Steel Industry Executive Summary: August 2019

Highlights

- From May 2019 to June 2019, U.S. imports of steel mill products decreased 1.6% to 1.85 million metric tons from 1.88 million metric tons.
- In June, capacity utilization was estimated at 80.1%, a decrease of 0.7 percentage points from 8.8% in May 2019.
- According to data from the World Steel Association, U.S. steel production decreased by 5% to 7.2 million metric tons in June 2019 from 7.7 million metric tons in May.

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Trade – U.S. Imports of Steel Mill Products

- From May 2019 to June 2019, U.S. imports of steel mill products decreased 1.6% to 1.85 million metric tons from 1.88 million metric tons.
  - June 2019 steel imports were down 18.2% from one year ago and 27.4% from the 2018 average monthly volume of 2.5 million metric tons.
  - Steel mill imports in June were down 54.1% from the most recent import volume peak of 4.0 million metric tons in October 2014.
  - License data suggests an increase in imports in July from June 2019, and a decrease from July to August.

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 2019 (through June), U.S. imports of steel mill products amounted to 14.2 million metric tons, a 12.5% decrease from 16.2 million metric tons in YTD 2018.
  - In value terms, imports decreased 15.3% to $13.1 billion in YTD 2019 from $15.5 billion in YTD 2018.
  - Brazil accounted for the largest share of U.S. imports by partner country in YTD 2019 at 17.2%, followed by Canada (15.6%) and Mexico (10.8%).
  - The U.S. imported 4.8 million metric tons of flat products in YTD 2019, accounting for 33.8% of total steel mill imports (the largest of any category),
followed by semi-finished products at 3.6 million metric tons or 25.3% of total imports.

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

![U.S. Imports of Steel Mill Products by Partner YTD 2019 (June)](image)

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

![U.S. Imports of Steel Mill Products by Product Category YTD 2019 (June)](image)
Trade – U.S. Trade Balance in Steel Mill Products

- While U.S. imports of steel mill products by volume were volatile in 2018 and year-to-date 2019, exports have remained relatively flat for the past 9 years. In June 2019, the steel trade deficit was 1.3 million metric tons, a 0.2% decrease from May 2019.
  - Compared to the trade balance one year ago, the June 2019 steel trade gap has narrowed by 8.7%.
  - From May to June 2019, the volume of U.S. steel exports decreased by 5.0% to 543.2 thousand from 571.6 thousand metric tons. Compared with June 2018, June 2019 exports were down 34.5% by volume and down 26.2% from three years ago.
  - Imports decreased 1.7% by volume between May 2019 and June 2019 from 1.88 million metric tons to 1.85 million metric tons. June 2019 imports were down 18.2% from one year ago and 27.7% from three years ago.

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

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

Source: SIMA Monitor

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 – North American Steel Mill Imports by Top Partner Country

* North America trade is updated through December 2018, 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 2019 – July 2019 (metric tons)</th>
<th>Average monthly quantity August 2018 – April 2019 (metric tons)</th>
<th>Percent change from Historic to Current average quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>CANADA</td>
<td>Blooms, Billets and Slabs -- C &amp; A</td>
<td>29,198</td>
<td>2,917</td>
<td>901%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Rails All Other -- C &amp; A</td>
<td>7,260</td>
<td>744</td>
<td>876%</td>
</tr>
<tr>
<td>ALGERIA</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>8,998</td>
<td>1,121</td>
<td>702%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Blooms, Billets and Slabs -- S</td>
<td>36,296</td>
<td>8,160</td>
<td>345%</td>
</tr>
<tr>
<td>Country</td>
<td>Product</td>
<td>Average monthly quantity May 2019 - July 2019 (metric tons)</td>
<td>Average monthly quantity August 2018 - April 2019 (metric tons)</td>
<td>Percent change from Historic to Current average quantity</td>
</tr>
<tr>
<td>------------</td>
<td>-----------------------------</td>
<td>---------------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td>MALAYSIA</td>
<td>Wire Rods -- C &amp; A</td>
<td>8,091</td>
<td>2,181</td>
<td>271%</td>
</tr>
<tr>
<td>OMAN</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>6,756</td>
<td>1,913</td>
<td>253%</td>
</tr>
<tr>
<td>KOREA</td>
<td>Structural Shapes Heavy -- C &amp; A</td>
<td>13,447</td>
<td>5,792</td>
<td>132%</td>
</tr>
<tr>
<td>SPAIN</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>29,028</td>
<td>12,931</td>
<td>124%</td>
</tr>
<tr>
<td>JAPAN</td>
<td>Tin Free Steel -- C &amp; A</td>
<td>6,705</td>
<td>3,206</td>
<td>109%</td>
</tr>
<tr>
<td>KOREA</td>
<td>Tin Plate -- C &amp; A</td>
<td>6,236</td>
<td>3,088</td>
<td>102%</td>
</tr>
<tr>
<td>UKRAINE</td>
<td>Oil Country Goods -- C &amp; A</td>
<td>15,545</td>
<td>7,767</td>
<td>100%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Black Plate -- C &amp; A</td>
<td>9,581</td>
<td>5,676</td>
<td>69%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Structural Shapes Heavy -- C &amp; A</td>
<td>54,245</td>
<td>34,432</td>
<td>58%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Sheets &amp; Strip Galv Electrolyt -- C &amp; A</td>
<td>7,962</td>
<td>5,548</td>
<td>44%</td>
</tr>
<tr>
<td>WORLD</td>
<td>All Stainless Products</td>
<td>95,340</td>
<td>68,738</td>
<td>39%</td>
</tr>
<tr>
<td>WORLD</td>
<td>Bars-Reinforcing -- C &amp; A</td>
<td>108,964</td>
<td>79,147</td>
<td>38%</td>
</tr>
<tr>
<td>JAPAN</td>
<td>Rails All Other -- C &amp; A</td>
<td>6,682</td>
<td>.</td>
<td>.</td>
</tr>
</tbody>
</table>

SOURCE: US Department of Commerce, Enforcement and Compliance, SIMA Table last modified September 3, 2019, with Licensing data collected through July 2019 and Final Census data compiled through June 2019. A notable change is defined here by a significant increase in the current three month average quantity over the previous nine months average quantity; the program examines the largest importers within each product group. Any increases for which import levels had been reached between August 2017 and July 2018 have been eliminated.

**Prices**

- After a recent peak in Q3 2018, benchmark domestic steel prices have been trending downwards since Q4 of 2018.
  - U.S. domestic prices for hot-rolled band decreased to $631 per metric ton in July 2019, down from $633 in June and were down 36.6% from last year.
  - Cold-rolled coil prices increased to $800 per metric ton in July from $785 in June and were down 27.0% from last year.
  - Standard plate prices decreased to $955 per metric ton in July, down from $959 per metric ton in June, and were down by 11.4% from a year ago.
Production & Capacity Utilization

- According to data from the World Steel Association, U.S. steel production decreased by 5.3% to 7.2 million metric tons in June 2019 from 7.7 million metric tons in May. This marks a 2.6% increase from the June 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, an 11.4% increase.
Global steel production decreased by 2.3% to 158.9 million metric tons in June 2019 from 162.7 million metric tons in May.
- Global production in June 2019 increased 4.4% from one year ago.
- Total world crude steel production in 2018, at 1,790 million metric tons, was up by 5.8% from the 2017 level of 1,691 million metric tons.
- China’s June 2019 production level decreased by 1.7% from May 2019 to 87.5 million metric tons.
- China’s total production in 2018 amounted to 928 million metric tons, an 8.8% increase 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 remained at 55% in June 2019, accounting for over half of the monthly total world production, while the U.S. ranked fourth behind Japan at 5% (excluding the EU28).

Figure 10 – Share of World Crude Steel Production
• Annual, average U.S. domestic steel capacity utilization has been trending up in the last two years.
  o In June 2019, capacity utilization was estimated at 80.1%, a decrease of 0.7 percentage points from 80.8% in May.
  o Capacity utilization in June 2019 was up 2.7 percentage points from one year ago and up 1.6 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 39.3 percentage points from the thirteen-year low reached in April 2009, it 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 3% to 8.2 million metric tons in June from 8.5 million metric tons in May 2019.
  o June 2019 demand has increased 2% from one year ago and decreased 9% from five years ago.
  o Demand in June 2019 was 99% 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.
In June 2019, import penetration for steel mill products, excluding semi-finished products, was 19.1%, a decrease of 0.8 percentage points from May. This marks a 1.7 percentage point decrease from the import penetration level from one year ago. Import penetration in 2018 averaged 23.0%.
Trade Remedy Case Determinations – August 2019

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

<table>
<thead>
<tr>
<th>Steel-Related Trade Actions Undertaken by the United States</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
</tr>
<tr>
<td>Steel Racks</td>
</tr>
<tr>
<td>Certain Alloy Steel Threaded Rod</td>
</tr>
<tr>
<td>Utility Scale Wind Towers</td>
</tr>
<tr>
<td>Utility Scale Wind Towers</td>
</tr>
<tr>
<td>Corrosion-Resistant Steel</td>
</tr>
<tr>
<td>Certain C&amp;A Steel Threaded Rod</td>
</tr>
<tr>
<td>Corrosion-Resistant Steel</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Refillable Stainless Steel Kegs</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce Enforcement and Compliance; Federal Register, current through August 28, 2019
Factsheets available at: [https://enforcement.trade.gov/ia-highlights-and-news.html](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 $842.88 million in Q2 2019.
  - According to publicly available figures, all six companies reported quarterly net gains.
  - Nucor reported the highest quarterly net profit at $386.5 million, followed by Steel Dynamics at $194.3 million, Commercial Metals Company at $78.4, U.S. Steel at $68.0 million, AK Steel at $66.8, and Carpenter Technology at $48.9.
  - Since Q1 2009, the group of steel companies monitored in the below chart collectively reported net earnings for 28 quarters.
  - The net income chart includes AK Steel, Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and U.S. Steel.
• Q2 2019 average share prices decreased from Q1 2019 average share prices for all the charted steel stocks.
  o Of the charted steel stocks, U.S. Steel’s average share price saw the largest decrease from the previous quarter at 27.2%, followed by AK Steel with a decrease of 17.3%, ArcelorMittal with a decrease of 14.7%, Steel Dynamics with a decrease of 13.6%, and Nucor with a decrease of 6.1%.
  o Compared to the same quarter last year, four of the five charted steel stocks showed decreases in average share prices, with U.S. Steel decreasing by 56.7%, AK Steel decreasing by 48.9%, ArcelorMittal decreasing by 43.2%, and Steel Dynamics decreasing by 35.3%. Nucor saw an increase of 23.4% from the same quarter last year.
  o All the steel stocks except Nucor underperformed compared to the S&P 500 between Q2 2018 and Q2 2019.
  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 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 July 15, 2019