

# Indian Steel Industry: September 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 JP Morgan Global Manufacturing PMI stood at 49.1 in September 2023, up marginally compared with 49.0 in the previous month. The index remained below the neutral 50.0 mark for the thirteenth successive month.
- All five of the sub-indices comprising the headline PMI (output, new orders, employment, stocks of purchases and suppliers' delivery times) were at levels indicative of a deterioration in overall performance.
- Global manufacturing output declined as further contractions in the intermediate goods and investment goods industries were only partly offset by growth at consumer goods makers.
- Output rose in only eight of the 29 nations for which data were available, including mainland China and the USA. The euro area, Japan, UK, Canada and Brazil were among the economies to see production volumes scaled back.

Key Economic Figures			
Country	GDP 2022: % change*	Manufacturing PMI	
		August 2023	September 2023
India	7.0	58.6	57.5
China	3.0	51	50.6
Japan	1.0	49.6	48.5
USA	2.1	47.9	49.8
Eurozone	3.5	43.5	43.4
Brazil	2.9	50.1	49
Russia	-2.1	52.7	54.5
South Korea	2.6	48.9	49.9
Germany	1.8	39.1	39.6
Turkey	5.6	49	49.6
Italy	3.7	45.4	46.8

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

## GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 1256.4 mt in January-August 2023 period, registering a growth of 0.2% yoy, according to provisional data released by World Steel Association (worldsteel). In August 2023, world crude steel production stood at 152.6 mt, up 2.2% compared with the same period of the previous year.

World Crude Steel Production (Prov)			
Rank	Top 10	Jan-Aug '23 (mt)	% yoy change
1	China	712.9	2.6
2	India	<b>92.2</b>	<b>10.5</b>
3	Japan	58.4	(-)3.8
4	USA	53.8	(-)1.9
5	Russia	50.8	3.9
6	South Korea	45.0	(-)2.3
7	Germany	24.3	(-)4.2
8	Turkey	21.6	(-)12.1
9	Brazil	21.3	(-)8.3
10	Iran	19.7	1.1
<b>Top 10 Total</b>		<b>1100.0</b>	<b>1.7</b>
<b>World</b>		<b>1256.4</b>	<b>0.2</b>

### Major observations:

- China remained the leader in world crude steel production with an output of 712.9 mt in January-August 2023 period, registering a growth of 2.6% yoy. The country accounted for 56.7% of world crude steel production during the first eight months of 2023.
- India was the 2<sup>nd</sup> largest producer of crude steel with an output of 92.2 mt in January-August 2023, showing a yoy growth of 10.5%. The country accounted for 7.3% of world crude steel production during the January-August 2023 period.
- Japan was the 3<sup>rd</sup> largest producer of crude steel with an output of 58.4 mt in January-August 2023 period, down by 3.8% yoy. Japan accounted for 4.6% of world crude steel production during the period.
- With crude steel production of 53.8 mt (down 1.9% yoy), the USA was the 4<sup>th</sup> largest producer of crude steel during January-August 2023.
- Russia's crude steel production stood at 50.8 mt (up 3.9% yoy) in January-August 2023 period and the country was the 5<sup>th</sup> largest producer of crude steel.
- The top 10 countries' cumulative production in January-August 2023 stood at 1100 mt (up 1.7% yoy) and they accounted for 87.6% of world crude steel production during the period.

- Among the top 10 steel producing countries, China, India, Russia and Iran registered yoy growth in production during January-August 2023 period, while the remaining countries reported yoy contraction in production.
- Asian crude steel production stood at 940.7 mt in January-August 2023, showing a 2.0% growth yoy, led primarily by China and India, with their respective shares of 76% and 10% in total Asian crude steel production during the period.

## GLOBAL DRI PRODUCTION

### India led global DRI production in January-August 2023 period

World DRI production stood at 77.5 mt in January-August 2023 period, showing a yoy growth of 6.2%, according to provisional data released by worldsteel.

World DRI Production (Prov)			
Rank	Top 5	Jan-Aug '23 (mt)	% yoy change
1	India	32.0	15.1
2	Iran	21.1	-0.6
3	Russia	5.2	(-)4.6
4	Egypt	4.7	18.7
5	Saudi Arabia	4.6	1.0
<b>Top 5 Total</b>		<b>67.5</b>	<b>7.3</b>
<b>World</b>		<b>77.5</b>	<b>6.2</b>
<b>Source: worldsteel</b>			

### Major observations:

- India remained the leader in world DRI production with an output of 32.0 mt (up 15.1% yoy) in January-August 2023 period. The country accounted for 41.3% of world DRI production during the period under review.
- Iran was the 2<sup>nd</sup> largest producer of DRI with an output of 21.1 mt in January-August 2023 period (down 0.6% yoy). It accounted for 27.2% of world DRI production during the first eight months of this year.
- Russia ranked third in terms of DRI production with an output of 5.2 mt (down 4.6% yoy) in January-August 2023. The country accounted for 6.7% of world DRI production during the period.
- The top 5 countries accounted for nearly 87.2% of total world DRI production in January-August 2023 with a cumulative output of 67.5 mt, up by 7.3% yoy.

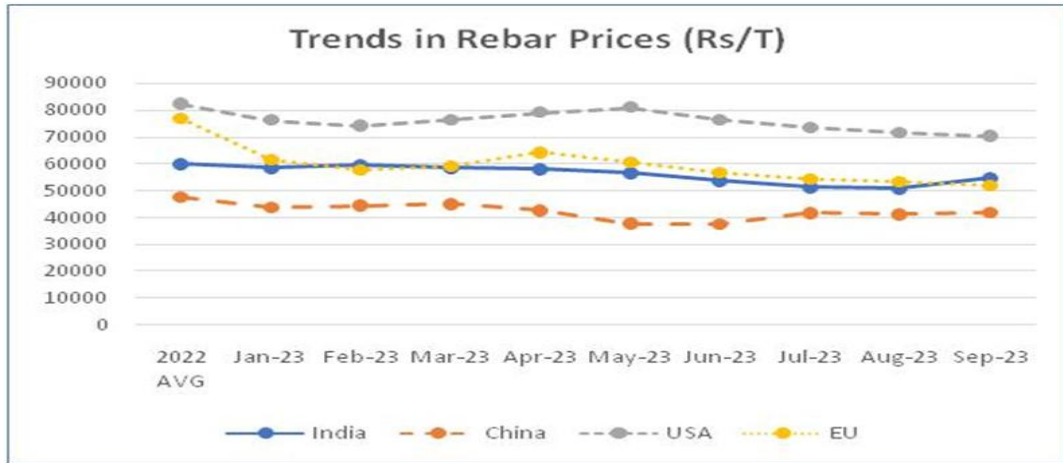
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## WORLD STEEL PRICE TRENDS

- ❖ Global steel prices continued to stay under pressure in September 2023 due to a combination of local and global factors. In China and India, however, prices showed a marginal uptick compared to the previous month:
  - a) China's weak property sector: Demand for steel from China's property sector remained weak given that sales of new homes have shown little sign of improving despite recent government measures to help the sector.
  - b) Slowdown in Europe: In Europe, the construction sector, particularly the residential sub-segment, is experiencing a slowdown and likely to enter a recession this year, primarily due to rise in interest rates, affecting steel demand.
  - c) US auto market uncertainty: In the USA, prices of steel, primarily flat products, remained under pressure as a potential autoworkers' strike clouded market outlook.
  - d) Stagnation in Turkey: The Turkish steel industry has entered into a stagnation period, as the growth period has come to an end amid unfavourable market conditions and protectionist measures.
  - e) The Russia-Ukraine conflict is still continuing, impacting not only production and consumption in both the countries, but also affecting the trade flows and supply-chain logistics in a greater part of the world.
  - f) Turmoil in select financial markets, tight monetary policies and high inflation across most of the geographies weighing on global growth outlook.
  
- ❖ Relevant to note here that with the exception of China, India, Russia and Iran, global crude steel production in January-August 2023 remained on a declining trend in all the major steel producing markets.

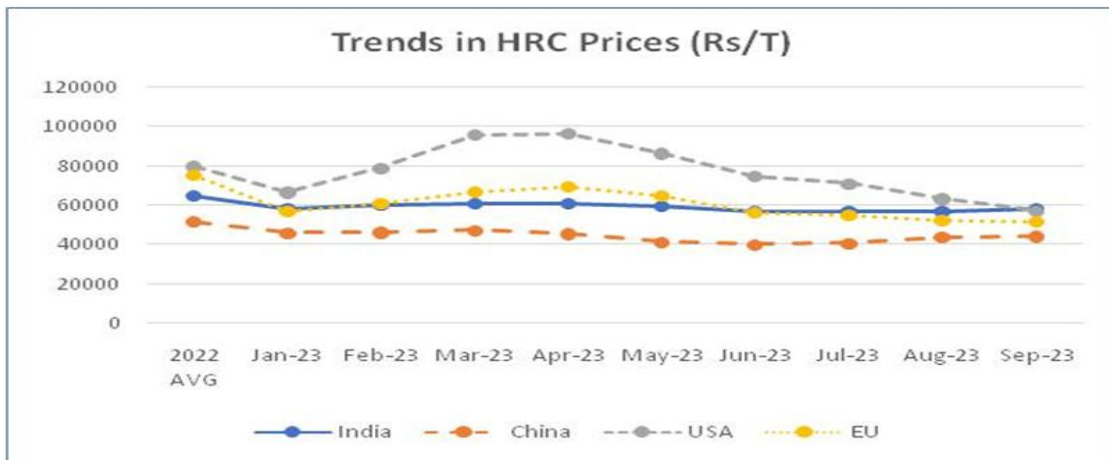
### Long Products

- 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. Prices have gone up in India and China, while they have come down in the USA and European Union in September 2023 compared with the previous month
- Construction steel products' price firmed up in China in the month under review as sentiment recovered after actual demand from end-users showed signs of improvement. The daily trading volume of construction steel comprising rebar, wire rod went up significantly during the month, according to report.
- Steel prices in India are registering an upward trend due to increasing rates of key input material coking coal. The prices are expected to stay higher in this financial year despite a slowing global economy owing to pre-election spending, according to reports.
- Sentiment in European rebar market continued to be mixed regarding the future direction of price and demand, while in the USA nervous buyers continuing to depress inventory levels and angling for lower price at the mill.



### Flat Products

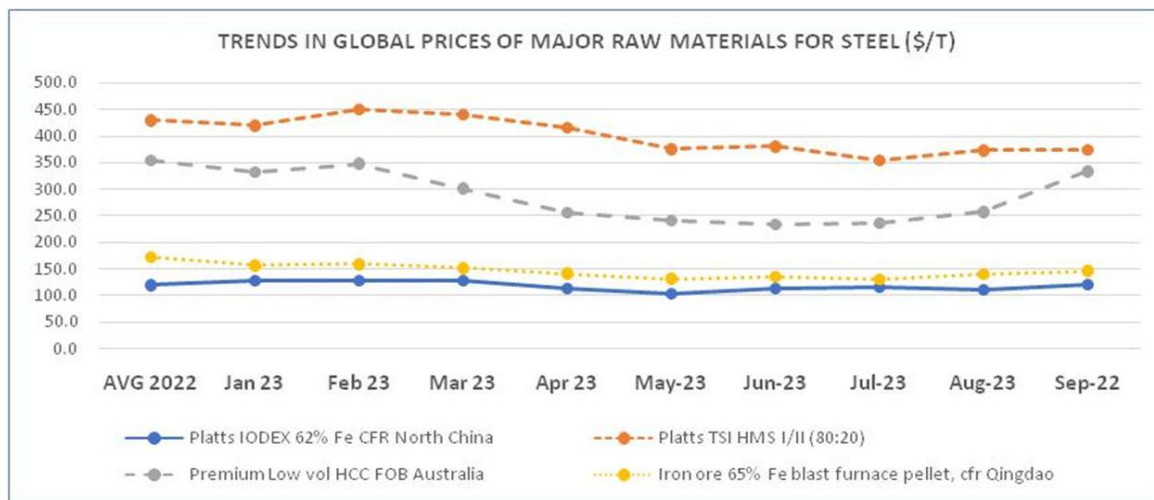
- HRC prices had shown an upward trend since January 2023 till March/April of this year. Thereafter, prices are again on a downward trajectory, especially in the USA and the European Union. Prices in India and China, however, have shown early signs of pick-up in the month of September 2023.
- China HRC prices moved higher in response to positive industry data about flat steel demand. Prices are, however, expected to stay range-bound as better sentiment may lend support to the price while weak fundamentals will still exist.
- Bearish sentiment prevailed in the European HRC market, with deteriorating end-user demand now being seen as a major problem. Steel service centres and distributors across Europe continued to postpone restocking due to having plenty of stocks. Slowing demand from practically all key steel-consuming sectors remains a major concern.
- HRC prices in the USA registered a 10-month low with sources, however, remaining optimistic that the market will slow or reverse its decline in the coming weeks.



[Source Credit: Fastmarkets Metal Bulletin]

## RAW MATERIAL SCENARIO

Prices of major raw materials for steel making – iron ore, scrap, coal – had shown an upward bias in the first two months of 2023. Thereafter, the prices either remained flat or followed a downward trajectory till July 2023. From August 2023 onwards, prices have started to move up slowly. Especially, Premium low volume HCC FOB Australia has shown a steep rise in prices in September 2023.



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

## NEWS AROUND THE GLOBE

- China will continue to cap 2023 steel production as part of the country's decarbonisation efforts and will maintain its annual crude steel output below 2022 levels, Shanghai-listed Baosteel said.
- Turkish steel producers have called for the government to block imports of low-priced Chinese steel, as inflows from that country jump 84% year on year, hampering the dynamics of the Turkish steel industry.
- South Korea's KG Dongbu Steel has extended an option for the UK's Liberty Steel Group to buy the former's Dongbu steel plant and related equipment for \$68 million. Both companies had signed an agreement in November 2022 for the steel plant.
- Brazilian miner Vale and Swedish low-carbon steel developer H2 Green Steel have agreed to jointly study the feasibility of developing green industrial hubs in Brazil and North America, enabling sustainable steel production.
- German steel traders and producers expect steel prices to increase during September 2023, as activity typically picks up after the summer holiday season.

- Latin American steelmakers are pressing for deadlines for adhesion to the European Commission’s Carbon Border Adjustment Mechanism to be extended, representatives of regional steelmaking associations said. The associations’ members will find it difficult to comply with the timetable requirements for continued export product access to the EU.
- Italian crude steel production in 2023 could decline by 2%-2.5% year on year on low demand as high interest rates dent the economy.
- Mexican steelmaker Deacero plans to spend \$1 billion over the next three years to build a new plant in Coahuila state and to acquire machinery and equipment to strengthen other plants.
- The UK government confirmed that it will provide GBP 500 million to Tata Steel UK to replace existing coal-fired blast furnaces in Port Talbot, Wales, with electric arc furnaces.
- The Russian government is introducing customs duties on most of the country’s exports outside the Eurasian Economic Union, including all ferrous and non-ferrous metals, and raw materials to produce them as met coal and iron ore and others for a period of 15 months, according to an official document.
- Swiss Steel Group has withdrawn its outlook for fiscal year 2023 as a recovery in European demand during summer months has been below expectations.

## INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-August 2023, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-August 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-August 2023*(mt)	April-August 2022 (mt)	% change*
Crude Steel Production	58.170	51.220	13.6
Hot Metal Production	35.102	32.347	8.5
Pig Iron Production	2.866	2.417	18.6
Sponge Iron Production	20.620	17.763	16.1
<b>Total Finished Steel (alloy/stainless + non-alloy)</b>			
Production	55.173	48.658	13.4
Import	2.519	2.058	22.4
Export	3.075	3.024	1.7
Consumption	52.819	46.281	14.1
Source: JPC; *provisional; mt=million tonnes			

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## Overall Production

- **Crude Steel:** Production at 58.170 million tonnes (mt), up by 13.6%.
- **Hot Metal:** Production at 35.102 mt, up by 8.5%.
- **Pig Iron:** Production at 2.866 mt, up by 18.6%.
- **Sponge Iron:** Production at 20.620 mt, up by 16.1%, led by coal-based route (81% share).
- **Total Finished Steel:** Production at 55.173 mt, up by 13.4%.

## Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 34.440 mt (59% share) during this period, up by 7.1%. The rest (23.730 mt) came from the Other Producers, up by 24.4%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 31.905 mt (91% share) up by 5.5%. The rest (3.197 mt) came from the Other Producers, up by 52.6%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 0.635 mt (22% share) up by 4.4%. The rest (2.231 mt) came from the Other Producers, up by 23.3%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 31.163 mt (56% share) up by 9.6%. The rest (24.010 mt) came from the Other Producers, up by 18.7%.

## Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 83% share, the Private Sector (48.454 mt, up by 14.0%) led crude steel production compared to the 17% contribution of the PSUs (up by 11.6%).
- **Hot Metal:** With 70% share, the Private Sector (24.704 mt, up by 7.5%) led hot metal production, compared to the 30% contribution of the PSUs (up by 11.1%).
- **Pig Iron:** With 93% share, the Private Sector (2.659 mt, up by 21.9%) led pig iron production, compared to the 7% contribution of the PSUs (down by 12.2%).
- **Total Finished Steel:** With 85% share, the Private Sector (47.072 mt, up by 13.7%) led production of total finished steel, compared to the 15% contribution of the PSUs (up by 11.4%).

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

- **Production:** Non-flat products accounted for 55% share (up by 14.7%), the rest 45% was the share of flats (up by 11.8%).
- **Import:** Flat products accounted for 93% share (up by 21.2%), the rest 7% was the share of non-flats (up by 40.2%).
- **Export:** Flat products accounted for 88% share (up by 5.7%), the rest 12% was the share of non-flats (down by 20.7%).
- **Consumption:** Led by Non-flat steel (55% share; up by 15.1%) while the rest 45%



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was the share of flat steel (up by 13.0%).

#### **Finished Steel Production Trends**

- At 55.173 mt, production of total finished steel was up by 13.4%.
- Contribution of the non-alloy steel segment stood at 51.530 mt (93% share, up by 13.9%), 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 production of total finished steel was Bars & Rods (23.360 mt, up by 14.2%) while growth in the non-alloy, flat segment was led by HRC (21.273 mt, up by 12.8%) during this period.

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

- Overall exports of total finished steel at 3.075 mt, up by 1.7%.
- Volume wise, HR Coil/Strip (1.162 mt) was the item most exported (38% share in total finished steel).
- Italy (0.667 mt) was the largest export market for India.

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

- Overall imports of total finished steel at 2.519 mt, up by 22.4%.
- India was a net exporter of total finished steel in April-August 2023.
- Volume wise, HR Coil/Strip (0.918 mt, up by 53.5%) was the item most imported (36% share in total finished steel).
- Korea (0.828 mt) was the largest import market for India (33% share in total).

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

- At 52.819 mt, consumption of total finished steel was up by 14.1%.
- Contribution of the non-alloy steel segment stood at 48.716 mt (92% share, up by 13.6%), 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 (22.535 mt, up by 13.6%) while growth in the non-alloy, flat segment was led by HRC (19.701 mt, up by 11.3%) 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 2023-24 is estimated to have attained a level of ₹40.37 lakh crore, as against ₹37.44 lakh crore in Q1 2022-23, showing a growth of 7.8 per cent. All the sectors reported positive growth during this period, with *Financial, Real Estate & Professional Services* sector reporting the highest growth (12.2%) and *Electricity, Gas, Water Supply & Other Utility Services* sector, the lowest (2.9%).

**Industrial Production:** Provisional CSO data show that the overall Index of Industrial Production (IIP) for the April-August period of financial year 2023-24 rose by 6.1% over the 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 7.7% during the April-August period of financial year 2023-24, with all the sectors, excluding only crude oil, registering growth ranging from as low as 3.7% to 14.8% on yoy basis.

**Inflation:** The rate of inflation based on Consumer Price Index stood at 5.02% and that on Wholesale Price Index stood at -0.26% in September 2023. CPI inflation came down during the month under review compared with the previous month. In case of WPI Inflation, it continued to stay in the negative territory.

**Prepared by: Joint Plant Committee**