Steel Industry Executive Summary: October 2018

Highlights

• From July 2018 to August 2018, U.S. imports of steel mill products increased 2% to 2.75 million metric tons from 2.71 million metric tons.
• In August 2018, capacity utilization was estimated at 79.4%, an increase of 1.0 percentage points from 78.4% in July.
• Total U.S. steel production increased by 2.8% to 7.5 million metric tons in August 2018 from 7.3 million metric tons in July 2018.

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Trade – U.S. Imports of Steel Mill Products

- From July 2018 to August 2018, U.S. imports of steel mill products increased 2% to 2.75 million metric tons from 2.71 million metric tons.
  - August 2018 steel imports were down 10% from one year ago and down 4.1% from the 2017 average monthly volume of 2.9 million metric tons.
  - Steel mill imports in August were down 32% from the most recent import volume peak of 4 million metric tons in October 2014.
  - September 2018 license data suggest a decrease in imports from August.
    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 August), U.S. imports of steel mill products amounted to 21.7 million metric tons, a 10% decrease from 24.1 million metric tons in YTD 2017.
  - In value terms, imports increased, up 5% to $20.6 billion in YTD 2018 from $19.6 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 (13.6%) and Mexico (10.9%).
  - The U.S. imported 7.9 million metric tons of flat products in YTD 2018, accounting for 36.3% of total steel mill imports, followed by semi-finished products at 5.2 million metric tons or 23.8% of total imports.
Figure 2 – U.S. Imports of Steel Mill Products by Partner

Total Quantity:
21.7 million metric tons
Source: SIMA Monitor

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

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

Total Quantity:
21.7 million metric tons
Source: SIMA Monitor

U.S. Imports of Steel Mill Products by Partner YTD 2018 (Aug)
Trade – U.S. Trade Balance in Steel Mill Products

- U.S. imports of steel mill products by volume were volatile in the second half of 2017, then increased from February to April 2018, declined in May and June, before increasing again in July and August. Exports have remained consistently flat for the past 9 years. In August 2018, the steel trade deficit increased to -2.2 million metric tons from -2.1 million metric tons in July 2018, a 2.4% increase.
  - Compared to the trade balance one year ago, the August 2018 steel trade gap has decreased by 2.8%.
  - From July 2018 to August 2018, the volume of U.S. steel exports decreased by 1.4% to 587 thousand metric tons. August 2018 exports were down 29.5% by volume from one year ago and down 21.8% from three years ago.
  - Imports increased 1.6% by volume between July 2018 and August 2018 to 2.75 million metric tons. August 2018 imports were down 10.1% from one year ago and down 0.9% from three years ago.

Figure 4 – U.S. Imports/Exports of Steel Mill Products

Trade – NAFTA

- According to the latest available data from the three NAFTA countries, total steel mill imports into NAFTA countries decreased 14% to 26.4 million metric tons in YTD 2018 from 32.2 million metric tons in YTD 2017 (through July).
July 2018 steel mill imports into NAFTA countries were down 5% from one year ago.

Intra-NAFTA steel imports decreased 18% to 1.37 million metric tons between June and July, while external NAFTA imports increased 13% to 3.1 million metric tons.

Imports among NAFTA countries accounted for a 36.6% share of total steel imports into NAFTA countries in YTD 2018, with Brazil’s share following at 10.6% and Korea’s share at 9.6% or 2.3 million metric tons.

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

**NOTABLE INCREASES**

<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>TURKEY</td>
<td>Wire Rods -- C &amp; A</td>
<td>12,179</td>
<td>3</td>
<td>467510%</td>
</tr>
<tr>
<td>CZECH REPUBLIC</td>
<td>Stainless Pipe &amp; Tubing -- S</td>
<td>11,020</td>
<td>65</td>
<td>16734%</td>
</tr>
<tr>
<td>MOROCCO</td>
<td>Wire Rods -- C &amp; A</td>
<td>6,754</td>
<td>675</td>
<td>901%</td>
</tr>
</tbody>
</table>
### NOTABLE DECREASES

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Average monthly quantity July 2018 - Septemb er 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>TURKEY</td>
<td>Sheets &amp; Strip Galv Hot Dipped -- C &amp; A</td>
<td>6,532</td>
<td>16,536</td>
<td>(60%)</td>
</tr>
<tr>
<td>KOREA</td>
<td>Line Pipe -- C &amp; A</td>
<td>20,011</td>
<td>60,723</td>
<td>(67%)</td>
</tr>
<tr>
<td>CANADA</td>
<td>Oil Country Goods -- C &amp; A</td>
<td>6,132</td>
<td>19,929</td>
<td>(69%)</td>
</tr>
<tr>
<td>KOREA</td>
<td>Oil Country Goods -- C &amp; A</td>
<td>6,736</td>
<td>69,505</td>
<td>(90%)</td>
</tr>
</tbody>
</table>

**SOURCE:** US Department of Commerce, Enforcement and Compliance, SIMA  
Table last modified October 15, 2018, with Licensing data collected through September 2018 and Final Census data compiled through August 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 $961 per metric ton in August 2018, compared to one year ago, the price for hot-rolled band was up 39%.
Cold-rolled coil prices increased to $1,055 per metric ton in August 2018, a 20 percent increase from last year and standard plate prices increased to $1,085 per metric ton, a 35 percent increase from a year ago.

![Figure 6 – U.S. Domestic Steel Prices](image)

**Production & Capacity Utilization**

- According to data from the World Steel Association, U.S. steel production increased by 2.8% to 7.5 million metric tons in August 2018 from 7.3 million metric tons in July 2018. This marks a 5.3% increase from the August 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.

![Figure 7 – Monthly U.S. Crude Steel Production](image)
Global steel production decreased by 2.1% to 151.3 million metric tons in August 2018 from 154.6 million metric tons in July 2018.

- Global production in August 2018 increased 2.3% 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 August 2018 production level decreased by 1.1% from July 2018 to 80.3 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 August 2018 production level of 12.5 million metric tons, a 14.3% decrease from 14.5 million metric tons in July 2018.
China’s share of total monthly world steel increased to 53.1% in August 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 August 2018, capacity utilization was estimated at 79.4%, an increase of 1.0 percentage point from 78.4% in July.
  o Capacity utilization in August was up 3.6 percentage points from one year ago and up 1.8 percentage points from five years ago.
  o Overall capacity utilization in YTD 2018 averaged 77.3%, 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 still remains well below the pre-recession historical averages.
Figure 11 – U.S. Domestic Steel Capacity Utilization

U.S. Domestic Steel Capacity Utilization, Percentage (Jan 09 - Aug 18)

Red dotted lines indicate yearly averages

Source: American Iron and Steel Institute (AISI)

Demand

- Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, increased 6% to 9.8 million metric tons in August 2018 from 9.3 million metric tons in July.
  - August demand has increased 14% from one year ago and increased 15% from five years ago.
  - Demand in July was still 138% higher than April 2009, when steel demand was at its lowest level in recent years.
  - YTD steel demand in 2018 (through August) amounted to 70.6 million metric tons, a 5% increase from 67.3 million metric tons in YTD 2017.
Import penetration for steel mill products, excluding semi-finished products, was 18.7 percent, a decrease of 2.6 percentage points from July 2018 to August. This marks a 7.4 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 23.41%.
Trade Remedy Case Determinations – October 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>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 Investigation</td>
</tr>
<tr>
<td>Refillable Stainless Steel Kegs</td>
<td>China, Germany, and Mexico</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 $1,399 million in Q2 2018.
  o According to publicly available figures, all six of the companies included reported quarterly net gains.
  o Nucor reported the highest quarterly net profit at $383 million, followed by Steel Dynamics at $362 million, U.S. Steel at $214 million, AK Steel at $57 million, Carpenter Technology at $43 million, and Commercial Metals Company at $40 million.
  o Since Q1 2009, the group of steel companies monitored in the below chart has collectively reported net earnings for 24 quarters. The group’s aggregate quarterly figures are significantly below performance levels from 2004 to early to mid-2008.
  o The net income chart includes AK Steel, Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and U.S. Steel.
Figure 14 - Steel Industry: Quarterly Net Income

- Q2 2018 average share prices decreased from Q1 2018 average share prices for all but one charted steel stock.
  - Of the charted steel stocks, Nucor’s average share price saw the largest decrease from the previous quarter at 32.9%, followed by AK Steel with a decrease of 17.2%, U.S. Steel with a decrease of 9.1%, and ArcelorMittal with a decrease of 3.1%. Steel Dynamics’ average share price saw an increase of 2.7%.
  - 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 50.2%, ArcelorMittal increasing by 48.4%, and Steel Dynamics by 36.7%. AK Steel’s average share prices saw a decrease of 27.4% and Nucor’s saw a decrease of 24.2%.
  - All except Steel Dynamics’ steel stocks underperformed compared to the S&P 500 between Q1 2018 and Q2 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

Source: NASDAQ.com July 26, 2018

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