Trends ….. February 2019

The Interim Budget focused on social infrastructure, easing of tax burden and governance issues aimed at inclusive growth. Higher disposable incomes, Direct Benefit Transfer to farmers and hike in social security promises to boost aggregate demand while the filip to real estate sector may well see enhanced demand for steel and cement.

WORLD ECONOMY AT A GLANCE

- Market Economics reports indicate that at 50.6 in February 2019, the J.P. Morgan Global Manufacturing PMI fell to its lowest level since June 2016, dragged down by slipping business optimism which fell to its second-lowest in the series history. This stood despite improvements in the operating conditions in the consumer and investment goods sectors.
- February 2019 PMI numbers were led by average growth in the US, the UK, India, Brazil, Mexico, Canada and Australia and was accompanied by declines in case of Japan PMI and low growth in case of China. The USA saw output grow at the slowest pace in 17 months while the Euro Area reported a contraction for the first time since June 2013.
- February 2019, as per Markit reports, saw new export business contract for the sixth straight month, continued growth in job and employment, a stable input price inflation and a steady rise in output charges.

Key Economic Figures			
Country	GDP Q3 2018: %change*	Manufacturing PMI	
		January 2019	February 2019
India	7.1	53.9	54.3
China	6.5	48.3	49.9
Japan	0.3	50.3	48.9
USA	3.0	54.9	53.0
EU 28	1.7	50.5	49.3
Brazil	1.3	52.7	53.4
Russia	1.3	50.9	50.1
South Korea	2.0	48.3	47.2
Germany	1.1	49.7	47.6
Turkey	1.6	44.2	46.4
Italy	0.7	47.8	47.7
Source: GDP: official releases; PMI- Markit Economics, *provisional			

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production stood at 146.71 million tonnes (mt) in January 2019 up by 1% year-on-year (yoy) i.e. over January 2018.

World Crude Steel Production			
Rank	**Top 10**	**January 2019* (mt)**	**% change***
1	China	75.01	4.3
2	India	9.18	-1.9
3	Japan	8.14	-9.8
4	USA	7.65	11.0
5	South Korea	6.21	-1.5
6	Russia	5.79	-4.5
7	Germany	3.41	-7.2
8	Brazil	2.93	2.1
9	Turkey	2.57	-19.5
10	Iran	2.23	-2.6
Total:10		**123.12**	**1.3**
World		**146.71**	**1.0**
Source: worldsteel; *prov.			

- China produced 75.01 mt of crude steel during the opening month of 2019, up by 4.3% over same period of 2018. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was down by 2.2%. China accounted for 73% of Asian and 51% of world crude steel production during this period.
- With a 6.3% share in total world production and despite a 1.9% decline in production over same period of 2018, India (9.18 mt) was the 2nd largest producer during January 2019.
- January 2019 Japanese crude steel production (8.14 mt) was down by 9.8% yoy and the country was the 3rd largest crude steel producer in the world during this period.
- USA remained at the 4th largest spot, with production (7.65 mt) notching up a growth of 11% while South Korea was the 5th largest, with a 1.5% decline in production.
- Crude steel production in the EU (28) countries during January 2019 was at 13.8 mt, down by 3.5% yoy.
- At 102.55 mt, Asian crude steel production was up by 2.3% in January 2019 and the region accounted for 70% of world crude steel production during this period.
- The top 10 countries accounted for 84% of total world crude steel production during this period and saw production go up by 1.3% yoy during this period.
- Brazil (2.93 mt) replaced Turkey (2.57 mt) as the 8th largest crude steel producer during this period.

NEWS AROUND THE WORLD

THE AMERICAS

- The United States Commerce Department has boosted anti-dumping duties (ADD) on CTL plate from Salzgitter to triple-digits in the preliminary stage of an administrative review. It has also started AD and CVD investigations on imports of fabricated structural steel from Canada, China and Mexico and on large diameter pipes from Canada, Greece, China, India, Korea and Turkey.
- The Mexican government has decided to renew a 15% safeguard duty on imports of steel for six months from countries with which it does not have free trade agreements.
- The Alliance for American Manufacturing (AAM) wants USA to reject the recently introduced Bicameral Congressional Trade Authority Act of 2019, arguing that it threatens steel and aluminium sector jobs and investment.
- A group of US lawmakers introduced legislation that would require the US Department of Defense to justify the national security basis for new tariffs under Section 232.
- Canada has established surtax-free quotas for imports of energy tubular products and wire rods originating in Mexico, effective from February 2, 2019.
- Canada has found threat of injury on import of corrosion resistant steel from China, Chinese Taipei, India and South Korea.

ASIA

- Hebei's largest steel producing city Tangshan has extended a level 1 smog alert that was due to be lifted on 6 March 2019 and the new date for the alert to be lifted has not been mentioned by the notice issued by the government. The key reason cited for extension of alert is persistence of unfavorable weather conditions.
- Chinese finished steel exports increased in January 2019 (6.19 million tonnes), up 33.3% yoy and up 11.3% over December 2018 according to preliminary Chinese customs data.
- India has postponed the imposing of higher tariffs on 29 agricultural, iron and steel products imported from the US to April 1 2019 instead of March 2, 2019.
- India has extended a compliance deadline by another two months on tougher import rules for some grades of steel that are used in the auto sector. Compliance for the new rules that had been earlier set for 17 February 2019 have been extended till 17 April 2019.
- The Korea Trade Commission has proposed ADD on SS bars from Italy and Taiwan for a period of five years, with duties ranging from 9.47%-18.56% (for Taiwan) and 10.21%-13.74% (for Italy).

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- Severstal plans to invest rouble 95.7 billion ($1.46 billion) this year, including the construction of the new blast furnace No 3 at its Cherepovets plant, expected to start up in 2021. This will raise the group's steel production capacity to 14.6 mtpa, up from the current 11.7 mtpa.
- Severstal is forming a JV with global tube & pipe producer Tenaris to build an oil country tubular goods plant in the Surgut area of West Siberia.

- Severstal expects that steel demand will be flat in the country's domestic market in 2019 because of softness in the construction sector, the main consuming industry.
- Emirates Steel is expecting a slowdown in the Middle East construction sector that will persist throughout 2019.
- Dubai-based multinational Dana Group has completed the construction of new mills for the manufacture of CRC and HDG in the UAE.

EU AND OTHER EUROPE

- The European Commission (EC) has imposed definitive safeguard measures on a list of imported steel products, in the form of tariff rates and a range of quotas that are partly annual and country-specific and partly quarterly and global. The measures took effect from February 2, 2019 and will replace the provisional measures that have been in place since July 2018. The measures concern 26 steel product categories and consist of tariff-rate quotas, with any imports that exceed the quota becoming subject to duty at 25%.
- Italy-based ABS, part of the Danieli Group, has started to build a new rolling mill in Cargnacco, near Udine, which will produce special steel grades and is expected to start quality and production tests in February 2020 and to fully start production by 2021.
- Turkish conglomerate Yildizlar Yatirim Holding's first foray into the steel market, Yildiz Demir Celik, which started production at its new continuous pickling tandem line at the end of November 2018, with a capacity of 1.5 mtpa, is also planning to build a new HDG line by May 2020, as part of its second investment phase, according to Kemal Kumru, factory director of the company.
- British Steel faces euro 110 million Brexit bill.
- CSN is mulling sale of Usinimas sharea in a bid to reduce its debt burden.
- EU import quota for Chinese auto grade coated sheet already filled by near-40%.

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

WORLD STEEL PRICE TRENDS

2019 had opened on an optimistic mode with global steel prices in general remaining north-bound. The momentum had continued into the second month of the new year as well, with prices responding largely to market demand-supply pattern and raw material price impact. While Chinese controls on capacity/production growth remained in force, the limelight has now shifted to the Brazil and iron ore availability, post developments at Vale, which announced production cuts of 40 mtpa due to the decommissioning of all its upstream tailings dams in Brazil. Moreover, according to a new resolution issued by the country's mining agency, local mining companies that operate 'upstream' tailings dams will have to completely decommission them by August 15, 2023.

Long Product

- USA rebar prices stood steady in February 2019,with market sentiments on the upswing given the rise in shredded scrap prices and increased demand with the arrival of spring season. Transactions, as per Metal Bulletin reports, were quoted around $710/t at month-end.
- EU rebar prices largely remained flat in February 2019 in view of tepid demand conditions. Transactions, as per Metal Bulletin reports, were quoted around €510-520/t ($580-591) in Southern Europe and around €535-550/t ($608-625) in Northern Europe.
- China's rebar prices saw limited rebound in February 2019 with the pace of their procurement picking up but not to the extent expected. Transactions, as per Metal Bulletin reports, were quoted around 3,740-3,790 yuan/t ($559-567) in Shanghai and around 3,730-3,780 yuan/t in Beijing.
- Seasonal rebound led Russian rebar prices move north in February 2019. Metal Bulletin's price assessment for domestic 12mm A500C rebar in Russia, including 20% VAT, was 36,000-38,500 roubles/t ($543-581) cpt Moscow at month-end.

Flat Product

- USA HRC prices remained steady in February 2019 as market participants decided to wait and watch over price movements. Transactions, as per Metal Bulletin reports, were quoted around $670-680/t at month-end.
- EU HRC prices showed limited movement in February 2019 largely in view of demand conditions. Transactions, as per Metal Bulletin reports, were quoted around €485-510/t ($551-580) in Southern Europe and around €505-520/t in Northern Europe.
- February 2019 saw Chinese HRC prices move north following trends in the futures market and in anticipation of supply shortage. Transactions, as per Metal Bulletin reports, were quoted around 3,800-3,830 yuan/t ($567-572) in Shanghai and around 3,740-3,770 yuan/t in Tianjin.
- Like rebar, seasonal rebound led Russian HRC prices move north in February 2019. Metal Bulletin's price assessment for Russia-origin 4mm HR sheet was at 41,200-41,600 roubles/t ($627-633) cpt Moscow at month-end.

[Source Credit: Metal Bulletin]

SPECIAL FOCUS

India, Iran drives up global DRI production by 6% in January 2019

Global output of direct reduced iron (DRI) increased by 6% in January 2019 as per provisional World Steel Association (worldsteel) report, driven by India (production down by 3.2%) and Iran (production up by 36%) during the year as compared to same period of last year. Together, the top five countries (details below) accounted for 88% of the world DRI production during this period and saw their cumulative output rise by 10% as compared to last year.

World DRI Production			
Rank	**Country**	**January 2019 *(mt)**	**% change***
1	India	2.74	-3.2
2	Iran	2.53	36.0
3	Egypt	0.51	4.1
4	Mexico	0.50	-0.4
5	UAE	0.34	1.8
	Top 5	**6.62**	**10.0**
	World	**7.5**	**5.6**
Source: worldsteel; *provisional			

Egypt replaced Mexico as the 3rd largest DRI producer and UAE replaced Saudi Arabia as the 5th largest DRI producer in the world during this period.

INDIAN STEEL MARKET ROUND-UP

Performance of Indian Steel Industry: April-January 2018-19

The following is a status report on the performance of Indian steel industry during April – January 2018-19, 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 - January 2018-19 (prov)	**April – January 2017-18 (final)**	**% change (prov.)**
Crude Steel Production	88.237	85.080	3.7
Hot Metal Production	60.156	56.301	6.8
Pig Iron Production	5.024	4.768	5.4
Sponge Iron Production	27.574	25.049	10.1
Total Finished Steel (alloy + non-alloy)			
Production	109.169	104.562	4.4
Import	6.547	6.452	1.5
Export	5.150	8.218	-37.3
Consumption	79.998	74.197	7.8
Source: JPC			

I. Crude Steel:

- During April - January 2018-19 (prov.), crude steel production was 88.237 million tonnes (mt), a growth of 3.7 per cent over same period of last year.
- SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 53.207 mt during this period which was a growth of 8.5 per cent compared to same period of last year. The rest 40 per

cent i.e. 35.03 mt came from the Other Producers, which was a decline of 2.8 per cent over same period of last year.

- With a 80 per cent share, the Private Sector (70.5 mt, up by 2.4 per cent) led crude steel production (88.237 mt) during this period.
- Shares of the Oxygen Route (41.66 mt), EAF Route (23.44 mt) and IF Route (23.14 mt) stood at 47 per cent, 27 per cent and 26 per cent respectively in total crude steel production during this period.

II. Hot Metal:

- During April - January 2018-19 (prov.), hot metal production was 60.156 million tonnes (mt), a growth of 6.8 per cent over same period of last year.
- SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 50.495 mt during this period which was a growth of 8.8 per cent over same period of last year. The rest 16 per cent i.e. 9.661 mt came from the Other Producers, which was a decline of 2.4 per cent over same period of last year.

III. Pig Iron:

- During April - January 2018-19 (prov.), pig iron production was 5.024 mt, up by 5.4 per cent over same period of last year.
- SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 0.787 mt during this period which was a growth of 27.1 per cent over same period of last year. The rest 84 per cent i.e. 4.237 mt came from the Other Producers, which was a growth of 2.1 per cent over same period of last year.

IV. Sponge Iron:

- During April - January 2018-19 (prov.), sponge iron production was 27.574 mt, down by 10.1 per cent over same period of last year.
- The Other Producers (20.372 mt) accounted for 74 per cent of total production, a growth of 10.1 per cent over same period of last year.

V. Total Finished Steel

A. Gross Production

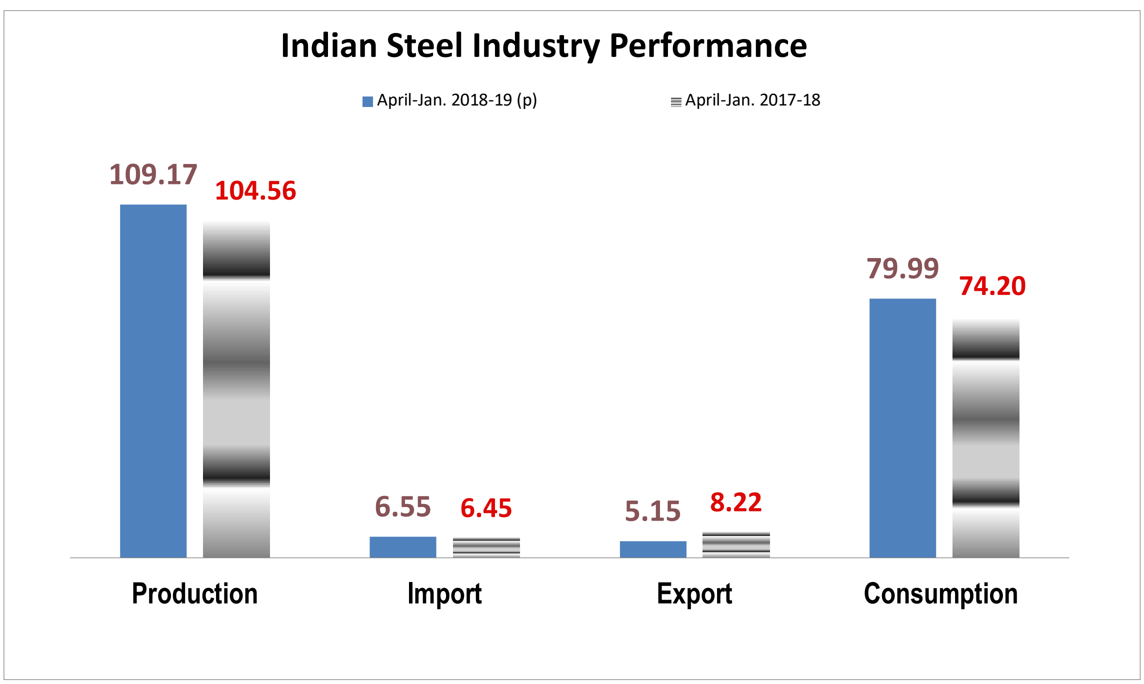
- Gross Production or simply Production of total finished steel was at 109.169 mt, and grew by 4.4 per cent during April - January 2018-19 (prov.) over same period of last year.
- SAIL, RINL, TSL, Essar, JSWL & JSPL together produced 60.75 mt during this period which was a growth of 6.2 per cent over same period of last year. The rest 44 per cent i.e. 48.419 mt came from the Other Producers, which was a growth of 2.3 per cent over same period of last year.
- Analyzing by broad divisions, in the total production of finished non-alloy steel during this period, contribution of the non-flat segment stood at 40.039 mt (up by 9 per cent) while that of the flat segment stood at 60.008 mt (down by 0.8 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to production of total finished steel was bars & rods (31.811 mt, up by 8.5 per cent) while growth in the non-alloy, flat segment was led by HRC (30.84 mt, down by 2.3 per cent) during this period

B. Exports

- During April-January 2018-19 (prov.), export of total finished steel stood at 5.151 mt, a decline of 37.3 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 4.643 mt (down by 37.5 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where export was down by 36 per cent.
- Analyzing by broad divisions, in the total export of finished non-alloy steel during this period, contribution of the non-flat segment stood at 0.546 mt (down by 74 per cent) while that of the flat segment stood at 4.09 mt (down by 23 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to export was bars & rods (0.38 mt, down by 80 per cent) while non-alloy, flat export was led by HRC (2.03 mt, down by 13.2 per cent) during this period.

C. Imports

- During April-January 2018-19 (prov.), import of total finished steel stood at 6.547 mt, a growth of 1.5 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 4.949 mt (up by 2.7 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where import was down by 2.2 per cent.
- Analyzing by broad divisions, in the total import of finished non-alloy steel during this period, contribution of the non-flat segment stood at 0.37 mt (up by 41.2 per cent) while that of the flat segment stood at 4.577 mt (up by 0.5 per cent) .
- In the non-alloy, non-flat segment, in volume terms, major contributor to import was bars & rods (0.29 mt, up by 35.1 per cent) while non-alloy, flat import was led by HRC (1.6 mt, up by 7.4 per cent) during this period.
- India was a net importer of total finished steel during this period.



D. Consumption

- During April-January 2018-19 (prov.), consumption of total finished steel stood at 79.998 mt, a growth of 7.8 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 71.415 mt (up by 6.3 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where consumption was up by 23 per cent.
- Analyzing by broad divisions, in the total consumptionof finished non-alloy steel during this period, contribution of the non-flat segment stood at 37.643 mt (up by 7.4 per cent) while that of the flat segment stood at 33.772 mt (up by 5.1 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to consumption was bars & rods (29.7 mt, up by 8.3 per cent) while non-alloy, flat consumption was led by HRC (11.89 mt, down by 1.6 per cent) during this period.

III. JPC Market Prices (Retail)

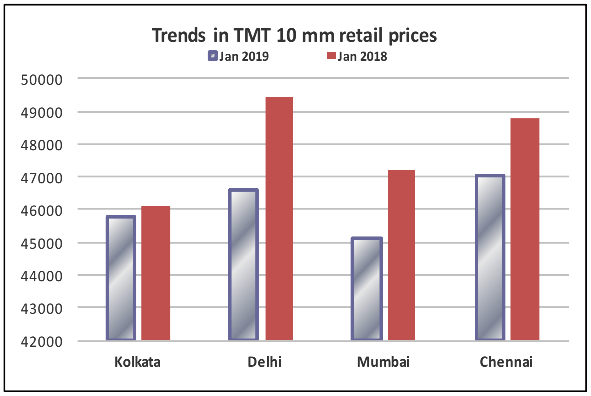
Delhi market prices: Compared to January 2018, average (retail) market prices in Delhi market in January 2019 decreased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), largely in response to domestic demand-supply conditions and global influences. The trend was just the same when compared to December 2018 for both HRC and TMT. The situation in January 2019 with regard to January 2018 is shown in the table below for TMT 10 mm and HRC 2.0 mm for retail market prices in the Delhi market.

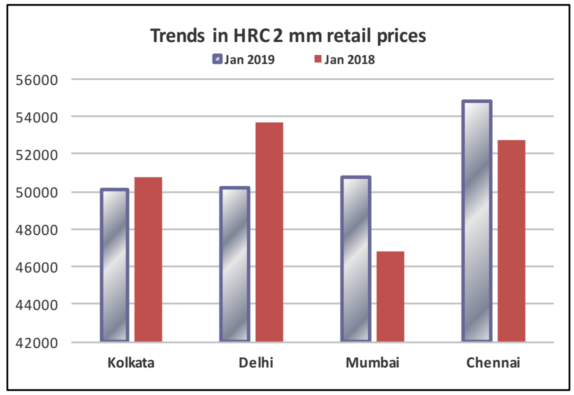
Trends in JPC market price (retail) in Delhi market in January 2019		
Item	**Delhi market prices (Rs/t)**	**%change over January 2018**
TMT, 10 mm	45,767	-5.8
HRC, 2.0 mm	50,086	-6.6
Source: JPC		

All markets: Compared to January 2018, average (retail) market prices in December 2018 decreased for long products (represented by TMT 10 mm) across markets while for flat products (represented by HRC 2 mm), prices declined in the markets of Kolkata and Delhi but increased in the markets of Mumbai and Chennai. However, when January 2019 prices are compared to December 2018, prices of both TMT and HRC registered declines across markets. The situation in January 2019 with regard to January 2018 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 January 2019 over January 2018				
Item	**Kolkata**	**Delhi**	**Mumbai**	**Chennai**
TMT 10mm	-0.7	-5.8	-4.4	-3.6
HR Coils 2.00mm	-1.3	-6.6	8.3	3.9
Source: JPC				

TMT prices were highest in the Chennai market (Rs 47,024/t) and lowest in the Mumbai market (Rs 45,137/t) while HRC prices were highest in the Chennai market (Rs. 54,752/t) and lowest in Kolkata market (Rs. 50,086/t) during January 2019.





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 3rd quarter (October-December) Q3, of 2018-19, both at constant (2011-12) and current prices. As per CSO Report, GDP at Constant (2011-12) Prices in Q3 of 2018-19 is estimated at Rs. 35 lakh crore, showing a growth rate of 6.6 per cent. GVA at Basic Prices at Constant (2011-12) Prices in Q3 of 2018-19 is estimated at Rs. 32.31 lakh crore, showing a growth rate of 6.3 per cent. The growth rates in the various sectors are reported as follows: ‘Agriculture, Forestry and Fishing’ (2.7per cent), ‘Mining and Quarrying’ (1.3 per cent), ‘Manufacturing’ (6.7 per cent), ‘Electricity, Gas, Water Supply and Other Utility Services’ (8.2 per cent) ‘Construction’ (9.6 per cent), ‘Trade, Hotels, Transport, Communication and Services Related to Broadcasting' (6.9 per cent), 'Financial, Real Estate and Professional Services' (7.3 per cent), and ‘Public Administration, Defence and Other Services' (7.6 per cent). For the year as a whole, growth in GDP during 2018-19 is estimated at 7 per cent as compared to the growth rate of 7.2 per cent in 2017-18.

Industrial Production: Provisional CSO data show that the growth rate of the Index of Industrial Production (IIP) was up by 4.6% during April-December 2018 (prov.), encouraged by stable growth in Electricity (6.4%), Manufacturing (4.7%) and Mining (3.1%). The Use-Based scenario of the Index of Industrial Production (IIP) during April-December 2018 (prov.) recorded a growth in all the leading steel-related end-use sectors with Infrastructure/ Construction Goods (10.1%) reporting the highest and Primary Goods, the lowest (decline by 1.2%).

Infrastructure Growth: Provisional data released by the CSO indicate that the growth rate of the Eight Core Infrastructure Industries was up by 5.1% during April-December 2018 (prov.), encouraged by growth in most sectors, specially Coal (7.8%) and Cement (13.9%), Electricity (6.3%) but pulled down by decline in growth rates in case of Crude Oil (- 3.7%), Natural Gas (-0.1%) and Fertilizers (-1.4%).

Inflation: The annual rate of inflation, based on monthly WPI, stood at 2.76% (prov.) while the all India CPI inflation rate (combined) stood at 2.05 per cent in January 2019 (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-January 2018-19, in dollar terms, overall exports were up by 9.52 per cent while overall imports were up by 11.27 per cent, both on yoy basis. During the same period, oil imports were valued at USD 119.34 billion, which was 37 per cent higher yoy while non-oil imports were valued at USD 308.39 billion which was 3.8 per cent higher yoy. The overall trade deficit for April-January 2018-19 is estimated at US $ 90.58 Billion as compared to US $ 75.73 Billion in April-January 2017-18.

Prepared by: Joint Plant Committee