

# Trend Report .... March 2022

Russian-Ukraine conflict and its many-sided repercussions on one hand, and a significant rise in COVID-19 cases in China on the other, ruled market sentiments and market dynamics in March 2022.

## WORLD ECONOMY AT A GLANCE

- Markit Economics reports indicate that the rate of expansion in global manufacturing production dipped to its lowest in March 2022 in the last 21 month span impacted by a host of factors including significant COVID disruptions, stretched global supply chains, rising inflationary pressures and elevated geopolitical tensions. The net impact is reflected in the J.P.Morgan Global Manufacturing PMI which slipped to an 18-month low of 53.0 in March 2022, down from 53.7 in February 2022.
- The reports also indicate that in March 2022, North America and the Eurozone remained brighter growth spots with six out of the ten top-ranked nations being members of the Eurozone, while the US and Canada were in fourth and third positions respectively. The UK and Australia completed the top-ten. Predictably, Russia registered the lowest PMI reading, while China, Turkey, Mexico, Myanmar, Kazakhstan and Malaysia were the only other nations to signal contractions. South Korea, Brazil, Colombia, Thailand and Vietnam reported modest growth only.
- The imbalance between supply and demand for inputs was a major factor contributing to a further rise in manufacturers' purchasing costs during March 2022 while average input prices rose at the fastest pace in last four months.

| Key Economic Figures |                       |                   |            |
|----------------------|-----------------------|-------------------|------------|
| Country              | GDP 2021:<br>%change* | Manufacturing PMI |            |
|                      |                       | February 2022     | March 2022 |
| India                | 8.2                   | 54.9              | 54.0       |
| China                | 8.1                   | 50.4              | 48.1       |
| Japan                | 1.7                   | 52.7              | 54.1       |
| USA                  | 5.7                   | 57.3              | 58.8       |
| Eurozone             | 5.2                   | 58.2              | 56.5       |
| Brazil               | 4.6                   | 49.6              | 52.3       |
| Russia               | 4.7                   | 48.6              | 44.1       |
| South Korea          | 4.0                   | 53.8              | 51.2       |
| Germany              | 2.9                   | 58.4              | 56.9       |
| Turkey               | 11.0                  | 50.4              | 49.4       |
| Italy                | 6.6                   | 58.3              | 55.8       |

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-February 2022, down by 6.1% yoy, as per provisional data released by World Steel Association (worldsteel).

| <b>World crude steel production: January-February 2022 (prov).</b> |               |                 |                 |
|--|---------------|-----------------|-----------------|
| <b>Rank</b>  | <b>Top 10</b> | <b>Qty (mt)</b> | <b>% change</b> |
| 1  | China         | 157.96          | -10.0           |
| 2  | India         | 20.94           | 6.6             |
| 3  | Japan         | 15.05           | -2.2            |
| 4  | USA           | 13.37           | 0.6             |
| 5  | Russia        | 12.37           | 1.0             |
| 6  | South Korea   | 11.23           | -2.6            |
| 7  | Germany       | 6.47            | 1.1             |
| 8  | Turkey        | 6.11            | -5.7            |
| 9  | Brazil        | 5.56            | -5.8            |
| 10   | Iran          | 5.33            | 11.8            |
| <b>Total:10</b>  |               | <b>254.40</b>   | <b>-6.2</b>     |
| <b>World</b>   |               | <b>299.43</b>   | <b>-5.5</b>     |
| Source: worldsteel   |               |                 |                 |

- Despite a 10% decline in crude steel production (157.96 mt), China remained the leader in world crude steel production in January-February 2022.
- The nation accounted for 74% of Asian and 54% of world crude steel production during this period.
- With a 7% share in total world production, India (20.94 mt) reported a yoy production growth of 6.6% in January-February 2022 and remained the 2<sup>nd</sup> largest producer.
- Japanese crude steel production (15.05 mt) was down 2.2% 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 (13.37 mt), up 0.6% yoy while Russia (12.37 mt, up 1% 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 6.2% in January-February 2022.

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## NEWS AROUND THE WORLD

- China's finished steel exports during January-February 2022 stood at 8.234 mt, down by 18.8% yoy.
- China's semi-finished steel imports in January-February 2022 was up by 2.5% yoy to 1.66 mt, while semi-finished exports over same period remained negligible at around 1,000 t, according to Chinese customs data.
- Russia's steel demand may slump by 30% to 13 mt in 2022, as per Russian steelmakers association Russkaya Stal.
- The EU imposing a fresh ban on imports of Russian steel that until recently were shipped in under EU safeguard measures is going to affect 4 mtpa of rolled products. In addition to the potential higher duties from losing most-favored-nation status, Russia remains subject to the 25% US Section 232 tariff on steel imports, which has been in place since March 2018.
- Metinvest, which normally manufactures around 40% of the country's steel, declared force majeure March 1, 2022 due to the Russian invasion.
- The European Union has moved to ban steel imports from Belarus as a penalty on the country for its supporting role in the Russian invasion of Ukraine. The bloc ruled to prohibit the imports of iron and steel products if they originated in Belarus or are being exported from Belarus.
- The US will replace the Section 232 steel and aluminum tariffs on shipments from the UK with a quota system that will allow some volumes of imports to enter the country duty-free beginning in June, according to a joint statement March 22.
- The UK's Trade Remedies Authority has announced it is to undertake additional analysis on the country's steel import safeguards regime, as part of an assessment of the impact of trade on the integrated nature of the UK steel sector.
- The European Commission has adjusted its European Union steel imports quota system to avoid regional market shortages following its ban on steel from Russia and Belarus due to those countries' actions in Ukraine. The changes will be effective April 1, 2022.
- Salzgitter and Italian plantmaker Tenova announced the signing of a MoU for the technical implementation to build a 2.1 mtpa DRI plant using hydrogen in a move towards green steelmaking.
- The Turkish trade ministry has set AD duties on HRC imports ranging between 23.3%-49.84% for the EU and 14.08%-18.59% for South Korea.
- POSCO aims to spend Won 12 trillion (\$9.95 billion) to boost its overseas crude steel production capacity to 23.1 mtpa by 2030, a nearly fivefold spike from 5.1 mtpa in 2021.
- Italy's largest flat steel producer Arvedi has kicked off a Eur92 million investment to build new galvanizing and painting lines at its Trieste site.
- The UK Trade Remedies Authority said Feb. 23 it has proposed that AD measures on imports of wire rod from China are kept until 2026.
- Vale and China's Hunan Valin Iron & Steel Group have signed a MoU to pursue ironmaking solutions focused on reducing CO2 emissions.

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

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## WORLD STEEL PRICE TRENDS

Global steel prices remained under pressure from two basic sides in March 2022: one, the Russia-Ukraine conflict and its many-sided repercussions particularly on raw material and logistics and secondly, the significantly rising COVID-19 cases in China, which is impacting both supply and demand side movements. Steel prices remained north-bound in March 2022 with analysts pointing out to possibility of further rise in the coming days, given that neither of these two causal factors nor its repercussions are giving out any indication of softening.

### Long Products

- US rebar market remained stable with prices moving north in March 2022, with demand remaining steady but facing growing uncertainties. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$1130/t at month-end.
- March 2022 steel rebar prices in European market were broadly stable. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €1,170-1,260/t (\$1,293-1,392) in Southern Europe and around €1,260-1,300/t (\$1,392-1,436) in Northern Europe.
- Chinese rebar prices saw mild gains in March 2022, with sentiments and movements, both impacted by rising COVID-19 cases. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 4,990-5,010 yuan/t (\$786-790) in Shanghai.
- Russian prices for steel rebar remained stable in March 2022, affected by muted transactions and export restrictions owing to the sanctions imposed. Fastmarkets' assessment for steel reinforcing bar (rebar), domestic, cpt Moscow, Russia was 69,000-73,000 roubles/t at month-end.

### Flat Products

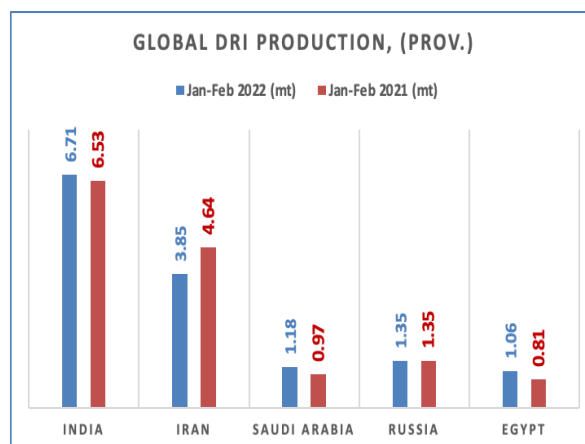
- March 2022 saw US HRC prices remain well above \$1,000/s.t. mark following supply uncertainties in view of Russian-Ukraine conflict. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$1452/s.t. at month-end.
- The Russian-Ukraine conflict also impacted HRC prices in the European market in March 2022, with high prices leading to small-value transactions, to meet emergency needs. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €14100/t in Southern Europe and around €1400/t in Northern Europe.
- Chinese HRC prices shot up in March 2022 following increasing uncertainties given a significant rise in COVID-19 cases that impacted movements on both supply and demand sides. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 5,170-5,180 yuan/t (\$815-817) in Shanghai.
- Sanctions imposed on Russia, coupled with falling exchange-rate value of the rouble and Russia's removal from the Swift international payment system, as well as other restrictions imposed have led to a surge in steel prices. Fastmarkets' price assessment for steel hot-rolled sheet, domestic, cpt Moscow, Russia stood at 92,000 roubles/t (\$759) including 20% VAT in March 2022.

[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 16.35 mt in January-February 2022, down 1.5% yoy. Such growth was driven by India (6.71 mt, up 2.7%) at the number one spot and Iran, where production stood at 3.84 mt, down 17.1%. The two countries together accounted for 65% of global DRI output during this period. Together, the top five countries accounted for 87% of the world DRI production during January-February 2022 and saw their cumulative output go down by 1% yoy.



## INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-February 2021-22, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-February 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-February 2021-22* (mt)         | April-February 2020-21 (mt) | % change* |
| Crude Steel Production                                    | 109.061                              | 93.065                      | 17.2      |
| Hot Metal Production                                      | 71.369                               | 62.329                      | 14.5      |
| Pig Iron Production                                       | 5.281                                | 4.385                       | 20.4      |
| Sponge Iron Production                                    | 35.918                               | 31.057                      | 15.7      |
| <b>Total Finished Steel (alloy/stainless + non-alloy)</b> |                                      |                             |           |
| Production  | 102.510                              | 86.098                      | 19.1      |
| Import  | 4.318                                | 4.252                       | 1.6       |
| Export  | 12.299                               | 9.492                       | 29.6      |
| Consumption   | 95.562                               | 85.183                      | 12.2      |
| Source: JPC; *provisional; mt=million tonnes              |                                      |                             |           |

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## Overall Production

- **Crude Steel:** Production at 109.061 million tonnes (mt), up by 17.2%.
- **Hot Metal:** Production at 71.369 mt, up by 14.5%.
- **Pig Iron:** Production at 5.281 mt, up by 20.4%.
- **Sponge Iron:** Production at 35.918 mt, up by 15.7%, led by coal-based route (77% share).
- **Total Finished Steel:** Production at 102.510 mt, up by 19.1%.

## Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 67.436 mt (62% share) during this period, up by 15.3%. The rest (41.625 mt) came from the Other Producers, up by 20.5%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 63.551 mt (89% share) up by 12.7%. The rest (7.819 mt) came from the Other Producers, up by 31.2%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 1.322 mt (25% share) up by 2.0%. The rest (3.959 mt) came from the Other Producers, up by 28.2%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 58.339 mt (57% share) up by 17.6%. The rest (44.170 mt) came from the Other Producers, up by 21.0%.

## Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 81% share, the Private Sector (88.469 mt, up by 16.8%) led crude steel production compared to the 19% contribution of the PSUs.
- **Hot Metal:** With 69% share, the Private Sector (49.052 mt, up by 13.0%) led hot metal production, compared to the 31% contribution of the PSUs.
- **Pig Iron:** With 89% share, the Private Sector (4.694 mt, up by 23.9%) led pig iron production, compared to the 11% contribution of the PSUs.
- **Total Finished Steel:** With 85% share, the Private Sector (86.696 mt, up by 17.3%) 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 23.3%), the rest 48% was the share of flats (up by 14.8%).
- **Import:** Flat products accounted for 92% share (up by 6.5%), the rest 8% was the share of non-flats (down by 34.0%).
- **Export:** Flat products accounted for 78% share (up by 14.5%), the rest 22% was the share of non-flats (up by 140.5%).
- **Consumption:** Led by Non-flat steel (54% share; up by 12.7%) while the rest 46% was the share of flat steel (up by 11.5%).

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## Finished Steel Production Trends

- At 102.510 mt, production of total finished steel was up by 19.1% in April-February 2021-22.
- Contribution of the non-alloy steel segment stood at 96.113 mt (94% share, up by 18.5%), 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 (41.478 mt, up by 25.6%) while growth in the non-alloy, flat segment was led by HRC (41.935 mt, up by 13.0%) during this period.

## Finished Steel Export Trends

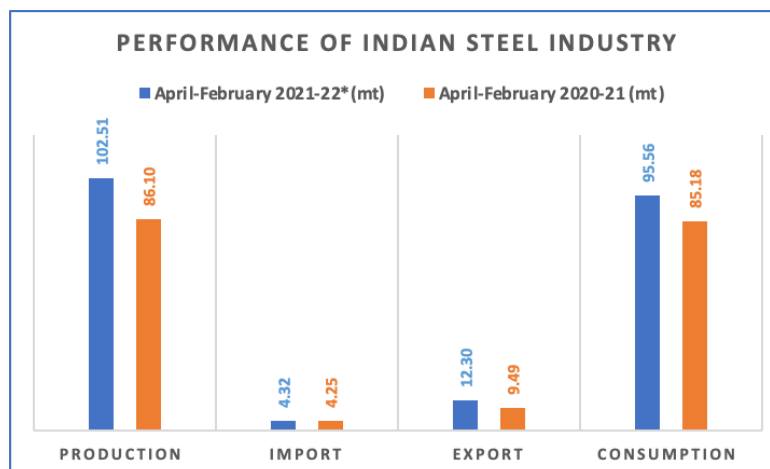
- Overall exports of total finished steel at 12.299 mt, up by 29.6%.
- Volume wise, Non-alloy HR Coil/Strip (5.579 mt, down by 6.5%) was the item most exported (50% share in total non-alloy).
- Vietnam (1.586 mt) was the largest export market for India.

## Finished Steel Import Trends

- Overall imports of total finished steel at 4.318 mt, up by 1.6%.
- India was a net exporter of total finished steel in April-February 2021-22.
- Volume wise, Non-alloy HR Coil/ Strip (0.768 mt, up by 3.4%) was the item most imported (28% share in total non-alloy).
- Korea (1.857 mt) was the largest import market for India (43% share in total).

## Finished Steel Consumption Trends

- At 95.562 mt, consumption of total finished steel was up by 12.2% in April-February 2021-22.
- Contribution of the non-alloy steel segment stood at 88.618 mt (93% share, up by 11.3%), 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 consumption of total finished steel was Bars & Rods (40.573 mt, up by 13.5%) while growth in the non-alloy, flat segment was led by HRC (36.175 mt, up by 10.0%) during this period.



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## 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 April-February 2021-22 rose by 12.5% 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% during April-February 2021-22 with all the sectors reporting a rise except Crude Oil and Fertilisers.

**Inflation:** In February 2022 (prov.), the annual rate of inflation, based on monthly WPI, stood at 13.11% while the all India CPI inflation rate (combined) stood at 6.07% and compared to the previous month, both the parameters registered a growth.

**Trade:** Provisional figures from DGCI&S show that during April-February 2021-22, in dollar terms, overall exports were up by 46.53% while overall imports were up by 60.01%, both on yoy basis. Overall trade deficit for this period is estimated at USD 81.24 billion as compared to the deficit of USD 8.95 billion in same period of last year.

Prepared by: Joint Plant Committee