Domestic steel prices turn volatile on weak buying, slowing export orders

Abhishek Law
New Delhi

India's domestic steel prices continue to remain volatile amidst lacklustre buying driven by slow overseas demand, dip in export offers and less-than-expected off-take in traders' markets.

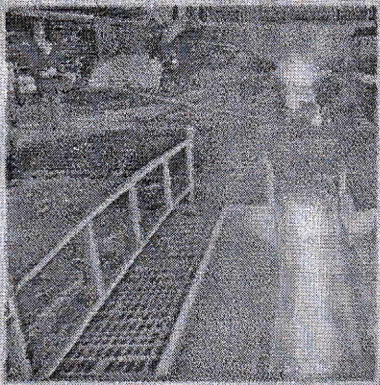
The benchmark hot-rolled coil (HRC) prices were hovering at ₹59,200 per tonne this week, down by 2 - 3 per cent over the same period last month (mid-March).

There had been some cooling off in HRC prices post mid-March with prices falling to ₹60,000 per tonne-ex Mumbai. By March-end, prices had cooled off further to ₹59,900 per tonne, as per data from SteelMint. Hikes announced by some of the mills had not been accepted well either.

In the first week of April, HRC prices were around ₹60,200 per tonne - almost same as March, but later came down to below ₹60,000 per tonne.

A major steel player had announced HRC prices for April at ₹61,750 per tonne, but trade level prices were at a nearly ₹1,300 per tonne discount, sources said.

"Our channel checks indicate there has even been some destocking in the domestic market," ICICI Securities said in a report, adding that on the cost front, there is some respite as global coking coal prices have corrected by a further \$13/ tonne to \$288/tonne (lowest since January 2023).



Since mid-February, exports started slowing down and weighed on overseas offers.

EXPORT REALISATION

Trade sources say export realisation is at par with domestic at the moment. While Europe and the UAE seem to be the ideal market for pushing exports, offers have reportedly slowed down.

Since mid-February, exports started slowing down and weighed on overseas offers.

SteelMint's India HRC export index was assessed at \$560/t FOB east coast in mid-December 2022 and rose to \$715 / tonne FOB by early February. However, the same dropped to \$695 / tonne free-on-board.

Another major factor is the decline in Chinese HRC export offers that have turned buyers in the overseas and Indian markets more cautious, said a source.

DEMAND IN CHINA

For the first two months, the Chinese economy has been showing signs of recovery, on the back of pickup in consumption and higher infrastructure investment, and this is expected to grow 4 per cent.

However, a fall in the export order sub-index, coupled with a weaker outlook, reduced focus on infrastructure spend by the government there, and short-lived pickup in manufacturing PMI suggest that the boost from the manufacturing sector is limited, Motilal Oswal said in a report.

With China gradually shifting towards a service economy, the demand for the metal could be hit, it said adding that robust steel demand in India, Vietnam, the US, West Asia, and Latin America will not offset the reduced demand from China.