



Steel Industry Executive Summary: September 2018

Highlights

- From June 2018 to July 2018, U.S. imports of steel mill products increased 19.9% to 2.71 million metric tons from 2.26 million metric tons.
- In July 2018, capacity utilization was estimated at 78.4%, an increase of 1.0 percentage points from 77.4% in June.
- Total U.S. steel production increased by 3.1% to 7.3 million metric tons in July 2018 from 7.0 million metric tons in June 2018.

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Trade – U.S. Imports of Steel Mill Products

- From June 2018 to July 2018, U.S. imports of steel mill products increased 20% to 2.7 million metric tons from 2.3 million metric tons.
 - July 2018 steel imports were down 14.0% from one year ago and down 5.6% from the 2017 average monthly volume of 2.9 million metric tons.
 - Steel mill imports in July were down 33.0% from the most recent import volume peak of 4 million metric tons in October 2014.
 - August 2018 license data suggest an increase in imports from July.
- 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.*

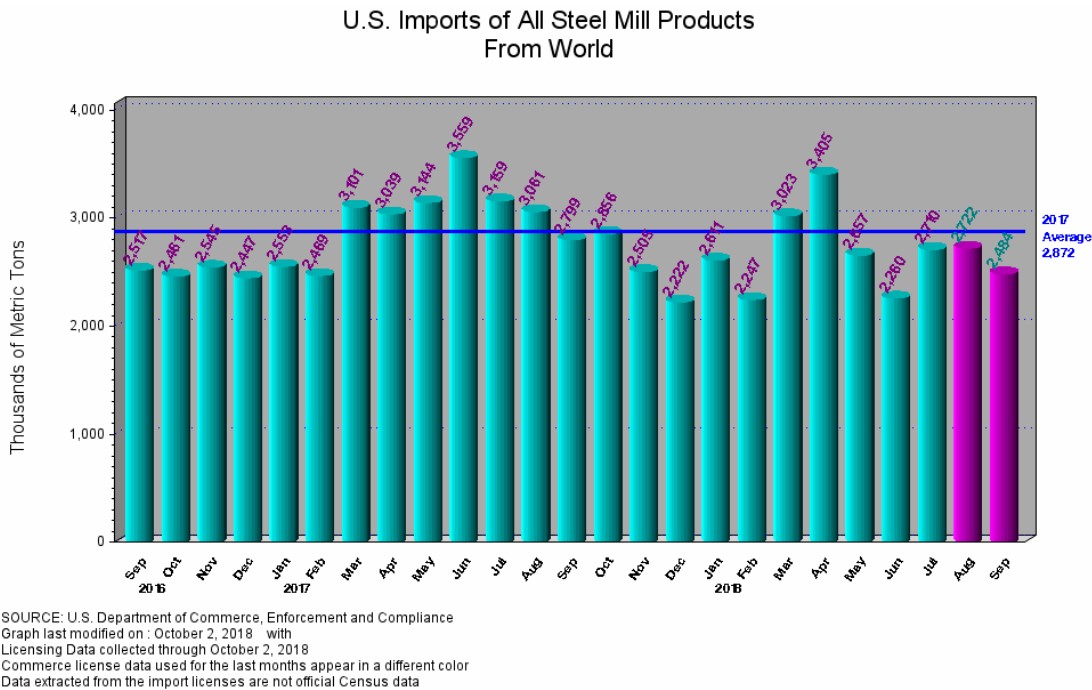


Figure 1 – U.S. Imports of All Steel Mill Products from World

- In YTD 2018 (through July), U.S. imports of steel mill products amounted to 18.9 million metric tons, a 10% decrease from 21 million metric tons in YTD 2017.
 - In value terms, imports increased, up 6% to \$18 billion in YTD 2018 from \$17 billion in YTD 2017.
 - Canada accounted for the largest share of U.S. imports by partner country in YTD 2018 at 19.3%, followed by Brazil (12.4%) and Mexico (10.9%).
 - The U.S. imported 7 million metric tons of flat products in YTD 2018, accounting for 37% of total steel mill imports, followed by pipe and tube products at 4.3 million metric tons or 23% of total imports.

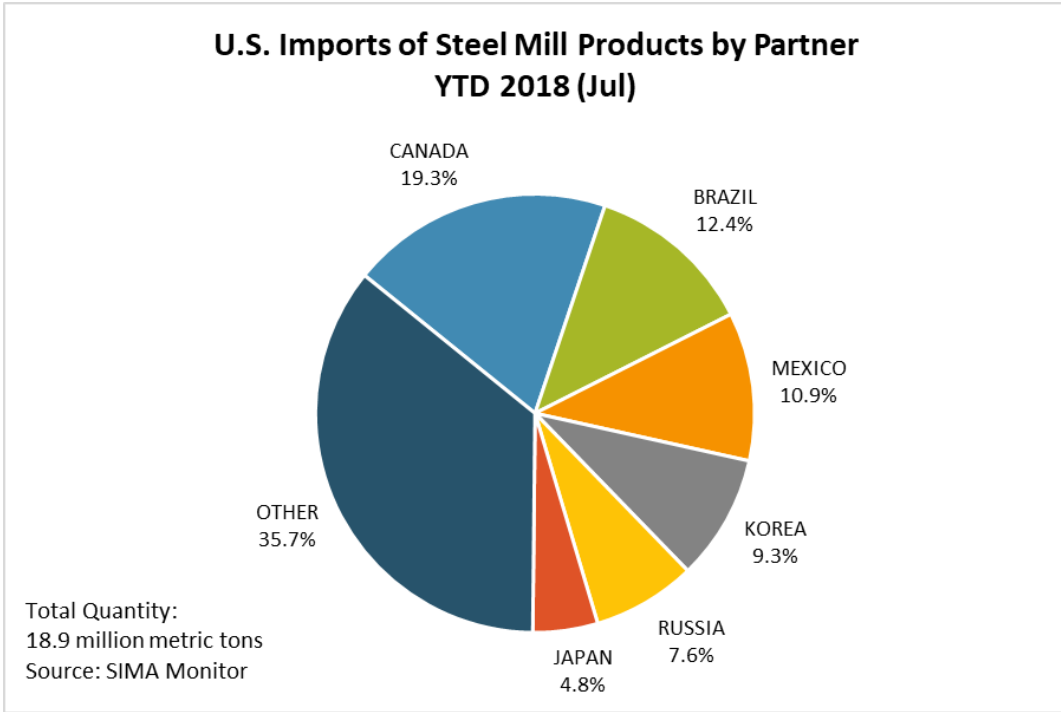


Figure 2 – U.S. Imports of Steel Mill Products by Partner

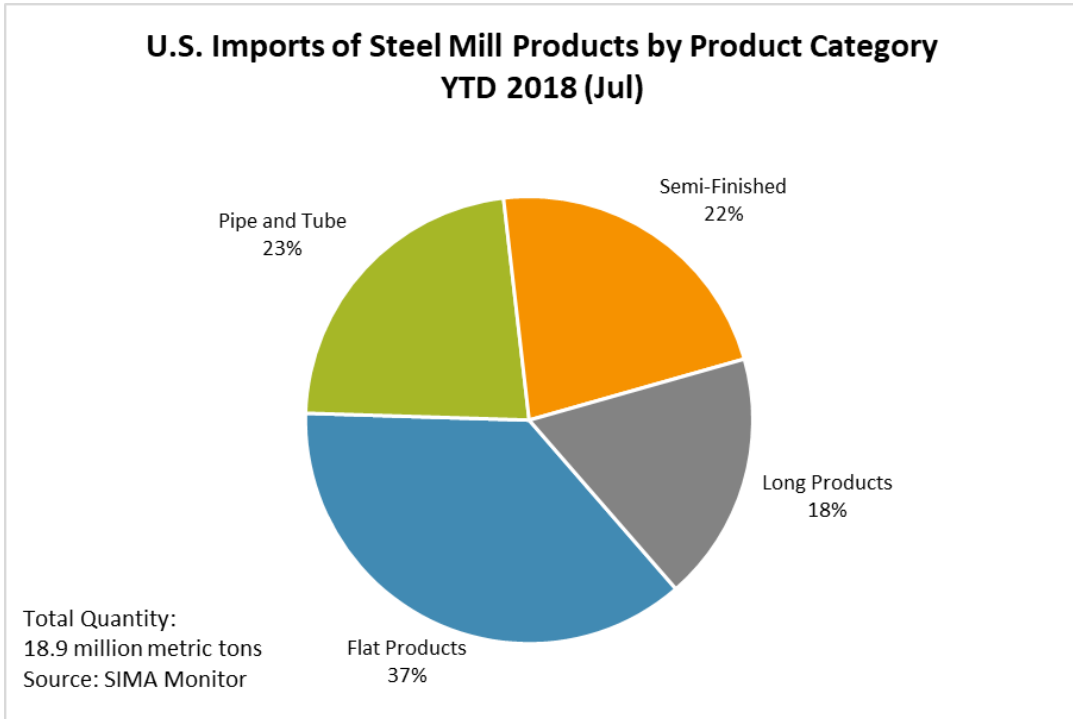


Figure 3 – U.S. Imports of Steel Mill Products by Product Category

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, declined in May and June, before increasing again in July. Exports have remained consistently flat for the past 9 years. In July 2018, the steel trade deficit increased to -2.1 million metric tons from -1.4 million metric tons in June 2018, a 47.8% decrease.
 - Compared to the trade balance one year ago, the July 2018 steel trade gap has decreased by 12.9%.
 - From June 2018 to July 2018, the volume of U.S. steel exports decreased by 28.2% to 595 thousand metric tons. July 2018 exports were down 18.7% by volume from one year ago and down 19.3% from three years ago.
 - Imports increased 19.9% by volume between June 2018 and July 2018 to 2.71 million metric tons. July 2018 imports were down 14.2% from one year ago and down 9.1% from three years ago.

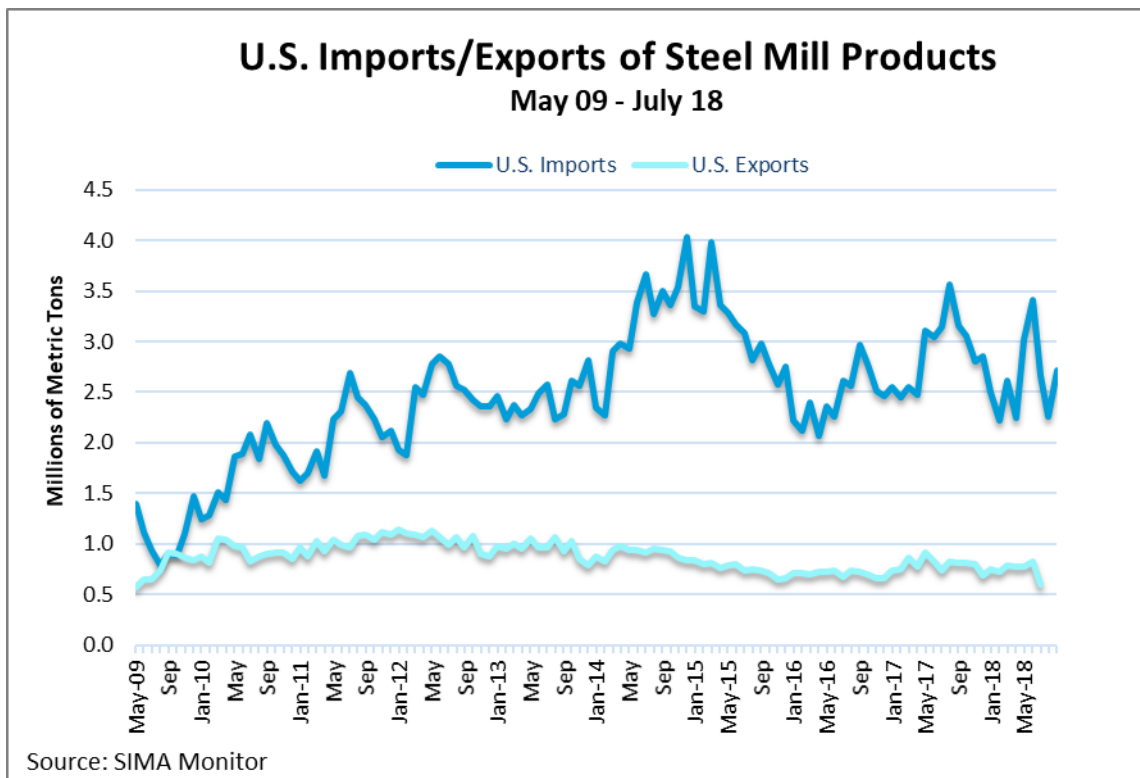


Figure 4 – U.S. Imports/Exports of Steel Mill Products

Trade – NAFTA

- According to the latest available data from the three NAFTA countries, total steel mill imports into NAFTA countries decreased 18% to 26.4 million metric tons in YTD 2018 from 32.2 million metric tons in YTD 2017 (through June).

- June 2018 steel mill imports into NAFTA countries were down 11% from one year ago.
- Intra-NAFTA steel imports decreased 18% to 1.4 million metric tons between May and June, while external NAFTA imports decreased 2% to 2.7 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 2.6 million metric tons and Brazil's share also at 10% or 2.6 million metric tons.

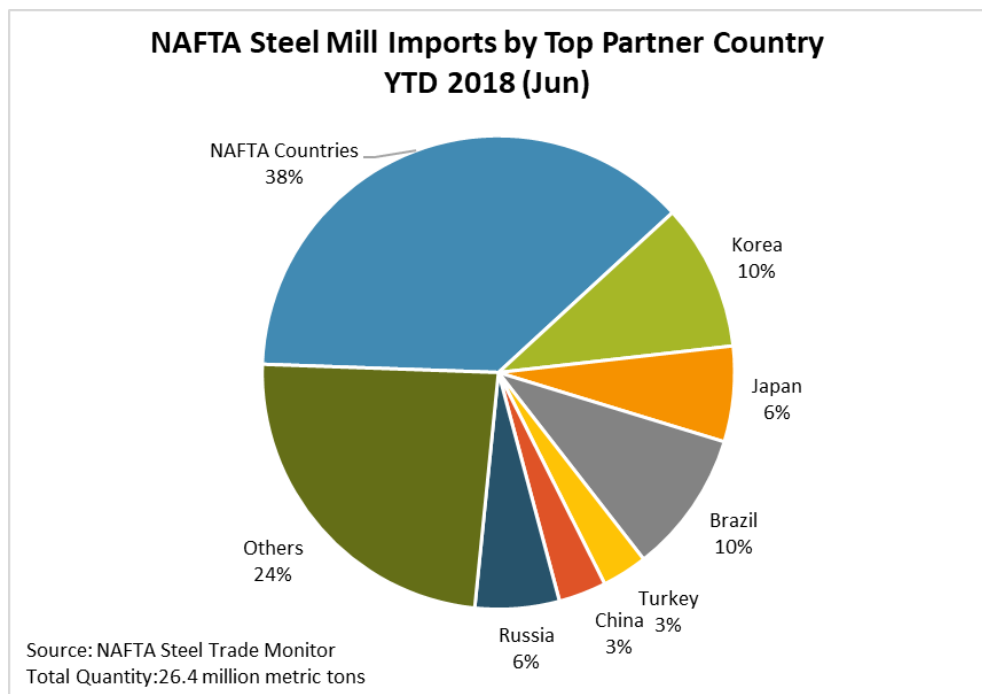


Figure 5 – NAFTA Steel Mill Imports by Top Partner Country

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

NOTABLE INCREASES

Country	Product	Average monthly quantity June 2018 - August 2018 (metric tons)	Average monthly quantity September 2017 - May 2018 (metric tons)	Percent change from Historic to Current average quantity
TURKEY	Wire Rods -- C & A	12,179	75	16,229%
UNITED ARAB EMIRATES	Structural Shapes Heavy -- C & A	7,749	317	2343%

Country	Product	Average monthly quantity June 2018 - August 2018 (metric tons)	Average monthly quantity September 2017 - May 2018 (metric tons)	Percent change from Historic to Current average quantity
BULGARIA	Bars-Reinforcing -- C & A	7,414	1,277	481%
MOROCCO	Wire Rods -- C & A	5,206	1,139	357%
VIETNAM	Sheets & Strip Galv Hot Dipped -- C & A	42,517	11,087	283%
ITALY	Bars-Reinforcing -- C & A	31,759	9,564	232%
TURKEY	Plates in Coils -- C & A	6,257	1,927	225%
WORLD	Blooms, Billets and Slabs -- S	52,400	18,188	188%
TURKEY	Sheets Hot Rolled -- C & A	10,777	4,620	133%

NOTABLE DECREASES

Country	Product	Average monthly quantity June 2018 - August 2018 (metric tons)	Average monthly quantity September 2017 - May 2018 (metric tons)	Percent change from Historic to Current average quantity
CANADA	Oil Country Goods -- C & A	8,153	20,395	(60%)
AUSTRALIA	Sheets Cold Rolled -- C & A	5,165	15,842	(67%)
KOREA	Oil Country Goods -- C & A	21,404	73,556	(71%)

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

Prices

- Benchmark domestic steel prices have been increasing since Q4 of 2017.
 - While U.S. domestic prices for hot-rolled band decreased to \$981 per metric ton in July 2018, compared to one year ago, the price for hot-rolled band was up 41%.
 - Cold-rolled coil prices increased to \$1,064 per metric ton in July 2018, a 22 percent increase from last year and standard plate prices increased to \$1,090 per metric ton, a 39 percent increase from a year ago.

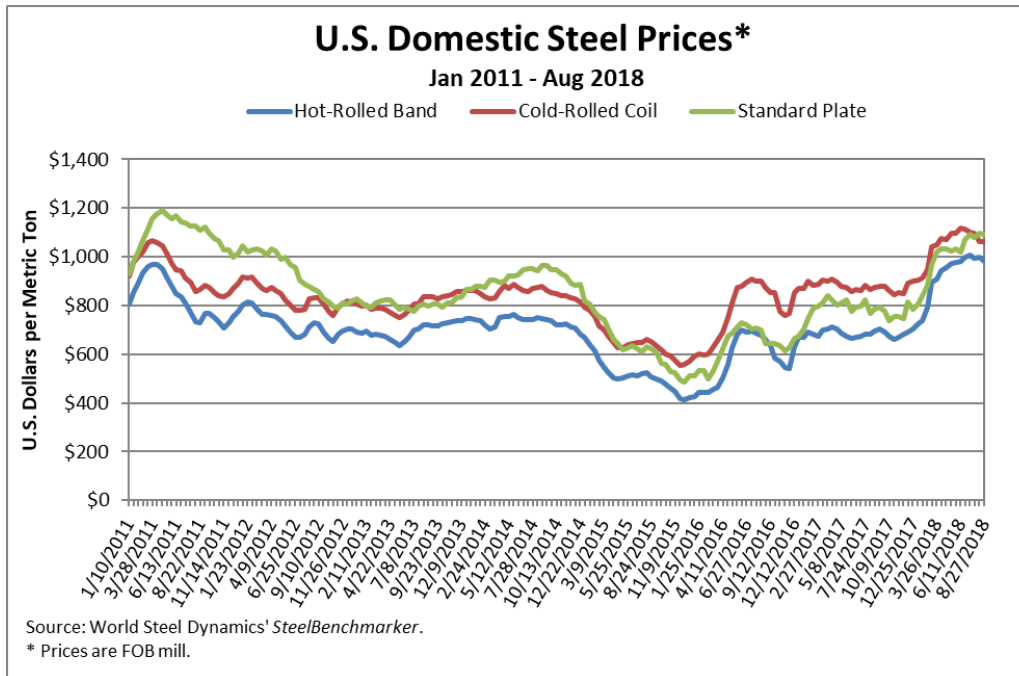


Figure 6 – U.S. Domestic Steel Prices

Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production increased by 3.1% to 7.3 million metric tons in July 2018 from 7 million metric tons in June 2018. This marks a 4.5% increase from the July 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.

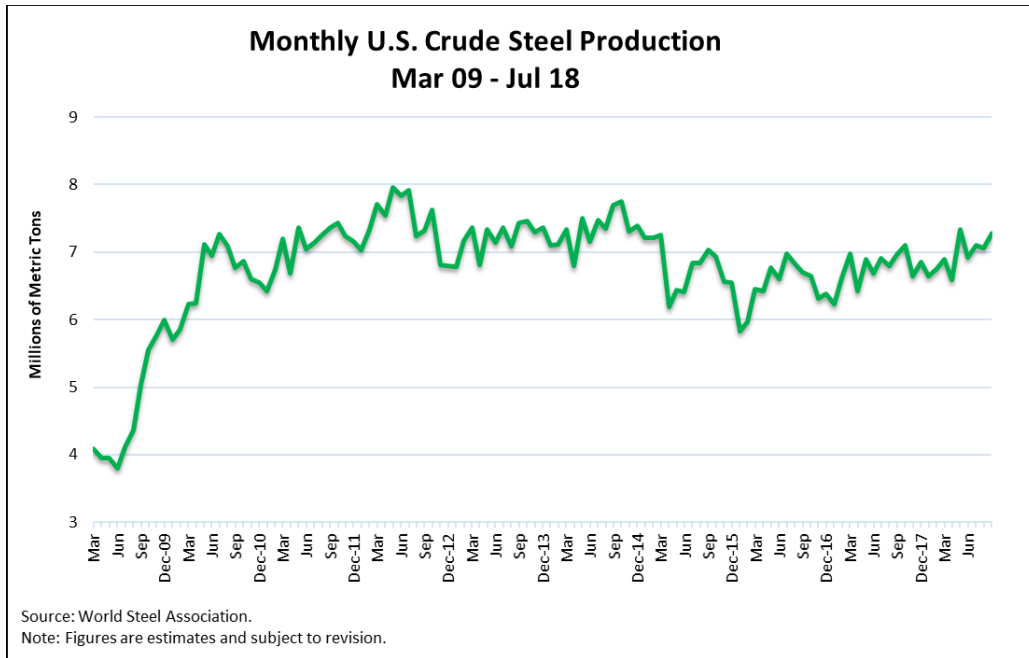


Figure 7 – Monthly U.S. Crude Steel Production

- Global steel production increased by 1.6% to 154.6 million metric tons in July 2018 from 152.2 million metric tons in June 2018.
 - Global production in July 2018 increased 6.9% from one year ago.
 - Total world crude steel production in 2017 increased by 5.3% from the 2016 level of 1691 million metric tons.
 - China’s July 2018 production level increased by 1.1% from June 2018 to 81.2 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 July 2018 production level of 14.5 million metric tons, a 0.7% decrease from 14.4 million metric tons in June 2018.

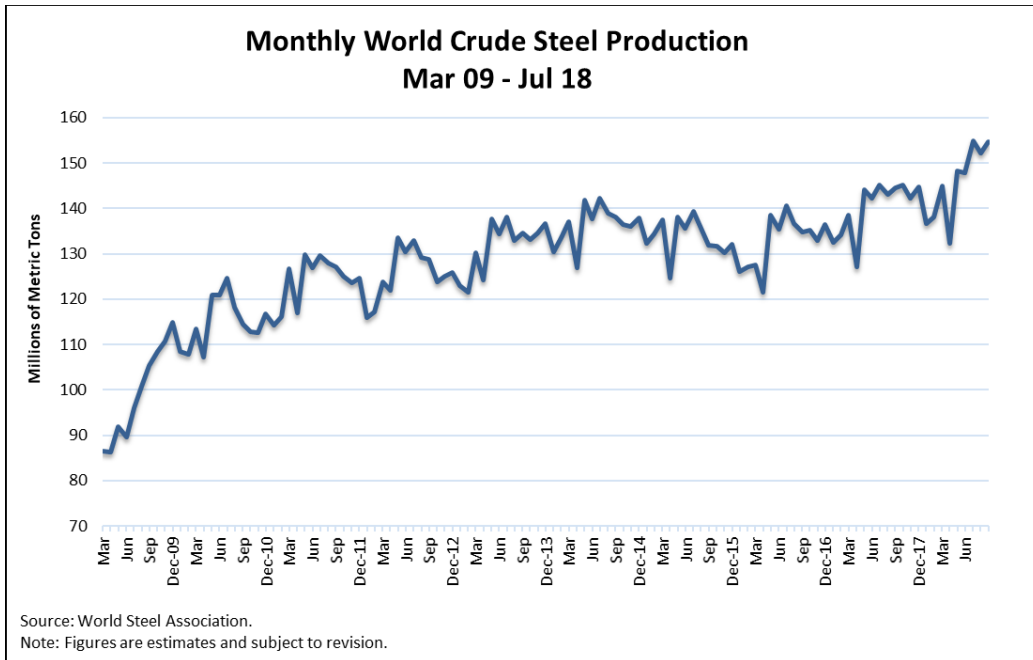


Figure 8 – Monthly World Crude Steel Production

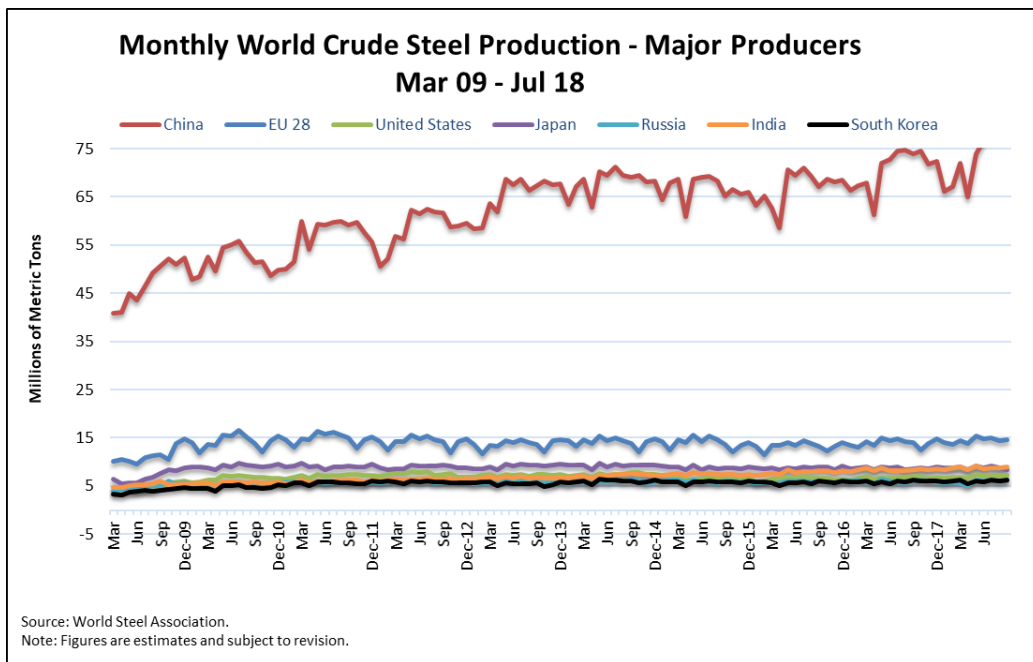


Figure 9 – Monthly Crude Steel Production - Major Producers

- China’s share of total monthly world steel remained almost unchanged at 52.6% in July 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.

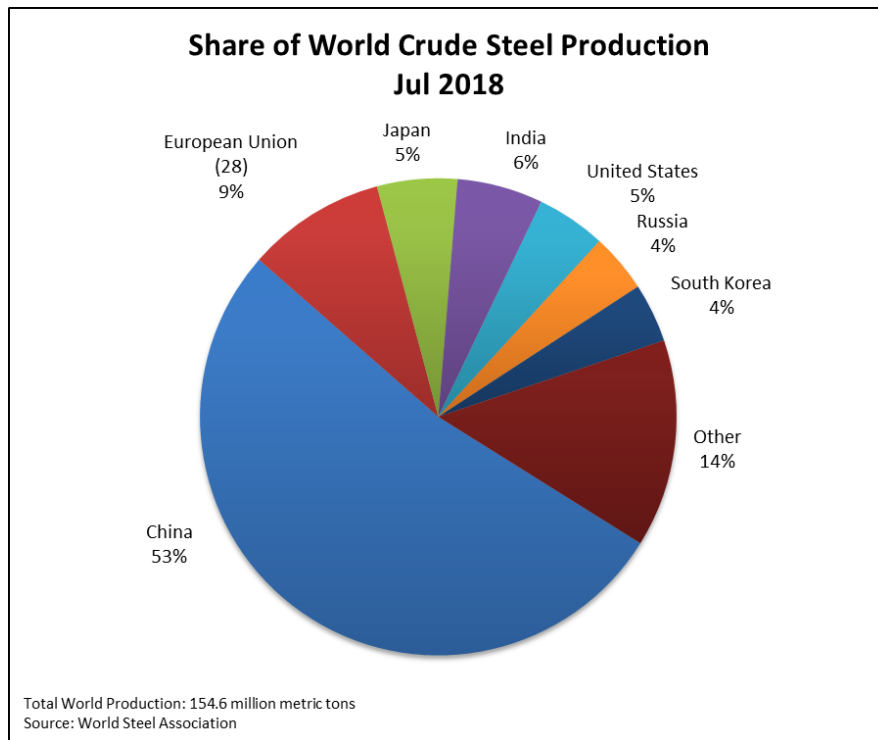


Figure 10 – Share of World Crude Steel Production

- U.S. domestic steel capacity utilization made gains in the last year after a dip in October 2016.
 - In July 2018, capacity utilization was estimated at 78.4%, an increase of 1.0 percentage point from 77.4% in June.
 - Capacity utilization in July was up 4.1 percentage points from one year ago and up 1.1 percentage points from five years ago.
 - Overall capacity utilization in YTD 2018 averaged 77.0%, up from the 2017 annual average of 73.9%.
 - Though capacity utilization has increased 37.6 percentage points from the thirteen-year low reached in April 2009, it still remains well below the pre-recession historical averages.

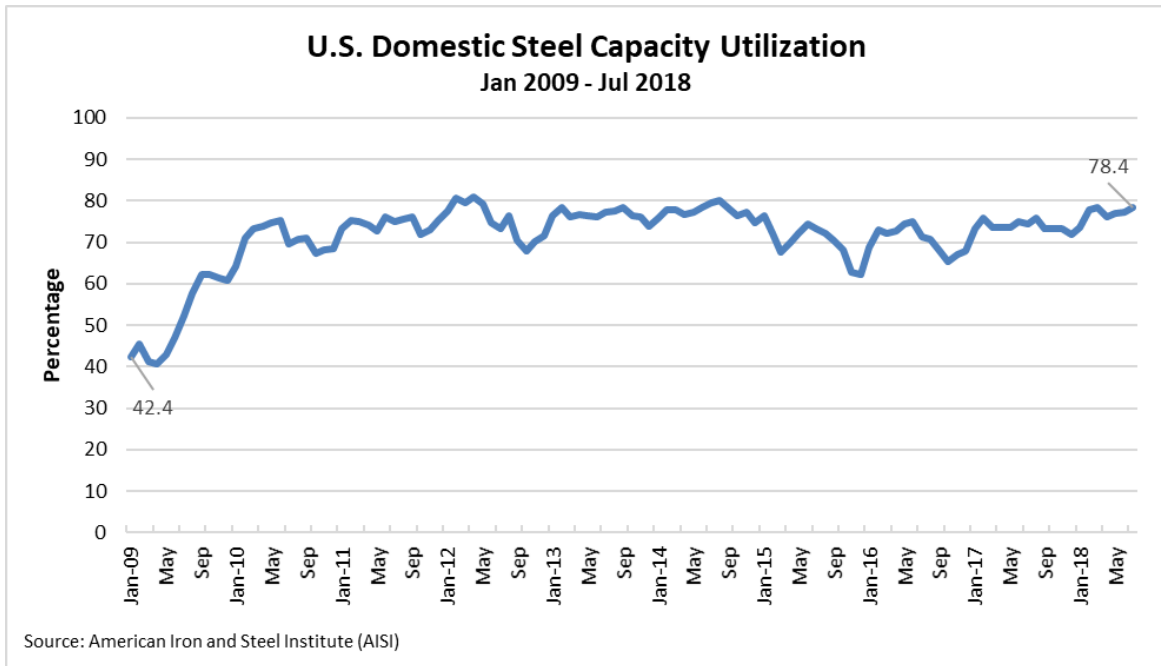


Figure 11 – U.S. Domestic Steel Capacity Utilization

Demand

- Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, increased 7% to 9.3 million metric tons in July 2018 from 8.7 million metric tons in June.
 - July demand has increased 7% from one year ago and increased 11% from five years ago.
 - Demand in July was still 125% higher than April 2009, when steel demand was at its lowest level in recent years.
 - YTD steel demand in 2018 (through July) amounted to 60.8 million metric tons, a 3% increase from 58.7 million metric tons in YTD 2017.

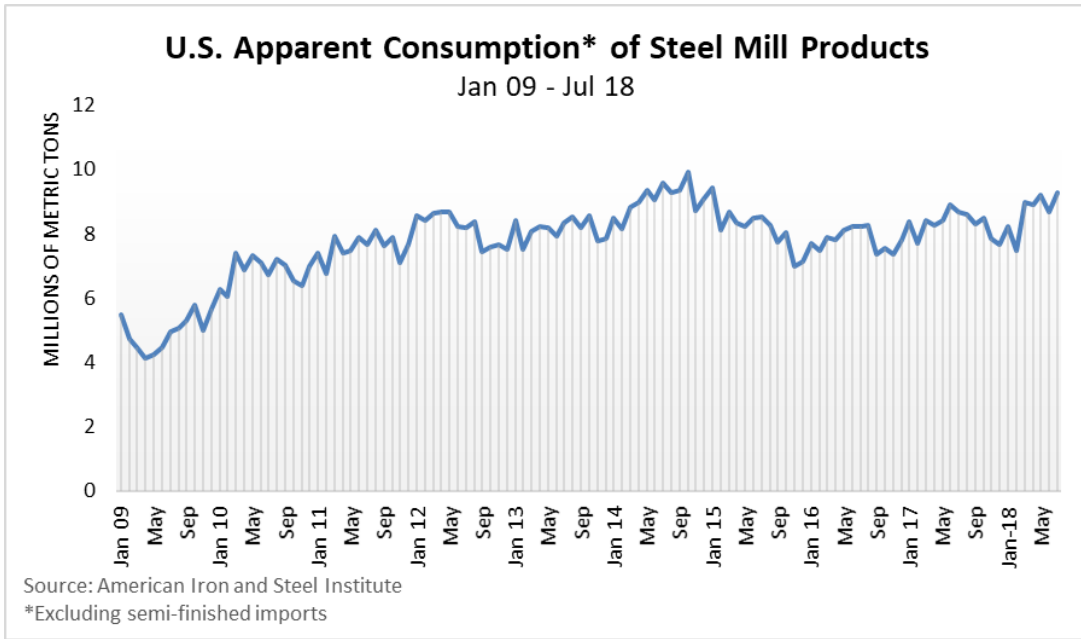


Figure 12 – U.S. Apparent Consumption of Steel Mill Products

Import penetration for steel mill products, excluding semi-finished products, was 21.3 percent, an increase of 1.9 percentage points from June 2018 to July. This marks a 9.0 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 24.1%.

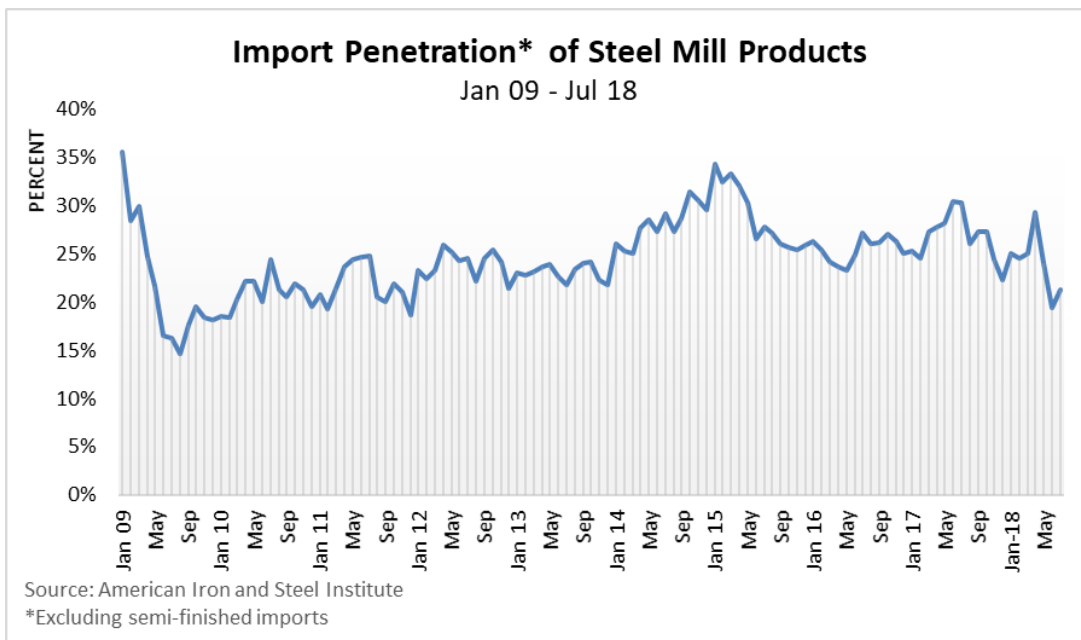


Figure 13 – Import Penetration for All Steel Mill Products

Trade Remedy Case Determinations – July – September 2018

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
Certain Steel Wheels 12 to 16.5 inches in diameter	China	Initiation of Antidumping Duty Investigation
Certain Steel Wheels	China	Preliminary Affirmative Countervailing Duty Determination
Stainless Steel Flanges	India	Affirmative Final Countervailing Duty Determination
Forged Steel Fittings	Taiwan	Affirmative Final Antidumping Determination
Steel Racks	China	Initiation of Antidumping Duty and Countervailing Duty Investigations

SOURCE: U.S. Department of Commerce, Enforcement and Compliance.
Factsheets available at <http://trade.gov/enforcement/news.asp>.

Industry Status

- The U.S. steel industry, as represented in the chart below, posted a combined net income of \$1,399 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.

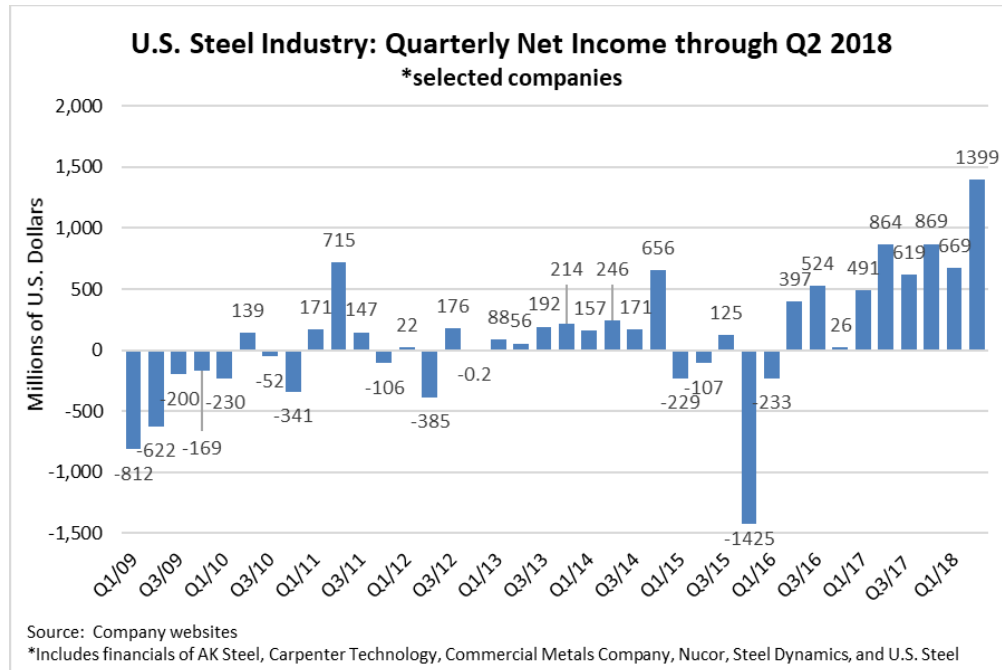


Figure 14 - U.S. Steel Industry: Quarterly Net Income

- Q2 2018 average share prices decreased from Q1 2018 average share prices for all but one charted steel stock.
 - Of the charted steel stocks, Nucor's average share price 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%.
 - 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%.
 - All except Steel Dynamics' steel stocks underperformed compared to the S&P 500 between Q1 2018 and Q2 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.

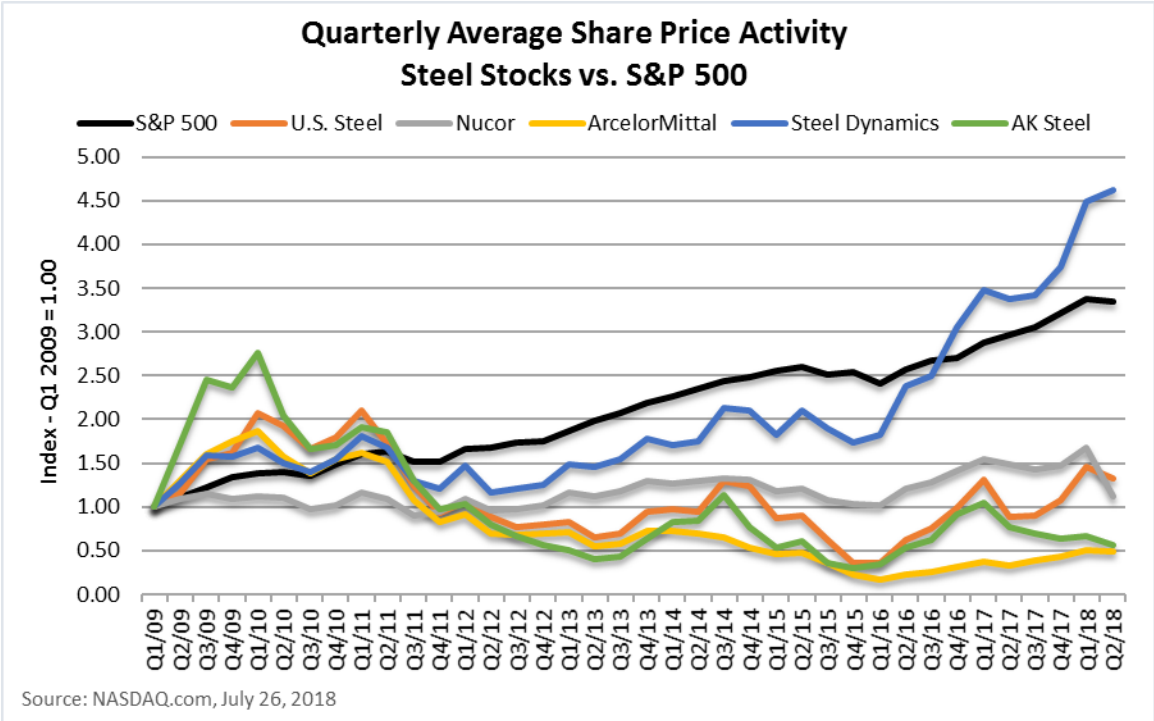


Figure 15 – Steel Stocks vs. S&P 500, Quarterly Average Share Price Activity

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