



# Trends ..... December 2018

With 2018, the Indian steel industry ended one more year of operating in a global market where competitiveness is fast becoming as the essential and inevitable keyword to success.

## WORLD ECONOMY AT A GLANCE

- Reports from Markit Economics indicate that the global manufacturing sector continued to register a subdued performance at the close of 2018, with the J.P.Morgan Global Manufacturing PMI standing at 51.5 in December 2018, down from 52.0 in November 2018 and reaching a 27-month low.
- Output growth remained weak, while rates of expansion in new orders and employment both slowed. The trend in international trade flows also remained weak, with new export business declining for the fourth straight month.
- The reports indicate that on an average, developed nations outperformed emerging markets in December 2018, although growth slowed down in both cases. The PMI readings were above 50.0 for 20 out of the 30 nations including the US, the Euro Area, Japan, the UK, India, Brazil and Australia. At the same time, countries with PMI figures below the neutral 50.0 mark included China, France, Italy, Taiwan and South Korea.
- The reports also indicate that during December 2018, new order growth was the weakest since August 2016 and that new export business fell for the fourth month in a row during December 2018 which also recorded an easing in price inflationary pressures.

Key Economic Figures			
Country	GDP Q3 2018: %change*	Manufacturing PMI	
		November 2018	December 2018
India	7.1	54.0	53.2
China	6.5	50.2	49.7
Japan	0.3	52.2	52.6
USA	3.0	55.3	53.8
EU 28	1.7	51.8	51.4
Brazil	1.3	52.7	52.7
Russia	1.3	52.6	51.7
South Korea	2.0	48.6	49.8
Germany	1.1	51.8	51.5
Turkey	1.6	44.7	44.2
Italy	0.7	48.6	49.2

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

## GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production for November 2018 was 148.62 million tonnes (mt), up by 5.8% year-on-year (yoy) i.e. over November 2017 and stood at 1646.67 mt during January-November 2018, up by 4.7% yoy.

<b>World Crude Steel Production: January-November 2018 (p)</b>			
<b>Rank</b>	<b>Country</b>	<b>Qty (mt)</b>	<b>% yoy change</b>
1	China	857.37	6.7
2	India	97.39	5.4
3	Japan	95.86	-0.1
4	USA	79.16	5.7
5	South Korea	66.29	2.0
6	Russia	65.81	0.9
7	Germany	38.97	-2.6
8	Turkey	34.43	0.5
9	Brazil	32.09	1.8
10	Italy	22.81	2.4
	<b>Top 10</b>	<b>1390.18</b>	<b>4.9</b>
	<b>World</b>	<b>1646.67</b>	<b>4.7</b>
Source: worldsteel; p= provisional; mt=million tonnes			

- China produced 77.62 mt of crude steel in November 2018, up by 10.8% over November 2017 and production during January-November 2018 stood at 857.37 mt, up by 6.7% yoy. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was up by 3%. China accounted for 74% of Asian and 52% of world crude steel production during this period.
- With a 6% share in total world production and a 5.4% rise in production over same period of last year, Indian crude steel production during January-November 2018 was few notches above Japan and the country remained the 2<sup>nd</sup> largest producer during this period.
- November 2018 Japanese crude steel production (8.66 mt) was down by 0.5% yoy and production during January-November 2018 stood at 95.86 mt, down by 0.1% yoy. The country was the 3<sup>rd</sup> largest crude steel producer in the world in 2018 so far.
- Crude steel production in the EU (28) countries during November 2018 was at 14.14 mt, up by 1.2% yoy and production during January-November 2018 stood at 154.42 mt, down by 0.5% yoy.
- At 104.48 mt, Asian crude steel production was up by 8% in November 2018 and production during January-November 2018 stood at 1158.79 mt, up by 5.8% yoy. Asia accounted for 70% of world crude steel production during this period.
- The top 10 countries accounted for 84.4% of total world crude steel production in January-November 2018 and saw production go up by 4.9% yoy during this period.

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## **THE AMERICAS**

- US President Donald Trump, Canadian Prime Minister Justin Trudeau and outgoing Mexican President Enrique Peña Nieto signed the new US Mexico Canada Agreement (USMCA), a replacement for the North American Free Trade Agreement on the sidelines of the G-20 Summit.
- A steel trade group has argued that the statute under which the US Section 232 tariffs on steel and aluminum imports were issued was unconstitutional, according to oral arguments during a US Court of International Trade hearing last month.
- The US International Trade Commission has issued affirmative final determinations in the antidumping duty investigations of line pipe from China (132.63%) and India (50.55%), but voted to terminate the countervailing duty investigation on line pipe imports from China.
- GFG Alliance said its Liberty Steel USA subsidiary will buy US longs maker Keystone Consolidated Industries for \$320 million. KCI and its subsidiaries consist of a 1.1 mtpa capacity EAF and diverse lines of high-quality value-added steel.
- Construction of a steelworks near Bolivia's Mutun iron ore mine is expected to begin soon, with the first phase having a 0.65 mtpa iron ore concentrate plant, a pelletizing plant, a 0.25 mtpa DRI plant and a steelworks with a continuous caster and rolling mill capable of producing 0.19 mtpa of long products.
- The 10,000 tpm Vemarcorp steel mill in Paraguay was officially inaugurated in November 2018 and became Paraguay's second steel plant.
- Algoma Steel, formerly Essar Steel Algoma, emerged from creditor protection after three years and is poised to invest in expanding capacity and grade capability.

## **ASIA**

- Tangshan has ordered local steel mills to strictly implement assigned winter output cuts and cool down targeted blast furnaces, in a bid to cope with the heavy air pollution. It also ordered sintering and pelletizing plants that did not meet ultra-low emission standards by December 13 to suspend operations over December 13-31, 2018.
- Baowu Steel Group has signed a strategic cooperation agreement with Jiangsu provincial government for the construction of 20 mtpa greenfield integrated steelworks in Yancheng.
- Nippon Steel & Sumikin Bussan Corp. has plans to add a 0.1 mtpa processing capacity coil center in Houston, Texas.
- India's Bhushan Steel has received government approval to change its name to Tata Steel BSL following its takeover by Tata Steel.
- The Competition Commission of India has approved Tata Sponge Iron's purchase of the steel business of Usha Martin.
- Thai flat steel producer G Steel restarted production at one of its two hot strip mills, after a three-week shutdown to upgrade facilities.

## **RUSSIA, MID-EAST, AFRICA, AUSTRALIA**

- Iranian DRI producer SJSCO is expected to launch its 1 mtpa EAF-based steel plant by March 2019.

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- Saudi Arabia has started implementing new border requirements to protect its domestic steel industry, as per industry reports.
  - Metalloinvest intends to modernize two of its four blast furnaces before 2020, though pig iron capacity is expected to remain largely unchanged.

## **EU AND OTHER EUROPE**

- The European Commission's safeguard import quota for rebar - under tariff codes 7214 20 00 00 and 7214 99 10 00 – has almost been filled, with 672,142 tonnes or 94% of the quota used up so far. The quotas will be renewed in early February 2019.
- ArcelorMittal Italy has started Ilva's plate mill and is planning to produce 0.4 mt of plate in 2019, operating the mill at 40% capacity.
- ArcelorMittal's asset sale to Liberty House is reportedly on track and will be finalized in the first half of 2019.
- The European Commission has extended the deadline for a final decision over safeguards for a number of steel products imports to February 1, 2019.
- New Turkish flat steel producer Yildiz Iron and Steel started CRC production in its new 1.5 mtpa mill which also has HDG coil making facility.

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

## **WORLD STEEL PRICE TRENDS**

Global steel prices remained under pressure at the end of the last month of the year, with muted transaction activities noted in most markets around the world. The spotlight remained on the Chinese market with the emergence of some positive sentiment after the meeting between President Trump and President Xi at the G20 in Argentina. But that proved to be short-lived. Continuing rise in domestic steel supply in China as crude steel production rose by a phenomenal 11% in November 2018 created a furore specially with demand remaining in a slowdown mode. Overall, global steel prices remained stable in 2018 but affected to quite an extent by the Section 232 tariffs and its consequent protectionist tendencies and aided by stability in raw material prices, other things remaining same. Going ahead, China's streamlining of demand-supply, impact of trade barriers and raw material market conditions would be the main influencing factors on global steel prices.

### **Long Product**

- Rebar prices in the USA remained more or less static at the last month of the year, with transactions, as per Metal Bulletin reports, quoted around \$710/t at month-end.
- Rebar prices in the EU softened at end-December 2018, in view of limited activity. Transactions, as per Metal Bulletin reports, were quoted around €520-540/t (\$591-614) in Southern Europe and around €540-560/t (\$614-636) in Northern Europe at month-end.

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- Limited transactions, weak futures and depressed sentiments as supply soared once again, kept rebar prices in China in December 2018, south-bound. Transactions, as per Metal Bulletin reports, were quoted around 3,760-3,800 yuan/t (\$547-553) in Shanghai and around 3,630-3,670/t in Beijing.
  - Russian rebar prices slipped in December 2018, affected by slowdown in market activities. Transactions for Russian 12mm A500C rebar, including 18% VAT, as per Metal Bulletin reports, were quoted around 35,500 roubles/t (\$546) cpt Moscow at month-end.

### **Flat Product**

- HRC prices in the USA moved south at end-December 2018, with transactions, as per Metal Bulletin reports, quoted around \$730-740/t at month-end.
- HRC prices in the EU slipped at month-end, with markets remaining muted in view of limited activities. Transactions, as per Metal Bulletin reports, were quoted €470-500/t (\$533-567) in Southern Europe and around €530-540/t in Northern Europe at month-end.
- China's HRC prices declined in December 2018, in view of a slowed down market tone. Transactions, as per Metal Bulletin reports, were quoted around 3,680-3,700 yuan/t (\$535-538) in Shanghai and around 3,630-3,650 yuan/t in Tianjin.
- Flat steel prices declined in December 2018 in the Russian market, depressed by seasonally low demand. Metal Bulletin's assessment for Russia-origin 4mm HR sheet was reported around 39,200-40,000 roubles/t (\$587-600) cpt Moscow, including 18% VAT, at month-end.

[Source Credit: Metal Bulletin]

## **SPECIAL FOCUS**

### **India, Iran drives up global DRI production by 11% in January-November 2018**

Global output of direct reduced iron (DRI) increased by 2.2% year-on-year (yoy) in November 2018 and by 10.9% during January-November 2018, as per provisional World Steel Association (worldsteel) report. DRI production worldwide rose to 6.69 million tonnes (mt) in November 2018, up by 6.9% over same period of last year, according to worldsteel, driven by India (decline in production by 3%) and Iran (production up by 9%) during the month.

For January-November 2018, provisional worldsteel report indicates that global DRI output (76.14 mt, up by 10.9%) continued to be driven by India (27.91 mt) at the number one spot with a 3.7% growth in production when compared to same period of last year. The country also accounted for 37% of total global output during this period. For the cumulative period, Iran's DRI output (22.64 mt) saw a growth (29.2%) and along with India, these two countries accounted for 67% of global DRI output during this period. Together, the top five countries (details below) accounted for 87% of the world DRI production during this period and saw their cumulative output rise by 12.2% as compared to same period of last year.

World DRI Production: January-November 2018*			
Rank	Country	Qty (mt)	%change over last year
1	India	27.91	3.7
2	Iran	22.64	29.2
3	Mexico	5.45	-2.0
4	Egypt	5.26	23.8
5	Saudi Arabia	4.62	3.1
	<b>Top 5</b>	65.88	12.2
	<b>World</b>	<b>76.14</b>	<b>10.9</b>
	<b>%Share: Top 5</b>	<b>87</b>	<b>-</b>

Source: World Steel Association; \*provisional

## INDIAN STEEL MARKET ROUND-UP

### Performance of Indian Steel Industry: April-November 2018

The following is a status report on the performance of Indian steel industry during April - November 2018, based on provisional data released by JPC. 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	Indian steel scene (million tonnes)		
	April - November 2018 (prov)	April - November 2017 (final)	% change (prov)
Crude Steel Production	70.048	66.660	5.1
Hot Metal Production	47.551	44.301	7.3
Pig Iron Production	3.945	3.666	7.6
Sponge Iron Production	19.619	19.628	-0.05
<b>Total Finished Steel (alloy + non-alloy)</b>			
Production	85.936	82.231	4.5
Import	5.237	5.534	-5.4
Export	4.079	6.640	-38.6
Consumption	63.629	58.680	8.4

Source: JPC

#### I. Crude Steel:

- During April - November 2018, crude steel production was 70.048 million tonnes (mt), a growth of 5.1 per cent over same period of last year.
- SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 42.036 mt during April - November 2018 which was a growth of 9.2 per cent compared to same period of last year. The rest 40 per cent i.e. 28.012 mt came from the Other Producers, which was a decline of 0.6 per cent over same period of last year.
- With a 80 per cent share, the Private Sector (56.14 mt, up by 4.1 per cent) led crude steel production (70.048 mt) during April-November 2018 (prov.).

- Shares of the Oxygen Route (33.04 mt), EAF Route (18.50 mt) and IF Route (18.51 mt) stood at 47.2 per cent, 26.41 per cent and 26.42 per cent respectively in total crude steel production during April-November 2018 (prov.).

## II. Hot Metal:

- During April - November 2018, hot metal production was 47.551 million tonnes (mt), a growth of 7.3 per cent over same period of last year.
- SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 39.837 mt during April - November 2018 which was a growth of 8.7 per cent over same period of last year. The rest 16 per cent i.e. 7.714 mt came from the Other Producers, which was a growth of 0.6 per cent over same period of last year.
- With a 68 per cent share, the Private Sector (32.54 mt, up by 6 per cent) led hot metal production during April-November 2018 (prov.).

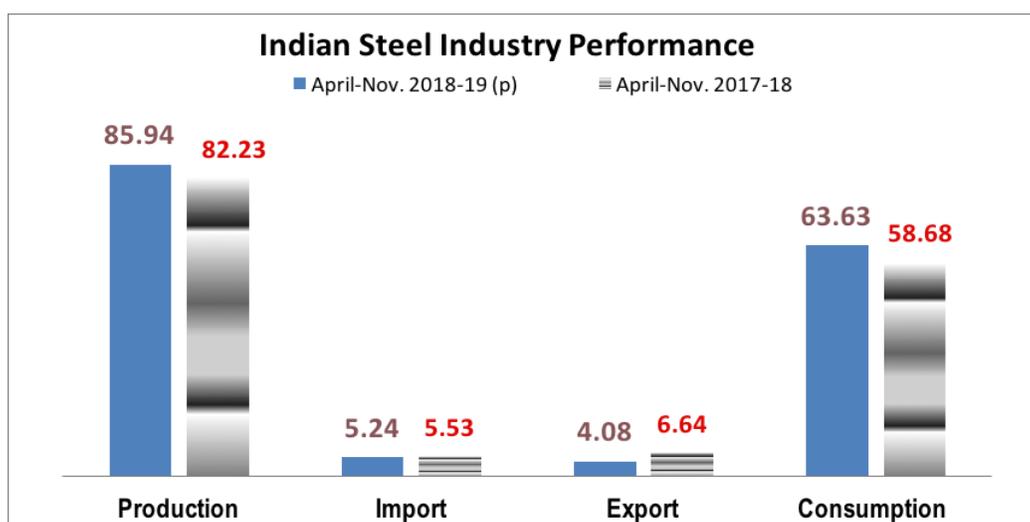
## III. Pig Iron:

- During April - November 2018, pig iron production was 3.945 mt, up by 7.6 per cent over same period of last year.
- SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 0.556 mt during April - November 2018 which was a growth of 17.5 per cent over same period of last year. The rest 86 per cent i.e. 3.389 mt came from the Other Producers, which was a growth of 6.1 per cent over same period of last year.
- With a 91 per cent share, the Private Sector (3.59 mt, up by 4.4 per cent) led pig iron production during April-November 2018 (prov.).

## IV. Sponge Iron:

- During April - November 2018, sponge iron production was 19.619 mt, down by 0.05 per cent over same period of last year.
- The Other Producers (13.931 mt) accounted for 71% of total production, a decline of 3.8 per cent over same period of last year.

## V. Total Finished Steel



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## A. Gross Production

- Gross Production or simply Production of total finished steel was at 85.936 mt, and grew by 4.5 per cent during April - November 2018 over same period of last year, in which contribution of the non-alloy steel segment stood at 78.738 mt (up by 3 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where production was up by 24.5 per cent.
- SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 47.998 mt during April – November 2018 which was a growth of 6.2 per cent over same period of last year. The rest 44 per cent i.e. 37.938 mt came from the Other Producers, which was a growth of 2.5 per cent over same period of last year.
- Analyzing by broad divisions, in the total production of finished non-alloy steel during April-November 2018 (prov.), contribution of the non-flat segment stood at 31.371 mt (up by 10.2 per cent) while that of the flat segment stood at 47.367 mt (down by 1.3 per cent) .
- In the non-alloy, non-flat segment, in volume terms, major contributor to production of total finished steel was bars & rods (24.946 mt, up by 9.2 per cent) while growth in the non-alloy, flat segment was led by HRC (24.562 mt, down by 1.6 per cent) during April-November 2018 (prov.).

## B. Exports

- During April-November 2018 (prov.), export of total finished steel stood at 4.079 mt, a decline of 38.6 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 3.729 mt (down by 38 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where export was down by 46 per cent.
- Analyzing by broad divisions, in the total export of finished non-alloy steel during April-November 2018 (prov.), contribution of the non-flat segment stood at 0.339 mt (down by 81.2 per cent) while that of the flat segment stood at 3.39 mt (down by 19.2 per cent) .
- In the non-alloy, non-flat segment, in volume terms, major contributor to export was bars & rods (0.254 mt, down by 85 per cent) while non-alloy, flat export was led by HRC (1.74 mt, up by 2.1 per cent) during April-November 2018 (prov.).

## C. Imports

- During April-November 2018 (prov.), import of total finished steel stood at 5.237 mt, a decline of 5.4 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 3.973 mt (down by 3.4 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where import was down by 11.2 per cent.
- Analyzing by broad divisions, in the total import of finished non-alloy steel during April-November 2018 (prov.), contribution of the non-flat segment stood at 0.31 mt (up by 28.1 per cent) while that of the flat segment stood at 3.663 mt (down by 5.3 per cent) .
- In the non-alloy, non-flat segment, in volume terms, major contributor to import was bars & rods (0.25 mt, up by 26.3 per cent) while non-alloy, flat import was led by HRC (1.334 mt, up by 3 per cent) during April-November 2018 (prov.).
- India was a net importer of total finished steel in April - November 2018 (prov.).

## D. Consumption

- During April-November 2018 (prov.), consumption of total finished steel stood at 63.629 mt, a growth of 8.4 per cent compared to last year, in which contribution of the non-alloy
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steel segment stood at 56.814 mt (up by 7.1 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where consumption was up by 21 per cent.

- Analyzing by broad divisions, in the total consumption of finished non-alloy steel during April-November 2018 (prov.), contribution of the non-flat segment stood at 29.99 mt (up by 8.3 per cent) while that of the flat segment stood at 26.815 mt (up by 6 per cent) .
- In the non-alloy, non-flat segment, in volume terms, major contributor to consumption was bars & rods (23.81 mt, up by 9.3 per cent) while non-alloy, flat consumption was led by HRC (9.7 mt, up by 3.5 per cent) during April-November 2018 (prov.).

### III. JPC Market Prices (Retail)

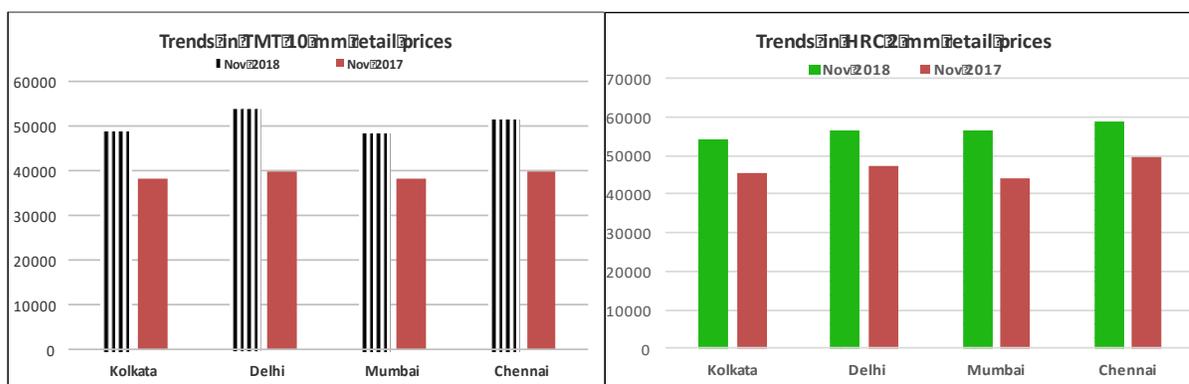
**Delhi market prices:** Compared to November 2017, average (retail) market prices in Delhi market in November 2018 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), largely in response to domestic demand-supply conditions and global influences. However, when compared to October 2018, the trend was similar for TMT prices while for HRC, prices registered a minor decline. The situation in November 2018 with regard to November 2017 is shown in the table below for TMT 10 mm and HRC 2.0 mm for retail market prices in the Delhi market.

Trends in JPC market price (retail) in Delhi market in November 2018		
Item	Delhi market prices (Rs/t)	%change over November 2017
TMT, 10 mm	53,737	35.4
HRC, 2.0 mm	56,286	19.3
Source: JPC		

**All markets:** Compared to November 2017, average (retail) market prices in November 2018 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), in response to domestic demand-supply conditions and partly global influence. The trend was, however, different when compared to October 2018 : while TMT prices increased in all markets except Chennai, prices of HRC fluctuated, in the sense it declined in the markets of Kolkata and Delhi, increased in the Mumbai market and remained at the same level in the Chennai market. The situation in November 2018 with regard to November 2017 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 November 2018 over November 2017				
Item	Kolkata	Delhi	Mumbai	Chennai
TMT 10mm	27.1	35.4	26.1	29.7
HR Coils 2.00mm	18.5	19.3	27.9	18.8
Source: JPC				

TMT prices were highest in the Delhi market (Rs 53,737/t) and lowest in the Mumbai market (Rs 48,224/t) while HRC prices were highest in the Chennai market (Rs. 58,646/t) and lowest in Kolkata market (Rs. 54,050/t) during November 2018.



## 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 the 2<sup>nd</sup> quarter (July-September) Q2, of 2018-19, both at constant (2011-12) and current prices. As per CSO Report, GDP at Constant (2011-12) Prices in Q2 of 2018-19 is estimated at Rs 33.98 lakh crore, showing a growth rate of 7.1 per cent. Quarterly GVA (Basic Price) at Constant (2011-2012) Prices for Q2 of 2018-19 is estimated at Rs 31.40 lakh crore, showing a growth rate of 6.9 per cent over same quarter of previous year. The Economic Activities which registered growth of over 7 per cent in Q2 of 2018-19 over Q2 of 2017-18 are ‘Manufacturing, ‘Electricity, Gas, Water Supply & Other Utility Services’, ‘Construction’ and ‘Public Administration, Defence and Other Services’. The growth in the ‘Agriculture, Forestry and Fishing’, ‘Mining and Quarrying’, ‘Trade, Hotels, Transport, Communication and Services related to Broadcasting’ and Financial, Real Estate and Professional Services is estimated to be 3.8 per cent, (-) 2.4 per cent, 6.8 per cent, and 6.3 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 5.6% during April-October 2018 (prov.), encouraged by stable growth in Electricity (6.8%), Manufacturing (5.6%) and Mining (3.8%). The Use-Based scenario of the Index of Industrial Production (IIP) during April-October 2018 (prov.) recorded a growth in all the leading steel-related end-use sectors with Consumer Durables (9.4%) reporting the highest and Intermediate Goods, the lowest (1.4%).

**Infrastructure Growth:** Provisional data released by the CSO indicate that the growth rate of the Eight Core Infrastructure Industries was up by 5.4% during April-October 2018 (prov.), encouraged by growth in most sectors, specially Coal (9.8%) and Cement (15%) but pulled down by decline in growth rates in case of Crude Oil (- 3.6%), Natural Gas (-0.8%) and Fertilizers (-0.3%).

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**Inflation:** The annual rate of inflation, based on monthly WPI, stood at 4.64% in November 2018 (prov.) while the all India CPI inflation rate (combined) stood at 2.33% in November 2018 (prov.), and both parameters reported a softening during the month as compared to trends in the preceding month.

**Trade:** Provisional figures from DGCI&S show that during April-November 2018, in dollar terms, overall exports were up by 11.58 per cent while overall imports were up by 14.71 per cent, both on yoy basis. During the same period, oil imports were valued at USD 97.43 billion which was 49.14 per cent higher yoy while non-oil imports were valued at USD 248.21 billion which was 5.18 per cent higher yoy. The overall trade deficit for April-November 2018-19 is estimated at USD 76.19 billion as compared to USD 61.58 billion in April-November 2017-18.

**Prepared by: Joint Plant Committee**