

Steel Update: Production and Prices

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Steel production

The finished steel production in India increased for the fourth consecutive month ended July 2017 on a y-o-y basis of financial year 2017-18. Output during the month increased by 9.2% to 8.2 million tonnes compared to July 2016.

On a cumulative basis, finished steel production grew by 6.9% y-o-y to 34.3 million tonnes during April-July 2017. The trend in production is expected to continue in the coming months as well on the back of various initiatives undertaken by the government. The approval given by the Union Cabinet for National Steel Policy is an indication of government's support towards the industry.

Steel prices

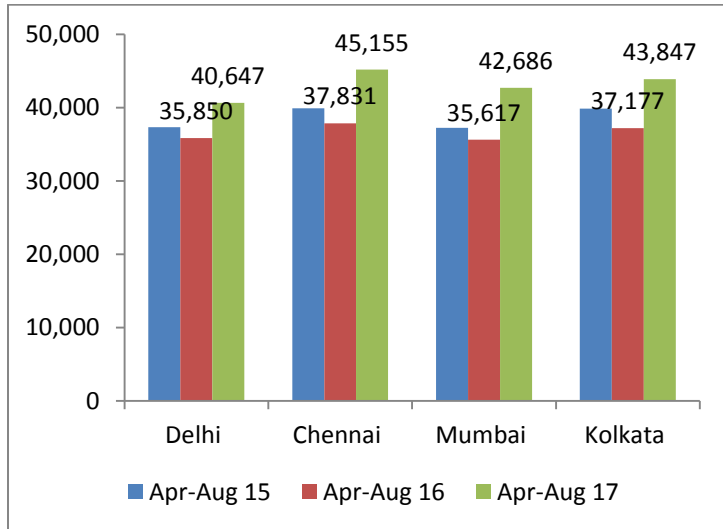
The average domestic flat steel prices (HR coils and CR coils) had declined on a y-o-y basis during the period April-August 2016. These prices showed an upward trend and averaged 5-20% higher during the period April-August 2017 compared to the corresponding period a year ago. The prices of long steel products (bars/rods) followed the trend similarly. The increase in steel prices on a y-o-y basis was witnessed across all the markets.

The rise in steel prices can be attributed to the growth in international steel prices. The average HRB prices in China rose by 26.3% y-o-y to USD 433.5 per tonne during April-August 2017.

The improvement in prices is on account of supply cuts undertaken by the Chinese government to reduce over capacity and also to handle pollution. Also, improved demand for steel in China backed by government stimulus is believed to have supported the prices.

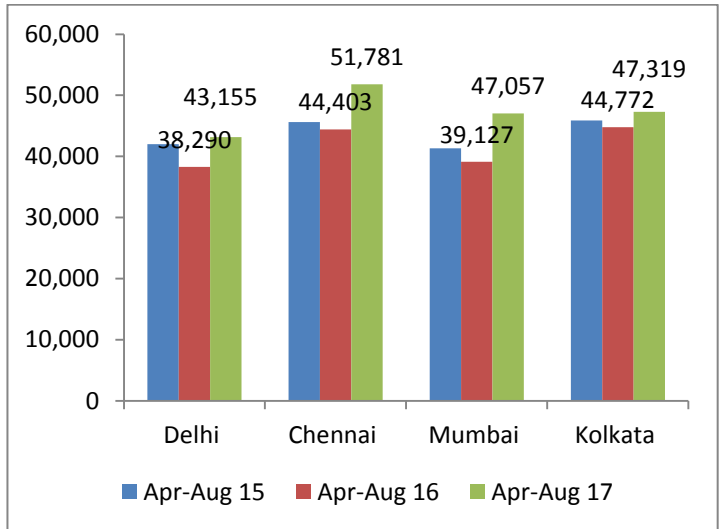
Besides, consumption of steel in the country grew by around 4% during April-August 2017 compared with the corresponding period a year ago as per market view. This is also believed to have aided the increase in steel prices. The consumption of steel had increased by 0.5% during April-August 2016 on a y-o-y basis.

Chart 1: HR Coil prices across markets (Rs. /tonne)



Source: CMIE

Chart 2: CR Coil prices across markets (Rs. /tonne)



Source: CMIE

Concluding remarks

- On a cumulative basis, finished steel production grew by 6.9% y-o-y to 34.3 million tonnes during April-July 2017. The trend in production is expected to continue in the coming months as well on the back of various initiatives undertaken by the government.
- The increase in domestic steel prices can be primarily attributed to rise in international steel prices and improved domestic consumption which grew by around 4% during April-August 2017 compared to the corresponding period a year ago as per market view. The consumption of steel had increased by 0.5% during April-August 2016 on a y-o-y basis.

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