Steel Industry Executive Summary: August 2018

Highlights

- From May 2018 to June 2018, U.S. imports of steel mill products decreased 15% to 2.3 million metric tons from 2.7 million metric tons.
- In June 2018, capacity utilization was estimated at 77.4%, an increase of 0.3 percentage points from 77.1% in May.
- Total U.S. steel production decreased by 0.7% to 7 million metric tons in June 2018 from 7.1 million metric tons in May 2018.

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Trade – U.S. Imports of Steel Mill Products

- From May 2018 to June 2018, U.S. imports of steel mill products decreased 15% to 2.3 million metric tons from 2.7 million metric tons.
  - June 2018 steel imports were down 36% from one year ago and down 21.3% from the 2017 average monthly volume of 2.9 million metric tons.
  - Steel mill imports in June were down 44% from the most recent high import volume peak of 4 million metric tons in October 2014.
  - July 2018 license data suggest an increase in imports from June.
  
  *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.*

In YTD 2018 (through June), U.S. imports of steel mill products amounted to 16.2 million metric tons, a 9% decrease from 17.9 million metric tons in YTD 2017.

- In value terms, imports increased, up 7% to $15.5 billion in YTD 2018 from $14.4 billion in YTD 2017.
- Canada accounted for the largest share of U.S. imports by partner country in YTD 2018 at 20%, followed by Brazil (12%) and Mexico (11%).
- The U.S. imported 5.98 million metric tons of flat products in YTD 2018, accounting for 37% of total steel mill imports, followed by pipe and tube products at 3.8 million metric tons or 23% 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 the second half of 2017, then increased from February to April 2018, before declining in May and June. Exports have remained consistently flat for the past 9 years. In June 2018, the steel trade deficit declined to -1.4 million metric tons from -1.9 million metric tons in May 2018, a 23.8% decrease.
  - Compared to the trade balance one year ago, the June 2018 steel trade gap has decreased by 47.6%.
  - From May 2018 to June 2018, the volume of U.S. steel exports increased by 6.5% to 829 thousand metric tons. June 2018 exports were up 0.3% by volume from one year ago and up 3.2% from three years ago.
  - Imports decreased 15% by volume between May 2018 and June 2018 to 2.26 million metric tons. June 2018 imports were down 36.5% from one year ago and down 19.6% from three years ago.

![U.S. Imports/Exports of Steel Mill Products](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 19% to 22.2 million metric tons in YTD 2018 from 22.5 million metric tons in YTD 2017 (through May).
May 2018 steel mill imports into NAFTA countries were down 14% from one year ago. Intra-NAFTA steel imports decreased 8% to 1.8 million metric tons between April and May, while external NAFTA imports decreased 19% to 2.8 million metric tons. Imports among NAFTA countries accounted for a 38% share of total steel imports into NAFTA countries in YTD 2018, with Korea’s share following at 10% or 2.3 metric tons and Brazil’s share at 10% or 2.1 million metric tons.

Figure 5 – NAFTA Steel Mill Imports by Top Partner Country

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Average monthly quantity May 2018 - July 2018 (metric tons)</th>
<th>Average monthly quantity August 2017 - April 2018 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNITED ARAB EMIRATES</td>
<td>Structural Shapes Heavy -- C &amp; A</td>
<td>6,688</td>
<td>638</td>
<td>948%</td>
</tr>
<tr>
<td>ITALY</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>38,863</td>
<td>6,338</td>
<td>513%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Average monthly quantity May 2018 - July 2018 (metric tons)</th>
<th>Average monthly quantity August 2017 - April 2018 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>KOREA</td>
<td>Plates Cut Lengths -- C &amp; A</td>
<td>5,056</td>
<td>15,281</td>
<td>( 67%)</td>
</tr>
<tr>
<td>KOREA</td>
<td>Oil Country Goods -- C &amp; A</td>
<td>23,712</td>
<td>82,261</td>
<td>( 71%)</td>
</tr>
<tr>
<td>INDIA</td>
<td>Line Pipe -- C &amp; A</td>
<td>5,094</td>
<td>18,626</td>
<td>( 73%)</td>
</tr>
</tbody>
</table>

**SOURCE:** US Department of Commerce, Enforcement and Compliance, SIMA
Table last modified September 4, 2018, with Licensing data collected through July 2018 and Final Census data compiled through June 2018.

### Prices

- Benchmark domestic steel prices have been increasing since Q4 of 2017.
  - U.S. domestic prices for hot-rolled band increased to $995 per metric ton in July 2018. Compared to one year ago, the price for hot-rolled band was up 46 percent.
  - Cold-rolled coil prices increased to $1096 per metric ton in July 2018, a 24 percent increase from last year and standard plate prices increased to $1078 per metric ton, a 35 percent increase from a year ago.
Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production decreased by 0.7% to 7 million metric tons in June 2018 from 7.1 million metric tons in May 2018. This marks a 3.9% increase from the June 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 decreased by 1.7% to 152.2 million metric tons in June 2018 from 154.9 million metric tons in May 2018.

- Global production in June 2018 increased 6.4% from one year ago.
- Total world crude steel production in 2017 increased by 5.3% from the 2016 level of 1.6 million metric tons.
- China’s June 2018 production level decreased by 1.1% from May 2018 to 80.2 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 June 2018 production level of 14.4 million metric tons, a 3.7% decrease from 14.98 million metric tons in May 2018.
China’s share of total monthly world steel production increased slightly to 52.7% in June 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.

![Share of World Crude Steel Production](image)

**Figure 10 – Share of World Crude Steel Production**

- U.S. domestic steel capacity utilization made gains in the last year after reaching a dip in October 2016.
  - In June 2018, capacity utilization was estimated at 77.4%, an increase of 0.3 percentage points from 77.1% in May.
  - Capacity utilization in June was up 2.5 percentage points from one year ago and up 1.3 percentage points from five years ago.
  - Overall capacity utilization in YTD 2018 averages 76.7%, up from the 2017 annual average of 73.9%.
  - Though capacity utilization has increased 36.6 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 6% to 8.7 million metric tons in June 2018 from 9.2 million metric tons in May.
  - June demand has decreased 2% from one year ago and increased 10% from five years ago.
  - Demand in June was still 110% higher than April 2009, when steel demand was at its lowest level in recent years.
  - YTD steel demand in 2018 (through June) amounted to 51.5 million metric tons, a 3% increase from 50.0 million metric tons in YTD 2017.
Import penetration for steel mill products, excluding semi-finished products, was 19.4 percent, a decrease of 4.7 percentage points from May 2018 to June. This marks an 11.1 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 24.6%.
**Trade Remedy Case Determinations – June – August 2018**

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

<table>
<thead>
<tr>
<th>Trade Remedies undertaken by the United States</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
</tr>
<tr>
<td>Certain Steel Wheels 12 to 16.5 inches in diameter</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td><strong>Department of Commerce Finding</strong></td>
</tr>
<tr>
<td>Initiation of Antidumping Duty Investigation</td>
</tr>
<tr>
<td>Certain Steel Wheels</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td>Preliminary Affirmative Countervailing Duty Determination</td>
</tr>
<tr>
<td>Stainless Steel Flanges</td>
</tr>
<tr>
<td>India</td>
</tr>
<tr>
<td>Affirmative Final Countervailing Duty Determination</td>
</tr>
<tr>
<td>Forged Steel Fittings</td>
</tr>
<tr>
<td>Taiwan</td>
</tr>
<tr>
<td>Affirmative Final Antidumping Determination</td>
</tr>
<tr>
<td>Steel Cylinders</td>
</tr>
<tr>
<td>China, Taiwan, and Thailand</td>
</tr>
<tr>
<td>Initiation of Antidumping Duty Investigation</td>
</tr>
<tr>
<td>Steel Propane Cylinders</td>
</tr>
<tr>
<td>China, Taiwan, and Thailand</td>
</tr>
<tr>
<td>Initiation of Antidumping Duty Investigation</td>
</tr>
<tr>
<td>Large Diameter Welded Pipe</td>
</tr>
<tr>
<td>China, India, Korea</td>
</tr>
<tr>
<td>Affirmative Preliminary Countervailing Duty Investigation</td>
</tr>
<tr>
<td>Steel Racks</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td>Initiation of Antidumping &amp; Countervailing Duty Investigation</td>
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<tr>
<td>Stainless Steel Flanges</td>
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<tr>
<td>China</td>
</tr>
<tr>
<td>Affirmative Final Antidumping Investigation</td>
</tr>
</tbody>
</table>


**Industry Status**

- The U.S. steel industry, as represented in the chart below, posted a combined net income of $1399 million in Q2 2018.
  - According to publicly available figures, all six of the companies included reported quarterly net gains.
  - 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.
  - 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.
  - The net income chart includes AK Steel, Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and U.S. Steel.
• Q2 2018 average share prices decreased from Q1 2018 average share prices for all but one charted steel stocks.
  o Of the charted steel stocks, Nucor’s average share prices 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%.
  o 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%.
  o All except Steel Dynamics’ steel stocks underperformed compared to the S&P 500 between Q1 2018 and Q2 2018.
  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 13 – Steel Stocks vs. S&P 500, Quarterly Average Share Price Activity

Source: NASDAQ.com, July 26, 2018

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