Steel Industry Executive Summary: July 2018

Highlights

- From April 2018 to May 2018, U.S. imports of steel mill products decreased 22% to 2.7 million metric tons from 3.4 million metric tons.
- In May 2018, capacity utilization was estimated at 77.1%, an increase of 1.1 percent from 76.0% in April.
- Total U.S. steel production increased by 2.7% to 7.1 million metric tons in May 2018 from 6.9 million metric tons in April 2018.

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Trade – U.S. Imports of Steel Mill Products

- From April 2018 to May 2018, U.S. imports of steel mill products decreased 22% to 2.7 million metric tons from 3.4 million metric tons.
  - May 2018 steel imports were down 15% from one year ago and down 7.5% from the 2017 average monthly volume of 2.9 million metric tons.
  - Steel mill imports in April were down 15% from the most recent high import volume peak of 4 million metric tons in October 2014.
  - June 2018 license data suggest a slight increase in imports from May.
  
  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.

![U.S. Imports of All Steel Mill Products from World](chart)

- In YTD 2018 (through May), U.S. imports of steel mill products amounted to 13.9 million metric tons, a 3% decrease from 14.3 million metric tons in YTD 2017.
  - In value terms, imports increased, up 15% to $13.3 billion in YTD 2018 from $11.5 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 5.1 million metric tons of flat products in YTD 2018, accounting for 37% of total steel mill imports, followed by pipe and tube products at 3.3 million metric tons or 23% of total imports.

Figure 1 – U.S. Imports of All Steel Mill Products from World
U.S. Department of Commerce | International Trade Administration

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. Exports have
remained consistently flat for the past 9 years. In May 2018, the steel trade deficit declined to -1.9 million metric tons from -2.6 million metric tons in April 2018, a 28% decrease.

- Compared to the trade balance one year ago, the May 2018 steel trade gap has decreased by 15.8%.
- From April 2018 to May 2018, the volume of U.S. steel exports decreased by 0.4% to 778 thousand metric tons. May 2018 exports were down 14.8% by volume from one year ago and down 1.4% from three years ago.
- Imports decreased 22% by volume between April 2018 and May 2018 to 2.66 million metric tons. May 2018 imports were down 15.5% from one year ago and down 13.8% from three years ago.

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

**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 increased 2% to 17.7 million metric tons in YTD 2018 from 17.3 million metric tons in YTD 2017 (through April).
  - April 2018 steel mill imports into NAFTA countries were up 22% from one year ago.
  - Intra-NAFTA steel imports increased 11% to 1.9 million metric tons between March and April, while external NAFTA imports increased 24% to 3.5 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 11% or 1.9 metric tons and Brazil’s share at 9% or 1.7 million metric tons.

Figure 5 – NAFTA 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 April 2018 - June 2018 (metric tons)</th>
<th>Average monthly quantity July 2017 - March 2018 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITALY</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>27,194</td>
<td>4,581</td>
<td>494%</td>
</tr>
<tr>
<td>CHINA</td>
<td>Plates in Coils -- C &amp; A</td>
<td>5,277</td>
<td>949</td>
<td>456%</td>
</tr>
<tr>
<td>INDIA</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>18,287</td>
<td>4,414</td>
<td>314%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>61,873</td>
<td>18,092</td>
<td>242%</td>
</tr>
<tr>
<td>TAIWAN</td>
<td>Structural Shapes Heavy -- C &amp; A</td>
<td>8,393</td>
<td>2,489</td>
<td>237%</td>
</tr>
<tr>
<td>GREECE</td>
<td>Line Pipe -- C &amp; A</td>
<td>17,363</td>
<td>5,640</td>
<td>208%</td>
</tr>
<tr>
<td>VIETNAM</td>
<td>Sheets &amp; Strip Galv Hot Dipped -- C &amp; A</td>
<td>26,410</td>
<td>8,725</td>
<td>203%</td>
</tr>
</tbody>
</table>
### NO NOTABLE DECREASES

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Average monthly quantity April 2018 - June 2018 (metric tons)</th>
<th>Average monthly quantity July 2017 - March 2018 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARGENTINA</td>
<td>Oil Country Goods -- C &amp; A</td>
<td>6,698</td>
<td>17,138</td>
<td>(61%)</td>
</tr>
<tr>
<td>RUSSIA</td>
<td>Sheets Cold Rolled -- C &amp; A</td>
<td>5,042</td>
<td>25,698</td>
<td>(80%)</td>
</tr>
</tbody>
</table>

**SOURCE:** US Department of Commerce, Enforcement and Compliance, SIMA

Table last modified July 26, 2018, with Licensing data collected through June 2018 and Final Census data compiled through May 2018.

### Prices

- Benchmark domestic steel prices have been increasing since Q4 of 2017.
  - U.S. domestic prices for hot-rolled band increased to $1000 per metric ton in June 2018. Compared to one year ago, the price for hot-rolled band was up 49.5 percent.
  - Cold-rolled coil prices increased to $1115 per metric ton in June 2018, a 28.8 percent increase from last year and standard plate prices increased to $1069 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 increased by 2.7% to 7.1 million metric tons in May 2018 from 6.9 million metric tons in April 2018. This marks a 3% increase from the May 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 6 – U.S. Domestic Steel Prices

Source: World Steel Dynamics' SteelBenchmarker.
* Prices are FOB mill.
Global steel production increased by 4.7% to 154.9 million metric tons in May 2018 from 147.9 million metric tons in April 2018.
- Global production in May 2018 increased 6.6% 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 May 2018 production level increased by 5.8% from April 2018 to 81.1 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 May 2018 production level of 14.98 million metric tons, a 1.6% increase from 14.7 million metric tons in April 2018.
Figure 8 – Monthly World Crude Steel Production

Figure 9 – Monthly Crude Steel Production - Major Producers
China’s share of total monthly world steel production remained at 52% in May 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 May 2018](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 May 2018, capacity utilization was estimated at 77.1%, an increase of 1.1 percent from 76.0% in April.
- Capacity utilization in May was up 3.4 percentage points from one year ago and up 0.6 percentage points from five years ago.
- Overall capacity utilization in YTD 2018 averages 76.6%, up from the 2017 annual average of 73.9%.
- Though capacity utilization has increased 36.3 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, increased 3% to 9.2 million metric tons in May 2018 from 8.9 million metric tons in April.
  - May demand has increased 9% from one year ago and increased 12% from five years ago.
  - Demand in May was still 123% higher than April 2009, when steel demand was at its lowest level in recent years.
  - YTD steel demand in 2018 (through May) amounted to 42.8 million metric tons, a 4% increase from 41.1 million metric tons in YTD 2017.
Figure 12 – U.S. Apparent Consumption of Steel Mill Products

Import penetration for steel mill products, excluding semi-finished products, was 24.1 percent, a decrease of 5.2 percentage points from April 2018 to May. This marks a 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 25.6%.

Figure 16 – Import Penetration for All Steel Mill Products
Trade Remedy Case Determinations – May – July 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>Stainless Steel Flanges</td>
<td>China</td>
<td>Affirmative Final Antidumping Duty Determination</td>
</tr>
<tr>
<td>Forged Steel Fittings</td>
<td>China, Italy, and Taiwan</td>
<td>Affirmative Preliminary Antidumping Duty Determination</td>
</tr>
<tr>
<td>Certain Steel Wheels</td>
<td>China</td>
<td>Initiation of Antidumping Duty Investigation</td>
</tr>
<tr>
<td>Stainless Steel Flanges</td>
<td>China</td>
<td>Affirmative Final Countervailing Duty Determination</td>
</tr>
<tr>
<td>Steel Cylinders</td>
<td>China, Taiwan, and Thailand</td>
<td>Initiation of Antidumping Duty Investigation</td>
</tr>
<tr>
<td>Steel Propane Cylinders</td>
<td>China, Taiwan, and Thailand</td>
<td>Initiation of Antidumping Duty Investigation</td>
</tr>
<tr>
<td>Large Diameter Welded Pipe</td>
<td>China, India, Korea</td>
<td>Affirmative Preliminary Countervailing Duty Investigation</td>
</tr>
<tr>
<td>Steel Racks</td>
<td>China</td>
<td>Initiation of Antidumping &amp; Countervailing Duty Investigation</td>
</tr>
</tbody>
</table>


Industry Status

- The U.S. steel industry, as represented in the chart below, posted a combined net income of $669 million in Q1 2018.
  - According to publicly available figures, all six of the companies included reported quarterly net gains.
  - Nucor reported the highest quarterly net profit at $354 million, followed by Steel Dynamics at $228 million, Carpenter Technology at $30 million, AK Steel at $29 million, and Commercial Metals Company at $10.2.
  - Since Q1 2009, the group of steel companies monitored in the below chart has collectively reported net earnings for 23 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