Steel Industry Executive Summary: February 2019

Highlights

• From November 2018 to December 2018, U.S. imports of steel mill products decreased 21% to 1.7 million metric tons from 2.2 million metric tons.
• In December 2018, capacity utilization was estimated at 79.4%, a decrease of 1.8 percentage points from 81.2% in November 2018.
• Total U.S. steel production in 2018 increased to 86.6 million metric tons from 81.6 million metric tons in 2017, a 6% increase.

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Trade – U.S. Imports of Steel Mill Products

- From November 2018 to December 2018, U.S. imports of steel mill products decreased 21% to 1.7 million metric tons from 2.2 million metric tons.
  - December 2018 steel imports were down 23% from one year ago and down 40.2% from the 2017 average monthly volume of 2.9 million metric tons.
  - Steel mill imports in December were down 57% from the most recent import volume peak of 4 million metric tons in October 2014.
  - January 2018 license data suggest an increase in imports from December.

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 December), U.S. imports of steel mill products amounted to 30.6 million metric tons, an 11% decrease from 34.5 million metric tons in YTD 2017.
  - In value terms, imports increased, up 1% to $29.3 billion in YTD 2018 from $29.1 billion in YTD 2017.
  - Canada accounted for the largest share of U.S. imports by partner country in YTD 2018 at 18.5%, followed by Brazil (13%) and Mexico (11.4%).
  - The U.S. imported 11.4 million metric tons of flat products in YTD 2018, accounting for 37.4% of total steel mill imports, followed by semi-finished products at 7.3 million metric tons or 23.8% of total imports.
Figure 2 – U.S. Imports of Steel Mill Products by Partner

U.S. Imports of Steel Mill Products by Partner YTD 2018 (Dec)

Total Quantity: 30.6 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 2018 (Dec)

Total Quantity: 30.6 million metric tons
Source: SIMA Monitor
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 consistently flat for the past 9 years. In December 2018, the steel trade deficit decreased to -1.3 million metric tons from -1.6 million metric tons in November 2018, a 22.2% decrease.
  - Compared to the trade balance one year ago, the December 2018 steel trade gap has decreased by 19.1%.
  - From November 2018 to December 2018, the volume of U.S. steel exports decreased by 15.7% to 470.9 thousand metric tons. December 2018 exports were down 31.0% by volume from one year ago and down 28.5% from three years ago.
  - Imports decreased 20.5% by volume between November 2018 and December 2018 to 1.7 million metric tons. December 2018 imports were down 22.7% from one year ago and down 19.2% 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 – NAFTA Steel Mill Imports by Top Partner Country

<table>
<thead>
<tr>
<th>Country</th>
<th>Product</th>
<th>Average monthly quantity November 2018 - January 2019 (metric tons)</th>
<th>Average monthly quantity February 2018 - October 2018 (metric tons)</th>
<th>Percent change from historic to current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUSTRALIA</td>
<td>Wire Rods -- C &amp; A</td>
<td>8,073</td>
<td>62</td>
<td>12894%</td>
</tr>
<tr>
<td>TURKEY</td>
<td>Line Pipe -- C &amp; A</td>
<td>29,512</td>
<td>6,021</td>
<td>390%</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>Line Pipe -- C &amp; A</td>
<td>11,583</td>
<td>2,525</td>
<td>359%</td>
</tr>
<tr>
<td>KOREA</td>
<td>Wire Rods -- C &amp; A</td>
<td>5,012</td>
<td>1,115</td>
<td>350%</td>
</tr>
<tr>
<td>UKRAINE</td>
<td>Plates Cut Lengths -- C &amp; A</td>
<td>9,738</td>
<td>2,466</td>
<td>295%</td>
</tr>
</tbody>
</table>

Trade – U.S. Steel Import Changes by Country and Product
There are no notable decreases to report this month.

SOURCE: US Department of Commerce, Enforcement and Compliance, SIMA
Table last modified March 15 with Licensing data collected through January 2018 and
Final Census data compiled through December 2018.

**Prices**

- After a recent peak in Q3 2018, benchmark domestic steel prices have been trending downwards since Q4 of 2018.
  - While U.S. domestic prices for hot-rolled band decreased to $846 per metric ton in December 2018, compared to one year ago, the price for hot-rolled band was up 20.3%.
  - Cold-rolled coil prices decreased to $974 per metric ton in December 2018 but increased 20.3% from last year and standard plate prices increased to $1,1134 per metric ton in December and by 44.3% from a year ago.
Figure 6 – U.S. Domestic Steel Prices

U.S. Domestic Steel Prices*  
U.S. Dollars per Metric Ton (Jan 13- Dec 18)

Source: World Steel Dynamics’ SteelBenchmarker. *Prices are FOB mill.

Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production increased by 1.1% to 7.5 million metric tons in December 2018 from 7.4 million metric tons in November 2018. This marks a 10.6% increase from the December 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, a 6% increase.
Global steel production decreased by 2.1% to 146.5 million metric tons in December 2018 from 149.7 million metric tons in November 2018.

- Global production in December 2018 increased 6.1% 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 December 2018 production level decreased by 1.9% from November 2018 to 76.1 million metric tons.
- China’s total production in 2018 amounted to 928 million metric tons, a 12% increase from the previous year.
- The European Union 28 remains the second largest producer, behind China, with December 2018 production level of 12.8 million metric tons, an 11.9% decrease from 14.5 million metric tons in November 2018.
Figure 8 – Monthly World Crude Steel Production

Monthly World Crude Steel Production
Millions of Metric Tons (Jan 09 - Dec 18)

Source: World Steel Association. Note: Figures are estimates and subject to revision.

Figure 9 – Monthly Crude Steel Production - Major Producers

Monthly World Crude Steel Production - Major Producers
Millions of Metric Tons (Jan 09 - Dec 18)

Source: World Steel Association. Note: Figures are estimates and subject to revision.
China’s share of total monthly world steel increased to 52% in December 2018, accounting for slightly over half of the monthly total world production, while the U.S. ranked fifth behind India at 5%. 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

<table>
<thead>
<tr>
<th>Country</th>
<th>Share of World Crude Steel Production Dec 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>52.0%</td>
</tr>
<tr>
<td>EU (28)</td>
<td>8.7%</td>
</tr>
<tr>
<td>Japan</td>
<td>5.8%</td>
</tr>
<tr>
<td>India</td>
<td>6.2%</td>
</tr>
<tr>
<td>United States</td>
<td>5.1%</td>
</tr>
<tr>
<td>Russia</td>
<td>4.0%</td>
</tr>
<tr>
<td>South Korea</td>
<td>4.2%</td>
</tr>
<tr>
<td>Other</td>
<td>14.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Total World Production: 146.5 million metric tons
Source: World Steel Association
• U.S. domestic steel capacity utilization made gains in the last year after a dip in October 2016.
  o In December 2019, capacity utilization was estimated at 79.4%, a decrease of 1.8 percentage points from 81.2% in November 2018.
  o Capacity utilization in December 2019 was up 7.5 percentage points from one year ago and up 5.4 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 38.6 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 3% to 8.1 million metric tons in December 2018 from 7.9 million metric tons in November.
  o December 2018 demand has increased 6% from one year ago and increased 4% from five years ago.
  o Demand in December was 97% 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.
Import penetration for steel mill products, excluding semi-finished products, was 18.7%, a decrease of 3.3 percentage points from November 2018. This marks a 3.5 percentage point decrease from the import penetration level from one year ago. Import penetration in 2018 averaged 23%, up from an average of 26.8% in 2017.
Trade Remedy Case Determinations –December 2018 - January 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>Carbon &amp; Alloy Threaded Rod</td>
<td>China, India, Taiwan,</td>
<td>Initiation of Antidumping/Countervailing Duty Investigation</td>
</tr>
<tr>
<td>Certain Fabricated Structural Steel</td>
<td>China</td>
<td>Initiation of Antidumping Investigation</td>
</tr>
<tr>
<td>Steel Racks</td>
<td>China</td>
<td>Affirmative Preliminary Antidumping Determination</td>
</tr>
<tr>
<td>Fabricated Structural Steel</td>
<td>Canada, China, Mexico</td>
<td>Initiation of Antidumping/Countervailing Duty Investigation</td>
</tr>
<tr>
<td>Large Diameter Welded Pipe</td>
<td>Canada, Greece, Korea,</td>
<td>Affirmative Final Countervailing Duty Determination</td>
</tr>
<tr>
<td></td>
<td>Turkey</td>
<td></td>
</tr>
<tr>
<td>Certain Steel Wheels</td>
<td>China</td>
<td>Affirmative Preliminary Countervailing Duty Determination</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce, Enforcement and Compliance, current through March 15, 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 $1,598 million in Q4 2018.
  - According to publicly available figures, all six of the companies included reported quarterly net gains.
  - Nucor reported the highest quarterly net profit at $647 million, followed by U.S. Steel at $592 million, Steel Dynamics at $270 million, Carpenter Technology at $35.5 million, AK Steel at $33.5 million, and Commercial Metals Company at $20 million.
  - Since Q1 2009, the group of steel companies monitored in the below chart has collectively reported net earnings for 26 quarters. For the first time the group’s aggregate quarterly figures in 2018 exceeded performance levels from 2008.
  - The net income chart includes AK Steel, Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and U.S. Steel.
Q4 2018 average share prices decreased from Q3 2018 average share prices for all of the charted steel stocks.

- Of the charted steel stocks, U.S. Steel’s average share price saw the largest decrease from the previous quarter at 22%, followed by AK Steel with a decrease of 20%, ArcelorMittal with a decrease of 18.1%, Steel Dynamics with a decrease of 17.6%, and Nucor with a decrease of 7.4%.
- Compared to the same quarter last year, four of the five charted steel stocks showed decreases in average share prices, with AK Steel decreasing by 30.3%, ArcelorMittal decreasing by 16.1%, U.S. Steel decreasing by 13.2%, and Steel Dynamics decreasing by 1%. Nucor’s average share prices saw an increase of 1.5%.
- All of the steel stocks underperformed compared to the S&P 500 between Q3 2018 and Q4 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

Quarterly Average Share Price Activity
Steel Stocks vs. S&P 500

- S&P 500
- Steel Dynamics
- Nucor
- U.S. Steel
- AK Steel
- ArcelorMittal

Source: NASDAQ.com March 12, 2018

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