Trends ….. September 2019

Globally, demand slowdown, market uncertainties, trade tensions, falling prices, rising concern over viability, slipping bottomlines marked steel market at the end of September 2019.

WORLD ECONOMY AT A GLANCE

- Reports from Markit Economics show that conditions in the global manufacturing sector deteriorated further in September 2019 with the J.P. Morgan Global Manufacturing PMI at 49.7, for the second month running.
- National PMI data signalled deteriorations in overall business conditions in most cases. While growth was registered in both the US and China, Japan saw further contraction while the downturn in the Euro Area deepened.
- The trend in international trade flows also remained weak in September 2019, as new export orders declined for the thirteenth consecutive month.
- As per the Markit Reports, September 2019 saw price pressures remain broadly stable in the global manufacturing sector. Although input costs rose at a faster pace, the rate of inflation remained under control.

Key Economic Figures			
Country	GDP Q2 2019: %change*	Manufacturing PMI	
		August 2019	September 2019
India	5.0	51.4	51.4
China	6.2	50.4	51.4
Japan	1.2	49.3	48.9
USA	2.3	50.3	51.1
EU 28	1.2	47.0	45.7
Brazil	1.0	52.5	53.4
Russia	0.9	49.1	46.3
South Korea	2.0	49.0	50.0
Germany	0.4	43.5	41.7
Turkey	-1.5	48.0	50.0
Italy	-0.1	48.7	47.8
Source: GDP: official releases; PMI- Markit Economics, *provisional			

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production stood at 156.04 million tonnes (mt) in August 2019 up by 3.4 per cent year-on-year (yoy) i.e. over August 2018 and stood at 1240.29 mt in January-August 2019, up by 4.4 per cent yoy.

World Crude Steel Production: January-August 2019*			
Rank	**Top 10**	**Qty (mt)**	**% change**
1	China	664.87	9.1
2	India	75.69	4.4
3	Japan	67.59	-3.7
4	USA	59.23	4.1
5	South Korea	48.43	0.2
6	Russia	48.26	-0.4
7	Germany	27.20	-4.4
8	Turkey	22.55	-10.5
9	Brazil	22.21	-5.4
10	Iran	17.19	6.4
Total:10		**1053.22**	**5.4**
World		**1240.29**	**4.4**
Source: worldsteel; *prov.			

- China produced 664.87 mt of crude steel during January-August 2019, up by 9.1 per cent. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was down by 0.5 per cent. China accounted for 75 per cent of Asian and 54 per cent of world crude steel production during this period.
- With a 6.1 per cent share in total world production and a 4.4 per cent growth in production over same period of 2018, India (75.69 mt) was the 2nd largest producer during this period.
- Japanese crude steel production (67.59 mt) was down by 3.7 per cent and the country was the 3rd largest crude steel producer in the world during this period.
- USA remained at the 4th largest spot, with production (59.23 mt) notching up a growth of 4.1 per cent while South Korea was the 5th largest, with a 0.2 per cent growth in production.
- Crude steel production in the EU (28) countries during January-August 2019 was 109.09 mt, down by 2.9 per cent.
- At 890.9 mt, Asian crude steel production was up by 7 per cent during this period and the region accounted for 72 per cent of world crude steel production during this period.
- The top 10 countries accounted for 85 per cent of total world crude steel production and saw production go up by 5.4 per cent yoy during this period.

NEWS AROUND THE WORLD

THE AMERICAS

- US raw steel capability utilization rose to 78.4% at September 2019-end, but remained below the 80% level for the fourth consecutive week, as per AISI report which indicates that adjusted year-to-date production stood at 72.6 million st, with a capability utilization rate of 80.6%. This is up 3.4% from the same period last year, when the utilization rate was 77.5% on 70.2 million st of output.
- The US Commerce Department has issued affirmative preliminary determinations in its anti-dumping duty investigations into carbon and alloy steel threaded rod imports from China, Taiwan and India.
- In order for the US to reach its goal of $100 billion in trade with Turkey, it should lift the Section 232 tariffs applied to Turkey's steel exports, as per Turkish Trade Minister.

ASIA

- Mills in Chinese provinces Hebei and Shandong have been ordered to reduce their steel output by up to 50% in the run up to China's National Day holidays, starting October 1, 2019. The reductions will result in lost steel output of around 29,000 tpd as per Platts estimates.
- China's Panhua Group is aiming to construct a $3.5 billion ISP in the Phividec Industrial Estate by the end of 2019, with a production capacity of 10 mtpa of steel products such as slab and galvanized color-coated steel coil that will be sold locally and exported to the European Union, US and Russia.
- China's moves to revive its infrastructure sector in response to slower domestic economic growth and rising trade tensions are widely expected to fuel a pick-up in steel demand from September and sustain it into 2020.
- China's Zhanjiang Iron & Steel plans to add 2.8 mtpa of steel slab production capacity at its mill in Guangdong province in early 2021.
- Jinxi Iron& Steel has signed an agreement with Guangxi province's Fangchenggang city government to build an integrated steelworks with 10 mtpa of crude steel capacity.
- Handan city has increased steel output cuts to guarantee clear skies for the upcoming National Day celebrations on October 1. Combined pig iron capacity suspended is around 2.9 million tonnes in September 2019, up 5.5% from August 2019 as per Platts estimates.
- China-Japan JV Guangzhou JFE Steel Sheet or GJSS will invest Yen 12 billion ($113.32 million) to expand its HDG capacity in China's Guangdong province by 50% amid growing demand from Japan's auto sector. It currently operates a 1.8 mtpa CRM, 1 mtpa continuous annealing line and two 0.4 mtpa HDG lines.
- Typhoon Faxai that battered Tokyo caused damages and halted operations at steel mills in eastern Japan, and while there were still no official estimates of losses suffered, most of the units including big names like Nippon Steel, JFE are expected to resume production shortly.
- India has launched the Steel Import Monitoring System (SIMS), an online system to monitor steel imports. The system will provide advance information about steel imports to

both the government and stake holders. Stakeholders include the steel industry (producers) and consumers (importers). Based on these, they can carry out effective policy interventions.

- Philippines' SteelAsia has signed its second MoU with China's HBIS Group for an integrated iron and steel plant at Lemery, Batangas at an estimated cost $1 billion for the first stage. No details were disclosed about the plant.
- Vietnam's Hoa Phat Group has commissioned the first of four 120 mt converters at its Dung Quat Steel mill in Quang Ngai province and aims to commission the others by 2019-end, which will take its production capacity to 4 mtpa of liquid steel.
- A 10 mtpa steel mill in Sarawak, Malaysia's largest state, is expected to begin construction in mid-2020, though no details are available.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- Saudi Arabia's Al Qaryan Group plans to open a rolling mill producing merchant bar, rebar and possibly wire rod. The company currently makes billets and has a design capacity of 0.6 mtpa.
- Import prices for steel billet in the UAE fell at month-end owing to weak demand and rebar prices were also expected to decline.
- The Supreme Administrative Court of Egypt has again postponed its decision until October 5, 2019 on the possible re-imposition of safeguard duties on billet and rebar imports into the country.

EU AND OTHER EUROPE

- EU governments have approved a proposed increase in EU steel import quotas to 3% across all product categories, as suggested by the European Commission in its August 2019 review.
- One of Turkey's largest longs producers, Diler Iron and Steel, will start production at its new pre-stressed concrete strand production facility with an initial production capacity of around 10,000 t/month.
- Liberty Steel Group will invest EUR 200 million ($221 million) in its Romanian mill over the next five years on maintenance and to grow production and sales and to improve product quality and range.
- European wire rod processor Van Merksteijn has put construction of its new integrated green steel EAF mill in the Netherlands on hold due to the uncertain economic climate in Europe.
- An Italian court has ruled that ArcelorMittal Italia's 2 mtpa blast furnace No. 2 can continue to operate. It was shut down following an accident there in 2015.

[Source Credit: Metal Bulletin, Platts, leading news papers (India news)]

WORLD STEEL PRICE TRENDS

Global steel prices remained south-bound in September 2019, marked by a volatility across markets, owing to varied factors but mostly traceable to weak demand. Sentiments too remained uncertain and on the edge with trade tensions brewing between global giants China and the USA.

Long Product

- USA rebar prices remained stable in September 2019, with demand remaining slow and market participants keeping close watch on further unfolding of trade tensions. Transactions, as per Metal Bulletin reports, stood around $630-650/ s.t at month-end.
- September 2019 saw EU rebar prices move south, following soft ferrous scrap prices, weak demand and abundant supply. Transactions, as per Metal Bulletin reports, stood around €470-490/t ($517-539) in Northern Europe and around €455-465/t ($501-512) in Southern Europe at month end.
- Chinese rebar prices fell in September 2019 as demand continued to remain low and despite supply shortage possibilities as further supply cut announcements were announced. Transactions, as per Metal Bulletin reports, stood around 3,770-3,800 yuan/t ($529-533) in Shanghai and around 3,600-3,640 yuan/t in Beijing at month-end.
- Russian rebar prices in September 2019 continued to face the downtrend following slowdown in end-user demand. Metal Bulletin's assessment for steel reinforcing bar (rebar), domestic, cpt Moscow, Russia, including 20% VAT, was 33,000-34,000 roubles/t at month-end.

Flat Product

- Weak demand, lower scrap prices, lower prices for value-added products (CR, GP) affected US HRC prices with the latter moving south in September 2019. Transactions, as per Metal Bulletin reports, stood around $540/t at month-end.
- Slow trading activity due to weak demand kept European rebar prices on the lower side in September 2019. Transactions, as per Metal Bulletin reports, stood around €450-460 ($494-505) in Northern Europe and around €420-440/t in Southern Europe at month-end.
- Slow demand, market uncertainties, trade friction and dampened sentiments kept any rise in Chinese HRC prices on hold in September 2019. Transactions, as per Metal Bulletin reports, stood around 3,620-3,630 yuan/t ($508-510) in Shanghai and around 3,570-3,580 yuan/t in Tangshan at month-end.

- September 2019 Russian flat steel prices were down on seasonal demand slowdown. Metal Bulletin reports, stood around 43,000-44,000 roubles/t ($676-687) for HR sheet, domestic, cpt Moscow, including 20% VAT.

[Source Credit: Metal Bulletin]

SPECIAL FOCUS

Global DRI production up by 6.3% in January-August 2019

DRI production worldwide rose to 7.59 million tonnes (mt) in August 2019 (p), up by 3.5% over same period of last year, as per provisional World Steel Association (worldsteel) report, driven by India (production up by 4.4%) and Iran (production up by 17.2%) during the month as compared to same month of last year.

For January-August 2019 (p), provisional worldsteel report indicates that global DRI output (61.3 mt, up by 6.3%) continued to be driven by India (24.28 mt) at the number one spot with a decline of 12% in production over same period of last year. The country also accounted for 40% of total global output during this period. For the same period, Iran's DRI output (19.13 mt) saw a growth (16.4%) and along with India, these two countries accounted for 71% of global DRI output during this period.

Together, the top five countries accounted for 89% of the world DRI production during this period and saw their cumulative output fall by 1.4% as compared to same period of last year. Saudi Arabia which had earlier replaced UAE as the 5th largest DRI producer in the world continued to remain at the same spot during this period as well.

World DRI Production, January-August 2019 (p)			
Rank	**Country**	**Qty (mt)**	**% change**
1	India	24.28	-12.3
2	Iran	19.13	16.4
3	Mexico	4.08	3.3
4	Egypt	3.77	1.3
5	Saudi Arabia	3.07	-7.8
	Top 5	**54.33**	**-1.4**
	World	**61.30**	**6.3**
	%Share: Top 5	**89**	**-**
Source: worldsteel			

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-August 2019, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for August 2019. 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 2019* (mt)	April-August 2018 (mt)	% change*
Crude Steel Production	46.174	45.091	2.4
Hot Metal Production	30.945	30.314	2.1
Pig Iron Production	2.558	2.599	-1.6
Sponge Iron Production	15.340	14.402	6.5
Total Finished Steel (alloy/stainless + non-alloy)			
Production	43.510	40.947	6.3
Import	3.453	3.327	3.8
Export	2.917	2.642	10.4
Consumption	42.533	40.080	6.1
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 46.174 million tonnes (mt), up by 2.4%.
- **Hot Metal:** Production at 30.945 mt, up by 2.1%.
- **Pig Iron:** Production at 2.558 mt, down by 1.6%.
- **Sponge Iron:** Production at 15.340 mt, up by 6.5%, led by coal-based route (84% share)
- **Total Finished Steel :** Production at 43.510 mt, up by 6.3%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 26.456 mt (57% share) during this period, up by 2.0%. The rest (19.718 mt) came from the Other Producers, up by 3.0%.
- **Hot Metal:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 25.605 mt (83% share) up by 2.9%. The rest (5.34 mt) came from the Other Producers, down by 1.5%.
- **Pig Iron:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 0.518 mt (20% share) up by 47%. The rest (2.04 mt) came from the Other Producers, down by 9.2%.
- **Total Finished Steel:** SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 23.288 mt (54% share) up by 2.7%. The rest (20.222 mt) came from the Other Producers, up by 10.7%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With an 81% share, the Private Sector (37.409 mt, up by 2.7%) led crude steel production compared to the 19% contribution of the PSUs.
- **Hot Metal:** With 69% share, the Private Sector (21.348 mt, up by 2.0%) led hot metal production, compared to the 31% contribution of the PSUs.
- **Pig Iron:** With an 86% share, the Private Sector (2.558 mt, down by 1.6%) led pig iron production, compared to the 12% contribution of the PSUs.
- **Total Finished Steel:** With an 85% share, the Private Sector (36.786 mt, up by 7.8%) led production of total finished steel, compared to the 16% contribution of the PSUs.

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Led by Non-flat steel (53% share; up by 12%) while the rest 47% was the share of Flat steel (up by 1.0%).
- **Import:** Flat products accounted for 88% share (up by 8%), the rest was the share of non-flats (down by 20%).
- **Export:** Flat products accounted for 87% share (up by 9%), the rest was the share of non-flats (up by 21%).
- **Consumption:** Led by Non-flat steel (52% share; up by 10%) while the rest 48% was the share of Flat steel (up by 3%).

Finished Steel Production Trends

- At 43.51 mt, production of total finished steel grew by 6.3% in April-August 2019.
- Contribution of the non-alloy steel segment stood at 41.471 mt (95% share), 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 (17.918 mt, up by 15%) while growth in the non-alloy, flat segment was led by HRC (17.764 mt, up by 3%) during this period.

Finished Steel Export Trends

- At 2.917 mt, export of total finished steel was up by 10.4% during this period.
- Volume-wise, non-alloy HRC (1.61 mt) was the most exported item (68% share in total) while Bars & Rods (0.22 mt , up by 22%) led exports in the non-alloy, non-flat category.
- Vietnam led exports of total finished steel – not only overall (0.68 mt, 23% share) but also had the highest share in case HRC (42%).

Finished Steel Import Trends

- Import of total finished steel was at 3.453 mt during this period, up by 3.8%.
- India was a net importer of total finished steel during this period.
- Volume-wise, non-alloy HRC (0.89 mt) was the item most imported item (36% share in total), led by imports from Korea (37% share of total).
- Bars & Rods (0.18 mt, up by 29%) led imports in the non-alloy, non-flat category, led by imports from Singapore (35% share of total import of Bars & Rods).
- The share of China in total finished steel import declined from 19% in April-August

2018 to 17% in April-August 2019, with volumes slipping by 9% in during this period.

Finished Steel Consumption Trends

- At 42.533 mt, consumption of total finished steel grew by 6.1% in April-August 2019.
- Contribution of the non-alloy steel segment stood at 39.614 mt (93% share), 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 (16.997 mt, up by 13.9%) while growth in the non-alloy, flat segment was led by HRC (17.123 mt, up by 2.2%) during this period.

JPC Market Prices (Retail)

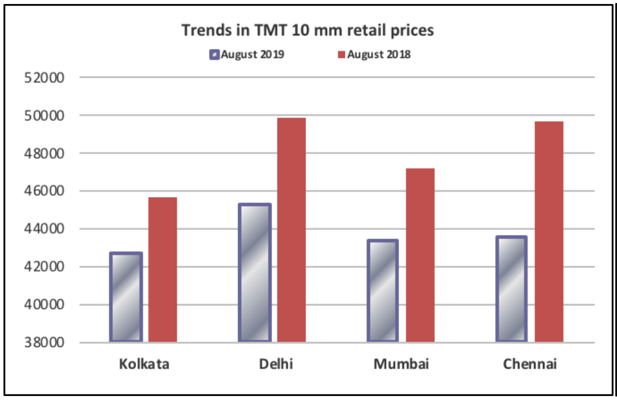
- **Delhi market prices:** Compared to August 2018, average (retail) market prices in Delhi market in August 2019 decreased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), largely in response to domestic demand-supply conditions and global influences. The trend was just the same when compared to July 2019 for both items. The trend in retail market prices of TMT 10 mm and HRC 2.0 mm in the Delhi market in August 2019 with regard to August 2018 is shown in the table below.

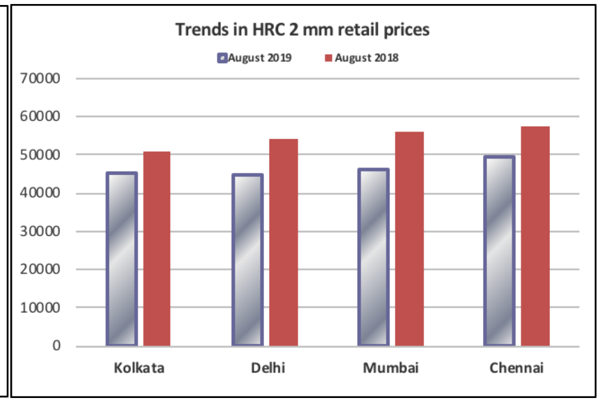
Trends in JPC market price (retail) in Delhi market in August 2019		
Item	**Delhi market prices (Rs/t)**	**%change over August 2018**
TMT, 10 mm	45,312	-9.1
HRC, 2.0 mm	44,722	-17.5
Source: JPC		

- **All markets:** Compared to August 2018, average (retail) market prices in August 2019 decreased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm) in all the markets. The trend was just the same when compared to July 2019 for both items. The situation in August 2019 with regard to August 2018 is shown in the table below for TMT 10 mm and HRC 2.0 mm for all the four markets.

Trends in JPC (retail) market price: %change in August 2019 over August 2018				
Item	**Kolkata**	**Delhi**	**Mumbai**	**Chennai**
TMT 10mm	-6.4	-9.1	-8.3	-12.3
HR Coils 2.00mm	-10.8	-17.5	-17.5	-14.3
Source: JPC				

- TMT prices were highest in the Delhi market (Rs. 45,312/t) and lowest in the Kolkata market (Rs. 42,725/t) while HRC prices were highest in the Chennai market (Rs. 49,199/t) and lowest in Delhi market (Rs. 44722/t) during August 2019.





INDIAN ECONOMY – HIGHLIGHTS OF PERFORMANCE

GDP: The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation has released the estimates of Gross Domestic Product (GDP) for April-June (Q1) 2019-20, both at constant (2011-12) and current prices. As per the Report, Real GDP or GDP at Constant (2011-12) Prices for Q1 2019 is estimated at Rs 35.85 lakh crore against Rs. 34.14 lakh crore in Q1 of 2018-19, showing a growth rate of 5.0 per cent. Quarterly GVA at Basic Price at Constant (2011-12) Prices for Q1 of 2019-20 is estimated at Rs 33.48 lakh crore, as against Rs 31.90 lakh crore in Q1 of 2018-19, showing a growth rate of 4.9 per cent over the corresponding quarter of previous year. The economic activities which registered growth of over 7 per cent in Q1 of 2019-20 over Q1 of 2018-19 *are 'Electricity, Gas, Water Supply & Other Utility Services', 'Trade, Hotels, Transport, Communication and Services Related to Broadcasting'* and *'Public Administration, Defence and Other Services'.* The growth in the *'Agriculture, Forestry and Fishing', 'Mining and Quarrying', 'Manufacturing', 'Construction' and 'Financial, Real Estate and Professional Services'* is estimated to be 2 per cent, 2.7 per cent, 0.6 per cent, 5.7 per cent, and 5.9 per cent, respectively, during this period.

Industrial Production: Provisional CSO data show that the growth rate of the Index of Industrial Production (IIP) was up by 3.3 per cent during April-July 2019 (prov.), encouraged by stable growth in Electricity (6.6 per cent) while Manufacturing (2.8 per cent) and Mining (3.4 per cent) growth both remained subdued. The Use-Based scenario show a decline in Capital Goods and Consumer Durables and modest growth in the others, with Infrastructure/ Construction Goods (0.4 per cent) reporting the lowest and Intermediate Goods, the highest (10.8 per cent).

Infrastructure Growth: Provisional data released by the CSO indicate that the growth rate of the Eight Core Infrastructure Industries was up by 3 per cent during April-July 2019 (prov.), encouraged by growth in sectors like Steel, Electricity but pulled down by decline in growth rate in most others like Crude Oil, Natural Gas, Refinery Products and Fertilizers during this period.

Inflation: In July 2019 (prov.), the annual rate of inflation, based on monthly WPI, stood at 1.08 per cent while the all India CPI inflation rate (combined) stood at 3.15 per cent and compared to July 2018, both the parameters registered a decline.

Trade: Provisional figures from DGCI&S show that during April-July 2019-20, in dollar terms, overall exports were down by 0.37 per cent while overall imports were down by 3.63 per cent, both on yoy basis. During the same period, oil imports were valued at USD 44.45 billion, 5.69 per cent lower yoy while non-oil imports were valued at USD 122.35 billion which was 2.85 per cent lower yoy. The overall trade deficit for April-July 2019-20 is estimated at USD 32.9 billion as compared to USD 39.38 billion in April-July 2018-19.

Prepared by: Joint Plant Committee