Recent Developments in the NAFTA Steel Industry

OECD Steel Committee Meeting
Paris, France
March 23-24, 2017
# NAFTA Macroeconomic Data

## Gross Domestic Product (GDP)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S.</strong></td>
<td>1.6</td>
<td>2.2</td>
<td>1.7</td>
<td>2.4</td>
<td>2.6</td>
<td>1.6</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Canada</strong></td>
<td>2.5</td>
<td>1.7</td>
<td>2.0</td>
<td>2.5</td>
<td>1.1</td>
<td>1.4</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
<td>4.0</td>
<td>4.0</td>
<td>1.4</td>
<td>2.2</td>
<td>2.5</td>
<td>2.1</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Source: Blue Chip (U.S.), Canada Monetary Policy Report and Bank of Montreal Economic Outlook (Canada), GEA and BBVA Research (Mexico)

*2017 Forecast

## Industrial Production (IP)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S.</strong></td>
<td>2.9</td>
<td>2.8</td>
<td>1.9</td>
<td>2.9</td>
<td>0.3</td>
<td>-1.0</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Canada</strong></td>
<td>3.8</td>
<td>0.9</td>
<td>1.8</td>
<td>4.0</td>
<td>-1.3</td>
<td>-0.7</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
<td>3.4</td>
<td>2.9</td>
<td>-0.5</td>
<td>2.7</td>
<td>0.9</td>
<td>0.3</td>
<td>0.8</td>
</tr>
</tbody>
</table>

*2017 Forecast
Offshore Finished Imports Continue to Capture Significant Market Share in NAFTA

Non-NAFTA Finished Imports

Source: U.S. Census Bureau, AISI, Statistics Canada, Canacero
NAFTA Production Flat in 2016 and Remains Below 2011-14 Levels

NAFTA Raw Steel Production

Source: AISI, Statistics Canada, Canacero
As Global Utilization Rates Weaken, NAFTA Remains Consistently Below World Levels

Source: AISI, Statistics Canada, Canacero, WorldSteel Association
NAFTA Steel Exports in Decline as Other Countries Increase Exports

Source: U.S. Census Bureau, Statistics Canada, Canacero
NAFTA Direct Steel Trade Balance
Finished Steel Trade Deficit Remains Well Above 2011-2013 Levels

Source: U.S. Census Bureau (Census), Statistics Canada, AISI, Canacero
NAFTA Apparent Steel Use Continues Decline from 2014

North American Apparent Steel Use (ASU)

Million Metric Tons (MT)

---|---|---|---|---|---
Mexico | Canada | United States

Source: U.S. Census Bureau (Census), Statistics Canada, AISI, Canacero
Impacts of Global Steel Overcapacity and Steel Import Surges

- From January 2015 through the end of 2016, steel industry employment in the U.S. declined by 14,400 workers.

- Multiple U.S. facilities remain idled, including AK Steel Ashland Works (Kentucky), U.S. Steel Granite City Works (Illinois), and pipe/tube mills in Texas, Ohio and Alabama.

- Two major Canadian steel producers remain in bankruptcy (Stelco and Essar Steel Algoma) continue to operate under Canada’s Companies’ Creditors Arrangement Act (CCAA).

- In Mexico, steel sector employment declined 10 percent over the past year and capacity utilization was well below 70 percent in the 2015-2016 period.
Steel Industry Employment in the U.S. Continues to Decline

Steel Industry Employment in the U.S.

Source: U.S. Bureau of Labor Statistics
North American Steel Market Remains in Peril

- North American steel producers continue to be plagued by unfairly-trade offshore imports, which continue to erode regional steel market conditions.
  - NAFTA remains one of the only regions with significant direct and indirect steel trade deficits.

- Despite drops in volumes of offshore finished imports in 2015-16, import market share continues to be elevated, while regional steel production and employment levels have dropped significantly.

- Global steel excess capacity continues to be the root cause of most challenges facing the North American steel market.