Steel Industry Executive Summary: June 2020

Highlights

- From February to March 2020, U.S. imports of steel mill products increased 16.2% to 1.59 million metric tons from 1.37 million metric tons.
- In March 2020, capacity utilization was estimated at 79.6%, a decrease of 1.7 percentage points from 81.3% in February.
- According to World Steel Association data, U.S. crude steel production decreased by 1% to 7.0 million metric tons in March from 7.1 million metric tons in February.

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Trade – U.S. Imports of Steel Mill Products

- From February to March 2020, U.S. imports of steel mill products decreased 16.2% to 1.59 million metric tons from 1.37 million metric tons.
  - March 2020 steel imports were down 22.8% from one year ago and down 24.6% from the 2019 average monthly volume of 2.1 million metric tons.
  - Steel mill imports in March 2020 were down 60.6% from the most recent import volume peak of 4.0 million metric tons in October 2014.
  - Census and license data suggest the steel import volume will increase in April and May 2020 compared with March 2020.

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.

- In YTD 2020 (through March), U.S. imports of steel mill products were 5.8 million metric tons, a 21.8% decrease from 7.4 million metric tons in YTD 2019.
  - In value terms, imports decreased 27.5% to $5.0 billion in YTD 2020 from $6.9 billion in YTD 2019.
  - Canada accounted for the largest share of U.S. imports by volume in YTD 2020 at 25.0%, followed by Brazil (20.4%) and Mexico (14.3%).
The U.S. imported 2.1 million metric tons of flat products in YTD 2020, accounting for 36.0% of total steel mill imports (the largest category). This was followed by semi-finished products at 1.7 million metric tons or 29.7% of total imports.
Trade – U.S. Trade Balance in Steel Mill Products

- While U.S. imports of steel mill products by volume were volatile in 2018 and 2019, with a generally declining trend, exports have also declined, with much less volatility in the past 9 years. In March 2020, the steel trade deficit was 1.0 million metric tons, a 25.6% increase from February 2020.
  - Compared to the trade balance one year ago, the March 2020 steel trade gap has narrowed by 35.2%.
  - From February to March 2020, the volume of U.S. steel exports increased by 3.6% to 602.5 thousand metric tons from 581.7 thousand metric tons. Compared with March 2019, March 2020 exports were up 12.7% by volume and down 30.0% from three years ago.
  - Imports increased 16.2% by volume between February 2020 and March 2020 from 1.40 million metric tons to 1.6 million metric tons. March 2020 imports were down 22.8% from one year ago and down 48.8% 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 19.5% to 10.2 million metric tons in YTD 2020 (through March) from 12.7 million metric tons in YTD 2019.
- March 2020 steel mill imports into the U.S, Canada, and Mexico were down 18.9% from one year ago.
Intra-North America steel imports increased 107% to 2.6 million metric tons between February and March 2020. External imports increased 27% to 1.7 million metric tons.

Imports among the three countries accounted for a 52.5% share of total NAFTA steel imports in YTD 2020 (5.4 million metric tons), with Brazil’s share following at 8.2% or 830 thousand metric tons, and Korea’s share at 7.4% or 760 thousand metric tons.

* North American trade is updated through March 2020, based on the latest available data for all three countries.

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Average monthly quantity March 2020 - May 2020 (metric tons)</th>
<th>Average monthly quantity June 2019 - February 2020 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAPAN</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>12,283</td>
<td>761</td>
<td>1513%</td>
</tr>
<tr>
<td>THAILAND</td>
<td>Standard Pipe -- C &amp; A</td>
<td>7,778</td>
<td>1,007</td>
<td>673%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>37,998</td>
<td>8,516</td>
<td>346%</td>
</tr>
<tr>
<td>TURKEY</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>48,260</td>
<td>16,774</td>
<td>188%</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>511,737</td>
<td>249,694</td>
<td>105%</td>
</tr>
<tr>
<td>Country</td>
<td>Product</td>
<td>Average monthly quantity March 2020 - May 2020 (metric tons)</td>
<td>Average monthly quantity June 2019 - February 2020 (metric tons)</td>
<td>Percent change from Historic to Current average quantity</td>
</tr>
<tr>
<td>------------</td>
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<td>-------------------------------------------------------------</td>
<td>-----------------------------------------------------------------</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>Sheets Cold Rolled -- C &amp; A</td>
<td>24,783</td>
<td>12,122</td>
<td>104%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>751,507</td>
<td>485,813</td>
<td>55%</td>
</tr>
<tr>
<td>WORLD</td>
<td>All Stainless Products</td>
<td>85,719</td>
<td>59,550</td>
<td>44%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Sheets &amp; Strip Galv Electrolyt -- C &amp; A</td>
<td>7,266</td>
<td>5,157</td>
<td>41%</td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>15,111</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>All Stainless Products</td>
<td>31,595</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>31,359</td>
<td>.</td>
<td>.</td>
</tr>
</tbody>
</table>

SOURCE: US Department of Commerce, Enforcement and Compliance, SIMA
Table last modified June 5, 2020, with Licensing data collected through May 2020 and Final Census data compiled through April 2020.

 Prices
- After a recent peak in Q3 2018, benchmark domestic steel prices have been trending downwards. However, prices stabilized towards the end of Q1 2020.
  - U.S. domestic prices for hot-rolled band decreased to around $621 per metric ton in March 2020, from $635 per metric ton in February, and were down 20.7% from one year earlier.
  - Cold-rolled coil prices increased to $849 per metric ton in March 2020 from $836 in February and were down 8.5% from one year earlier.
  - Standard plate prices increased to $758 in March from $755 in February and were down by 30.5% from a year ago.
Figure 6 – U.S. Domestic Steel Prices

Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production decreased by 1.0% to 7.0 million metric tons in March. This marks a 9.0% decline from the March 2019 production level. Total U.S. steel production in 2019 increased to 88.0 million metric tons from 86.6 million metric tons in 2018, a 1.6% increase.
Global steel production increased by 1.8% to 147.3 million metric tons in March 2020 from 144.6 million metric tons in February.
- Global production in March 2020 decreased 5.1% from one year ago.
- Total world crude steel production in 2019, at 1,836 million metric tons, was up by 2.8% from the 2018 level of 1,787 million metric tons.
- China’s March 2020 production level increased by 5.6% from February to 79.0 million metric tons.
- China’s total production in 2019 amounted to 992.9 million metric tons, a 44.4% decrease from the previous year.
Figure 8 – Monthly World Crude Steel Production

![Monthly World Crude Steel Production](image1)

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

Figure 9 – Monthly Crude Steel Production - Major Producers

![Monthly World Crude Steel Production - Major Producers](image2)

Source: World Steel Association. Note: Figures are estimates and subject to revision.
China’s share of total monthly world steel production stood at 54% in March 2020, accounting for over half of the monthly total world production, while the U.S. ranked fourth behind Japan at 5% (excluding the EU28).

Figure 10 – Share of World Crude Steel Production
• U.S. domestic steel capacity utilization has been trending up in the last two years.
  o In March, capacity utilization was estimated at 79.6%, a decrease of 1.7 percentage points from 81.3% in February.
  o Capacity utilization in March 2020 was down 2.6 percentage points from one year ago and up 7.5 percentage points from five years ago.
  o Overall capacity utilization in 2019 averaged 79.3%, up from the 2018 annual average of 78.2%.
  o Though capacity utilization has increased 38.8 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

Demand
• Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, increased 1.2% to 7.8 million metric tons in March 2020 from 7.7 million metric tons in February.
  o March demand has decreased 10% from one year ago and decreased 10% from five years ago.
  o Demand in March 2020 was 35% higher than April 2009, when steel demand was at its lowest level in recent years.
  o Steel demand in 2019 amounted to 99.4 million metric tons, a 2% decrease from 100.9 million metric tons in 2018.

U.S. Department of Commerce  |  International Trade Administration
In March 2020, import penetration for steel mill products, excluding semi-finished products, was 17.6%, an increase of 1.7 percentage points from February. This also marks a 1.8 percentage point decrease from the import penetration level from one year ago. Import penetration in 2019 averaged 19.0%.
Trade Remedy Case Determinations – March 2020

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

<table>
<thead>
<tr>
<th>Product</th>
<th>Country</th>
<th>Department of Commerce Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stainless Steel Sheet &amp; Strip</td>
<td>China (through Vietnam)</td>
<td>Initiation of Anti-Circumvention &amp; Scope Inquiry</td>
</tr>
<tr>
<td>Fabricated Structural Steel</td>
<td>Argentina, Colombia, Egypt, Indonesia, Italy, Malaysia, etc.</td>
<td>Initiation of AD Investigation</td>
</tr>
<tr>
<td>Forged Steel Fittings</td>
<td>India &amp; South Korea</td>
<td>Affirmative preliminary AD Determination</td>
</tr>
<tr>
<td>Non-Refillable Steel Cylinders</td>
<td>China</td>
<td>Initiation of CVD Investigation</td>
</tr>
<tr>
<td>Forged Steel Fluid End Blocks</td>
<td>China, India, Italy, and Germany</td>
<td>Affirmative preliminary AD Determination</td>
</tr>
<tr>
<td>Fabricated Structural Steel</td>
<td>Canada</td>
<td>Affirmative final AD Determination</td>
</tr>
</tbody>
</table>

Sources: U.S. Department of Commerce, Enforcement and Compliance, Factsheets; Federal Register; U.S. Department of Commerce Press Releases

Industry Status

- The U.S. steel industry, as represented in the chart below, posted a combined net loss of $76 million in Q1 2020.
  - According to publicly available figures, four out of five companies reported quarterly net gains. AK Steel’s 2020 Q1 income is not available.
  - Steel Dynamics reported the highest quarterly net profit at $191 million, followed by Commercial Metals Company at $64 million, Carpenter Technology at $40 million, and Nucor at $20 million. U.S. Steel reported quarterly net loss at -$391 million.
  - Between Q1 2009-Q1 2020, the group of steel companies monitored in the below chart collectively reported net earnings for 29 quarters.
  - The net income chart includes AK Steel (through Q3 2019), Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and U.S. Steel.
Q4 2019 average share prices decreased from Q2 2019 average share prices for three out of four charted steel stocks.

- Of the charted steel stocks, Nucor’s average share price saw the largest decrease from the previous quarter at 18.2%, followed by Steel Dynamics with a decrease of 13.9%, and ArcelorMittal with a decrease of 13.1%. US Steel’s average share price increased by 201.0% from the previous quarter.
- Compared to the same quarter last year, three out of four charted steel stocks showed decreases in average share prices, with ArcelorMittal decreasing by 36.5%, Nucor decreasing by 23.9%, and Steel Dynamics decreasing by 22.5%. US Steel increased by 75.2%.
- All but U.S. Steel’s stocks underperformed compared to the S&P 500 between Q1 2019 and Q1 2020.
- The stock chart monitors the trends of S&P 500, US Steel, Nucor, Steel Dynamics, 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

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