



## **Steel Industry Executive Summary: January 2013**

### **Highlights**

- Overall U.S. steel mill product imports increased 4.2% from October to November 2012.
- In November 2012, the U.S. steel trade deficit widened 21% to -1.6 million metric tons.
- U.S. steel production decreased by 3.2% to 6.7 million metric tons in November 2012 from 6.9 million metric tons in October 2012.

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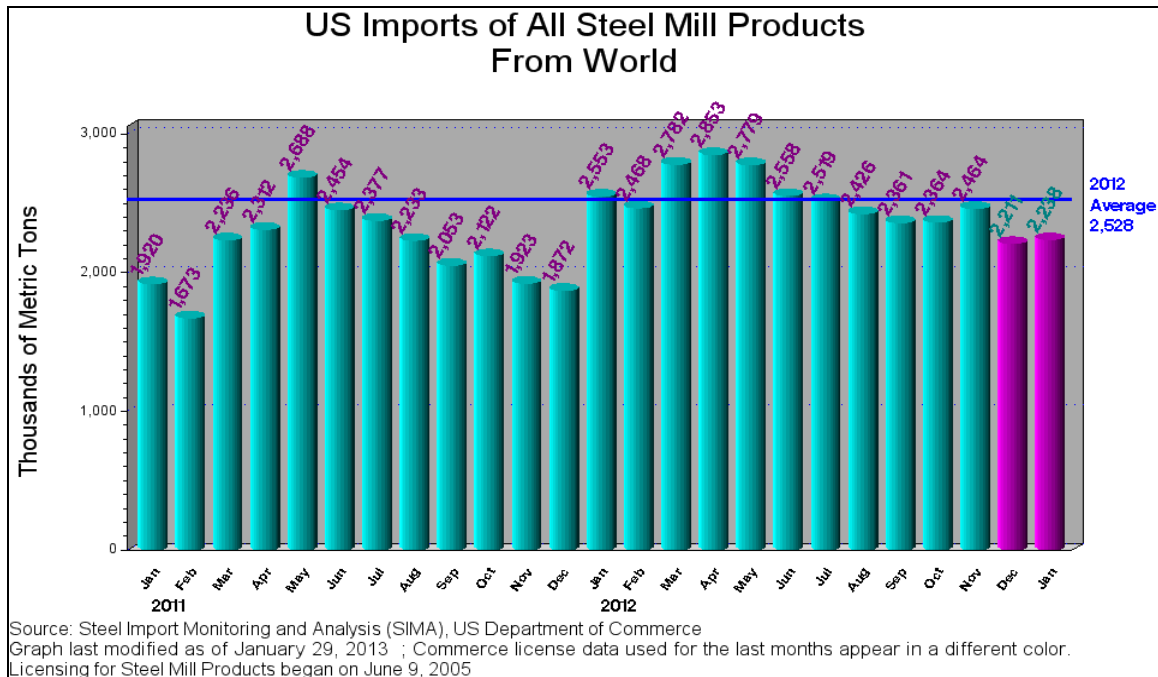
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## Trade - Imports of Steel Mill Products

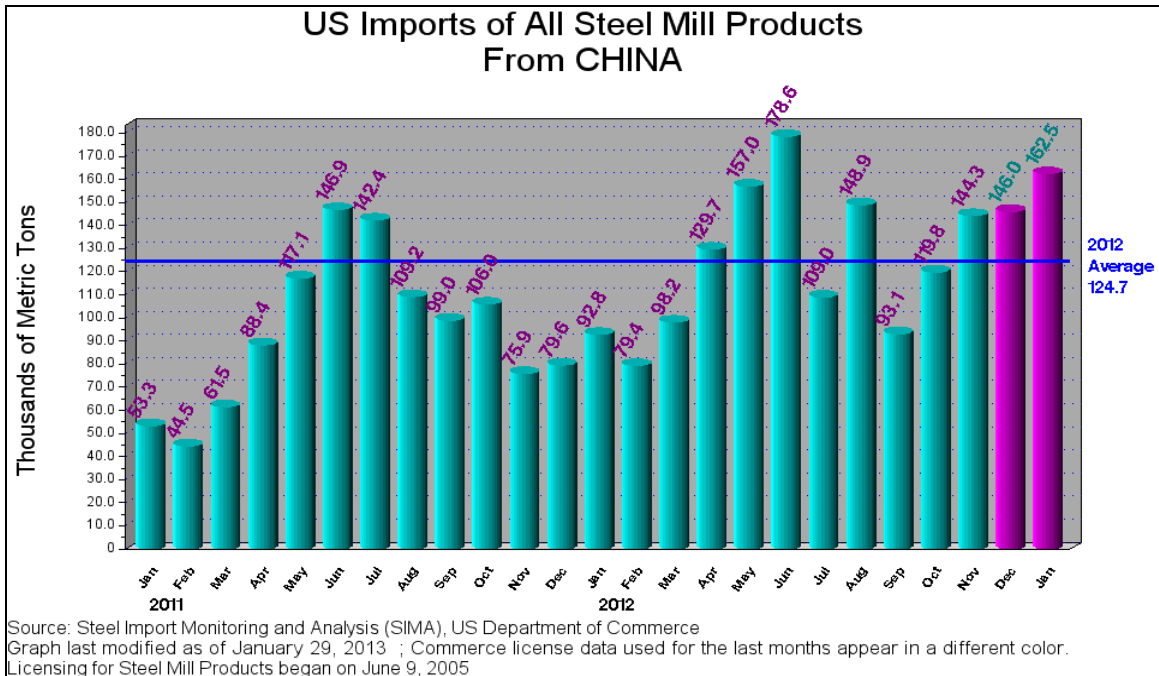
- From October to November 2012, U.S. imports of steel mill products increased 4.2% in volume, possibly indicating a leveling or reversal of the downward import trend that began in May 2012. According to preliminary Census data for December 2012, U.S. imports of steel mill products decreased by roughly 14% from November 2012.
  - November 2012 steel imports are 28.1% above the volume in November 2011.
  - November 2012 steel imports are 14.3% above the 2011 average monthly volume of 2.2 million metric tons.



**Figure 1 - US Imports of All Steel Mill Products from World**

## Trade - China

- U.S. imports of steel mill products from China appear to be on a steep rise in 2012, despite falling sharply in July and September.
  - U.S. steel imports from China increased 20.5% from October to November 2012.
  - November 2012 imports from China are 90.1% above the volume in November 2011, 54% above the 2011 average of 93.7 thousand metric tons, and 224.3% above the most recent low in February 2011.
  - November 2012 imports from China represent 5.9% of all U.S. steel imports, slightly above the 5.1% share in October 2012 and above the 3.9% share one year ago.



**Figure 2 - US Imports of All Steel Mill Products from China**

- According to the latest available data from the three NAFTA countries, imports from China into NAFTA countries decreased 34.2% in volume from August 2012 to September 2012. September steel mill imports from China into NAFTA countries decreased 13.8% in volume from September 2011. At 2.2 million metric tons, September steel imports into NAFTA countries from the world (excluding intra-NAFTA trade) were 7.9% below the volume in August 2012 and 14.1% below the volume in September 2011. Imports from China represented 3.8% of all NAFTA country steel imports in September 2012, well below the 5.8% share in August 2012 and the 4.3% share in September 2011.

- Chinese steel mill imports and exports increased from October to November 2012, expanding China's steel trade surplus 6.4% to 3.8 million metric tons.
  - From October to November 2012, Chinese exports rose 6% to 4.9 million metric tons, 10.2% below the most recent export peak in June 2010.
  - November 2012 steel mill exports are on par with the volume in May 2012, 22.4% above November 2011 exports, and 79.9% above November 2009 exports.
  - Chinese imports in November 2012 were 4.4% above October 2012 imports at 1.1 million metric tons. China's steel imports for November 2012 are 18.1% below the volume of May 2012 imports, 17.9% below imports a year ago, and 31% below imports in November 2009.

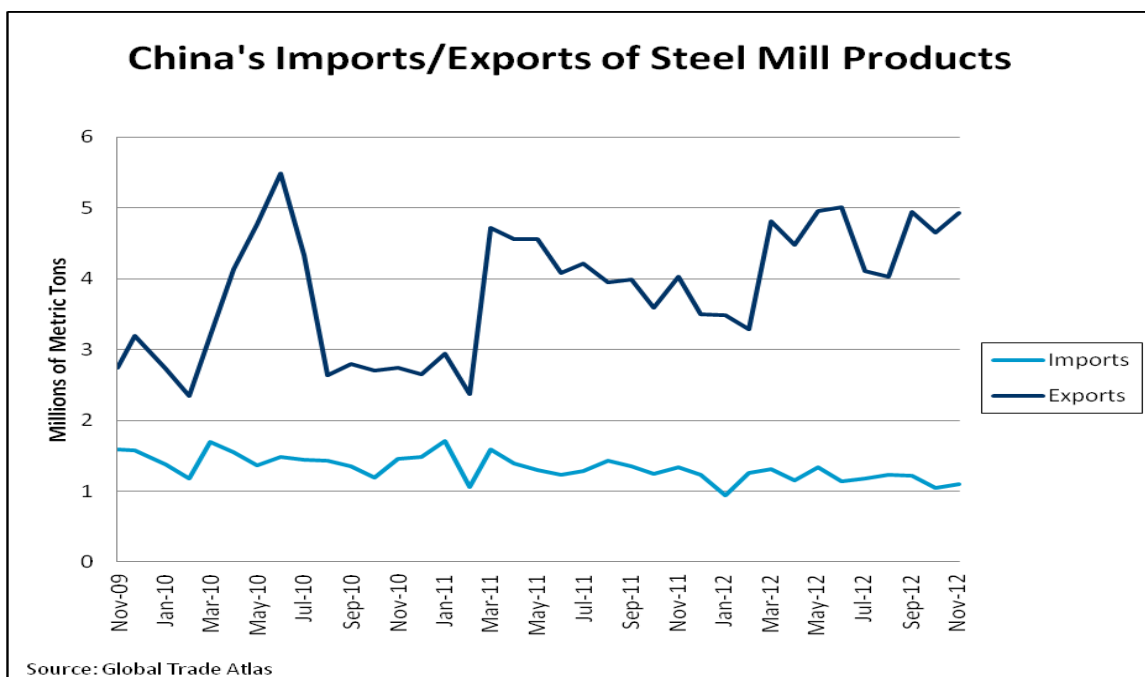
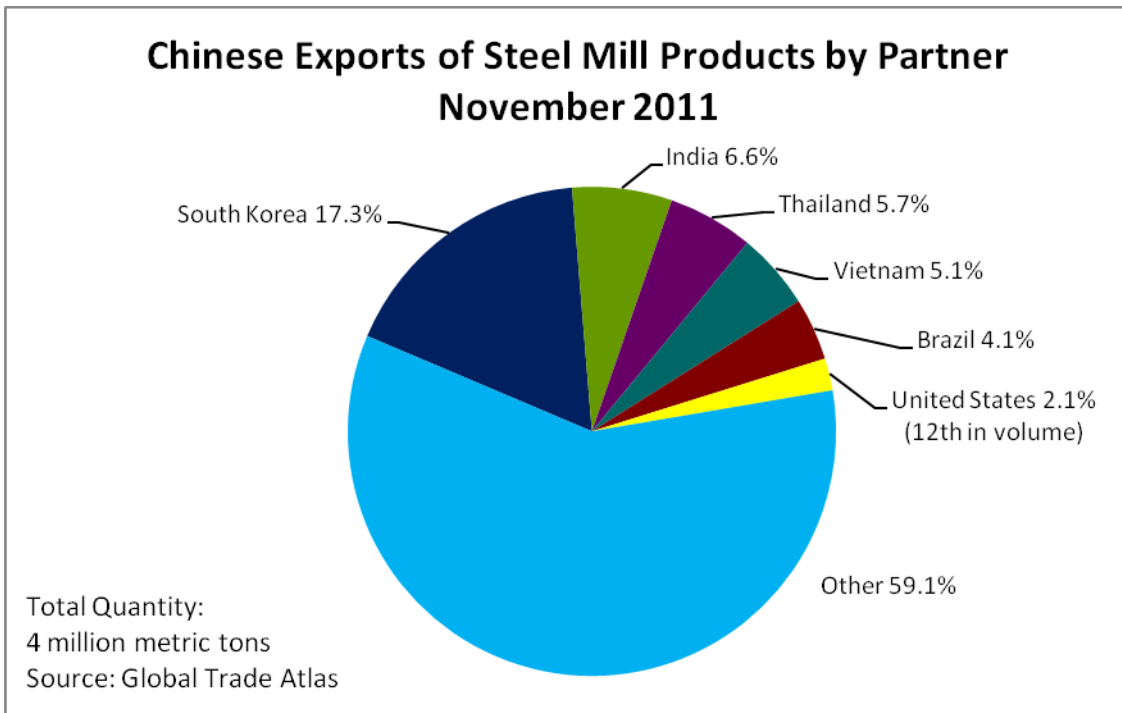
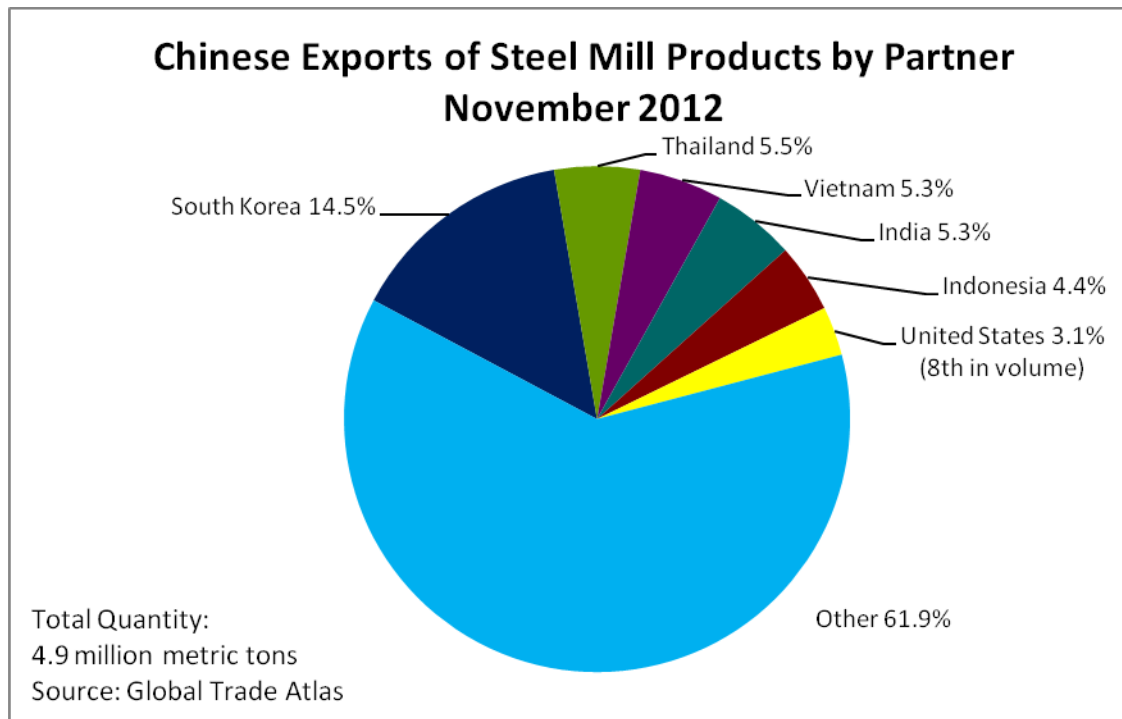


Figure 3 - China's Imports/Exports of Steel Mill Products

- Chinese steel mill exports increased 22.4% by volume from November 2011 to 2012.
  - The United States received the 8<sup>th</sup> largest share of Chinese steel exports at 3.1% in November 2012.
  - The volume of Chinese steel exports to the United States increased 80.2% to 154.2 thousand metric tons from November 2011 to 2012.
  - From November 2011 to 2012, China's volume of steel mill exports to South Korea rose 2.5%.
  - Compared to YTD 2011, China has exported 12.2% more steel products from January to October 2012, with a 30.6% increase in exports to the United States. The U.S. is the 8<sup>th</sup> largest market for Chinese exports in YTD 2012, rising from the 11<sup>th</sup> largest destination market in YTD 2011.



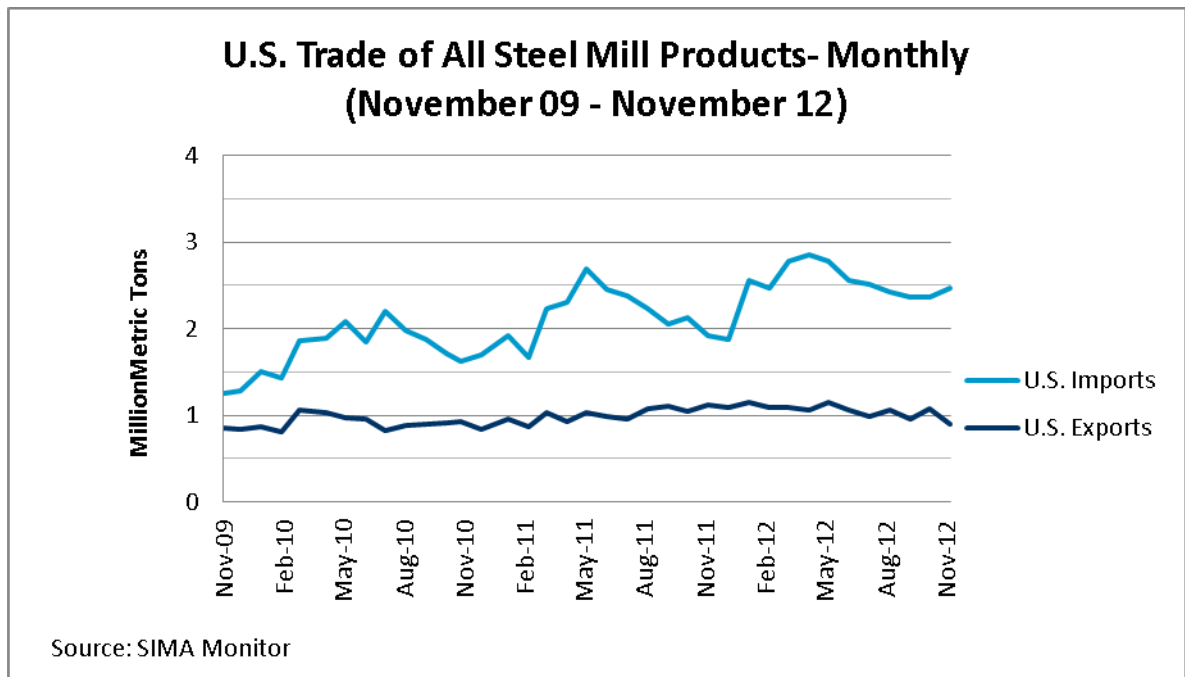
**Figure 4 - Chinese Exports of Steel Mill Products by Partner in November 2011**



**Figure 5 - Chinese Exports of Steel Mill Products by Partner in November 2012**

## Trade - United States Trade Balance in Steel

- U.S. imports of steel mill products have fluctuated in the past few years, while exports have slowly increased. In November 2012, the steel trade deficit widened to -1.6 million metric tons, 21% more than the deficit in October 2012.
  - Compared to the trade balance one year ago, the November 2012 steel trade deficit expanded 93.1%.
  - From October to November 2012, the volume of exports decreased 15.8%, while the volume of imports increased 4.2%.
  - November 2012 exports are 18.9% below than the volume in November 2011; November 2012 imports are 28.1% above the level a year ago. Exports and imports are still below the three-year highs in May 2012 and April 2012, respectively.



**Figure 6 - U.S. Trade of All Steel Mill Products - Monthly**

## Trade - Steel Import Changes by Country and Product

- Notable Increases

Country	Product	Average monthly quantity Oct 2012 - Dec 2012 (metric tons)	Average monthly quantity Jan 2012 - Sept 2012 (metric tons)	Percent change from Historic to Current average quantity
ITALY	Blooms, Billets and Slabs -- S	10,456	761	1275%
GERMANY	Tin Plate -- C & A	5,972	2,097	185%
MEXICO	Plates in Coils -- C & A	13,915	5,757	142%
JAPAN	Plates Cut Lengths -- C & A	7,701	3,524	119%
GERMANY	Plates in Coils -- C & A	23,699	10,873	118%
CHINA	Bars-Hot rolled -- C & A	32,735	15,093	117%
WORLD	Blooms, Billets and Slabs -- S	17,190	10,562	63%
WORLD	Strip-Cold Rolled -- C & A	11,826	8,546	38%
WORLD	Strip-Hot Rolled -- C & A	10,698	8,088	32%

- Notable Decreases

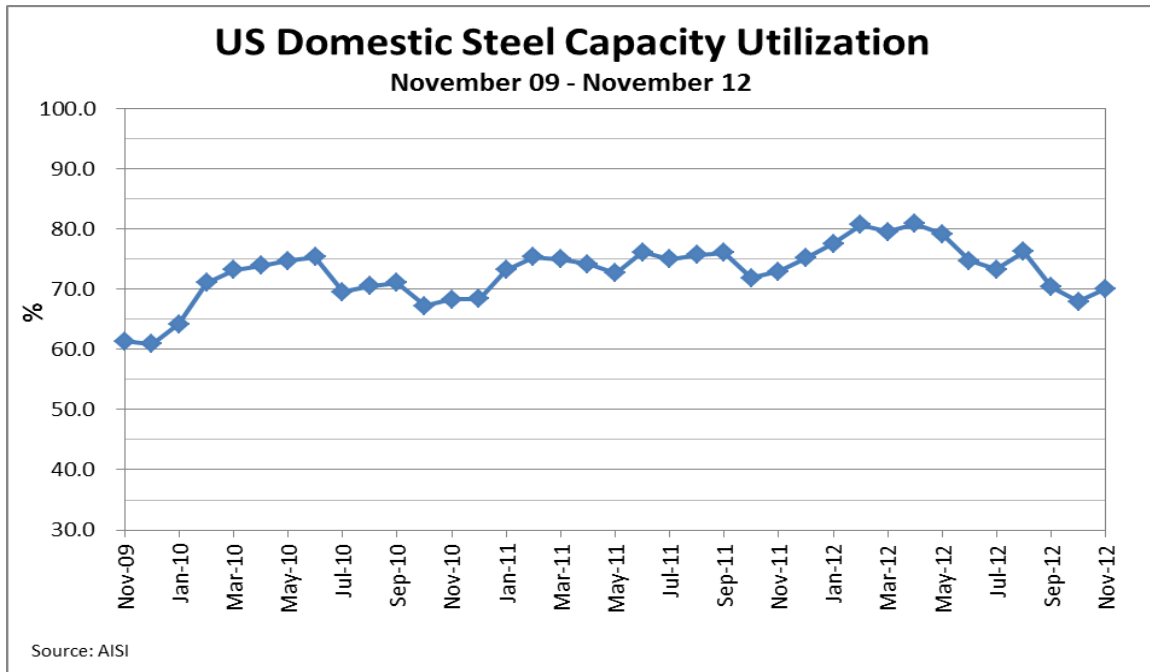
Country	Product	Average monthly quantity Oct 2012 - Dec 2012 (metric tons)	Average monthly quantity Jan 2012 - Sept 2012 (metric tons)	Percent change from Historic to Current average quantity
MEXICO	Oil Country Goods -- C & A	5,205	13,727	( 62%)
CANADA	Blooms, Billets and Slabs -- C & A	11,766	38,878	( 70%)
JAPAN	Sheets Hot Rolled -- C & A	5,053	22,815	( 78%)

SOURCE: US Department of Commerce, Import Administration, SIMA Table last modified January 15, 2012, with Licensing data collected through December 2012 and Final Census data compiled through November 2012.

A notable change is defined here by a significant decrease in the current three month average quantity over the previous nine months average quantity; the program examines the largest importers within each product group. Steel mill categories are defined by 10-digit HTS codes.

## **Production**

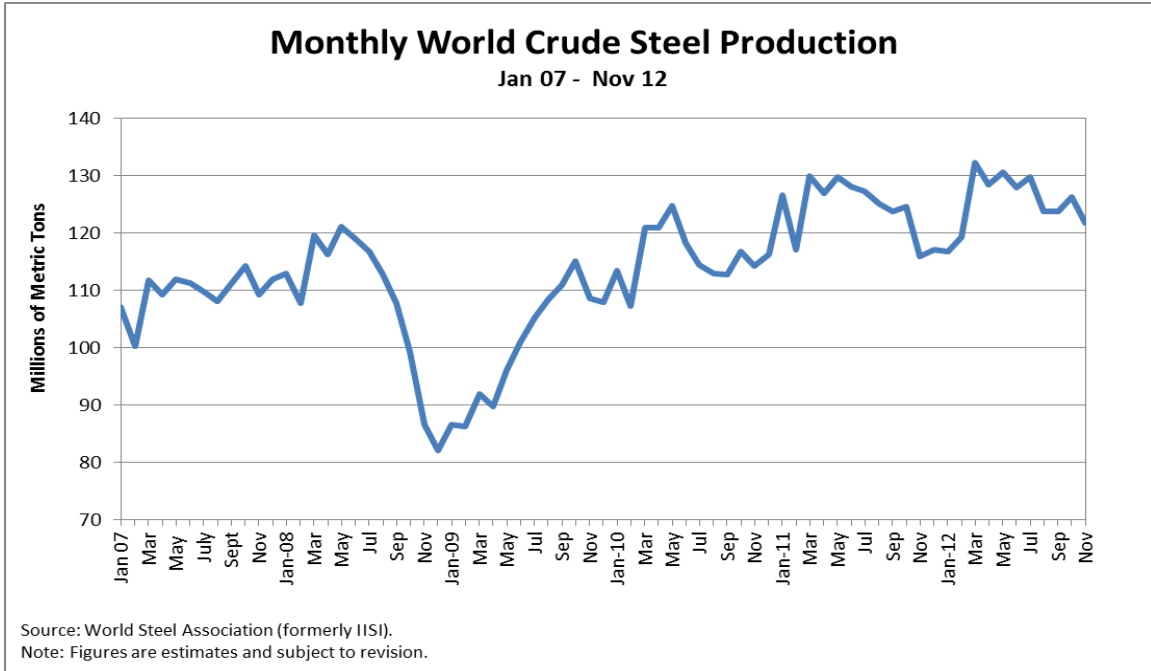
- U.S. domestic capacity utilization has maintained steady gains over a historic dip.
  - In November 2012, the capacity utilization rate was estimated at 70.1%.
  - Though the capacity utilization rate has increased 71.8% from the eight year low in April 2009, it still remains under the historical averages. The November 2012 capacity utilization rate increased from October, reversing the steep downward trend from recent months.
- According to data from the World Steel Association, U.S. steel production decreased by 3.2% to 6.7 million metric tons in November 2012 from 6.9 million metric tons in October 2012. This marks a 4.8% decrease from the November 2011 production level.



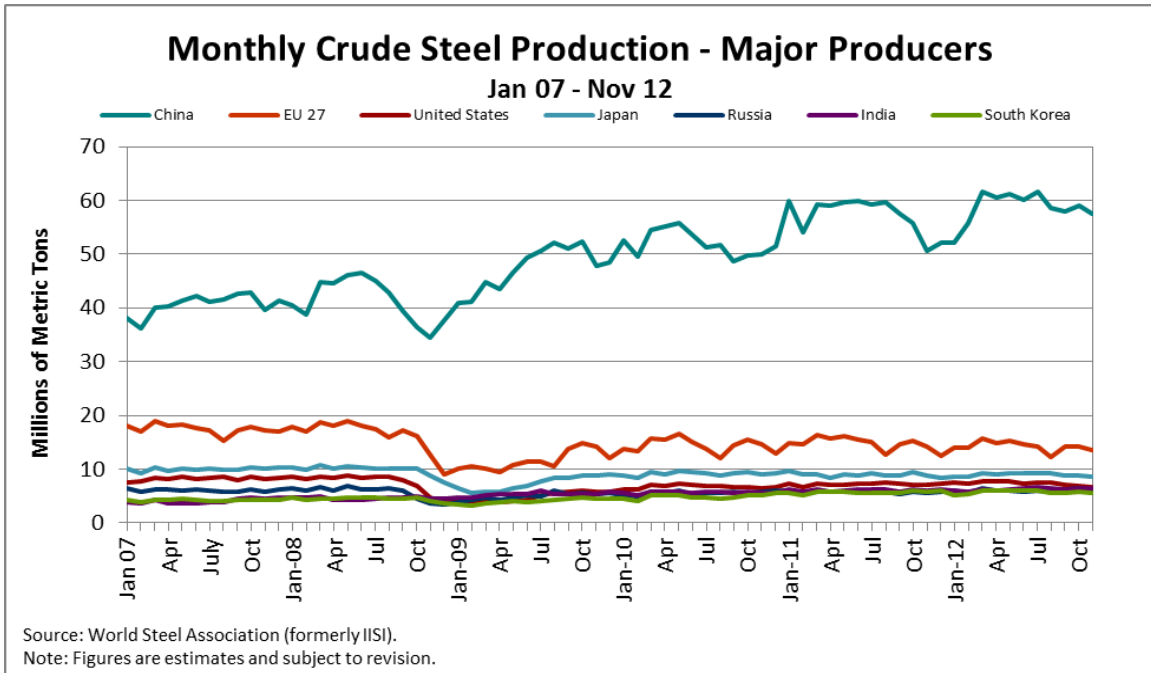
**Figure 7 - U.S. Domestic Steel Capacity Utilization**

- Global steel production decreased 3.5% to 121.7 million metric tons in November 2012 from 126.1 million metric tons in October 2012.
  - Global production has increased by 5.1% from one year ago.
  - China's November 2012 production level decreased by 2.7% to 57.5 million metric tons from 59.1 million metric tons in October 2012.
  - The European Union 27 remains the second largest producer behind China with a November 2012 production level of 13.5 million metric tons, a 5% decrease from October 2012.





**Figure 8 - Monthly World Crude Steel Production**



**Figure 9 - Monthly Crude Steel Production - Major Producers**

- China’s share of total world steel production remained constant at 47% between October and November 2012, accounting for nearly half of monthly total world production, while the U.S. ranked fourth at 5%. China’s share is larger than the combined production of the U.S., the EU 27, Russia, and Japan, which historically were the largest producers of steel.

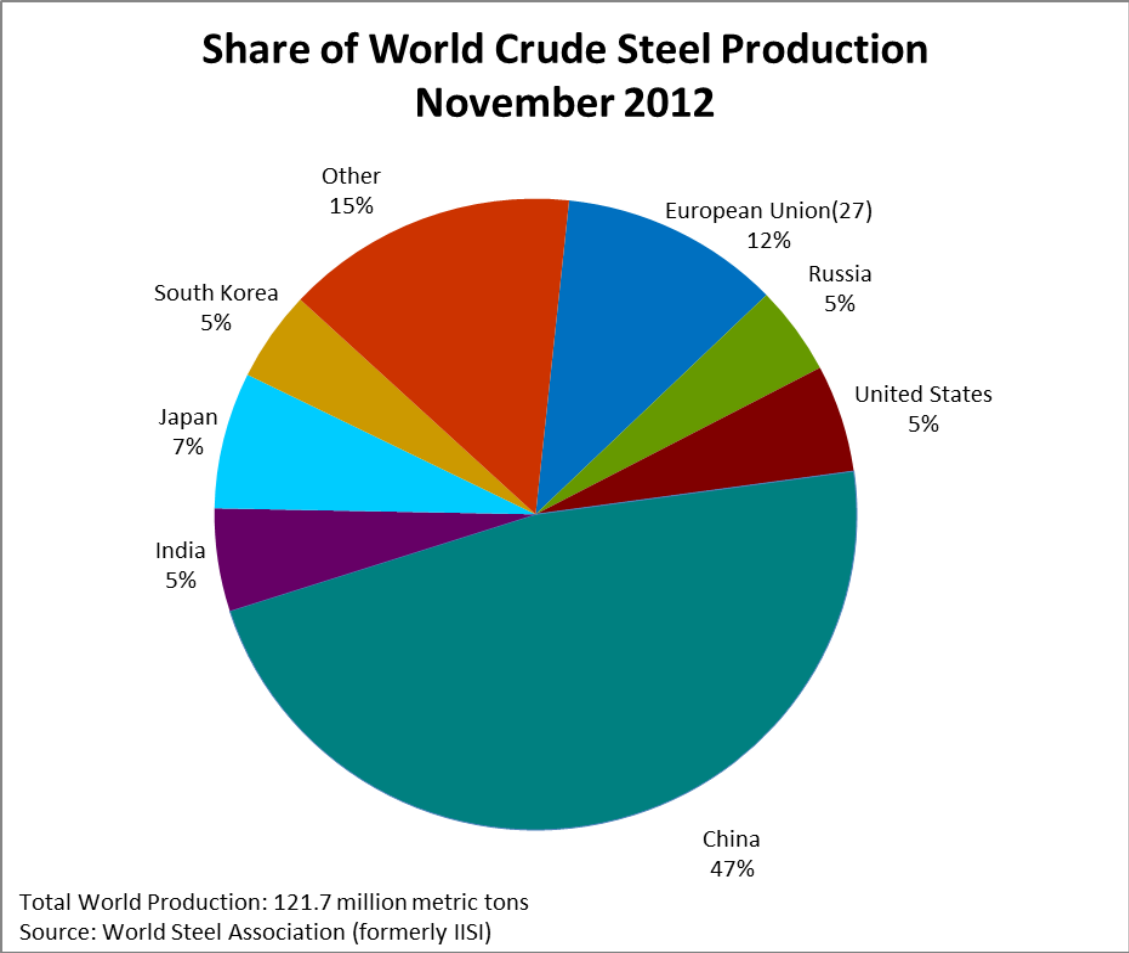
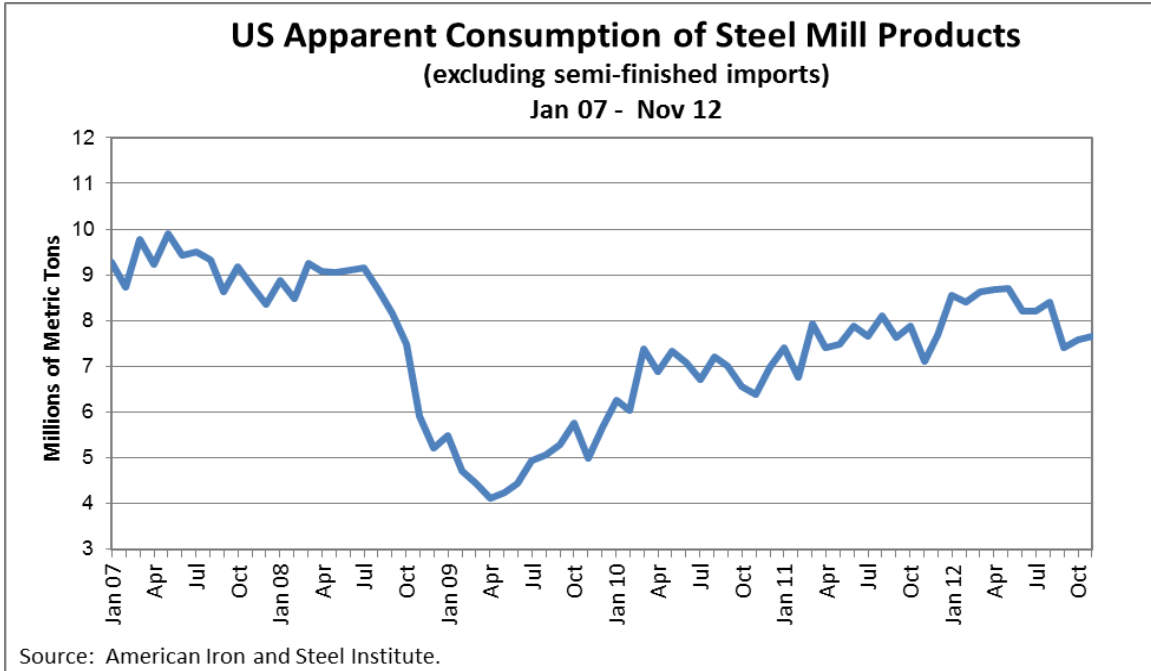


Figure 10 - Share of World Crude Steel Production

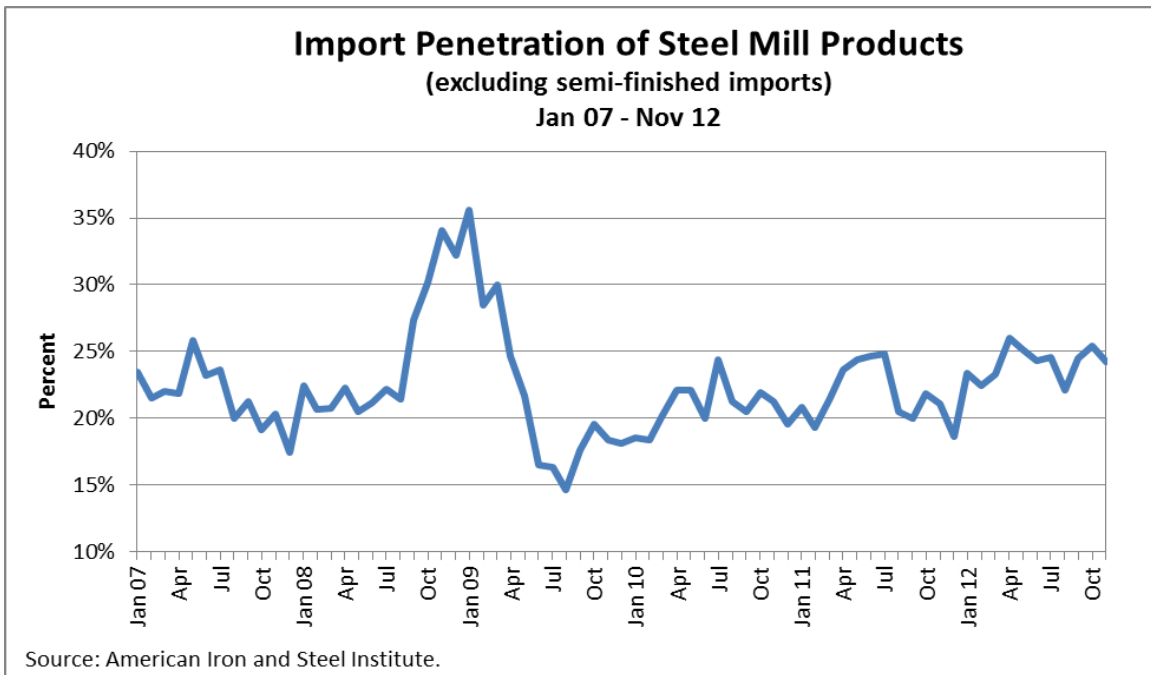
**Demand**

- Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, increased 0.9% to 7.7 million metric tons in November 2012 from 7.6 million metric tons in October 2012.
  - November 2012 demand has increased 7.9% from one year ago.
  - Demand in November 2012 was 85.6% higher than April 2009, when steel demand was at its lowest level in recent years.



**Figure 11 - U.S. Apparent Consumption of Steel Mill Products**

- Import penetration for steel mill products, excluding semi-finished products, decreased to 24.2% in November 2012 from 25.4% in October 2012. Import penetration remains well below its high point of 35.6% in January 2009.



**Figure 12 - Import Penetration for All Steel Mill Products**

## **Trade Remedy Case Determinations – December 2012/January 2013**

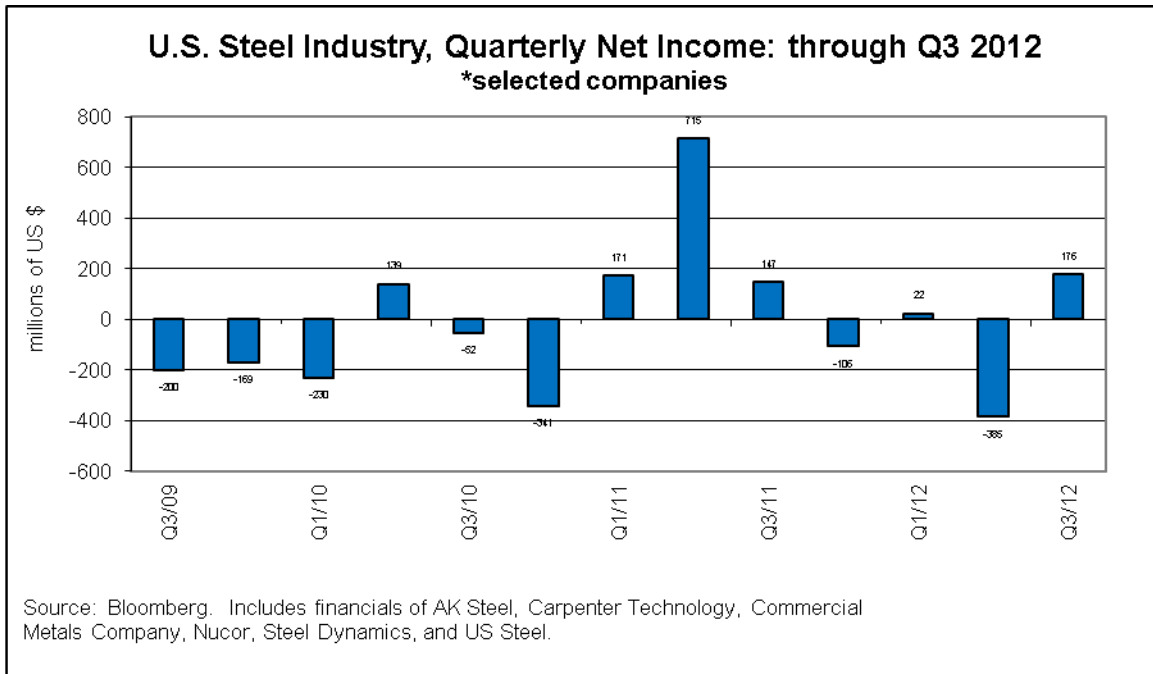
Informal tracking of anti-dumping and countervailing duty case initiations, investigations, and orders applicable to steel products.

<b>Trade Remedies undertaken by the U.S.</b>		
<b>Product</b>	<b>Country</b>	<b>Department of Commerce Finding</b>
Steel Wire Garment Hangers	Taiwan	Issuance of Antidumping Duty Order
Steel Wire Garment Hangers	Vietnam	Final Affirmative Antidumping and Countervailing Duty Determinations
Utility Scale Wind Towers	Vietnam	Final Affirmative Antidumping Duty Determination
Utility Scale Wind Towers	China	Final Affirmative Antidumping and Countervailing Duty Determinations

SOURCE: US Department of Commerce, Import Administration. Factsheets available at <http://ia.ita.doc.gov/ia-highlights-and-news.html>.

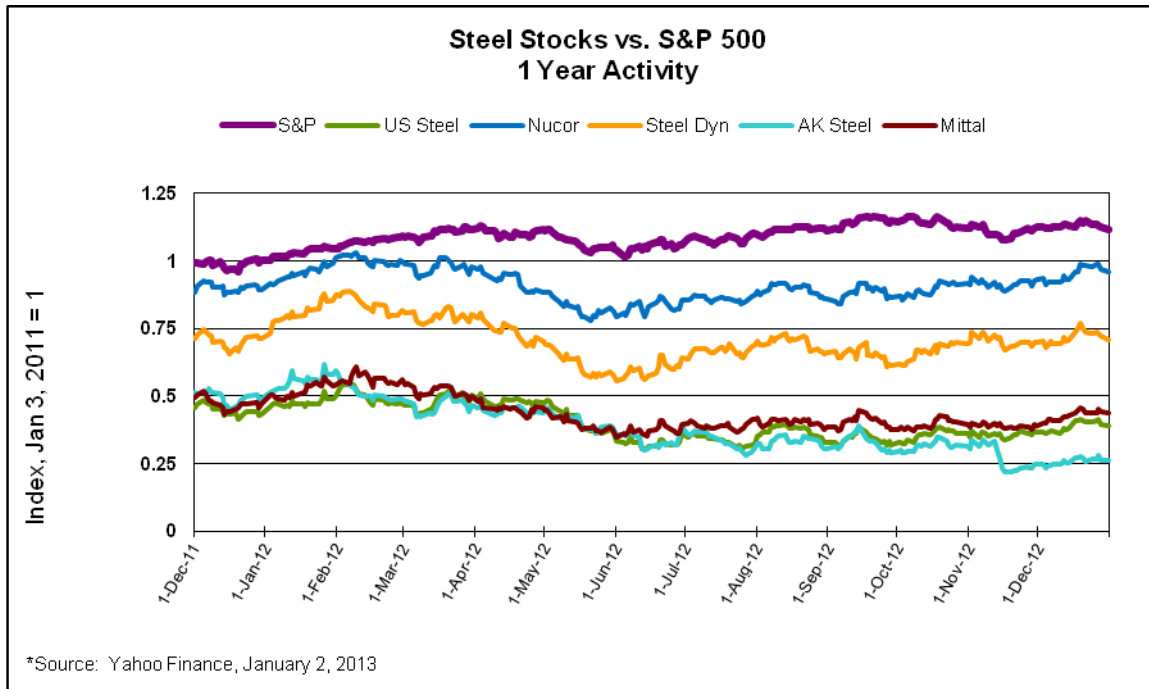
## **Industry Status**

- The U.S. steel industry, as represented in the chart below, posted a net gain of \$176 million in the 3<sup>rd</sup> Quarter of 2012.
  - According to publicly available figures, five companies reported quarterly net incomes, while AK Steel ended the quarter with a net loss, its fifth consecutive quarterly loss.
  - Of the six companies monitored, Nucor reported the highest quarterly net profit at \$110.3 million. AK Steel reported a net loss of \$60.9 million.
  - Since Q1 2009, the group of steel companies monitored in the below chart has collectively reported net income for only six out of fourteen quarters. The group's quarterly figures are significantly below performance levels from 2004 to 2008.
  - The net income chart includes AK Steel, Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and US Steel.



**Figure 13 - U.S. Steel Industry, Quarterly Net Income**

- Most charted steel stocks closed December 2012 well below 2012 opening prices but above or near the month's opening prices.
  - Indexed to January 3, 2011, many steel stocks rebounded in late 2011 and early 2012 since the low point in October 2011, but most reversed these gains in the first half of 2012. Most steel stocks have rebounded slightly since June 2012. Charted steel stock performance still remains below the S&P 500 trend line.
  - The steel stocks charts include the S&P 500, US Steel, Nucor, Steel Dynamics, AK Steel, and Mittal.



**Figure 14 - Steel Stocks vs. S&P 500, 1 Year Activity**

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