Steel Industry Executive Summary: August 2020

Highlights

- From May to June 2020, U.S. imports of steel mill products decreased 22.4% to 1.27 million metric tons from 1.63 million metric tons.
- In June 2020, capacity utilization was estimated at 56.8%, an increase of 2.2 percentage points from 54.6% in May.
- According to data from the World Steel Association, U.S. steel production decreased by 3.4% to 4.7 million metric tons in June.

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 ............................................................................................................................. 6
Production & Capacity Utilization .................................................................................. 7
Demand ......................................................................................................................... 11
Trade Remedy Case Determinations – January 2019 ...................................................... 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 ............................................... 13
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 May to June 2020, U.S. imports of steel mill products decreased 22.4% from 1.63 million metric tons to 1.27 million metric tons.
  - June 2020 steel imports were down 31.5% from one year ago and down 39.9% from the 2019 average monthly volume of 2.1 million metric tons.
  - Steel mill imports in June 2020 were down 68.6% from the most recent import volume peak of 4.0 million metric tons in October 2014.
  - License data suggest the steel import volume will increase in July compared with June 2020.

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 2020 (through June), U.S. imports of steel mill products were 11.2 million metric tons, a 30.8% decrease from 16.2 million metric tons in YTD 2019.
  - In value terms, imports decreased 28.2% to $9.4 billion in YTD 2020 from $13.1 billion in YTD 2019.
  - Brazil accounted for the largest share of U.S. imports by volume in YTD 2020 at 21.1%, followed by Canada (21.0%) and Mexico (14.8%).
  - The U.S. imported 3.9 million metric tons of flat products in YTD 2020, accounting for 34.8% of total steel mill imports (the largest category). This was followed by semi-finished products at 3.4 million metric tons or 30.4% of total imports.
Figure 2 – U.S. Imports of Steel Mill Products by Partner

U.S. Imports of Steel Mill Products by Partner YTD 2020 (June)

Total Quantity: 11.2 million metric tons
Source: SIMA Monitor

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

U.S. Imports of Steel Mill Products by Product Category YTD 2020 (June)

Total Quantity 11.2 million metric tons
Source: SIMA Monitor
Trade – U.S. Trade Balance in Steel Mill Products

- While U.S. imports of steel mill products by volume have been volatile since 2014, with a generally declining trend, exports have also declined, with much less volatility in the past 6 years. In June 2020, the steel trade deficit was 883.8 thousand metric tons, a 32.7% decrease from May 2020.
  - Compared to the trade balance one year ago, the June 2020 steel trade gap has narrowed by 32.4%.
  - From May to June 2020, the volume of U.S. steel exports increased by 19.7% to 383.7 thousand metric tons from 320.6 thousand metric tons. Compared with June 2019, June 2020 exports were down 29.4% by volume and down 53.6% from three years ago.
  - Imports decreased 22.4% by volume between May 2020 and June 2020 from 1.60 million metric tons to 1.3 million metric tons. June 2020 imports were down 31.5% from one year ago and down 64.4% from three years ago.

![Figure 4 – U.S. Imports/Exports of Steel Mill Products](image)

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 19.5% to 10.2 million metric tons in YTD 2020 (through March) from 12.7 million metric tons in YTD 2019.
- March 2020 steel mill imports into the U.S, Canada, and Mexico were down 18.9% from one year ago.
• Intra-North America steel imports increased 107% to 2.6 million metric tons between February and March 2020. External imports increased 27% to 1.7 million metric tons.

• Imports among the three countries accounted for a 52.5% share of total North American steel imports in YTD 2020 (5.4 million metric tons), with Brazil’s share following at 8.2% or 830 thousand metric tons, and Korea’s share at 7.4% or 760 thousand metric tons.

Figure 5 – North American Steel Mill Imports by Top Partner Country

* North American trade is updated through March 2020, 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 May 2020 - July 2020 (metric tons)</th>
<th>Average monthly quantity August 2019 - April 2020 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>THAILAND</td>
<td>Standard Pipe -- C &amp; A</td>
<td>6,827</td>
<td>1,427</td>
<td>378%</td>
</tr>
<tr>
<td>CHINA</td>
<td>Tin Plate -- C &amp; A</td>
<td>7,564</td>
<td>1,628</td>
<td>365%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>35,772</td>
<td>8,741</td>
<td>309%</td>
</tr>
<tr>
<td>GERMANY</td>
<td>Wire Rods -- C &amp; A</td>
<td>11,176</td>
<td>3,390</td>
<td>230%</td>
</tr>
</tbody>
</table>
### Prices

- After a recent peak in Q3 2018, benchmark domestic steel prices have been trending downwards. However, prices stabilized somewhat in recent weeks.
  - U.S. domestic prices for hot-rolled band increased from $562 per metric ton in May to around $572 per metric ton in June 2020, and were down 21.0% from one year earlier.
  - Cold-rolled coil prices increased from $745 in May 2020 to $759 per metric ton in June and were down 10.2% from June 2019.
  - Standard plate prices increased to $662 in June from $604 in May and were down by 38.8% from a year ago.
Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production was 4.8 million metric tons in June 2020, down 3.4% from May. June 2020 production was down 34.5% from the June 2019 production level. Total U.S. steel production in 2019 increased to 88.0 million metric tons from 86.6 million metric tons in 2018, a 1.6% increase.
Global steel production was relatively flat in June 2020, at 148.3 million metric tons compared with 148.7 million metric tons in May.

- Global production in June 2020 decreased 6.7% from one year ago.
- Total world crude steel production in 2019, at 1,836 million metric tons, was up by 2.8% from the 2018 level of 1,787 million metric tons.
- China’s June 2020 production level decreased by 0.7% from May to 91.6 million metric tons.
- China’s total production in 2019 amounted to 992.9 million metric tons, a 44.4% decrease 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 production stood at 62% in June 2020, accounting for over half of the monthly total world production, while the U.S. at 3% ranked fourth behind Japan (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, but has declined in 2020.
In June, capacity utilization was estimated at 56.8%, an increase of 2.2 percentage points from 54.6% in May.

Capacity utilization in June 2020 was down 23.3 percentage points from one year ago and down 17.6 percentage points from five years ago.

Overall capacity utilization in 2019 averaged 79.3%, up from the 2018 annual average of 78.2%.

Though capacity utilization has increased 16.0 percentage points from the thirteen-year low reached in April 2009, it remains well below the pre-recession historical averages.

**Demand**

- Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, increased 8.3% to 6.5 million metric tons in June 2020 from 6.0 million metric tons in May.
  - June demand has decreased 21.1% from one year ago and down 23.5% from five years ago.
  - Demand in June 2020 was 13% higher than April 2009, when steel demand was at its lowest level in recent years.
  - Steel demand in 2019 amounted to 99.4 million metric tons, a 2% decrease from 100.9 million metric tons in 2018.
In June 2020, import penetration for steel mill products, excluding semi-finished products, was 21.8%, a decrease of 0.9 percentage points from May. This also marks a 2.7 percentage point increase from the import penetration level from one year ago. Import penetration in 2019 averaged 19.0%.
Trade Remedy Case Determinations – June 2020

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

<table>
<thead>
<tr>
<th>Trade Enforcement Actions Undertaken by the United States</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
</tr>
<tr>
<td>Forged Steel Fittings</td>
</tr>
<tr>
<td>Corrosion-Resistant Flat Steel</td>
</tr>
<tr>
<td>Seamless C&amp;A Standard, Line &amp; Pressure Pipe</td>
</tr>
<tr>
<td>Seamless C&amp;A Standard, Line &amp; Pressure Pipe</td>
</tr>
</tbody>
</table>


Industry Status

- The U.S. steel industry, as represented in the chart below, posted a combined net loss of $458.8 million in Q2 2020.
  - According to publicly available figures, three out of five companies reported quarterly net gains.
  - Nucor reported the highest quarterly net profit at $108.9 million, followed by Steel Dynamics at $75.5 million, and Commercial Metals Company at $64.2 million. Carpenter Technology reported a quarterly net loss of -$118.4 million, while U.S. Steel reported quarterly net loss of -$589 million.
Between Q1 2009-Q2 2020, the group of steel companies monitored in the below chart collectively reported net earnings for 29 quarters.

The net income chart includes AK Steel (through Q3 2019), Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and U.S. Steel.

Figure 14 - Steel Industry: Quarterly Net Income

- Q2 2020 average share prices decreased from Q1 2020 average share prices for all four charted steel stocks.
  - Of the charted steel stocks, Arcelor Mittal’s average share price saw the largest decrease from the previous quarter at 28.2%, followed by Nucor with a decrease of 9.4%, Steel Dynamics with a decrease of 8.8%, and U.S. Steel with a decrease of 7.2%.
  - Compared to the same quarter last year, all four charted steel stocks showed decreases in average share prices, with U.S. Steel decreasing by 49.5%, followed by Arcelor Mittal decreasing by 46.6%, Nucor decreasing by 26.5%, and Steel Dynamics decreasing by 18.3%.
  - All four stocks underperformed compared to the S&P 500 between Q2 2019 and Q2 2020.
  - The stock chart monitors the trends of S&P 500, US Steel, Nucor, Steel Dynamics, and Arcelor Mittal 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.

Source: Company websites

*Includes financials of AK Steel (through Q3 2019), Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and U.S. Steel.
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: YahooFinance.com August 18, 2020