Steel Industry Executive Summary: July 2019

Highlights

- From April 2019 to May 2019, U.S. imports of steel mill products decreased 37.9% to 1.9 million metric tons from 3.0 million metric tons.
- In May, capacity utilization was estimated at 80.8%, a decrease of 0.5 percentage points from 81.3% in April 2019.
- According to data from the World Steel Association, U.S. steel production increased by 4% to 7.7 million metric tons in May 2019 from 7.4 million metric tons in April.

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Trade – U.S. Imports of Steel Mill Products

- From April 2019 to May 2019, U.S. imports of steel mill products decreased 37.9% to 1.9 million metric tons from 3.0 million metric tons.
  - May 2019 steel imports were down 29.2% from one year ago and 26.2% from the 2018 average monthly volume of 2.5 million metric tons.
  - Steel mill imports in May were down 53.3% from the most recent import volume peak of 4.0 million metric tons in October 2014.
  - License data suggests an increase in imports in June from May 2019, and a decrease in July.

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 May), U.S. imports of steel mill products amounted to 12.3 million metric tons, an 11.6% decrease from 13.9 million metric tons in YTD 2018.
  - In value terms, imports decreased 15.0% to $11.3 billion in YTD 2019 from $13.3 billion in YTD 2018.
  - Brazil accounted for the largest share of U.S. imports by partner country in YTD 2019 at 19.7%, followed by Canada (14.9%) and Mexico (10.4%).
  - The U.S. imported 4.0 million metric tons of flat products in YTD 2019, accounting for 32.8% of total steel mill imports, followed by semi-finished products at 3.3 million metric tons or 26.7% 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, exports have remained relatively flat for the past 9 years. In May 2019, the steel trade deficit was 1.3 million metric tons, a 47.2% decrease from April 2019.
  - Compared to the trade balance one year ago, the May 2019 steel trade gap has narrowed by 30.3%.
  - From April to May 2019, the volume of U.S. steel exports increased by 4.6% to 571.6 thousand metric tons from 546.7 thousand metric tons. Compared with May 2018, May 2019 exports were down 26.5% by volume and down 21.6% from three years ago.
  - Imports decreased 37.8% by volume between April 2019 and May 2019 from 3.0 million metric tons to 1.9 million metric tons. May 2019 imports were down 29.2% from one year ago and 27.9% 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>
<th>Country</th>
<th>Product</th>
<th>Average monthly quantity April 2019 - June 2019 (metric tons)</th>
<th>Average monthly quantity July 2018 - March 2019 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>WORLD</td>
<td>Rails All Other -- C &amp; A</td>
<td>7,467</td>
<td>654</td>
<td>1042%</td>
</tr>
<tr>
<td>THAILAND</td>
<td>Black Plate -- C &amp; A</td>
<td>5,802</td>
<td>543</td>
<td>969%</td>
</tr>
<tr>
<td>CANADA</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>24,270</td>
<td>2,279</td>
<td>965%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>42,307</td>
<td>7,961</td>
<td>431%</td>
</tr>
<tr>
<td>Country</td>
<td>Product</td>
<td>Average monthly quantity April 2019 - June 2019 (metric tons)</td>
<td>Average monthly quantity July 2018 - March 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>UNITED ARAB EMIRATES</td>
<td>Structural Shapes Heavy -- C &amp; A</td>
<td>5,498</td>
<td>1,581</td>
<td>248%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Black Plate -- C &amp; A</td>
<td>13,667</td>
<td>4,037</td>
<td>239%</td>
</tr>
<tr>
<td>MALAYSIA</td>
<td>Wire Rods -- C &amp; A</td>
<td>6,466</td>
<td>2,181</td>
<td>197%</td>
</tr>
<tr>
<td>SOUTH AFRICA</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>7,271</td>
<td>2,711</td>
<td>168%</td>
</tr>
<tr>
<td>PORTUGAL</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>5,458</td>
<td>2,036</td>
<td>168%</td>
</tr>
<tr>
<td>DOMINICAN REPUBLIC</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>8,114</td>
<td>3,101</td>
<td>162%</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>Wire Rods -- C &amp; A</td>
<td>8,882</td>
<td>3,417</td>
<td>160%</td>
</tr>
<tr>
<td>JAPAN</td>
<td>Tin Free Steel -- C &amp; A</td>
<td>7,121</td>
<td>2,888</td>
<td>147%</td>
</tr>
<tr>
<td>UKRAINE</td>
<td>Oil Country Goods -- C &amp; A</td>
<td>16,036</td>
<td>7,182</td>
<td>123%</td>
</tr>
<tr>
<td>KOREA</td>
<td>Oil Country Goods -- C &amp; A</td>
<td>36,760</td>
<td>17,309</td>
<td>112%</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>Sheets &amp; Strip Galv Hot Dipped -- C &amp; A</td>
<td>17,689</td>
<td>8,639</td>
<td>105%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Tin Free Steel -- C &amp; A</td>
<td>24,356</td>
<td>15,620</td>
<td>56%</td>
</tr>
<tr>
<td>WORLD</td>
<td>All Stainless Products</td>
<td>103,782</td>
<td>68,925</td>
<td>51%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Sheets &amp; Strip-Electrical -- C &amp; A</td>
<td>5,222</td>
<td>3,556</td>
<td>47%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Rails Standard -- C &amp; A</td>
<td>11,063</td>
<td>7,580</td>
<td>46%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Pressure Tubing -- C &amp; A</td>
<td>5,816</td>
<td>4,103</td>
<td>42%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>861,203</td>
<td>625,170</td>
<td>38%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Structural Shapes Heavy -- C &amp; A</td>
<td>47,527</td>
<td>35,733</td>
<td>33%</td>
</tr>
<tr>
<td>JAPAN</td>
<td>Rails All Other -- C &amp; A</td>
<td>6,682</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>All Stainless Products</td>
<td>33,088</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>32,937</td>
<td>.</td>
<td>.</td>
</tr>
</tbody>
</table>

SOURCE: US Department of Commerce, Enforcement and Compliance, SIMA
Table last modified July 26, 2019, with Licensing data collected through June 2019 and Final Census data compiled through May 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 $633 per metric ton in June 2019, and compared to one year ago, the price for hot-rolled band was down 36.7%.
  - Cold-rolled coil prices decreased to $785 per metric ton in June from $830 in May and were down 29.6% from last year.
Standard plate prices decreased to $959 per metric ton in June, down from $987 per metric ton in May, and were down by 10.3% from a year ago.

Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production increased by 4% to 7.7 million metric tons in May 2019 from 7.4 million metric tons in April. This marks a 5% increase from the May 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, an 11.4% increase.
Global steel production increased by 4% to 162.7 million metric tons in May 2019 from 156.7 million metric tons in April.

- Global production in May 2019 increased 5% from one year ago.
- Total world crude steel production in 2018, at 1,789 million metric tons, was up by 5.9% from the 2017 level of 1,691 million metric tons.
- China’s May 2019 production level increased by 5% from April 2019 to 89.1 million metric tons.
- China’s total production in 2018 amounted to 927 million metric tons, a 9% increase from the previous year.
Figure 8 – Monthly World Crude Steel Production

Figure 9 – Monthly Crude Steel Production - Major Producers

Source: World Steel Association. Note: Figures are estimates and subject to revision.
China’s share of total monthly world steel increased to 55% in May 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
• U.S. domestic steel capacity utilization has been trending up in the last two years.
  o In May 2019, capacity utilization was estimated at 80.8%, a decrease of 0.5 percentage points from 81.3% in April.
  o Capacity utilization in May 2019 was up 3.7 percentage points from one year ago and up 3.5 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 40 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 May 2019](image)

Source: American Iron and Steel Institute (AISI)

**Demand**

• Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, decreased 3% to 8.5 million metric tons in May from 8.8 million metric tons in April 2019.
  o May 2019 demand has decreased 3% from one year ago and decreased 9% from five years ago.
  o Demand in May 2019 was 106% 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 May 2019, import penetration for steel mill products, excluding semi-finished products, was 19.9%, a decrease of 1.3 percentage points from April. This marks a 5.4 percentage point decrease from the import penetration level from one year ago. Import penetration in 2018 averaged 23.0%.
Trade Remedy Case Determinations – July 2019

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>Fabricated Structural Steel</td>
<td>China and Mexico</td>
<td>Affirmative Preliminary Countervailing Duty Determination</td>
</tr>
<tr>
<td>Steel Wheels 12 to 16.5&quot; diam.</td>
<td>China</td>
<td>Affirmative Final Antidumping and Countervailing Duty Determination</td>
</tr>
<tr>
<td>Certain Collated Steel Staples</td>
<td>China</td>
<td>Initiation of Antidumping Duty Investigation</td>
</tr>
<tr>
<td>Steel Propane Cylinders</td>
<td>China and Thailand</td>
<td>Affirmative Final Antidumping and Countervailing Duty Determination</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce, Enforcement and Compliance, current through July 15, 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 $204.3 million, U.S. Steel at $54.0 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.
• Q2 2019 average share prices decreased from Q1 2019 average share prices for all the charted steel stocks.
  o Of the charted steel stocks, U.S. Steel’s average share price saw the largest decrease from the previous quarter at 27.2%, followed by AK Steel with a decrease of 17.3%, ArcelorMittal with a decrease of 14.7%, Steel Dynamics with a decrease of 13.6%, and Nucor with a decrease of 6.1%.
  o Compared to the same quarter last year, four of the five charted steel stocks showed decreases in average share prices, with U.S. Steel decreasing by 56.7%, AK Steel decreasing by 48.9%, ArcelorMittal decreasing by 43.2%, and Steel Dynamics decreasing by 35.3%. Nucor saw an increase of 23.4% from the same quarter last year.
  o All the steel stocks except Nucor underperformed compared to the S&P 500 between Q2 2018 and Q2 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 July 15, 2019