Steel Industry Executive Summary: May 2019

Highlights

• From February 2019 to March 2019, U.S. imports of steel mill products decreased 7% to 2.1 million metric tons from 2.2 million metric tons.
• In March, capacity utilization was estimated at 82.2%, a decrease of 0.2 percentage points from 82.4% in February 2019.
• U.S. steel production increased by 7% to 7.4 million metric tons in March from 7.0 million metric tons in February 2019.

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Trade – U.S. Imports of Steel Mill Products

- From February 2019 to March 2019, U.S. imports of steel mill products decreased 7% to 2.1 million metric tons from 2.5 million metric tons.
  - February 2019 steel imports were down 32% from one year ago and down 19.5% from the 2018 average monthly volume of 2.5 million metric tons.
  - Steel mill imports in March were down 49% from the most recent import volume peak of 4 million metric tons in October 2014.
  - April 2019 license data suggest an increase in imports from March.

*Note: Import license data, indicated in a different color in the graph below, are not official U.S. Census data, reflect a rolling total of licenses received in the most recent two months, and are subject to change.*

Figure 1 – U.S. Imports of All Steel Mill Products from World

- In YTD 2019 (through March), U.S. imports of steel mill products amounted to 7.4 million metric tons, a 6.0% decrease from 7.9 million metric tons in YTD 2018.
  - In value terms, imports decreased, down 8.0% to $6.9 billion in YTD 2019 from $7.4 billion in YTD 2018.
  - Brazil accounted for the largest share of U.S. imports by partner country in YTD 2019 at 16.9%, followed by Canada (15.8%) and Mexico (10.8%).
  - The U.S. imported 2.4 million metric tons of flat products in YTD 2019, accounting for 32.6% of total steel mill imports, followed by semi-finished products at 1.9 million metric tons or 26.1% of total imports.
Trade – U.S. Trade Balance in Steel Mill Products

- U.S. imports of steel mill products by volume were volatile in 2018. Exports have remained relatively flat for the past 9 years. In March 2019, the steel trade deficit
increased to -2.5 million metric tons from -1.7 million metric tons in February, a 48.3% increase.

- Compared to the trade balance one year ago, the March 2019 steel trade gap has increased by 10.2%.
- From February to March 2019, the volume of U.S. steel exports decreased by 1.7% to 534.4 thousand metric tons from 543.8 thousand metric tons. March 2019 exports were down 32.2% by volume from one year ago and down 24.0% from three years ago.
- Imports increased 36.0% by volume between February 2019 and March 2019 from 2.2 million metric tons to 3.0 million metric tons. March 2019 imports were down 0.8% from one year ago and up 27.1% from three years ago.

Figure 4 – U.S. Imports/Exports of Steel Mill Products

Trade – North America*

- According to the latest available data from the three North American countries, total steel mill imports into the U.S., Canada, and Mexico decreased 2% to 52.1 million metric tons in YTD 2018 (through December) from 53.2 million metric tons in YTD 2017.
- December 2018 steel mill imports into the U.S, Canada, and Mexico were down 4% from one year ago.
- Intra-North America steel imports decreased 3% to 1.4 million metric tons between November and December and external imports decreased 18% to 2.2 million metric tons.
• Imports among the three countries accounted for a 36.4% share of total steel imports in YTD 2018, with Brazil’s share following at 10.8% or 5.7 million metric tons, and Korea’s share at 8.9% or 4.6 million metric tons.

Figure 5 – North American Steel Mill Imports by Top Partner Country

* North America trade is updated through December 2018, based on the latest available data for all three countries

Trade – U.S. Steel Import Changes by Country and Product

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>44,434</td>
<td>8,853</td>
<td>402%</td>
</tr>
<tr>
<td>LUXEMBOURG</td>
<td>Steel Piling -- C &amp; A</td>
<td>5,799</td>
<td>1,533</td>
<td>278%</td>
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<tr>
<td>THAILAND</td>
<td>Line Pipe -- C &amp; A</td>
<td>13,230</td>
<td>4,133</td>
<td>220%</td>
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<tr>
<td>JAPAN</td>
<td>Rails Standard -- C &amp; A</td>
<td>14,063</td>
<td>4,488</td>
<td>213%</td>
</tr>
<tr>
<td>BULGARIA</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>14,378</td>
<td>5,303</td>
<td>171%</td>
</tr>
<tr>
<td>GERMANY</td>
<td>Plates in Coils -- C &amp; A</td>
<td>20,430</td>
<td>7,880</td>
<td>159%</td>
</tr>
<tr>
<td>Country</td>
<td>Product</td>
<td>Average monthly quantity February 2019 - April 2019 (metric tons)</td>
<td>Average monthly quantity May 2018 - January 2019 (metric tons)</td>
<td>Percent change from Historic to Current average quantity</td>
</tr>
<tr>
<td>-----------------------</td>
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<td>---------------------------------------------------------</td>
</tr>
<tr>
<td>DOMINICAN REPUBLIC</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>6,051</td>
<td>2,364</td>
<td>156%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Rails Standard -- C &amp; A</td>
<td>17,702</td>
<td>7,427</td>
<td>138%</td>
</tr>
<tr>
<td>SOUTH AFRICA</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>6,627</td>
<td>2,845</td>
<td>133%</td>
</tr>
<tr>
<td>PORTUGAL</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>10,207</td>
<td>4,387</td>
<td>133%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Black Plate -- C &amp; A</td>
<td>9,292</td>
<td>4,190</td>
<td>122%</td>
</tr>
<tr>
<td>EGYPT</td>
<td>Wire Rods -- C &amp; A</td>
<td>9,192</td>
<td>4,460</td>
<td>106%</td>
</tr>
<tr>
<td>JAPAN</td>
<td>Line Pipe -- C &amp; A</td>
<td>13,900</td>
<td>6,786</td>
<td>105%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Steel Piling -- C &amp; A</td>
<td>10,557</td>
<td>5,188</td>
<td>103%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Sheets &amp; Strip-Electrical -- C &amp; A</td>
<td>5,920</td>
<td>3,832</td>
<td>54%</td>
</tr>
<tr>
<td>WORLD</td>
<td>All Stainless Products</td>
<td>104,274</td>
<td>73,160</td>
<td>43%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Pressure Tubing -- C &amp; A</td>
<td>5,172</td>
<td>3,945</td>
<td>31%</td>
</tr>
</tbody>
</table>

SOURCE: US Department of Commerce, Enforcement and Compliance, SIMA
Table last modified June 6, 2019 with Licensing data collected through April 2019 and Final Census data compiled through March 2019.

Prices

- After a recent peak in Q3 2018, benchmark domestic steel prices have been trending downwards since Q4 of 2018.
  - U.S. domestic prices for hot-rolled band decreased to $700 per metric ton in May 2019, and compared to one year ago, the price for hot-rolled band was down 28.3%.
  - Cold-rolled coil prices decreased to $830 per metric ton in May 2019 from $919 per metric ton in April and were down 24.4% from last year. Standard plate prices decreased to $987 per metric ton in May, down from $1052 per metric ton in April, and were down by 4.3% from a year ago.
Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production increased by 7% to 7.4 million metric tons in March 2019 from 7.0 million metric tons in February. This marks a 1% increase from the March 2018 production level. Total U.S. steel production in 2018 increased to 86.6 million metric tons from 81.6 million metric tons in 2017, a 6% increase.
Global steel production increased by 14% to 156.7 million metric tons in March 2019 from 137.9 million metric tons in February.
  - Global production in March 2019 increased 6% from one year ago.
  - Total world crude steel production in 2018 increased by 5.9% from the 2017 level of 1789 million metric tons.
  - China’s March 2019 production level increased by 20% from February 2019 to 85.0 million metric tons.
  - China’s total production in 2018 amounted to 927 million metric tons, an 11% increase from the previous year.
Figure 8 – Monthly World Crude Steel Production

Monthly World Crude Steel Production
Millions of Metric Tons (Jan 09 - Mar 19)

Source: World Steel Association. Note: Figures are estimates and subject to revision.

Monthly World Crude Steel Production - Major Producers
Millions of Metric Tons (Jan 09 - Mar 19)

Source: World Steel Association. Note: Figures are estimates and subject to revision.
China’s share of total monthly world steel increased to 54% in March 2019, accounting for over half of the monthly total world production, while the U.S. ranked fifth behind Japan at 5% (excluding the EU28).

Source: World Steel Association. Note: Figures are estimates and subject to revision.

Total World Production: 156.7 million metric tons

Source: World Steel Association
• U.S. domestic steel capacity utilization made gains in the last two years after a dip in October 2016.
  o In March 2019, capacity utilization was estimated at 82.2%, a decrease of 0.2 percentage points from 82.4% in February.
  o Capacity utilization in March 2019 was up 3.9 percentage points from one year ago and up 4.5 percentage points from five years ago.
  o Overall capacity utilization in 2018 averaged 78.2%, up from the 2017 annual average of 73.9%.
  o Though capacity utilization has increased 41.4 percentage points from the thirteen-year low reached in April 2009, it remains well below the pre-recession historical averages.

Figure 11 – U.S. Domestic Steel Capacity Utilization

![U.S. Domestic Steel Capacity Utilization, Percentage Through Mar 2019](image)

Red dotted lines indicate yearly averages

Source: American Iron and Steel Institute (AISI)

**Demand**

• Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, increased 7% to 8.7 million metric tons in March from 8.1 million metric tons in February 2019.
  o March 2019 demand has decreased 4% from one year ago and decreased 1% from five years ago.
  o Demand in March 2019 was 110% higher than April 2009, when steel demand was at its lowest level in recent years.
  o Steel demand in 2018 amounted to 100.9 million metric tons, a 1% increase from 99.7 million metric tons in 2017.
In March 2019, import penetration for steel mill products, excluding semi-finished products, was 19.5%, a decrease of 0.1 percentage points from February. This marks a 5.6 percentage point decrease from the import penetration level from one year ago. Import penetration in 2018 averaged 23.0%.
Trade Remedy Case Determinations – March – April 2019

Informal tracking of anti-dumping and countervailing duty case initiations, investigations, and orders applicable to steel products.

<table>
<thead>
<tr>
<th>Trade Remedies Undertaken by the United States</th>
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<tbody>
<tr>
<td>Product</td>
</tr>
<tr>
<td>Refillable Stainless Steel Kegs</td>
</tr>
<tr>
<td>Steel Wheels 12 to 16.5&quot; diam.</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce, Enforcement and Compliance, current through April 30, 2019
Factsheets available at: [https://enforcement.trade.gov/ia-highlights-and-news.html](https://enforcement.trade.gov/ia-highlights-and-news.html)

Industry Status

- The U.S. steel industry, as represented in the chart below, posted a combined net income of $820.6 million in Q1 2019.
  - According to publicly available figures, five out of six companies reported quarterly net gains, with one company, AK Steel, reporting a net loss.
  - Nucor reported the highest quarterly net profit at $501.8 million, followed by Steel Dynamics at $204 million, U.S. Steel at $54 million, Carpenter Technology at $51.1 million, and Commercial Metals Company at $13.9 million. AK Steel reported a loss of $4.5 million.
  - Since Q1 2009, the group of steel companies monitored in the below chart collectively reported net earnings for 27 quarters.
  - The net income chart includes AK Steel, Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and U.S. Steel.
• Q1 2019 average share prices decreased from Q4 2018 average share prices for all of the charted steel stocks.
  o Of the charted steel stocks, AK Steel’s average share price saw the largest decrease from the previous quarter at 22.5%, followed by U.S. Steel with a decrease of 15.4%, ArcelorMittal with a decrease of 10.7%, Steel Dynamics with a decrease of 6.7%, and Nucor with a decrease of 1.2%.
  o Compared to the same quarter last year, all five of the charted steel stocks showed decreases in average share prices, with AK Steel decreasing by 48.8%, U.S. Steel decreasing by 46%, ArcelorMittal decreasing by 35.4%, Steel Dynamics decreasing by 23%, and Nucor decreasing by 11.7%.
  o All of the steel stocks underperformed compared to the S&P 500 between Q4 2018 and Q1 2019.
  o The stock chart monitors the trends of S&P 500, US Steel, Nucor, Steel Dynamics, AK Steel, and ArcelorMittal quarterly share prices as indexed to average share prices in Q1 2009. The S&P 500 trend line serves as a basis upon which to compare the performance and relative movement of the U.S. steel industry (via stocks) to the broader U.S. market.
Figure 15 – Steel Stocks vs. S&P 500, Quarterly Average Share Price Activity

Quarterly Average Share Price Activity
Steel Stocks vs. S&P 500

Source: YahooFinance.com June 5, 2019

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