Steel Industry Executive Summary: February 2018

Highlights

- From November to December 2017, U.S. imports of steel mill products decreased 11% to 2.2 million metric tons from 2.5 million metric tons.
- In December 2017, capacity utilization was estimated at 71.9%, a decrease of 1.4 percentage points from 73.3% in November. Overall capacity utilization in 2017 averaged 73.9%, up from the 2016 average of 70.5%.
- Total U.S. steel production in 2017 increased to 81.6 million metric tons from 78.5 million metric tons in 2016, a 3.4% increase.

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Trade – U.S. Imports of Steel Mill Products

- From November to December 2017, U.S. imports of steel mill products decreased 11% to 2.2 million metric tons from 2.5 million metric tons.
  - December 2017 steel imports were down 9% from one year ago and down 11% from the 2016 average monthly volume of 2.5 million metric tons.
  - Steel mill imports in December were down 45% from the most recent high import volume peak of 4 million metric tons in October 2014.
  - January 2017 license data suggest an increase in imports from December.
  
  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 2017, U.S. imports of steel mill products amounted to 34.5 million metric tons, a 15% increase from 30 million metric tons in 2016.
  - In value terms, imports increased more than tonnage, up 31% to $29.1 million in 2017 from $22.3 million in 2016.
  - Canada accounted for the largest share of U.S. imports by partner country in 2017 at 16.5%, followed by Brazil (13.5%) and Korea (9.9%).
  - The U.S. imported 12.5 million metric tons of flat products in 2017, accounting for 36% of total steel mill imports, followed by semi-finished steel at 7.8 million metric tons or 23% of total imports.

U.S. Department of Commerce | International Trade Administration
Figure 2 – U.S. Imports of Steel Mill Products by Partner

Figure 3 – U.S. Imports of Steel Mill Products by Product Category
Trade – U.S. Trade Balance in Steel Mill Products

- U.S. imports of steel mill products have decreased in recent months after rising in the first half of 2017, while exports have remained relatively flat. In December 2017, the steel trade deficit dropped to -1.5 million metric tons from -1.7 million metric tons in November 2017, a 9.6% decrease.
  - Compared to the trade balance one year ago, the December 2017 steel trade gap has fallen by 13.9%.
  - From November to December 2017, the volume of U.S. steel exports decreased by 14.8% to 682 thousand metric tons. December 2017 exports were up 3.5% from one year ago and down 18.9% from three years ago.
  - Imports decreased 11.3% by volume between November and December 2017 to 2.2 million metric tons. December 2017 imports were down 9.2% from one year ago and down 32.6% from three years ago.

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

- According to the latest available data from the three NAFTA countries, total steel mill imports into NAFTA countries increased 14% to 49.5 million metric tons in YTD 2017 from 43.5 million metric tons in YTD 2016 (through November).
  - November 2017 steel mill imports into NAFTA countries were down 3% from one year ago.
  - Intra-NAFTA steel imports decreased 32% to 1.5 million metric tons between October and November, while external NAFTA imports increased 4% to 2.6 million metric tons.
  - Imports among NAFTA countries accounted for a 34% share of total steel imports into NAFTA countries in YTD 2017, with Korea’s share following at 10% or 4.8 million metric tons and Brazil’s share at 9% or 4.7 million metric tons.

![NAFTA Steel Mill Imports by Top Partner Country](image)

**Figure 5 – NAFTA Steel Mill Imports by Top Partner Country**
## Trade – Steel Import Changes by Country and Product

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Average monthly quantity November 2017 - January 2018 (metric tons)</th>
<th>Average monthly quantity February 2017 - October 2017 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>50,818</td>
<td>15,274</td>
<td>233%</td>
</tr>
<tr>
<td>MEXICO</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>5,110</td>
<td>1,573</td>
<td>225%</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>13,843</td>
<td>4,783</td>
<td>189%</td>
</tr>
<tr>
<td>SPAIN</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>13,038</td>
<td>5,131</td>
<td>154%</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>Line Pipe -- C &amp; A</td>
<td>8,754</td>
<td>3,975</td>
<td>120%</td>
</tr>
<tr>
<td>WORLD</td>
<td>All Stainless Products</td>
<td>129,428</td>
<td>92,011</td>
<td>41%</td>
</tr>
</tbody>
</table>

### NOTABLE DECREASES

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Quantity November 2017 - January 2018</th>
<th>Quantity February 2017 - October 2017</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUSSIA</td>
<td>Sheets Cold Rolled -- C &amp; A</td>
<td>9,244</td>
<td>34,723</td>
<td>(73%)</td>
</tr>
</tbody>
</table>

**SOURCE:** US Department of Commerce, Enforcement and Compliance, SIMA

Table last modified February 9, 2018, with Licensing data collected through January 2018 and Final Census data compiled through December 2017.

### Prices

- Benchmark domestic steel prices have been relatively flat in recent months after gains in the first quarter of 2017.
  - U.S. domestic prices for hot-rolled band increased to $736 per metric ton in January 2017. Compared to one year ago, the price for hot-rolled band was up 6.7 percent.
  - Cold-rolled coil prices increased to $911 per metric ton in January, a 1.1 percent increase from last year, while standard plate prices decreased to $840 per metric ton, a 12.4 percent increase from a year ago.
Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production increased by 1.8% to 6.8 million metric tons in December 2017 from 6.6 million metric tons in November 2017. This marks a 2.1% increase from the December 2016 production level. Total U.S. steel production in 2017 increased to 81.6 million metric tons from 78.5 million metric tons in 2016, a 3.4% increase.
Global steel production increased by 1.1% to 138.1 million metric tons in December 2017 from 136.5 million metric tons in November 2017. 
  o Global production in December 2017 increased 3% from one year ago.
  o Total world crude steel production in 2017 increased by 5.3% from the 2016 level of 1.6 million metric tons.
  o China’s December 2017 production level increased by 1.4% from November 2017 to 67 million metric tons.
  o China’s total production in 2017 amounted to 845 million metric tons, a 4.7% increase from the previous year.
  o The European Union 28 remains the second largest producer, behind China, with December 2017 production level of 13.6 million metric tons, a 2.3% decrease from 14 million metric tons in November 2017.

Note: Figures are estimates and subject to revision.
Figure 8 – Monthly World Crude Steel Production

Figure 9 – Monthly Crude Steel Production - Major Producers
• China’s share of total monthly world steel production slightly increased to 48.6% in December 2017, accounting for slightly less than half of monthly total world production, while the U.S. ranked fifth behind India at 4.9%. China’s share is larger than the combined production of the U.S., the EU 28, Russia, and Japan, which historically were the largest producers of steel.

![Share of World Crude Steel Production Dec 2017](image)

**Figure 10 – Share of World Crude Steel Production**

• U.S. domestic steel capacity utilization made gains in the last year after reaching a dip in October 2016.
  o In December 2017, capacity utilization was estimated at 71.9%, a decrease of 1.4 percentage points from 73.3% in November.
  o Capacity utilization in December was up 4.1 percentage points from one year ago and up .2 percentage points from five years ago.
  o Overall capacity utilization in 2017 averaged 73.9%, up from the 2016 average of 70.5%.
  o Though capacity utilization has increased 14.2 percentage points from the thirteen-year low reached in April 2009, it still remains well below the pre-recession historical averages.
Demand

- Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, decreased 2% to 7.7 million metric tons in December 2017 from 7.8 million metric tons in November.
  - December demand has decreased 2% from one year ago and increased 2% from five years ago.
  - Demand in December was still 86% higher than April 2009, when steel demand was at its lowest level in recent years.
  - Total steel demand in 2017 amounted to 99.7 million metric tons, a 6% increase from 93.8 million metric tons in 2016.
Import penetration for steel mill products, excluding semi-finished products, was 22.2 percent, a decrease of 2.2 percentage points from November 2017 to December 2017. This marks a 2.9 percentage point decrease from the import penetration level from one year ago. Import penetration in 2017 averaged 26.8%, up from an average of 25.5% in 2016.

**Figure 16 – Import Penetration for All Steel Mill Products**
Trade Remedy Case Determinations – December/January 2017
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>Carbon and Alloy Steel Wire Rod</td>
<td>South Africa and Ukraine</td>
<td>Affirmative Final Antidumping Duty Determination</td>
</tr>
<tr>
<td>Cold-Drawn Mechanical Tubing</td>
<td>China and India</td>
<td>Affirmative Final Antidumping Duty Determination</td>
</tr>
<tr>
<td>Stainless Steel Flanges</td>
<td>China and India</td>
<td>Affirmative Preliminary Countervailing Duty Determination</td>
</tr>
</tbody>
</table>


Industry Status

- The U.S. steel industry, as represented in the chart below, posted a combined net income of $869 million in Q4 2017.
  - According to publicly available figures, five of the six of the companies included reported quarterly net gains.
  - Nucor reported the highest quarterly net profit at $383.9 million, followed by Steel Dynamics at $305 million, U.S. Steel at $159 million, Carpenter Technology at $92.1 million, and Commercial Metals Company at $36.8. AK Steel reported a net loss of $107.9 million.
  - Since Q1 2009, the group of steel companies monitored in the below chart has collectively reported net earnings for 22 quarters. The group’s aggregate quarterly figures are significantly below performance levels from 2004 to early to mid-2008.
  - The net income chart includes AK Steel, Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and U.S. Steel.
Figure 13 – U.S. Steel Industry: Quarterly Net Income
- Q4 2017 average share prices increased from Q3 2017 average share prices for all but one charted steel stocks.
  - Of the charted steel stocks, U.S. Steel’s average share prices saw the largest increase from the previous quarter at 18.6%, followed by ArcelorMittal with an increase of 14.2%, Steel Dynamics with an increase of 9.3%, and Nucor with an increase of 3.4%. AK Steel’s average share prices saw a decrease from Q3 at 8.9%, followed by Nucor at 3.8%.
  - Compared to the same quarter last year, all the charted steel stocks, except for one, showed increases in average share prices, with ArcelorMittal increasing by 38.8% and Steel Dynamics by 22.4%. AK Steel’s average share prices saw a decrease of 30.7%, from Q4 2016.
  - All steel stocks, except AK Steel and Nucor outperformed compared to the S&P 500 between Q3 2017 and Q4 2017.
  - 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 14 – Steel Stocks vs. S&P 500, Quarterly Average Share Price Activity](source: NASDAQ.com, January 2, 2018)
SIMA Team Contact Information

Enforcement and Compliance
Office of Policy
14th & Constitution Ave., NW, Suite 21006
Washington, DC 20230
Phone: (202) 482-2105
Fax: (202) 501-1377
steel.license@trade.gov

http://enforcement.trade.gov/steel/license