

# Steel producers to benefit from rising steel prices amidst geopolitical tensions

March 11, 2022 | Industry Insights

## Geopolitical tensions lead to rising steel prices and increased demand

The ongoing Russia-Ukraine crisis has impacted the availability and prices of key commodities such as steel. Russia is the 2<sup>nd</sup> largest steel exporter (followed by China) and 5<sup>th</sup> largest steel producer in the world. As per the World Steel Association, Russia had produced 76 million tonnes (MT) in calendar year (CY) 2021 and had exported 32 MT of steel in CY 2020 followed by 51 MT of steel exported from China. During CY20, Ukraine too had exported 15 MT of steel to the world and had produced 21 MT. (Refer Table 1). As a result, the disruption or exclusion of steel exports from these two nations to an extent will likely have an impact on international supply situation and thus leading to increased prices.

**Table 1: Top 5 Steel Producers and Exporters**

Country	Production(in MT)	Country	Exports (in MT)
China	1,033	China	51
India	118	Russia	32
Japan	96	Japan	30
USA	86	South Korea	28
Russia	76	European Union (28)*	23

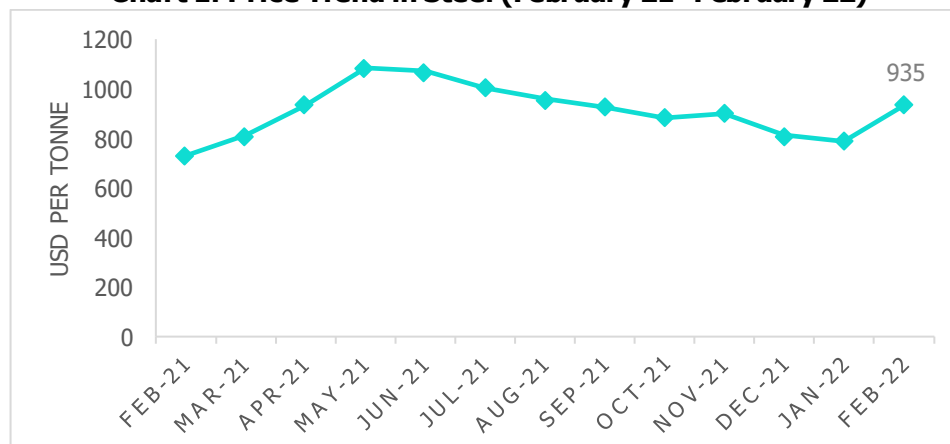
Source: World Steel Association

Note: Production numbers are of CY 2021 and Export numbers are of CY 2020

\*indicates excluding intra-regional trade

During the period April 2021-February 2022, the world export prices of Hot-rolled Ribbed Steel Bar (HRB) averaged at USD 936.7 per tonne. This implies a strong growth of 76% in the prices of HRB on a y-o-y basis. A pick up in global and domestic demand and investment capital expenditure supported the upward momentum in prices. In addition to this, higher iron ore prices also contributed towards the growth in steel prices. Further, the demand-supply issues caused by the conflict and the increase in input costs (iron ore and coking coal) are expected to keep the steel prices firm.

**Chart 1: Price Trend in Steel (February 21- February 22)**



Source: Industry Sources

### Healthy increase in domestic steel production during ten months ended January 2022

During the first 10 months of FY22 (April- January), the production of finished steel increased by 21% to 93 MT compared to the same period previous year (April-January 2021). The growth in production is backed by a healthy 15% increase in consumption and around 26.1% rise in exports during April-January 2022. The production rebounded as domestic demand gathered pace with investment in infrastructure, focus on vaccination and policy support by the government.

As per the National Steel Policy 2017, the Government is targeting crude steel production of 300 MT by 2030-31 from current levels of around 110 MT in 2020-2021.

**Table 2: Domestic steel production and consumption for April-January**

Production	10MFY20	10MFY21	10MFY22	Growth %	Growth %	Growth %
				(FY21 v/s FY20)	(FY22 v/s FY21)	(FY22 v/s FY20)
Crude Steel Production	92	84	99	-8.6%	18.0%	7.9%
Finished Steel Production	87	77	93	-11.4%	21.0%	7.3%
Finished Steel Consumption	86	76	87	-11.6%	15.0%	1.6%

Source: CMIE

The steel consumption surpassed the pre Covid-19 level of 86 MT during April-January 2020 and stood at 87 MT during April-January 2022. This is on account of an estimated increase in demand from sectors like construction, automobiles etc.

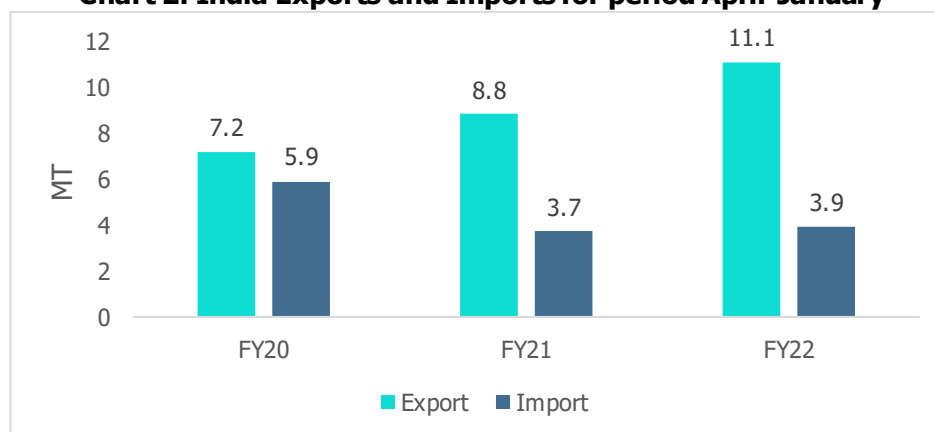
### Steel Trade Data

#### Exports

The exports of finished steel from India was at a high of 11.1 MT for the period April-January 2022, an increase of 26.1%. The exports during the period have already crossed the finished steel exports of 10.8 MT made by India during FY21 and India continues to remain net exporter of steel for third year in a row.

During the period April-November 2021, surge in exports to Italy with 1.1 MT (112%), Belgium with 1 MT (231%), as compared to same period in previous year contributed towards overall growth in shipments. The overall exports of finished steel were at all-time high at 10.9 MT during the period April-November 2021.

**Chart 2: India Exports and Imports for period April-January**



Source: CMIE

**Imports**

India's finished steel imports was 3.9 MT during the period April-January 2022, an increase of 3%. The overall imports had declined by a sharp 36.7% during April-January 2021.

During April-November 2019, Korea was one of the major countries that contributed to imports of around 2 MT. This declined to 1.4 MT resulting in decrease in exports during the period April-November 2021. The government in May 2020 has issued "Steel and Steel Products (Quality Control) Order, 2020 to resist any manufacturing or import of non-standardised steel. The order states that products mentioned under the order should have standard mark under license from Bureau of Indian Standards. Also, government supports domestic manufacturing of steel in that promotes its aim of Make-in- India.

**Outlook**

The disruption in global steel supply is expected to benefit the Indian steel industry . Russia being the major exporter of steel to European Union (EU), the restrictions on the export from Russia to EU will create opportunity for India. In addition, the demand for Indian steel industry will be supported by increased government spending on infrastructure and a gradual economic recovery. The Union Budget 2022-23 has seen an increase of 36% Y-o-Y in allocation of capex at Rs. 7.5 lakh crore. The budget has infrastructure push towards seven engines (roads, railways, airports, ports, mass transport, waterways and logistic infra). The allocation for various schemes like Pradhan Mantri Awas Yojana (PMAY) scheme, Jal Jeevan Mission will have a positive impact on specialty steel and long steel players.

## Contact

Saloni Shah	Analyst	saloni.shah@careedge.in	+91-22-6837 4400
Bhagyashree Bhati	Lead Analyst	bhagyashree.bhati@careedge.in	+91-22-6837 4400
Kanmaani S	Associate Director	kanmaani.s@careedge.in	+91-22-6837 4423
Tushar Shah	Director	tushar.shah@careedge.in	+91-22-6687 4470
Mradul Mishra	Media Relations	mradul.mishra@careedge.in	+91-22-6754 3596

CARE Advisory Research & Training Ltd

(Wholly-owned subsidiary of CARE Ratings Ltd.)

A-Wing, 1102-1103, Kanakia Wall Street, Chakala, Andheri-Kurla Road, Andheri East, Mumbai- 400093

Phone: +91-22-68374400

Connect :



## About:

CareEdge (CARE Group) is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics capability and detailed research methods. CareEdge Ratings is one of the leading credit rating agencies in India. It has an impressive track record of rating companies for almost three decades and has played a pivotal role in developing the corporate debt market in India. CareEdge provides near real time research on all domestic and global economic developments. The wholly owned subsidiaries include CareEdge Advisory & Research arm focused on providing advisory and consultancy services and CareEdge Risk solutions a platform that provides risk management solutions.

## Disclaimer:

This report is prepared by CARE Advisory Research and Training Limited (CareEdge Research). CareEdge Research has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CareEdge Research is not responsible for any errors or omissions in analysis / inferences / views or for results obtained from the use of information contained in this report and especially states that CareEdge Research has no financial liability whatsoever to the user of this report.