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**Global market:**

The Covid-19 pandemic has crippled demand in major steel-consuming sectors and impacted steel production globally. However, as other countries struggled with their manufacturing, China continued to churn out more steel as government stimulus measures revived demand.

China reported year-on-year growth in steel production in April and May 2020 while output sank in other major steel producing countries.

Global steel output dropped for the third straight month in May 2020 by 8.7% to 148.8 mt as compared with 163 mt in May 2019. China, world’s largest producer and consumer of steel reported 4.2% rise in its steel output to 92.3 mt in May 2020 as compared to May 2019. Steel production in the rest of the world (excluding China) fell by a sharp 24.1% to 56.5 mt.

This enabled China to increase its share in total global steel production to 62%, up from just over half in CY 2019.

**Table 1: Steel production by major producers (million tonnes)**

Country	May 2020	% y-o-y change
<b>World</b>	<b>148.8</b>	<b>-8.7</b>
China	92.3	4.2
Japan	5.9	-31.8
India	5.8	-39.1
South Korea	5.4	-14.1
USA	4.8	-36.6
EU (28)	10.5	-26.8
CIS (6)	8.2	-7.6
Brazil	2.2	-22.6
Turkey	2.3	-25.8

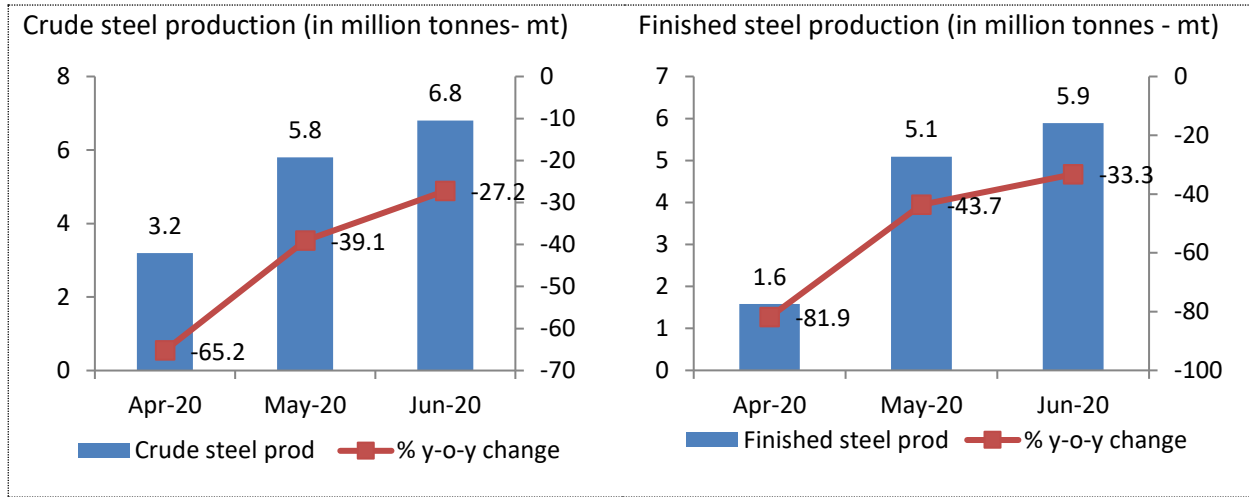
Source: World Steel Association

**Domestic steel production continues to show month-on-month improvement:**

Domestic steel production which had fallen to record low levels in April 2020 due to the lockdown has shown recovery since then, with the gradual reopening of the economy. Production of crude steel improved from 3.2 million tonnes (mt) in April 2020 to 5.8 mt in May and 6.8 mt in June 2020. Finished steel production also improved from 1.6 mt in April 2020 to 5.1 mt in May and 5.9 mt in June 2020.

However, the production of crude steel and finished steel in June 2020 were still lower by 27.2% and 33.3% respectively, in June 2020 as compared to June 2019, although the decline in production has narrowed in recent months.

**Chart 1: Trend in production of crude steel and finished steel**



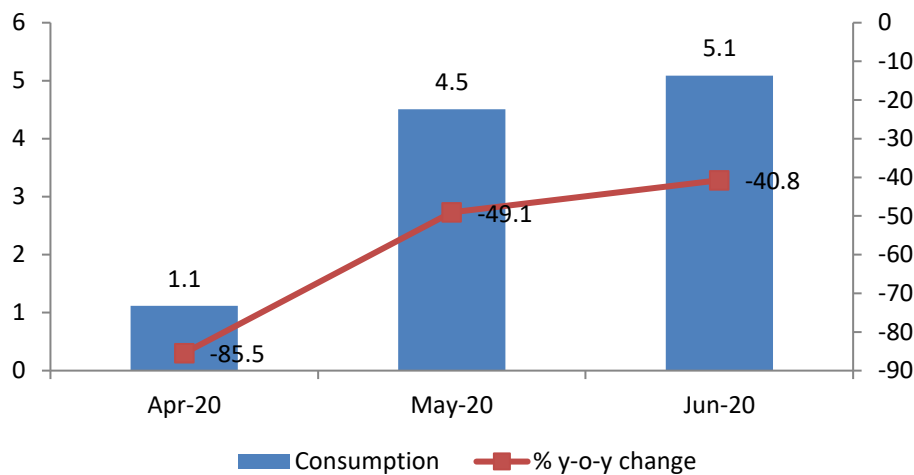
Source: JPC

**Consumption:**

Consumption of finished steel also showed improvement in May and June 2020 over April 2020. Finished steel consumption jumped 304% in May 2020 over April 2020 and continued to show improvement in June 2020. However, compared to year-ago levels, consumption was still down sharply by 40.8% in June 2020.

Share of export in total finished steel production rose from 3% in June 2019 to 27% in June 2020. Large scale domestic steel producers resorted to higher exports to tackle tepid demand in the domestic market.

**Chart 2: Trend in Finished steel consumption**



## Trade:

### Imports fall, exports jump:

Increased domestic supply of steel has led to fall in imports and a surge in exports. India exported 1.3 mt and 1.5 mt of finished steel in May and June 2020, respectively, up from 0.4 mt in April 2020. Imports, on the other hand fell, sharply from 0.4 mt in April 2020 to 0.2 mt in June 2020.

India remained a net exporter of finished steel during June 2020 with a net trade surplus of 1.3 mt.

**Chart 2: Export-Import of finished steel**



### Top export destinations for Indian steel:

China and Vietnam were top destinations for Indian steel exports. These two countries together accounted for nearly 64% of total steel exports from India in June 2020, substantially higher as compared to just 6.2% in June 2019.

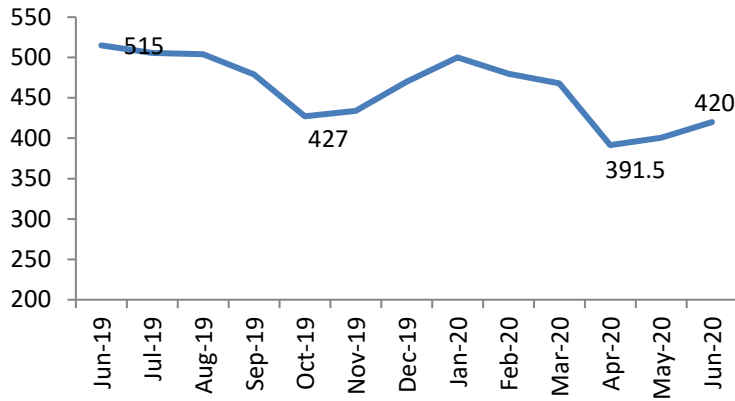
On the other hand, UAE and Nepal which together accounted for 40% of total steel exports from India in June 2019 saw their share fall to just 8% in June 2020.

### Importing countries:

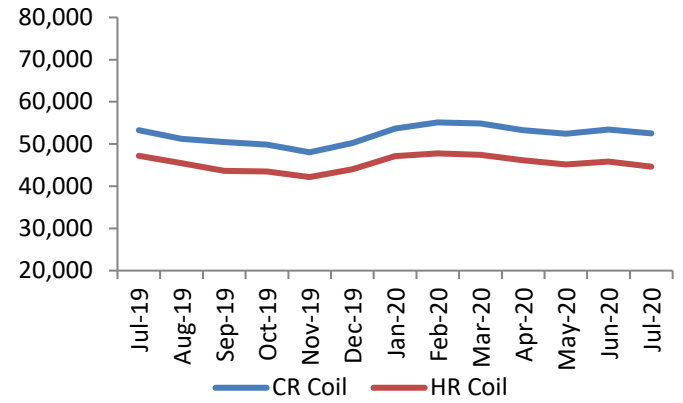
Share of steel imports from Korea, Japan, Germany declined in June 2020 while it increased for China and France as compared to their share in June 2019.

**Prices:**

**Trend in World Export price of HR Bar (USD/tonne)**



**Domestic steel prices of HR Coils and CR Coils (Price per '000 tonnes of steel items)**



Source: JPC

Prices of CR and HR coils in the domestic market improved marginally by 1.5-1.8% in June over May 2020 but were again down by 1.7-2.6% in July 2020. This is because of gradual improvement in logistics and labour issues as supply and inventory of steel in the domestic market continues to remain higher than demand. Finished steel inventory at the end of June 2020 stood at 13.48 mt.

**Outlook for FY21:**

Recovery in domestic demand has been slow due to migration of labour, supply-chain disruptions, prevailing lockdown in many cities etc. CARE expects domestic steel demand to recover only post monsoon led by improvement in infrastructure activities and expectation of increase in automobiles production. Demand from construction sector is expected to take longer to recover.

As the lockdown measures would continue to relax further in coming months, steel production would also pick-up although demand may not witness a similar corresponding rise due to the seasonally weak September quarter. This is likely to keep steel prices in check at least till the September 2020 quarter.

However, higher exports, lower raw materials prices and better availability of domestic coal is expected to provide much needed relief to steel players grappling with destruction in domestic demand and low realisations.