Steel Consuming Sectors' Outlook: Momentum to continue with strong infrastructure spending pipeline and rising investments

Sector	Growth (%, y-o-y) CY22a	Drivers	Barriers	Growth (%, y-o-y) CY23f	Growth (%, y-o-y) CY24f
Construction *(SWIP wt: 64%)*	+8.3%	➢ **Infrastructure:** Rising govt investment in infra ➢ **Real Estate:** Rapid completion of projects under affordable housing scheme (PMAY) with Mar'24 deadline to support growth ➢ **Industrial construction** supported by PLI driven corporate capex growth	➢ High dependence on Govt funds, growth expected to moderate post election ➢ Higher interest rates, inflation and rising property rates	+8.4%	+7.2%
Capital Goods *(SWIP wt: 10%)*	+1.4%	➢ **Construction equipment:** Growth led strong infrastructure activity ➢ **Mechanical Machinery:** Machinery orders supported by corporate capex ➢ **Electrical machinery:** Supported by rising renewable capacity additions	➢ Rise in component cost due to revised emission norms to result in price hikes	+6.5%	+6.2%
Automotive *(SWIP wt: 9%)*	+18.8%	➢ **PV:** Healthy order book, traction from new model launches and stable semiconductor chip supplies ➢ **CV:** Replacement demand, infra-activities, improvement in fleet operators cash flows to support growth. Mandatory AC in truck cabins by CY24 to improve intensity	➢ Pace of 2W recovery is still uncertain – sluggish recovery in rural demand and price hikes due to reduction in EV subsidy and revised emission norms	+8.5%	+7.5%
Intermediate Goods *(SWIP wt: 7%)*	+13.3%	➢ **Bearing segment:** Growth to remain supported by PV and CV production ➢ **Project fabrication** to pickup with expected improvement in real estate and warehousing / data centers	➢ Weaker exports, continued transition to EVs and slower 2W recovery to impact growth	+6.7%	+6.1%
Consumer Durables *(SWIP wt: 6%)*	-2.5%	➢ **Appliances:** Demand to revive with improved consumption during festivals in CY23. Further growth to be supported by progress on PLI investments	➢ Higher inflation impacting discretionary spending	+0.9%	+6.0%
Railways *(SWIP wt: 4%)*	11.1%	➢ Govt budgetary allocation increased by 75% y-o-y to Rs 2.4 Tn in FY24 ➢ **Coaches:** Ramp-up in production of Vande Bharat trains ➢ **Wagon:** to grow with high freight demand	➢ Shortage of electric components and wheels for coaches	+10.6%	+7.4%

Source: CMIE; CRISIL; Industry Estimates *PLI: Production Linked Incentive PMAY: Pradhan Mantri Awas Yojana;.*

Steel Demand Projection Summary: India's steel demand forecast to improve driven by strong spending projections for 2023

	Mar'23 Submission			Sept'23 Submission		
	2022e	**2023f**	**2024f**	**2022a**	**2023f**	**2024f**
ASU (Mnt)	114.9	123.3	130.9	116.2	126.1	135.8
ASU Growth (%)	8.2%	7.3%	6.2%	9.3%	8.6%	7.7%
Change over previous base case forecast				*+1.3 Mnt (+1.1%)*	*+2.8 Mnt (+2.3%)*	*+4.9 Mnt (+3.7%)*
RSU (Mnt)	115.5	124.8	134.2	115.3	125.7	136.1
RSU Growth (%)	9.6%	8.1%	7.5%	9.5%	9.0%	8.2%

a: actual; p: provisional; f: forecast

Sources: JPC; Industry Consensus

ASU: Apparent Steel Use; RSU: Real Steel Use