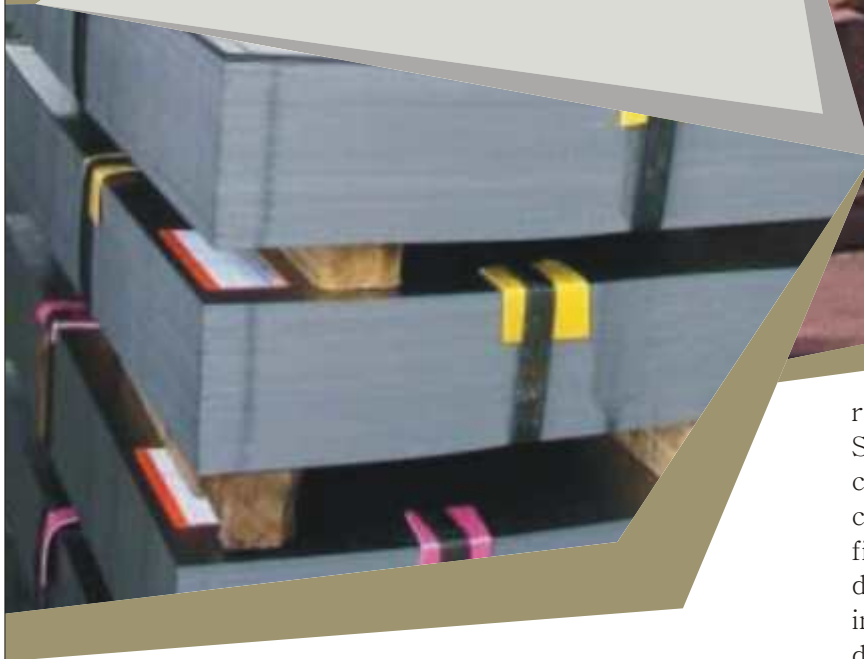


# Overview on Stainless Steel Market

- Nameeta Naik



reduction in production of stainless steel products in South Korea for January – March quarter of 2009 could be seen , Korean stainless steel companies consumed 115,354 tons of stainless steel scrap in the first quarter of 2009, having had a considerable decrease of 40.8% compared with that (194,817 tons) in the same quarter of 2008. Also, owing to a large decline in consumption of stainless steel scrap, the quantities of stainless steel scrap supplied to the market in South Korea for January – March quarter of 2009 were purchases from domestic sources : 43,581 tons (compared with 77,545 tons in the same quarter of 2008), imports from overseas countries : 26,695 tons (47,263 tons in 2008) and scrap generated from mills' own sources : 37,620 tons (67,602 tons in 2008).

**S**tainless steel prices have recorded large declines over the last twelve months. However, the bottom of the price cycle was reached early in the second quarter of this year. Between August 2008 and this point, transaction values for cold rolled coil type 304 in North America dropped by approximately 60 percent. In the EU, selling figures tumbled by over 52 percent and Asian numbers reduced by around 47 percent. Alloy surcharges in the West continued falling up to May 2009 as raw material costs plunged. Nickel values on the LME moved below \$US10,000 per ton for the first time since September 2003. Chromium and molybdenum figures also plummeted by more than 70 percent by April. Consequently, most stainless steel buyers withdrew from the market. A substantial



**TABLE 1: WORLD STAINLESS STEEL PRICES**

Date	Hot Rolled Coil		Hot Rolled Plate		Cold Rolled Coil		Drawn Bar	
	Grade 304	Grade 316	Grade 304	Grade 316	Grade 304	Grade 304	Grade 316	Grade 316
8-Mar	4003	6660	4866	7549	4248	6895	4894	7785
Apr	4290	6962	5132	7825	4536	7213	5128	8082
May	4393	7022	5232	7872	4634	7270	5238	8152
Jun	4323	6893	5175	7753	4565	7139	5215	8075
Jul	4092	6599	4960	7477	4313	6826	5074	7924
Aug	3945	6406	4810	7282	4165	6631	4836	7597
Sep	3544	5859	4385	6694	3765	6107	4349	7046
Oct	3350	5595	4146	6386	3567	5841	4141	6772
Nov	2894	4998	3679	5770	3108	5240	3785	6272
Dec	2373	3981	3156	4838	2586	4229	3216	5293
9-Jan	2177	3371	2976	4198	2407	3637	2977	4299
Feb	1960	3122	2803	3994	2204	3402	2736	3868
Mar	1815	2817	2559	3685	1993	3048	2545	3624
Apr	1798	2741	2540	3614	1996	2990	2520	3601
May	1827	2771	2558	3576	2026	3016	2457	3521

Source : MEPS

**TABLE 2 : MONTH-WISE INDUSTRIAL PRODUCTION OF STAINLESS/ALLOY STEEL IN INDIA**

MONTH-WISE INDUSTRIAL PRODUCTION OF STAINLESS/ALLOY STEEL IN INDIA												
(November 1993 to March 2009)												
(' 000 Tonne)												
Year	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1993-94*	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	28.5
1994-95*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
1995-96*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
1996-97*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
1997-98*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
1998-99	116	130	123	133	133	143.5	130.5	127.4	143.5	157.3	143.9	140.8
1999-00	137	130.8	133.6	151.4	146.2	193.9	159.7	164.2	177.6	203.7	182.3	192.4
2000-01	163.2	131.6	131.8	127	139	126.5	131.5	130.8	130.6	135	118.9	140.1
2001-02	112.4	123.2	123.2	121.4	128.3	127.5	131.7	122.9	132.1	139.7	125.9	125.6
2002-03	135.5	148.5	148.9	145.6	140.3	158.2	148.5	141.4	143.1	145.2	158.3	151.7
2003-04	141	145.3	141.5	145	143	142	148	155	160	160	150	160
2004-05	140	150	140	145	150	150	150	150	160	160	140	160
2005-06	150	160	160	170	170	180	190	180	190	190	170	210
2006-07	180	190	180	190	190	180	200	180	210	210	190	220

Note: \* : From Nov. 1993-94 to Mar. 1997-98 Figures Related to Stainless Steel Strips. Nil, Negligible or Not applicable.  
Source: Data as per Central Statistical Organisation (CSO), Compiled by India stat.



**TABLE 3: DOMESTIC APPARENT CONSUMPTION & PERCENTAGE GROWTH OF ALLOY STEEL IN INDIA**

DOMESTIC APPARENT CONSUMPTION AND PERCENTAGE GROWTH OF ALLOY STEEL IN INDIA (' 000 Tonnes)		
Years	Apparent Consumption	%age Growth of Apparent Consumption
2002-03	1780	
2003-04	1950	9.55
2004-05	1988	1.95
2005-06	2248	13.08
2006-07	2455	9.21
2007-08 (Provisional)	2500	1.83

Source : Lok Sabha Unstarred Question No. 4385, dated 24.04.2008.

**TABLE 4 : PRODUCTION OF ALLOY STEEL IN INDIA**

PRODUCTION OF ALLOY STEEL IN INDIA	
(2002-2003 to 2007-2008) (' 000 Tonnes)	
Years	Production for Sale
2002-03	1756
2003-04	2125
2004-05	2195
2005-06	2176
2006-07	2333
2007-08 (Provisional)	2510

Source : Lok Sabha Unstarred Question No. 4385, dated 24.04.2008.

**TABLE 5 : IMPORT OF ALLOY STEEL BY INDIA**

IMPORT OF ALLOY STEEL BY INDIA	
(2002-2003 to 2007-2008) (' 000 Tonnes)	
Years	Imports
2002-03	153
2003-04	213
2004-05	184
2005-06	455
2006-07	491
2007-08 (Provisional)	480

Source : Lok Sabha Unstarred Question No. 4385, dated 24.04.2008.

**TABLE 6 : EXPORT OF ALLOY STEEL FROM INDIA**

EXPORT OF ALLOY STEEL FROM INDIA	
(2002-2003 to 2007-2008) (' 000 Tonnes)	
Years	Exports
2002-03	11
2003-04	372
2004-05	324
2005-06	323
2006-07	349
2007-08 (Prov.)	450

Source : Lok Sabha Unstarred Question No. 4385, dated 24.04.2008.

Service centres rushed to sell material as the value of their inventories collapsed. Discounts on prices did little to encourage any real increase in purchase volumes. As a result, mills in all regions slashed output in a bid to stabilise the market. By the end of the second quarter of this year, stock levels held by distributors and end-users were at extremely low levels. Input costs also began to rise. These factors helped mills in all regions to force through advances in stainless selling figures over the past three months. Some end-user sectors began to recover slightly, particularly the automotive industry. However, consumption on the whole remains weak. Therefore, the actual quantities of stainless steel scrap purchased from these sources in the first quarter of 2009 had decreased in comparison with those in the same quarter of 2008. On the other hand, in consequence of that, in order to cope with the decreased output of stainless steel products, Korean stainless steel mills reduced their purchases of raw materials, the stocks of stainless steel scrap at mills as of the 31st March of 2009 had a substantial shrink and decreased to 21,133 tons by a considerable decline from that (50,194 tons) at the end of the same quarter of 2008, which increased to accord with an expansion in production of stainless steel.

The stocks of stainless steel scrap as of the 31st March of 2009 decreased to comply with a reduction in production of stainless steel and a certain difference between both positions of scrap stocks existed. The stock rate of stainless steel scrap against its monthly consumption at the end March of 2009 came down to 0.46 month, indicating a result of the reduced purchases, but that at the end March of 2008 was approximately one month. The production activities of stainless steel in South Korea have revived from May to June of 2009, mainly due to favorable exports of stainless steel products, and a tendency in South Korea to purchase stainless steel scrap has returned to a basic tone to recover.

Transaction values for austenitic flat products are forecast to continue moving higher in the short term. Customers are expected to increase order volumes further as they fill gaps in their inventories. Escalating raw material costs will also put upward pressure on stainless prices during the coming months. However, end-user consumption is likely to remain low throughout the remainder of 2009. This could restrict the increases in selling figures. Service centres in the EU and US are unlikely to build significant inventories in the run up to the financial year end. Production in all regions is expected to rise during the fourth quarter. This

**TABLE 6 : MONTHLY WHOLESALE PRICE INDEX OF ALLOY STAINLESS STEEL IN INDIA**

MONTHLY WHOLESALE PRICE INDEX OF ALLOY STAINLESS STEEL IN INDIA												
(APRIL 1994 TO MARCH 2009)												
Base Year : 1993-94 = 100												
Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1994				99.3	99.3	99.3	99.3	106.6	106.6	106.6	106.6	106.6
1995	117.4	117.4	117.4	117.4	119.8	119.8	119.2	119.2	119.2	119.2	119.2	119.2
1996	119.2	119.2	119.2	119.2	119.2	119.2	119.2	125.5	125.5	125.5	125.5	125.5
1997	125.5	125.5	125.5	125.5	125.5	125.5	125.5	125.5	125.5	125.5	125.5	125.5
1998	123.1	123.1	123.1	123.1	123.1	123.1	124.4	124.4	124.4	124.4	124.4	124.4
1999	124.4	124.4	124.4	124.4	124.4	124.4	124.4	124.4	124.4	124.4	124.4	124.4
2000	124.4	124.4	124.4	124.4	124.4	124.4	124.4	124.4	124.4	124.4	124.4	124.4
2001	124.4	124.4	124.4	124.4	125.9	129.1	130.3	130.3	130.3	130.3	130.3	130.3
2002	130.3	130.3	130.3	130.3	130.3	130.3	130.3	130.3	130.3	130.3	130.3	128.9
2003	128.4	128.4	128.4	128.4	128.4	129.9	131.4	131.4	131.4	131.4	131.4	131.4
2004	170.8	170.8	170.8	161.2	161.2	161.2	161.2	161.2	161.2	161.2	161.2	161.2
2005	161.2	161.2	161.2	161.2	161.2	207.5	207.5	196.9	196.9	196.9	196.9	196.9
2006	196.9	195.7	192	192	192	192	192	192	234.7	234.7	234.7	234.7
2007	234.7	234.7	234.7	313.9	313.9	313.9	313.9	313.9	313.9	313.9	313.9	313.9
2008	313.9	271.6	271.6	271.6	271.6	271.6	271.6	271.6	271.6	271.6	271.6	271.6
2009	271.6	214.8	214.8									

Source : Compiled from the statistics released by : Ministry of Commerce and Industry, Govt. of India.



could lead to oversupply and result in some price slippage during the final few months of 2009 in all parts of the world. A drop in nickel costs could add to the downward pressure over this period.

The global economic situation is expected to be on the road to recovery by the beginning of next year. Credit availability is likely to increase as banks strengthen their reserves and the amount of toxic debt is finalised. This should filter through to improved sales across the steel industry as buying power grows. Government stimulus

projects are likely to boost stainless demand. A rise in consumer spending could also help to improve consumption, particularly in the appliance sector. This should give distributors more confidence to further their inventory rebuilding plans. Consequently, we forecast the price recovery to resume early in 2010 with advances predicted to continue up to the summer.