

Indian Steel Industry: February 2024 – 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 7.7% in 2024 compared to a global growth of 1.9%, according to Short Range Outlook of The World Steel Association. Growth in India's construction sector is driven by government spending on infrastructure and recovery in private investment. Infrastructure investment will also support capital goods sector. Besides, healthy growth momentum is expected to continue in the automotive sector. These, in turn, will push up steel demand in the country, worldsteel said.

WORLD ECONOMY AT A GLANCE

- The JP Morgan Global Manufacturing PMI stood at 50.3 in February 2024, up from 50.0 in January 2024, its first reading above the neutral 50.0 mark in 18 months since August 2022.
- The increase in global manufacturing production was supported by growth in new business intakes and efforts to complete backlog of work.
- Although the rate of expansion in output remained only mild in February, it was still the second-fastest during the past 20 months. All three of the sub-sectors covered by the survey saw output increase.
- Consumer goods producers saw solid growth, whereas rates of expansion were marginal in both the intermediate and investment goods categories.
- China, the USA, India and Brazil were among the nations to see manufacturing output rise, in contrast to declines in places such as euro area, Japan and the UK.

Key Economic Figures			
Country	GDP 2023: % change*	Manufacturing PMI	
		January 2024	February 2024
India	7.0**	56.5	56.9
China	5.2	50.8	50.9
Japan	1.9	48	47.2
USA	2.5	50.7	52.2
Eurozone	0.5	46.6	45.5
Brazil	2.9	52.8	54.1
Russia	3.6	52.4	54.7
South Korea	2.6	51.2	50.7
Germany	-0.3	45.5	42.5
Turkey	4.5	49.2	50.2
Italy	0.9	48.5	48.7

Source: GDP: official releases; PMI- Markit Economics, *provisional,
** Estimate for FY 2023-24 by RBI

GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 148.11 mt in January 2024, registering a decline of 1.6% yoy, according to provisional data released by World Steel Association (worldsteel).

World Crude Steel Production (Prov)			
Rank	Top 10	Jan 2024 (mt)	% yoy change
1	China	77.24	(-)6.9
2	India	12.51	7.3
3	Japan	7.27	0.6
4	USA	6.80	(-)0.3
5	Russia	6.24	1.2
6	South Korea	5.71	1.5
7	Turkey	3.25	24.6
8	Germany	2.90	(-)0.9
9	Iran	2.60	39.3
10	Brazil	2.52	(-)7.2
Top 10 Total		127.04	(-)2.7
World		148.11	(-)1.6

Major observations:

- China remained the leader in world crude steel production with an output of 77.24 mt in January 2024, registering a decline of 6.9% compared with the same period of 2023. The country accounted for 52.2% of world crude steel production during the month under review.
- India was the 2nd largest producer of crude steel with an output of 12.51 mt in January 2024, showing a yoy growth of 7.3%. The country accounted for 8.4% of world crude steel production during the month.
- Japan was the 3rd largest producer of crude steel with an output of 7.27 mt in January 2024, up by a marginal 0.6% compared with the same period of the previous year. Japan accounted for 4.9% of world crude steel production during the period.
- With crude steel production of 6.80 mt (down 0.3% yoy), the USA was the 4th largest producer of crude steel in January 2024.
- Russia's crude steel production stood at 6.24 mt (up 1.2% yoy) in January 2024 and the country was the 5th largest producer of crude steel.
- The top 10 countries' cumulative production in January 2024 stood at 127.04 mt (down 2.7% yoy) and they accounted for 85.8% of world crude steel production during the period.
- Among the top 10 steel producing countries, India, Japan, Russia, South Korea, Turkey and Iran registered yoy growth in production in January 2024 while the remaining countries reported yoy contraction in production during the month.

- Asian crude steel production stood at 107.16 mt in January 2024, showing a 3.6% decline yoy, led primarily by China and India, with their respective shares of 72% and 12% in total Asian crude steel production during the month.

GLOBAL DRI PRODUCTION

India led global DRI production in January 2024

World DRI production stood at 9.66 mt in January 2024, showing a yoy growth of 19.7%, according to provisional data released by worldsteel.

World DRI Production (Prov)			
Rank	Top 5	Jan 2024 (mt)	% yoy change
1	India	4.50	19.0
2	Iran	1.94	68.5
3	Russia	0.70	6.1
4	Saudi Arabia	0.59	-2.5
5	Egypt	0.58	10.4
Top 5 Total		8.30	23.6
World		9.66	19.7
Source: worldsteel			

Major observations:

- India remained the leader in world DRI production with an output of 4.50 mt (up 19% yoy) in January 2024. The country accounted for 46.5% of world DRI production during the period under review.
- Iran was the 2nd largest producer of DRI with an output of 1.94 mt in January 2024 (up 68.5% yoy). It accounted for 20% of world DRI production during the month under review.
- Russia ranked third in terms of DRI production with an output of 0.70 mt (up 6.1% yoy) in January 2024. The country accounted for 7.2% of world DRI production during the period.
- The top 5 countries accounted for 85.9% of total world DRI production in January 2024 with a cumulative output of 8.30 mt, up by 23.6% yoy.

WORLD STEEL PRICE TRENDS

Global steel price trends remained mixed in February 2024 due to a combination of local and global issues. While prices remained steady or showed a slight downward bias month-on-month in India, China and the USA, the situation was a bit different in Europe where prices showed an upward bias month-on-month. Prices in all the four markets, however, are far below the levels achieved in March/April 2023. Going forward, the movement of global steel prices will be contingent upon how the following issues pan out.

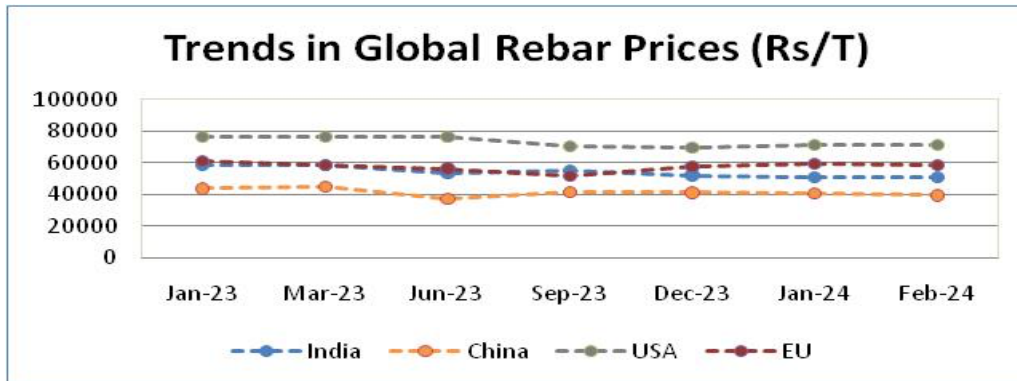
- a) *Global growth outlook*: The International Monetary Fund is very confident that the world economy is now poised for a soft landing after some of the sharpest interest rates hikes in decades. Interest rates would start coming down around the middle of the year.
- b) *China's property crisis*: Property sales in mainland China declined for the tenth straight month in February, as lower demand during the Spring Festival holidays weighed and expectations are the beleaguered sector's woes will continue, pressured by low homebuyer confidence.
- c) *Manufacturing slump in euro zone*: The euro zone's industrial recession continued unabated in February 2024. Output declined again at the same pace as the previous month, mainly due to heavyweights Germany and France. Spain, by contrast, is the first of the leading four euro countries to re-enter growth territory. On a slightly positive note, the decline in new orders in the Eurozone has softened somewhat, offering a glimmer of hope for a potential demand recovery in the future.
- d) *Trade flows to be volatile*: Global trade flows are expected to remain volatile due to ongoing geopolitical tensions and protectionist policies. Regional conflicts and unrest such as the war between Russia and Ukraine and situation in Israel and elsewhere have been contributing to rising oil prices and further geo-economic fragmentation, affecting the normal trade flow.
- e) *Prices of raw material* like iron ore and coking coal, which are on the rise over the last few months, will play a major role in steel price movements.

Relevant to note here that with the exception of India, Japan, Russia, South Korea, Turkey and Iran, global crude steel production in January 2024 remained on a declining trend in all the major steel producing markets.

Long Products

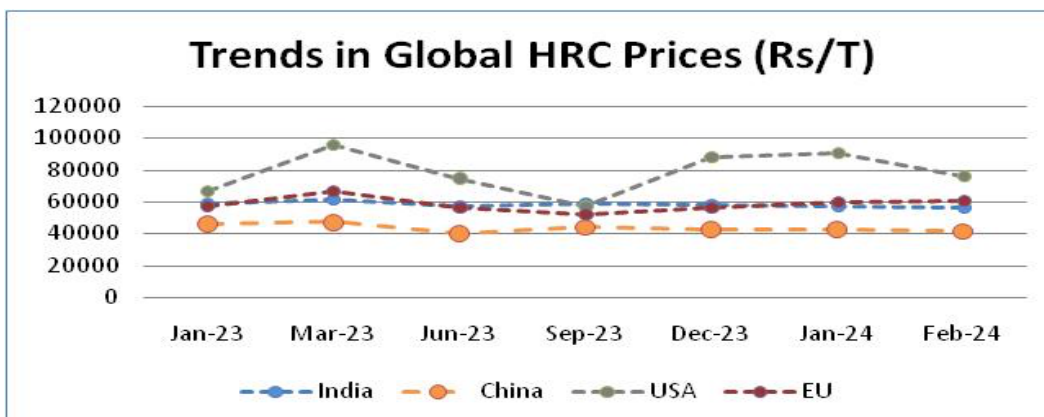
- Rebar / TMT prices have seen fluctuations in all the major markets, due to a mix of seasonal factors, local supply-demand imbalance and policy impact.
- Prices have come down, though marginally, in China, the USA and the European Union month-on-month in February 2024. On the contrary, rebar prices in India have gone up marginally in February 2024 m-o-m. On a year-on-year basis, excluding the EU, rebar prices have softened in all the markets under consideration here.
- Bearish tone prevails in Chinese steel market, given weak expectation from construction steel demand in March and the second quarter. Domestic steel demand recovery is expected to be relatively slow during the Spring period of April-June due to headwinds in the construction sector, according to analysts.

- Rebar prices increased marginally in India because of an uptick in offer levels from secondary producers amid largely sluggish demand in the market in view of the impending general elections in the country.
- US domestic rebar prices fell marginally as some buyers were again able to get additional downward price moves from Midwest and Southwest mills, but prices in Texas were still holding.



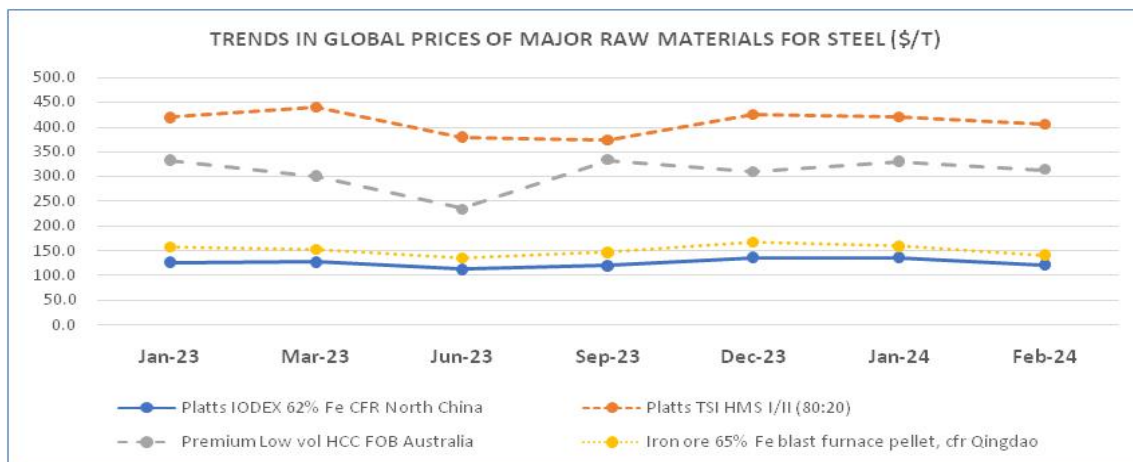
Flat Products

- As in case of rebar, HRC prices have also seen fluctuations in major markets, due to a mix of seasonal factors, local supply-demand imbalance and policy impact.
- Prices have come down in India, China marginally in February 2024, while they have gone up in the European Union slightly compared with the previous month. In the USA, prices, however, have witnessed a hefty fall in February 2024 month-on-month. On a year-on-year basis, HRC prices have fallen in all the four markets under consideration here.
- HRC prices slipped in the USA as tradable volume from both Midwest and Southern mini-mill trended lower and as overall spot activity remained limited due to market uncertainty.
- European HRC prices remained steady with buyers remaining reluctant to pay higher and resisting stockpiling due to uncertainties about near-term price trends.
- Asian HRC market was weak despite the return of Chinese market participants, as subdued demand and bearish sentiment weighed on the market.



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 June-July 2023. From July-August 2023 onwards, prices have started to move up slowly. Especially, Premium low volume HCC FOB Australia and Platts TSI HMS I/II (80:20) have shown a steep rise in prices from August 2023 onwards. On a yoy basis, prices of all the raw materials have come down in February 2024 compared with the same month last year.



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

NEWS AROUND THE GLOBE

- The European Commission has extended the period for declarants to submit their quarterly reports under the Carbon Border Adjustment Mechanism by 30 days from the original deadline, after a significant number of importers experienced technical issues.
- The European Commission initiated a review into a possible extension of safeguard quotas on steel imports into the European Union. According to the EC, 14 EU member states sent a request to extend the tariff rate quotas to 2026.
- Russia's ministry of economic development intends to get the revised draft of the low-carbon development strategy ready soon. The document provides a carbon pricing mechanism to be introduced from 2028.
- Turkish steel producers are planning to focus on alternative export markets in 2024, like North America, as the crisis in the Red Sea, the rise in freight rates, protectionist measures, probable new duties within the context of CBAM as well as geopolitical risks might affect Turkish mills' export volumes in 2024.

- Australia’s two largest iron ore producer BHP and Rio Tinto, and the country’s biggest steelmaker Bluescope said they will partner to jointly investigate the development of Australia’s first iron-making electric smelting furnace pilot plant to accelerate efforts to decarbonise steelmaking.
- Japan’s JFE Steel and India’s JSW Steel have started construction of a \$670 million joint-venture plant to manufacture grain-oriented electrical steel plant at Bellary district, Karnataka, India, with production slated for 2027.
- Tata Steel confirmed that it would technically not be viable to run a blast furnace interim at the Port Talbot works before the electric arc furnace will be commissioned.
- South Korea’s Posco has started construction of a new 2.5 mt/year electric arc furnace at its Gwangyang Steel Works with a commercial operations expected from 2026.
- The European Commission has approved euro 1.3 billion in funding from the German government to steelmakers ArcelorMittal Bremen and ArcelorMittal Eisenhuettenstadt for the decarbonisation of its steel making processes.
- The Brazilian Ministry of Development, Industry, Commerce and Services announced a modification of import tariffs for five groups of products in the steel sector, including rebar and tubes.
- Lower stainless steel production in recent months in response to slow demand has hit stainless scrap availability throughout Europe, the USA and in parts of Asia. Demand for both stainless steel and scrap, meanwhile, remains high in India and the Middle East, driven by domestic market growth.

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-January 2023-24, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-January 2023-24. 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-January 2023-24*(mt)	April-January 2022-23 (mt)	% change*
Crude Steel Production	118.947	104.816	13.5
Hot Metal Production	71.599	66.900	7.0
Pig Iron Production	5.911	4.914	20.3
Sponge Iron Production	42.651	36.049	18.3
Total Finished Steel (alloy/stainless + non-alloy)			
Production	114.424	101.052	13.2
Import	6.739	5.000	34.8
Export	5.521	5.329	3.6
Consumption	112.515	98.290	14.5
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 118.947 million tonnes (mt), up by 13.5%.
- **Hot Metal:** Production at 71.599 mt, up by 7.0%.
- **Pig Iron:** Production at 5.911 mt, up by 20.3%.
- **Sponge Iron:** Production at 42.651 mt, up by 18.3%, led by coal-based route (81% share).
- **Total Finished Steel:** Production at 114.424 mt, up by 13.2%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 69.794 mt (59% share) during this period, up by 5.8%. The rest (49.153 mt) came from the Other Producers, up by 26.6%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 64.717 mt (90% share) up by 3.7%. The rest (6.882 mt) came from the Other Producers, up by 53.7%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 1.127 mt (19% share) up by 6.7%. The rest (4.783 mt) came from the Other Producers, up by 24.0%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL Group & JSPL together produced 64.226 mt (56% share) up by 8.4%. The rest (50.197 mt) came from the Other Producers, up by 20.1%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 84% share, the Private Sector (99.368 mt, up by 15.0%) led crude steel production compared to the 16% contribution of the PSUs (up by 6.4%).
- **Hot Metal:** With 71% share, the Private Sector (50.754 mt, up by 7.1%) led hot metal production, compared to the 29% contribution of the PSUs (up by 6.8%).
- **Pig Iron:** With 95% share, the Private Sector (5.594 mt, up by 21.8%) led pig iron production, compared to the 5% contribution of the PSUs (down by 2.0%).
- **Total Finished Steel:** With 86% share, the Private Sector (97.835 mt, up by 14.2%) led production of total finished steel, compared to the 14% contribution of the PSUs (up by 7.6%).

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Non-flat products accounted for 55% share (up by 14.8%), the rest 45% was the share of flats (up by 11.3%).
 - **Import:** Flat products accounted for 94% share (up by 36.8%), the rest 6% was the share of non-flats (up by 7.8%).
 - **Export:** Flat products accounted for 88% share (up by 5.7%), the rest 12% was the share of non-flats (down by 9.9%).
 - **Consumption:** Led by Non-flat steel (54% share; up by 14.6%) while the rest 46%
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was the share of flat steel (up by 14.3%).

Finished Steel Production Trends

- At 114.424 mt, production of total finished steel was up by 13.2%.
- Contribution of the non-alloy steel segment stood at 106.69 mt (93% share, up by 14.5%), 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 (48.489 mt, up by 14.7%) while growth in the non-alloy, flat segment was led by HRC (43.69 mt, up by 14.5%) during this period.

Finished Steel Export Trends

- Overall exports of total finished steel at 5.521 mt, up by 3.6%.
- Volume wise, HR Coil/Strip (2.058 mt) was the item most exported (37% share in total finished steel).
- Italy (1.186 mt) was the largest export market for India.

Finished Steel Import Trends

- Overall imports of total finished steel at 6.739 mt, up by 34.8%.
- India was a net importer of total finished steel in April-January 2023-24.
- Volume wise, HR Coil/Strip (2.896 mt, up by 71.4%) was the item most imported (43% share in total finished steel).
- China (2.176 mt) was the largest import market for India (32% share in total).

Finished Steel Consumption Trends

- At 112.515 mt, consumption of total finished steel was up by 14.5%.
- Contribution of the non-alloy steel segment stood at 103.659 mt (92% share, up by 14.3%), 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 (47.062 mt, up by 13.7%) while growth in the non-alloy, flat segment was led by HRC (42.476 mt, up by 14.0%) 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 Q3 2023-24 is estimated to have attained a level of ₹43.72 lakh crore, as against ₹40.35 lakh crore in Q3 2022-23, showing a growth of 8.4 per cent. Barring the *Agriculture, Livestock, Forestry & Fishing* sector which reported a negative growth of 0.8%, all the other sectors reported positive growth during the quarter under review, with the *Manufacturing sector* reporting the highest growth of 11.6%.

Industrial Production: Provisional CSO data show that the overall Index of Industrial Production (IIP) for the April-January period of financial year 2023-24 rose by 5.9% 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-January period of financial year 2023-24, with all the sectors, excluding only crude oil, registering growth ranging from 3.9% to 13.1% on yoy basis.

Inflation: The rate of inflation based on Consumer Price Index stood at 5.09% and that on Wholesale Price Index stood at 0.20% in February 2024. Both CPI and WPI inflation came down marginally during the month under review compared with the previous month.

Prepared by: Joint Plant Committee