Steel Industry Executive Summary: November 2018

Highlights

- From August 2018 to September 2018, U.S. imports of steel mill products decreased 25% to 2 million metric tons from 2.75 million metric tons.
- In September, capacity utilization was estimated at 79.6%, an increase of 0.2 percentage points from 79.4% in August.
- Total U.S. steel production decreased by 3% to 7.3 million metric tons in September 2018 from 7.5 million metric tons in August 2018.

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Trade – U.S. Imports of Steel Mill Products

- From August 2018 to September 2018, U.S. imports of steel mill products decreased 25% to 2 million metric tons from 2.75 million metric tons.
  - September 2018 steel imports were down 27% from one year ago and down 28.6% from the 2017 average monthly volume of 2.9 million metric tons.
  - Steel mill imports in September were down 49% from the most recent import volume peak of 4 million metric tons in October 2014.
  - October 2018 license data suggest an increase in imports from 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 2018 (through September), U.S. imports of steel mill products amounted to 23.7 million metric tons, a 12% decrease from 26.9 million metric tons in YTD 2017.
  - In value terms, imports increased, up 3% to $22.7 billion in YTD 2018 from $22.1 billion in YTD 2017.
  - Canada accounted for the largest share of U.S. imports by partner country in YTD 2018 at 19%, followed by Brazil (13%) and Mexico (11%).
  - The U.S. imported 8.8 million metric tons of flat products in YTD 2018, accounting for 37% of total steel mill imports, followed by semi-finished products at 5.2 million metric tons or 24% of total imports.

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

U.S. Imports of Steel Mill Products by Product Category YTD 2018 (Sep)

Total Quantity: 23.7 million metric tons
Source: SIMA Monitor

- Flat Products: 37.1%
- Semi-Finished: 25.8%
- Pipe and Tube: 22.0%
- Long Products: 17.7%
- All Steel Mill Products: 100.0%

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

U.S. Imports of Steel Mill Products by Partner YTD 2018 (Sep)

Total Quantity: 23.7 million metric tons
Source: SIMA Monitor

- CANADA: 19.0%
- BRAZIL: 12.9%
- MEXICO: 11.0%
- KOREA: 8.8%
- RUSSIA: 7.6%
- JAPAN: 4.5%
- OTHER: 36.2%
- WORLD: 100.0%
Trade – U.S. Trade Balance in Steel Mill Products

- U.S. imports of steel mill products by volume were volatile in YTD 2018. Exports have remained consistently flat for the past 9 years. In September 2018, the steel trade deficit decreased to -1.5 million metric tons from -2.2 million metric tons in August 2018, a 29.8% decrease.
  - Compared to the trade balance one year ago, the September 2018 steel trade gap has decreased by 23.2%.
  - From August 2018 to September 2018, the volume of U.S. steel exports decreased by 9.6% to 531 thousand metric tons. September 2018 exports were down 35.3% by volume from one year ago and down 27.9% from three years ago.
  - Imports decreased 25.5% by volume between August 2018 and September 2018 to 2 million metric tons. September 2018 imports were down 25.5% from one year ago and down 20.2% from three years ago.

![U.S. Imports/Exports of Steel Mill Products](source)

Trade – NAFTA

- According to the latest available data from the three NAFTA countries, total steel mill imports into NAFTA countries decreased 4% to 35.5 million metric tons in YTD 2018 from 37.2 million metric tons in YTD 2017 (through August).
August 2018 steel mill imports into NAFTA countries were down 6% from one year ago.

Intra-NAFTA steel imports increased 7% to 1.5 million metric tons between July and August, while external NAFTA imports increased 2% to 3.2 million metric tons.

Imports among NAFTA countries accounted for a 36% share of total steel imports into NAFTA countries in YTD 2018, with Brazil’s share following at 10.6% or 4 million metric tons, and Korea’s share at 9.4% or 3.3 million metric tons.

Figure 5 – NAFTA Steel Mill Imports by Top Partner Country

![Graph showing steel mill imports by top partner country]

Trade – U.S. Steel Import Changes by Country and Product

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Average monthly quantity July 2018 - September 2018 (metric tons)</th>
<th>Average monthly quantity October 2017 - June 2018 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>CZECH REPUBLIC</td>
<td>Stainless Pipe &amp; Tubing -- S</td>
<td>11,006</td>
<td>40</td>
<td>27122%</td>
</tr>
<tr>
<td>TURKEY</td>
<td>Line Pipe -- C &amp; A</td>
<td>16,484</td>
<td>332</td>
<td>4865%</td>
</tr>
<tr>
<td>Country</td>
<td>Product</td>
<td>Average monthly quantity July 2018 - September 2018 (metric tons)</td>
<td>Average monthly quantity October 2017 - June 2018 (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>ROMANIA</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>20,551</td>
<td>2,804</td>
<td>633%</td>
</tr>
<tr>
<td>KOREA</td>
<td>Plates in Coils -- C &amp; A</td>
<td>20,431</td>
<td>5,688</td>
<td>259%</td>
</tr>
<tr>
<td>EGYPT</td>
<td>Sheets Hot Rolled -- C &amp; A</td>
<td>6,061</td>
<td>2,140</td>
<td>183%</td>
</tr>
<tr>
<td>TURKEY</td>
<td>Plates in Coils -- C &amp; A</td>
<td>9,772</td>
<td>3,525</td>
<td>177%</td>
</tr>
<tr>
<td>KOREA</td>
<td>Sheets Hot Rolled -- C &amp; A</td>
<td>51,058</td>
<td>20,094</td>
<td>154%</td>
</tr>
<tr>
<td>KOREA</td>
<td>Plates Cut Lengths -- C &amp; A</td>
<td>28,173</td>
<td>11,154</td>
<td>153%</td>
</tr>
<tr>
<td>CANADA</td>
<td>Line Pipe -- C &amp; A</td>
<td>33,510</td>
<td>15,634</td>
<td>114%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>37,391</td>
<td>17,769</td>
<td>110%</td>
</tr>
<tr>
<td>TURKEY</td>
<td>Sheets Hot Rolled -- C &amp; A</td>
<td>15,170</td>
<td>7,383</td>
<td>105%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Stainless Pipe &amp; Tubing -- S</td>
<td>20,781</td>
<td>12,477</td>
<td>67%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Black Plate -- C &amp; A</td>
<td>5,111</td>
<td>3,404</td>
<td>50%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>785,916</td>
<td>567,502</td>
<td>38%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Average monthly quantity July 2018 - September 2018 (metric tons)</th>
<th>Average monthly quantity October 2017 - June 2018 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>KOREA</td>
<td>Line Pipe -- C &amp; A</td>
<td>9,566</td>
<td>54,997</td>
<td>( 83%)</td>
</tr>
</tbody>
</table>

SOURCE: US Department of Commerce, Enforcement and Compliance, SIMA
Table last modified November 2, 2018, with Licensing data collected through October 2018 and Final Census data compiled through September 2018.

Prices

- Benchmark domestic steel prices have been trending upwards since Q4 of 2017.
  - While U.S. domestic prices for hot-rolled band decreased to $928 per metric ton in September 2018, compared to one year ago, the price for hot-rolled band was up 40.4%.
  - Cold-rolled coil prices increased to $1,017 per metric ton in August 2018, a 20.6% increase from last year and standard plate prices increased to $1,096 per metric ton, a 35.1% increase from a year ago.
Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production decreased by 3% to 7.3 million metric tons in September 2018 from 7.5 million metric tons in August 2018. This marks a 9.1% increase from the September 2017 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 slightly by 0.1% to 151.4 million metric tons in September 2018 from 151.3 million metric tons in August 2018.
  - Global production in September 2018 increased 6.5% from one year ago.
  - Total world crude steel production in 2017 increased by 5.3% from the 2016 level of 1691 million metric tons.
  - China’s September 2018 production level increased by 0.6% from August 2018 to 80.8 million metric tons.
  - China’s total production in 2017 amounted to 845 million metric tons, a 4.7% increase from the previous year.
  - The European Union 28 remains the second largest producer, behind China, with September 2018 production level of 13.6 million metric tons, a 9.5% increase from 12.5 million metric tons in August 2018.
China’s share of total monthly world steel increased to 53.4% in September 2018, accounting for slightly over half of the monthly total world production, while the U.S. ranked fifth behind India at 4%. 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.
• U.S. domestic steel capacity utilization made gains in the last year after a dip in October 2016.
  o In September 2018, capacity utilization was estimated at 79.6%, an increase of 0.2 percentage points from 79.4% in August.
  o Capacity utilization in September was up 6.2 percentage points from one year ago and up 1.3 percentage points from five years ago.
  o Overall capacity utilization in YTD 2018 averaged 77.5%, up from the 2017 annual average of 73.9%.
  o Though capacity utilization has increased 38.8 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 12% to 8.6 million metric tons in September 2018 from 9.8 million metric tons in August.
  - September demand has increased 4% from one year ago and increased 5% from five years ago.
  - Demand in September was still 109% higher than April 2009, when steel demand was at its lowest level in recent years.
  - YTD steel demand in 2018 (September-August) amounted to 79.2 million metric tons, a 5% increase from 75.6 million metric tons in YTD 2017.
Import penetration for steel mill products, excluding semi-finished products, was 19.7 percent, a decrease of 1.0 percentage points from August 2018 to September. This marks a 7.7 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. YTD 2018 import penetration is 23.0%.
Trade Remedy Case Determinations – October and November 2018

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>Steel Racks</td>
<td>China</td>
<td>Affirmative Preliminary Countervailing Duty Determination</td>
</tr>
<tr>
<td>Certain Steel Wheels</td>
<td>China</td>
<td>Affirmative Preliminary Antidumping Duty Determination</td>
</tr>
<tr>
<td>Steel Propane Cylinders</td>
<td>China</td>
<td>Affirmative Preliminary Countervailing Duty Determination</td>
</tr>
<tr>
<td>Refillable Stainless Steel Kegs</td>
<td>China, Germany,</td>
<td>Initiation of Antidumping and Countervailing Duty Investigation</td>
</tr>
<tr>
<td>Forged Steel Fittings</td>
<td>China and Italy</td>
<td>Affirmative Final Antidumping Duty Determination</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce, Enforcement and Compliance

Industry Status

- The U.S. steel industry, as represented in the chart below, posted a combined net income of $1,516 million in Q3 2018.
  - According to publicly available figures, all six of the companies included reported quarterly net gains.
  - Nucor reported the highest quarterly net profit at $677 million, followed by Steel Dynamics at $398 million, U.S. Steel at $291 million, AK Steel at $67 million, Commercial Metals Company at $52 million, and Carpenter Technology at $32 million.
  - Since Q1 2009, the group of steel companies monitored in the below chart has collectively reported net earnings for 25 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.
Q3 2018 average share prices decreased or remained unchanged from Q2 2018 average share prices for all but one charted steel stock.

- Of the charted steel stocks, U.S. Steel’s average share price saw the largest decrease from the previous quarter at 9.8%, followed by ArcelorMittal with a decrease of 8.9%, Steel Dynamics with a decrease of 2.6%, and AK Steel with a decrease of 0.4%. Nucor’s average share price saw an increase of 43.8%.
- Compared to the same quarter last year, three of the five charted steel stocks showed increases in average share prices, with U.S. Steel increasing by 46.4%, Steel Dynamics by 31.3%, ArcelorMittal by 16.9%, Nucor’s average share prices saw a decrease of 21.2% and AK Steel’s saw a decrease of 20.7%.
- All except Nucor’s steel stocks underperformed compared to the S&P 500 between Q2 2018 and Q3 2018.
- 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

- S&P 500
- Steel Dynamics
- Nucor
- U.S. Steel
- AK Steel
- ArcelorMittal

Source: NASDAQ.com July 26, 2018