

# Indian Steel Industry: June 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

- Conditions in the global manufacturing sector worsened in June 2023. The month saw output fall back into contraction territory following a further decrease in new order intakes.
- JP Morgan Global Manufacturing PMI stood at 48.8 in June 2023, a six-month low and down compared with 49.6 in May 2023. The PMI has signalled a worsening in operating conditions for ten consecutive months.
- The main factor underlying lower production was a further contraction in new order intakes, which fell for the twentieth successive month.
- Only 10 out of the 29 nations for which June data were available saw production increase, seven of which were located in Asia, including growth in India and mainland China.

Key Economic Figures			
Country	GDP 2022: % change*	Manufacturing PMI	
		May 2023	June 2023
India	7.0	58.7	57.8
China	3.0	50.9	50.5
Japan	1.0	50.6	49.8
USA	2.1	48.4	46.3
Eurozone	3.5	44.8	43.4
Brazil	2.9	47.1	46.6
Russia	-2.1	53.5	52.6
South Korea	2.6	48.4	47.8
Germany	1.8	43.2	40.6
Turkey	5.6	51.5	51.5
Italy	3.7	45.9	43.8

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

## GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 786.0 mt in January-May 2023 period, registering a decline of 1.2% yoy, according to provisional data released by World Steel Association (worldsteel). In May 2023, world crude steel production stood at 161.6 mt, down 5.1% compared with the same period of the previous year.

World Crude Steel Production (Prov)			
Rank	Top 10	Jan-May '23 (mt)	% yoy change
1	China	444.6	1.6
2	India	<b>56.4</b>	<b>5.7</b>
3	Japan	36.5	(-)5.3
4	USA	33.1	(-)3.4
5	Russia	32.1	1.9
6	South Korea	28.1	(-)0.4
7	Germany	15.6	(-)4.7
8	Brazil	13.4	(-)8.1
9	Turkey	12.98	(-)19.1
10	Iran	12.97	2.2
<b>Top 10 Total</b>		<b>685.8</b>	<b>0.4</b>
<b>World</b>		<b>786.0</b>	<b>(-)1.2</b>

### Major observations:

- China remained the leader in world crude steel production with an output of 444.6 mt in January-May 2023 period, registering a growth of 1.6% yoy. The country accounted for 56.6% of world crude steel production during the first five months of 2023.
- India was the 2<sup>nd</sup> largest producer of crude steel with an output of 56.4 mt in January-May 2023, showing a yoy growth of 5.7%. The country accounted for 7.2% of world crude steel production during the January-May 2023 period.
- Japan was the 3<sup>rd</sup> largest producer of crude steel with an output of 36.5 mt in January-May 2023 period, down by 5.3% yoy. Japan accounted for 4.6% of world crude steel production during the period.
- With crude steel production of 33.1 mt (down 3.4% yoy), the USA was the 4<sup>th</sup> largest producer of crude steel during January-May 2023.
- Russia's crude steel production stood at 32.1 mt (up 1.9% yoy) in January-May 2023 period and the country was the 5<sup>th</sup> largest producer of crude steel.
- The top 10 countries' cumulative production in January-May 2023 stood at 685.8 mt (up 0.4% yoy) and they accounted for 87.3% 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-May 2023 period, while the remaining countries reported yoy contraction in production.
- Asian crude steel production stood at 585.9 mt in January-May 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-May 2023 period

World DRI production stood at 46.9 mt in January-May 2023 period, showing a yoy growth of 3.2%, according to provisional data released by worldsteel.

World DRI Production (Prov)			
Rank	Top 5	Jan-May '23 (mt)	% yoy change
1	India	19.4	12.6
2	Iran	12.1	-7.5
3	Russia	3.2	(-)9.0
4	Saudi Arabia	2.93	5.4
5	Egypt	2.78	7.8
<b>Top 5 Total</b>		<b>40.4</b>	<b>3.1</b>
<b>World</b>		<b>46.9</b>	<b>3.2</b>
<b>Source: worldsteel</b>			

### Major observations:

- India remained the leader in world DRI production with an output of 19.4 mt (up 12.6% yoy) in January-May 2023 period. The country accounted for 41.4% of world DRI production during the period under review.
- Iran was the 2<sup>nd</sup> largest producer of DRI with an output of 12.1 mt in January-May 2023 period (down 7.5% yoy). It accounted for 25.8% of world DRI production during the first five months of this year.
- Russia ranked third in terms of DRI production with an output of 3.2 mt (down 9.0% yoy) in January-May 2023. The country accounted for 6.8% of world DRI production during the period.
- The top 5 countries accounted for nearly 86.2% of total world DRI production in January-May 2023 with a cumulative output of 40.4 mt, up by 3.1% yoy.

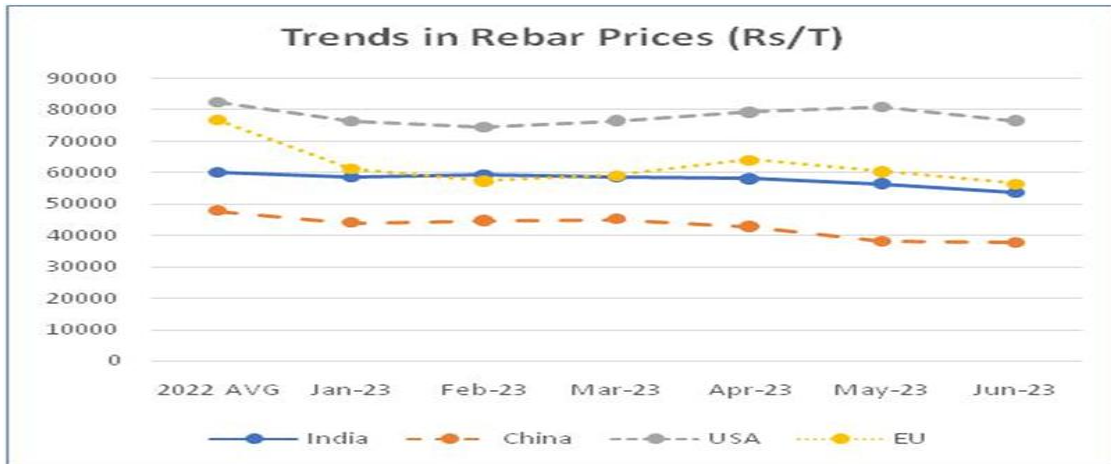
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## WORLD STEEL PRICE TRENDS

- ❖ Global steel prices continued to remain volatile in June 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 across geographies, tighter monetary policies, and turmoil in financial markets in view of bank failures in the USA, weighing on outlook for the industry.
  - d) Developments in the Chinese market: Continued contraction in China's manufacturing activity hitting steel demand. Besides, market participants expect construction-related steel demand to remain under pressure in coming months.
  - e) In Euro Zone, the construction industry which accounts for 35% of share of EU's steel consumption, has seen a slow trend this year. In 2023, the amount of steel used in construction is expected to de-grow because of a decline in investments in civil engineering and infrastructure on the back of monetary tightening and high interest rates.
  - f) Limited trading activity in the US, ahead of its Independence Day, celebrated on July 4.
  
- ❖ Relevant to note here that with the exception of China, India, Russia and Iran, global crude steel production in January-May 2023 remained on a declining trend in all the major steel producing markets.

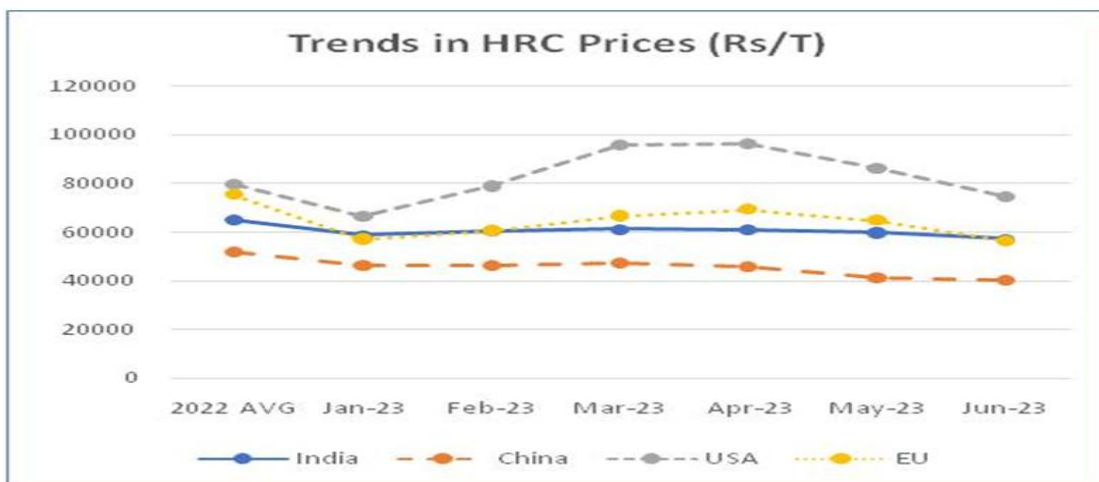
### Long Products

- 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.
- Chinese rebar prices showed a marginal uptick as China's National Development and Reform Commission vowed to stimulate consumption. NDRC stated that China will stimulate auto consumption, boost construction and stabilize employment domestically.
- US rebar prices were steady with a downward bias as availability remained prompt. According to distributors, with lower scrap prices and some possible lower import options for Aug/Sept, domestic mills might have no choice but to adjust prices close to the \$900 level in July.
- Persistently depressed demand and bearish sentiment prompted further price drops in the northern European rebar market. High inflation, high interest rates and market uncertainty have resulted in a weakening of the construction sector. Significantly reduced consumption from the construction sector has acted as a drag on prices.



### Flat Products

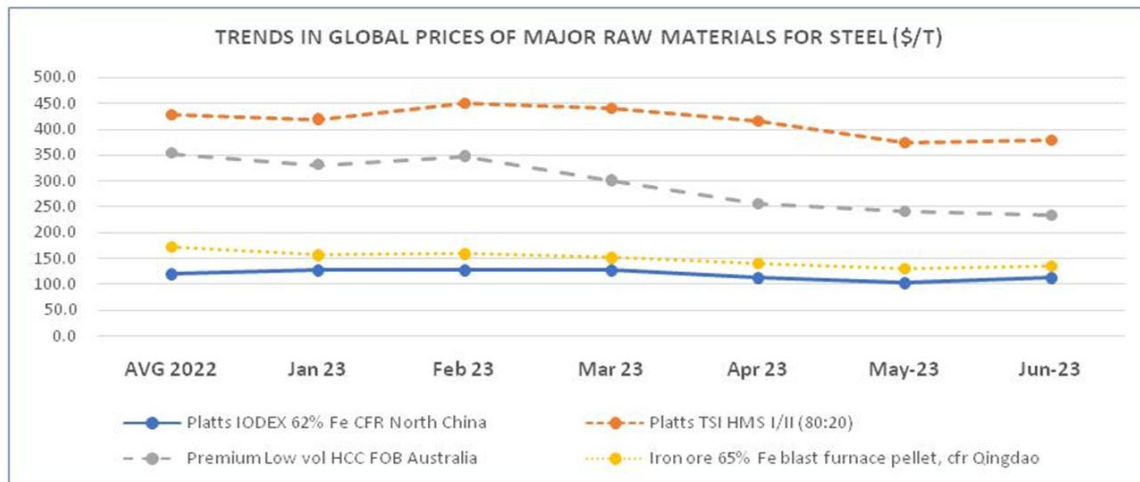
- HRC prices have shown an upward trend since January 2023, specially in the USA and the European Union markets. Prices, however, remained nearly flat in India while in case of China, it has shown a downward trend.
- Expectations that Chinese central authorities would introduce stimulus measures in July contributed to early gains in HRC prices in June, but continued weakness in demand weighed on prices. A continued contraction in China's factory activity also weighed on market sentiment.
- HRC prices in the US Midwest fell to their lowest in more than four months on limited trading activity ahead of the US Independence Day, celebrated on July 4. HRC prices in the US are now at their lowest since February 21.
- Domestic prices for HRC in Europe were under pressure despite an expected pick-up in demand stemming from restocking. Going forward, domestic HRC prices in Europe are expected to move down due to slow trading activity and competitive import offers.



[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

- China Baowu Steel Group Co Ltd and Australia's Rio Tinto have joined forces to help decarbonize the steel value chain. Both the companies signed an MoU to explore a range of industry-leading new projects in China and Australia.
- The European Commission notified the interested parties and WTO that it plans to extend safeguard measures into 26 steel product categories until June 30, 2024.
- US Trade Representative Katherine Tai has asked the US International Trade Commission to investigate the greenhouse gas emissions intensity of steel and aluminium produced in the US.
- Labour Inspectorate ordered ArcelorMittal France to temporarily close its production due to high levels of emissions threatening the health of workers.
- German steelmaker Salzgitter has issued a notice of force majeure to its customers, saying that recent heavy rain and local flooding have damaged roads and rail tracks, affecting its ability to ship in raw materials and dispatch steel goods.

- Brazilian basic pig iron producer reported shutting down their operations in the week to June 23, after fulfilling deliveries for July and August, amid prices below the cost of production that dropped \$12.50/mt over the same period.
- Industry body UK Steel has called on the UK government to act quickly to set up its own carbon border adjustment mechanism to avoid a domino effect that could “crush” the country’s steel industry when the EU brings in its carbon tax on imports in 2026.
- Russian mining and steel company Severstal will build a basic oxygen furnace at the Cherepovets Iron and Steel Works, with launch expected for 2024. The project marks the first BOF that Russian company will build itself.
- Malaysia has terminated anti-dumping duties on cold-rolled coils imported from South Korea and Vietnam effective June 27, 2023.
- Ukrainian coil and sheet producer Zaporizhstal Iron and Steel Works is ramping up production of merchant slab and plans to achieve output of 60,000-80,000 mt/month.
- Posco plans to start up a new electric arc furnace at its Gwangyang steelworks by the end of 2025.
- MMK Metalurji, the Turkey-based subsidiary of Russian steelmaker MMK, recently restarted output at its hot-rolling mill in Hatay, following a temporary stoppage in May.

## INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-May 2023, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-May 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-May 2023*(mt)	April-May 2022 (mt)	% change*
Crude Steel Production	22.354	21.112	5.9
Hot Metal Production	13.885	13.365	3.9
Pig Iron Production	1.021	1.038	-1.7
Sponge Iron Production	8.053	7.223	11.5
<b>Total Finished Steel (alloy/stainless + non-alloy)</b>			
Production	21.786	19.632	11.0
Import	0.917	0.722	27.0
Export	1.548	1.552	-0.2
Consumption	20.311	18.820	7.9
Source: JPC; *provisional; mt=million tonnes			

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## Overall Production

- **Crude Steel:** Production at 22.354 million tonnes (mt), up by 5.9%.
- **Hot Metal:** Production at 13.885 mt, up by 3.9%.
- **Pig Iron:** Production at 1.021 mt, down by 1.7%.
- **Sponge Iron:** Production at 8.053 mt, up by 11.5%, led by coal-based route (81% share).
- **Total Finished Steel:** Production at 21.786 mt, up by 11.0%.

## Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 13.237 mt (59% share) during this period, down by 0.7%. The rest (9.117 mt) came from the Other Producers, up by 17.1%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 12.839 mt (92% share) up by 2.5%. The rest (1.046 mt) came from the Other Producers, up by 24.7%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 0.172 mt (17% share) down by 40.3%. The rest (0.849 mt) came from the Other Producers, up by 13.2%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 12.151 mt (56% share) up by 6.3%. The rest (9.635 mt) came from the Other Producers, up by 17.4%.

## Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 83% share, the Private Sector (18.619 mt, up by 6.2%) led crude steel production compared to the 17% contribution of the PSUs (up by 4.2%).
- **Hot Metal:** With 71% share, the Private Sector (9.839 mt, up by 4.2%) led hot metal production, compared to the 29% contribution of the PSUs (up by 3.0%).
- **Pig Iron:** With 90% share, the Private Sector (0.924 mt, up by 4.3%) led pig iron production, compared to the 10% contribution of the PSUs (down by 36.3%).
- **Total Finished Steel:** With 86% share, the Private Sector (18.803 mt, up by 11.4%) led production of total finished steel, compared to the 14% contribution of the PSUs (up by 8.1%).

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

- **Production:** Non-flat products accounted for 55% share (up by 14.5%), the rest 45% was the share of flats (up by 6.9%).
- **Import:** Flat products accounted for 92% share (up by 23.3%), the rest 8% was the share of non-flats (up by 90.5%).
- **Export:** Flat products accounted for 91% share (up by 7.6%), the rest 9% was the share of non-flats (down by 43.2%).
- **Consumption:** Led by Non-flat steel (57% share; up by 10.6%) while the rest 43% was the share of flat steel (up by 4.6%).



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### Finished Steel Production Trends

- At 21.786 mt, production of total finished steel was up by 11.0%.
- Contribution of the non-alloy steel segment stood at 19.946 mt (92% share, up by 8.0%), 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 (9.258 mt, up by 12.5%) while growth in the non-alloy, flat segment was led by HRC (8.037 mt, up by 1.9%) during this period.

### Finished Steel Export Trends

- Overall exports of total finished steel at 1.548 mt, down by 0.2%.
- Volume wise, HR Coil/Strip (0.584 mt) was the item most exported (38% share in total finished steel).
- Italy (0.426 mt) was the largest export market for India.

### Finished Steel Import Trends

- Overall imports of total finished steel at 0.917 mt, up by 27.0%.
- India was a net exporter of total finished steel in April-May 2023.
- Volume wise, CR Coil/Sheets (0.273 mt, up by 15.2%) was the item most imported (30% share in total finished steel).
- Korea (0.346 mt) was the largest import market for India (38% share in total).

### Finished Steel Consumption Trends

- At 20.311 mt, consumption of total finished steel was up by 7.9%.
- Contribution of the non-alloy steel segment stood at 18.201 mt (90% share, up by 3.4%), 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 (8.820 mt, up by 6.1%) while growth in the non-alloy, flat segment was led by HRC (7.053 mt, down by 1.2%) 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-May 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 4.3% during the April-May period of financial year 2023-24, with a few sectors registering growth while the others reporting contraction on yoy basis.

**Inflation:** The rate of inflation based on Consumer Price Index stood at 4.81% and that on Wholesale Price Index stood at -4.12% in June 2023. While CPI inflation went up compared with the previous month, the WPI inflation came down compared with May 2023.