Steel Industry Executive Summary: October 2019

Highlights

- From July to August 2019, U.S. imports of steel mill products decreased 33.3% to 1.8 million metric tons from 2.7 million metric tons.
- In August 2019, capacity utilization was estimated at 79.1%, a decrease of 0.3 percentage points from 79.4% in July.
- According to data from the World Steel Association, U.S. steel production decreased by 0.3% to 7.4 million metric tons in August.

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 – August 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 July 2019 to August 2019, U.S. imports of steel mill products decreased 33.3% to 1.8 million metric tons from 2.7 million metric tons.
  - August 2019 steel imports were down 33.5% from one year ago and down 28.1% from the 2018 average monthly volume of 2.5 million metric tons.
  - Steel mill imports in August were down 54.5% from the most recent import volume peak of 4.0 million metric tons in October 2014.
  - License data suggests the steel import volume will remain roughly the same in September as it was in August, but the volume will likely increase in October.

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 August), U.S. imports of steel mill products were 18.8 million metric tons, a 13.4% decrease from 21.7 million metric tons in YTD 2018.
  - In value terms, imports decreased 15.7% to $17.4 billion in YTD 2019 from $20.6 billion in YTD 2018.
  - Brazil accounted for the largest share of U.S. imports by partner country in YTD 2019 at 18.0%, followed by Canada (16.7%) and Mexico (11.1%).
  - The U.S. imported 6.3 million metric tons of flat products in YTD 2019, accounting for 33.8% of total steel mill imports (the largest of any category). This was followed by semi-finished products at 4.9 million metric tons or 25.9% of total imports. Pipe and tube imports followed closely with 22.4% of all imports.
Figure 2 – U.S. Imports of Steel Mill Products by Partner

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

Total Quantity: 18.8 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 (August)

Total Quantity 18.8 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 August 2019, the steel trade deficit was 1.2 million metric tons, a 43.2% decrease from July 2019.
  - Compared to the trade balance one year ago, the August 2019 steel trade gap has narrowed by 42.7%.
  - From July to August 2019, the volume of U.S. steel exports increased by 4.9% to 590.4 thousand metric tons from 563.0 thousand metric tons. Compared with August 2018, August 2019 exports were up 0.6% by volume and down 19.8% from three years ago.
  - Imports decreased 33.3% by volume between July 2019 and August 2019 from 2.7 million metric tons to 1.8 million metric tons. August 2019 imports were down 33.5% from one year ago and down 33.9% 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 12% to 27.3 million metric tons in YTD 2019 (through July) from 30.1 million metric tons in YTD 2018.
- July 2019 steel mill imports into the U.S, Canada, and Mexico were down 16% from one year ago.
• Intra-North America steel imports increased 11% to 1.3 million metric tons between June and July and external imports increased 13% to 2.5 million metric tons.

• Imports among the three countries accounted for a 38.3% share of total NAFTA steel imports in YTD 2019, with Brazil’s share following at 13.7% or 3.7 million metric tons, and Korea’s share at 8.6% or 2.3 million metric tons.

Figure 5 – North American Steel Mill Imports by Top Partner Country

* North American trade is updated through July 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 July 2019 - September 2019 (metric tons)</th>
<th>Average monthly quantity October 2018 - June 2019 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>PORTUGAL</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>5,228</td>
<td>657</td>
<td>696%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>52,437</td>
<td>8,640</td>
<td>507%</td>
</tr>
<tr>
<td>CANADA</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>32,240</td>
<td>6,791</td>
<td>375%</td>
</tr>
<tr>
<td>ALGERIA</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>11,478</td>
<td>2,731</td>
<td>320%</td>
</tr>
</tbody>
</table>
### Average monthly quantity

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>July 2019 - September 2019 (metric tons)</th>
<th>October 2018 - June 2019 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>TURKEY</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>6,401</td>
<td>3,012</td>
<td>113%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Black Plate -- C &amp; A</td>
<td>12,222</td>
<td>6,574</td>
<td>86%</td>
</tr>
<tr>
<td>WORLD</td>
<td>All Stainless Products</td>
<td>106,616</td>
<td>68,157</td>
<td>56%</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>All Stainless Products</td>
<td>43,229</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>43,108</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 September 2019 and Final Census data compiled through August 2019.

### Prices

- After a recent peak in Q3 2018, benchmark domestic steel prices have been trending downwards.
  - U.S. domestic prices for hot-rolled band decreased to around $629 per metric ton in September 2019, from $644 per metric ton in August, and were down 34.5% from last year.
  - Cold-rolled coil prices decreased to $828 per metric ton in September from $836 in August and were down 21.5% from last year.
  - Standard plate prices decreased to $844 in September from $869 in August and were down by 22.2% from a year ago.
Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production decreased by 0.3% to 7.4 million metric tons in August. This marks a 1.1% decline from the August 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 0.6% to 155.3 million metric tons in August 2019 from 156.2 million metric tons in July.

- Global production in August 2019 increased 3.1% from one year ago.
- Total world crude steel production in 2018, at 1,787 million metric tons, was up by 5.8% from the 2017 level of 1,691 million metric tons.
- China’s August 2019 production level increased by 2.4% from July 2019 to 87.3 million metric tons.
- China’s total production in 2018 amounted to 927 million metric tons, an 8.8% 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 production increased slightly to 56% in August 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.

- In August 2019, capacity utilization was estimated at 79.1%, a decrease of 0.3 percentage points from 79.4% in July.
- Capacity utilization in August 2019 was down 0.3 percentage points from one year ago and down 1.1 percentage points from five years ago.
- Overall capacity utilization in 2018 averaged 78.2%, up from the 2017 annual average of 73.9%.
- Though capacity utilization has increased 38.3 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 8% to 8.7 million metric tons in August from 8.1 million metric tons in July.
  - August 2019 demand has decreased 2% from one year ago and decreased 6% from five years ago.
  - Demand in July 2019 was 111% higher than April 2009, when steel demand was at its lowest level in recent years.
  - Steel demand in 2018 amounted to 100.9 million metric tons, a 1% increase from 99.7 million metric tons in 2017.
In August 2019, import penetration for steel mill products, excluding semi-finished products, was 18.7%, a decrease of 2.0 percentage points from July. This also marks a 2.0 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>Fabricated Structural Steel</td>
<td>China, Mexico, and Canada</td>
<td>Affirmative Preliminary Antidumping Duty Determination</td>
</tr>
<tr>
<td>Carbon &amp; Alloy threaded steel rod</td>
<td>China, India, and Taiwan</td>
<td>Preliminary Affirmative Antidumping Determination</td>
</tr>
<tr>
<td>Steel reinforcing bar</td>
<td>Thailand</td>
<td>Preliminary Affirmative Antidumping Determination</td>
</tr>
<tr>
<td>Vertical Metal File Cabinets</td>
<td>China</td>
<td>Final Affirmative Antidumping and Countervailing Duty Determination</td>
</tr>
</tbody>
</table>

Sources: U.S. Department of Commerce, Enforcement and Compliance, Factsheets; Federal Register; U.S. Department of Commerce Press Releases
Current through October 31, 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 $472 million in Q3 2019.
  - According to publicly available figures, five out of six companies reported quarterly net gains.
  - Nucor reported the highest quarterly net profit at $275 million, followed by Steel Dynamics at $151 million, Commercial Metals Company at $86 million, Carpenter Technology at $41 million, and AK Steel at $2.8 million. U.S. Steel reported quarterly net loss at -$84 million.
  - Since Q1 2009, the group of steel companies monitored in the below chart collectively reported net earnings for 29 quarters.
  - The net income chart includes AK Steel, Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and U.S. Steel.
• Q3 2019 average share prices decreased from Q2 2019 average share prices for four out of five charted steel stocks.
  o Of the charted steel stocks, ArcelorMittal’s average share price saw the largest decrease from the previous quarter at 18.7%, followed by U.S. Steel with a decrease of 16.8%, Nucor with a decrease of 5.0%, and Steel Dynamics with a decrease of 3.8%. AK Steel’s average share price increased by 2.6% from the previous quarter.
  o Compared to the same quarter last year, all charted steel stocks showed decreases in average share prices, with U.S. Steel decreasing by 60.1%, ArcelorMittal decreasing by 49.3%, AK Steel decreasing by 47.4%, Steel Dynamics decreasing by 36%, and Nucor decreasing by 18.5%.
  o All the steel stocks underperformed compared to the S&P 500 between Q3 2018 and Q3 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: Yahoo Finance.com November 5, 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