



# Indian Steel Industry: November 2022 – A Trend Report

The withdrawal of export duty on select items of finished steel and raw materials with effect from November 2022 is expected to boost the sentiment of the steel industry and may lead to an increase in exports. However, with domestic steel consumption forecasted to grow by 6.1% in 2022 and 6.7% in 2023 as per SRO, steel producers may have to fork out a balance between meeting domestic requirements prior to exporting.

## WORLD ECONOMY AT A GLANCE

- As per Markit Economics Reports, the November 2022 PMI surveys have signalled a fourth successive monthly contraction in global manufacturing production, driven by weaker intakes of new business, receding international trade flows and continued high costs. The J.P.Morgan Global Manufacturing PMI fell to a 29-month low of 48.8 in November 2022 and remained below the 50.0 mark for the third successive month.
- Majority of the nations covered under the survey registered a contraction in output with only Australia, India, Indonesia, Russia, Thailand and Philippines signalling expansion. Rates of decline accelerated in China and Japan, but eased in the Euro area. The USA also saw contraction in November 2022.
- As per the report, new order intakes fell for the fifth month running. International trade also retreated further, posting a decline for the ninth successive month. Price inflationary pressures remained elevated at manufacturers.

Key Economic Figures			
Country	GDP 2021: %change*	Manufacturing PMI	
		October 2022	November 2022
India	8.2	55.3	55.7
China	8.1	49.2	49.4
Japan	1.7	50.7	49
USA	5.7	50.4	47.7
Eurozone	5.2	46.4	47.1
Brazil	4.6	50.8	44.3
Russia	4.7	50.7	53.2
South Korea	4.0	48.2	49
Germany	2.9	45.1	46.2
Turkey	11.0	46.4	45.7
Italy	6.6	46.5	48.4

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

## GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 1,552.7 mt in January-October 2022, registering a decline of 3.9% year-on-year (yoy), according to provisional data released by World Steel Association (worldsteel). In the month of October 2022, world crude steel production stood at 147.3 mt, down 0.02% yoy.

World Crude Steel Production (Prov)			
Rank	Top 10	Jan-Oct. '22 (mt)	% yoy change
1	China	860.6	(-)2.2
2	<b>India</b>	<b>103.8</b>	<b>6.1</b>
3	Japan	75.2	(-)6.5
4	USA	68.1	(-)4.8
5	Russia	60.4	(-)6.6
6	South Korea	55.7	(-)5.0
7	Germany	31.4	(-)6.9
8	Turkey	30.2	(-)10.1
9	Brazil	28.7	(-)5.2
10	Iran	25.1	9.0
<b>Top 10 Total</b>		<b>1,339.1</b>	<b>(-)2.5</b>
<b>World</b>		<b>1,552.7</b>	<b>(-)3.9</b>
<b>Source: worldsteel</b>			

### Major observations:

- China remained the leader in world crude steel production with an output of 860.6 mt in January-October 2022, a decline of 2.2% yoy. China's production in October 2022 stood at 79.8 mt, registering a yoy growth of 11%. The country accounted for 55.4% of world crude steel production during the January-October 2022 period.
- India was the 2<sup>nd</sup> largest producer of crude steel with an output of 103.8 mt in January-October 2022, showing a yoy growth of 6.1%. The country accounted for 6.7% of world crude steel production during the first 10 months of calendar year 2022. In October 2022, India's crude steel production stood at 10.5 mt, up by 2.7% yoy.
- **Further, India and Iran were the only two countries among the top 10 steel producing countries in the world which registered growth in production during January-October 2022.**
- Japan was the 3<sup>rd</sup> largest producer of crude steel with an output of 75.2 mt in January-October 2022 period, down by 6.5% yoy. Japan accounted for 4.8% of world crude steel production during the period. In October this year, the country's crude steel production stood at 7.3 mt, down by 10.6% yoy.
- With crude steel production of 68.1 mt (down 4.8% yoy), the USA was the 4<sup>th</sup> largest producer of crude steel during January-October 2022. In October 2022, the USA's crude steel production was 6.7 mt, which registered a yoy decline of 8.9%.

- Russia's crude steel production stood at 60.4 mt (down 6.6% yoy) in January-October 2022 period and the country was the 5<sup>th</sup> largest producer of crude steel. In October this year, the country's production stood at 5.8 mt, showing a yoy decline of 11.5%.
- The top 10 countries' cumulative production in January-October 2022 stood at 1,339.1 mt (down 2.5% yoy) and they accounted for 86.2% of world crude steel production during the period.
- Asian crude steel production stood at 1140.1 mt during January-October 2022, showing a 2.1% decline yoy, led primarily by China and India, with their respective shares of 75% and 9% in total Asian crude steel production during the period.

## GLOBAL DRI PRODUCTION

### India leads global DRI production in 2022 so far

World DRI production stood at 91.9 mt in January-October 2022 period, showing a yoy growth of 7.6%, according to provisional data released by worldsteel. In October 2022, world DRI production stood at 9.3 mt, up by 8.4% yoy.

World DRI Production (Prov)			
Rank	Top 5	Jan-Oct. '22 (mt)	% yoy change
1	<b>India</b>	<b>34.5</b>	<b>6.1</b>
2	Iran	27.3	8.2
3	Russia	6.5	1.8
4	Saudi Arabia	6.1	22.2
5	Egypt	5.0	16.9
<b>Top 5 Total</b>		<b>79.3</b>	<b>8.1</b>
<b>World</b>		<b>91.9</b>	<b>7.6</b>
<b>Source: worldsteel</b>			

### Major observations:

- India remained the leader in world DRI production with an output of 34.5 mt (up 6.1% yoy) in January-October 2022 period. The country accounted for 37.5% of world DRI production during the first 10 months of 2022. In October this year, India's DRI production stood at 3.4 mt, up by 4.7% yoy.
- Iran was the 2<sup>nd</sup> largest producer of DRI with a cumulative production of 27.3 mt in January-October 2022 period (up 8.2% yoy). It accounted for 29.7% of world DRI production during the period. In October 2022, Iran's DRI production stood at 3 mt, showing a yoy growth of 17.5%.
- Russia ranked third in terms of DRI production with a cumulative output of 6.5 mt (up 1.8% yoy) during the first 10 months of 2022. The country accounted for 7.1% of world DRI production during the period. In October 2022, the country's DRI production stood at 0.54 mt, down by 22.7% yoy.
- The top 5 countries accounted for nearly 86.3% of total world DRI production in January-October 2022 with a cumulative output of 79.3 mt, up by 8.1% yoy.

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## WORLD STEEL PRICE TRENDS

Global steel prices continued to remain under pressure from many sides in Nov 2022:

- 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) developments in the Chinese market : fresh emergence of COVID-19 cases, its sinking property market where investment is falling at its fastest pace since early 2020, its earlier extreme heatwave conditions and its impact on disrupted power supply to manufacturing units and crippling demand and its overall bearish outlook
- c) fluctuations in prices of major raw materials for steel making which remained south bound at end of Q3 2022
- d) rising energy costs in Europe where persistence of high inflation is currently the biggest threat to financial stability and growth
- e) recessionary traits in the US and fear of the same sparking off a global recession
- f) concerns over a softening Chinese economy, where demand forecasts are being curtailed by leading agencies in view of its weak growth prospects and its possible adverse impact on the rest of Asia

Steel prices thus remained largely south-bound during Q3 2022 with rises if any, noted with caution and with most participants adopting a wait-and-watch outlook – for markets to stabilise before they return for significant volume of transactions. Relevant to note here that with the exception of India and Iran, global crude steel production in January-October 2022 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 have suffered from severe demand crisis owing to raging COVID-19 (fresh cases have raised alarm), its extreme heatwave conditions earlier crippling demand and hampering power supply to steel units and its sinking property market impacting sentiments. October 2022 has seen further pessimism after the European Central Bank announced its third hike in interest rates.
- Supply-demand imbalance and declining raw material prices have impacted rebar prices in the USA while stable demand for continuing construction season has kept Russian rebar prices steady.
- Demand in the European steel rebar market remained depressed amid weak end-user consumption, impact of Russian crisis and a continued wait-and-watch policy among buyers.

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## Flat Products

- HRC prices have started off 2022 on a slow note but have peaked in April 2022 (except China), dipping steadily thereafter till November 2022.
- The above peaking may well be attributed to the impact of the Russia-Ukraine crisis – a feature noted for rebar prices as well.
- Chinese flat steel prices have been affected by the same set of pervasive and persistent factors as in case of long products while supply-demand imbalance has impacted flat prices in the USA largely.
- Like long products, European HRC prices too have been impacted by the Russian crisis, weak market conditions, surging energy costs and overall bearish sentiments.
- Russian HRC prices remained stable in view of slow but stable local market, with exports increasingly gaining traction.

[Source Credit: Fastmarkets Metal Bulletin]

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## RAW MATERIAL SCENARIO

Prices of major raw materials for steel making – iron ore, scrap, coal - have peaked in March 2022, soon after the onset of the Russia-Ukraine war and have largely slipped thereafter, impacted by dull demand-supply conditions in most markets around the globe

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

## NEWS AROUND THE GLOBE

- The expectations of the International Rebar Producers & Exporters Association (Irepas) regarding the near-future of the global long steel markets, have remained gloomy amid low demand and strong competition, the association said in its outlook paper. “Demand in the global long steel products market is either very low or there is no demand at all, depending on the region,” the association said.
- Vietnam’s steel major Hoa Phat plans to keep its four blast furnaces shut in November 2022, due to poor demand in the steel industry.
- China’s exports of finished steel increased 15.3% year on year in October 2022, but import volume dropped by 31.5% in the same comparison, according to Chinese customs data published on 7 November 2022.
- Turkish steelmakers have been incurring serious losses due to falling margins amid high costs and pressure from dumped imports from Russia and Asian countries, with steel production becoming unsustainable.
- Eurofer has forecast steel demand in the European Union to drop by 3.5% to 145 mt in 2022, owing to a deeper-than-expected recession caused by the continuing worsening of the EU economy following Russia’s invasion of Ukraine and the energy crisis.

- Russia’s domestic steel consumption in full year 2022 may only decline by 2% year on year, according to Russian steel major MMK, far less than some previous forecasts in the wake of the invasion of Ukraine.
- The European Commission could start an antidumping investigation against flat bar imports from Turkey and China, the Turkish Steel Producers’ Association told S&P Global Commodity.
- Turkey has started a sunset review of the antidumping duty imposed on thick plate imports from China.
- Vale has signed agreements to develop ‘mega hubs’ for steel decarbonisation in Saudi Arabia, UAE and Oman using lower natural gas prices to encourage investments with local participants.
- Nippon Steel has begun commercial operations of a new EAF in its Setouchi Works in Hirohata with a production capacity of 60,000 tonnes per annum that will be used for the steelmaker’s electrical sheet manufacturing.
- Tata Steel will invest Eur65 million (\$64 million) in the engineering package of the hydrogen-based manufacturing route for its site at Ijmuiden, the Netherlands.
- Turkish steelmaker Kocaer’s board has decided to invest in new machines and equipment to expand its value-added steel product range, targeting the solar energy sector, in which the company already received a pre-order worth \$25 million.

## INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-October 2022, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-October 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-October 2022*(mt)	April-October 2021 (mt)	% change*
Crude Steel Production	71.564	67.708	5.7
Hot Metal Production	45.643	44.997	1.4
Pig Iron Production	3.487	3.482	0.1
Sponge Iron Production	24.448	22.627	8
<b>Total Finished Steel (alloy/stainless + non-alloy)</b>			
Production	68.172	63.787	6.9
Import	3.151	2.751	14.5
Export	3.961	8.809	-55.0
Consumption	65.680	58.808	11.7
Source: JPC; *provisional; mt=million tonnes			

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## Overall Production

- **Crude Steel:** Production at 71.564 million tonnes (mt), up by 5.7%.
- **Hot Metal:** Production at 45.643 mt, up by 1.4%.
- **Pig Iron:** Production at 3.487 mt, up by 0.1%.
- **Sponge Iron:** Production at 24.448 mt, up by 8%, led by coal-based route (81% share).
- **Total Finished Steel:** Production at 68.172 mt, up by 6.9%.

## Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 43.168 mt (60% share) during this period, up by 2.8%. The rest (28.396 mt) came from the Other Producers, up by 10.4%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 41.396 mt (91% share) up by 3.4%. The rest (4.247 mt) came from the Other Producers, down by 14.3%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 0.866 mt (25% share) down by 12%. The rest (2.621 mt) came from the Other Producers, up by 4.9%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 38.842 mt (57% share) up by 6%. The rest (29.330 mt) came from the Other Producers, up by 8.1%.

## Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 83% share, the Private Sector (59.286 mt, up by 8.1%) led crude steel production compared to the 17% contribution of the PSUs (down by 4.7%).
- **Hot Metal:** With 71% share, the Private Sector (32.533 mt, up by 5.1%) led hot metal production, compared to the 29% contribution of the PSUs (down by 6.6%).
- **Pig Iron:** With 92% share, the Private Sector (3.205 mt, up by 4.1%) led pig iron production, compared to the 8% contribution of the PSUs (down by 29.9%).
- **Total Finished Steel:** With 85% share, the Private Sector (57.853 mt, up by 7.2%) led production of total finished steel, compared to the 15% contribution of the PSUs (up by 5.2%).

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

- **Production:** Non-flat products accounted for 54% share (up by 8.5%), the rest 46% was the share of flats (up by 5.1%).
- **Import:** Flat products accounted for 93% share (up by 17.4%), the rest 7% was the share of non-flats (down by 14.5%).
- **Export:** Flat products accounted for 86% share (down by 50.8%), the rest 14% was the share of non-flats (down by 70.4%).
- **Consumption:** Led by Non-flat steel (54% share; up by 7.6%) while the rest 46% was the share of flat steel (up by 17%).

## Finished Steel Production Trends

- At 68.172 mt, production of total finished steel was up by 6.9%.
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- Contribution of the non-alloy steel segment stood at 62.963 mt (92% share, up by 5.4%), 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 production of total finished steel was Bars & Rods (28.249 mt, up by 7.9%) while growth in the non-alloy, flat segment was led by HRC (26.275 mt, up by 2.4%) during this period.

#### **Finished Steel Export Trends**

- Overall exports of total finished steel at 3.961 mt, down by 55%.
- Volume wise, HR Coil/Strip (2.097 mt) was the item most exported (53% share in total finished steel).
- Vietnam (0.563 mt) was the largest export market for India.

#### **Finished Steel Import Trends**

- Overall imports of total finished steel at 3.151 mt, up by 14.5%.
- India was a net exporter of total finished steel in April-October 2022.
- Volume wise, HR Coil/Strip (1.015 mt) was the item most imported (32% share in total finished steel).
- Korea (1.293 mt) was the largest import market for India (41% share in total).

#### **Finished Steel Consumption Trends**

- At 65.680 mt, consumption of total finished steel was up by 11.7%.
- Contribution of the non-alloy steel segment stood at 60.923 mt (93% share, up by 11.9%), 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 (27.640 mt, up by 6.9%) while growth in the non-alloy, flat segment was led by HRC (25.505 mt, up by 20.6%) during this period.

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## 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 Q2 2022-23 is estimated to attain a level of ₹ 38.17 lakh crore, as against ₹ 35.89 lakh crore in Q2 2021-22, showing a growth of 6.3 per cent. Barring *Manufacturing* and *Mining & Quarrying*, all the other sectors reported growth during this period, with *Trade, Hotels, Transport, Communications and Services related to Broadcasting* sector reporting the highest growth (14.7%) and *Manufacturing* sector, the lowest (-4.3%).

**Industrial Production:** Provisional CSO data show that the overall Index of Industrial Production (IIP) for April-September 2022 rose by 7% 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 8.2% during April-October 2022 with all the sectors, barring only crude oil, reporting increase in output.

**Inflation:** The rate of inflation based on Consumer Price Index stood at 6.77% and that on Wholesale Price Index stood at 8.39% in October 2022. Both the inflation rates came down compared with September 2022.

Prepared by: Joint Plant Committee