Steel Industry Executive Summary: September 2019

Highlights

• From June to July 2019, U.S. imports of steel mill products increased 48.6% to 2.7 million metric tons from 1.8 million metric tons.
• In July, capacity utilization was estimated at 79.4%, a decrease of 0.7 percentage points from 80.1% in June 2019.
• According to data from the World Steel Association, U.S. steel production increased by 2.4% to 7.4 million metric tons in July 2019 from 7.2 million metric tons in June.

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Trade – U.S. Imports of Steel Mill Products

- From June 2019 to July 2019, U.S. imports of steel mill products increased 48.6% to 2.7 million metric tons from 1.8 million metric tons.
  - July 2019 steel imports were up 1.4% from one year ago and 7.9% from the 2018 average monthly volume of 2.5 million metric tons.
  - Steel mill imports in July were down 31.8% from the most recent import volume peak of 4.0 million metric tons in October 2014.
  - License data suggests a decrease in imports in August from July 2019, and a decrease from August to September.

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 July), U.S. imports of steel mill products amounted to 16.9 million metric tons, a 4.4% increase from 16.2 million metric tons in YTD 2018.
  - In value terms, imports decreased 14.1% to $15.5 billion in YTD 2019 from $18.0 billion in YTD 2018.
  - Brazil accounted for the largest share of U.S. imports by partner country in YTD 2019 at 19.8%, followed by Canada (15.6%) and Mexico (10.8%).
  - The U.S. imported 5.6 million metric tons of flat products in YTD 2019, accounting for 33.0% of total steel mill imports (the largest of any category). This was followed by semi-finished products at 4.7 million metric tons or 27.5% of total imports.
Figure 2 – U.S. Imports of Steel Mill Products by Partner

U.S. Imports of Steel Mill Products by Partner YTD 2019 (July)

Total Quantity: 16.9 million metric tons
Source: SIMA Monitor

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

U.S. Imports of Steel Mill Products by Product Category YTD 2019 (July)

Total Quantity: 16.9 million metric tons
Source: SIMA Monitor
Trade – U.S. Trade Balance in Steel Mill Products

- While U.S. imports of steel mill products by volume were volatile in 2018 and year-to-date 2019, exports have remained relatively flat for the past 9 years. In July 2019, the steel trade deficit was 2.2 million metric tons, a 67.2% increase from June 2019.
  - Compared to the trade balance one year ago, the July 2019 steel trade gap has widened by 3.3%.
  - From June to July 2019, the volume of U.S. steel exports increased by 3.7% to 563.0 thousand from 543.2 thousand metric tons. Compared with July 2018, July 2019 exports were down 5.4% by volume and down 15.9% from three years ago.
  - Imports increased 48.6% by volume between June 2019 and July 2019 from 1.8 million metric tons to 2.7 million metric tons. July 2019 imports were up 1.4% from one year ago and down 7.2% 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 June 2019 - August 2019 (metric tons)</th>
<th>Average monthly quantity September 2018 - May 2019 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>CANADA</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>29,300</td>
<td>3,367</td>
<td>770%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>47,852</td>
<td>8,687</td>
<td>451%</td>
</tr>
<tr>
<td>MALAYSIA</td>
<td>Wire Rods -- C &amp; A</td>
<td>8,091</td>
<td>2,181</td>
<td>271%</td>
</tr>
<tr>
<td>OMAN</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>6,756</td>
<td>1,913</td>
<td>253%</td>
</tr>
<tr>
<td>Country</td>
<td>Product</td>
<td>Average monthly quantity June 2019 - August 2019 (metric tons)</td>
<td>Average monthly quantity September 2018 - May 2019 (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>JAPAN</td>
<td>Rails Standard -- C &amp; A</td>
<td>16,398</td>
<td>6,939</td>
<td>136%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Rails Standard -- C &amp; A</td>
<td>22,344</td>
<td>9,901</td>
<td>126%</td>
</tr>
<tr>
<td>JAPAN</td>
<td>Tin Free Steel -- C &amp; A</td>
<td>7,455</td>
<td>3,634</td>
<td>105%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Black Plate -- C &amp; A</td>
<td>11,275</td>
<td>5,819</td>
<td>94%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Sheets &amp; Strip Galv Electrolyt -- C &amp; A</td>
<td>8,662</td>
<td>5,496</td>
<td>58%</td>
</tr>
<tr>
<td>WORLD</td>
<td>All Stainless Products</td>
<td>104,021</td>
<td>68,530</td>
<td>52%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Tin Plate -- C &amp; A</td>
<td>72,902</td>
<td>54,462</td>
<td>34%</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>All Stainless Products</td>
<td>38,579</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>38,495</td>
<td>.</td>
<td>.</td>
</tr>
</tbody>
</table>

SOURCE: US Department of Commerce, Enforcement and Compliance, SIMA
Table last modified October 1, 2019, with Licensing data collected through August 2019 and Final Census data compiled through July 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 increased to $644 in August 2019, from $631 per metric ton in July, and were down 27.0% from last year.
  - Cold-rolled coil prices increased to $836 per metric ton in August from $800 in July and were down 21.4% from last year.
  - Standard plate prices decreased to $869 in August from $955 per metric ton in July, down from $959 per metric ton in June, and were down by 20.3% from a year ago.
According to data from the World Steel Association, U.S. steel production increased by 2.4% to 7.4 million metric tons in July 2019 from 7.2 million metric tons in June. This marks a 0.5% increase from the July 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 decreased by 1.7% to 156.2 million metric tons in July 2019 from 158.9 million metric tons in June.
  - Global production in July 2019 increased 1.7% from one year ago.
  - Total world crude steel production in 2018, at 1,790 million metric tons, was up by 5.8% from the 2017 level of 1,691 million metric tons.
  - China’s July 2019 production level decreased by 2.6% from June 2019 to 85.2 million metric tons.
  - China’s total production in 2018 amounted to 928 million metric tons, an 8.8% increase from the previous year.
Figure 8 – Monthly World Crude Steel Production

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

Source: World Steel Association. Note: Figures are estimates and subject to revision.
China’s share of total monthly world steel production remained at around 55% in July 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 July 2019, capacity utilization was estimated at 79.4%, a decrease of 0.7 percentage points from 80.1% in June.
  o Capacity utilization in July 2019 was up 1.0 percentage points from one year ago and down 0.2 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 38.6 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, decreased 1% to 8.1 million metric tons in July from 8.2 million metric tons in June 2019.
  o July 2019 demand has decreased 5% from one year ago and decreased 15% from five years ago.
  o Demand in July 2019 was 97% 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 July 2019, import penetration for steel mill products, excluding semi-finished products, was 20.6%, an increase of 1.6 percentage points from June. This marks a 2.5 percentage point decrease from the import penetration level from one year ago. Import penetration in 2018 averaged 23.0%.
Trade Remedy Case Determinations – September 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>Carbon and Alloy Steel Threaded Rod</td>
<td>China, Taiwan, and India</td>
<td>Affirmative Preliminary Antidumping and Countervailing Duty Determination</td>
</tr>
<tr>
<td>Certain Fabricated Structural Steel</td>
<td>China and Mexico</td>
<td>Affirmative Preliminary Antidumping and Countervailing Duty Determination</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce, Enforcement and Compliance, current through September 30, 2019
Factsheets available at: 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 $842.88 million in Q2 2019.
  - According to publicly available figures, all six companies reported quarterly net gains.
  - Nucor reported the highest quarterly net profit at $386.5 million, followed by Steel Dynamics at $194.3 million, Commercial Metals Company at $78.4, U.S. Steel at $68.0 million, AK Steel at $66.8, and Carpenter Technology at $48.9.
  - Since Q1 2009, the group of steel companies monitored in the below chart collectively reported net earnings for 28 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.

- 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%.
- 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.
- All the steel stocks except Nucor underperformed compared to the S&P 500 between Q2 2018 and Q2 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 July 15, 2019

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