



Steel Industry Executive Summary: April 2018

Highlights

- From January 2018 to February 2018, U.S. imports of steel mill products decreased 14% to 2.2 million metric tons from 2.6 million metric tons.
- In February 2018, capacity utilization was estimated at 77.9%, an increase of 4.3 percentage points from 73.6% in January. Overall capacity utilization in 2017 averaged 73.9%, up from the 2016 average of 70.5%.
- Total U.S. steel production decreased by 4.3% to 6.6 million metric tons in February 2018 from 6.9 million metric tons in January 2018.

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Trade – U.S. Imports of Steel Mill Products

- From January 2018 to February 2018, U.S. imports of steel mill products decreased 14% to 2.2 million metric tons from 2.6 million metric tons.
 - February 2018 steel imports were down 9% from one year ago and down 21.8 % from the 2017 average monthly volume of 2.9 million metric tons.
 - Steel mill imports in February were down 44% from the most recent high import volume peak of 4 million metric tons in October 2014.
 - March 2018 license data suggest an increase in imports from February.
- 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.*

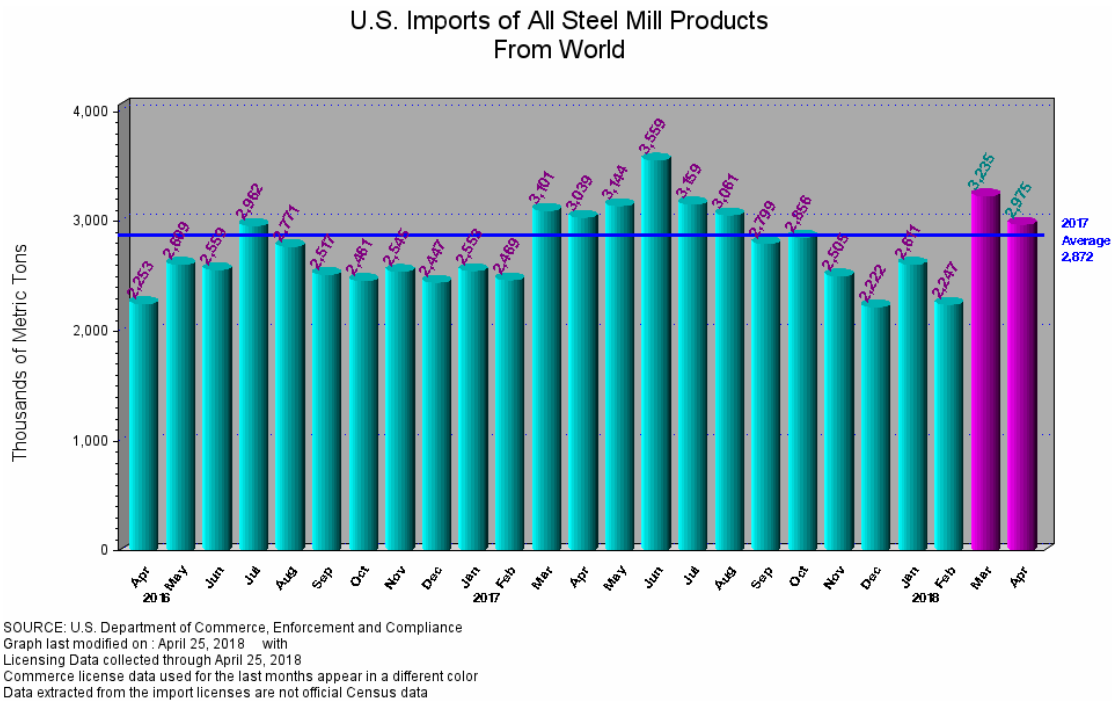


Figure 1 – U.S. Imports of All Steel Mill Products from World

- In YTD 2018 (through February), U.S. imports of steel mill products amounted to 4.9 million metric tons, a 3% decrease from 5 million metric tons in YTD 2017.
 - In value terms, however, imports increased, up 18% to \$4.7 million in YTD 2018 from \$4 million in YTD 2017.
 - Canada accounted for the largest share of U.S. imports by partner country in YTD 2018 at 20%, followed by South Korea (12%) and Brazil (11.5%).
 - The U.S. imported 1.8 million metric tons of flat products in YTD 2018, accounting for 36% of total steel mill imports, followed by pipe and tube products at 1.3 million metric tons or 26% of total imports.

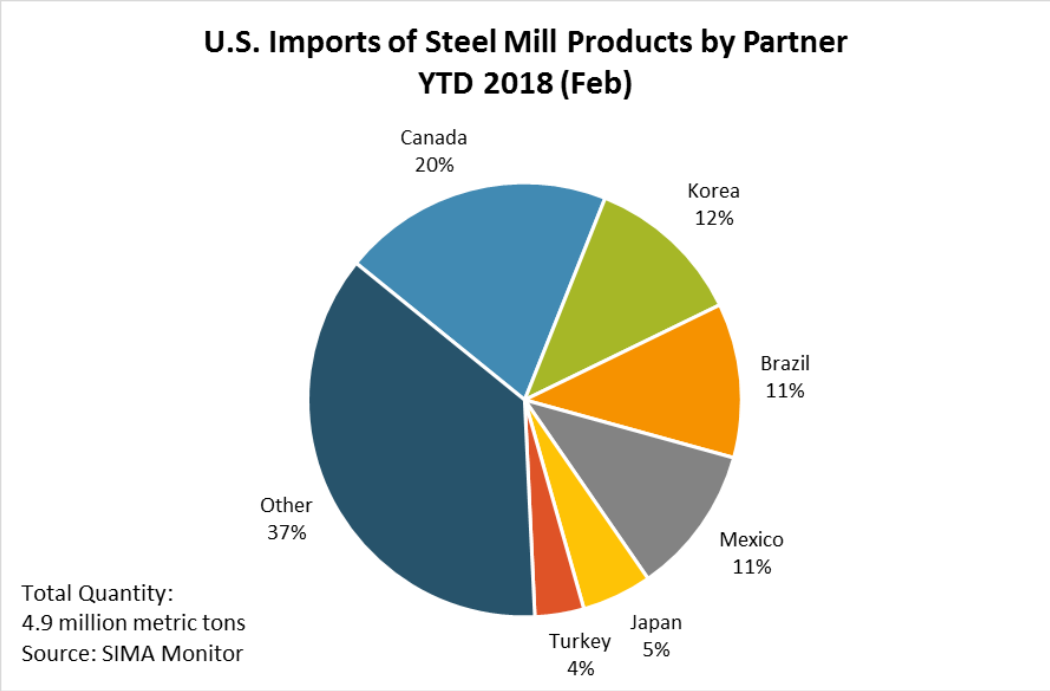


Figure 2 – U.S. Imports of Steel Mill Products by Partner

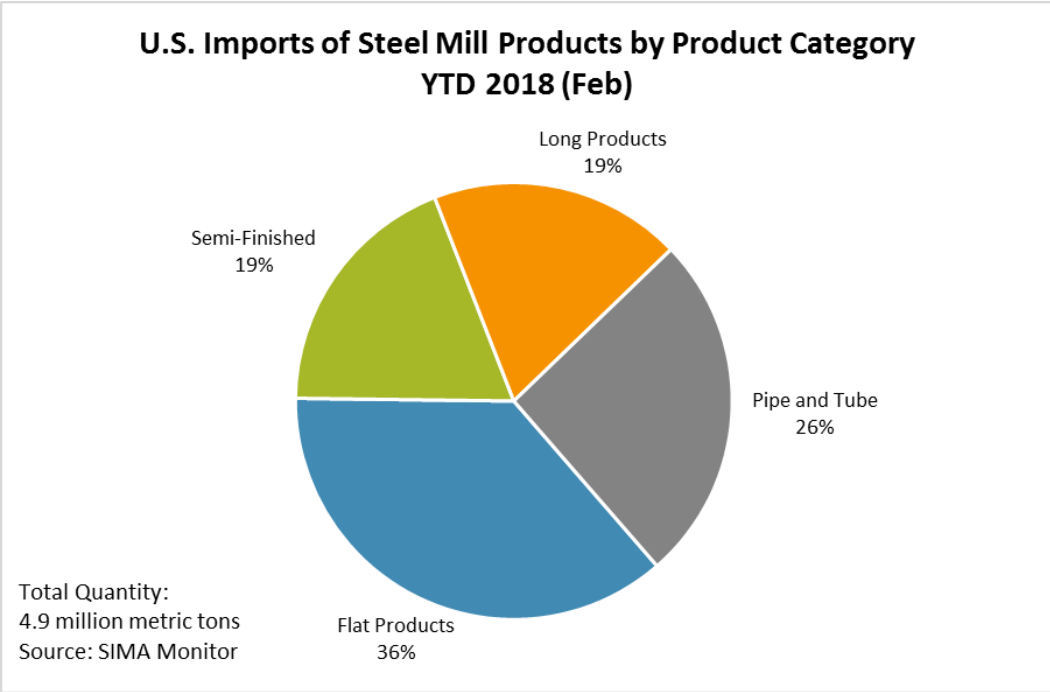


Figure 3 – U.S. Imports of Steel Mill Products by Product Category

Trade – U.S. Trade Balance in Steel Mill Products

- U.S. imports of steel mill products have continued to decrease in recent months after rising in the first half of 2017, while exports have remained relatively flat. In February 2018, the steel trade deficit narrowed to -1.5 million metric tons from -1.9 million metric tons in January 2018, an 18.3% decrease.
 - Compared to the trade balance one year ago, the February 2018 steel trade gap has decreased by 11.7%.
 - From January 2018 to February 2018, the volume of U.S. steel exports decreased by 3.1% to 731 thousand metric tons. February 2018 exports were down 2.7% from one year ago and down 8.3% from three years ago.
 - Imports decreased 13.9% by volume between January 2018 and February 2018 to 2.2 million metric tons. February 2018 imports were down 9% from one year ago and down 33.2% from three years ago.

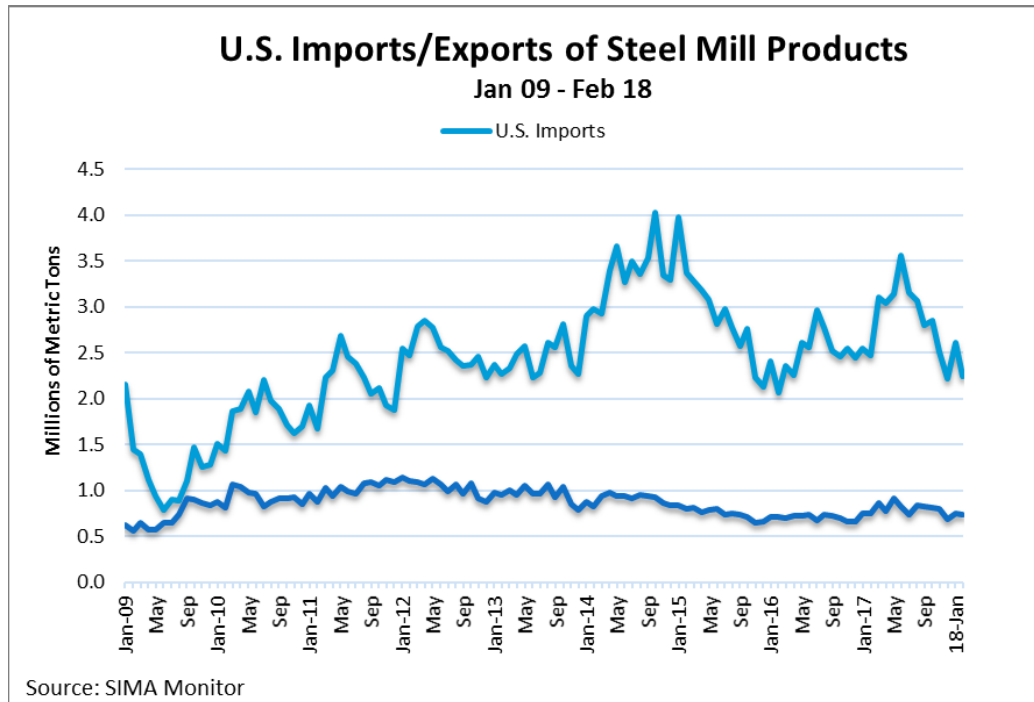


Figure 4 – U.S. Imports/Exports of Steel Mill Products

Trade – NAFTA

- According to the latest available data from the three NAFTA countries, total steel mill imports into NAFTA countries decreased 3% to 4.1 million metric tons in YTD 2018 from 4.2 million metric tons in YTD 2017 (through January).
 - January 2018 steel mill imports into NAFTA countries were down 3% from one year ago.

- Intra-NAFTA steel imports increased 4% to 1.5 million metric tons between December and January, while external NAFTA imports increased 13% to 2.6 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 12% or 485.2 thousand metric tons and Brazil's share at 9% or 387.9 thousand metric tons.

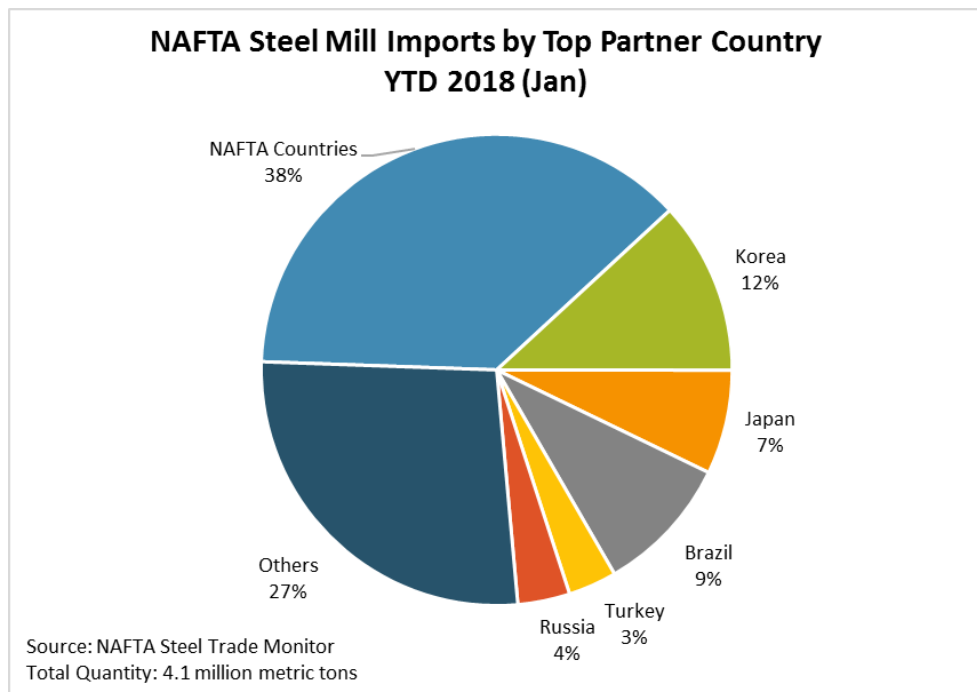


Figure 5 – NAFTA Steel Mill Imports by Top Partner Country

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

Country	Product	Average monthly quantity January 2018 - March 2018 (metric tons)	Average monthly quantity April 2017 - December 2017 (metric tons)	Percent change from Historic to Current average quantity
ROMANIA	Blooms, Billets and Slabs -- C & A	14,655	179	8077%
GREECE	Line Pipe -- C & A	13,364	1,397	857%
KOREA	Sheets & Strip-Electrical -- C & A	6,067	1,643	269%
WORLD	Blooms, Billets and Slabs -- S	61,360	17,561	249%
INDONESIA	Blooms, Billets and Slabs -- S	6,820	2,100	225%
MEXICO	Bars-Reinforcing -- C & A	7,106	2,697	164%

Country	Product	Average monthly quantity January 2018 - March 2018 (metric tons)	Average monthly quantity April 2017 - December 2017 (metric tons)	Percent change from Historic to Current average quantity
DOMINICAN REPUBLIC	Bars-Reinforcing -- C & A	5,691	2,165	163%
KOREA	Bars-Hot rolled -- C & A	6,567	2,533	159%
VIETNAM	Sheets Cold Rolled -- C & A	17,855	7,093	152%
SERBIA	Sheets Hot Rolled -- C & A	5,205	2,563	103%
WORLD	Rails Standard -- C & A	30,171	16,829	79%
WORLD	Sheets & Strip-Electrical -- C & A	15,033	8,462	78%
WORLD	All Stainless Products	142,618	95,908	49%
WORLD	Strip-Hot Rolled -- C & A	22,167	15,551	43%

NOTABLE DECREASES

Turkey	Sheets & Strip Galv Hot Dipped - C & A	10,414	27,941	(63%)
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SOURCE: US Department of Commerce, Enforcement and Compliance, SIMA
Table last modified April 9, 2018, with Licensing data collected through March 2018 and Final Census data compiled through February 2018.

Prices

- Benchmark domestic steel prices have been increasing since Q4 of 2017.
 - U.S. domestic prices for hot-rolled band increased to \$894 per metric ton in March 2018. Compared to one year ago, the price for hot-rolled band was up 27.9 percent.
 - Cold-rolled coil prices increased to \$1041 per metric ton in March 2018, a 15.3 percent increase from last year and standard plate prices increased to \$969 per metric ton, a 19.5 percent increase from a year ago.

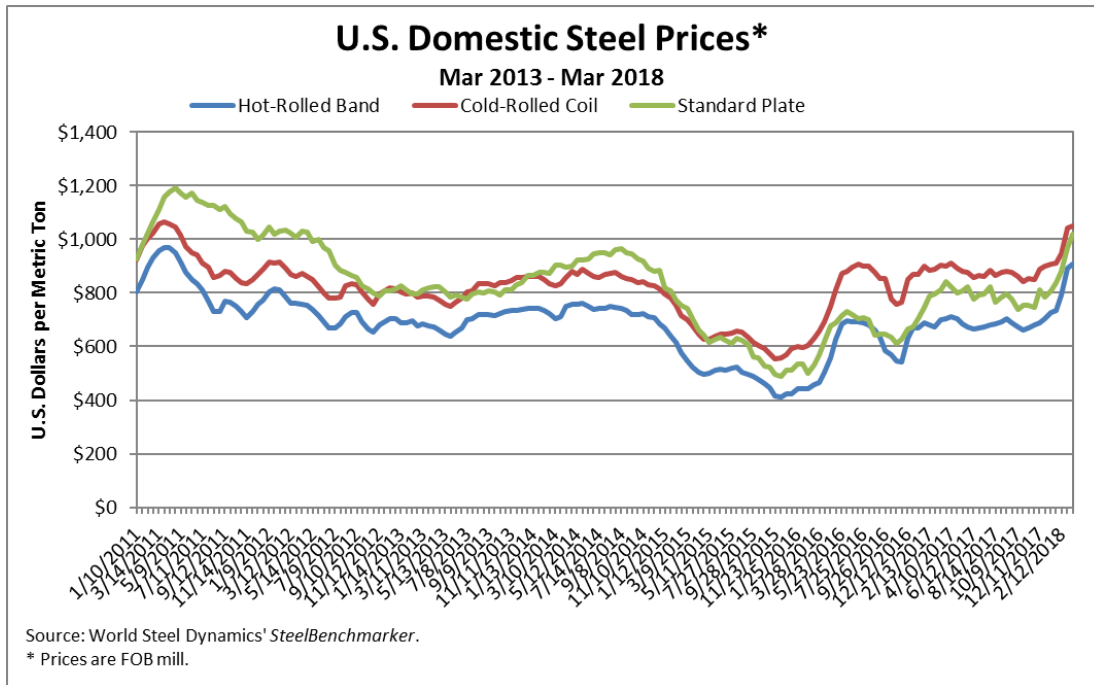


Figure 6 – U.S. Domestic Steel Prices

Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production decreased by 4.3% to 6.6 million metric tons in February 2018 from 6.9 million metric tons in January 2018. This marks a 2.6% decrease from the February 2018 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.

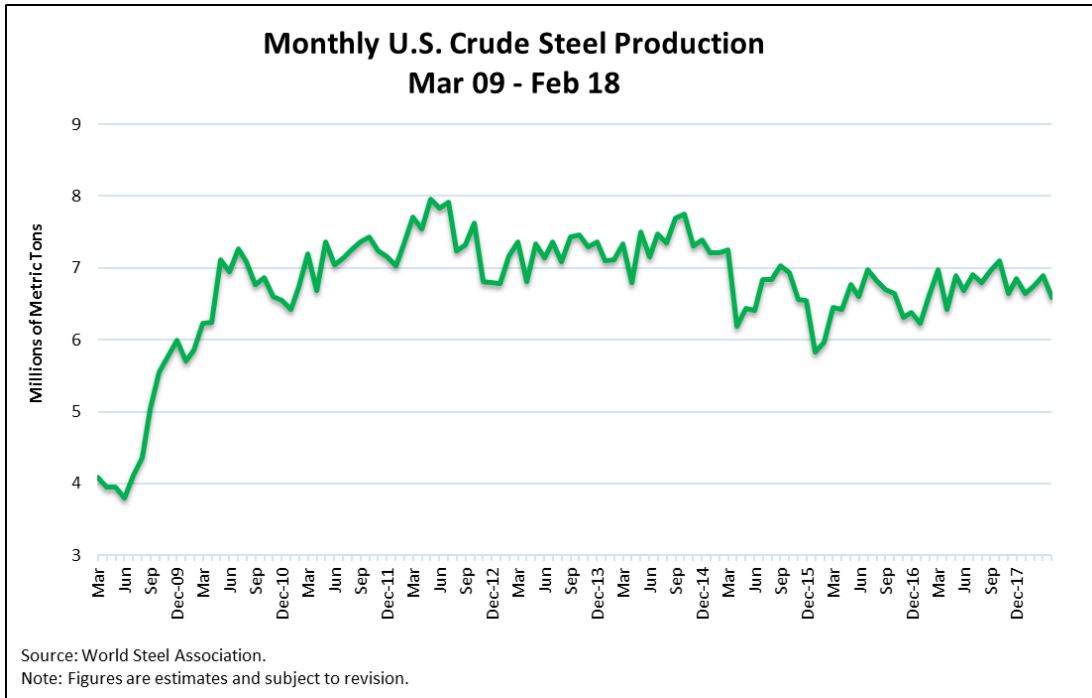


Figure 7 – Monthly U.S. Crude Steel Production

- Global steel production decreased by 8.6% to 132.4 million metric tons in February 2018 from 144.9 million metric tons in January 2018.
 - Global production in February 2018 increased 4.1% 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 February 2018 production level decreased by 9.7% from January 2018 to 64.9 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 February 2018 production level of 13.8 million metric tons, a 3.8% decrease from 14.4 million metric tons in January 2018.

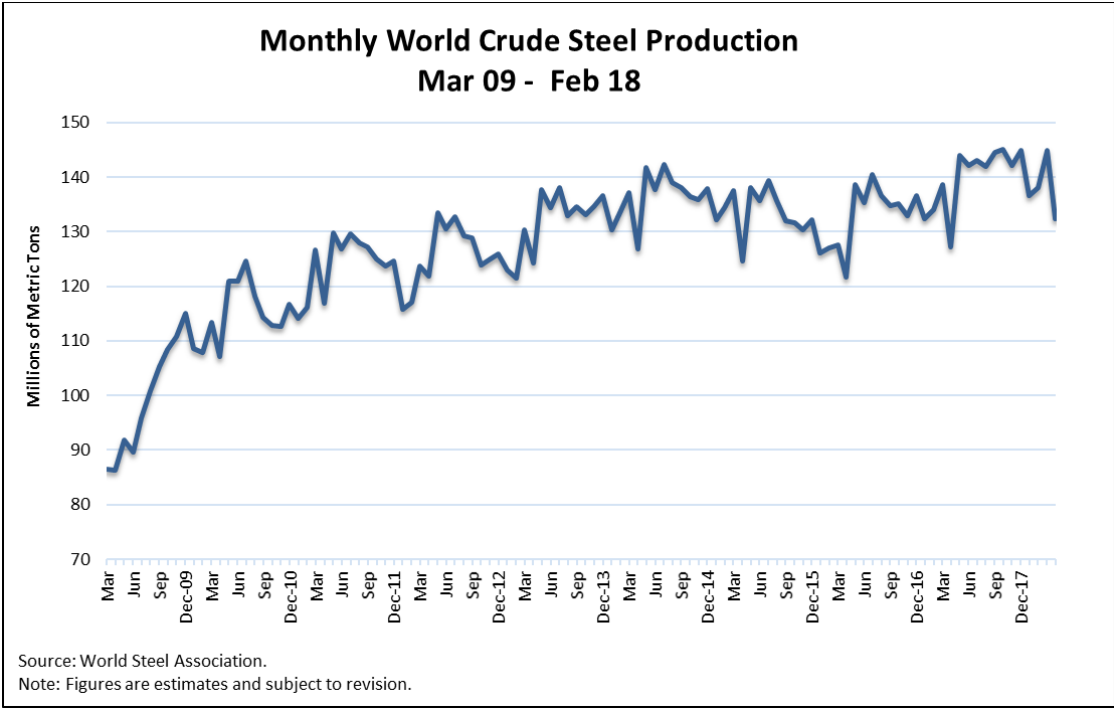


Figure 8 – Monthly World Crude Steel Production

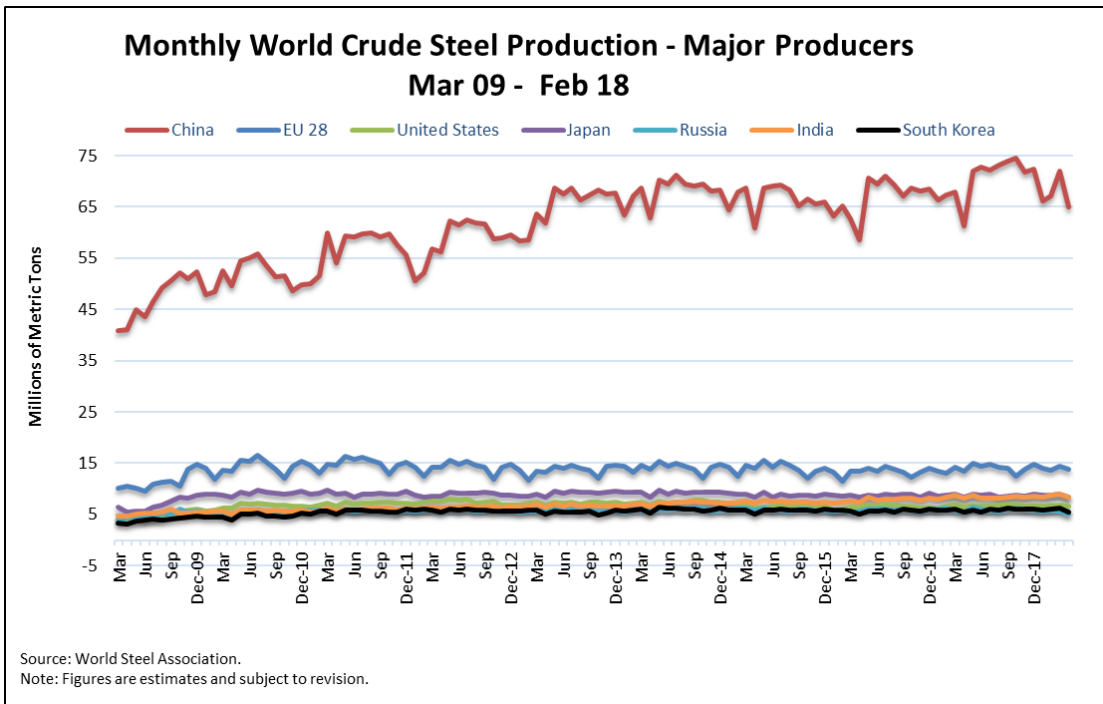


Figure 9 – Monthly Crude Steel Production - Major Producers

- China’s share of total monthly world steel production slightly decreased to 49% in February 2018, accounting for roughly 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.

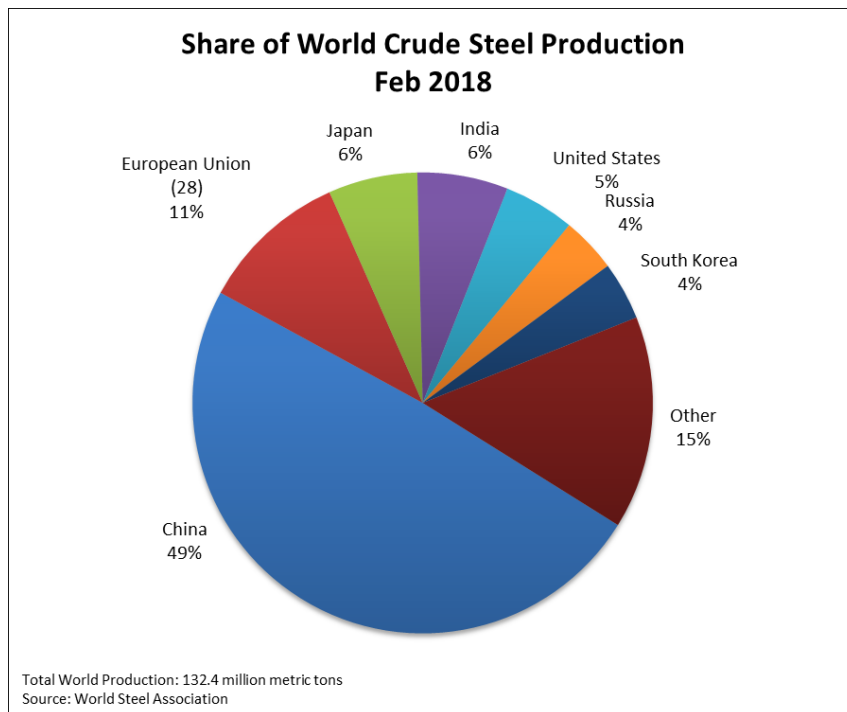


Figure 10 – Share of World Crude Steel Production

- U.S. domestic steel capacity utilization made gains in the last year after reaching a dip in October 2016.
 - In February 2018, capacity utilization was estimated at 77.9%, an increase of 4.3 percentage points from 73.6% in January.
 - Capacity utilization in February was up 2 percentage points from one year ago and down .4 percentage points from five years ago.
 - Overall capacity utilization in YTD 2018 averages to 75.8%, up from the 2017 annual average of 73.9%.
 - Though capacity utilization has increased 37.1 percentage points from the thirteen-year low reached in April 2009, it still remains well below the pre-recession historical averages.

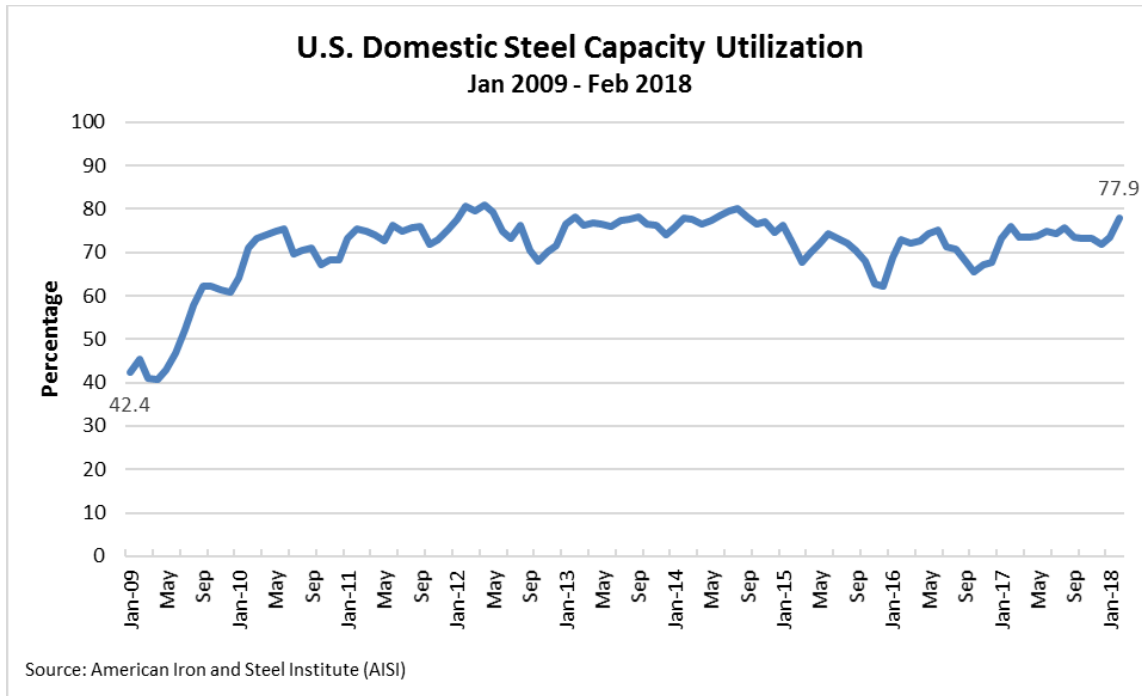


Figure 11 – U.S. Domestic Steel Capacity Utilization

Demand

- Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, decreased 9% to 7.5 million metric tons in February 2018 from 8.2 million metric tons in January.
 - February demand has decreased 3% from one year ago and decreased 1% from five years ago.
 - Demand in February was still 81% higher than April 2009, when steel demand was at its lowest level in recent years.
 - YTD steel demand in 2018 (through February) amounted to 15.7 million metric tons, a 2% decrease from 16.1 million metric tons in 2017.

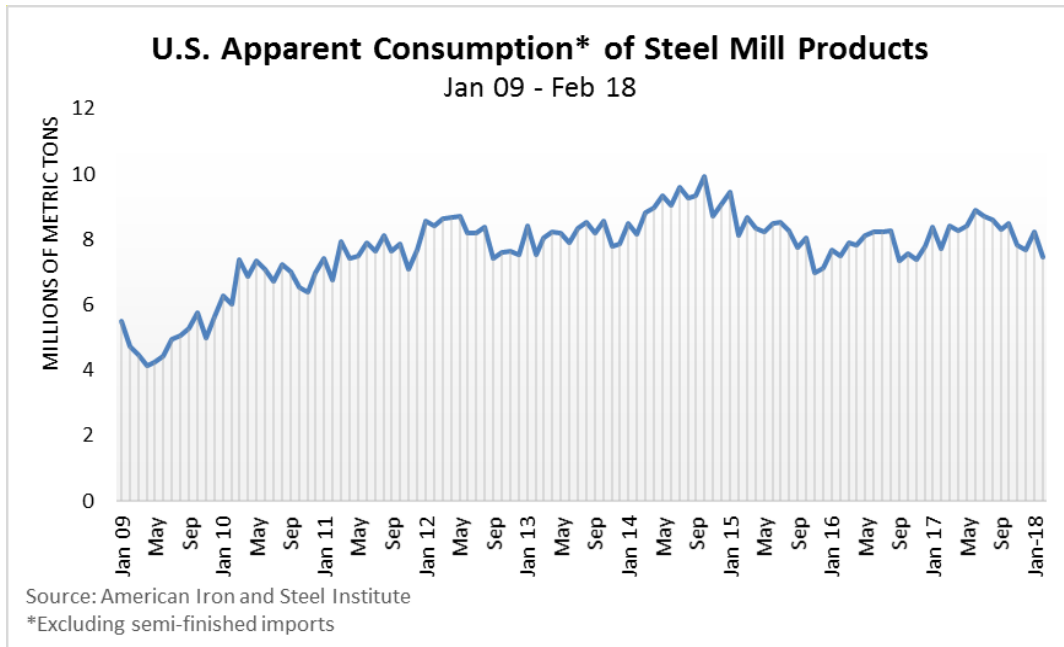


Figure 12 – U.S. Apparent Consumption of Steel Mill Products

Import penetration for steel mill products, excluding semi-finished products, was 24.5 percent, a decrease of .5 percentage points from January 2018 to February. This marks a 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 24.8%.

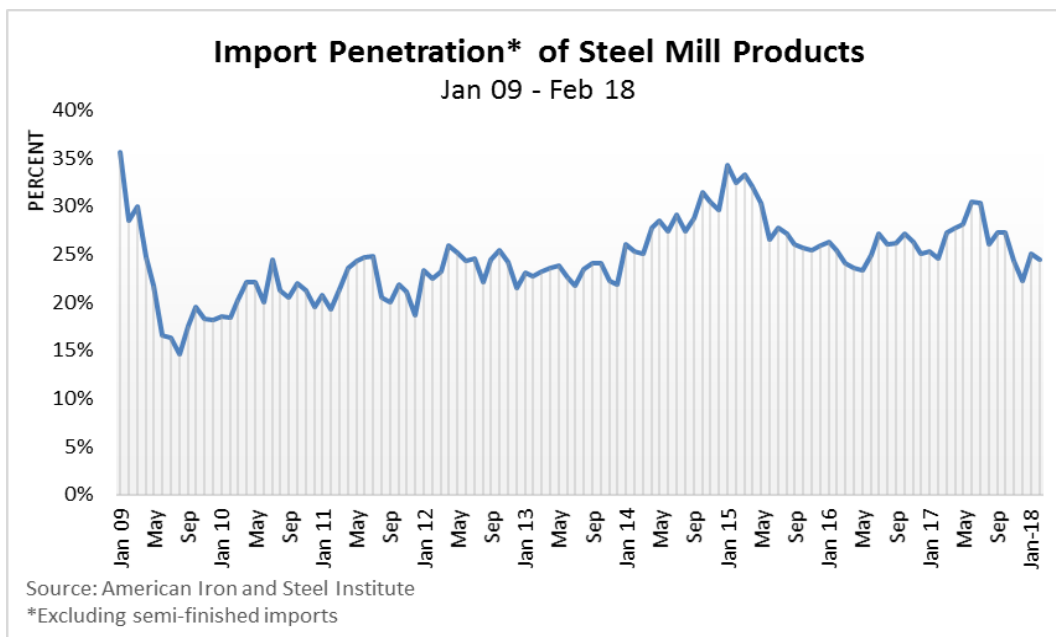


Figure 16 – Import Penetration for All Steel Mill Products

Trade Remedy Case Determinations – January/February/March/April 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
Carbon and Alloy Steel Wire Rod	Italy, Korea, Spain, Turkey, and the United Kingdom	Affirmative Final Antidumping Duty Determination
Forged Steel Fittings	China	Affirmative Preliminary Countervailing Duty Determination
Carbon and Alloy Steel Wire Rod	South Africa and Ukraine	Affirmative Final Antidumping Duty Determination
Stainless Steel Flanges	China and India	Affirmative Preliminary Countervailing Duty Determination

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 \$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.

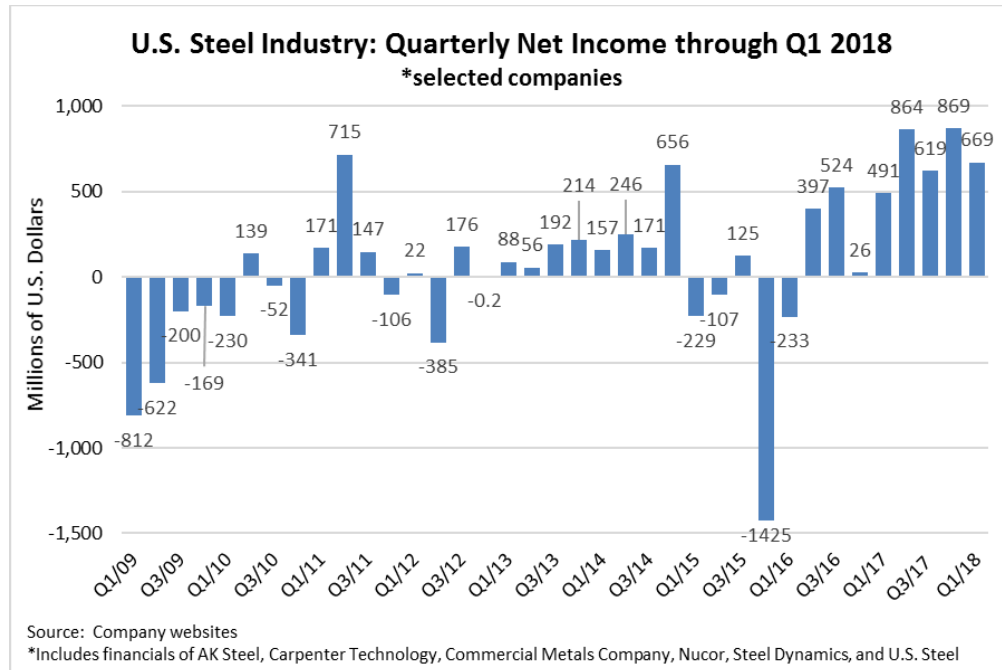


Figure 17 - U.S. Steel Industry: Quarterly Net Income

- Q1 2018 average share prices increased from Q4 2017 average share prices for all charted steel stocks.
 - Of the charted steel stocks, U.S. Steel’s average share prices saw the largest increase from the previous quarter at 35.8%, followed by Steel Dynamics with an increase of 20.2%, ArcelorMittal with an increase of 16.1%, Nucor with an increase of 13.6%, and AK Steel with an increase of 5.6%.
 - Compared to the same quarter last year, all the charted steel stocks, except for one, showed increases in average share prices, with ArcelorMittal increasing by 35.4% and Steel Dynamics by 29%. AK Steel’s average share prices saw a decrease of 35.9%, from Q1 2017.
 - All steel stocks outperformed compared to the S&P 500 between Q4 2017 and Q1 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.

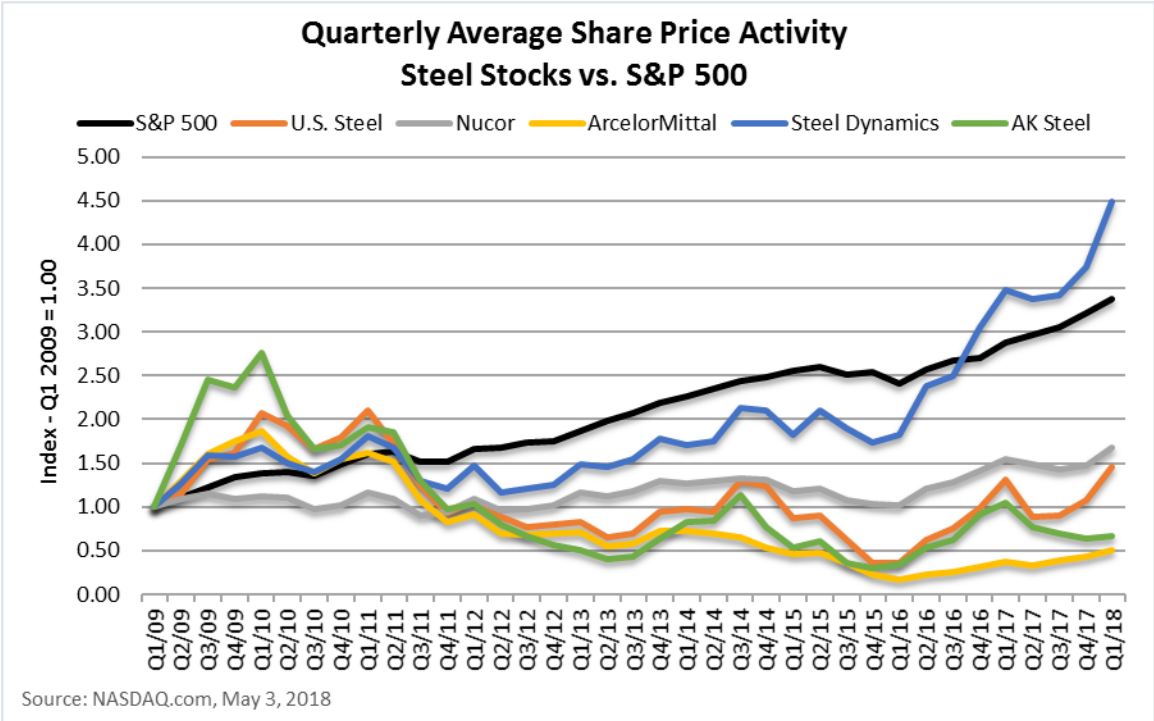


Figure 13 – Steel Stocks vs. S&P 500, Quarterly Average Share Price Activity

SIMA Team Contact Information

Enforcement and Compliance
 Office of Policy
 14th & Constitution Ave., NW, Suite 21006
 Washington, DC 20230
 Phone: (202) 482-2105
 Fax: (202) 501-1377
 steel.license@trade.gov
<http://enforcement.trade.gov/steel/license>