



Indian Steel Industry: March 2023 – A Trend Report

The outlook for the domestic steel industry this year remains more or less promising with the macro-economic fundamentals like manufacturing & services PMIs, IIP, core infrastructure growth remaining strong. The government, in its Budget for FY 2023-24, has announced a massive capex plan, a significant part of which will go towards building infrastructure and is expected to push up domestic steel demand growth. However, global headwinds like weak recovery in China's economy, downturn in US and Europe, turmoil in global financial markets and supply-chain issues due to Russia-Ukraine war may weigh on the outlook for Indian Steel.

WORLD ECONOMY AT A GLANCE

- The upturn in global manufacturing production was sustained at the end of the first quarter of 2023. Output rose for the second successive month, as manufacturers benefited from a near-stabilisation of new order inflows and improving supply chain conditions.
- JP Morgan Global Manufacturing PMI fell to 49.6 in March 2023 compared with 49.9 in the previous month, thus staying below the 50.0 no-change mark for the seventh successive month.
- Among the largest industrial regions covered by the survey, the US and the euro area both eked out marginal expansions during March 2023. Although mainland China outperformed both, its rate of expansion was only marginal and much lower than in February 2023. Downturns were registered in Japan, South Korea, the UK and Brazil. Thailand and India saw the quickest rates of expansion.

Key Economic Figures			
Country	GDP 2022: % change*	Manufacturing PMI	
		February 2023	March 2023
India	7.0	55.3	56.4
China	3.0	51.6	50.0
Japan	1.0	47.7	49.2
USA	2.1	47.3	49.2
Eurozone	3.5	48.5	47.3
Brazil	2.9	49.2	47.0
Russia	-2.1	53.6	53.2
South Korea	2.6	48.5	47.6
Germany	1.8	46.3	44.7
Turkey	5.6	50.1	50.9
Italy	3.7	52.0	51.1

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

GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 297.8 mt in January-February 2023 period, registering a marginal decline of 0.8% yoy, according to provisional data released by World Steel Association (worldsteel). In February 2023, world crude steel production stood at 142.4 mt, down 1% compared with the same period of the previous year.

World Crude Steel Production (Prov)			
Rank	Top 10	Jan-Feb '23 (mt)	% yoy change
1	China	168.7	5.6
2	India	21.3	1.0
3	Japan	14.1	(-)6.1
4	USA	12.6	(-)5.7
5	Russia	11.7	(-)5.4
6	South Korea	11.1	(-)1.1
7	Germany	5.9	(-)8.6
8	Brazil	5.3	(-)5.8
9	Iran	5.1	21.1
10	Turkey	4.7	(-)23.1
Top 10 Total		260.6	2.1
World		297.8	(-) 0.8

Major observations:

- China remained the leader in world crude steel production with an output of 168.7 mt in January-February 2023 period, registering a growth of 5.6% yoy. The country accounted for 56.7% of world crude steel production during the first two months of 2023.
- **Further, China, India and Iran were the only countries among the top 10 steel producing countries in the world which registered growth in production during January-February 2023.**
- India was the 2nd largest producer of crude steel with an output of 21.3 mt in January-February 2023, showing a yoy growth of 1.0%. The country accounted for 7.2% of world crude steel production during the first two months of 2023.
- Japan was the 3rd largest producer of crude steel with an output of 14.1 mt in January-February 2023 period, down by 6.1% yoy. Japan accounted for 4.7% of world crude steel production during the period.
- With crude steel production of 12.6 mt (down 5.7% yoy), the USA was the 4th largest producer of crude steel during January-February 2023.
- Russia's crude steel production stood at 11.7 mt (down 5.4% yoy) in January-February 2023 period and the country was the 5th largest producer of crude steel.

- The top 10 countries' cumulative production in January-February 2023 stood at 260.6 mt (up 2.1% yoy) and they accounted for 87.5% of world crude steel production during the period.
- Asian crude steel production stood at 223.0 mt in January-February 2023, showing a 3% 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-February 2023 period

World DRI production stood at 17.6 mt in January-February 2023 period, showing a yoy growth of 9.1%, according to provisional data released by worldsteel. World DRI production in the month of February 2023 stood at 8.6 mt, up by 13.3% yoy.

World DRI Production (Prov)			
Rank	Top 5	Jan-Feb '23 (mt)	% yoy change
1	India	7.4	9.5
2	Iran	4.2	14.5
3	Russia	1.26	(-)9.3
4	Saudi Arabia	1.18	10.2
5	Egypt	1.03	(-)3.3
Top 5 Total		15.0	8.0
World		17.6	9.1
Source: worldsteel			

Major observations:

- India remained the leader in world DRI production with an output of 7.4 mt (up 9.5% yoy) in January-February 2023 period. The country accounted for 42% of world DRI production during the period under review.
- Iran was the 2nd largest producer of DRI with an output of 4.2 mt in January-February 2023 period (up 14.5% yoy). It accounted for 23.9% of world DRI production during the first two months of this year.
- Russia ranked third in terms of DRI production with a production of 1.26 mt (down 9.3% yoy) in January-February 2023. The country accounted for 7.2% of world DRI production during the period.
- The top 5 countries accounted for nearly 85.2% of total world DRI production in January-February 2023 with a cumulative output of 15.0 mt, up by 8.0% yoy.

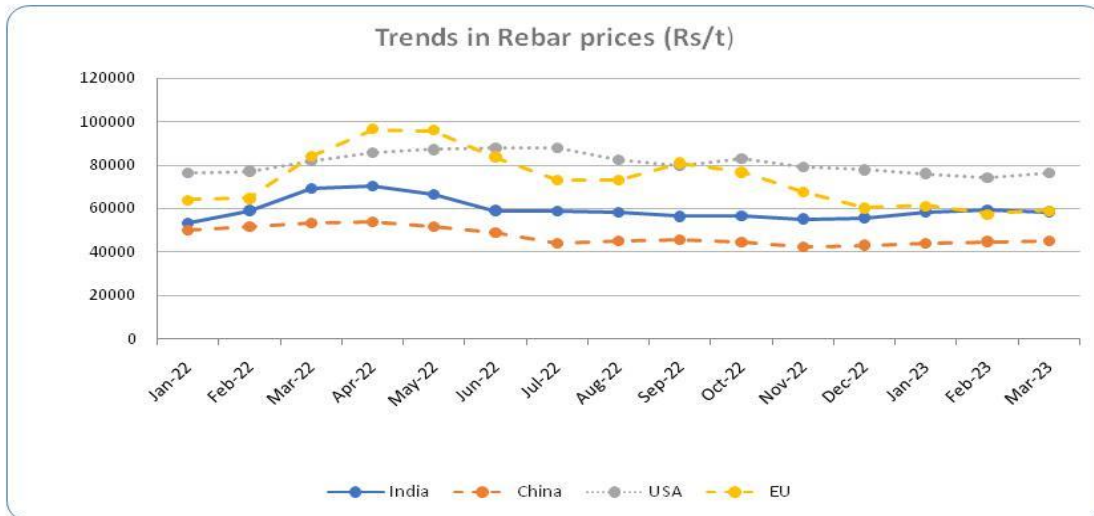
WORLD STEEL PRICE TRENDS

Global steel prices continued to remain volatile with an upward bias in March 2023 due to a combination of local and global factors

- 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) Fluctuations in prices of major raw materials for steel making which showed an upward bias in the first quarter of 2023.
 - c) Stubbornly high inflation across geographies, tighter monetary policies, and turmoil in financial markets in view of bank failures in the USA, weighing on outlook for the industry.
 - d) Developments in the Chinese market: The economic recovery is yet to pick up momentum though Beijing has dropped its Covid Zero policy in a move to boost its flagging economy.
 - e) Euro zone manufacturing still remains in troubled water with factories reporting a fall in demand for goods for the eleventh straight month.
 - f) Supply constraints pushing up prices of the steel in the USA in view of steady demand for the commodity.
- ❖ Relevant to note here that with the exception of India, China and Iran, global crude steel production in January-February 2023 period remained on a declining trend in all the major steel producing markets.

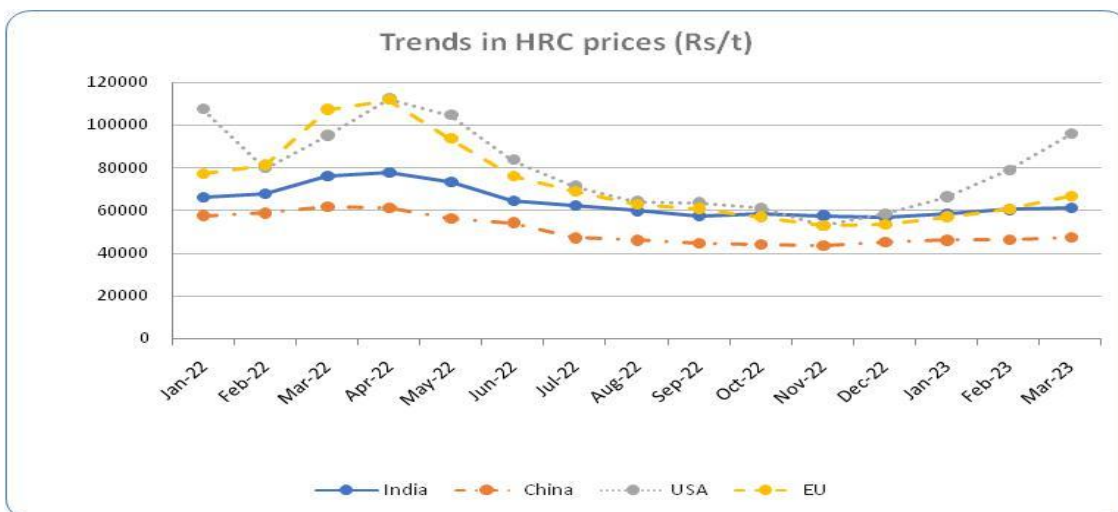
Long Products

- 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 increased amid positive sentiment among sellers but buyers were less bullish and reduced procurement rates and adopted a wait-and-see stance towards rebar. Besides, high rebar output from mills, with many of them planning to further increase their production rates, weighed on outlook for Chinese rebar prices.
- The domestic and import prices of rebar remained unchanged in the USA in March 2023. Prices are, however, expected to go up in view of the impending hike in prices of ferrous scrap. Meanwhile, rebar prices in Russia's domestic market remained stable.
- Increasing scrap costs and expected improvement in demand prompted European producers to raise prices of rebar in March 2023 though market activity remained slow in wire rod and rebar market in the northern Europe.



Flat Products

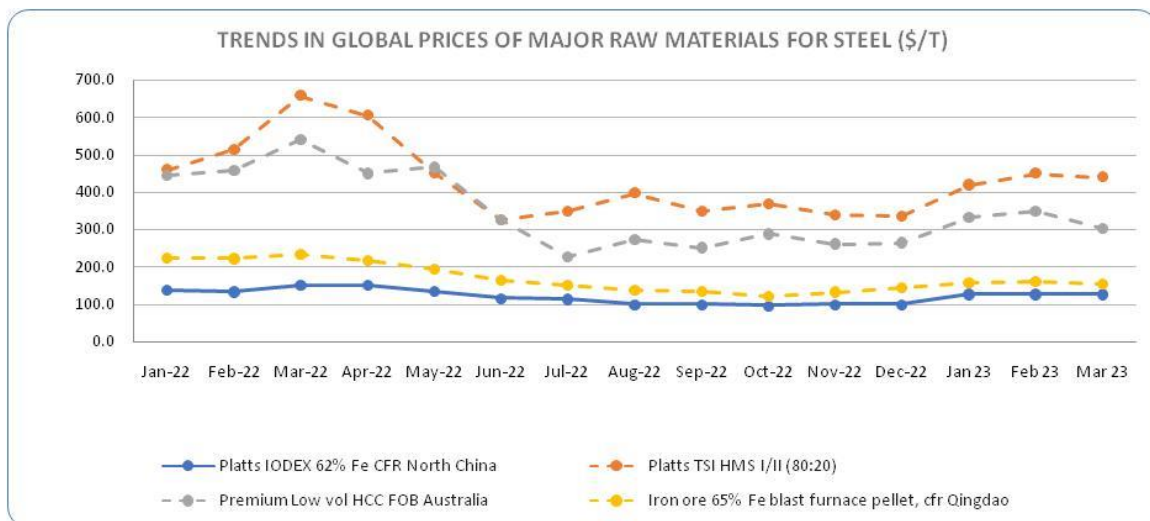
- HRC prices have started off 2022 on a slow note but have peaked in April 2022, dipping steadily thereafter till December 2022. Starting from January 2023, prices have again shown an upward trend, barring China where prices remain nearly flat.
- The above peaking may well be attributed to the impact of the Russia-Ukraine crisis – a feature noted for rebar prices as well.
- Spot prices for Chinese HRC across domestic and export markets saw an uptick as market sentiment got a boost by positive industry data, while the US market saw a slight softening in prices following a steady march on weak demand.
- Prices of HRC in Europe remained elevated despite sluggish demand and restrained market activity.
- Russian HRC prices pushed up in response to improved sentiment after a surge in demand for flat steel from earthquake-hit Turkey boosted exports from Russia.



[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. The prices have, however, shown an upward bias in the first quarter of 2023.



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

NEWS AROUND THE GLOBE

- China's total steel exports are expected to rise in March from the monthly average level in January-February, mainly due to higher orders received in the past two months from Europe, especially Turkey. There have been increased orders from Turkey for reconstruction projects after the deadly earthquake that hit the country in early February.
- UK trade union Unite has warned that the challenges facing the UK steel industry represent an urgent threat to national security and called on the government to deliver a comprehensive support package, in a letter to Prime Minister Rishi Sunak.
- Turkish pipemakers have been facing difficulties accessing raw materials as hot-rolled coil production in Turkey has remained lower than consumption, Mehmet Zeren, secretary general of the Turkish Steel Pipe Manufacturers' Association, or CEBID, said.
- Austrian steel and technology group Voestalpine has approved a euro 1.5 billion (\$1.6 billion) investment in the construction of electric arc furnaces at each of two sites, Linz in Upper Austria and Donawitz in the centre of the country. The investment will secure the

future of the company's two steel production sites at Linz and Donawitz over the long term.

- Ural Steel iron and steel works in Russia's Novotroitsk, the Orenburg region of the Urals, has restarted after a major reconstruction in blast furnace No. 4. Now that Ural Steel again operates with three blast furnaces, it can produce more liquid/pig iron.
- Vietnam has extended duties on wire rod and rebar imports for another three years while terminating the measure for billet, the Trade Remedies Authority said, citing decisions by the Ministry of Industry and Trade.
- Germany's Thyssenkrupp is building a new annealing and isolating line at its Bochum plate mill in northwest Germany. The project represents a euro 150 million (\$161 million) investment and is carried out with the participation of German plant manufacturer SMS.
- Brazilian mining company Vale has inaugurally produced 50,000 mt pellets using biocarbon instead of anthracite coal at its pelletizing plant in Vargem Grande, Nova Lima.
- Global steelmaker ArcelorMittal has completed the acquisition of slab producer Companhia Siderurgica do Pecem (CSP) in Ceara, northeast Brazil, for \$2.2 billion after securing the necessary regulatory approval.
- Serbian flat-rolled steel producer HBIS Serbia near Belgrade plans to restart its blast furnace No. 1 with 900,000 mt/year capacity soon after it was idled in the second half of 2022 on unfavourable market conditions.

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-February 2022-23, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-February 2022-23. 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-February 2022-23*(mt)	April-February 2021-22 (mt)	% change*
Crude Steel Production	114.132	109.177	4.5
Hot Metal Production	73.487	70.945	3.6
Pig Iron Production	5.357	5.610	-4.5
Sponge Iron Production	39.604	35.867	10.4
Total Finished Steel (alloy/stainless + non-alloy)			
Production	110.444	102.999	7.2
Import	5.592	4.318	29.5
Export	5.904	12.299	-52.0
Consumption	108.146	96.051	12.6
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 114.132 million tonnes (mt), up by 4.5%.
- **Hot Metal:** Production at 73.487 mt, up by 3.6%.
- **Pig Iron:** Production at 5.357 mt, down by 4.5%.
- **Sponge Iron:** Production at 39.604 mt, up by 10.4%, led by coal-based route (82% share).
- **Total Finished Steel:** Production at 110.444 mt, up by 7.2%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 69.525 mt (61% share) during this period, up by 2.7%. The rest (44.607 mt) came from the Other Producers, up by 7.5%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 66.543 mt (91% share) up by 4.7%. The rest (6.944 mt) came from the Other Producers, down by 6.1%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 1.040 mt (19% share) down by 21.3%. The rest (4.317 mt) came from the Other Producers, up by 0.7%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 63.061 mt (57% share) up by 7.2%. The rest (47.383 mt) came from the Other Producers, up by 7.2%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 82% share, the Private Sector (93.854 mt, up by 5.9%) led crude steel production compared to the 18% contribution of the PSUs (down by 1.5%).
- **Hot Metal:** With 71% share, the Private Sector (51.960 mt, up by 6.9%) led hot metal production, compared to the 29% contribution of the PSUs (down by 3.5%).
- **Pig Iron:** With 93% share, the Private Sector (4.991 mt, down by 0.6%) led pig iron production, compared to the 7% contribution of the PSUs (down by 37.8%).
- **Total Finished Steel:** With 85% share, the Private Sector (93.410 mt, up by 7.1%) led production of total finished steel, compared to the 15% contribution of the PSUs (up by 7.7%).

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Non-flat products accounted for 54% share (up by 8.4%), the rest 46% was the share of flats (up by 5.9%).
 - **Import:** Flat products accounted for 93% share (up by 30.4%), the rest 7% was the share of non-flats (up by 18.2%).
 - **Export:** Flat products accounted for 87% share (down by 46.3%), the rest 13% was the share of non-flats (down by 71.8%).
 - **Consumption:** Led by Non-flat steel (54% share; up by 9.0%) while the rest 46%
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was the share of flat steel (up by 17.1%).

Finished Steel Production Trends

- At 110.444 mt, production of total finished steel was up by 7.2%.
- Contribution of the non-alloy steel segment stood at 101.789 mt (92% share, up by 5.3%), 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 production of total finished steel was Bars & Rods (45.971 mt, up by 7.5%) while growth in the non-alloy, flat segment was led by HRC (41.979 mt, up by 2.4%) during this period.

Finished Steel Export Trends

- Overall exports of total finished steel at 5.904 mt, down by 52.0%.
- Volume wise, HR Coil/Strip (2.84 mt) was the item most exported (39% share in total finished steel). Major share (51%) of such exports was from Alloy/Stainless.
- Vietnam (0.838 mt) was the largest export market for India.

Finished Steel Import Trends

- Overall imports of total finished steel at 5.592 mt, up by 29.5%.
- India was a net exporter of total finished steel in April-February 2022-23.
- Volume wise, HR Coil/Strip (1.96 mt) was the item most imported (35% share in total finished steel).
- Korea (2.036 mt) was the largest import market for India (36% share in total).

Finished Steel Consumption Trends

- At 108.146 mt, consumption of total finished steel was up by 12.6%.
- Contribution of the non-alloy steel segment stood at 99.606 mt (92% share, up by 11.7%), 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 (45.174 mt, up by 7.8%) while growth in the non-alloy, flat segment was led by HRC (41.277 mt, up by 17.4%) 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 Q3 2022-23 is estimated to have attained a level of ₹ 40.19 lakh crore, as against ₹ 38.51 lakh crore in Q3 2021-22, showing a growth of 4.4 per cent. Barring *Manufacturing*, all the other sectors reported growth during this period, with *Trade, Hotels, Transport, Communications and Services related to Broadcasting* sector reporting the highest growth (9.7%) and *Manufacturing* sector, the lowest (-1.1%).

Industrial Production: Provisional CSO data show that the overall Index of Industrial Production (IIP) for April-February 2022-23 rose by 5.5% 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 7.8% during April-February 2022-23 with all the sectors, barring only crude oil, reporting increase in output.

Inflation: The rate of inflation based on Consumer Price Index stood at 5.66% and that on Wholesale Price Index stood at 1.34% in March 2023. Both the CPI inflation and WPI inflation came down compared with the previous month.

Prepared by: Joint Plant Committee