crude steel production stood at 158.8 mt, down 0.1% compared with the same period of the previous year.

World Crude Steel Production (Prov)			
Rank	Top 10	Jan-Jun '23 (mt)	% yoy change
1	China	535.6	1.3
2	India	67.9	7.4
3	Japan	43.8	(-)4.7
4	USA	39.9	(-)2.9
5	Russia	37.5	1.0
6	South Korea	33.7	(-)0.5
7	Germany	18.5	(-)5.3
8	Iran	16.1	4.8
9	Brazil	16.0	(-)8.9
10	Turkey	15.9	(-)16.3
Top 10 Total		824.9	0.4
World		943.9	(-)1.1

Major observations:

- China remained the leader in world crude steel production with an output of 535.6 mt in January-June 2023 period, registering a growth of 1.3% yoy. The country accounted for 56.7% of world crude steel production during the first six months 2023.
- India was the 2nd largest producer of crude steel with an output of 67.9 mt in January-June 2023, showing a yoy growth of 7.4%. The country accounted for 7.2% of world crude steel production during the January-June 2023 period.
- Japan was the 3rd largest producer of crude steel with an output of 43.8 mt in January-June 2023 period, down by 4.7% yoy. Japan accounted for 4.6% of world crude steel production during the period.
- With crude steel production of 39.9 mt (down 2.9% yoy), the USA was the 4th largest producer of crude steel during January-June 2023.
- Russia's crude steel production stood at 37.5 mt (up 1.0% yoy) in January-June 2023 period and the country was the 5th largest producer of crude steel.
- The top 10 countries' cumulative production in January-June 2023 stood at 824.9 mt (up 0.4% yoy) and they accounted for 87.4% 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-June 2023 period, while the remaining countries reported yoy contraction in production.
- Asian crude steel production stood at 705.1 mt in January-June 2023, showing a 0.7% 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-June 2023 period

World DRI production stood at 57.0 mt in January-June 2023 period, showing a yoy growth of 3.6%, according to provisional data released by worldsteel.

World DRI Production (Prov)			
Rank	Top 5	Jan-Jun '23 (mt)	% yoy change
1	India	23.5	14.0
2	Iran	15.3	-5.5
3	Russia	3.8	(-)9.7
4	Saudi Arabia	3.38	1.0
5	Egypt	3.37	11.3
Top 5 Total		49.4	4.1
World		57.0	3.6
Source: worldsteel			

Major observations:

- India remained the leader in world DRI production with an output of 23.5 mt (up 14.0% yoy) in January-June 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 15.3 mt in January-June 2023 period (down 5.5% yoy). It accounted for 26.9% of world DRI production during the first six months of this year.
- Russia ranked third in terms of DRI production with an output of 3.8 mt (down 9.7% yoy) in January-June 2023. The country accounted for 6.7% of world DRI production during the period.
- The top 5 countries accounted for nearly 86.7% of total world DRI production in January-June 2023 with a cumulative output of 49.4 mt, up by 4.1% yoy.

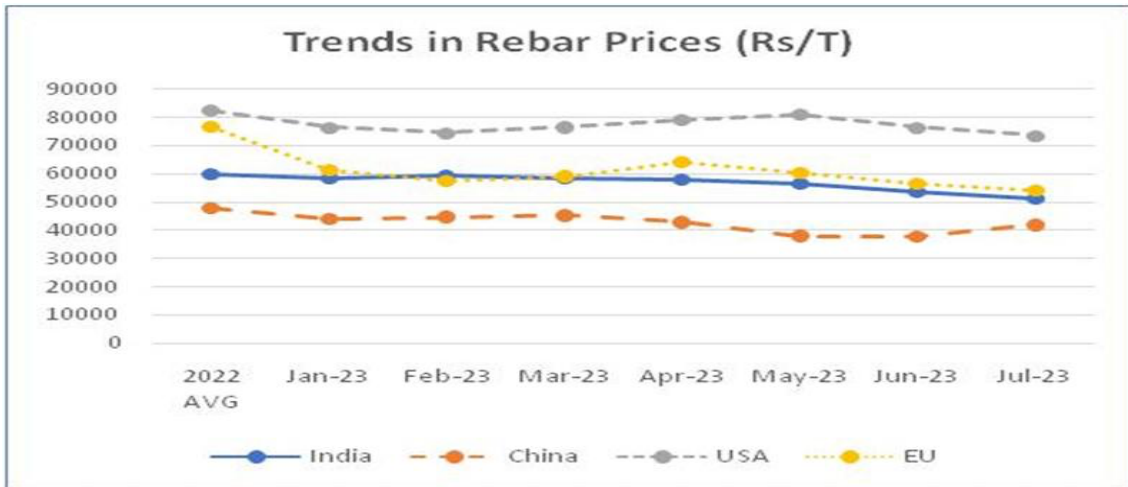
WORLD STEEL PRICE TRENDS

- ❖ Global steel prices continued to remain volatile in July 2023 due to a combination of local and global factors:
 - a) The Russia-Ukraine conflict and its many-sided repercussions, from raw material supply to logistics to uncertainties in trade flows to the growing impact of sanctions.
 - b) Fluctuations in prices of major raw materials for steel making which showed a downward bias in the second quarter of 2023.
 - c) Stubbornly high inflation in select geographies, tighter monetary policies, and turmoil in financial markets in view of bank failures in the USA, weighing on outlook for the industry.
 - d) China's economic activity losing momentum in July 2023 with manufacturing contracting again and the services sector weakening. Besides, market participants expect construction-related steel demand to remain under pressure in coming months.
 - e) The IMF revising upwards its global growth outlook by 20 basis points for 2023 to 3%, with upward revision to growth forecast for the USA (20 basis points) and the UK (70 basis points). While Britain's economy is now not expected to contract, Germany is the only major economy facing recession with an estimated 0.3% contraction in 2023.
 - f) US economic growth unexpectedly picking up steam in the second quarter, thanks to resilience among consumers and businesses in the face of high interest rates.

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

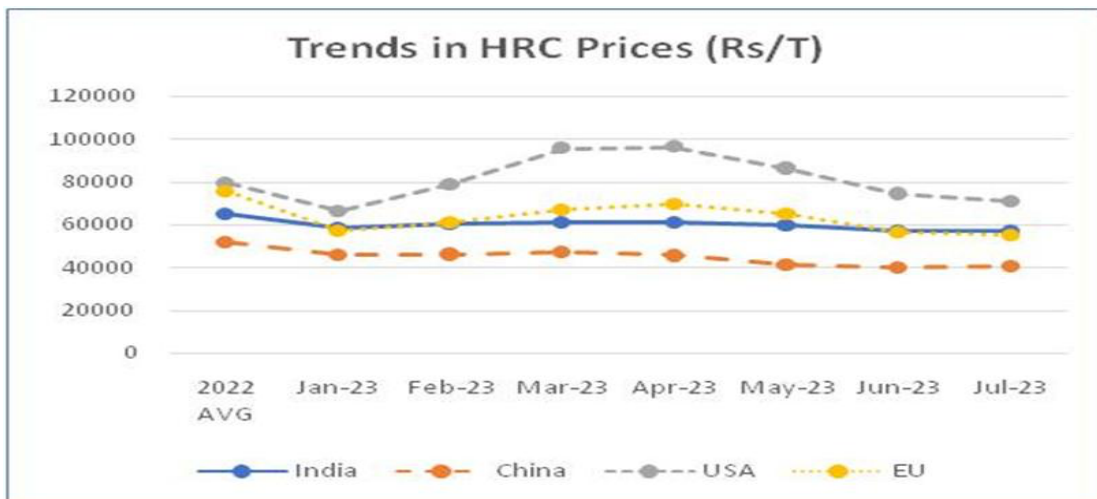
Long Products

- 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.
- Excluding China, Rebar prices have come down in all the major markets – India, the USA and the European Union – in July 2023 compared with the previous month.
- Chinese rebar prices have shown an uptick during the month under review on hopes of acceleration in construction activities across many parts of the country due to favourable weather. Besides, policies directed at boosting household consumption are also likely to be rolled out by the government which pushed prices upwards.
- US rebar prices, which came down during the month of July 2023 compared to the previous month, are expected to decline further by \$20/30 in the near future, primarily due to a surge in imports. Prices also moved lower as demand in the market has fallen below supply and capacity level, according to traders.



Flat Products

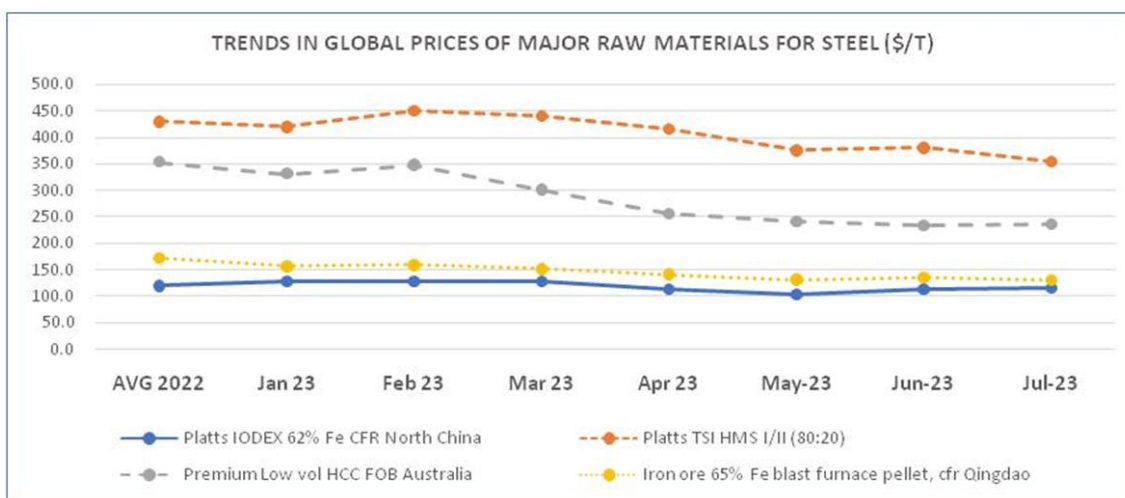
- HRC prices had shown an upward trend since January 2023 till March/April of this year. Thereafter, prices are again on a downward trajectory, especially in the USA, the European Union and India. Prices in China, however, have shown early signs of pick-up in the month under review.
- China HRC prices are forecast to inch up further in the coming weeks, mainly propped up by restocking needs among end-users and a slowdown in the mounting contradiction between HRC supply and demand.
- HRC prices in the US stagnated further as there were lack of bids, offers or transactions reported in the domestic market amid a period of seasonal slowness.
- Offers in the European HRC market were limited as a majority of mills remained inactive due to either full order books or effects from planned maintenance. According to a few market participants, mills have been aiming for higher price, but they are unable to confirm new target price.



[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

- South Korea's Posco Group expects to spend Won 121 trillion (\$92.6 billion), both locally and globally, by 2030 on building its eco-friendly materials competitiveness, earmarking Won 73 trillion for its domestic businesses.
- The Turkish government has raised the value added tax on many products including steel, a presidential decree showed. According to the decree, the VAT of steel products, such as rebar, increased to 20% from 18%.
- Steelmaker ArcelorMittal Poland said that it aims to recover heat from waste gases at its Dabrowska steelworks using heat exchange in a bid to boost energy efficiency and reduce carbon emissions.
- Sweden's H2 Green Steel has signed a seven-year binding agreement with automotive industry supplier ZF for the delivery of near zero-emission steel.
- Ukrainian steel and pig iron production fell by double-digit percentages on the year in the first half of 2023, but the drop was less steep than the full-year 2022.

- Brazilian exports of steel rebar products in June were up 29% year on year to 42,672 mt, according to the Ministry of Development, Industries and Foreign Trade.
- The European Commission has decided to impose a provisional antidumping duty on bulb flat steel imports from Turkey and China.
- Russian mining and steel company NLMK has ramped up to full design capacity its first steel processing plant in India.
- China's monthly manufacturing steel demand rebounded in June 2023 but was still lower than a year ago. While construction-related manufacturing remained depressed, most of the other sectors showed improvements due to resilient exports and government support to infrastructure investments.
- German steel stockholders and distributors sold a total of 829,612 mt of steel products in June, which was 3.21% above the level of May and 3.46% above sales in June 2022.
- Vietnam's Pomina Steel Corp. plans to sell a 20.04% stake to Japanese steel company Nansei Steel for about Dong 701.75 billion (\$29.69 million), according to a board of directors agreement document.
- Malaysia's Eastern Steel Sdn Bhd was expected to fire up a new 1,380 cu m blast furnace at Terengganu over August to September 2023.

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-June 2023, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-June 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-June 2023*(mt)	April-June 2022 (mt)	% change*
Crude Steel Production	33.879	31.034	9.2
Hot Metal Production	21.033	19.600	7.3
Pig Iron Production	1.614	1.481	9.0
Sponge Iron Production	12.134	10.596	14.5
Total Finished Steel (alloy/stainless + non-alloy)			
Production	32.481	29.030	11.9
Import	1.401	1.172	19.5
Export	2.050	2.190	-6.4
Consumption	30.362	27.501	10.4
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 33.879 million tonnes (mt), up by 9.2%.
- **Hot Metal:** Production at 21.033 mt, up by 7.3%.
- **Pig Iron:** Production at 1.614 mt, up by 9.0%.
- **Sponge Iron:** Production at 12.134 mt, up by 14.5%, led by coal-based route (81% share).
- **Total Finished Steel:** Production at 32.481 mt, up by 11.9%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 19.892 mt (59% share) during this period, up by 1.6%. The rest (13.987 mt) came from the Other Producers, up by 22.1%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 19.176 mt (91% share) up by 4.6%. The rest (1.857 mt) came from the Other Producers, up by 46.5%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 0.276 mt (17% share) down by 24.0%. The rest (1.338 mt) came from the Other Producers, up by 19.6%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 18.628 mt (57% share) up by 11.1%. The rest (13.853 mt) came from the Other Producers, up by 13.0%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 83% share, the Private Sector (28.217 mt, up by 9.8%) led crude steel production compared to the 17% contribution of the PSUs (up by 6.0%).
- **Hot Metal:** With 71% share, the Private Sector (14.928 mt, up by 8.2%) led hot metal production, compared to the 29% contribution of the PSUs (up by 5.1%).
- **Pig Iron:** With 91% share, the Private Sector (1.470 mt, up by 13.8%) led pig iron production, compared to the 9% contribution of the PSUs (down by 23.7%).
- **Total Finished Steel:** With 86% share, the Private Sector (27.836 mt, up by 12.2%) led production of total finished steel, compared to the 14% contribution of the PSUs (up by 10.1%).

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Non-flat products accounted for 54% share (up by 12.1%), the rest 46% was the share of flats (up by 11.6%).
- **Import:** Flat products accounted for 92% share (up by 16.1%), the rest 8% was the share of non-flats (up by 80.0%).
- **Export:** Flat products accounted for 90% share (down by 0.3%), the rest 10% was the share of non-flats (down by 39.8%).
- **Consumption:** Led by Non-flat steel (56% share; up by 9.3%) while the rest 44% was the share of flat steel (up by 11.8%).

Finished Steel Production Trends

- At 32.481 mt, production of total finished steel was up by 11.9%.
- Contribution of the non-alloy steel segment stood at 29.715 mt (91% share, up by 9.3%), 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 (13.506 mt, up by 10.2%) while growth in the non-alloy, flat segment was led by HRC (12.215 mt, up by 7.2%) during this period.

Finished Steel Export Trends

- Overall exports of total finished steel at 2.050 mt, down by 6.4%.
- Volume wise, HR Coil/Strip (0.757 mt) was the item most exported (37% share in total finished steel).
- Italy (0.499 mt) was the largest export market for India.

Finished Steel Import Trends

- Overall imports of total finished steel at 1.401 mt, up by 19.5%.
- India was a net exporter of total finished steel in April-June 2023.
- Volume wise, HR Coil/Strip (0.405 mt, up by 23.3%) was the item most imported (29% share in total finished steel).
- Korea (0.497 mt) was the largest import market for India (35% share in total).

Finished Steel Consumption Trends

- At 30.362 mt, consumption of total finished steel was up by 10.4%.
- Contribution of the non-alloy steel segment stood at 27.265 mt (90% share, up by 6.7%), 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 (12.793 mt, up by 5.0%) while growth in the non-alloy, flat segment was led by HRC (10.776 mt, up by 4.5%) 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 2022-23 is estimated to have attained a level of ₹ 160.06 lakh crore, as against ₹ 149.26 lakh crore in 2021-22, showing a growth of 7.2 per cent. Except manufacturing almost all the sectors reported strong growth during this period, with *Trade, Hotels, Transport, Communications and Services related to Broadcasting* sector reporting the highest growth (14.0%) and *Manufacturing* sector, the lowest (1.3%).

Industrial Production: Provisional CSO data show that the overall Index of Industrial Production (IIP) for the April-June period of financial year 2023-24 rose by 4.5% 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 5.8% during the April-June period of financial year 2023-24, with all the sectors, excluding only crude oil, registering growth ranging from as lows as 0.1% to 15.9% on yoy basis.

Inflation: The rate of inflation based on Consumer Price Index stood at 7.44% and that on Wholesale Price Index stood at -1.36% in July 2023. Both CPI inflation and WPI inflation went up during the month under review compared with June 2023.

Prepared by: Joint Plant Committee