Steel Industry Executive Summary: June 2019

Highlights

- From March 2019 to April 2019, U.S. imports of steel mill products increased 47.6% to 3.0 million metric tons from 2.1 million metric tons.
- In April, capacity utilization was estimated at 81.3%, a decrease of 0.9 percentage points from 82.2% in March 2019.
- According to data from the World Steel Association, U.S. steel production decreased by 4% to 7.4 million metric tons in April 2019 from 7.7 million metric tons in March.

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 ................................................................................................................................ 7
Production & Capacity Utilization ................................................................................. 7
Demand ............................................................................................................................ 11
Trade Remedy Case Determinations – November 2018 .............................................. 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 March 2019 to April 2019, U.S. imports of steel mill products increased 47.1% to 3.0 million metric tons from 2.1 million metric tons.
  - April 2019 steel imports were down 11.2% from one year ago and up 18.8% from the 2018 average monthly volume of 2.5 million metric tons.
  - Steel mill imports in April were down 24.9% from the most recent import volume peak of 4.0 million metric tons in October 2014.
  - Both May and June 2019 license data suggest a decrease in imports from April 2019.

  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 April), U.S. imports of steel mill products amounted to 10.4 million metric tons, a 7.6% decrease from 11.3 million metric tons in YTD 2018.
  - In value terms, imports decreased, down 11.1% to $9.4 billion in YTD 2019 from $10.6 billion in YTD 2018.
  - Brazil accounted for the largest share of U.S. imports by partner country in YTD 2019 at 22.3%, followed by Canada (14.5%) and Mexico (10.1%).
  - The U.S. imported 3.2 million metric tons of flat products in YTD 2019, accounting for 31.3% of total steel mill imports, followed by semi-finished products at 3.1 million metric tons or 29.7% 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

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

U.S. Imports of Steel Mill Products by Product Category YTD 2019 (April)
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 April 2019, the steel trade deficit remained at -2.5 million metric tons, a 63% increase from March 2019.
  - Compared to the trade balance one year ago, the April 2019 steel trade gap has narrowed by 5.6%.
  - From March to April 2019, the volume of U.S. steel exports increased by 2.3% to 546.7 thousand metric tons from 534.4 thousand metric tons. April 2019 exports were down 30.6% by volume from one year ago and down 24.2% from three years ago.
  - Imports increased 47% by volume between March 2019 and April 2019 from 2.1 million metric tons to 3.0 million metric tons. April 2019 imports were down 11.2% from one year ago and up 34.3% 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 March 2019 - May 2019 (metric tons)</th>
<th>Average monthly quantity June 2018 - February 2019 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>45,619</td>
<td>8,216</td>
<td>455%</td>
</tr>
<tr>
<td>JAPAN</td>
<td>Tin Free Steel -- C &amp; A</td>
<td>6,676</td>
<td>2,200</td>
<td>203%</td>
</tr>
<tr>
<td>DOMINICAN REPUBLIC</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>7,067</td>
<td>2,335</td>
<td>203%</td>
</tr>
<tr>
<td>CHINA</td>
<td>Tin Free Steel -- C &amp; A</td>
<td>5,560</td>
<td>1,913</td>
<td>191%</td>
</tr>
<tr>
<td>Country</td>
<td>Product</td>
<td>Average monthly quantity March 2019 - May 2019 (metric tons)</td>
<td>Average monthly quantity June 2018 - February 2019 (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>SPAIN</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>26,780</td>
<td>9,452</td>
<td>183%</td>
</tr>
<tr>
<td>TAIWAN</td>
<td>Structural Shapes Heavy -- C &amp; A</td>
<td>6,643</td>
<td>2,494</td>
<td>166%</td>
</tr>
<tr>
<td>UKRAINE</td>
<td>Oil Country Goods -- C &amp; A</td>
<td>14,238</td>
<td>5,530</td>
<td>157%</td>
</tr>
<tr>
<td>KOREA</td>
<td>Oil Country Goods -- C &amp; A</td>
<td>46,256</td>
<td>18,094</td>
<td>156%</td>
</tr>
<tr>
<td>PORTUGAL</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>5,057</td>
<td>2,036</td>
<td>148%</td>
</tr>
<tr>
<td>CANADA</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>5,854</td>
<td>2,528</td>
<td>132%</td>
</tr>
<tr>
<td>THAILAND</td>
<td>Line Pipe -- C &amp; A</td>
<td>13,002</td>
<td>5,752</td>
<td>126%</td>
</tr>
<tr>
<td>GERMANY</td>
<td>Plates in Coils -- C &amp; A</td>
<td>20,384</td>
<td>9,118</td>
<td>124%</td>
</tr>
<tr>
<td>KOREA</td>
<td>Structural Shapes Heavy -- C &amp; A</td>
<td>13,204</td>
<td>6,004</td>
<td>120%</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>Wire Rods -- C &amp; A</td>
<td>9,318</td>
<td>4,336</td>
<td>115%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Black Plate -- C &amp; A</td>
<td>8,312</td>
<td>4,214</td>
<td>97%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Tin Free Steel -- C &amp; A</td>
<td>23,819</td>
<td>14,279</td>
<td>67%</td>
</tr>
<tr>
<td>WORLD</td>
<td>All Stainless Products</td>
<td>107,254</td>
<td>69,633</td>
<td>54%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Structural Shapes Heavy -- C &amp; A</td>
<td>49,128</td>
<td>32,910</td>
<td>49%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Pressure Tubing -- C &amp; A</td>
<td>5,188</td>
<td>3,661</td>
<td>42%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Sheets &amp; Strip Galv Electrolyt -- C &amp; A</td>
<td>6,666</td>
<td>5,127</td>
<td>30%</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>All Stainless Products</td>
<td>34,619</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>34,375</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Average monthly quantity March 2019 - May 2019 (metric tons)</th>
<th>Average monthly quantity June 2018 - February 2019 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIETNAM</td>
<td>Sheets &amp; Strip All Other Metallic Coat -- C &amp; A</td>
<td>5,120</td>
<td>13,744</td>
<td>(63%)</td>
</tr>
<tr>
<td>CANADA</td>
<td>Line Pipe -- C &amp; A</td>
<td>10,568</td>
<td>33,038</td>
<td>(68%)</td>
</tr>
</tbody>
</table>

SOURCE: US Department of Commerce, Enforcement and Compliance, SIMA
Table last modified July 2, 2019, with Licensing data collected through May 2019 and Final Census data compiled through April 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 decreased to $633 per metric ton in June 2019, and compared to one year ago, the price for hot-rolled band was down 36.7%.
  - Cold-rolled coil prices decreased to $785 per metric ton in June 2019 from $830 per metric ton in May and were down 29.6% from last year. Standard plate prices decreased to $959 per metric ton in June, down from $987 per metric ton in May, and were down by 10.3% from a year ago.

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

Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production decreased by 4% to 7.4 million metric tons in April 2019 from 7.7 million metric tons in March. This marks a 6% increase from the April 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 increased by 1% to 156.7 million metric tons in Apr 2019 from 155.1 million metric tons in March.

- Global production in April 2019 increased 6% 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 April 2019 production level increased by 6% from March 2019 to 85.0 million metric tons.
- China’s total production in 2018 amounted to 927 million metric tons, an 11% 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 increased to 54% in April 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
• U.S. domestic steel capacity utilization has been trending up in the last two years.
  o In April 2019, capacity utilization was estimated at 81.3%, a decrease of 0.9 percentage points from 82.2% in March.
  o Capacity utilization in April 2019 was up 5.3 percentage points from one year ago and up 4.7 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 40.5 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 1% to 8.8 million metric tons in April from 8.7 million metric tons in March 2019.
  o April 2019 demand has decreased 2% from one year ago and decreased 3% from five years ago.
  o Demand in April 2019 was 112% 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 April 2019, import penetration for steel mill products, excluding semi-finished products, was 21.2%, an increase of 1.7 percentage points from March. This marks an 8.1 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 – May 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>Refillable Stainless Steel Kegs</td>
<td>China, Germany, Mexico</td>
<td>Affirmative Preliminary Antidumping Duty Determination</td>
</tr>
<tr>
<td>Steel Wheels 12 to 16.5” diam.</td>
<td>China</td>
<td>Affirmative Preliminary antidumping Determination</td>
</tr>
<tr>
<td>Steel Propane Cylinders</td>
<td>China</td>
<td>Affirmative Final Countervailing Duty Determination</td>
</tr>
<tr>
<td>Steel Butt-Weld Pipe Fittings</td>
<td>Malaysia</td>
<td>Affirmative Final Determination of Circumvention</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce, Enforcement and Compliance, current through June 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 $820.6 million in Q1 2019.
  - According to publicly available figures, five out of six companies reported quarterly net gains, with one company, AK Steel, reporting a net loss.
  - Nucor reported the highest quarterly net profit at $501.8 million, followed by Steel Dynamics at $204 million, U.S. Steel at $54 million, Carpenter Technology at $51.1 million, and Commercial Metals Company at $13.9 million. AK Steel reported a loss of $4.5 million.
  - Since Q1 2009, the group of steel companies monitored in the below chart collectively reported net earnings for 27 quarters.
  - The net income chart includes AK Steel, Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and U.S. Steel.
• Q1 2019 average share prices decreased from Q4 2018 average share prices for all of the charted steel stocks.
  o Of the charted steel stocks, AK Steel’s average share price saw the largest decrease from the previous quarter at 22.5%, followed by U.S. Steel with a decrease of 15.4%, ArcelorMittal with a decrease of 10.7%, Steel Dynamics with a decrease of 6.7%, and Nucor with a decrease of 1.2%.
  o Compared to the same quarter last year, all five of the charted steel stocks showed decreases in average share prices, with AK Steel decreasing by 48.8%, U.S. Steel decreasing by 46%, ArcelorMittal decreasing by 35.4%, Steel Dynamics decreasing by 23%, and Nucor decreasing by 11.7%.
  o All of the steel stocks underperformed compared to the S&P 500 between Q4 2018 and Q1 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

- S&P 500
- Steel Dynamics
- Nucor
- U.S. Steel
- A.K. Steel
- ArcelorMittal

Source: YahooFinance.com June 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