

## Steel Sector Update – August 2020

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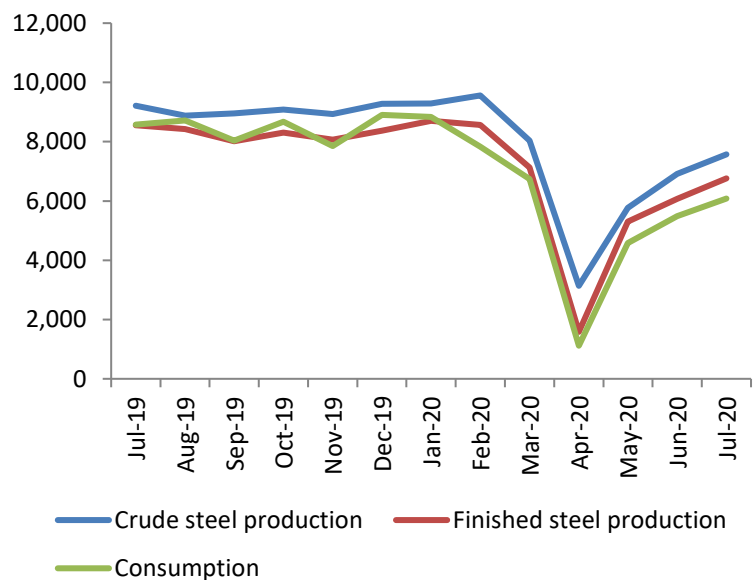
India’s steel production which had fallen to record low levels in April 2020 due to Covid-19 induced nation-wide lockdown has shown a V-shaped recovery since then.

Steel production continues to improve sequentially for the third straight month ended July 2020. Production of crude steel improved by 9.5% to 7.6 million tonnes (mt) in July 2020 compared to June 2020. Production of finished steel also improved 11.4% to 6.8 mt in July 2020 as compared to June 2020. However, on a y-o-y basis, production of crude steel and finished steel were lower by 20.1% and 21.5%, respectively. Consumption of finished steel in July 2020 registered an increase of 10.9% on m-o-m basis but was lower by 29.06% over July 2019.

Hence while there was improvement in production levels on month-on-month basis, growth was lower over last year.

**Chart 1**

**Trend in production and consumption of steel ('000 tonnes)**



Source: JPC

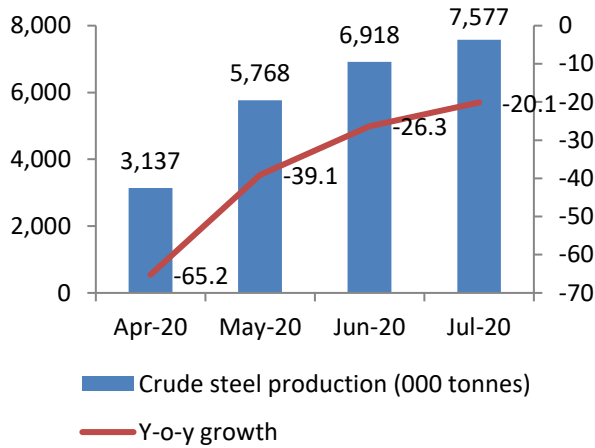
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Chart 2 presents the growth rates in the last 4 months.

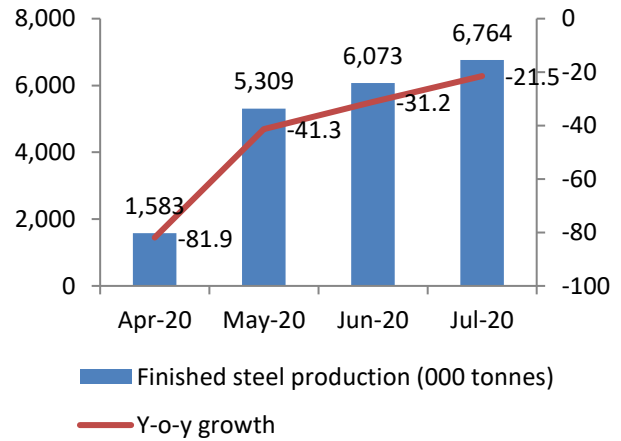
Chart 2

Trend in finished steel and crude steel production in FY21

Crude steel production



Finished steel production



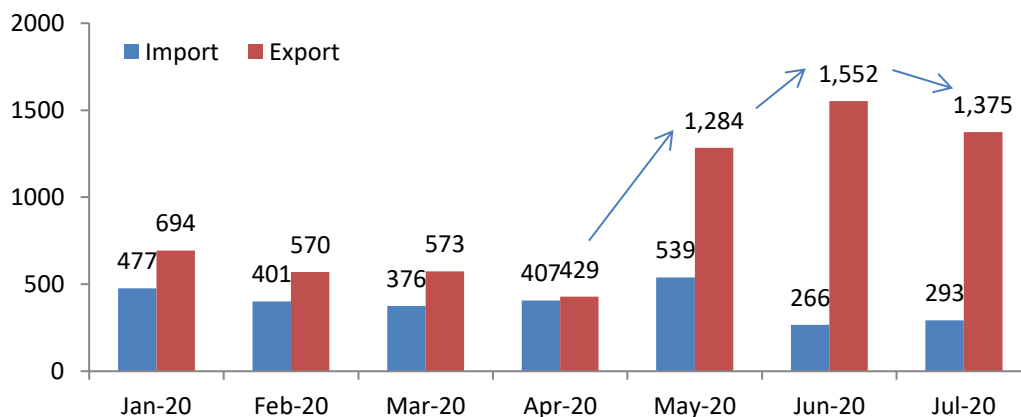
Source: Ministry of Steel, JPC

Trade scenario:

Export of finished steel has seen a huge jump during the last three months due to significant increase in exports to China, Spain and Italy. India exported 7.2% of total finished steel produced in July 2019 which increased to 20.3% in July 2020. Export of finished steel during July 2020 was significantly higher as compared with July 2019 whereas, imports were 63.1% lower compared with July 2019.

However, sequentially, imports of finished steel were 10.3% higher in July 2020 while exports at 1.4 million tonnes were 11.4% lower as compared to in June 2020.

Chart 3: Import and export of finished steel



Source: JPC

**Table 1: % Change in share of finished steel export to below countries from India as on July 2020**

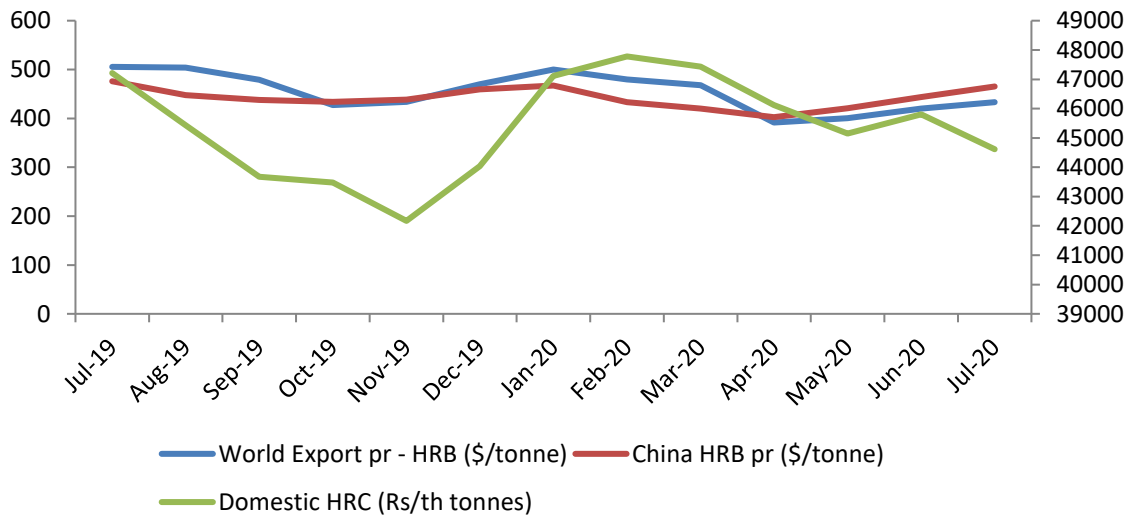
	July 2019	July 2020	
China	0.07%	24.00%	↑
Italy	3.00%	5.00%	↑
Spain	3.00%	6.00%	↑
Hongkong	0.04%	4.00%	↑
Vietnam	37.00%	31.00%	↓
Nepal	16.00%	5.00%	↓
Others	41.00%	25.00%	↓

Source: JPC

There has been a significant increase in exports to China, Spain and Italy in July 2020 as compared to July 2019. However, exports from India to Vietnam and Nepal declined during the same period.

**Prices:**

**Chart 3: Trend in international and domestic steel prices**



Source: Steelbenchmarker, JPC

International steel prices bottomed in April 2020 but have since recovered. Prices have risen month-on-month since April driven by increased consumption by China. World export steel prices of HRB have risen 11% since April 2020 on the back of 16% rise in steel prices in China. In the domestic market, retail prices of steel picked by a marginal 1.5% in June 2020 as compared to May 2020. However, in July prices fell by 2.6% due to decline in exports and increase in imports in July 2020 over June 2020, slacked domestic demand and lower raw material cost.

Prices of iron ore lumps as well as fines remained unchanged for the month of July 2020.

**World Crude Steel Production:**

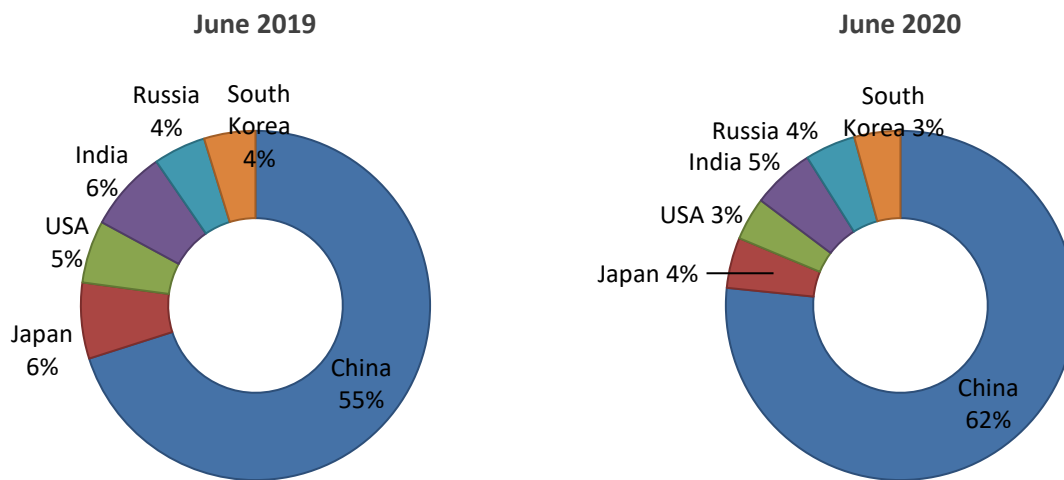
Global crude steel production was lower by 0.3% in June 2020 compared to May 2020 and by 7% compared to June 2019. Among all major steel producing countries, China was the only country to report year over year improvement in crude steel production by 4.5%. This is because; China started to recover from the Covid-19 pandemic from Mid-March onwards and started production and trade activity. While India remained the only country to report month-on-month improvement in steel production in June 2020, up by 13.4%. However, compared to last year’s levels steel production was lower by 26.3% in June 2020.

**Table 2: Top Crude Steel Producing Countries (in thousand tonnes)**

Country	May 20	June 19	June 20	% y-o-y growth	% m-o-m growth
China	92,267.0	87,671.0	91,579.0	4.5%	-0.8%
India	6,100.0	9,387.0	6,917.0	-26.3%	13.4%
Japan	5,923.0	8,793.0	5,598.0	-36.3%	-5.5%
South Korea	5,476.0	5,949.0	5,097.0	-14.3%	-6.9%
USA	4,912.0	7,244.0	4,746.0	-34.5%	-3.4%
<b>World Total</b>	<b>148,727.0</b>	<b>159,541.0</b>	<b>148,295.0</b>	<b>-7.1%</b>	<b>-0.3%</b>

Source: World Steel Associations

**Chart 4: Change in share in production of crude steel by countries**



Source: World Steel Association

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