



# Trends ..... July 2020

Q1 2020-21 offered little respite though on a month-on-month basis, domestic steel consumption showed a rise in June 2020. Too early to be tagged as “recovery”, yet it would be interesting to see the trend in the coming days.

## WORLD ECONOMY AT A GLANCE

- Markit Economics reports indicate that the global manufacturing sector moved back into expansion territory in July 2020, as output and new orders started to revive following the slump caused by outbreak of COVID-19. This is reflected in the J.P.Morgan Global Manufacturing PMI which rose to a six-month high of 50.3 in July 2020, up from 47.9 in June 2020 and was back above the neutral 50.0 mark for the first time since January 2020.
- Growth was registered in the US, China, the Euro Area, the UK, Brazil and Australia among others while contractions were noted in Japan, India and South Korea.
- July 2020 also saw incoming new orders increase for the first time in six months. However, with the pandemic still continuing to impact operations, global trade volumes remained muted. The Markit reports also indicate that July 2020 saw global manufacturing employment fell for the eighth month running though at a slower pace while both average input costs and selling prices saw substantial increases.

Key Economic Figures			
Country	Q2 GDP 2020: %change*	Manufacturing PMI	
		June 2020	July 2020
India	3.1(Q1)	47.2	46.0
China	3.2	51.2	52.8
Japan	-1.7	40.1	45.2
USA	-9.5	49.8	50.9
EU 28	-15.0	47.4	51.8
Brazil	-0.3 (Q1)	51.6	58.2
Russia	1.6 (Q1)	49.4	48.4
South Korea	-2.9	43.4	46.9
Germany	-11.7	45.2	51.0
Turkey	4.5 (Q1)	53.9	
Italy	-17.3	47.5	51.9

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

## GLOBAL CRUDE STEEL PRODUCTION

The impact of the shutdown of activities in major steel-making countries around the world due to COVID-19 pandemic was apparent in the country-wise crude steel production numbers released by World Steel Association (worldsteel). The data show that world crude steel production stood at 873.13 million tonnes (mt) in January-June 2020, down by 6% year-on-year (yoy) while production stood at 148.44 mt in June 2020, down by 6.9% over June 2019.

World Crude Steel Production: January-June 2020 (prov)			
Rank	Country	Qty (mt)	% change
1	China	499.01	1.4
2	India	43.13	-24.2
3	Japan	42.21	-17.4
4	USA	36.19	-18.3
5	Russia	35.25	-2.9
6	South Korea	32.59	-9.5
7	Germany	17.46	-15.7
8	Turkey	16.29	-4.1
9	Brazil	14.24	-17.8
10	Iran	13.89	10.3
<b>Total Top 10</b>		<b>750.26</b>	<b>-4.3</b>
<b>Total World</b>		<b>873.13</b>	<b>-6.0</b>
Source: worldsteel			

- World crude steel production was led by China in January-June 2020 (499.01 mt, up by 1.4% yoy) and the nation accounted for 78% of Asian and 57% of world crude steel production during this period.
- With a 5% share in total world production, India (43.13 mt) reported a yoy production decline of 24.2% during January – June 2020 and bounced back as the 2<sup>nd</sup> largest producer during this period.
- Japanese crude steel production (42.21 mt) was down by 17.4% yoy and the country was the 3<sup>rd</sup> largest crude steel producer in the world during this period.
- USA remained at the 4<sup>th</sup> largest spot, with production (36.19 mt), down by 18.3% yoy while Russia (35.25 mt, down by 2.9% yoy) was the 5<sup>th</sup> largest crude steel producer during this period.
- Crude steel production in the EU (28) countries during this period was 68.95 mt, down by 18% yoy.
- At 641.99 mt, Asian crude steel production was down by 3% yoy and the region accounted for 74% of world crude steel production during this period.
- The top 10 countries accounted for 86% of total world crude steel production during this period and saw production go down by 4.3% yoy.

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## NEWS AROUND THE WORLD

### THE AMERICAS

- ArcelorMittal USA plans to restart the No4 blast furnace at its Indiana Harbor steelmaking complex in East Chicago, Indiana.
- Section 232 tariffs on steel and aluminium imports into the USA will be difficult to unwind no matter who wins the presidential election in November 2020, following domestic steelmakers' plans for new capacity that seeks to displace imports.
- The United States' International Trade Commission (ITC) has voted to retain existing countervailing duties on imports of carbon and certain alloy steel wire rod from Brazil and anti-dumping duties on imports of this product from Brazil, Indonesia, Mexico, Moldova and Trinidad and Tobago.
- The United States Department of Commerce has launched anti-dumping (AD) and countervailing duty (CVD) investigations - some alleging triple-digit margins - into seamless standard, line and pressure pipe imports from four nations: the Czech Republic, Russia, South Korea and Ukraine.
- The United States Court of International Trade (CIT) has ruled that President Donald Trump did not have the power to double the Section 232 tariff on steel imports from Turkey.
- CSN is working to get its recently idled No2 blast furnace ready to restart before the end of November 2020.

### ASIA

- China's Hebei plans to cut its crude steel capacity by 14 mtpa in 2020 and promote mergers and re-organization in the next three years to raise industry concentration and resource allocation efficiency.
- Posco has raised its crude steel production (now at 35.3 mt) and finished steel sales (now at 33.8 mt) forecasts for 2020 by 3.5% and 4.3%, respectively, from its previous April forecasts and expects its performance to recover in Q3, due to higher sales of its high-strength steel sheets, higher exports to China and other countries where steel demand is rebounding.
- India has finalized antidumping duties ranging from \$14.30/t to \$173.10/t on imports of coated flat steel products from China, South Korea and Vietnam. The tariffs will run for five years, effective October 15, 2019, the date when the provisional duties were imposed and would apply to "flat-rolled products of steel, plated or coated with alloy of aluminum and zinc."
- Vietnam's Hoa Phat may not reach its 2020 target of producing 3.6 mt of construction steel due to lower domestic demand.

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

- NLMK has suspended rolling operations at its subsidiary in the Ural region due to a flood.
- Severstal plans to start a new blast furnace at its Cherepovets steel mill in late August or September 2020.
- In its preliminary results, the Technical Secretariat of Anti-Dumping (TSAIP) of the Gulf Co-operation Countries (GCC) has decided that the import of steel products under

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investigation had increased significantly to the region, which was causing serious harm to the domestic steel industry.

- Egyptian long steel producer El Marakby Steel will add a total of 400,000 tonnes per year to its steel rebar and wire rod production capacity.
- Egypt's Ministry of Finance has decided to exempt finished steel imports from the recently imposed 10% duty if they are to be used for "industrial purposes."
- UAE has implemented a definitive safeguard duty of \$137/t on imports of flat-rolled iron and non-alloy steel products effective July 19. The duty, which will be in place until May 14, 2021, is imposed on flat-rolled products with a width of 600 mm or more, whether painted, varnished or coated with plastics, among others.

### **EU AND OTHER EUROPE**

- European steel association Eurofer is urging the Global Forum on Steel Excess Capacity (GFSEC) to intensify efforts to tackle global steel overcapacity.
- German steelmaker Salzgitter has projected that it will record a significant pre-tax loss for the full year of 2020 due to the effects of the COVID-19 pandemic.
- The German government has revealed its steel action plan, with a focus on achieving its climate goals through "green" steelmaking as it strives to support the steel industry post-pandemic.
- Italy's Liberty Magona steel mill restarted its pickling line and completed the refurbishment of organic coated line No.1.
- Highlighting that it is not sustainable to continue importing large quantities of steel as Turkey has enough steel capacity to meet domestic demand, Veysel Yayan, general secretary of Turkish Steel Producers' Association (TCUD), said recent provisional import duties announced by the government should become permanent depending on developments. Turkey increased import duties on some finished and semi-finished steel products for a three month period on April 18 until July 15 to protect production and employment in the domestic industry during the COVID-19 pandemic, as Platts has reported. Turkey has extended the duration of these provisional duties until September 30, with a presidential decree published on July 14, 2020.

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

## **WORLD STEEL PRICE TRENDS**

At the start of H2 2020, steel markets around the world continued to feel the pinch of the depressing effect of the COVID-19 pandemic which, by impacting operations at different levels, has led to an overall weakening of the entire economic framework. As nations struggled to combat the fast-spreading deadly menace with no cure so far and as steel makers, shaking off its gloom, tried to balance a stringent supply with near-dry demand, the prevailing state of affairs went on to affect steel prices as well. Like always, China remained a sole spot of exception, where market operations have slipped into some semblance of normalcy and sentiments got a boost with announcement of recent GDP numbers. The recovery of Chinese steel demand was also partly

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indicated by the trends in steel PMI and by trends in steel exports, which fell to a 7-year low in June 2020.

### **Long Product**

- USA rebar prices held steady during July 2020 faced with lower imports, weak seasonal construction demand and lower scrap prices. Transactions as per Metal Bulletin reports, were quoted around \$560/t at month-end.
- July 2020 rebar prices in the European market were stable and saw marginal gains on reduced buying activity during the typical summer vacation season. Transactions as per Metal Bulletin reports, were quoted around €450-460/t (\$527-539) in Northern Europe and around €425-435/t in Southern Europe.
- Chinese rebar prices in July 2020 saw marginal hikes in view of improved demand and futures gains. Transactions as per Metal Bulletin reports, were quoted around 3,600-3,630 yuan/t (\$515-519) in Shanghai and around 3,640-3,680 yuan/t in Beijing.
- Russian rebar prices moved north in July 2020 in view of supply shortage due to flooding of Novolipetsk Steel's Urals mill. Transactions as per Metal Bulletin reports, were quoted around 34,000-35,000 roubles/t including 20% VAT.

### **Flat Product**

- July 2020 HRC prices in the USA inched up on the belief that the market might have hit a bottom and could soon rebound, according to market analysts. Transactions as per Metal Bulletin reports, were quoted around \$450/s.t.
- European HRC prices were stable in July 2020 without much discernible movement due to the seasonal market slowdown. Transactions as per Metal Bulletin reports, were quoted around €412/t (\$486) in Northern Europe and around €390-410/t in Southern Europe.
- Chinese HRC prices remained firm and saw some spike owing to supply issue in July 2020. Transactions as per Metal Bulletin reports, were quoted around 3,970-4,000 yuan/t (\$567-571) in Shanghai and around 3,740-3,770 yuan/t in Tangshan.
- Russian HR sheet prices moved north in July 2020 owing to improved demand. Transactions as per Metal Bulletin reports, were quoted around 41,000-42,000 roubles/t (\$572-586) including 20% VAT.

[Source Credit: Metal Bulletin]

## **SPECIAL FOCUS**

### **Iran leads global DRI production in January-June 2020**

Provisional worldsteel report indicates that global DRI output was at 6.69 mt in June 2020, down by 14.2% over same month of 2019. For the period, January–June 2020, provisional worldsteel report indicates that global DRI output was at 39.88 mt, down by 14.6% over same period of last year.

Global production in January-June 2020 was driven by Iran (15.11 mt, 38% share) at the number one spot with a growth of nearly 8% over same period of 2019 while production stood at 13.84 mt for India (35% share), a decline of 24.3% over same period of 2019. The two countries together accounted for 73% of global DRI output during 2020 so far. Together, the top five countries accounted for nearly 92% of the world DRI production during January – June 2020 and saw their cumulative output decline by 11.5% over same period of 2019.

<b>World DRI Production: January-June 2020 (prov.)</b>				
<b>Rank</b>	<b>Country</b>	<b>Qty (mt)</b>	<b>% change</b>	<b>%Share</b>
1	Iran	15.11	7.9	37.9
2	India	13.84	-24.3	34.7
3	Egypt	2.67	-12.2	6.7
4	Saudi Arabia	2.59	-7.2	6.5
5	Mexico	2.33	-26.0	5.8
<b>Top 5</b>		<b>36.54</b>	<b>-11.5</b>	<b>91.6</b>
<b>World</b>		<b>39.88</b>	<b>-14.6</b>	<b>100</b>

Source: worldsteel

## INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-June 2020-21, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-June 2020-21. 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.

<b>Item</b>	<b>Performance of Indian steel industry</b>		
	<b>April-June 2020-21* (mt)</b>	<b>April-June 2019-20 (mt)</b>	<b>% change*</b>
Crude Steel Production	16.287	27.876	-41.6
Hot Metal Production	12.495	18.763	-33.4
Pig Iron Production	0.691	1.632	-57.7
Sponge Iron Production	4.771	9.508	-49.8
<b>Total Finished Steel (alloy/stainless + non-alloy)</b>			
Production	12.941	26.543	-51.2
Import	1.212	1.802	-32.7
Export	3.265	1.331	145.3
Consumption	11.142	24.773	-55.0

Source: JPC; \*provisional; mt=million tonnes

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## Overall Production

- **Crude Steel:** Production at 16.287 million tonnes (mt), down by 41.6%.
- **Hot Metal:** Production at 12.495 mt, down by 33.4%.
- **Pig Iron:** Production at 0.691 mt, down by 57.7%.
- **Sponge Iron:** Production at 4.771 mt, down by 49.8%, led by coal-based route (77% share).
- **Total Finished Steel:** Production at 12.941 mt, down by 51.2%.

## Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS (erstwhile Essar Steel), JSWL & JSPL together produced 11.834 mt (73% share) during this period, down by 30.9%. The rest (4.453 mt) came from the Other Producers, down by 58.6%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 11.523 mt (92% share) down by 30.8%. The rest (0.972 mt) came from the Other Producers, down by 53.8%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 0.332 mt (48% share) down by 14.4%. The rest (0.359 mt) came from the Other Producers, down by 71.2%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 8.469 mt (65% share) down by 45.3%. The rest (4.472 mt) came from the Other Producers, down by 59.6%.

## Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 81% share, the Private Sector (13.232 mt, down by 41.6%) led crude steel production compared to the 19% contribution of the PSUs.
- **Hot Metal:** With 74% share, the Private Sector (9.191 mt, down by 29.2%) led hot metal production, compared to the 26% contribution of the PSUs.
- **Pig Iron:** With 84% share, the Private Sector (0.582 mt, down by 58.8%) led pig iron production, compared to the 26% contribution of the PSUs.
- **Total Finished Steel:** With 87% share, the Private Sector (11.272 mt, down by 49.7%) led production of total finished steel, compared to the 13% contribution of the PSUs.

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

- **Production:** Led by Flat steel (56% share; down by 41.7%) while the rest 44% was the share of Non-Flat steel (down by 59.6%).
- **Import:** Flat products accounted for 88% share (down by 31.6%), the rest was the share of non-flats (down by 40.1%).
- **Export:** Flat products accounted for 91% share (up by 153.7%), the rest was the share of non-flats (up by 85%).
- **Consumption:** Led by non-flats steel (53% share; down by 53.1%) while the rest 47% was the share of flat steel (down by 57%).

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### Finished Steel Production Trends

- At 12.941 mt, production of total finished steel declined by 51.2% in April-June 2020-21.
- Contribution of the non-alloy steel segment stood at 12.502 mt (down by 50.2%), 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 (4.4 mt, down by 59.7%) while growth in the non-alloy, flat segment was led by HRC (6.506 mt, down by 39%) during this period.

### Finished Steel Export Trends

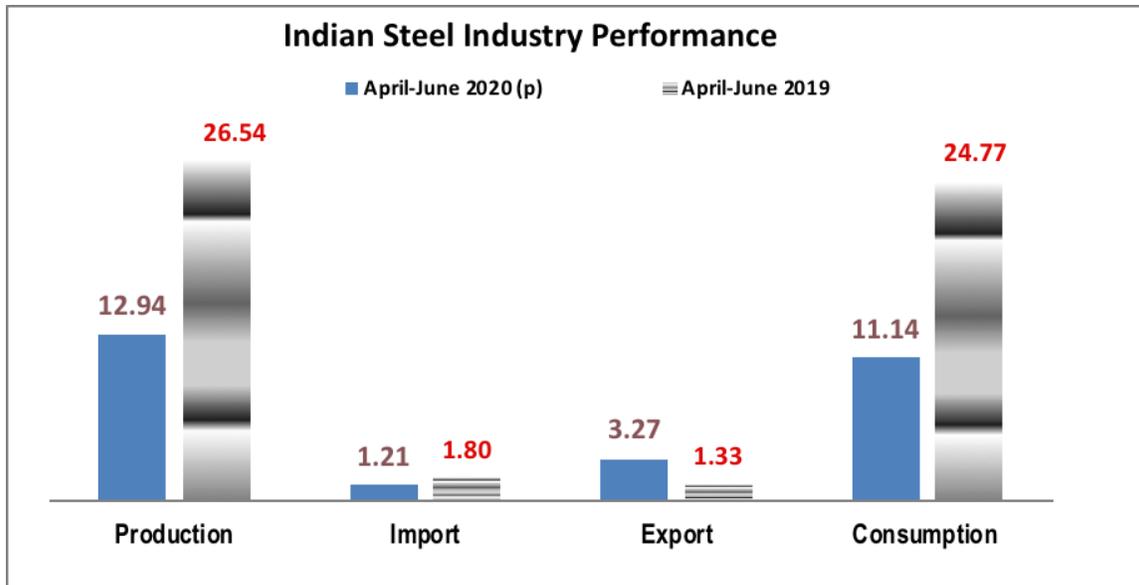
- Exports of total finished steel outpaced imports during April-June 2020-21 and India was a net exporter for this period.
- At 3.265 mt, export of total finished steel was up by 145.3% during this period.
- Contribution of the non-alloy steel segment stood at 3.11 mt (up by 164%), while the rest was the contribution of the alloy steel segment (including stainless steel).
- Volume-wise, non-alloy HRC (2.41 mt, up by 286.6%) was the most exported item (78% share in total non-alloy).
- China (30% share) was the largest export market (0.965 mt) for India.

### Finished Steel Import Trends

- Volume-wise, non-alloy HRC (0.255 mt, down by 46.1%) was the item most imported (31% share in total non-alloy), led by imports from Korea (43% share of total finished steel imports).
- Contribution of the non-alloy steel segment stood at 0.82 mt (down by 41%), while the rest was the contribution of the alloy steel segment (including stainless steel).
- Import of total finished steel from China declined by 8% during this period.

### Finished Steel Consumption Trends

- Contribution of the non-alloy steel segment stood at 10.499 mt (down by 54.3%), 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 (4.552 mt, down by 51.8%) while growth in the non-alloy, flat segment was led by HRC (4.306 mt, down by 57.7%) during this period.



Note:

1. From April 2020 onwards, all units owned by Tata Steel will be grouped under a single name - "TSL Group" in the JPC reporting system. Such a change follows the advice arising out of different meetings with MoS and industry in various forum and is for statistical use only.
2. Current period data are all provisional. Percentage changes are with regard to same period of last year unless otherwise mentioned.
3. There was no release of JPC Price Report for June 2020. Hence this part is omitted in this report.

## 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 2019-20, both at constant (2011-12) and current prices. As per the Report, GDP at Constant (2011-12) Prices in the year 2019-20 is estimated at ₹145.66 lakh crore, showing a growth of 4.2 per cent as compared to 6.1 per cent in 2018-19. Provisional GVA (Basic Price) at Constant (2011-12) Prices for 2019-20 is estimated at Rs. 133.01 lakh crore, showing a growth rate of 3.9 per cent over 2018-19. Excepting 'Public Administration, Defence and Other Services' (10 per cent growth), none of the other economic activities registered a growth of over 5 per cent during 2019-20 with 'Manufacturing' (0.03 per cent) reporting the lowest growth among all the sectors during this period.

**Industrial Production:** Provisional CSO data show that the Index of Industrial Production (IIP) stood at 71 during April-May 2020-21 (prov.), dampened by subdued declines in the indices of all the lead sectors during this period as compared to same period of last year.

**Infrastructure Growth:** Provisional data released by the DPIIT indicate that the Eight Core Infrastructure Industries saw a decline of 25 per cent during April-June 2020-21 (prov.), dampened by significant declines in all lead sectors like Electricity (down by 16 per cent), Cement (down by

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38.3 per cent), Coal (down by 15 per cent), Crude Oil (down by 6.5 per cent), Refinery Products (down by 18.2 per cent), Steel (52 per cent) and Natural Gas (down by 16.2 per cent). Fertilisers was the only sector to post a growth during this period (2.8 per cent).

**Inflation:** In June 2020 (prov.), the annual rate of inflation, based on monthly WPI, stood at (-)1.81 per cent while the all India CPI inflation rate (combined) stood at 6.09 per cent and compared to June 2019, the former registered a decline, and the latter, a rise.

**Trade:** Provisional figures from DGCI&S show that during April-June 2020-21, in dollar terms, overall exports were down by 36.71 per cent while overall imports were down by 52.43 per cent, both on yoy basis. During the same period, oil imports were valued at USD 13.08 billion, 62.47 per cent lower yoy while non-oil imports were valued at USD 47.36 billion, 48.63 per cent lower yoy. Overall trade surplus for April-June 2020-21 is estimated at USD 11.70 billion as compared to the deficit of USD 26.32 billion in April-June 2019-20.

**Prepared by: Joint Plant Committee**