

# Trends ..... June 2018

With more countries approaching WTO for intervention in the case of US Section 232 tariffs, June 2018 saw prospects of a global trade war looming up markedly. This, at a time when global markets were on the verge of consolidation after a long dull run, does not augur well for steel. Back home, markets remained stable with steel consumption picking up a strong pace.

## WORLD ECONOMY AT A GLANCE

- The J.P. Morgan Global Manufacturing PMI dropped to an 11-month low of 53.0 in June 2018, down from 53.1 in May 2018 as per reports released by Markit Economics which indicate that the rate of expansion was steepest in the investment goods sector, followed by consumer goods, despite both industries seeing some easing of growth. However, the pace of improvement gained in the intermediate goods category while remaining below the global average.
- As per the report, six nations, viz. Brazil, Denmark, Malaysia, Russia, South Korea and Turkey reported deteriorations on overall operating performance in June 2018. Rates of expansion remained above the global average in the US and the Euro Area while growth was noted for Japan, but slowed in case of China.
- Growth of new order inflows eased partly due to subdued global trade flows, as new export orders registered weak growth. Global manufacturing employment increased for the twenty second successive month in June 2018 as per the Markit reports. Price pressures increased again in June 2018, with both input costs and output charges rising at faster rates.

Key Economic Figures			
Country	GDP Q1 2018: % yoy change*	Manufacturing PMI	
		May 2018	June 2018
India	7.7	51.2	53.1
China	6.8	51.1	51.0
Japan	1.1	52.8	53.0
USA	2.8	56.4	55.4
EU 28	2.5	55.5	54.9
Brazil	1.2	50.7	49.8
Russia	1.3	49.8	49.5
South Korea	2.8	48.9	49.8
Germany	2.3	56.9	55.9
Turkey	7.4	46.4	46.8
Italy	1.4	52.7	53.3
Source:GDP: official releases; PMI- Markit Economics, *provisional			

## GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production for May 2018 was 154.86 million tonnes (mt), up by 6.6 per cent year-on-year (yoy) i.e. over May 2017 and stood at 729.22 mt during January-May 2018, up by 4.3 per cent yoy.

World Crude Steel Production: January-May 2018 (p)			
Rank	Country	Qty (mt)	% yoy change
1	China	369.86	5.4
2	Japan	44.22	0.7
3	India	44.12	4.7
4	USA	34.85	2.9
5	Russia	30.03	2.0
6	South Korea	29.94	3.7
7	Germany	18.68	0.3
8	Turkey	15.85	4.3
9	Brazil	14.27	1.4
10	Italy	10.66	3.8
	<b>Top 10</b>	<b>612.48</b>	<b>4.3</b>
	<b>World</b>	<b>729.22</b>	<b>4.3</b>
Source: worldsteel; p= provisional; mt=million tonnes			

- China produced 81.13 mt of crude steel in May 2018, up by 8.9 per cent over May 2017 and production during January-May 2018 stood at 369.86 mt, up by 5.4 per cent yoy. China remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was up by 3.1 per cent. China accounted for 73 per cent of Asian and 51 per cent of world crude steel production during this period.
- With a 6.1 per cent share in total world production and a 4.7 per cent rise in production over same period of last year, Indian crude steel production during January-May 2018 (44.12 mt) was few notches below Japan, making the country reach the third largest spot during this period.
- May 2018 Japanese crude steel production (9.1 mt) was up by 1.8 per cent yoy and production during January-May 2018 stood at 44.22 mt, up by 0.7 per cent yoy. The country was the second largest crude steel producer in the world in 2018 so far.
- Crude steel production in the EU (28) countries during May 2018 was at 14.98 mt, up by 1.8 per cent yoy and production during January-May 2018 stood at 73.1 mt, up by 1.8 per cent yoy.
- At 108.8 mt, Asian crude steel production was up by 7.7 per cent in May 2018 and production during January-May 2018 stood at 505.4 mt, up by 4.6 per cent yoy. Asia accounted for 69 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- May 2018 and saw production go up by 4.3 per cent yoy.

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## NEWS AROUND THE WORLD

### THE AMERICAS

- Unable to reach an alternative agreement, US President Donald Trump has decided to impose tariffs on steel and aluminum imports from Canada, Mexico and the EU, effective June 1, 2018.
- US CRC and galvanized sheet producers, in separate petitions, have asked the US Commerce Department to investigate whether imports of these products from South Korea, completed in Vietnam, are circumventing antidumping and countervailing duty orders.
- US Steel intends to restart its second Granite City blast furnace around October 1, 2018 to meet increased demand.
- SSAB Americas plans to add a surcharge on its US sales shipped to Canada as a result of the government's retaliatory tariffs on US goods.
- Canada, Mexico and the EU have formally requested dispute consultations with the WTO regarding the US Section 232 tariffs on steel and aluminium.
- The US Court of International Trade has ordered the Department of Commerce to reassess the antidumping duty rate assigned to imports of welded carbon standard pipe and tube produced by Turkey's Tosçelik.
- Mexico will impose tariffs on various US products in the face of reinstated US protectionist measures in steel and aluminium.

### ASIA

- Estimates by Platts indicate that about 12 to 13 new HSMs are due to come online in China in 2018, with a combined capacity up to around 33.52 mtpa with around six with a total capacity of 19.15 mtpa, being already started in 2018 so far.
- China's steel market is likely to see an oversupply in H2 2018 as overall steel demand this year is expected to be mostly unchanged from 2017, as per Vice Chairman of CISA.
- Jingye Iron & Steel Group is planning to invest Yuan 20.9 billion (\$3.23 billion) to build an integrated 5.7 mtpa mill in Fangchenggang city, in southern China's Guangxi province.
- Changzhou city, in eastern China's Jiangsu province, has ordered local steel mills to curb production during May 28-June 30, 2018 in a bid to improve air quality.
- Steel mills, located within 300 kilometers of Qingdao in eastern China's Shandong province, were ordered to curb their production by 30-50 per cent from end-May to early June in a bid to ensure good air quality during the upcoming 18th Shanghai Cooperation Organization Summit.
- Local authorities in north China's steelmaking hub of Tangshan city initiated another emergency response to air pollution. Measures include a 50-100 per cent stoppage to iron ore sintering and pellet-making operations from 3pm local time on Thursday June 14 to 12pm on Sunday June 17, 2018 with a 50 per cent production restriction after that, except for those using denitration facilities.
- China's Laigang Yongfeng will increase its capacity by 1.87 mtpa with the addition of two continuous casters.
- Japanese steel producers - Nippon Steel & Sumitomo Metal Corp, JFE Steel and Kobe Steel - have not been damaged following the 6.1 magnitude earthquake which hit the Kansai area.

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- Japan's Ministry of Economy, Trade and Industry has lodged a request via the WTO to hold talks with South Korea over its anti-dumping duties on stainless steel bar.
  - Japan's Nippon Steel & Sumitomo Metal Corporation has announced that it completed the acquisition of Sweden's Ovako Group on June 1, 2018 which will boost its special steel business and secure production and sales bases in Europe.
  - India has increased duties on a range of agricultural, iron and steel products imported from the US, effective August 4, 2018. The increases were in response to US tariffs on steel and aluminum imports in March 2018.
  - The Indian state of Odisha has the potential to produce 100 mtpa of steel, as announced by Chaudhary Birender Singh, union minister of steel. The production figure is a third of the 300 mtpa target envisaged by 2030-2031 under India's National Steel Policy.
  - The Odisha government has invited Steel Authority of India Ltd and ArcelorMittal to set up their new JV automotive grade steel plant in the state, citing ample availability of land.
  - Pakistan's National Tariff Commission has imposed anti-dumping duties on color-coated coil from China and South Africa.

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

- Russia will stop exporting ferrous scrap from three major scrap exporting ports (Vladivostok, Nakhodka and Slavyanka) in the country's Far East starting July 21, 2018 for a period of six months, slated to affect over 1 mtpa worth of trade between Russian scrap merchants and South Korean mills from these ports.
- All exporters of steel and other metals from Iran have been instructed to submit a certificate of manufacture origin to the customs service, according to a new directive issued by Minister of Industries, Mining and Trade.
- Iran's Esfahan Steel has produced the first rail for domestic railway use, following lengthy negotiations between the company and Railways of Iran.

#### **EU AND OTHER EUROPE**

- The European Union will launch legal proceedings against the US at the WTO as a direct response to the US 25 per cent tariffs on steel imports and 10 per cent tariffs on aluminium.
- The European Commission has said that rebalancing measures on various US products in response to the US tariffs on steel and aluminum will come into effect from June 22, 2018. The measures target a list of US products worth Eur2.8 billion (\$3.2 billion) ranging from more than 100 steel products to aluminum as well as agricultural goods.
- Turkey, which formally notified the WTO of its intent to impose duties on various imports from the US in response to its 232 metals tariffs, has imposed those duties.
- Thyssenkrupp Steel Europe is entering a JV with Chinese steel producer Ansteel and steel wheel manufacturer Jingu for the production of light-weight steel wheels for the auto industry.
- The steel mill at ArcelorMittal's 5 mtpa Aviles complex in Asturias, Spain went offline following a flood in mid-June 2018, with no date fixed for a restart.

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

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## WORLD STEEL PRICE TRENDS

June 2018 saw global steel prices largely head north, moving in a market environment heavily influenced by the USA's Section 232 related tariffs on steel imports and general demand-supply imbalance. While temporary exemptions from the US tariffs have been announced, these, in a way, have strengthened the cause of those opting for retaliatory actions. On the other hand, China's crude steel output continued to rise and reports from Platts indicate fresh capacity ramp-up going on simultaneously. Nonetheless, stringent operating conditions with an eye on curbing pollution levels, continue to be put in place and so is drive towards consolidation. Demand worldwide remains modest at best and in a market with possibility of a global trade war looming up, supply-demand imbalance impacting price movement may be considered a given. The days ahead are likely to indicate the extent of the same.

### Long Product

- US domestic rebar prices remained flat in June 2018, following the impact of the Section 232 tariffs with reported supply shortage. Transactions, as per Metal Bulletin reports, were quoted around \$700-720/t.
- European rebar prices remained stable and moved north during June 2018 following modest rise in demand. Transactions, as per Metal Bulletin reports, were quoted around €475-500/t (\$555-584) in Southern Europe and around €535-545/t (\$624-636) in Northern Europe.
- China's domestic rebar prices picked up pace in end-June 2018, following gains in futures market though demand conditions remained somewhat weak. Transactions, as per Metal Bulletin reports, were quoted around 3,990-4,030 yuan/t (\$602-609) in Shanghai and around 3,870-3,910 yuan/t in Beijing.
- June 2018 saw Russian rebar prices move south as market leader Severstal cut its offer prices. Metal Bulletin's domestic prices for Russian 12mm A500C rebar stood at 37,000-38,500 roubles/t (\$588-612) cpt Moscow, including VAT at month-end.

### Flat Product

- US HRC prices moved north as supply tightening made itself felt in the market as the impact of the Section 232 measures started to sink in slowly. Transactions, as per Metal Bulletin reports, were quoted around \$910-916/t at month-end.
- European HRC prices remained stable and moved north during June 2018 following modest rise in demand. Transactions, as per Metal Bulletin reports, were quoted around €520-540/t (\$607-630) in Southern Europe and around €550-565/t in Northern Europe.
- China's domestic HRC prices moved north in June 2018 due to modest demand. Transactions, as per Metal Bulletin reports, were quoted around 4,260-4,270 yuan/t (\$643-645) in Shanghai and around 4,170-4,180 yuan/t in Tianjin.
- Russian June 2018 HRC prices dipped as participants stayed away owing to the on-going World Cup football tournament. Metal Bulletin's assessment of Russia-origin 4mm HR sheet prices was at 44,700-44,950 roubles/t (\$710-714) cpt Moscow at month-end.

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[Source Credit: Metal Bulletin]

## SPECIAL FOCUS

### India, Iran drives up global DRI production by 17% in May 2018

Global output of direct reduced iron (DRI) increased by 16.7 per cent year-on-year (yoy) in May 2018 and by 17.0 per cent during January-May 2018, as per provisional World Steel Association (worldsteel) report. DRI production worldwide rose to 7.12 million tonnes (mt) in May 2018, compared with 6.1 mt in the corresponding month last year, according to worldsteel. May 2018 DRI output was driven by a substantial growth in Iran, where output rose by 38 per cent yoy during this month to 2.31 mt. India recorded modest growth in production during the month with its May 2018 output (2.43 mt) up by 3.3 per cent on yoy basis and the nation continued to be the world's largest DRI producer.

For January-May 2018, provisional worldsteel report indicates that global DRI output (35.11 mt) continued to be driven by India (12.36 mt) at the number one spot with a 7.3 per cent growth in production when compared to same period of last year. The country also accounted for 35 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 (11.19 mt) rose by a robust 53.5 per cent during this period and along with India, these two countries accounted for 67 per cent of global DRI output during this period. Together, the top five countries (details below) accounted for 86 per cent of the world DRI production during this period and saw their cumulative output rise by 20 per cent as compared to same period of last year.

World DRI Production: January-May 2018*			
Rank	Country	Qty (mt)	%change over last year
1	India	12.36	7.3
2	Iran	11.19	53.5
3	Mexico	2.45	-5.0
4	Egypt	2.36	20.4
5	Saudi Arabia	1.98	0.5
	<b>Top 5</b>	<b>30.34</b>	<b>19.8</b>
	<b>World</b>	<b>35.11</b>	<b>17.0</b>
	<b>%Share : Top 5</b>	<b>86</b>	<b>-</b>
Source: World Steel Association; *provisional			

## INDIAN STEEL MARKET ROUND-UP

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

The following is a status report on the performance of Indian steel industry during April-May 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-May 2018 (mt)*	April-May 2017 (mt)*	%change*
<b>Crude steel production</b>	17.434	16.427	6.1
<b>Total Finished Steel (alloy + non-alloy)</b>			
Production for sale	17.850	17.109	4.3
Import	1.217	1.062	14.6
Export	0.987	1.388	-28.9
Consumption	15.325	14.123	8.5
Source: JPC; mt=million tonnes;* provisional			

### **I. Crude Steel**

- Production of crude steel during April-May 2018 was at 17.434 million tonnes (mt), a growth of 6.1 per cent compared to same period of last year.
- SAIL, RINL, TSL, ESSAR, JSWL & JSPL produced 10.25 mt during this period, which was a growth of 9.9 per cent compared to last year. The rest i.e. 7.183 mt was the contribution of the Other Producers, which was a growth of 1.2 per cent compared to last year.

### **II. Total Finished Steel**

#### **a) Production for sale**

- During April-May 2018, production for sale stood at 17.85 mt, a growth of 4.3 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 16.181 mt (up by 4 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where production for sale was up by 12.2 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 7.89 mt (up by 5.4 per cent) while that of the flat segment stood at 8.29 mt (up by 2 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 6.24 mt (up by 6 per cent), 1.45 mt (up by 4.5 per cent) and 0.19 (up by 1.5 per cent).
- On the other hand, for the flat segment, with the exception of HRC (3.91 mt, down by 2.2 per cent), production for sale was up for most of the leading items like Plates (0.88 mt, up by 17 per cent), CRC (1.27 mt, up by 1 per cent) and GP/GC Sheets (1.32 mt, up by 2.3 per cent).

#### **b) Export**

- Exports stood at 0.987 mt during April-May 2018, a decline of 28.9 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 0.904 mt (decline of 24.4 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where exports were down by 57 per cent.
- In the total export of finished non-alloy steel, export of non-flat was at 90 thousand tonnes (down by 46 per cent) and that of flat steel was at 0.814 mt (down by 21 per cent).

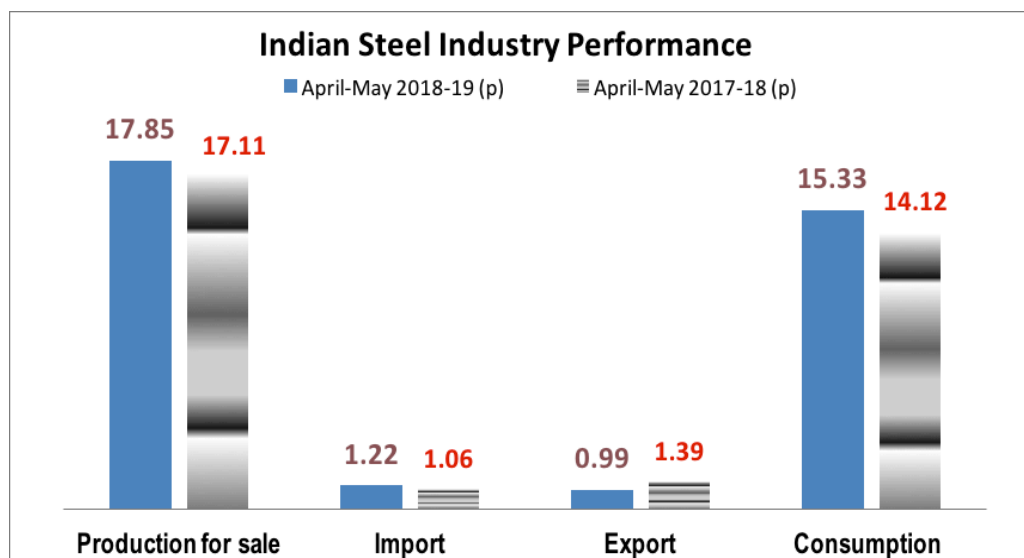
- In the non-alloy, non-flat segment, in volume terms, major contributor to export was bars & rods (72 thousand tonnes, down by 43 per cent) while growth in exports in the non-alloy, flat segment was led by HRC (0.33 mt, down by 9 per cent).

#### c) Import

- Imports stood at 1.217 mt during April-May 2018, a growth of 14.6 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 0.963 mt (growth of 36.2 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where imports were down by 28.5 per cent.
- In the import of total finished non-alloy steel, non-flat imports were at 96 thousand tonnes (up by 48 per cent) and flat imports were at 0.867 mt (up by 35 per cent).
- In the non-alloy, non-flat segment, major contributor to import was bars & rods (63 thousand tonnes, up by 5 per cent) while for the flat segment, import was led by HRC (0.353 mt; up by 48.3 per cent).
- Such trends in export-import implied that for total finished steel, India was a net importer in April-May 2018.

#### d) Consumption

- During April-May 2018, consumption of total finished steel stood at 15.325 mt, a growth of 8.5 per cent over same period of last year.
- For non-alloy steel, contribution of the non-flat segment stood at 7.486 mt, up by 4.5 per cent over same period of last year and that of the flat segment (after accounting for double counting) stood at 6.467 mt, up by 15.5 per cent over same period of last year, taking total non-alloy consumption (after double counting) to 13.953 mt, up by 9.3 per cent. The remainder was the contribution of the alloy/stainless segment, which reported a growth of 1.1 per cent during this period.
- In the non-alloy, non-flat segment, the major contributor to consumption was bars & rods (5.85 mt; up by 2.4 per cent) whereas for the flat segment, consumption was led by HRC (3.71 mt, down by 1.4 per cent).





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### III. JPC Market Prices (Retail)

May 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.

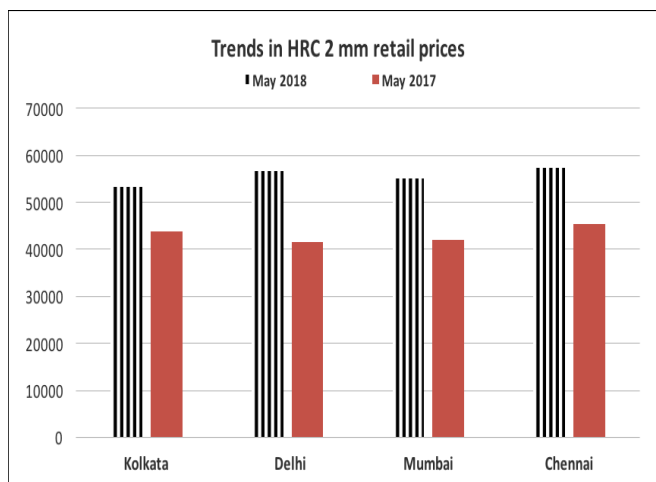
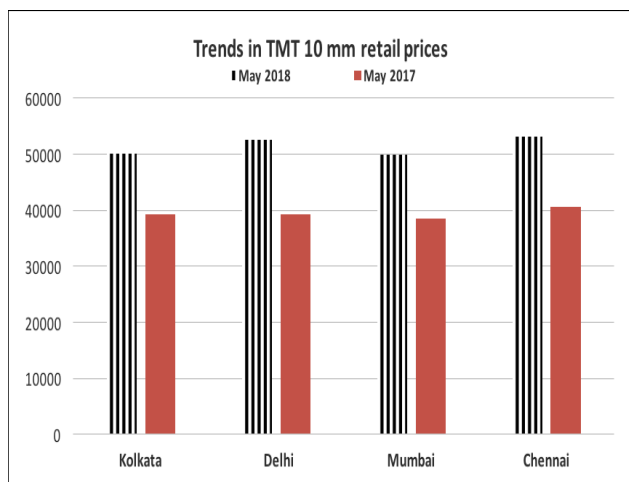
**Delhi market prices:** Compared to May 2017, average (retail) market prices in Delhi market in May 2018 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), largely in response to domestic demand-supply conditions and global influences. The situation in May 2018 with regard to May 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 May 2018		
Item	Delhi market prices (Rs/t)	%change over May 2017
TMT, 10 mm	52,501	34
HRC, 2.0 mm	56,734	37
Source: JPC		

**All markets:** Compared to May 2017, average (retail) market prices of iron and steel in May 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 May 2018 with regard to May 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 May 2018 over May 2017				
Item	Kolkata	Delhi	Mumbai	Chennai
TMT 10mm	27.5	34.0	29.9	30.7
HR Coils 2.00mm	21.9	36.7	31.2	26.3
Source: JPC				

TMT prices were highest in the Chennai market (Rs 53,068/t) and lowest in the Mumbai market (Rs 49,949/t) while HRC prices were highest in the Chennai market (Rs 57,230/t) and lowest in Kolkata market (Rs 53,290/t) during May 2018.



## INDIAN ECONOMY – HIGHLIGHTS OF PERFORMANCE

**GDP:** The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation has released the estimates of Gross Domestic Product (GDP) for 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) under new series was up by 4.9 per cent yoy in April 2018, encouraged by stable growth in most of the leading sectors.

**Infrastructure Growth:** The yoy growth rate of the eight core infrastructure industries was up by 4.7 per cent in April 2018, encouraged by growth in most sectors except Crude Oil and negligible growth in case of Electricity.

**Inflation:** The annual rate of inflation, based on monthly WPI, stood at 4.43 per cent (provisional) for the month of May 2018 (over May 2017) as compared to 3.18 per cent (provisional) for the previous month. Build up inflation rate in the financial year so far was 1.38 per cent compared to a build up rate of (0.27) per cent in the corresponding period of the previous year. The all India CPI inflation rate (combined) for May 2018 stood at 4.87 per cent, compared to 4.58 per cent of the previous month.

**Trade:** Provisional figures from DGCI&S show that during April-May 2018, in dollar terms, overall exports were up by 12.58 per cent while overall imports were up by 9.72 per cent, both on yoy basis. During the same period, oil imports were valued at US\$ 21.91 billion which was 45.56 per cent higher yoy while non-oil imports were valued at US\$ 61.19 billion which was 0.83 per cent higher yoy. The overall trade deficit for April-May 2018-19 is estimated at US \$ 21.69 billion as compared to US \$ 21.41 Billion during April-May 2017-18.