



Indian Steel Industry: September 2022 – A Trend Report

Domestic steel consumption continued to grow by double digit rate encouraged by rising production, some mild growth in imports and a continuing decline in exports. Prices remained southbound but stable. The real cause of concern was globally, where recessionary traits in the US economy sparked off fears of an impending global recession.

WORLD ECONOMY AT A GLANCE

- Market Economics reports indicate that global manufacturing output slipped into contraction in August 2022, giving out the signal that conditions may deteriorate further going ahead. While new order intakes declined for the second successive month, a reduction in backlogs of work combined with rising stocks of finished goods pointed to a possible build-up of excess capacity at factories. The J.P. Morgan Global Manufacturing PMI fell to a 26-month low of 50.3 in August 2022, down from 51.1 in July and only slightly above the 50.0 no- change mark.
- The reports highlight that only ten out of the 30 nations registered increases in production and while the majority reported only marginal growth (including China, Brazil Spain and Australia), the USA, the Euro Area, Japan and the UK were among the larger economies to see contractions.

Key Economic Figures			
Country	GDP 2021: %change*	Manufacturing PMI	
		July 2022	August 2022
India	8.2	56.4	56.2
China	8.1	50.4	49.5
Japan	1.7	52.1	51.5
USA	5.7	52.2	51.5
Eurozone	5.2	49.8	49.6
Brazil	4.6	54	51.9
Russia	4.7	50.3	51.7
South Korea	4.0	49.8	47.6
Germany	2.9	49.3	49.1
Turkey	11.0	46.9	47.4
Italy	6.6	48.5	48.0

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

GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 1,253.9 mt in January-August 2022, registering a decline of 5.1% year-on-year (yoy), according to provisional data released by World Steel Association (worldsteel). In the month of August 2022, world crude steel production stood at 150.6 mt, down 3.3% yoy.

World Crude Steel Production (Prov)			
Rank	Top 10	Jan-Aug '22 (mt)	% yoy change
1	China	693.2	(-)5.7
2	India	83.5	7.1
3	Japan	60.7	(-)5.2
4	USA	54.9	(-)3.7
5	Russia	48.9	(-)5.8
6	South Korea	46	(-)3
7	Germany	25.4	(-)4.8
8	Turkey	24.4	(-)8.8
9	Brazil	23.1	(-)4.5
10	Iran	19.5	7.8
Top 10 Total		1079.5	(-)4.4
World		1253.9	(-)5.1
Source: worldsteel			

Major observations:

- China remained the leader in world crude steel production with an output of 693.2 mt in January-August 2022, a decline of 5.7% yoy. China's production in August 2022 stood at 83.9 mt, registering a yoy growth of 0.5%. The country accounted for 55.3% of world crude steel production during the period.
- India was the 2nd largest producer of crude steel with an output of 83.5 mt in January-August 2022, showing a yoy growth of 7.1%. The country accounted for 6.7% of world crude steel production during the first eight months of calendar year 2022. In August 2022, India's crude steel production stood at 10.2 mt, up by 1.2% 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-August 2022.**
- Japan was the 3rd largest producer of crude steel with an output of 60.7 mt in January-August 2022 period, down by 5.2% yoy. Japan accounted for 4.8% of world crude steel production during the period. In August this year, the country's crude steel production stood at 7.3 mt, down by 7.4% yoy.

- With crude steel production of 54.9 mt (down 3.7% yoy), the USA was the 4th largest producer of crude steel during January-August 2022. In August 2022, the USA's crude steel production was 7 mt, which registered a yoy decline of 7.1%.
- Russia's crude steel production stood at 48.9 mt (down 5.8% yoy) in January-August 2022 period and the country was the 5th largest producer of crude steel. In August this year, the country's production stood at 5.9 mt, showing a yoy decline of 5.5%.
- The top 10 countries' cumulative production in January-August 2022 stood at 1079.5 mt (down 4.4% yoy) and they accounted for 86.1% of world crude steel production during the period.
- Asian crude steel production stood at 920.9 mt during January-August 2022, showing a 4.4% 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 73.4 mt in January-August 2022 period, showing a yoy growth of 6.9%, according to provisional data released by worldsteel. In August 2022, world DRI production stood at 8.7 mt, up by 13% yoy. The following table shows DRI production by world's top 5 countries in January-August 2022 period and % change in comparison to their output in the corresponding period of the previous year.

World DRI Production (Prov)			
Rank	Top 5	Jan-Aug '22 (mt)	% yoy change
1	India	27.6	5.8
2	Iran	21.2	4.9
3	Russia	5.6	9.4
4	Saudi Arabia	4.9	23.8
5	Egypt	4	14.7
Top 5 Total		63.3	7.5
World		73.4	6.9
Source: worldsteel			

Major observations:

- India remained the leader in world DRI production with an output of 27.6 mt (up 5.8% yoy) in January-August 2022 period. The country accounted for 37.7% of world DRI production during the first eight months of 2022. In August this year, India's DRI production stood at 3.6 mt, up by 8% yoy.
- Iran was the 2nd largest producer of DRI with a cumulative production of 21.2 mt in January-August 2022 period (up 4.9% yoy). It accounted for 28.9% of world

DRI production during the period. In August 2022, Iran's DRI production stood at 2.1 mt, showing a yoy growth of 18.5%.

- Russia ranked third in terms of DRI production with a cumulative output of 5.6 mt (up 9.4% yoy) during the first eight months of 2022. The country accounted for 7.7% of world DRI production during the period. In August 2022, the country's DRI production stood at 0.7 mt, up by a spectacular 34.8% yoy.
- The top 5 countries accounted for nearly 86% of total world DRI production in January-August 2022 with a cumulative output of 63.3 mt, up by 7.5% yoy.

WORLD STEEL PRICE TRENDS

Global steel prices continued to remain under pressure from many sides in September 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 Q2 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

Global steel prices thus remained south-bound during the 2nd half of 2022 so far, with most participants adopting a wait-and-watch outlook – for price-slide to bottom out and market to stabilise before they return for significant volume of transactions.

Long Products

- Rebar / TMT prices have been south bound in all the major markets, due to a mix of seasonal factors, local supply-demand imbalance and policy impact (export duty imposition, as in case of India).
 - Chinese rebar prices (around 4,000-4,030 yuan/t or \$553-557/t) have suffered from severe demand crisis owing to raging COVID-19 (fresh cases have raised alarm), its extreme heatwave conditions crippling demand and hampering power supply to steel
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units through cutting down availability and its sinking property market impacting sentiments. Some recovery is noted owing to the govt's stated "house delivery program" but its sustenance remains to be seen.

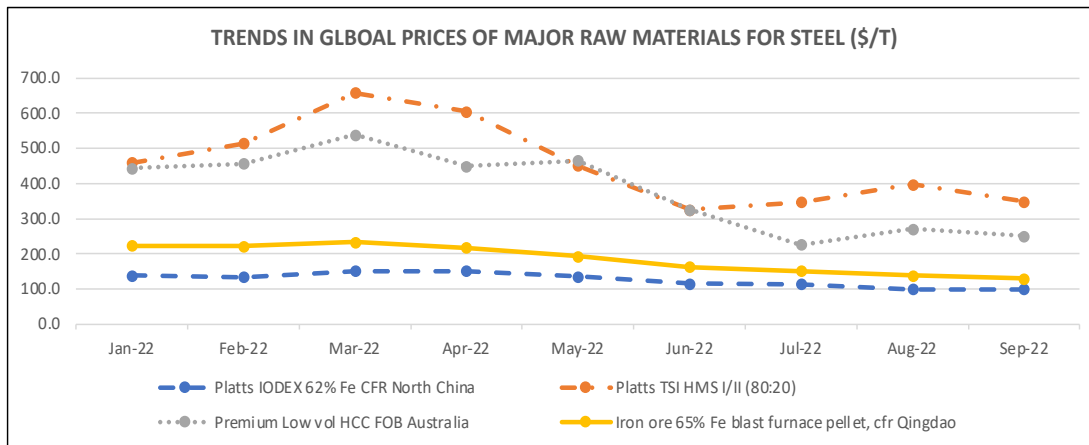
- Supply-demand imbalance and declining raw material prices have impacted rebar prices in the USA (approx. \$1000/t).
- European rebar prices (around €950-1,030/t or \$914-991/t: Northern Europe) have been impacted by the surging energy prices, the Russian crisis, weak demand and seasonal mill closures. The latter however has helped to keep price falls in check by aligning demand with supply. But surging energy costs have led to a spike in prices whose sustainability is however, yet to be ascertained.
- Russian rebar prices (around 46,000 roubles/t or \$794/t) remained stable but faced slow demand specially with construction season coming to an end and winter season coming up thereafter.

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 HRC prices (3,950-3,960 yuan/t or \$545-546/t) 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 (\$776/t approx).
- Like long products, European HRC prices (€762/t or \$733/t : Northern Europe) too have been impacted by the Russian crisis, weak market conditions, surging energy costs and overall bearish sentiments.
- Russian flat steel prices remained stable at around 46000 roubles/t 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

- Turkey's energy market regulator, EPDK, has declared a 50% increase in industrial electricity costs while the Petroleum Pipeline Corp has announced a 50.8% increase in natural gas prices for large industrial users. The increases will add \$25/t to steelmaking costs in Turkey for electricity, and another \$15/t for natural gas.
- The steel billet and rebar markets in Egypt remained slow due to a continuing shortage of foreign currency with which to conduct foreign trade as well as economic uncertainty.
- Chinese Exports:
 - August: 6.15 million tonnes, up by 22% year on year, down by 7.8% month on month
 - January-August: 46.23 million tonnes, down by 3.9% year on year
- Chinese Imports:
 - August: 893,000 tonnes, down by 16% year on year, up by 13.2% month on month
 - January-August: 7.45 million tonnes, down by 21.2% year on year.
- South Korea was ravaged by super-typhoon Hinnamnor in early September 2022, leaving thousands of people displaced and cutting the power supply to some parts of the country.

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- China imported 96.21 mt of iron ore in August 2022, down by 1.3% yoy but up 5.4% over July 2022.
 - Global mining major Rio Tinto and China's Baowu Steel Group are to invest \$2 billion in jointly developing the Western Range iron ore project in the Pilbara region of Western Australia, expected to deliver 25 million tonnes per year of iron ore.
 - China Iron & Steel Association (CISA) has proposed domestic coking coal regulations identical to those of domestic thermal coal to stabilize coking coal prices.
 - Russian authorities are considering imposing an export duty on coal, including coking coal, to close the budget deficit, according to local news outlet Kommersant.
 - ArcelorMittal Kryviy Rih, which has been operating at 30% of capacity, said the country's utilization won't exceed 50% unless Black Sea ports reopen for steel.
 - ArcelorMittal in Spain will idle blast furnace A at its 4.5 mtpa Gijon plant at the end of September, citing strong competition from imports and weak demand.
 - ArcelorMittal Germany has decided to shut down indefinitely one of two blast furnaces at its Bremen flat steel plant at the end of September and the direct reduction plant at its Hamburg long steel plant in the fourth quarter because of high energy prices and negative prospects.
 - ArcelorMittal announced plans to shut down blast furnace No. 3, a sinter line and two galvanizing lines at its plant in Dunkirk, France, the steelmaker said Sept. 2. Shutdown of BF No. 3 will be an addition to the temporarily closure of BF No. 2, effective since July this year.
 - The UK government has approved the Trade Remedies Authority's recommendation that existing antidumping measures on cold-rolled flat steel from Russia and China be kept for another five years.
 - The UK has decided to immediately suspend trade remedy measures on hot rolled flat and coil steel imports from Ukraine for nine months, meaning these will not face a higher trade remedy rate.
 - The Organisation for Economic Cooperation and Development's Steel Committee has pledged to strengthen its work over the next two years on solving the sector's long-term structural challenges, deepening analysis of supply-demand imbalances in global markets and the impacts of "increasingly pervasive" subsidies, the intergovernmental organization said Sept. 21.

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-August 2022, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-August 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-August 2022*(mt)	April-August 2021 (mt)	% change*
Crude Steel Production	51.239	47.828	7.1
Hot Metal Production	32.325	32.200	0.4
Pig Iron Production	2.435	2.600	-6.3
Sponge Iron Production	17.612	16.270	8.3
Total Finished Steel (alloy/stainless + non-alloy)			
Production	48.330	44.607	8.3
Import	2.058	1.963	4.8
Export	3.024	6.400	-52.7
Consumption	45.894	41.255	11.2
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 51.239 million tonnes (mt), up by 7.1%.
- **Hot Metal:** Production at 32.325 mt, up by 0.4%.
- **Pig Iron:** Production at 2.435 mt, down by 6.3%.
- **Sponge Iron:** Production at 17.612 mt, up by 8.3%, led by coal-based route (79% share).
- **Total Finished Steel:** Production at 48.330 mt, up by 8.3%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 30.876 mt (60% share) during this period, up by 3.4%. The rest (20.362 mt) came from the Other Producers, up by 13.3%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 29.405 mt (91% share) up by 2.7%. The rest (2.92 mt) came from the Other Producers, down by 18.0%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 0.576 mt (24% share) down by 29.5%. The rest (1.86 mt) came from the Other Producers, up by 4.2%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 27.57 mt (57% share) up by 6.9%. The rest (20.76 mt) came from the Other Producers, up by 10.4%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 83% share, the Private Sector (42.534 mt, up by 9.8%) led crude steel production compared to the 17% contribution of the PSUs (down by 4.2%).

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- **Hot Metal:** With 71% share, the Private Sector (22.964 mt, up by 3.2%) led hot metal production, compared to the 29% contribution of the PSUs (down by 5.9%).
 - **Pig Iron:** With 90% share, the Private Sector (2.199 mt, down by 3.9%) led pig iron production, compared to the 10% contribution of the PSUs (down by 24.1%).
 - **Total Finished Steel:** With 85% share, the Private Sector (41.062 mt, up by 8.6%) led production of total finished steel, compared to the 15% contribution of the PSUs (up by 6.8%).

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Non-flat products accounted for 54% share (up by 10.9%), the rest 46% was the share of flats (up by 5.5%).
- **Import:** Flat products accounted for 94% share (up by 8.7%), the rest 6% was the share of non-flats (down by 34.0%).
- **Export:** Flat products accounted for 85% share (down by 49.6%), the rest 15% was the share of non-flats (down by 64.9%).
- **Consumption:** Led by Non-flat steel (55% share; up by 7.5%) while the rest 45% was the share of flat steel (up by 16.2%).

Finished Steel Production Trends

- At 48.33 mt, production of total finished steel was up by 8.3%.
- Contribution of the non-alloy steel segment stood at 44.884 mt (93% share, up by 7.5%), 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 (20.227 mt, up by 10.7%) while growth in the non-alloy, flat segment was led by HRC (18.793 mt, up by 4.0%) during this period.

Finished Steel Export Trends

- Overall exports of total finished steel at 3.024 mt, down by 52.7%.
- Volume wise, Non-alloy HR Coil/Strip (0.903 mt, down by 68.7%) was the item most exported (42% share in total non-alloy).
- Italy (0.497 mt) was the largest export market for India.
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Finished Steel Import Trends

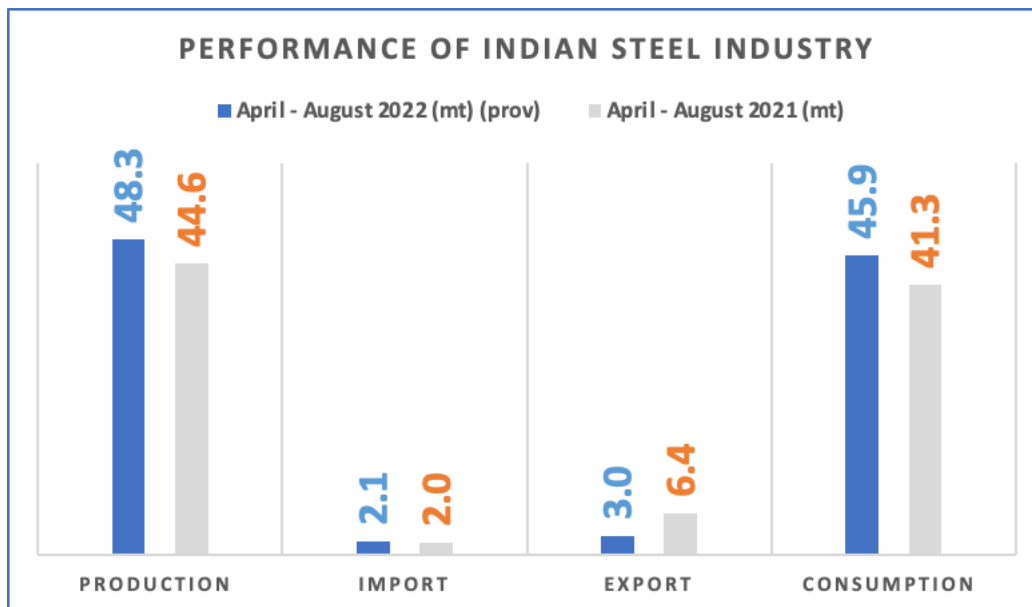
- Overall imports of total finished steel at 2.058 mt, up by 4.8%.
- India was a net exporter of total finished steel in April-August 2022.
- Volume wise, HR Coil/ Strip (0.378 mt, up by 14.3%) was the item most imported

(34% share in total non-alloy).

- Korea (0.904 mt) was the largest import market for India (44% share in total).

Finished Steel Consumption Trends

- At 45.894 mt, consumption of total finished steel was up by 11.2%.
- Contribution of the non-alloy steel segment stood at 42.433 mt (92% share, up by 11.1%), 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 (19.589 mt, up by 6.6%) while growth in the non-alloy, flat segment was led by HRC (17.585 mt, up by 19.4%) 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-July 2022 rose by 10% 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 11.5% during April-July 2022 with all the sectors reporting a rise.

Inflation: In August 2022 (prov.), the annual rate of inflation, based on monthly WPI, stood at 12.41% while the all India CPI inflation rate (combined) stood at 7% and compared to the previous month, the former registered a decline, while the latter saw a marginal rise.

Prepared by: Joint Plant Committee