

Steel Exports Dip 33% on Weak Demand, China Competition

High domestic sales to compensate for dip in exports, keep prices stable: experts

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Mumbai: Tepid demand around the world and increasing competition from China have resulted in India's steel exports falling by a third, but local producers will have a limited impact given robust sales in the domestic markets, experts said.

Domestic demand will also help in keeping the price of the alloy stable in the count-

ry, they said. China's steel exports, including to India, have seen a sharp jump in recent months. Its shipments to India, for instance, hit a multi-year high in the June quarter.

Chinese mills are reported to be undercutting other steel producers in terms of prices.

This, in turn, has had an impact on exports by Indian steel companies, with countries in the Middle East and Vietnam buying more steel from China.

India exported 780,000 tonnes of finished steel and billets a month on average between January and July, as against an average of 1.08 million tonnes a year earlier, data from market intelligence platform SteelMint show.

Weak Link

780K tonnes
India's average steel exports a month between Jan-Jul vs 1.08 million tonne last year

World Steel Association sees Indian steel demand growing by 7.3% in 2023

Industry watchers say there will be little impact on margins of Indian cos despite dipping exports

Industry watchers, though, say that there will be little impact on the margins of Indian steelmakers despite the fall in exports.

"The margin impact of not having strong exports is not material, because domestic prices are strong, and demand is strong enough to sustain this," said an analyst with a leading Mumbai-based

brokerage, who did not wish to be named.

"India is the only bright spot in the world in terms of demand — there is no demand in China, US or the European region," he said.

One senior executive at a leading steel company backed this view. They said despite the dip in exports, local production between January

China's exports of steel have seen a sharp jump

and July increased, supported by higher consumption of steel in India.

"The first six months' data (January-June) reveal a rise in both the production and consumption of steel in India while exports volume has declined. This underscores the fact that Indian steel mills have always prioritised meeting domestic market requirements as part of their endeavours to accelerate India's growth journey before considering exports," said Ranjan Dhar, senior vice-president and chief marketing officer at steelmaker AM/NS India.

"Meanwhile, there was a significant increase in exports by China into global markets which resulted in intensifying competition," he said.

The World Steel Association sees demand for steel in India increasing 7.3% in 2023, significantly higher than the 2.3% demand growth it anticipates globally.

While there are some concerns of pressures on local prices of steel due to rising cheaper imports from China, experts say that the robust domestic demand, especially in the run-up to the general elections in 2024, will keep prices stable.

"We haven't seen any major correction in prices in August, and this is because of strong demand. We expect prices to remain stable, and correction seems to be a bit difficult from here," said another analyst with a Mumbai brokerage.