



Trends May 2020

The impact of COVID-19 continued to be felt on industry performance during May 2020, be it globally or domestic as economies remained in lockdown mode, affecting in turn, the entire operational framework.

WORLD ECONOMY AT A GLANCE

- COVID-19 continued to make its effect felt on the global manufacturing front as May 2020 continued to witness significant downside across the world. This was reflected in the J.P.Morgan Global Manufacturing PMI which stood at 42.4 in May 2020, up from 39.6 in April 2020 as reported by Markit Economics.
- The reports indicate that all nations except China reported a cut in manufacturing production in May 2020 while rates of decline were reported to deepen for Japan and Australia. Despite easing since April 2020, the rate of contraction in new order intakes also remained steep and similar fate was met by new export business orders.
- May 2020, as per the reports, also indicate significant cutback in employment, purchasing and stock holdings and supply chains were reported to be under severe stress. Business sentiment remained subdued while input costs and output charges continued to decline in May 2020

Key Economic Figures			
Country	GDP 2019: %change*	Manufacturing PMI	
		April 2020	May 2020
India	4.8	27.4	30.8
China	6.1	49.4	50.7
Japan	1.0	41.9	38.4
USA	2.3	36.1	39.8
EU 28	1.2	33.4	39.4
Brazil	1.1	36.0	38.3
Russia	1.3	31.3	36.2
South Korea	2.0	41.6	41.3
Germany	0.6	34.5	36.6
Turkey	0.9	33.4	40.9
Italy	0.3	31.1	45.4

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

GLOBAL CRUDE STEEL PRODUCTION

The impact of the shutdown of activities in major 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 580.22 million tonnes (mt) in January-April 2020, down by 4.2% year-on-year (yoy) while production stood at 136.38 mt in April 2020, down by 13% over April 2019.

World Crude Steel Production: January-April 2020 (prov)			
Rank	Country	Qty (mt)	% change
1	China	319.46	1.3
2	Japan	30.73	-8.6
3	India	30.05	-21.1
4	USA	26.69	-9.6
5	Russia	22.88	-4.4
6	South Korea	22.02	-7.4
7	Germany	12.42	-9.9
8	Turkey	11.22	-0.1
9	Brazil	9.95	-14.4
10	Iran	9.02	10.8
Total Top 10		494.44	-2.9
Total World		580.22	-4.2
Source: worldsteel			

- World crude steel production was led by China in January-April 2020 (319.46 mt, up by 1.3% yoy) and the nation accounted for 76% of Asian and 55% of world crude steel production during this period.
- Japanese crude steel production (30.73 mt) was down by 8.6% yoy and the country marginally edged past India and was the 2nd largest crude steel producer in the world during this period.
- With a 5.2% share in total world production, India (30.05 mt) reported a yoy production decline of 21.1% during April 2020 and was the 3rd largest producer during this period.
- USA remained at the 4th largest spot, with production (26.69 mt), down by 9.6% yoy while Russia (22.88 mt, down by 4.4% yoy) was the 5th largest crude steel producer during this period.
- Crude steel production in the EU (28) countries during this period was 49.42 mt, down by 13% yoy.
- At 419.51 mt, Asian crude steel production was down by 1.9% yoy and the region accounted for 72% of world crude steel production during this period.
- The top 10 countries accounted for 85% of total world crude steel production during this period and saw production go down by 2.9% yoy.

THE AMERICAS

- The United States will continue its anti-dumping and countervailing duty investigations into imports of pre-stressed concrete steel wire strand from 14 countries and the island of Taiwan, according to US International Trade Commission.
- U.S. Steel has accelerated mass layoffs at its flat-rolled steel mill in Kosice, Slovakia, in response to the COVID-19 pandemic.
- The Canada Border Service Agency has begun an anti-dumping investigation into imports of HR carbon steel heavy plate and high-strength, low-alloy steel heavy plate from Germany, Malaysia, South Korea, Taiwan and Turkey.
- Latin American steel consumption projected to fall by 14% in 2020 to 55.4 mt as per regional steel association, Alacero.
- CSN has started procedures to halt No.2 blast furnace at its UPV unit amid low demand due to the COVID-19 pandemic.
- The Brazilian steel industry currently has 12 blast furnaces and a number of meltshops and rolling mills that are at a standstill because of lack of demand resulting from the Covid-19 pandemic, according to national steel association Instituto Aço Brasil.
- Brazilian flat steel distributors reported a 38% year-on-year drop in sales in April 2020 (0.17 mt) due to the COVID-19 pandemic.
- Gerdau expects to resume operation at its Ouro Branco complex's No. 2 blast furnace in late June 2020, following the resumption of industrial activity in the country,

ASIA

- Baosteel said in its 2019 annual report that in 2020, China's steel market will face growing oversupply pressure, while overall domestic steel demand is expected to be stable.
- China produced 6.08 mt of crude stainless steel in Q1 2020, down by 9.04% from a year earlier, according to data released by the China Stainless Steel Council (CSSC).
- Japanese steel giants JFE and Nippon Steel have both announced losses for the previous financial year due to the COVID-19 pandemic. Citing a highly challenging operating environment, both intend to implement further production cuts in the coming months.
- Japan's Toyota Motor plans to reduce production at seven domestic plants in June 2020 after taking similar action in April and May 2020, citing reduced demand due to COVID-19.
- India entered a 21-day lockdown on March 25, 2020 - which has since been extended twice and now runs to June 30, 2020 - to contain the spread of the COVID-19 pandemic.
- Indian authorities have withdrawn the operating license from at least one shipping line after allegations that charges were being wrongfully applied to cargoes stranded at ports.
- India's JSW Steel has ramped up its capacity utilization from 38% in April 2020 to 80% in May 2020, and is strategizing ahead through twin approaches of securing export orders while keeping its per ton cost under control through a volumes-based production approach, to manage the demand slowdown in domestic market.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- NLMK expects steel demand to show a double-digit drop in home markets in the second quarter of 2020 as also for the full year.
- MMK is ramping up April-June 2020 steel exports to 40% of overall sales due to a slow demand in the local market.
- ArcelorMittal Kryvyi Rih, Ukraine's major long steel producer, has decommissioned the first section of its blooming plant as a part of a strategy for sustainable development. Together with its earlier section, the combined capacity stands at 8 mtpa of blooms, in sizes from 80x80mm to 300x300mm.
- Iran has imposed new restrictions on exports of long steel products from the country, limiting the volumes that may be sold to foreign customers to 25% of production.
- VAT rate in Saudi Arabia will rise from 5% to 15% with effect from July 1, 2020.
- The Egyptian parliament has requested the government for a 10% import duty on finished steel products to protect local steel production.
- Australia's BlueScope Steel has informed that its IT systems were hit by a "cyber incident" in one of its US businesses which impacted some of its downstream processes in Australia.

EU AND OTHER EUROPE

- ArcelorMittal has temporarily stopped operations at its steel mill in Bosnia while Sweden's SSAB has decided to extend layoffs at some of its production assets.
- Thyssenkrupp has detailed its restructuring plan, confirming plans to sell shares in its steel business and sell or close its heavy plate sites.
- Turkey has imposed additional duties on imports of several steel products with effect from May 20, 2020. Until September 30, 2020, imports of HR flat steel (HS codes 7208 9080 1012 and 7208 9080 2012) will be subject to 14% additional import duty while a 10% additional import duty will be applied to various CR flat steel (HS code 7209 9080). The same additional rate of duty will also be applied to alloy steel wires under HS codes 7229 2000 0012, 7229 9050 0012 and 7229 9090 0012, and to tubes and pipes under HS codes 7304 and 7306. Alloy flat steel imports under HS code 7225 9900 0090 will face 11% additional import duty. These rates of additional duty will, however, reduce from October 1, 2020.
- The anti-dumping investigation into Turkish exports of HRC to the EU fails to comply with the principles of the Customs Union and Free Trade Agreements between Turkey and the European Commission as per the Turkish Steel Producers' Association.
- ArcelorMittal has postponed the temporarily idling of blast furnace No.2 at its Fos-sur-Mer plant in France by about a month.
- Italian steel producers have begun to restart their operations after the COVID-19 pandemic lockdown measures were eased in the country.
- Sweden's Ovako has informed of their steel production using a hydrogen-based process at its Hofors mill, as it moves towards "green steel" continue.
- Thyssenkrupp Acciai Speciali Terni will temporarily shut down amid low volumes due to the COVID-19 pandemic.

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

The depressing effect of the COVID-19 pandemic continued in May 2020 as it continued to spread across all the major steel markets around the world, causing 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 severe state of affairs went on to affect steel prices as well. Like always, China remained a sole spot of exception, where some semblance of normalcy in market operations noted earlier, continued to be in place during May 2020 also, though markets were disappointed with the Twin Sessions refraining from quoting any economic growth projections. But overall Chinese markets were boosted by the vision of the government, with sentiments further bolstered by encouraging PMI numbers for the country, at a time, when this benchmark number continued to tumble for other steel producing nations.

Long Product

- Low volume of transactions due to low demand conditions and uncertain outlook on construction sector pulled down rebar prices in the USA in May 2020. Transactions, as per Metal Bulletin reports, were quoted around \$580-590/s.t.
- European rebar prices headed south in May 2020 given lacklustre demand and uncertain outlook. Transactions, as per Metal Bulletin reports, were quoted around €410-440/t (\$450-483) in Southern Europe and around €465-475/t (\$510-521) in Northern Europe.
- Improving conditions in the Chinese steel market (improved demand, encouraging PMI numbers, government's vision) encouraged domestic rebar prices to move north in May 2020. Transactions, as per Metal Bulletin reports, were quoted around 3,530-3,560 yuan/t (\$493-498) in Shanghai and around 3,600-3,630 yuan/t in Beijing.
- Oversupply in the Russian steel rebar market in view of a weak construction sector pushed prices down in May 2020. Rebar transactions, cpt Moscow, including 20% VAT was quoted around 32,000-33,000 roubles/t (\$447-461).

Flat Product

- Despite market uncertainties, US HRC prices was raised during May 2020 but its sustenance remained a question. Transactions, as per Metal Bulletin reports, were quoted around \$504/t at month-end.
- Poor European demand dragged down its May 2020 HRC prices. Transactions, as per Metal Bulletin reports, were quoted around €401/t (\$442) in Northern Europe and around €370-390/t in Southern Europe.
- Like rebar, Chinese HRC prices got a boost from overall happenings in the market / economy during May 2020. Transactions, as per Metal Bulletin reports, were quoted around 3,580-3,600 yuan/t (\$500-503) in Shanghai and around 3,570 yuan/t in Tangshan.
- Like rebar here also, Russian HRC prices moved south in May 2020. Metal Bulletin's assessment for HR sheet, domestic, cpt Moscow was around 40,000-40,500 roubles/t (\$559-566), including 20% VAT, at month-end.

SPECIAL FOCUS

Iran leads global DRI production in January-April 2020

Provisional worldsteel report indicates that global DRI output was at 4.35 mt in April 2020, down by 45% over April 2019. For the period, January–April 2020, provisional worldsteel report indicates that global DRI output was at 26.64 mt, down by 11.8% over same period of last year. Global DRI production in January-April 2020 was driven by Iran (9.64 mt, 36.2% share) at the number one spot with a growth of 5.3% over same period of 2019 while production stood at 9.47 mt for India (35.5% share), a decline of 19.8% over same period of 2019. The country also accounted for 37% of total global DRI output during this period. The two countries together accounted for 72% of global DRI output during January-April 2020.

Together, the top five countries accounted for nearly 90% of the world DRI production during January – April 2020 and saw their cumulative output decline by 10.2% over same period of 2019. Egypt continued to be the 3rd largest DRI producer in the world, though production declined by 20.4% during this period as compared to same period of last year.

World DRI Production: January-April 2020 (prov.)				
Rank	Country	Qty (mt)	% change	%Share
1	Iran	9.64	5.3	36.2
2	India	9.47	-19.8	35.5
3	Egypt	1.74	-20.4	6.5
4	Mexico	1.64	-22.7	6.2
5	Saudi Arabia	1.43	4.3	5.3
Top 5		23.91	-10.2	89.7
World		26.64	-11.8	100
Source: worldsteel				

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April 2020, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April 2020. 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 2020*	April 2019*	%

	(mt)	(mt)	change*
Crude Steel Production	3.137	9.021	-65.2
Hot Metal Production	3.179	6.016	-47.2
Pig Iron Production	0.127	0.508	-75.0
Sponge Iron Production	0.336	3.022	-88.9
Total Finished Steel (alloy/stainless + non-alloy)			
Production	1.531	8.753	-82.5
Import	0.407	0.619	-34.3
Export	0.429	0.516	-16.7
Consumption	0.977	7.691	-87.3
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- Crude Steel: Production at 3.137 million tonnes (mt), down by 65.2%.
- Hot Metal: Production at 3.179 mt, down by 47.2%.
- Pig Iron: Production at 0.127 mt, down by 75%.
- Sponge Iron: Production at 0.336mt, down by 88.9%, led by coal-based route (67% share).
- Total Finished Steel: Production at 1.531mt, down by 82.5%.

Contribution of Other Producers

- Crude Steel: SAIL, RINL, Tata Group, AM/NS (erstwhile Essar Steel), JSWL & JSPL together produced 3.001 mt (96% share) during this period, down by 45.1%. The rest (0.136mt) came from the Other Producers, down by 96.2%.
- Hot Metal: SAIL, RINL, Tata Group, AM/NS, JSWL & JSPL together produced 3.067mt (96% share) down by 42.3%. The rest (0.112mt) came from the Other Producers, down by 84%.
- Pig Iron: SAIL, RINL, Tata Group, AM/NS, JSWL & JSPL together produced 0.106mt (83% share) down by 18.3%. The rest (0.022mt) came from the Other Producers, down by 94.3%.
- Total Finished Steel: SAIL, RINL, Tata Group, AM/NS, JSWL & JSPL together produced 1.391 mt (91% share) down by 72.3%. The rest (0.14mt) came from the Other Producers, down by 96.2%.

Contribution of Public Sector Units (PSU)

- Crude Steel: With 67% share, the Private Sector (2.093mt, down by 71.8%) led crude steel production compared to the 33% contribution of the PSUs.
- Hot Metal: With 65% share, the Private Sector (2.052mt, down by 51.7%) led hot metal production, compared to the 35% contribution of the PSUs.
- Pig Iron: With 74% share, the Private Sector (0.094mt, down by 78%) led pig iron production, compared to the 26% contribution of the PSUs.
- Total Finished Steel: With 76% share, the Private Sector (1.158mt, down by 84.3%) led production of total finished steel, compared to the 24% contribution

of the PSUs.

Contribution of Flat /Non-Flat in Finished Steel

- Production: Led by Flat steel (69% share; down by 73.4%) while the rest 31% was the share of Non-Flat steel (down by 90.1%).
- Import: Flat products accounted for 86% share (down by 33.8%), the rest was the share of non-flats (down by 37.4%).
- Export: Flat products accounted for 94% share (down by 12.4%), the rest was the share of non-flats (down by 51.9%).
- Consumption: Led by Flat steel (61% share; down by 85.3%) while the rest 39% was the share of Non-Flat steel (down by 89.6%).

Finished Steel Production Trends

- At 1.531mt, production of total finished steel declined by 82.5% in April 2020.
- Contribution of the non-alloy steel segment stood at 1.5mt (98% share, down by 82.1%), 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 (0.333 mt, down by 91%) while growth in the non-alloy, flat segment was led by HRC (0.936 mt, down by 73%) during this period.

Finished Steel Export Trends

- Exports of total finished steel outpaced imports during April 2020 and India was a net exporter for this period.
- At 0.429mt, export of total finished steel was down by 16.7% during this period.
- Contribution of the non-alloy steel segment stood at 0.407 mt (down by 8.2%), while the rest was the contribution of the alloy steel segment (including stainless steel).
- Volume-wise, non-alloy HRC (0.306 mt) was the most exported item while Bars & Rods (0.01 mt, down by 51.7%) led exports in the non-alloy, non-flat category.
- UAE led exports of total finished steel – not only overall (0.106 mt, 131% share) but also recorded the highest share in case of HRC (33%).

Finished Steel Import Trends

- Import of total finished steel was at 0.407 mt during this period, down by 34.3%.
- Contribution of the non-alloy steel segment stood at 0.272 mt (down by 42.1%), while the rest was the contribution of the alloy steel segment (including stainless steel).
- Volume-wise, non-alloy HRC (0.079 mt, down by 47.2%) was the item most imported (29% share in total non-alloy), led by imports from Korea (50% share of total finished steel imports).
- Import of total finished steel from China declined by 34% during this period.

Finished Steel Consumption Trends

- At 0.977mt, consumption of total finished steel declined by 87.3% in April 2020.
- Contribution of the non-alloy steel segment stood at 0.837 mt (86% share, down by 88.3%), 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 (0.193mt, down by 92.8%) while growth in the non-alloy, flat segment was led by HRC (0.359mt, down by 89.1%) during this period.

[There was no release of JPC Price Report for April 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 growth rate of the Index of Industrial Production (IIP) was down by 0.7 per cent during April-March 2019-20 (prov.), dampened by subdued growth/declines in lead sectors like Mining (up by 1.7 per cent), Manufacturing (down by 1.3 per cent), Electricity (up by 1.1 per cent), Capital Goods (down by 13.7 per cent), Infrastructure/Construction Goods (down by 4 per cent) and Consumer Durables (down by 8.4 per cent).

Infrastructure Growth: Provisional data released by the DPIIT indicate that the Eight Core Infrastructure Industries saw a decline of 38.1 per cent during April 2020 (prov.), dampened by significant declines in all lead sectors like Electricity (down by 23 per cent), Cement (down by 86 per cent), Coal (down by 15.5 per cent), Crude Oil (down by 6.4 per cent), Refinery Products (down by 24.2 per cent), Steel (84 per cent) and Natural Gas (down by 20 per cent).

Inflation: In March 2020 (prov.), the annual rate of inflation, based on monthly WPI, stood at 1 per cent while the all India CPI inflation rate (combined) stood at 5.91 per cent and compared to March 2019, the former registered a decline, and the latter, a rise.

Trade: Provisional figures from DGCI&S show that during April 2020, in dollar terms, overall exports were down by 60.3 per cent while overall imports were down by 58.65 per cent, both on yoy basis. During the same period, oil imports were valued at USD 4.66 billion, 59.03 per cent lower yoy while non-oil imports were valued at USD 12.46 billion, 58.5 per cent lower yoy. Overall trade deficit for April 2020 is estimated at USD 0.16 billion as compared to USD 8.67 billion in April 2019.

Prepared by: Joint Plant Committee