

Indian Steel Industry: May 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 production rose for the fourth successive month in May 2023 as improving supply chain-conditions boosted output.
- JP Morgan Global Manufacturing PMI stood at 49.6 in May 2023, unchanged compared with April and March 2023, thus staying below the 50.0 no-change mark for the ninth successive month.
- Growth of manufacturing production accelerated to an 11-month high in May 2023, as a strengthening performance (on average) in Asia offset weaker expansion in North America and a further downturn in Europe. The overall rate of increase, however, remained relatively subdued.
- The level of incoming new business fell for the eleventh month running in May, although the pace of contraction has remained relatively mild in recent months.

Key Economic Figures			
Country	GDP 2022: % change*	Manufacturing PMI	
		April 2023	May 2023
India	7.0	57.2	58.7
China	3.0	49.5	50.9
Japan	1.0	49.5	50.6
USA	2.1	50.2	48.4
Eurozone	3.5	45.8	44.8
Brazil	2.9	44.3	47.1
Russia	-2.1	52.6	53.5
South Korea	2.6	48.1	48.4
Germany	1.8	44.5	43.2
Turkey	5.6	51.5	51.5
Italy	3.7	46.8	45.9

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

GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 622.7 mt in January-April 2023 period, registering a marginal decline of 0.3% yoy, according to provisional data released by World Steel Association (worldsteel). In April 2023, world crude steel production stood at 161.4 mt, down 2.4% compared with the same period of the previous year.

World Crude Steel Production (Prov)			
Rank	Top 10	Jan-Apr '23 (mt)	% yoy change
1	China	354.4	4.1
2	India	43.9	3.0
3	Japan	28.9	(-)5.3
4	USA	26.1	(-)4.1
5	Russia	25.1	(-)0.6
6	South Korea	22.4	(-)0.4
7	Germany	12.4	(-)5.9
8	Brazil	10.6	(-)8.8
9	Turkey	10.1	(-)21.3
10	Iran	9.7	0.1
Top 10 Total		543.4	1.5
World		622.7	(-)0.3

Major observations:

- China remained the leader in world crude steel production with an output of 354.4 mt in January-April 2023 period, registering a growth of 4.1% yoy. The country accounted for 56.9% of world crude steel production during the first four months of 2023.
- **Further, China, India and Iran were the only countries among the top 10 steel producing countries in the world which registered growth in production during January-April 2023.**
- India was the 2nd largest producer of crude steel with an output of 43.9 mt in January-April 2023, showing a yoy growth of 3.0%. The country accounted for 7% of world crude steel production during the January-April 2023 period.
- Japan was the 3rd largest producer of crude steel with an output of 28.9 mt in January-April 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 26.1 mt (down 4.1% yoy), the USA was the 4th largest producer of crude steel during January-April 2023.
- Russia's crude steel production stood at 25.1 mt (down 0.6% yoy) in January-April 2023 period and the country was the 5th largest producer of crude steel.

- The top 10 countries' cumulative production in January-April 2023 stood at 543.4 mt (up 1.5% yoy) and they accounted for 87.3% of world crude steel production during the period.
- Asian crude steel production stood at 465.6 mt in January-April 2023, showing a 2.3% growth yoy, led primarily by China and India, with their respective shares of 76% and 9% in total Asian crude steel production during the period.

GLOBAL DRI PRODUCTION

India led global DRI production in January-April 2023 period

World DRI production stood at 36.4 mt in January-April 2023 period, showing a yoy growth of 3.2%, according to provisional data released by worldsteel.

World DRI Production (Prov)			
Rank	Top 5	Jan-Apr '23 (mt)	% yoy change
1	India	15.2	11.5
2	Iran	8.8	-10.3
3	Russia	2.52	(-)10.4
4	Saudi Arabia	2.34	5.7
5	Egypt	2.16	5.1
Top 5 Total		31.0	1.7
World		36.4	3.2
Source: worldsteel			

Major observations:

- India remained the leader in world DRI production with an output of 15.2 mt (up 11.5% in January-April 2023 period). The country accounted for 41.7% of world DRI production during the period under review.
- Iran was the 2nd largest producer of DRI with an output of 8.8 mt in January-April 2023 period (down 10.3% yoy). It accounted for 24.1% of world DRI production during the first four months of this year.
- Russia ranked third in terms of DRI production with an output of 2.52 mt (down 10.4% yoy) in January-April 2023. The country accounted for 6.9% of world DRI production during the period.
- The top 5 countries accounted for nearly 85.1% of total world DRI production in January-April 2023 with a cumulative output of 31.0 mt, up by 1.7% yoy.

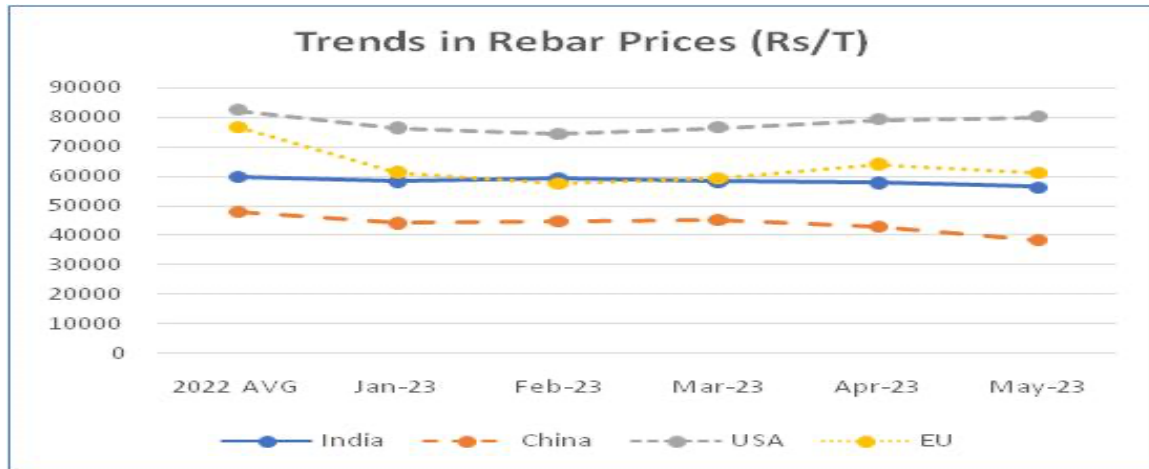
WORLD STEEL PRICE TRENDS

- ❖ Global steel prices continued to remain volatile in May 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: The economic activity appeared to lose steam at the outset of Q2 of 2023 as pent-up demand faded and economic sentiment remained subdued by elevated geopolitical tensions.
 - e) Euro zone growth slowing to three-month low in May 2023 as the manufacturing sector weakened further. Growth of business activity was primarily seen in services-based industries while performances among manufacturing sectors were generally weaker.
 - f) May data pointing to rising business activity in six out of seven US sectors with basic materials being the only category to register an outright decline in output volumes.

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

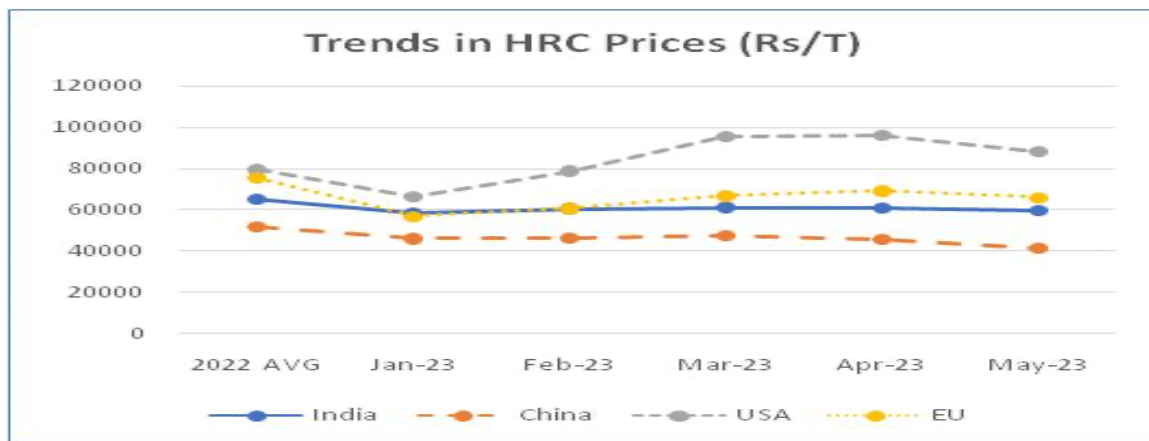
Long Products

- 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 remained range-bound with demand staying slack due to adverse weather conditions such as heavy rains and floods in some eastern and southwest regions of China and there is still no improvement in end-users cash flow.
- The import price of rebar fell in the USA while domestic price of the material remained stable, with some market participants speculating the latter might soften further due to lower demand. The wait-and-watch policy of the consumer was cited as one of the reasons for low demand.
- Rebar prices continued to slide in Europe amid slow consumption and worsening market conditions and a further downtrend is likely because there is little hope that demand will recover in the short term. Public construction projects are being pushed or cancelled amid weak economic conditions, contributing to the lack of demand.



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.
- Chinese HRC prices continued to fall with renewed concerns over the potential impact of the banking crisis in the USA. The sentiment was also hit by growing expectations for further interest rate increases in the USA.
- In the USA, HRC prices stabilized with downward bias, with some distributors continuing to buy on an as-needed basis, while some deferring from making spot market purchases because they expect the price to erode further on shortening lead times and lower offer from domestic mills.
- While HRC prices in Europe remained frozen with a lack of offers, quiet trading and increasingly gloomy market sentiment; in Russia domestic flat markets were silent amid transportation difficulties.



[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

- Apparent global steel consumption is forecast to drop 1% year on year to 138 million tonnes in 2023 and then rebound in 2024 by 5.4% year on year, said European Steel Association, Eurofer, in its economic outlook.
- China's exports of semi-finished and finished steel, which hit their highest level since October 2016 in April, will likely ease back over May-July due to shrinking overseas orders since March that have added to the pressure from weak domestic demand.
- Saudi Arabia-based steel pipe producer East Pipes has signed a supply agreement with Saudi Aramco. According to the contract worth \$480 million, the company will manufacture and supply steel pipes to Aramco.
- Russian steel major Severstal said that it expects some uptick in steel demand from the domestic machine manufacturing industry, amid a global recovery in auto sales and upbeat forecasts for new truck orders on healthy appetite from infrastructure projects.
- Turkish steel sections and merchant bar producer Kocaer Steel, which temporarily suspended production at its A2 factory in Aliaga, Izmir, on April 24, to increase value-added production, has restored output after completing the project.
- Swedish low carbon steel developer H2 Green Steel and Thyssenkrupp's electrolyser business announced that they are to jointly build an electrolysis plant to provide hydrogen for green steel production at the former's Boden plant, in northern Sweden.

- The Philippines' SteelAsia Manufacturing Corp has commissioned its seventh rebar plant in Compostela, Cebu. The plant is expected to ramp up production in 6-12 months.
- Italy's first direct-reduced iron plant is likely to start production in 2026, Franco Bernabe, chairman of Acciaierie d'Italia and President of DRI D'Italia said.
- US raw steel mill capability utilisation increased the week ended May 13. Raw steel production capability utilisation was 76.7%, up from 76.1% the previous week.
- Brazilian miner Vale and French direct reduced iron producer GravitHy have signed a memorandum of understanding to study setting up a plant at GravitHy's site at Fos-sur-Mer, southern France to produce 2 million mt/year of direct reduction briquettes from high-quality iron ore mined by Vale.
- Outokumpu, Europe's largest stainless steel producer and the second largest in the Americas, reported its first quarter stainless steel deliveries at 505,000 mt, down 17% on the year, in its latest quarterly results.

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April 2023, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April 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 2023*(mt)	April 2022 (mt)	% change*
Crude Steel Production	10.721	10.387	3.2
Hot Metal Production	6.925	6.571	5.4
Pig Iron Production	0.512	0.551	-7.1
Sponge Iron Production	3.893	3.603	8.0
Total Finished Steel (alloy/stainless + non-alloy)			
Production	10.253	9.627	6.5
Import	0.460	0.333	38.2
Export	0.855	0.761	12.5
Consumption	9.951	9.210	8.0
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 10.721 million tonnes (mt), up by 3.2%.
- **Hot Metal:** Production at 6.925 mt, up by 5.4%.
- **Pig Iron:** Production at 0.512 mt, down by 7.1%.
- **Sponge Iron:** Production at 3.893 mt, up by 8.0%, led by coal-based route (80% share).

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- **Total Finished Steel:** Production at 10.253 mt, up by 6.5%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 6.818 mt (64% share) during this period, up by 4.9%. The rest (3.903 mt) came from the Other Producers, up by 0.5%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 6.375 mt (92% share) up by 3.7%. The rest (0.551 mt) came from the Other Producers, up by 29.7%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 0.087 mt (17% share) down by 52.1%. The rest (0.425 mt) came from the Other Producers, up by 15.2%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 6.131 mt (60% share) up by 11.5%. The rest (4.121 mt) came from the Other Producers, down by 0.1%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 82% share, the Private Sector (8.786 mt, up by 1.6%) led crude steel production compared to the 18% contribution of the PSUs (up by 11.4%).
- **Hot Metal:** With 70% share, the Private Sector (4.842 mt, up by 4.4%) led hot metal production, compared to the 30% contribution of the PSUs (up by 7.8%).
- **Pig Iron:** With 90% share, the Private Sector (0.463 mt, up by 0.8%) led pig iron production, compared to the 10% contribution of the PSUs (down by 46.6%).
- **Total Finished Steel:** With 85% share, the Private Sector (8.723 mt, up by 5.0%) led production of total finished steel, compared to the 15% contribution of the PSUs (up by 15.8%).

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Non-flat products accounted for 53% share (up by 3.8%), the rest 47% was the share of flats (up by 9.7%).
- **Import:** Flat products accounted for 92% share (up by 34.2%), the rest 8% was the share of non-flats (up by 105.1%).
- **Export:** Flat products accounted for 92% share (up by 23.0%), the rest 8% was the share of non-flats (down by 43.8%).
- **Consumption:** Led by Non-flat steel (54% share; up by 2.5%) while the rest 46% was the share of flat steel (up by 15.4%).

Finished Steel Production Trends

- At 10.253 mt, production of total finished steel was up by 6.5%.
- Contribution of the non-alloy steel segment stood at 9.447 mt (92% share, up by 4.3%), while the rest was the contribution of the alloy steel segment (including stainless steel).

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- In the non-alloy, non-flat segment, in volume terms, major contributor to production of total finished steel was Bars & Rods (4.145 mt, up by 0.9%) while growth in the non-alloy, flat segment was led by HRC (4.052 mt, up by 6.2%) during this period.

Finished Steel Export Trends

- Overall exports of total finished steel at 0.855 mt, up by 12.5%.
- Volume wise, HR Coil/Strip (0.331 mt) was the item most exported (39% share in total finished steel).
- Italy (0.208 mt) was the largest export market for India.

Finished Steel Import Trends

- Overall imports of total finished steel at 0.460 mt, up by 38.2%.
- India was a net exporter of total finished steel in April 2023.
- Volume wise, HR Coil/Strip (0.140 mt) was the item most imported (30% share in total finished steel).
- Korea (0.147 mt) was the largest import market for India (32% share in total).

Finished Steel Consumption Trends

- At 9.951 mt, consumption of total finished steel was up by 8.0%.
- Contribution of the non-alloy steel segment stood at 8.950 mt (90% share, up by 4.1%), 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 (4.104 mt, down by 2.0%) while growth in the non-alloy, flat segment was led by HRC (3.738 mt, up by 11.8%) 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 month of April, financial year 2023-24 rose by 4.2% 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 3.5% during the month of April, 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 4.25% and that on Wholesale Price Index stood at -3.48% in May 2023. Both the CPI inflation and WPI inflation came down compared with the previous month.

Prepared by: Joint Plant Committee