



# Indian Steel Industry: October 2022 – A Trend Report

With a 6.1% rise in domestic steel demand in 2022 and a 6.7% rise in 2023, India has been considered as the driver of global steel consumption in these years by the October 2022 edition of the SRO released by worldsteel, which forecasts that global steel demand will contract by 2.3% in 2022 but see a recovery in 2023. High inflation, monetary tightening and China's slowdown contributed to a difficult 2022, but infrastructure demand is expected to lift 2023 steel demand slightly, as per the SRO.

## WORLD ECONOMY AT A GLANCE

- As per Markit Economics Reports, the October 2022 PMI surveys have signalled a third successive monthly contraction in global manufacturing production, driven by weaker intakes of new business, deteriorating international trade flows and lower business confidence. The J.P.Morgan Global Manufacturing fell to a 28-month low of 49.4 in October 2022 and remained below the neutral 50.0 mark for the second successive month.
- China, the Euro Area and Japan were among the larger manufacturing economies to see output contract during October 2022. Positive sentiment weakened in the US and the UK, but improved in China and Japan.
- As per the report, the level of incoming new work contracted for the fourth successive month, international trade volumes contracted for the eighth successive month while inflationary pressures remained elevated.

Key Economic Figures			
Country	GDP 2021: %change*	Manufacturing PMI	
		September 2022	October 2022
India	8.2	55.1	55.3
China	8.1	48.1	49.2
Japan	1.7	50.8	50.7
USA	5.7	52	50.4
Eurozone	5.2	48.4	46.4
Brazil	4.6	51.1	50.8
Russia	4.7	52	50.7
South Korea	4.0	47.3	48.2
Germany	2.9	47.8	45.1
Turkey	11.0	46.9	46.4
Italy	6.6	48.3	46.5

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

## GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 1,405.2 mt in January-September 2022, registering a decline of 4.3% year-on-year (yoy), according to provisional data released by World Steel Association (worldsteel). In the month of September 2022, world crude steel production stood at 151.7 mt, up 3.7% yoy.

World Crude Steel Production (Prov)			
Rank	Top 10	Jan-Sept. '22 (mt)	% yoy change
1	China	780.8	(-)3.4
2	<b>India</b>	<b>93.3</b>	<b>6.4</b>
3	Japan	67.8	(-)6
4	USA	61.5	(-)4.3
5	Russia	54.6	(-)6
6	South Korea	50.5	(-)4.4
7	Germany	28.2	(-)6
8	Turkey	27.3	(-)9.3
9	Brazil	25.9	(-)5.3
10	Iran	22.2	9.8
<b>Top 10 Total</b>		<b>1212.1</b>	<b>(-)3.1</b>
<b>World</b>		<b>1405.2</b>	<b>(-)4.3</b>
<b>Source: worldsteel</b>			

### Major observations:

- China remained the leader in world crude steel production with an output of 780.8 mt in January-September 2022, a decline of 3.4% yoy. China's production in September 2022 stood at 87 mt, registering a yoy growth of 17.6%. The country accounted for 55.6% of world crude steel production during the January-September 2022 period.
- India was the 2<sup>nd</sup> largest producer of crude steel with an output of 93.3 mt in January-September 2022, showing a yoy growth of 6.4%. The country accounted for 6.6% of world crude steel production during the first nine months of calendar year 2022. In September 2022, India's crude steel production stood at 9.9 mt, up by 1.8% 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-September 2022.**
- Japan was the 3<sup>rd</sup> largest producer of crude steel with an output of 67.8 mt in January-September 2022 period, down by 6% yoy. Japan accounted for 4.8% of world crude steel production during the period. In September this year, the country's crude steel production stood at 7.1 mt, down by 12.3% yoy.
- With crude steel production of 61.5 mt (down 4.3% yoy), the USA was the 4<sup>th</sup> largest producer of crude steel during January-September 2022. In September 2022, the USA's crude steel production was 6.6 mt, which registered a yoy decline of 7.5%.

- Russia’s crude steel production stood at 54.6 mt (down 6% yoy) in January-September 2022 period and the country was the 5<sup>th</sup> largest producer of crude steel. In September this year, the country’s production stood at 5.7 mt, showing a yoy decline of 6.8%.
- The top 10 countries’ cumulative production in January-September 2022 stood at 1212.1 mt (down 3.1% yoy) and they accounted for 86.3% of world crude steel production during the period.
- Asian crude steel production stood at 1033.2 mt during January-September 2022, showing a 2.9% decline 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 leads global DRI production in 2022 so far

World DRI production stood at 82.4 mt in January-September 2022 period, showing a yoy growth of 7.2%, according to provisional data released by worldsteel. In September 2022, world DRI production stood at 9.3 mt, up by 12.7% yoy.

World DRI Production (Prov)			
Rank	Top 5	Jan-Sept. '22 (mt)	% yoy change
1	<b>India</b>	<b>31.0</b>	<b>6</b>
2	Iran	24.2	7.1
3	Russia	6.0	5
4	Saudi Arabia	5.4	21.4
5	Egypt	4.5	15.2
<b>Top 5 Total</b>		<b>71.2</b>	<b>7.9</b>
<b>World</b>		<b>82.4</b>	<b>7.2</b>
<b>Source: worldsteel</b>			

### Major observations:

- India remained the leader in world DRI production with an output of 31 mt (up 6% yoy) in January-September 2022 period. The country accounted for 37.7% of world DRI production during the first nine months of 2022. In September this year, India’s DRI production stood at 3.3 mt, up by 5.5% yoy.
- Iran was the 2<sup>nd</sup> largest producer of DRI with a cumulative production of 24.2 mt in January-September 2022 period (up 7.1% yoy). It accounted for 29.4% of world DRI production during the period. In September 2022, Iran’s DRI production stood at 3 mt, showing a yoy growth of 25.2%.
- Russia ranked third in terms of DRI production with a cumulative output of 6 mt (up 5% yoy) during the first nine months of 2022. The country accounted for 7.3% of world DRI production during the period. In September 2022, the country’s DRI production stood at 0.5 mt, down by 5.3% yoy.
- The top 5 countries accounted for nearly 86% of total world DRI production in January-September 2022 with a cumulative output of 71.2 mt, up by 7.9% yoy.

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## WORLD STEEL PRICE TRENDS

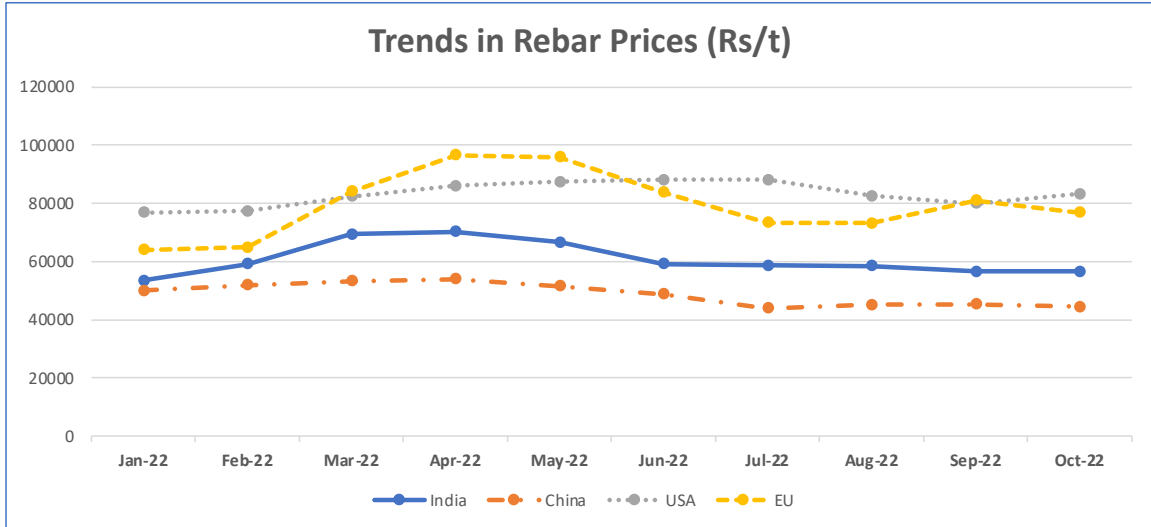
Global steel prices continued to remain under pressure from many sides in October 2022:

- 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 news of latest updates have depressed sentiments, 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 demand conditions in any case remain weak to modest
- 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 Jan-September 2022 remained on a declining trend in all the major steel producing markets.

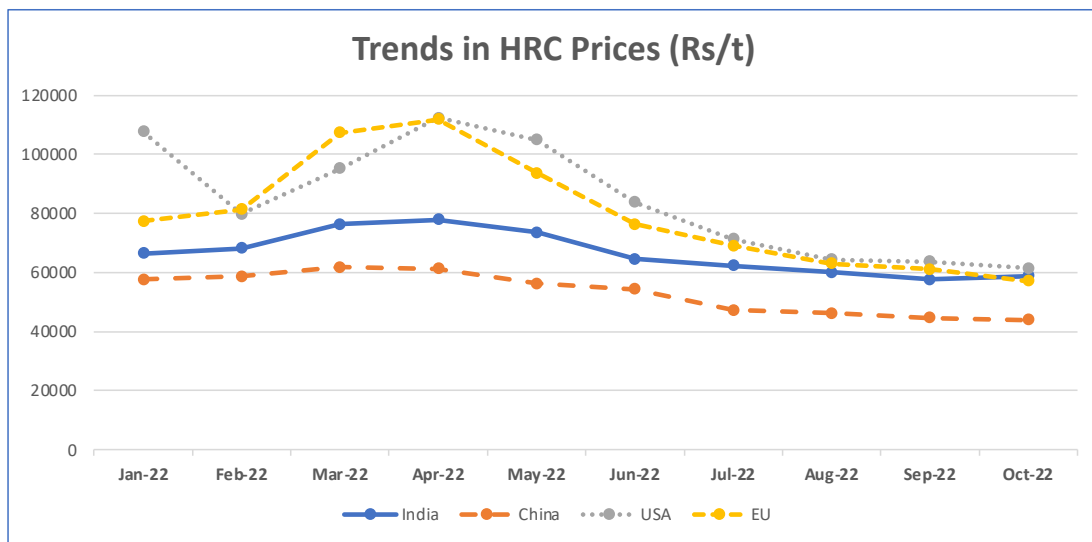
### **Long Products**

- 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 in check.
- 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.



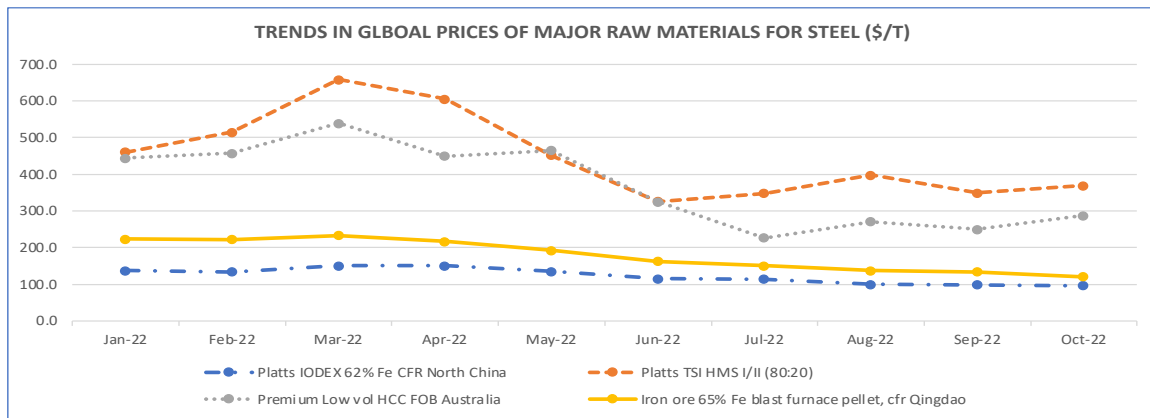
### Flat Products

- HRC prices have started off 2022 on a slow note but have peaked in April 2022 (except China), dipping steadily thereafter till September 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]

## 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

- A recent decree from the Italian government to hand out a 40% tax discount to steelmakers based on energy consumption has made it more appealing for Italy's mills to resume production, thereby risking further oversupply in the European steel market, sources said.
- China imported 99.71 mt of iron ore in September 2022, up 4.3% yoy and 3.6% higher than in August 2022.
- Vale signed a MoU with Germany-headquartered steel group Stahl-Holding-Saar (SHS) to seek carbon-neutral steelmaking solutions. Among the potential initiatives to be adopted, Vale cited green briquette and DRI usage, exploring the possibility of building a briquette plant next to the SHS facilities, and Tecored's technology utilization.
- European recyclers have called for the introduction of mandatory recycled content targets in products made in the European Union amid concerns that proposed EU waste shipment rules will excessively limit exports of recycled raw materials, negatively impacting local demand for such materials, as per the European Recycling Industries Confederation (EuRIC).
- China's ferrous scrap imports declined 36.3% yoy to 310,050 tonnes over January-September 2022.

- Global demand for steel scrap exports was down in October 2022 with many of the major markets struggling with weak finished steel sales, faced by weak domestic markets, currency fluctuations and the appearance of cheaper alternative materials.
- Australian miner Stanmore has kept its metallurgical coal production guidance unchanged at 6-6.6 mt for H2 2022, citing an expectation of higher production at its Isaac Plains facility to help it hit the target.
- China imported 6.84 mt of coking coal in September 2022, up by 57.6% yoy and 6.8% higher than in August 2022.
- The US International Trade Commission (ITC) has decided to revoke duties on imports of hot-rolled steel from Brazil and to maintain duties on similar material from Australia, Japan, the Netherlands, Russia, South Korea, Turkey and the United Kingdom.
- China's exports of finished steel in September 2022 (4.98 mt) was up 1.3% year on year, down by 19.0% month on month while January-September 2022 imports stood at 51.21 mt, down by 3.4% yoy.
- China's imports of finished steel in September 2022 (0.89 mt) was down by 29.1% yoy, down by 0.2% month on month while January-September 2022 imports stood at 8.34 mt, down by 22.1% yoy.
- ArcelorMittal has postponed the shutdown of one of the blast furnaces at its Bremen site in Germany, and is instead planning to reduce the production of both blast furnaces at the mill in a move to reduce its power costs.
- India will impose antidumping duties on stainless steel seamless tubes and pipes imported from China for five years from the date of a notification that will be issued by the central government. The tariffs range from nil to as low as \$114/mt and as high as \$3,191/mt.

## INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-September 2022, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-September 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-September 2022*(mt)	April-September 2021 (mt)	% change*
Crude Steel Production	61.056	57.531	6.1
Hot Metal Production	38.757	38.596	0.4
Pig Iron Production	2.882	3.058	-5.8
Sponge Iron Production	20.999	19.392	8.3
<b>Total Finished Steel (alloy/stainless + non-alloy)</b>			

Production	58.050	53.937	7.6
Import	2.558	2.373	7.8
Export	3.601	7.754	-53.6
Consumption	55.431	49.710	11.5
Source: JPC; *provisional; mt=million tonnes			

### Overall Production

- **Crude Steel:** Production at 61.056 million tonnes (mt), up by 6.1%.
- **Hot Metal:** Production at 38.757 mt, up by 0.4%.
- **Pig Iron:** Production at 2.882 mt, down by 5.8%.
- **Sponge Iron:** Production at 20.999 mt, up by 8.3%, led by coal-based route (80% share).
- **Total Finished Steel:** Production at 58.050 mt, up by 7.6%.

### Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 36.803 mt (60% share) during this period, up by 2.8%. The rest (24.254 mt) came from the Other Producers, up by 11.6%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 35.210 mt (91% share) up by 2.8%. The rest (3.547 mt) came from the Other Producers, down by 18.1%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 0.653 mt (23% share) down by 28.6%. The rest (2.229 mt) came from the Other Producers, up by 4.0%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 33.006 mt (57% share) up by 6.4%. The rest (25.044 mt) came from the Other Producers, up by 9.3%.

### Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 83% share, the Private Sector (50.613 mt, up by 8.8%) led crude steel production compared to the 17% contribution of the PSUs (down by 5.1%).
- **Hot Metal:** With 71% share, the Private Sector (27.577 mt, up by 3.7%) led hot metal production, compared to the 29% contribution of the PSUs (down by 6.8%).
- **Pig Iron:** With 91% share, the Private Sector (2.629 mt, down by 2.4%) led pig iron production, compared to the 9% contribution of the PSUs (down by 30.5%).
- **Total Finished Steel:** With 85% share, the Private Sector (49.305 mt, up by 8.0%) led production of total finished steel, compared to the 15% contribution of the PSUs (up by 5.8%).

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

- **Production:** Non-flat products accounted for 54% share (up by 9.4%), the rest 46% was the share of flats (up by 5.6%).



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- **Import:** Flat products accounted for 93% share (up by 10.7%), the rest 7% was the share of non-flats (down by 21.6%).
  - **Export:** Flat products accounted for 85% share (down by 49.0%), the rest 15% was the share of non-flats (down by 69.4%).
  - **Consumption:** Led by Non-flat steel (55% share; up by 7.5%) while the rest 45% was the share of flat steel (up by 16.8%).

#### Finished Steel Production Trends

- At 58.05 mt, production of total finished steel was up by 7.6%.
- Contribution of the non-alloy steel segment stood at 53.639 mt (92% share, up by 6.2%), 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 (24.112 mt, up by 8.8%) while growth in the non-alloy, flat segment was led by HRC (22.396 mt, up by 3.1%) during this period.

#### Finished Steel Export Trends

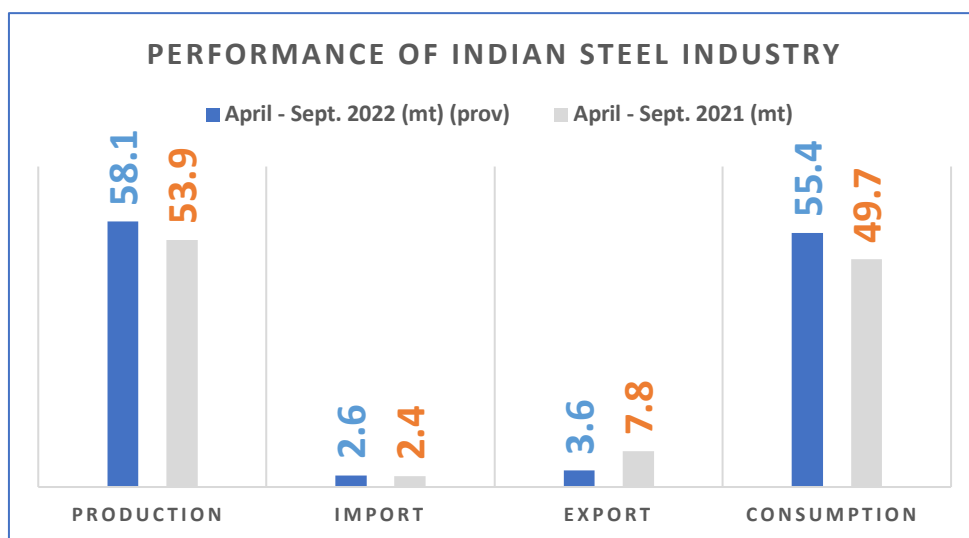
- Overall exports of total finished steel at 3.601 mt, down by 53.6%.
- Volume wise, HR Coil/Strip (1.860 mt) was the item most exported (52% share in total finished steel).
- Italy (0.504 mt) was the largest export market for India.

#### Finished Steel Import Trends

- Overall imports of total finished steel at 2.558 mt, up by 7.8%.
- India was a net exporter of total finished steel in April-September 2022.
- Volume wise, CR Coil/Sheets (0.798 mt) was the item most imported (31% share in total finished steel).
- Korea (1.092 mt) was the largest import market for India (43% share in total).

#### Finished Steel Consumption Trends

- At 55.431 mt, consumption of total finished steel was up by 11.5%.
- Contribution of the non-alloy steel segment stood at 51.319 mt (93% share, up by 11.5%), 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 consumption of total finished steel was Bars & Rods (23.475 mt, up by 6.4%) while growth in the non-alloy, flat segment was led by HRC (21.328 mt, up by 20.2%) 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 Q1 2022-23 is estimated to attain a level of ₹ 36.85 lakh crore, as against ₹ 32.46 lakh crore in Q1 2021-22, showing a growth of 13.5 per cent. Almost all the lead sectors reported a growth during this period, with *Public Administration, Defence & Other Services* reporting the highest growth (26.3%) and *Agriculture, Forestry and Fishing*, the lowest (4.5%).

**Industrial Production:** Provisional CSO data show that the overall Index of Industrial Production (IIP) for April-August 2022 rose by 7.7% 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 9.8% during April-August 2022 with all the sectors reporting a rise.

**Inflation:** The rate of inflation based on Consumer Price Index stood at 7.41% and that on Wholesale Price Index stood at 10.7% in September 2022. While CPI inflation rose compared with August 2022, WPI inflation eased compared with the previous month

**Prepared by: Joint Plant Committee**