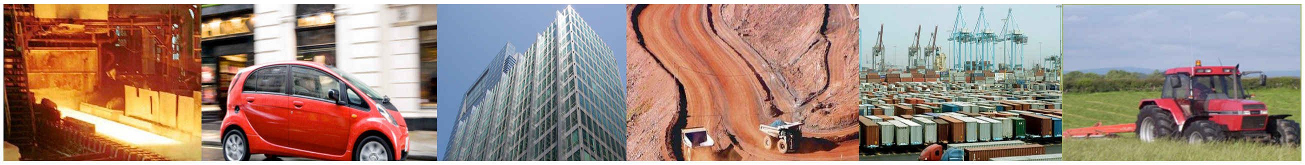


# Trends ..... July 2018

The domestic steel market largely remained stable in Q1 2018 with steel consumption showing modest growth, reflecting in turn, the stability in the economic foundation. Concern arises mostly from the global arena, where the gloomy prospects of an emerging trade war got new dimensions with US and China reacting with strong retaliatory measures in response to the US Section 232 tariffs and EU coming up with its own safeguard measures.

## WORLD ECONOMY AT A GLANCE

- The rate of global manufacturing expansion slowed **again** at the start of Q3 2018 as indicated by the trend in the J.P. Morgan Global Manufacturing PMI, which stood at 52.7 in July 2018, down from 53.0 in June 2018 as per reports from the Markit Economics.
- The reports indicate that the US remained one of the strongest performing manufacturing hubs in July 2018 globally and was supported by an almost equally strong Euro area, led by Germany. In contrast, growth across Asia remained subdued with PMI levels for China, Japan, India, South Korea, Indonesia, Malaysia, the Philippines, Myanmar and Thailand, all below the global average. In fact, growth slowed to an eight month low in China and 11-month low in Japan in July 2018, as per the Markit reports.
- Global manufacturing production and new orders both continued to increase in July 2018, though at the weakest rates since September 2016, partly influenced by weak trade flows. July 2018 also saw some easing in price pressures, with rates of inflation slowing for **both output** charges and input prices, as per the Markit reports.

| Key Economic Figures | | | |
|---|---|---|---|
| **Country** | **GDP Q1 2018: % yoy change*** | **Manufacturing PMI** | |
| | | **June 2018** | **July 2018** |
| India | 7.7 | 53.1 | 52.3 |
| China | 6.8 | 51.0 | 50.8 |
| Japan | 1.1 | 53.0 | 52.3 |
| USA | 2.8 | 55.4 | 55.3 |
| EU 28 | 2.5 | 54.9 | 55.1 |
| Brazil | 1.2 | 49.8 | 50.5 |
| Russia | 1.3 | 49.5 | 48.1 |
| South Korea | 2.8 | 49.8 | 48.3 |
| Germany | 2.3 | 55.9 | 56.9 |
| Turkey | 7.4 | 46.8 | 49.0 |
| Italy | 1.4 | 53.3 | 51.5 |
| Source:GDP: official releases; PMI- Markit Economics, *provisional | | | |

## GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production for June 2018 was 151.38 million tonnes (mt), up by 5.8 per cent year-on-year (yoy) i.e. over June 2017 and stood at 881.45 mt during January-June (Q2) 2018, up by 4.6 per cent yoy.

| World Crude Steel Production: January-June 2018 (p) | | | |
|---|---|---|---|
| **Rank** | **Country** | **Qty (mt)** | **% yoy change** |
| 1 | China | 451.16 | 6.1 |
| 2 | Japan | 52.98 | 1.3 |
| 3 | India | 52.83 | 5.1 |
| 4 | USA | 41.85 | 2.9 |
| 5 | Russia | 36.07 | 2.9 |
| 6 | South Korea | 36.07 | 3.7 |
| 7 | Germany | 22.45 | 1.0 |
| 8 | Turkey | 18.89 | 3.7 |
| 9 | Brazil | 16.86 | 0.9 |
| 10 | Italy | 12.81 | 3.6 |
| | **Top 10** | **741.97** | **4.8** |
| | **World** | **881.45** | **4.6** |
| Source: worldsteel; p= provisional; mt=million tonnes | | | |

- China produced 80.19 mt of crude steel in June 2018, up by 7.5 per cent over June 2017 and production during January-June 2018 stood at 451.16 mt, up by 6 per cent yoy. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was up by 3.2 per cent. China accounted for 74 per cent of Asian and 51 per cent of world crude steel production during this period.
- June 2018 Japanese crude steel production (8.76 mt) was up by 4.2 per cent yoy and production during January-June 2018 stood at 52.98 mt, up by 1.3 per cent yoy. The country was the second largest crude steel producer in the world in 2018 so far.
- With a 6 per cent share in total world production and a 5.1 per cent rise in production over same period of last year, Indian crude steel production during January-June 2018 (52.83 mt) was few notches below Japan and the country remained the third largest producer during this period.
- Crude steel production in the EU (28) countries during June 2018 was at 14.39 mt, up by 1.3 per cent yoy and production during January-June 2018 stood at 87.34 mt, up by 1.6 per cent yoy.
- At 107.38 mt, Asian crude steel production was up by 6.9 per cent in June 2018 and production during January-June 2018 stood at 613.91 mt, up by 5.2 per cent yoy. Asia accounted for 70 per cent of world crude steel production during this period.
- The top 10 countries accounted for 84 per cent of total world crude steel production in January- June 2018 and saw production go up by 5 per cent yoy.

## NEWS AROUND THE WORLD

### THE AMERICAS

- The US Court of International Trade has ordered the Department of Commerce to re-assess the antidumping duty rate assigned to imports of CRC produced by Hyundai Steel.
- The US has announced that it plans to impose a 10 per cent tariff on a further $200 billion worth of Chinese goods, including iron and steel sections, cast iron pipe and tube, stainless pipe and tube and other steel products.
- The 25 per cent US tariffs on select steel and aluminum products from China went into effect on July 6, 2018. The USTR is also determining whether or not downstream products from China should also be subject to tariffs later in July.
- USITC has voted to continue investigations on steel propane cylinders from China and Thailand.
- Canada is weighing import restrictions for metal products following a decision by the US to implement a 25 per cent tariff on steel imports and 10 per cent tariff on aluminium.
- The Canada Border Services Agency is retroactively levying a $1.8-million anti-dumping duty against two shipments of Turkish rebar that reached the Canadian market in 2017.
- The Canadian International Trade Tribunal has made a preliminary determination that imports of CR flat-rolled steel from China, South Korea and Vietnam have been dumped and subsidized.

### ASIA

- A document on emission cuts released by local authorities in Changzhou in east China's Jiangsu province has listed a number of local steelmakers that must restrict their production rates by as much as 50 per cent from August 2018, with no indication of an end-date.
- Tangshan, the steelmaking hub of northern China's Hebei province, would reduce emissions of sulfur dioxide, nitrogen dioxide and carbon monoxide during July 20-August 31, 2018 in a bid to improve its average air quality in 2018. Following this, the Qianxi district government has ordered local Jinxi Iron & Steel and Jinxi Special Steel to curb their blast furnace utilization by 20 per cent and sintering process by 42 per cent over the period.
- China's Guangxi Guixin is to start new more environmentally friendly EAF in mid-2019 which will have a tapping weight of 80 tonnes and will replace several smaller EAFs.
- Lianxin Steel and Shandong Laigang Yongfeng are boosting rebar capacity by 1 mtpa, scheduled to start production in 2019.
- Hebei province is slated to cut 40 mtpa of steel over-capacity this year.
- Baosteel has gained approval for construction of its third BF, together with downstream converters, at its Zhanjiang steelworks, which will add 4.03 mtpa of pig iron and 3.61 mtpa of crude steel capacity to Zhanjiang steelworks.
- Kobe Steel does not expect any impact on its production from indictment charges for allegedly violating the Unfair Competition Prevention Act.
- Deliveries by most of Japan's steel producers from their plants in western part were faced with delay after heavy rains temporarily halted production at facilities at Nippon Steel & Sumitomo Metal Corp, JFE Steel, Kobe Steel and Nisshin Steel in mid-July.

- Indian steelmaker Rashtriya Ispat Nigam Ltd has increased its steel capacity by 1 mtpa with the commissioning of a new continuous caster at its Visakhapatnam steel mill.
- A consortium of India's JSW Steel and Aion Investments II will revive bankrupt Monnet Ispat & Energy after their plan was approved by the National Company Law Tribunal.
- South Korea's foreign ministry said its government has asked the EU to exclude local steel products from those that will face an additional tariff because domestic steel products shipped to the US and EU are different.

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

- Russia has filed a lawsuit against the USA at the WTO over the Section 232 tariffs on aluminium and steel product imports.
- The Eurasian Economic Commission (EEC) has started an anti-dumping investigation into coated steel coil and sheets originating from China and Ukraine.
- Australia's Anti-Dumping Commission will continue to impose trade sanctions on imports of galvanized steel products from China, Taiwan and South Korea after August 5, 2018, although South Korean producer Posco will be exempted.
- NLMK Group has opened its first service center in Africa which will supply abrasion-resistant and high-strength thick plates, called NLMK Quard and NLMK Quend, respectively.

**EU AND OTHER EUROPE**

- The European Commission has announced provisional safeguard measures on 23 categories of imported steel products, which will come into immediate effect and can remain in place for a maximum of 200 days, in the form of a tariff rate quota. The measures will be imposed against all countries, with the exception of some developing nations with limited exports to the EU **like** Norway, Iceland, and Liechtenstein.
- ArcelorMittal's takeover of Italy's Ilva, has come under fresh scrutiny from the new Italian government, with anti-corruption body ANAC investigting the tender papers. Meanwhile, ArcelorMittal has assured Italian authorities with a list of the additional commitments (environmental, social) which it has accepted to acquire steelmaker Ilva.
- The German cartel office, Bundeskartellamt, has fined six special steel companies and the German stainless steel association for price-fixing and exchanging price-sensitive information.
- Salzgitter has submitted a purchase offer for ArcelorMittal steelmaking sites at Luxembourg and Belgium, following the divestment process being conducted by ArcelorMittal for its proposed acquisition of Ilva.
- Switzerland has requested dispute consultations with the US at the WTO, joining a growing group of countries to seek such talks regarding the Section 232 tariffs.
- ArcelorMittal will halt the 2.2 mtpa No.2 blast furnace at its Dabrowa Gornicza steelworks in Poland for 40 days of repair work.

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

## WORLD STEEL PRICE TRENDS

The start of Q3 2018 continued to throw new challenges and deepen existing ones. While regional issues continued to impact domestic demand-supply and therefore steel prices, the focus remained squarely on the Trump Trade War as tensions started building up with more nations joining the queue to approach WTO for redressal and most significantly, both China and USA going loggerheads at each other and responding with retaliatory measures. Like India earlier, EU too came up with its own set of measures to block imports flowing in randomly. China, of course, remained under the limelight, with announcement of fresh policies aimed at curbing pollution that includes production cuts going ahead. Demand worldwide remained modest and in a market threatened with the gloomy prospects of a global trade war, supply-demand imbalances are all set to impact steel price movements in the coming days.

### Long Product

- July 2018 USA rebar prices largely remained unchanged, with market sources pointing out at a short-term stability and Section 232 tariffs/related uncertainty keeping a check on imports. Transactions, as per Metal Bulletin reports, were quoted around $710/t at month-end.
- July 2018 prices for rebar produced and delivered in Europe moved north, with markets responding to the safeguard measures announced to control steel imports into the EU. Transactions, as per Metal Bulletin reports, were quoted around €570-580/t ($666-678) for domestic rebar in Northern Europe and around €530-550/t ($619-643) in Southern Europe.
- July 2018 Chinese domestic rebar prices increased mainly owing to stable demand and some restrictions in supply as government measures to curb pollution and curtail capacity started to come into effect. Transactions, as per Metal Bulletin reports, were quoted around 4,150-4,200 yuan/t ($609-616) in Shanghai and around 4,150-4,200 yuan/t ($609-616) in Beijing.
- July 2018 saw Russian rebar prices **decline** over last month, not much affected by a hike in prices by Severstal. Metal Bulletin assessed domestic prices for Russian 12mm A500C rebar was at 37,500 roubles/t ($593) cpt Moscow, including VAT at month-end.

### Flat Product

- July 2018 USA HRC prices edged down slightly amidst concerns that prices are nearing a peak. Transactions, as per Metal Bulletin reports, were quoted around $909/t at month-end.
- July 2018 HRC prices in the Europe moved north, with markets buoyed by the preliminary decision in an EU safeguard case. Transactions, as per Metal Bulletin reports, were quoted around €560-570/t ($655-666) in Northern Europe and around €530-560/t in Southern Europe.
- Chinese HRC prices moved north in July 2018, encouraged by supply constraints while demand continued to be lukewarm. Transactions, as per Metal Bulletin reports, were quoted around 4,290-4,300 yuan/t ($630-631) in Shanghai and around 4,220-4,230 yuan/t in Tianjin.
- Russian HR prices moved south in July 2018 in view of weak demand. Metal Bulletin's assessment for Russia-origin 4mm HR sheet was at 42,800-42,900 roubles/t ($683-684) cpt Moscow at month-end.

[Source Credit: Metal Bulletin]

## SPECIAL FOCUS

### India, Iran drives up global DRI production by 27% in June 2018

**Global output of direct reduced iron (DRI) increased by 27% year-on-year (yoy) in June 2018 and by 20.5% during January-June 2018, as per provisional World Steel Association (worldsteel) report. DRI production worldwide rose to 7.31 million tonnes (mt) in June 2018, compared with 5.75 mt in the corresponding month last year, according to worldsteel, driven by a substantial growth in Iran, where output rose by 65% and India which reported a 10% rise in its June 2018 output on yoy basis.**

For January-June 2018, provisional worldsteel report indicates that global DRI output (43.09 mt) continued to be driven by India (14.78 mt) at the number one spot with a 9.2 per cent growth in production when compared to same period of last year. The country also accounted for 34 per cent of total global output during this period. As in case of the monthly trend, for the cumulative period also, Iran's DRI output (14.36 mt) rose by a robust 63 per cent during this period and along with India, these two countries accounted for 68 per cent of global DRI output during this period. Together, the top five countries (details below) accounted for 87 per cent of the world DRI production during this period and saw their cumulative output rise by 23 per cent as compared to same period of last year.

| World DRI Production: January-June 2018* | | | |
|---|---|---|---|
| **Rank** | **Country** | **Qty (mt)** | **%change over last year** |
| 1 | India | 14.78 | 9.2 |
| 2 | Iran | 14.36 | 62.6 |
| 3 | Mexico | 2.97 | -3.9 |
| 4 | Egypt | 2.80 | 18.1 |
| 5 | Saudi Arabia | 2.42 | -1.2 |
| | **Top 5** | **37.33** | **23.3** |
| | **World** | **43.09** | **20.5** |
| | **%Share : Top 5** | **87** | **-** |
| Source: World Steel Association; *provisional | | | |

## INDIAN STEEL MARKET ROUND-UP

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

The following is a status report on the performance of Indian steel industry during April-June 2018, based on provisional data released by the 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: Performance Highlights | | |
|---|---|---|---|
| | April-June 2018 (mt)* | April-June 2017 (mt)* | % change* |
| Crude steel production | 26.142 | 24.563 | 6.4 |
| **Total Finished Steel (alloy + non-alloy)** | | | |
| Production for sale | 26.966 | 25.605 | 5.3 |
| Import | 1.896 | 1.707 | 11.1 |
| Export | 1.352 | 2.037 | -33.6 |
| Consumption | 23.592 | 21.599 | 9.2 |
| Source: JPC; mt=million tonnes;* provisional | | | |

***I. Crude Steel***

- Production of crude steel during April-June 2018 was at 26.142 million tonnes (mt), a growth of 6.4 per cent compared to same period of last year.
- SAIL, RINL, TSL, ESSAR, JSWL & JSPL produced 15.666 mt during this period, which was a growth of 13 per cent compared to last year. The rest i.e 10.476 mt was the contribution of the Other Producers, which was a decline of 1.6 per cent compared to last year.

***II. Total Finished Steel***

***a) Production for sale***

- During April-June 2018, production for sale stood at 26.966 mt, a growth of 5.3 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 24.359 mt (up by 4.7 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where production for sale was up by 11.7 per cent.
- Analyzing by broad divisions, in the total production for sale of finished non-alloy steel, contribution of the non-flat segment stood at 11.822 mt (up by 5.8 per cent) while that of the flat segment stood at 12.537 mt (up by 3.6 per cent).
- Analyzing by segments, one finds that in the non-flat, non-alloy segment, production for sale of bars & rods, structurals and railway materials stood respectively at 9.341 mt (up by 6.3 per cent), 2.17 4mt (up by 3.5 per cent) and 0.31 (up by 8.1 per cent).
- On the other hand, for the flat segment, with the exception of CRC (1.83 mt, down by 4.1 per cent), production for sale was up for most of the leading items like Plates (1.32 mt, up by 12 per cent), HRC (5.93 mt, up by 2.2 per cent) and GP/GC Sheets (2.09 mt, up by 7.5 per cent).

***b) Export***

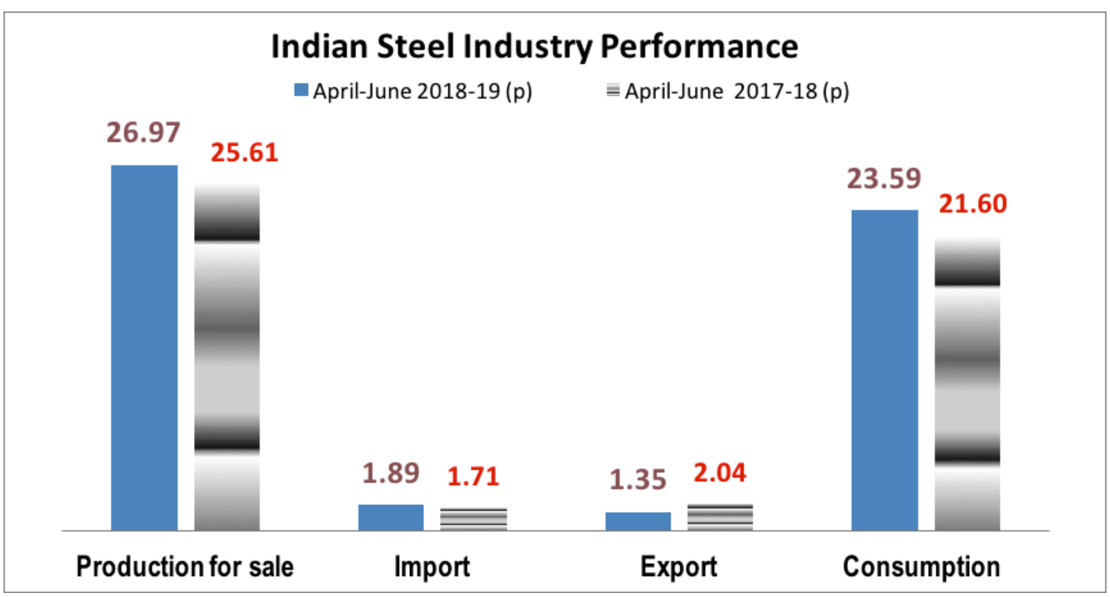
- Exports stood at 1.352 mt during April-June 2018, a decline of 33.6 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 1.229 mt (decline of 30.9 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where exports were down by 52.3 per cent.
- In the total export of finished non-alloy steel, export of non-flat was at 0.142 mt (down by 61.5 per cent) and that of flat steel was at 1.087 mt (down by 23 per cent).
- In the non-alloy, non-flat segment, in volume terms, major contributor to export was bars & rods (0.11 mt, down by 67 per cent) while growth in exports in the non-alloy, flat segment was led by HRC (0.47 mt, up by 1.5 per cent).

***c) Import***

- Imports stood at 1.896 mt during April-June 2018, a growth of 11.1 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 1.435 mt (growth of 19.4 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where imports were down by 8.7 per cent.
- In the import of total finished non-alloy steel, non-flat imports were at 0.13 (up by 29.3 per cent) and flat imports were at 1.31 mt (up by 18.5 per cent).
- In the non-alloy, non-flat segment, major contributor to import was bars & rods (90 thousand tonnes, at same level as last year) while for the flat segment, import was led by HRC (0.53 mt; up by 43 per cent).
- Such trends in export-import implied that for total finished steel, India was a net importer in April-June 2018.

***d) Consumption***

- During April-June 2018, consumption of total finished steel stood at 23.592 mt, a growth of 9.2 per cent over same period of last year.
- For non-alloy steel, contribution of the non-flat segment stood at 11.304 mt, up by 6 per cent over same period of last year and that of the flat segment (after accounting for double counting) stood at 10.06 mt, up by 13.8 per cent over same period of last year, taking total non-alloy consumption (after double counting) to 21.362 mt, up by 9.5 per cent. The remainder was the contribution of the alloy/stainless segment, which reported a growth of 6.8 per cent during this period.
- In the non-alloy, non-flat segment, the major contributor to consumption was bars & rods (8.85 mt; up by 4.3 per cent) whereas for the flat segment, consumption was led by HRC (5.73 mt, up by 2.7 per cent).




***III. JPC Market Prices (Retail)***

June 2018 saw domestic steel prices in a north-bound mode, in tune with strong trends in demand-supply in the domestic market reflected in a strong growth in domestic consumption and a rise in indigenous supply side and bolstered further by global recovery, as steel markets around the world remained largely stable.

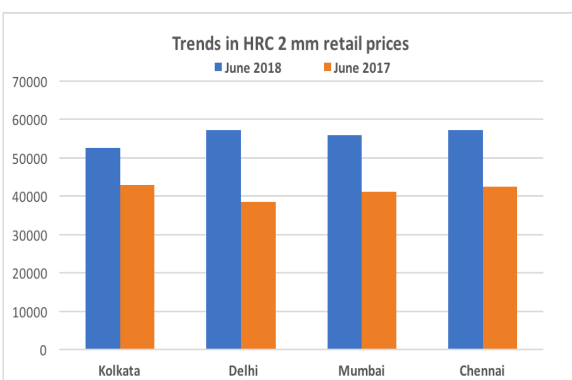
***Delhi market prices:*** Compared to June 2017, average (retail) market prices in Delhi market in June 2018 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), largely in response to domestic demand-supply conditions and global influences. The situation in June 2018 with regard to June 2017 is shown in the table below for TMT 10 mm and HRC 2.0 mm for retail market prices in the Delhi market.

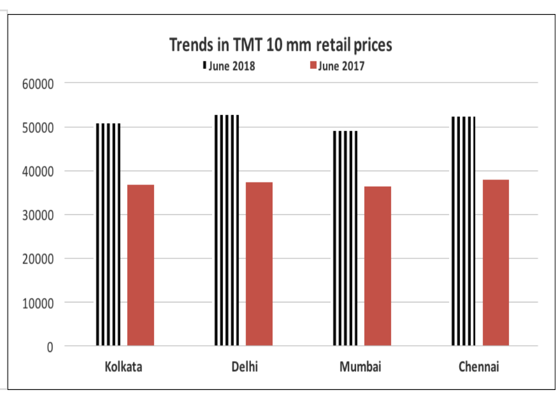
| Trends in JPC market price (retail) in Delhi market in June 2018 | | |
|---|---|---|
| **Item** | **Delhi market prices (Rs/t)** | **%change over June 2017** |
| TMT, 10 mm | 52,758 | 41.3 |
| HRC, 2.0 mm | 56,640 | 47.1 |
| Source: JPC | | |

***All markets:*** Compared to June 2017, average (retail) market prices of iron and steel in June 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 situation in June 2018 with regard to June 2017 is shown in the table below for TMT 10 mm and HRC 2.0 mm for all the four markets.

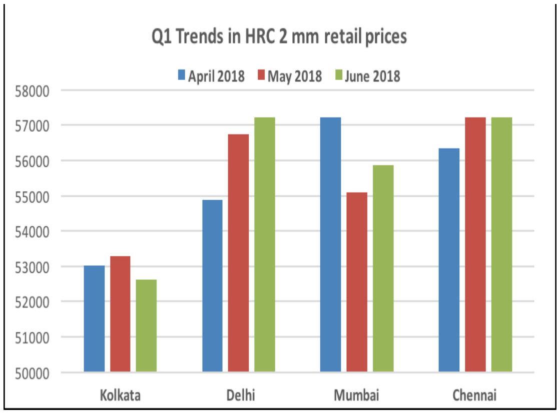
| Trends in JPC (retail) market price: %change in June 2018 over June 2017 | | | | |
|---|---|---|---|---|
| **Item** | **Kolkata** | **Delhi** | **Mumbai** | **Chennai** |
| TMT 10mm | 38.3 | 41.3 | 34.5 | 37.9 |
| HR Coils 2.00mm | 24.0 | 47.1 | 33.7 | 36.2 |
| Source: JPC | | | | |

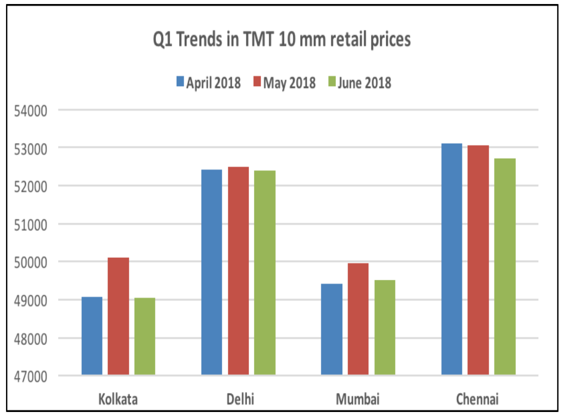
TMT prices were highest in the Delhi market (Rs 52,758/t) and lowest in the Mumbai market (Rs 48,998/t) while HRC prices were highest in the Chennai market (Rs 57,673/t) and lowest in Kolkata market (Rs 53,100/t) during June 2018.




***Quarterly Trends:*** Comparing the trends in the three months of the 1st quarter i.e. April 2018 through June 2018, average (retail) market prices of TMT 10 mm is seen to have risen in May 2018 compared to April 2018 but has slipped thereafter in June 2018 in all three markets of Delhi, Mumbai and Kolkata whereas in Chennai, it is seen to have undergone a steady decline. For the same period, average (retail) market prices of HRC 2 mm have shown flucutations across the four markets, with only Delhi and Chennai showing a common trend of steady rise. For the quarter as a whole, average (retail) market prices of both TMT 10 mm and HRC 2 mm have increased in Q1 2018 over Q1 2017.




## 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 January-March i.e. Q4 of 2017-18 and Provisional estimates (PE) of national income for the financial year 2017-18. As per the report, GDP at constant (2011-12) prices in Q4 2017-18 registered growth rate of 7.7 per cent and for the financial year 2017-18, GDP grew by 6.7 per cent. At the sectoral level, the growth rate of GVA at constant (2011-12) prices for agriculture & allied sectors, industry and services sectors for the year 2017-18 are estimated at 3.4 per cent, 5.5 per cent and 7.9 per cent respectively.

**Industrial Production:** Provisional CSO data show that the Index of Industrial Production (IIP) was up by 3.2 per cent during May 2018 and by 4 per cent during April-May 2018, encouraged by stable growth across the three sectors, Mining (4.9 per cent), Manufacturing (4 per cent) and Electricity (3.1 per cent). The Use-Based scenario of the IIP during April-May 2018 indicates strong growth in all the sectors except Intermediate Goods (1.2 per cent) with Capital Goods (9.7 per cent) reporting the highest.

**Infrastructure Growth:** Provisional data released by the CSO indicate that the growth rate of the eight core infrastructure industries was up by 3.4 per cent in May 2018 and was up by 4.1 per cent during April-May 2018, encouraged by growth in most sectors, except Crude Oil, which was pulled down by declining growth rate (- 1.9 per cent).

**Inflation:** The annual rate of inflation, based on monthly WPI, stood at 5.77% (provisional) for the month of June, 2018 (over June, 2017) as compared to 4.43% (provisional) for the previous month. Build up inflation rate in the financial year so far was 2.49% compared to a build up rate of -0.44% in the corresponding period of the previous year. The all India CPI inflation rate (combined) for June 2018 stood at 5 per cent, compared to 4.87 per cent of the previous month.

**Trade:** Provisional figures from DGCI&S show that during April-June 2018, in dollar terms, overall exports were up by 14.21 per cent while overall imports were up by 13.49 per cent, both on yoy basis. During the same period, oil imports were valued at US$ 34.64 billion which was 49.44 per cent higher yoy while non-oil imports were valued at US$ 92.77 billion which was 4.14 per cent higher yoy. The overall trade deficit for April-June 2018 is estimated at US$ 32.32 billion as compared to US$ 28.55 billion during April-June 2017.

**Prepared by Joint Plant Committee**