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Why medium-term steel demand will continue to be robust? CareEdge Research explains with 5 important factors

The steel industry's production and consumption grew by 18.1 and 11.4 per cent, respectively, on a year-on-year (YoY) basis in FY22, the report stated.



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The medium-term steel demand will continue to be robust due to the government's infrastructure push and increased investments amid an overall rebound in the Indian economy, a credit rating agency CareEdge Research pointed out in its June report.

The steel industry's production and consumption grew by 18.1 and 11.4 per cent, respectively, on a year-on-year (YoY) basis in FY22, the report stated. Besides, steel exports remained robust for the third straight year and increased by 25.1 per cent during FY22 against 29.1 per cent growth in FY21.



"International factors such as environmental concerns surrounding China's steel industry, an uptrend in global steel prices and higher demand from European nations led to the increased shipments from India," CareEdge said.

International steel prices rose significantly to upwards of USD 1,200 per tonne in March 2022 due to the geopolitical tensions around Russia, CareEdge said, adding that the higher global steel prices led to significantly higher export volumes, which in turn led to an increase in domestic steel prices.

Given the rise in steel, prices have an adverse impact on infrastructure push and a secondary impact on inflation, the government, in May 2022, imposed a 15 per cent export duty on a range of finished steel products - making exports less attractive, it also noted.

Also, the import duty on various raw materials (like coking coal, iron-ore, ferro-nickel) was reduced. This will likely improve domestic steel demand as well as soften the domestic steel prices.

Steel production in India will be driven by five factors such as:

- An increase in allocation of capex by 36 per cent YoY at Rs. 7.5 lakh crore in Union Budget 2022-23.



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