Steel Industry Executive Summary: February 2020

Highlights

- From November to December 2019, U.S. imports of steel mill products increased 1.8% to 1.43 million metric tons from 1.40 million metric tons.
- In December 2019, capacity utilization was estimated at 71.9%, a decrease of 6.9 percentage points from 78.8% in November.
- According to World Steel Association data, U.S. crude steel production increased by 5.2% to 7.5 million metric tons in December from 7.1 million metric tons in November.

Table of Contents

Trade – U.S. Imports of Steel Mill Products ................................................................. 2
Trade – U.S. Trade Balance in Steel Mill Products .................................................. 4
Trade – North America ....................................................................................... 4
Trade – U.S. Steel Import Changes by Country and Product .................................. 5
Prices .................................................................................................................... 6
Production & Capacity Utilization ........................................................................ 7
Demand ............................................................................................................... 11
Trade Remedy Case Determinations – January 2019 .......................................... 13
Industry Status .................................................................................................. 13
SIMA Team Contact Information .................................................................... 15

List of Figures

Figure 1 – U.S. Imports of All Steel Mill Products from World ........................................... 2
Figure 2 – U.S. Imports of Steel Mill Products by Partner ............................................... 3
Figure 3 – U.S. Imports of Steel Mill Products by Product Category ................................ 3
Figure 4 – U.S. Imports/Exports of Steel Mill Products .................................................. 4
Figure 5 – North American Steel Mill Imports by Top Partner Country ....................... 5
Figure 6 – U.S. Domestic Steel Prices ........................................................................ 7
Figure 7 – Monthly U.S. Crude Steel Production ......................................................... 8
Figure 8 – Monthly World Crude Steel Production ....................................................... 9
Figure 9 – Monthly Crude Steel Production - Major Producers ...................................... 9
Figure 10 – Share of World Crude Steel Production .................................................... 10
Figure 11 – U.S. Domestic Steel Capacity Utilization .................................................... 11
Figure 12 – U.S. Apparent Consumption of Steel Mill Products ................................... 12
Figure 13 – Import Penetration for All Steel Mill Products ........................................... 12
Figure 14 – U.S. Steel Industry: Quarterly Net Income ............................................... 14
Figure 15 – Steel Stocks vs. S&P 500, Quarterly Average Share Price Activity .......... 15
Trade – U.S. Imports of Steel Mill Products

- From November to December 2019, U.S. imports of steel mill products increased 1.8% to 1.43 million metric tons from 1.40 million metric tons.
  - December 2019 steel imports were down 16.9% from one year ago and down 44.0% from the 2018 average monthly volume of 2.5 million metric tons.
  - Steel mill imports in December 2019 were down 64.6% from the most recent import volume peak of 4.0 million metric tons in October 2014.
  - License data suggests the steel import volume will increase in January 2020 compared with December 2019.

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 2019 (through December), U.S. imports of steel mill products were 25.3 million metric tons, a 17.3% decrease from 30.6 million metric tons in YTD 2018.
  - In value terms, imports decreased 17.3% to $23.6 billion in YTD 2019 from $29.3 billion in YTD 2018.
  - Canada accounted for the largest share of U.S. imports by volume in YTD 2019 at 19.9%, followed by Brazil (15.1%) and Mexico (13.2%).
  - The U.S. imported 9.0 million metric tons of flat products in YTD 2019, accounting for 35.7% of total steel mill imports (the largest category). This was followed by semi-finished products at 6.2 million metric tons or 24.7% of total imports.
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

- While U.S. imports of steel mill products by volume were volatile in 2018 and 2019, with a generally declining trend, exports have remained relatively flat for the past 9 years. In December 2019, the steel trade deficit was 0.9 million metric tons, a 9.9% increase from November 2019.
  - Compared to the trade balance one year ago, the December 2019 steel trade gap has narrowed by 24.5%.
  - From November to December 2019, the volume of U.S. steel exports decreased by 11.1% to 485.1 thousand metric tons from 543.5 thousand metric tons. Compared with December 2018, December 2019 exports were up 3.0% by volume and down 26.4% from three years ago.
  - Imports increased 1.8% by volume between November 2019 and December 2019 from 1.40 million metric tons to 1.43 million metric tons. December 2019 imports were down 16.9% from one year ago and down 41.7% 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 15% to 41.3 million metric tons in YTD 2019 (through November) from 48.6 million metric tons in YTD 2018.
• November 2019 steel mill imports into the U.S, Canada, and Mexico were up 17% from one year ago.

• Intra-North America steel imports decreased 35% to 1.2 million metric tons between October and November and external imports increased 156% to 3.6 million metric tons.

• Imports among the three countries accounted for a 39.6% share of total NAFTA steel imports in YTD 2019, with Brazil’s share following at 10.8% or 4.5 million metric tons, and Korea’s share at 8.6% or 3.6 million metric tons.

* North American trade is updated through November 2019, 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 November 2019 - January 2020 (metric tons)</th>
<th>Average monthly quantity February 2019 - October 2019 (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>48,669</td>
<td>9,540</td>
<td>410%</td>
</tr>
<tr>
<td>TURKEY</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>18,735</td>
<td>6,127</td>
<td>206%</td>
</tr>
<tr>
<td>Country</td>
<td>Product</td>
<td>Average monthly quantity November 2019 - January 2020 (metric tons)</td>
<td>Average monthly quantity February 2019 - October 2019 (metric tons)</td>
<td>Percent change from Historic to Current average quantity</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------------------------------------</td>
<td>---------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>TURKEY</td>
<td>Standard Pipe -- C &amp; A</td>
<td>5,277</td>
<td>2,295</td>
<td>130%</td>
</tr>
<tr>
<td>FRANCE</td>
<td>Bars-Hot rolled -- C &amp; A</td>
<td>6,022</td>
<td>2,742</td>
<td>120%</td>
</tr>
<tr>
<td>CANADA</td>
<td>Sheets &amp; Strip All Other Metallic Coat -- C &amp; A</td>
<td>6,760</td>
<td>3,240</td>
<td>109%</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>598,003</td>
<td>298,957</td>
<td>100%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Black Plate -- C &amp; A</td>
<td>12,984</td>
<td>8,301</td>
<td>56%</td>
</tr>
<tr>
<td>WORLD</td>
<td>All Stainless Products</td>
<td>101,567</td>
<td>65,021</td>
<td>56%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>829,031</td>
<td>533,333</td>
<td>55%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Plates Cut Lengths -- S</td>
<td>5,227</td>
<td>3,485</td>
<td>50%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Pressure Tubing -- C &amp; A</td>
<td>6,390</td>
<td>4,542</td>
<td>41%</td>
</tr>
<tr>
<td>MEXICO</td>
<td>Black Plate -- C &amp; A</td>
<td>5,420</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>All Stainless Products</td>
<td>42,047</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>41,944</td>
<td>.</td>
<td>.</td>
</tr>
</tbody>
</table>

**Prices**

- After a recent peak in Q3 2018, benchmark domestic steel prices have been trending downwards. However, prices have rebounded in recent weeks.
  - U.S. domestic prices for hot-rolled band increased to around $611 per metric ton in December 2019, from $567 per metric ton in November, and were down 27.8% from one year ago.
  - Cold-rolled coil prices increased to $818 per metric ton in December from $775 in November and were down 13.8% from last year.
  - Standard plate prices increased to $849 in December from $652 in November and were down by 25.1% from a year ago.
According to data from the World Steel Association, U.S. steel production increased by 5.2% to 7.5 million metric tons in December. This marks a 0.3% decline from the December 2018 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 2.9% to 152.1 million metric tons in December 2019 from 147.9 million metric tons in November.

- Global production in December 2019 increased 4.0% 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 December 2019 production level increased by 5.0% from November 2019 to 84.3 million metric tons.
- China’s total production in 2019 amounted to 992.9 million metric tons, an 44.4% decrease from the previous year.
Figure 8 – Monthly World Crude Steel Production

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

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
Millions of Metric Tons (Dec 09 - Dec 19)

Source: World Steel Association. Note: Figures are estimates and subject to revision.
China’s share of total monthly world steel production increased slightly to 55.4% in December 2019 from 54.3% in November 2019, 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
• Annual, average U.S. domestic steel capacity utilization has been trending up in the last two years.
  o In December 2019, capacity utilization was estimated at 71.9%, a decrease of 6.9 percentage points from 78.8% in November.
  o Capacity utilization in December 2019 was down 7.5 percentage points from one year ago and down 2.7 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 31.1 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 December 2019](image)

Source: American Iron and Steel Institute (AISI)

Demand
• Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, decreased 7% to 7.1 million metric tons in December 2019 from 7.6 million metric tons in November.
  o December 2019 demand has decreased 13% from one year ago and decreased 22% from five years ago.
  o Demand in December 2019 was 23% higher than April 2009, when steel demand was at its lowest level in recent years.
  o Steel demand in 2019 amounted to 98.4 million metric tons, a 2% decrease from 100.9 million metric tons in 2018.
In December 2019, import penetration for steel mill products, excluding semi-finished products, was 17.3%, an increase of 1.5 percentage points from November. This also marks a 1.4 percentage point decrease from the import penetration level from one year ago. Import penetration in 2019 averaged 19.0%.
Trade Remedy Case Determinations – January 2020

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

<table>
<thead>
<tr>
<th>Trade Enforcement Actions Undertaken by the United States</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
</tr>
<tr>
<td>Fabricated Structural Steel</td>
</tr>
<tr>
<td>Fabricated Structural Steel</td>
</tr>
<tr>
<td>Carbon &amp; Alloy threaded steel rod</td>
</tr>
<tr>
<td>Corrosion-Resistant Steel</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 $329 million in Q4 2019.
  - According to publicly available figures, four out of six companies reported quarterly net gains. AK Steel’s Q4 income is not available.
  - Steel Dynamics reported the highest quarterly net profit at $121 million, followed by Nucor at $108 million, Commercial Metals Company at $83 million, and Carpenter Technology at $39 million. U.S. Steel reported quarterly net loss at -$680 million.
  - Between Q1 2009-Q3 2019, 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 increased from Q3 2019 average share prices for four out of five charted steel stocks.

- Of the charted steel stocks, AK steel’s average share price saw the largest increase from the previous quarter at 15.0%, followed by Steel Dynamics with an increase of 8.2%, ArcelorMittal with an increase of 5.3%, and Nucor with an increase of 4.4%. US Steel’s average share price decreased by 3.9% from the previous quarter.

- Compared to the same quarter last year, all charted steel stocks showed decreases in average share prices, with U.S. Steel decreasing by 50.8%, ArcelorMittal decreasing by 34.8%, AK Steel decreasing by 24.4%, Steel Dynamics decreasing by 16.0%, and Nucor decreasing by of 8.1%.

- All the steel stocks underperformed compared to the S&P 500 between Q4 2018 and Q4 2019.

- 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 February 10, 2020