



Steel Industry Executive Summary: April 2019

Highlights

- From January 2019 to February 2019, U.S. imports of steel mill products decreased 30% to 2.2 million metric tons from 3.2 million metric tons.
- In February, capacity utilization was estimated at 82.4%, an increase of 2 percentage points from 80.4% in January 2019.
- U.S. steel production decreased by 7.5% to 7.0 million metric tons in February from 7.52 million metric tons in January 2019.

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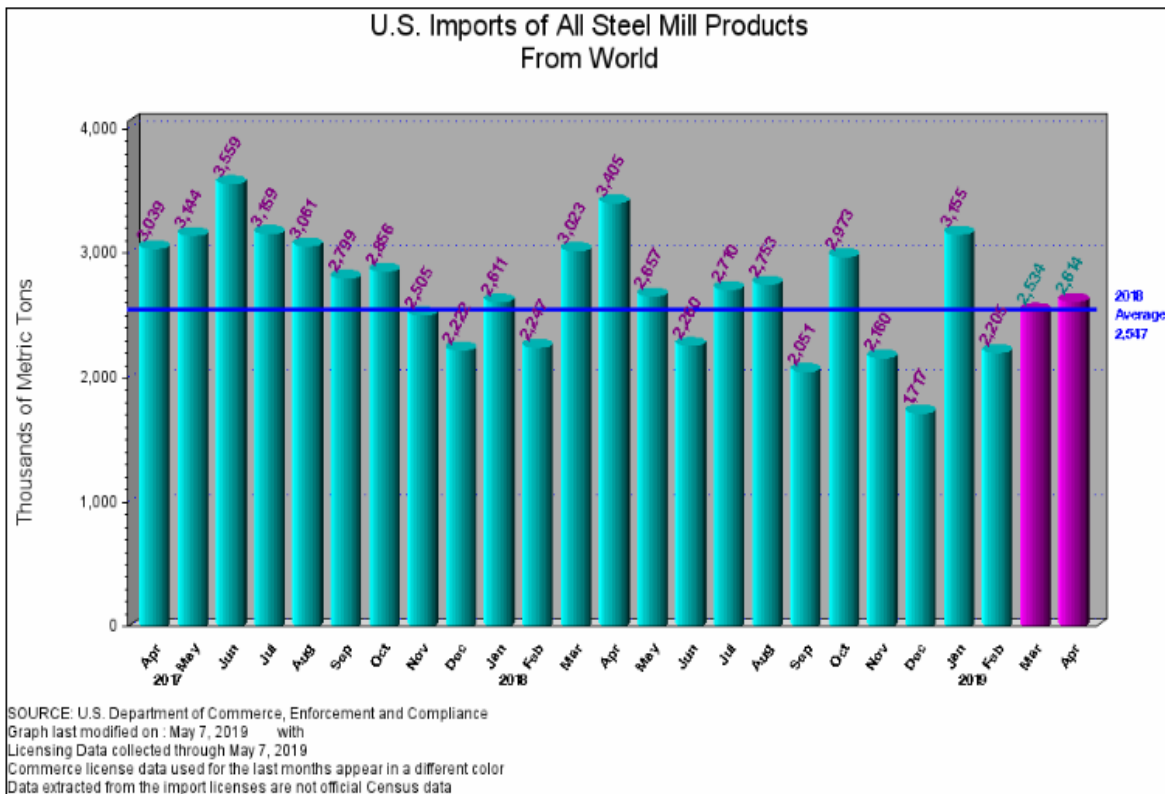
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Trade – U.S. Imports of Steel Mill Products

- From January 2019 to February 2019, U.S. imports of steel mill products decreased 30% to 2.2 million metric tons from 3.2 million metric tons.
 - February 2019 steel imports were down 2% from one year ago and down 13.4% from the 2018 average monthly volume of 2.5 million metric tons.
 - Steel mill imports in February were down 45% from the most recent import volume peak of 4 million metric tons in October 2014.
 - March 2019 license data suggest an increase in imports from February.

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 February), U.S. imports of steel mill products amounted to 5.4 million metric tons, a 10.3% increase from 4.9 million metric tons in YTD 2018.
 - In value terms, imports increased, up 5.0% to \$4.9 billion in YTD 2019 from \$4.7 billion in YTD 2018.
 - Brazil accounted for the largest share of U.S. imports by partner country in YTD 2019 at 8.8%, followed by Canada (7.4%) and Mexico (3.8%).

- The U.S. imported 1.7 million metric tons of flat products in YTD 2019, accounting for 30.9% of total steel mill imports, followed by semi-finished products at 1.6 million metric tons or 29.1% of total imports.

Figure 2 – U.S. Imports of Steel Mill Products by Partner

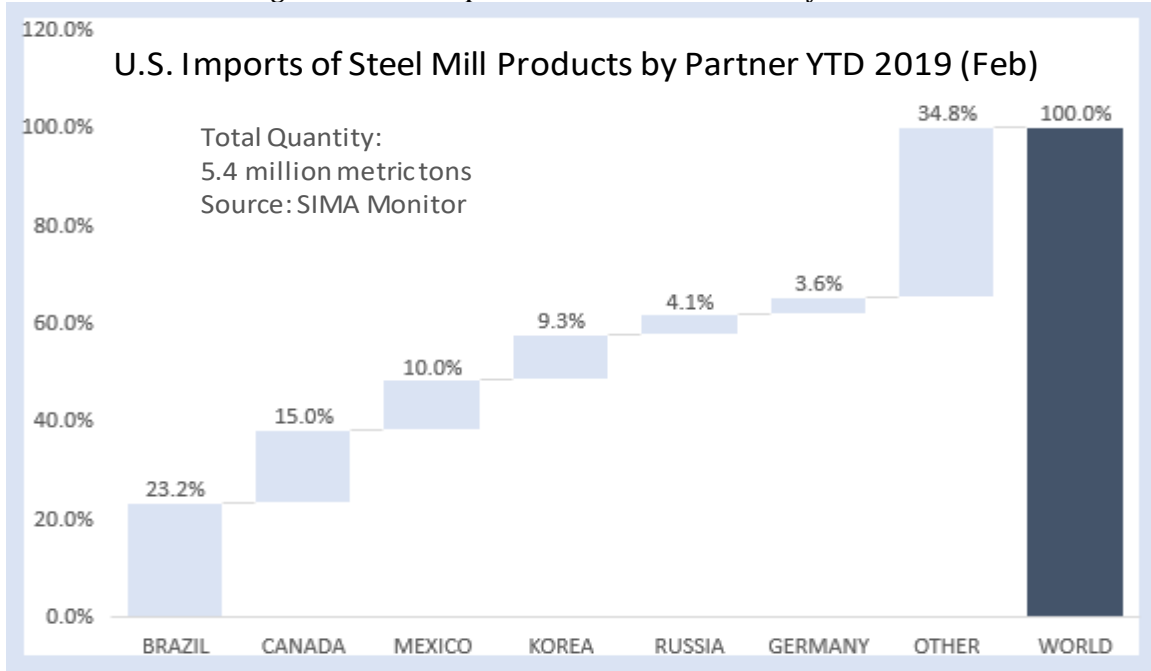
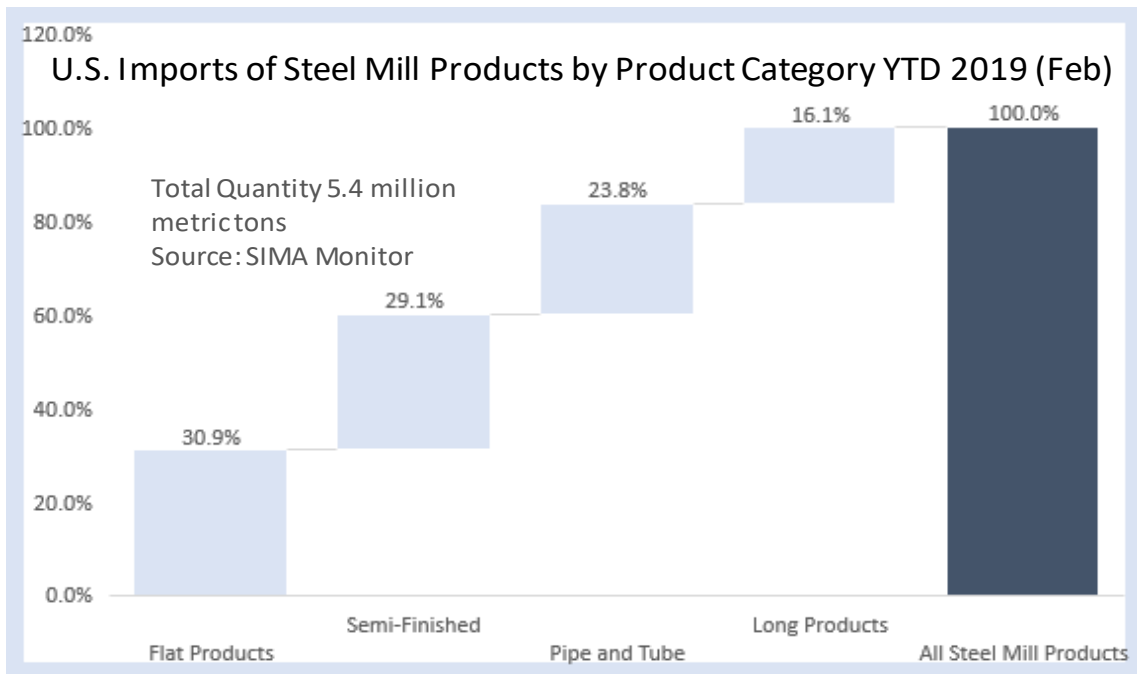


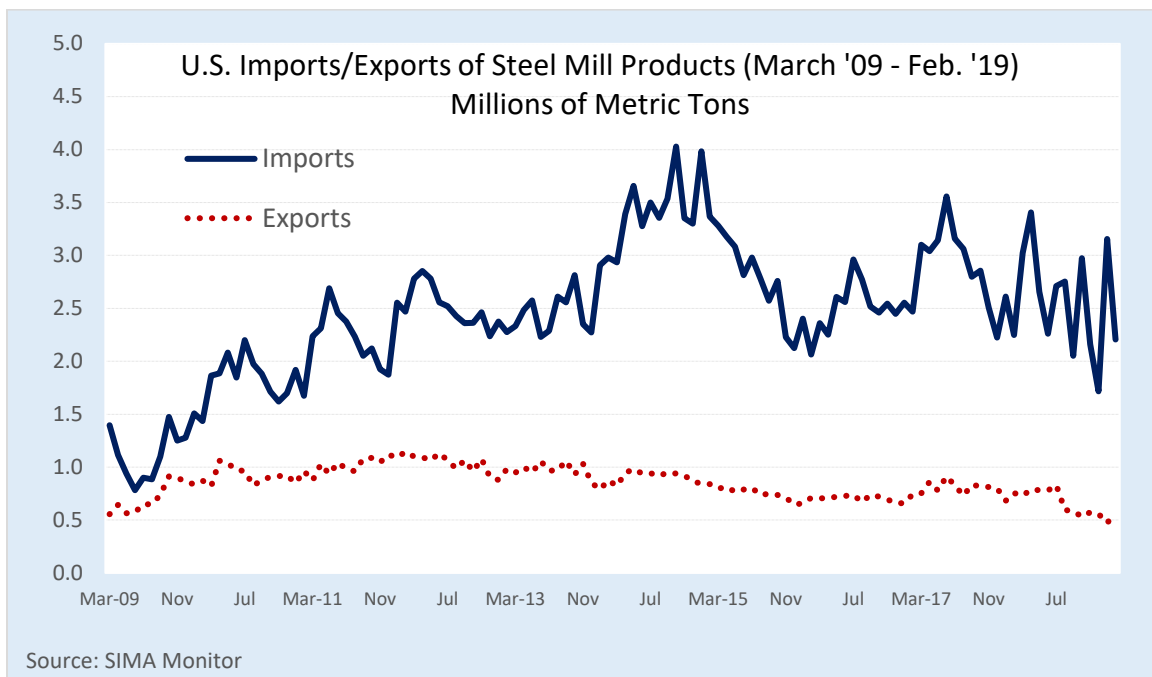
Figure 3 – U.S. Imports of Steel Mill Products by Product Category



Trade – U.S. Trade Balance in Steel Mill Products

- U.S. imports of steel mill products by volume were volatile in 2018. Exports have remained relatively flat for the past 9 years. In February 2019, the steel trade deficit decreased to -1.7 million metric tons from -2.6 million metric tons in January, a 35.6% decrease.
 - Compared to the trade balance one year ago, the February 2019 steel trade gap has increased by 9.5%.
 - From January to February 2019, the volume of U.S. steel exports decreased by 5.8% to 543.8 thousand metric tons from 577.5 thousand metric tons. February 2019 exports were down 25.6% by volume from one year ago and down 23.1% from three years ago.
 - Imports decreased 30.1% by volume between January 2019 and February 2019 from 3.2 million metric tons to 2.2 million metric tons. February 2019 imports were down 1.9% from one year ago and up 6.8% from three years ago.

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

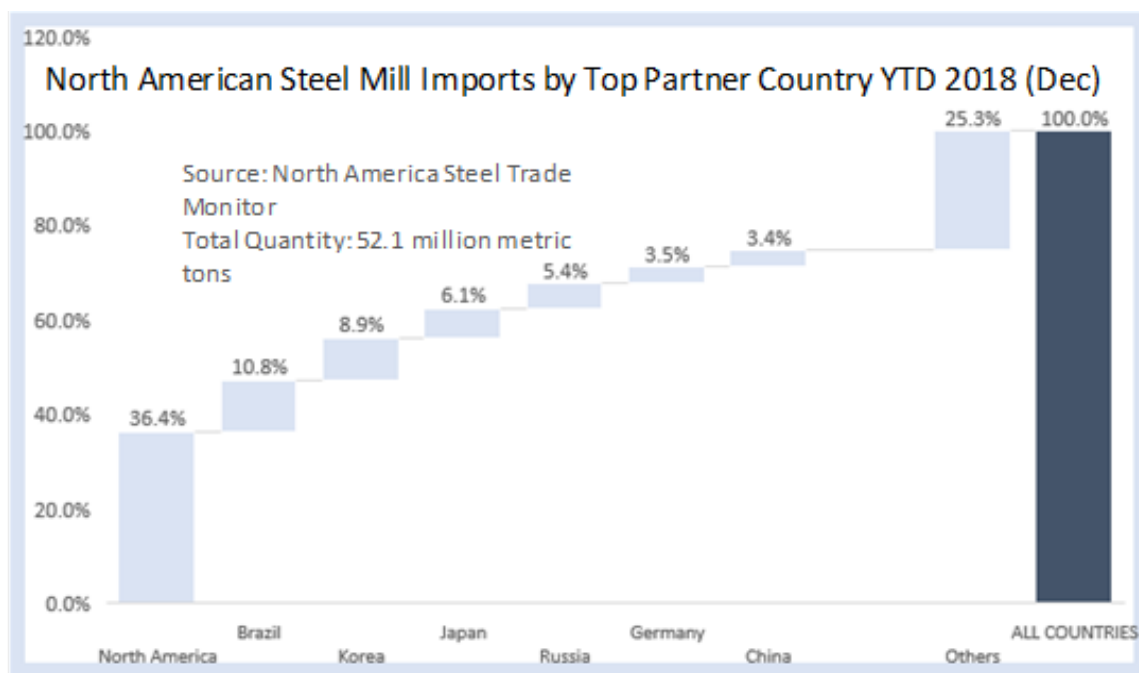


Trade – North America

- 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



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

Country	Product	Average monthly quantity January 2019 - March 2019 (metric tons)	Average monthly quantity April 2018 - December 2018 (metric tons)	Percent change from Historic to Current average quantity
LUXEMBOURG	Steel Piling -- C & A	7,121	1,094	551%
THAILAND	Line Pipe -- C & A	16,834	3,430	391%
WORLD	Blooms, Billets and Slabs -- S	44,438	9,405	372%

Country	Product	Average monthly quantity January 2019 - March 2019 (metric tons)	Average monthly quantity April 2018 - December 2018 (metric tons)	Percent change from Historic to Current average quantity
BRAZIL	Sheets & Strip Galv Hot Dipped -- C & A	24,905	5,676	339%
SOUTH AFRICA	Bars-Reinforcing -- C & A	6,710	1,702	294%
ITALY	Blooms, Billets and Slabs -- C & A	17,071	5,280	223%
WORLD	Steel Piling -- C & A	11,356	4,104	177%
BULGARIA	Bars-Reinforcing -- C & A	11,776	4,413	167%
BRAZIL	Wire Rods -- C & A	13,428	5,201	158%
CHINA	Tin Plate -- C & A	9,481	3,797	150%
JAPAN	Line Pipe -- C & A	14,474	5,813	149%
GERMANY	Plates in Coils -- C & A	16,693	7,100	135%
ROMANIA	Blooms, Billets and Slabs -- C & A	23,850	10,518	127%
LUXEMBOURG	Structural Shapes Heavy -- C & A	18,022	8,732	106%
KOREA	Oil Country Goods -- C & A	44,411	21,546	106%
EGYPT	Wire Rods -- C & A	7,797	3,807	105%
GREECE	Wire Rods -- C & A	7,265	3,575	103%
WORLD	Black Plate -- C & A	6,704	3,980	68%
WORLD	Rails Standard -- C & A	11,159	7,340	52%
WORLD	All Stainless Products	105,567	75,370	40%

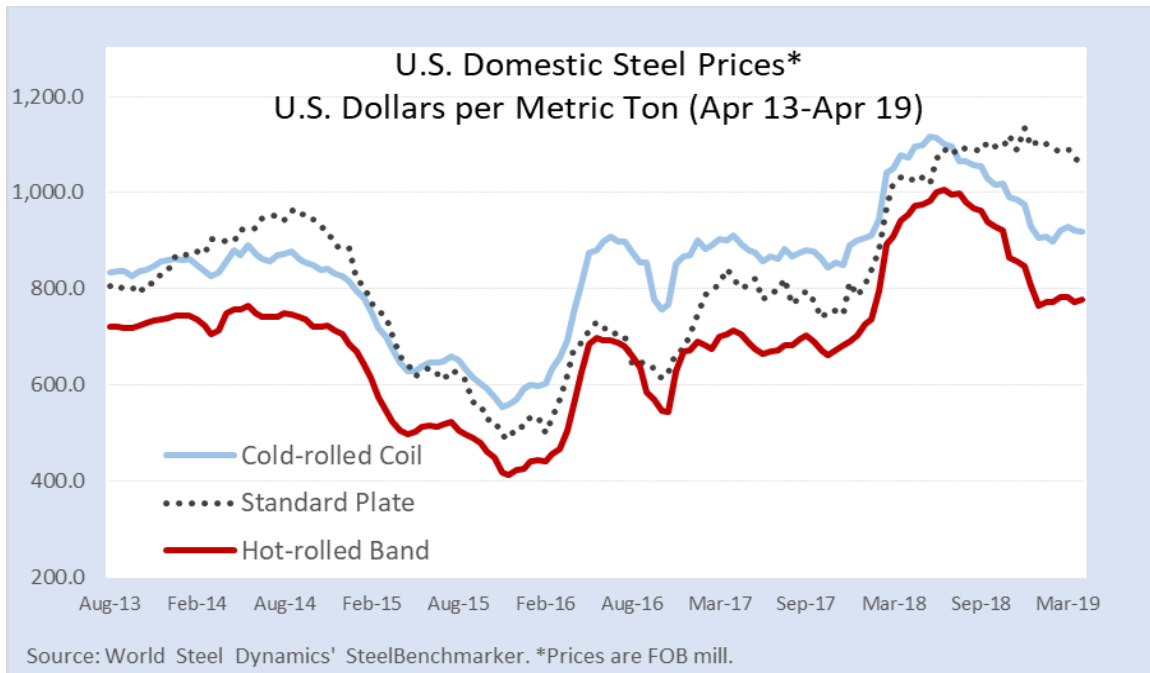
There are no notable decreases to report this month.

SOURCE: US Department of Commerce, Enforcement and Compliance, SIMA
Table last modified April 17, 2019 with Licensing data collected through April 2019 and Final Census data compiled through February 2019.

Prices

- After a recent peak in Q3 2018, benchmark domestic steel prices have been trending downwards since Q4 of 2018.
 - While U.S. domestic prices for hot-rolled band increased to \$766 per metric ton in April 2019, compared to one year ago, the price for hot-rolled band was down 18.7%.
 - Cold-rolled coil prices decreased to \$919 per metric ton in April 2019 from \$928 per metric ton in March and were down 14.3% from last year. Standard plate prices decreased to \$1052 per metric ton in April, down from 1091 in March, and were down by 1.7% from a year ago.

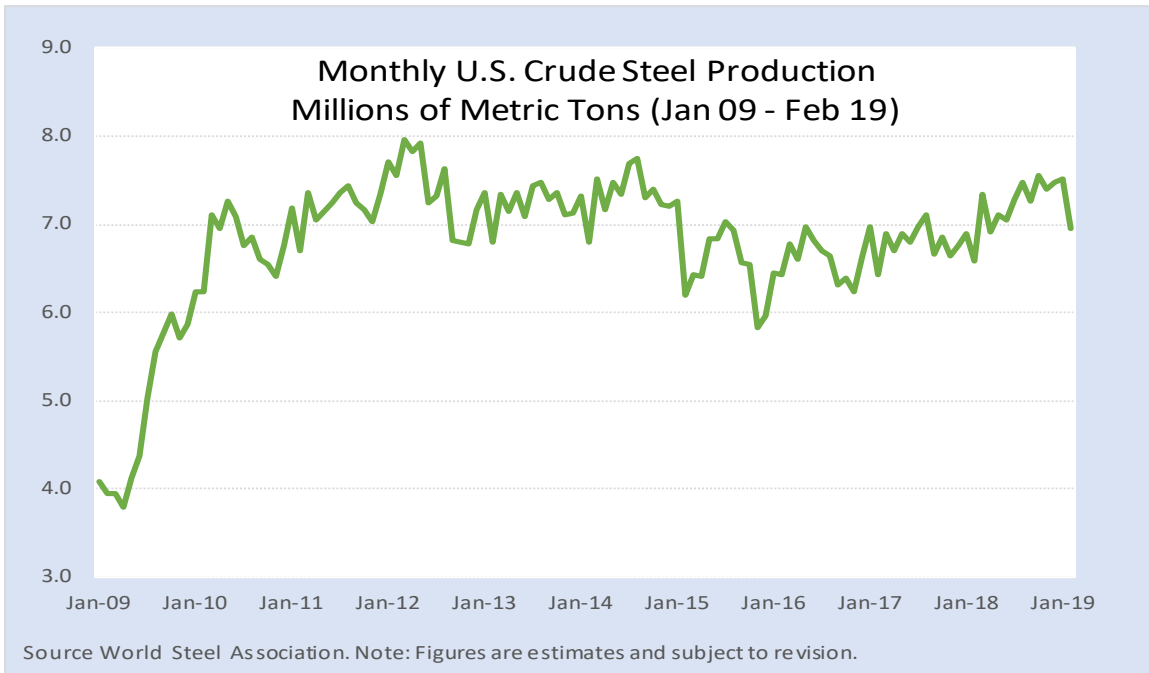
Figure 6 – U.S. Domestic Steel Prices



Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production decreased by 7% to 7.0 million metric tons in February from 7.5 million metric tons in January 2019. This marks a 6% increase from the February 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, a 6% increase.

Figure 7 – Monthly U.S. Crude Steel Production



- Global steel production decreased by 8.1% to 137.9 million metric tons in February 2019 from 150.1 million metric tons in January.
 - Global production in February 2019 increased 5% from one year ago.
 - Total world crude steel production in 2018 increased by 5.9% from the 2017 level of 1789 million metric tons.
 - China's February 2019 production level decreased by 10% from January 2019 to 71.0 million metric tons.
 - China's total production in 2018 amounted to 928 million metric tons, a 12% increase from the previous year.

Figure 8 – Monthly World Crude Steel Production

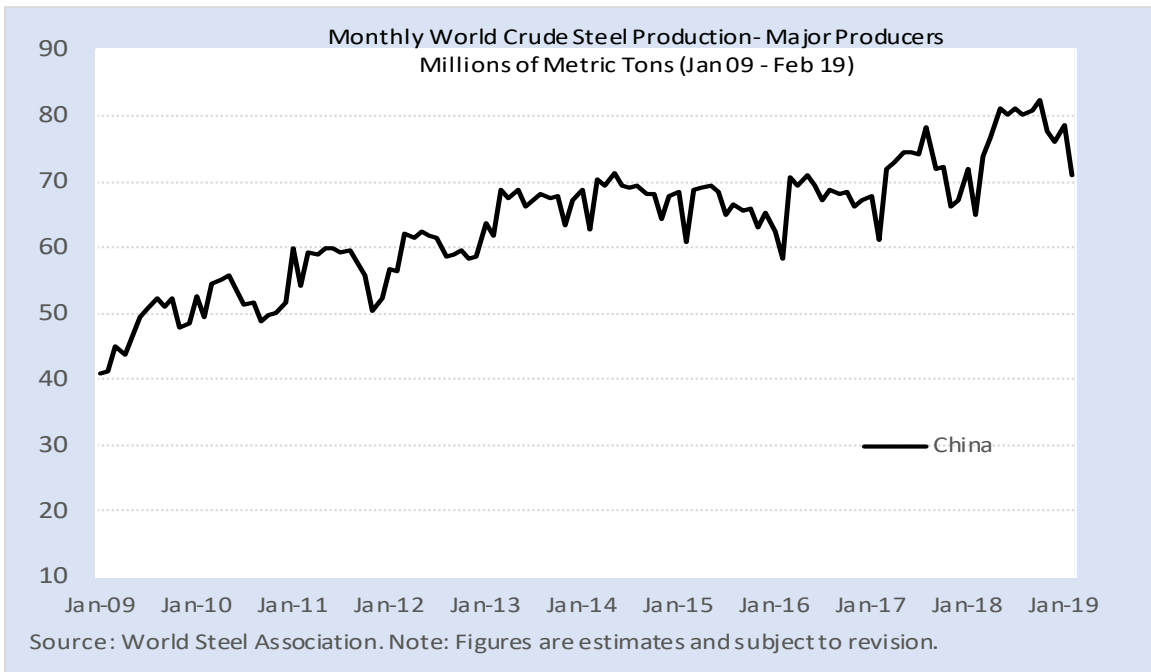
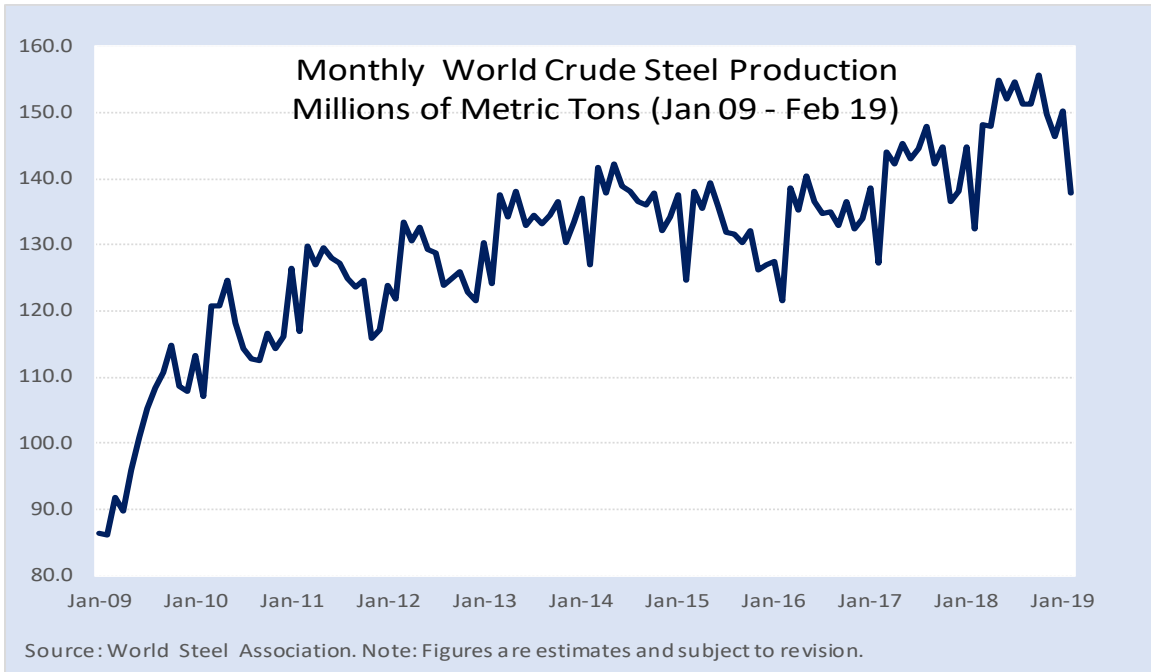
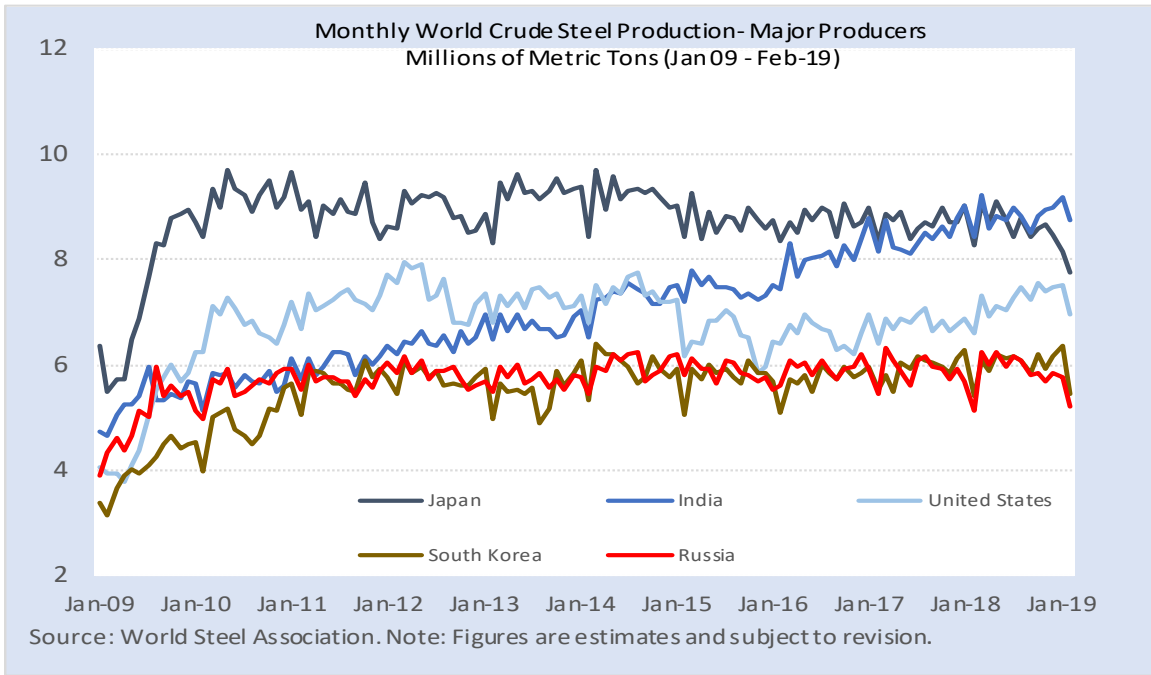
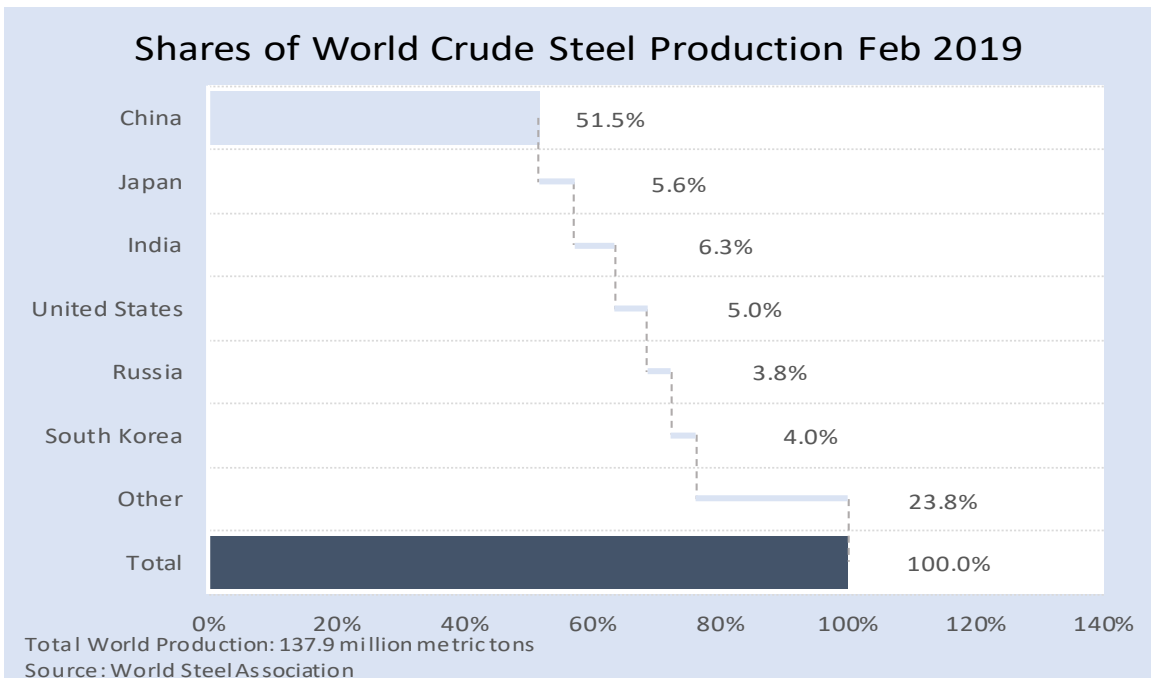


Figure 9 – Monthly Crude Steel Production - Major Producers



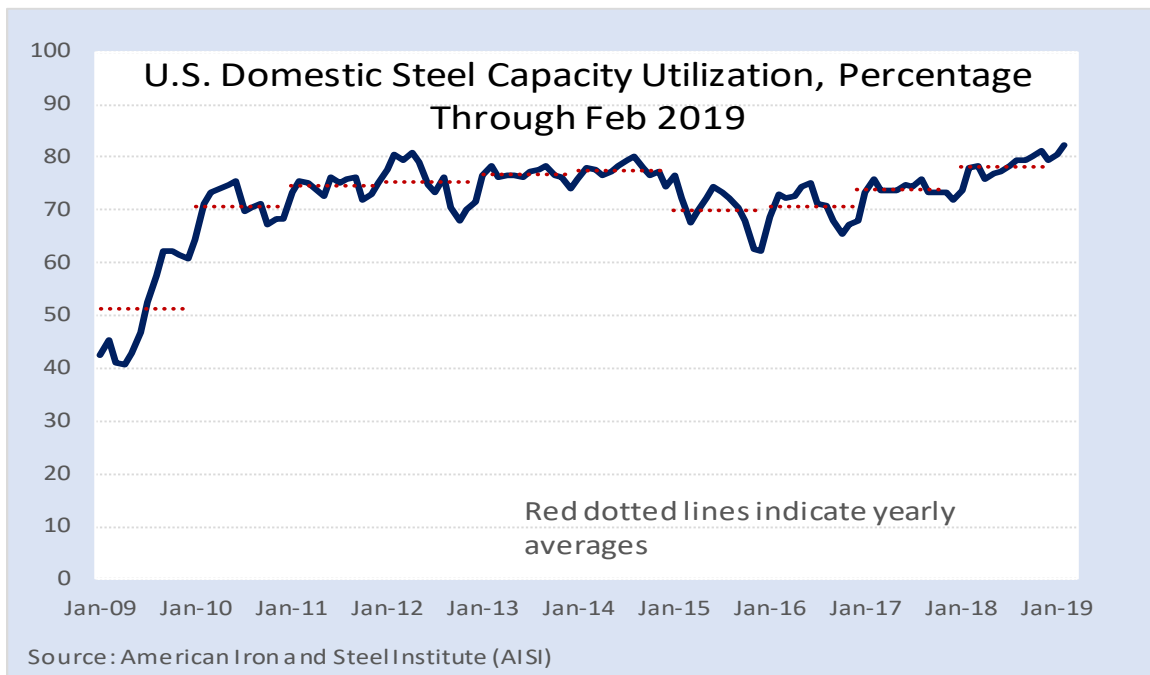
- China’s share of total monthly world steel increased to 52% in December 2018, accounting for slightly over half of the monthly total world production, while the U.S. ranked fifth behind India at 5%.

Figure 10 – Share of World Crude Steel Production



- U.S. domestic steel capacity utilization made gains in the last two years after a dip in October 2016.
 - In February 2019, capacity utilization was estimated at 82.4%, an increase of 2 percentage points from 80.4% in January.
 - Capacity utilization in February 2019 was up 4.5 percentage points from one year ago and up 6.6 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 41.6 percentage points from the thirteen-year low reached in April 2009, it remains well below the pre-recession historical averages.

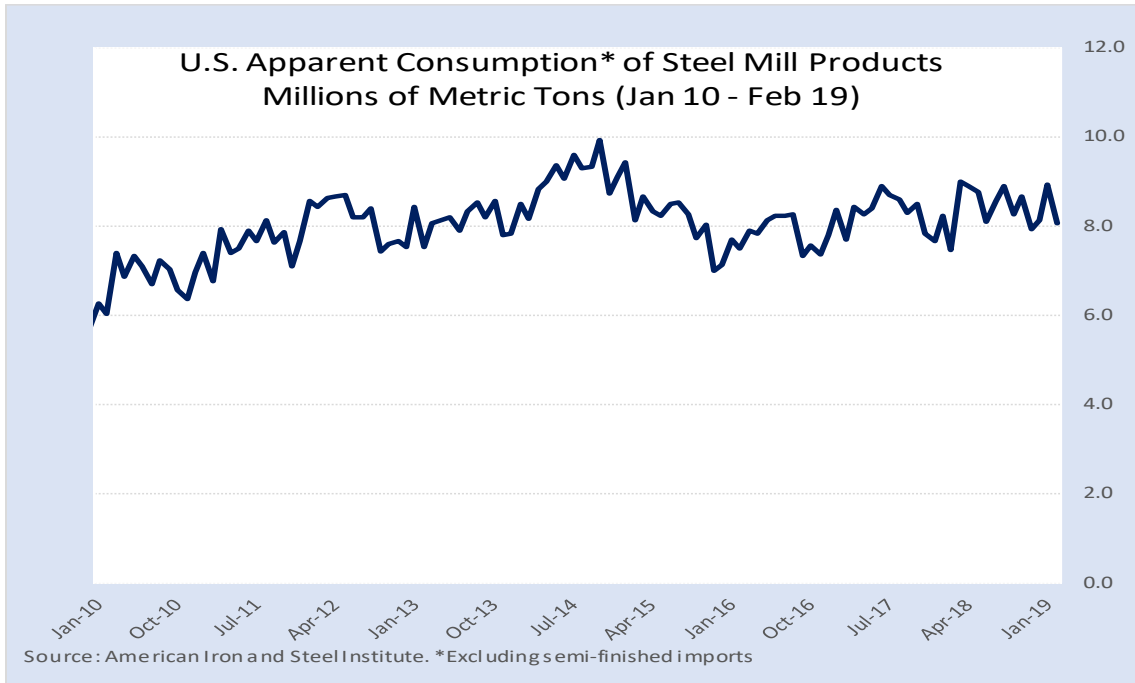
Figure 11 – U.S. Domestic Steel Capacity Utilization



Demand

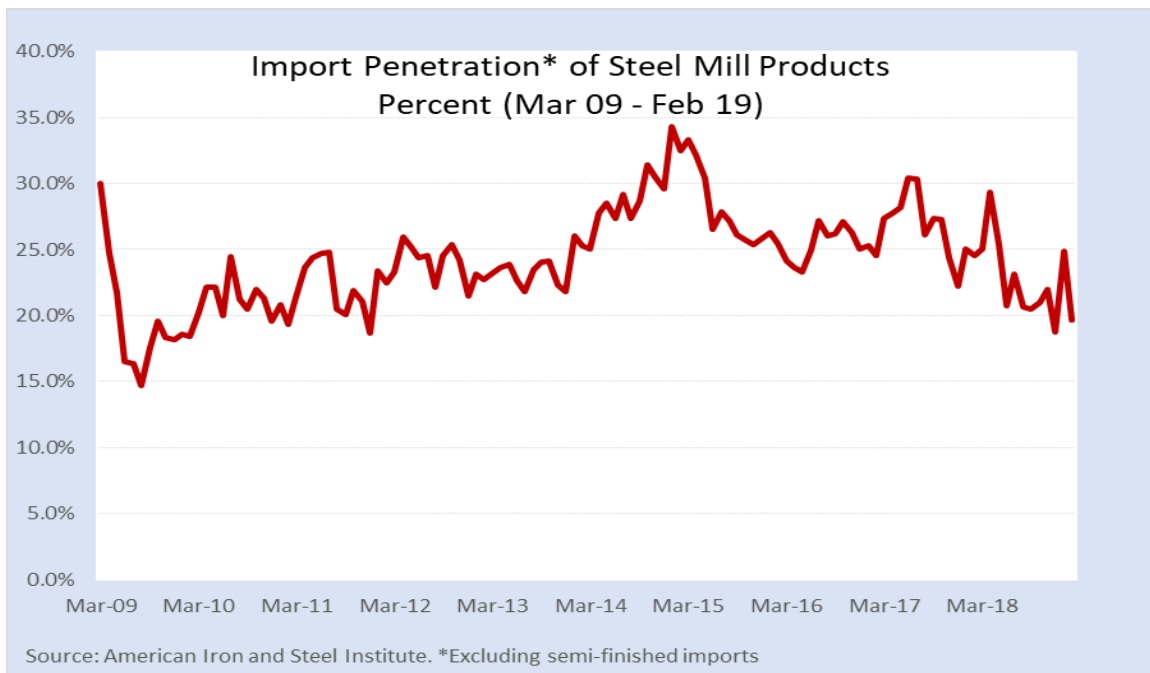
- Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, decreased 11% to 8.1 million metric tons in February from 8.9 million metric tons in January 2019.
 - February 2019 demand has increased 8% from one year ago and decreased 1% from five years ago.
 - Demand in February 2019 was 95% 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.

Figure 12 – U.S. Apparent Consumption of Steel Mill Products



- In February 2019, import penetration for steel mill products, excluding semi-finished products, was 19.6%, a decrease of 5.3 percentage points from January. This marks a 4.9 percentage point decrease from the import penetration level from one year ago. Import penetration in 2018 averaged 23.0%.

Figure 13 – Import Penetration for All Steel Mill Products



Trade Remedy Case Determinations –February -March 2019

Informal tracking of anti-dumping and countervailing duty case initiations, investigations, and orders applicable to steel products.

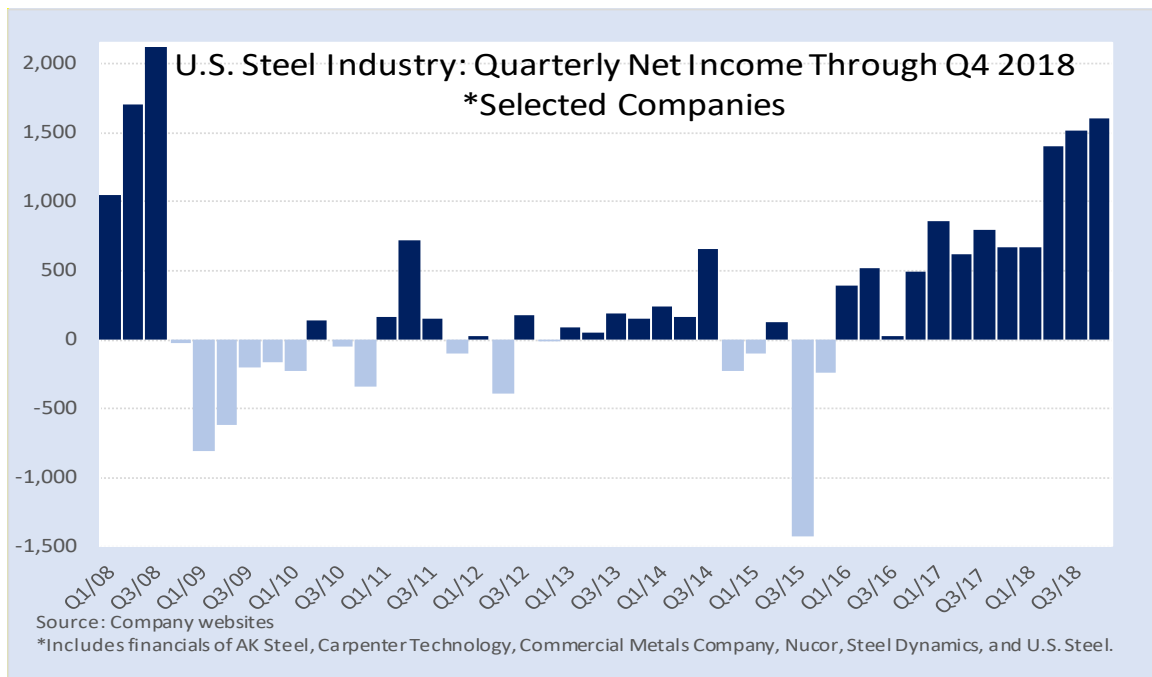
Trade Remedies Undertaken by the United States		
Product	Country	Department of Commerce Finding
Refillable Stainless Steel Kegs	China	Affirmative Preliminary Countervailing Duty Determination
Steel Wheels 12 to 16.5" diam.	China	Affirmative Preliminary antidumping Determination

Source: U.S. Department of Commerce, Enforcement and Compliance, current through March 15, 2019
Factsheets available at: <https://enforcement.trade.gov/ia-highlights-and-news.html>

Industry Status

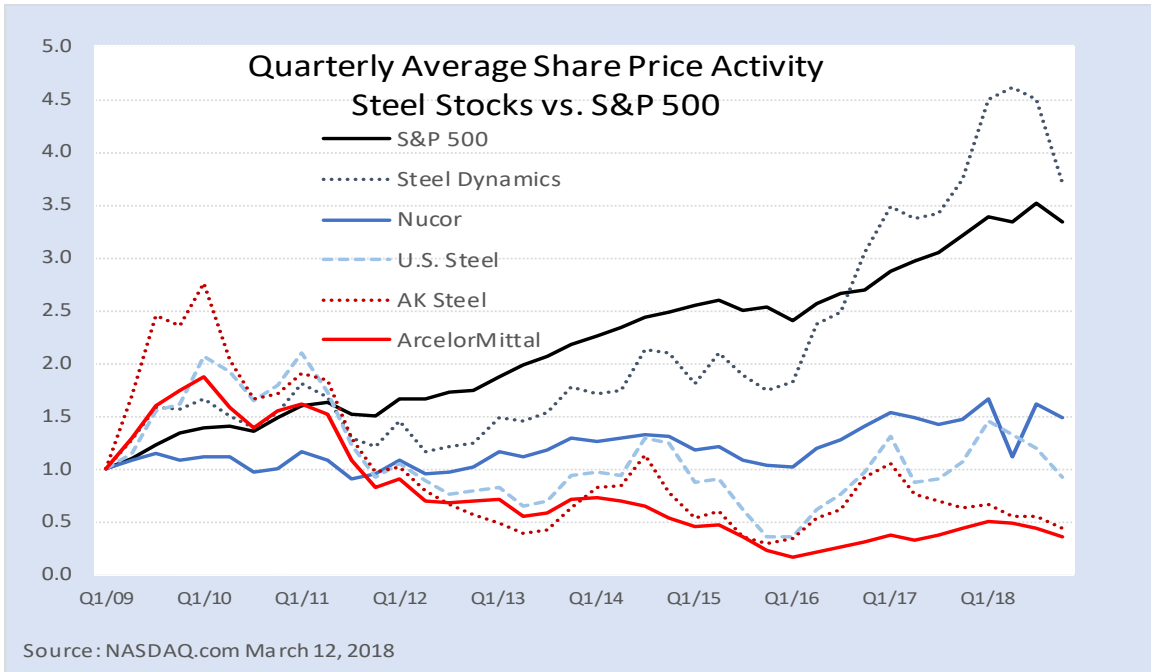
- The U.S. steel industry, as represented in the chart below, posted a combined net income of \$1,598 million in Q4 2018.
 - According to publicly available figures, all six companies reported quarterly net gains.
 - Nucor reported the highest quarterly net profit at \$647 million, followed by U.S. Steel at \$592 million, Steel Dynamics at \$270 million, Carpenter Technology at \$35.5 million, AK Steel at \$33.5 million, and Commercial Metals Company at \$20 million.
 - Since Q1 2009, the group of steel companies monitored in the below chart collectively reported net earnings for 26 quarters. For the first time, the group's aggregate quarterly figures in 2018 exceeded performance levels from 2008.
 - 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



- Q4 2018 average share prices decreased from Q3 2018 average share prices for all of 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 22%, followed by AK Steel with a decrease of 20%, ArcelorMittal with a decrease of 18.1%, Steel Dynamics with a decrease of 17.6%, and Nucor with a decrease of 7.4%.
 - Compared to the same quarter last year, four of the five charted steel stocks showed decreases in average share prices, with AK Steel decreasing by 30.3%, ArcelorMittal decreasing by 16.1%, U.S. Steel decreasing by 13.2%, and Steel Dynamics decreasing by 1%. Nucor's average share prices saw an increase of 1.5%.
 - All of the steel stocks underperformed compared to the S&P 500 between Q3 2018 and Q4 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



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