

# Indian Steel Industry: May 2022 – A Trend Report

The first month of the new fiscal ushered in hopes of market rejuvenation though globally conditions remained critical in view of the escalating repercussions owing to the Russia – Ukraine conflict and rising COVID conditions in China.

## WORLD ECONOMY AT A GLANCE

- Markit Economics reports indicate that global manufacturing production declined for the second successive month in May 2022, as new order growth remained lacklustre and international trade volumes contracted. This was reflected in the J. P. Morgan Global Manufacturing PMI, which stood at 52.4 in May 2022, nearly same as April's 20-month low of 52.3.
- The reports indicate that the downturn in Chinese manufacturing output extended into its third successive month in April 2022, in view of renewed COVID restrictions in recent months though the rate of contraction eased noticeably during May 2022. Italy, Russia, Poland, Mexico, Taiwan Turkey, Malaysia and Myanmar also saw contraction in their output.
- Inflationary pressures remained elevated in May 2022, with rates of increase in input costs and selling prices among the highest in the survey history.

Key Economic Figures			
Country	GDP 2021: %change*	Manufacturing PMI	
		April 2022	May 2022
India	8.2	54.7	54.6
China	8.1	46.0	48.1
Japan	1.7	53.5	53.3
USA	5.7	59.2	57.0
Eurozone	5.2	55.5	54.6
Brazil	4.6	51.8	54.2
Russia	4.7	48.2	50.8
South Korea	4.0	52.1	51.8
Germany	2.9	54.6	54.8
Turkey	11.0	49.2	49.2
Italy	6.6	54.5	51.9

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

## GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 162.75 million tonnes (mt) in April 2022, registering a decline of 5.1%, according to provisional data released by World Steel Association (worldsteel). Compared with March 2022 (160.78 mt), however, world crude steel production reported a marginal increase of 1.2% in April 2022. In the first four months (January-April) of 2022, world crude steel production stood at 619.12 mt, registering a decline of 7.1%. The following table shows crude steel production in January-April 2022 by world's top 10 countries and % change in comparison to their output in the corresponding period of the previous year.

World crude steel production: January-April 2022 (prov).			
Rank	Top 10	Qty (mt)	% change
1	China	336.15	-10.3
2	<b>India</b>	42.26	<b>6.5</b>
3	Japan	30.48	-3.3
4	USA	27.07	-1.7
5	Russia	25.09	-0.7
6	South Korea	22.41	-4.0
7	Germany	13.13	-3.0
8	Turkey	12.80	-3.2
9	Brazil	11.55	-1.7
10	Iran	9.13	-8.9
<b>Total:10</b>		<b>530.07</b>	<b>-7.1</b>
<b>World</b>		<b>619.12</b>	<b>-7.1</b>
Source: worldsteel			

- Despite a 10.3% decline in crude steel production (336.15 mt), China remained the leader in world crude steel production during this period. The nation accounted for 75% of Asian and 54% of world crude steel production during this period.
- With a 7% share in total world production, India (42.26 mt) reported a yoy production growth of 6.5% and remained the 2<sup>nd</sup> largest producer during this period. **In fact, India was the only country in the Top 10 group to have reported a growth in crude steel production during January – April 2022.**
- Japanese crude steel production (30.48 mt) was down 3.3% 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 (27.07 mt), down 1.7% yoy while Russia (25.09 mt, down 0.7% yoy) was the 5<sup>th</sup> largest crude steel producer during this period.
- The top 10 countries accounted for 86% of total world crude steel production during this period and saw their cumulative production decline by 7.1% during this period.

## NEWS AROUND THE WORLD

- Steel industry market participants were left dismayed after Chinese Premier Li Keqiang called on local governments across China to implement policies to stabilize and support market growth, but offered no new fiscal support for the industrial sector.
- A 33-point stimulus package has been announced by China in a State Council executive meeting. The package includes 140 billion yuan (\$21 billion) in additional tax rebates and 300 billion yuan (\$45 billion) in railway construction bonds.
- China's semi-finished steel exports in April 2022 rose sharply to 117,000 t, up from just 857 t in March 2022, but well in excess of 36,000 t shipped during 2021.
- The Federal Association of German Steel and Recycling Companies (BDSV) submitted a proposal to the European Commission for the incorporation of scrap bonuses into the EU Emissions Trading System (EU ETS), documents seen by S&P Global show. BDSV defined a "scrap bonus" as a combination of economic advantages and a positive impact on the environment from scrap use. It estimates the bonus at Eur80-213/mt (\$84-\$224/t) for ferrous scrap and Eur158-502/t for alloy scrap.
- The EU must secure energy supply, speed up hydrogen infrastructures as well as put in place short-term measures for companies affected by soaring energy prices, Eurofer, the European steel Federation said following the release of the European Commission Communication on RePowerEU.
- The European Commission (EC) plans to impose definitive anti-dumping duties on imports into the European Union of hot-dip galvanized steel coils from Russia and Turkey, following an investigation into alleged dumping.
- The Turkish Steel Producers' Association expects the European Commission to remove safeguard measures on steel products as a World Trade Organization panel supported the thesis that these are contrary to international trade rules.
- The Brazilian government has cut its steel rebar import tariff to 4% from 10.8% May 11, the economy ministry said. The cut to 4% brings it in line with the average global steel import tariff. The reduction is valid until Dec. 31.
- The US on May 9 suspended for one year its 25% Section 232 tariffs on steel imports from Ukraine, noting the importance of that industry to Ukraine's economy as the country continues to defend itself against Russia.
- China's finished steel exports rose 0.7% on the month to 4.977 mt in April 2022, falling short of market expectations as the COVID-19 resurgence hits logistics at major ports. April 2022 exports were still 37.6% lower on the year. In the first four months of 2022, China shipped 18.156 mt of finished steel, 29.2% lower on the year.

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

## WORLD STEEL PRICE TRENDS

Global steel prices continued to remain under pressure from two basic sides in May 2022: one, the Russia-Ukraine conflict and its many-sided repercussions and secondly, the significantly rising COVID-19 cases in China, which has gone on to impact both supply and demand side movements. The Chinese government aimed to boost sentiments through measures intended to synergise sentiments but was met with lukewarm response from market. Steel prices remained south-bound in May 2022 due largely to limited transactions and dull market conditions almost everywhere, with market participants adopting a wait-and-watch outlook.

### Long Products

- US rebar market remained stable with prices showing limited movements in May 2022. Demand remained steady and faced limited challenges from imports. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$1130/t at month-end.
- May 2022 steel rebar prices in European market were south-bound due to low demand and subdued transaction levels. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €1,070-1,085/t (\$1,146-1,162) in Southern Europe and around €1,200-1,240/t (\$1,285-1,328) in Northern Europe.
- Chinese rebar prices saw limited gains in May 2022, with sentiments and market movements, both impacted by rising COVID-19 cases. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 4,730-4,750 yuan/t (\$703-706) in Shanghai.
- Russian prices for steel rebar remained stable but south-bound in May 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 52,000-54,000 roubles/t (\$838-870) at month-end.

### Flat Products

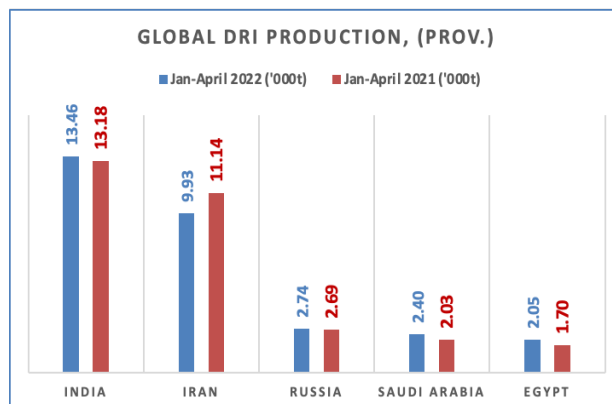
- May 2022 saw US HRC prices slip but they continued to remain well above \$1,000/s.t. mark following supply uncertainties in view of Russian-Ukraine conflict and with most adopting a wait-and-watch policy. Transactions, as per Fastmarkets Metal Bulletin, were quoted around \$1240/s.t.
- Weak demand continued to bother EU HRC prices in May 2022, reflected in sluggish buying, a weak consumption outlook and subdued end use markets. Transactions, as per Fastmarkets Metal Bulletin, were quoted around €961/t in Southern Europe and around €1,027/t (\$1,099) in Northern Europe.
- Chinese HRC prices edged up in May 2022 following measures announced by the government to boost markets. Transactions, as per Fastmarkets Metal Bulletin, were quoted around 4,760-4,780 yuan (\$709-712) Shanghai.
- Sanctions imposed on Russia, coupled with falling exchange-rate value of the rouble, weak demand, shrinking exports, surplus production and an overall uncertainty led flat steel prices southwards in May 2022. Fastmarkets' price assessment for steel hot-rolled sheet, domestic, cpt Moscow, Russia stood at 78,000-79,000 roubles/t (\$1,120-1,134) including 20% VAT.

[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 35.39 mt in January-April 2022, down 1.1% yoy. Such growth was driven by India (13.46 mt, up 2.1%) at the number one spot and Iran, where production stood at 9.93 mt, down 10.9%. The two countries together accounted for 66% of global DRI output during this period. Together, the top five countries accounted for 86% of the world DRI production during this period and saw their cumulative output go down by 0.5% yoy.



## RAW MATERIAL SCENARIO

- Seaborne iron ore prices inched up in May 2022 following rise in future prices and announcement of Chinese government of measures to prop up economic and market conditions, against the COVID-19 backdrop. The Platts IODEX 62% Fe fines was assessed around \$134/dmt CFR north China at month-end.
- At 382 mt, China's iron ore imports fell by 7.1% yoy during Jan-April 2022 and by 13% yoy in April 2022 (86.06 mt).
- India has imposed a 15% export duty on iron and steel products, 45% export duty on pellets and raised that on iron ore to 50%, besides removing import duty on metallurgical coke, coking coal and ferro-nickel in a bid to curb inflation and increase supply in domestic market.
- Seaborne coking coal prices declined in the cfr China market in May 2022 amid continued bearish sentiment across the steel market. Premium low vol HCC FOB Australia was quoted around \$465/t at month-end.
- Sluggish scrap demand in major global markets, such as Turkey and Asia dragged down global scrap prices in May 2022. Platts TSI HMS I/II (80:20) (\$/t) was quoted around \$435/t at month-end.
- China imported 20,386 tonnes of ferrous scrap in April 2022, a yoy decline of 71.45%.
- China's Sinosteel is to invest \$700 million in the Lobi iron ore project in Cameroon, with an estimated resource of about 600-630 million tonnes of low-impurity magnetite.
- The UK has added steel manufacturing and mining company Evraz PLC to its Russia financial sanctions regime, making the company subject to an asset freeze, according to a notification from the UK's Foreign, Commonwealth and Development Office.
- Turkish flat and long steel producer Isdemir has completed modernization of its 0.5 mtpa coking battery Number 3 and commissioned it as per plan.

[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 2022, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April 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 2022*(mt)	April 2021 (mt)	% change*
Crude Steel Production	10.144	9.551	6.2
Hot Metal Production	6.669	6.327	5.4
Pig Iron Production	0.597	0.545	9.5
Sponge Iron Production	3.526	3.324	6.1
<b>Total Finished Steel (alloy/stainless + non-alloy)</b>			
Production	9.382	9.266	1.3
Import	0.327	0.364	-10.1
Export	0.743	0.951	-21.9
Consumption	9.072	8.962	1.2
Source: JPC; *provisional; mt=million tonnes			

### Overall Production

- **Crude Steel:** Production at 10.144 million tonnes (mt), up by 6.2%.
- **Hot Metal:** Production at 6.669 mt, up by 5.4%.
- **Pig Iron:** Production at 0.597 mt, up by 9.5%.
- **Sponge Iron:** Production at 3.526 mt, up by 6.1%, led by coal-based route (80% share).
- **Total Finished Steel:** Production at 9.382 mt, up by 1.3%.

### Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 6.103 mt (60% share) during this period, up by 5.2%. The rest (4.041 mt) came from the Other Producers, up by 7.7%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 5.967 mt (89% share) up by 5.8%. The rest (0.703 mt) came from the Other Producers, up by 2.3%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 0.176 mt (30% share) down by 6.3%. The rest (0.421 mt) came from the Other Producers, up by 17.9%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 5.32 mt (57% share) up by 1.9%. The rest (4.062 mt) came from the Other Producers, up by 0.4%.

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## Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 83% share, the Private Sector (8.407 mt, up by 7.1%) led crude steel production compared to the 17% contribution of the PSUs.
- **Hot Metal:** With 71% share, the Private Sector (4.737 mt, up by 7.3%) led hot metal production, compared to the 29% contribution of the PSUs.
- **Pig Iron:** With 85% share, the Private Sector (0.506 mt, up by 12.8%) led pig iron production, compared to the 15% contribution of the PSUs.
- **Total Finished Steel:** With 86% share, the Private Sector (8.061 mt, up by 1.2%) 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 51% share (down by 0.5%), the rest 49% was the share of flats (up by 3.2%).
- **Import:** Flat products accounted for 94% share (down by 4.8%), the rest 6% was the share of non-flats (down by 53.0%).
- **Export:** Flat products accounted for 85% share (down by 16.4%), the rest 15% was the share of non-flats (down by 16.4%).
- **Consumption:** Led by Non-flat steel (53% share; down by 3.8%) while the rest 47% was the share of flat steel (up by 7.5%).

## Finished Steel Production Trends

- At 9.382 mt, production of total finished steel was up by 1.3% in April 2022.
- Contribution of the non-alloy steel segment stood at 8.806 mt (94% share, up by 1.5%), 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 (3.768 mt, down by 1.1%) while growth in the non-alloy, flat segment was led by HRC (3.938 mt, up by 2.7%) during this period.

## Finished Steel Export Trends

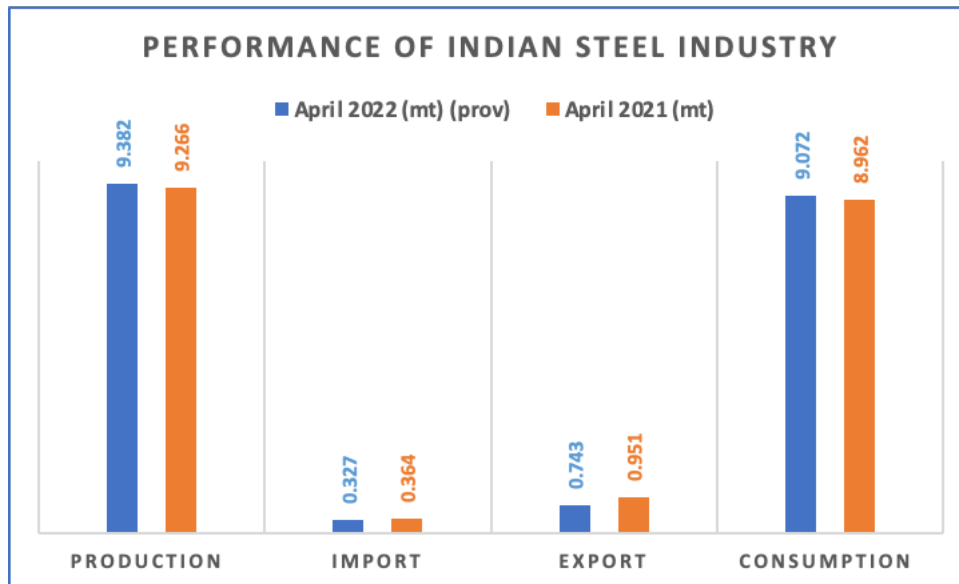
- Overall exports of total finished steel at 0.743 mt, down by 21.9%.
- Volume wise, Non-alloy HR Coil/Strip (0.373 mt, down by 14.1%) was the item most exported (55% share in total non-alloy).
- Vietnam (0.130 mt) was the largest export market for India.

## Finished Steel Import Trends

- Overall imports of total finished steel at 0.327 mt, down by 10.1%.
- India was a net exporter of total finished steel in April 2022.
- Volume wise, HR Coil/ Strip (0.07 mt, up by 14.7%) was the item most imported (36% share in total non-alloy).
- Korea (0.178 mt) was the largest import market for India (43% share in total).

## Finished Steel Consumption Trends

- At 9.072 mt, consumption of total finished steel was up by 1.2% in April 2022.
- Contribution of the non-alloy steel segment stood at 8.436 mt (93% share, up by 0.9%), 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 (3.801 mt, down by 5.5%) while growth in the non-alloy, flat segment was led by HRC (3.598 mt, up by 4.8%) 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 April 2022 rose by 7.1% over 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 10.4% during April 2022 with all the sectors reporting a rise except Crude Oil.



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**Inflation:** In April 2022 (prov.), the annual rate of inflation, based on monthly WPI, stood at 15.08% while the all India CPI inflation rate (combined) stood at 7.79% and compared to the previous month, both the parameters registered a growth.

**Trade:** Provisional figures from DGCI&S show that during April 2022, in dollar terms, overall exports were up by 33.68% while overall imports were up by 33.95%, both on yoy basis. Overall trade deficit for this period is estimated at USD 8.08 billion as compared to the deficit of USD 6.86 billion of last year.

**Prepared by: Joint Plant Committee**