

Recent Developments in the Steel Industry in the United States

OECD Steel Committee Meeting
Paris, France
September 17-18, 2018



**American
Iron and Steel
Institute**



SSINA
Specialty Steel Industry
of North America

Imports and Global Overcapacity Continue to Plague U.S. Market

- Despite recent trade actions, offshore imports continue to capture significant market share in the United States
- Finished imports captured 26.9 percent of the U.S. market in 2017, and continue to capture 24.9 percent of the U.S. market in the first half of 2018
- Despite the efforts pursued by governments at the Global Forum on Steel Excess Capacity and other international fora, to date these efforts have not produced an effective solution

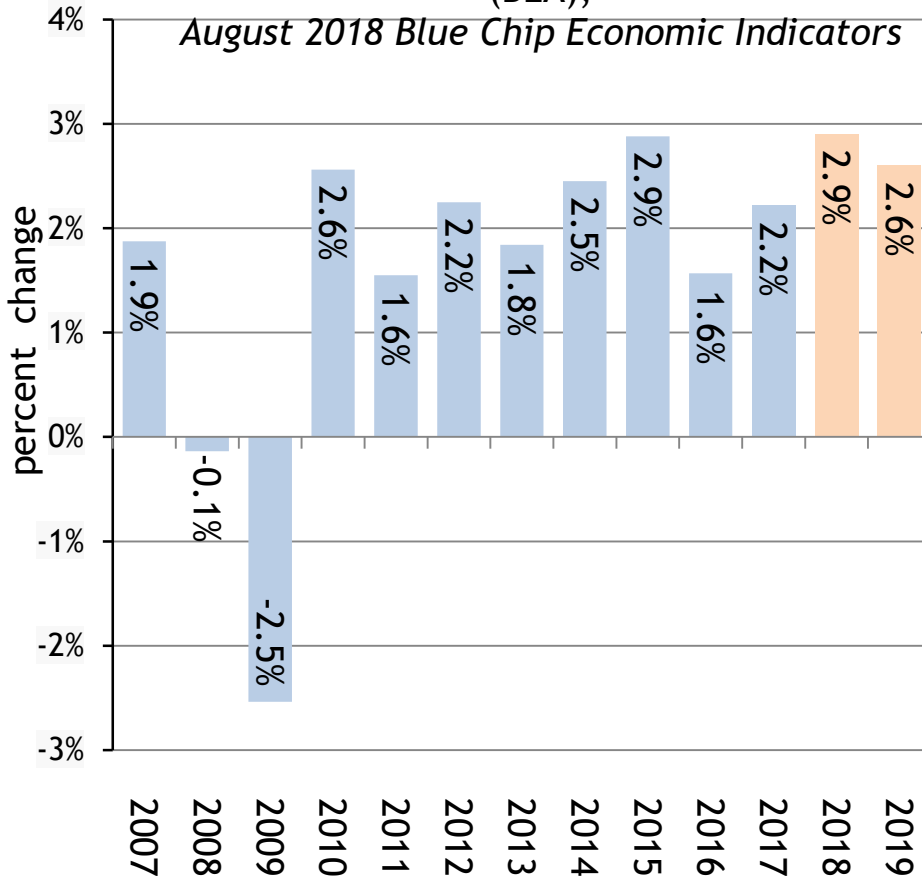
U.S. Steelmakers are Globally Competitive

- Good raw materials availability
- Low man hours per ton (MHT). U.S. producers collectively operate below 1.9 MHT, with most EAF producers operating between 0.5 to 0.9 MHT
- Dual benefits of: (1) growing, steel-intensive energy production and (2) low energy costs
- Proximity to diverse manufacturing, construction and energy customers
- Active foreign investment in a dynamic market
- Transparent and reasonable regulatory environment

Economic Conditions are Robust and the Industrial Economy is in the Midst of a Broad-Based Rebound

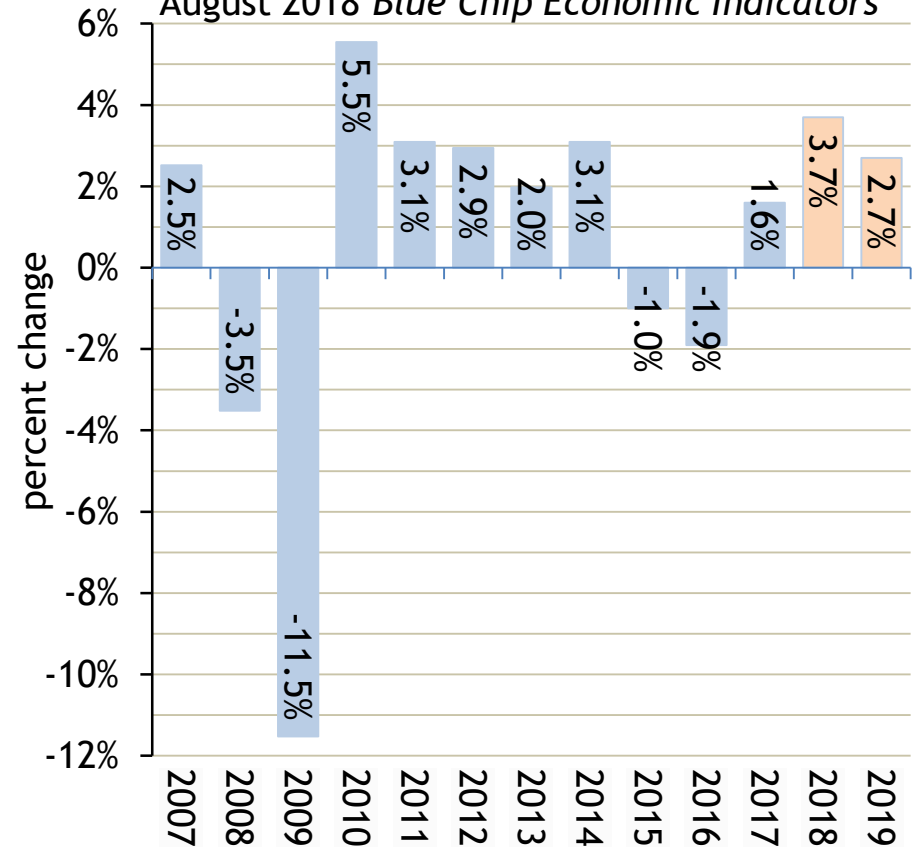
Gross Domestic Product (GDP)

Sources: Bureau of Economic Analysis (BEA),
August 2018 Blue Chip Economic Indicators



Industrial Production (IP)

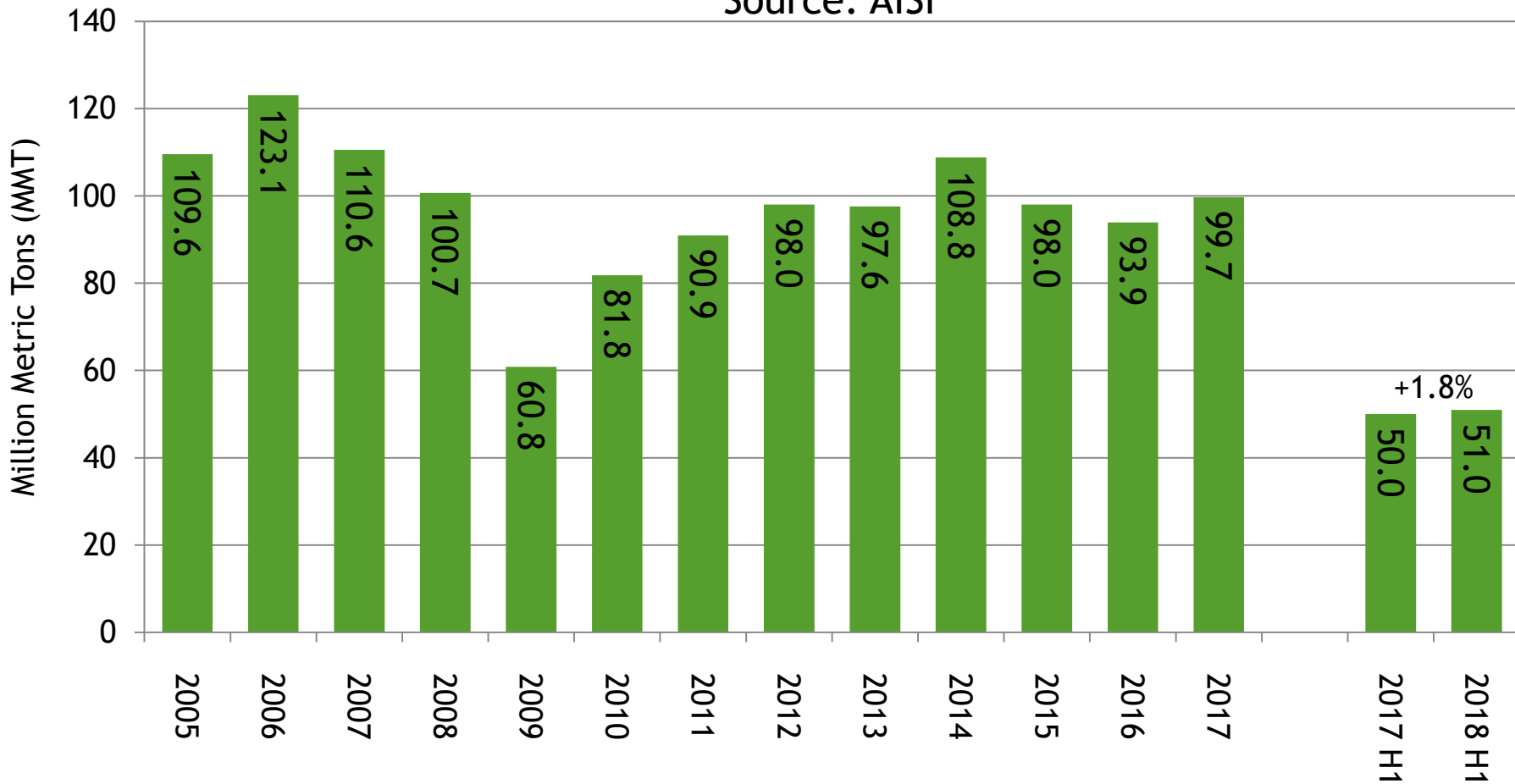
Sources: Federal Reserve,
August 2018 Blue Chip Economic Indicators



Apparent Steel Demand is Rebounding, but Still Below Pre-Recession Levels

U.S. Apparent Steel Use

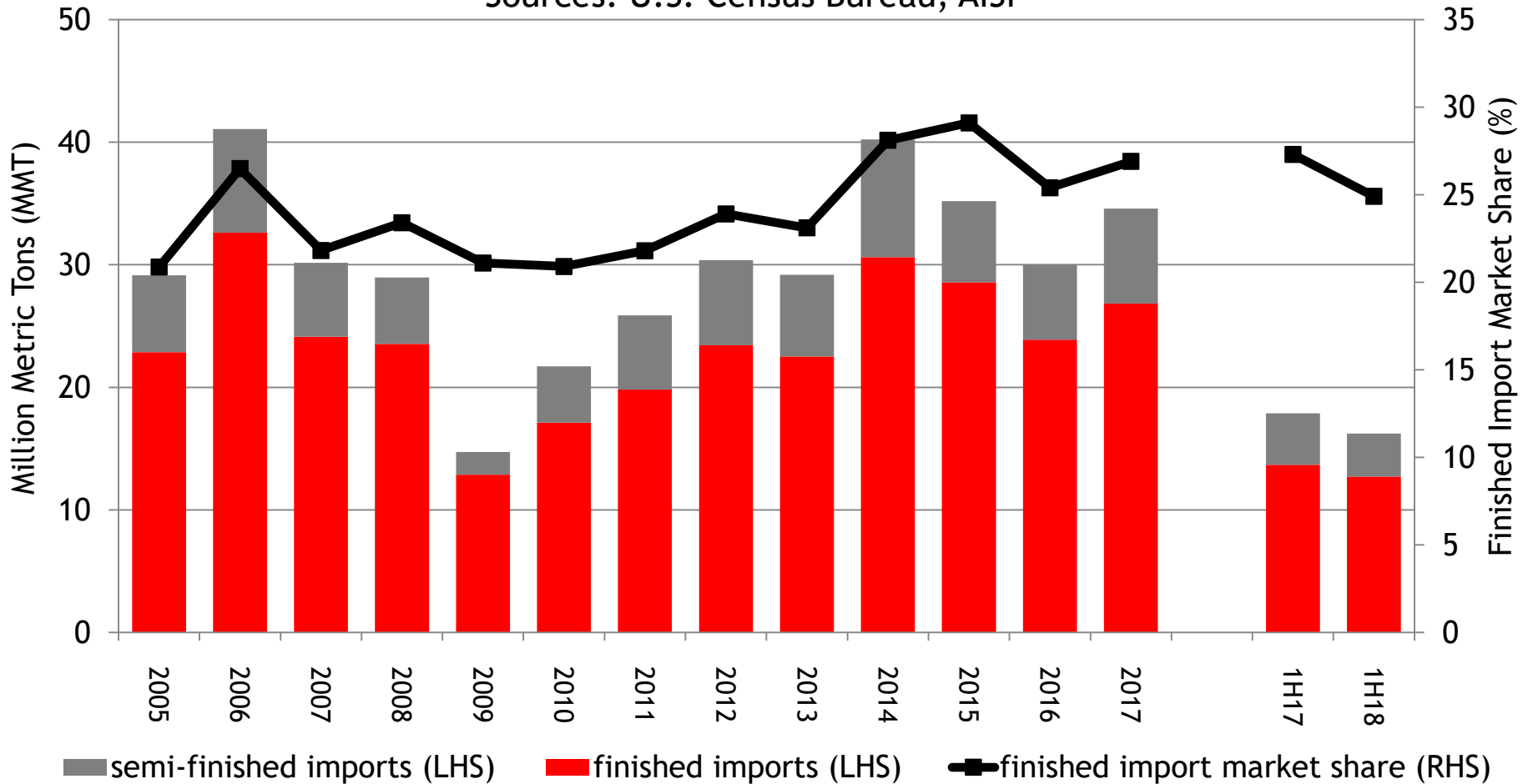
Source: AISI



Surging Steel Imports in Recent Years

U.S. Steel Imports

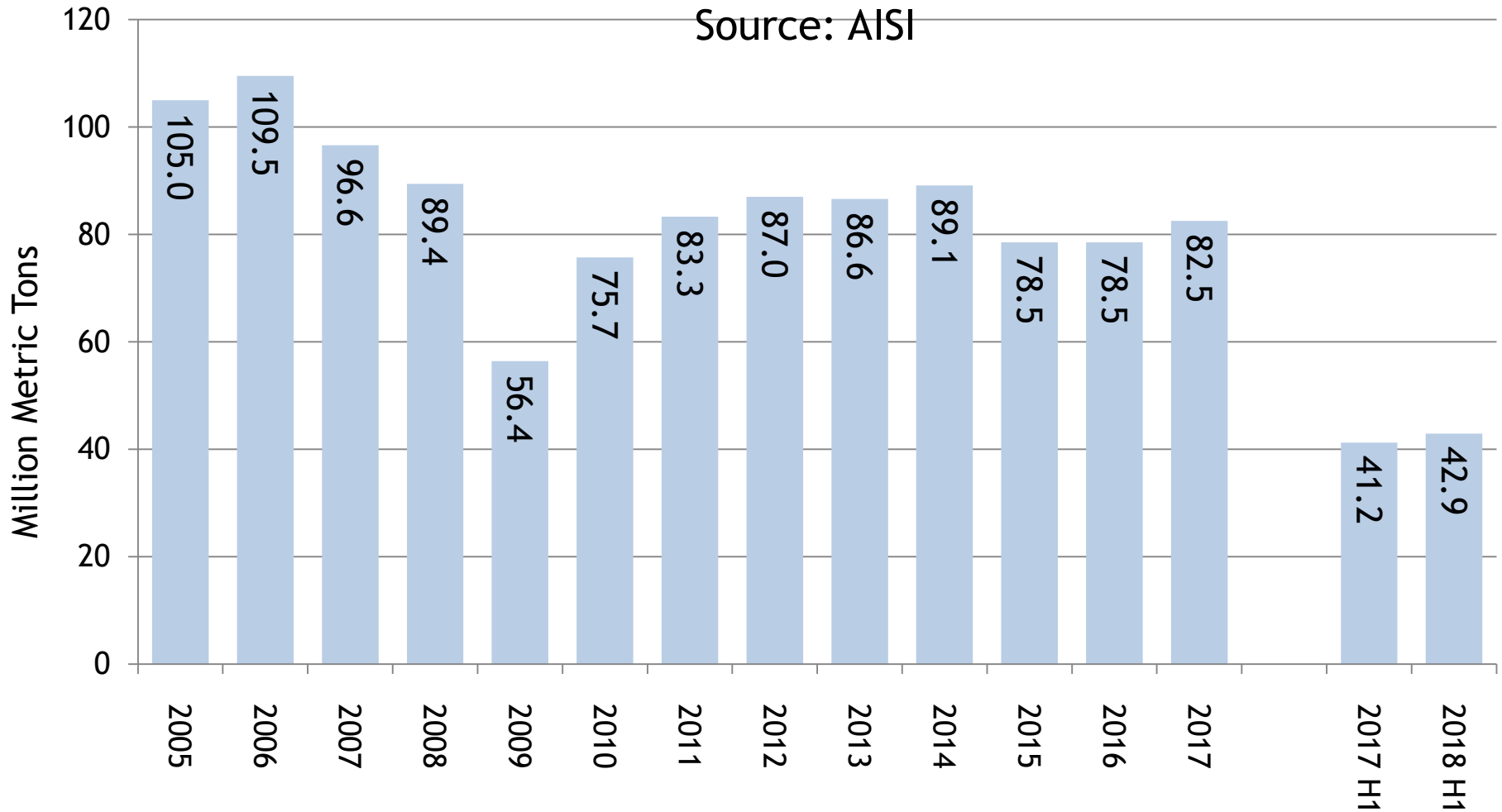
Sources: U.S. Census Bureau, AISI



Steel Shipments Increasing But Remain Below Pre-Recession Levels

U.S. Steel Mill Shipments

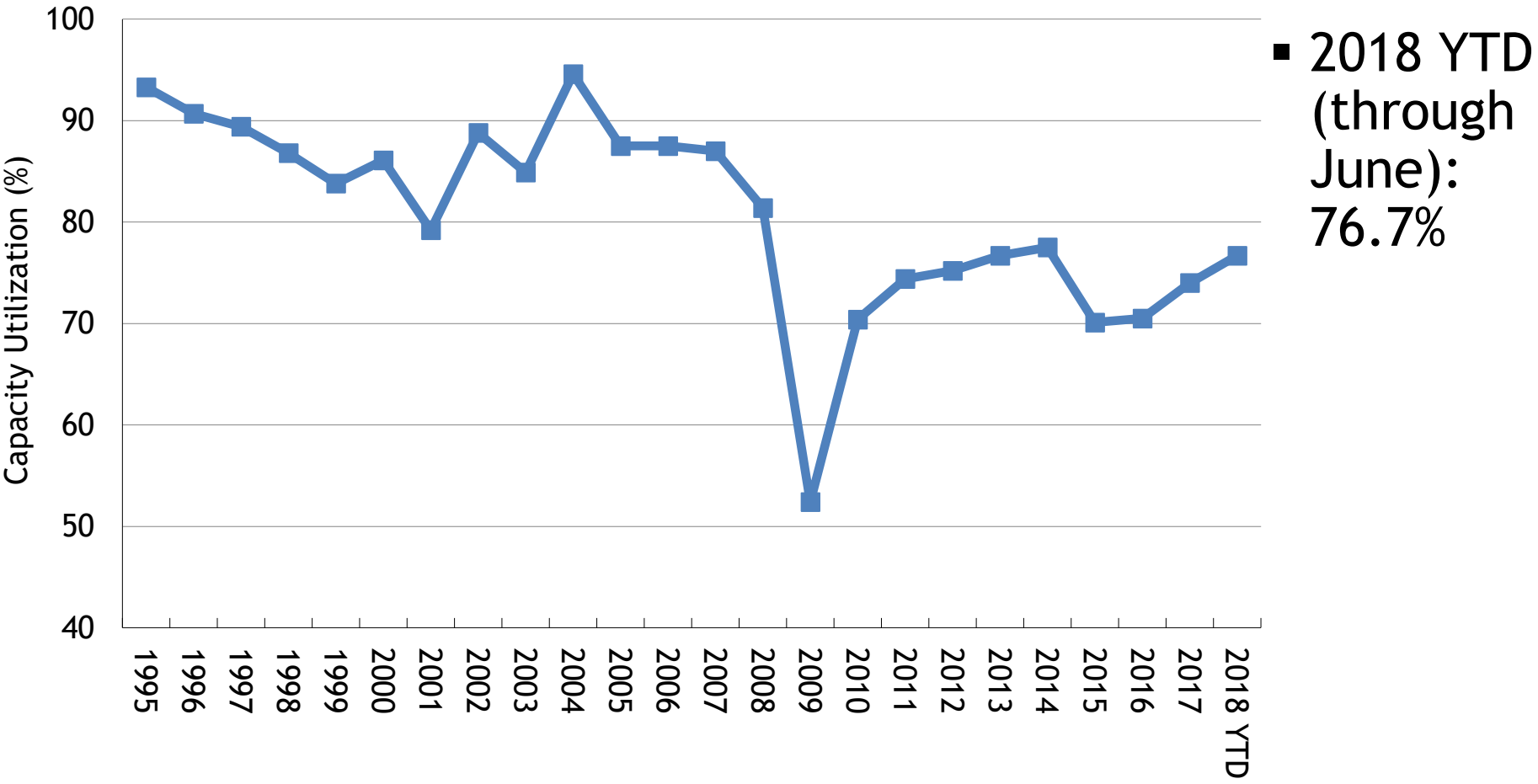
Source: AISI



Capacity Utilization has Trended Higher Recently but Remains Low by Historical Standards

U.S. Raw Steelmaking Capacity Utilization

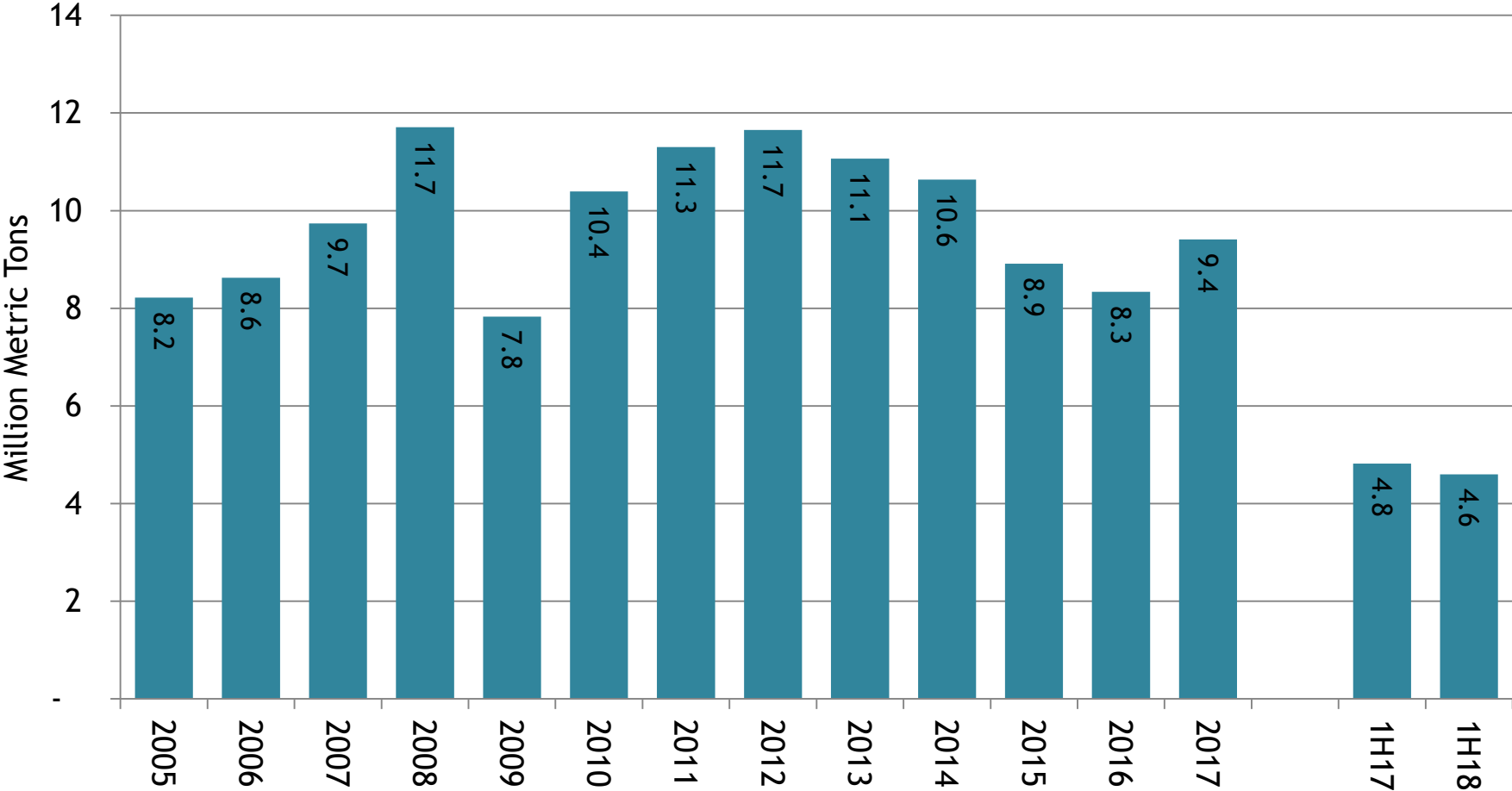
Source: AISI



U.S. Finished Steel Exports Declined by 4.6 Percent in First Half of 2018 versus Same Period in 2017

U.S. Finished Exports

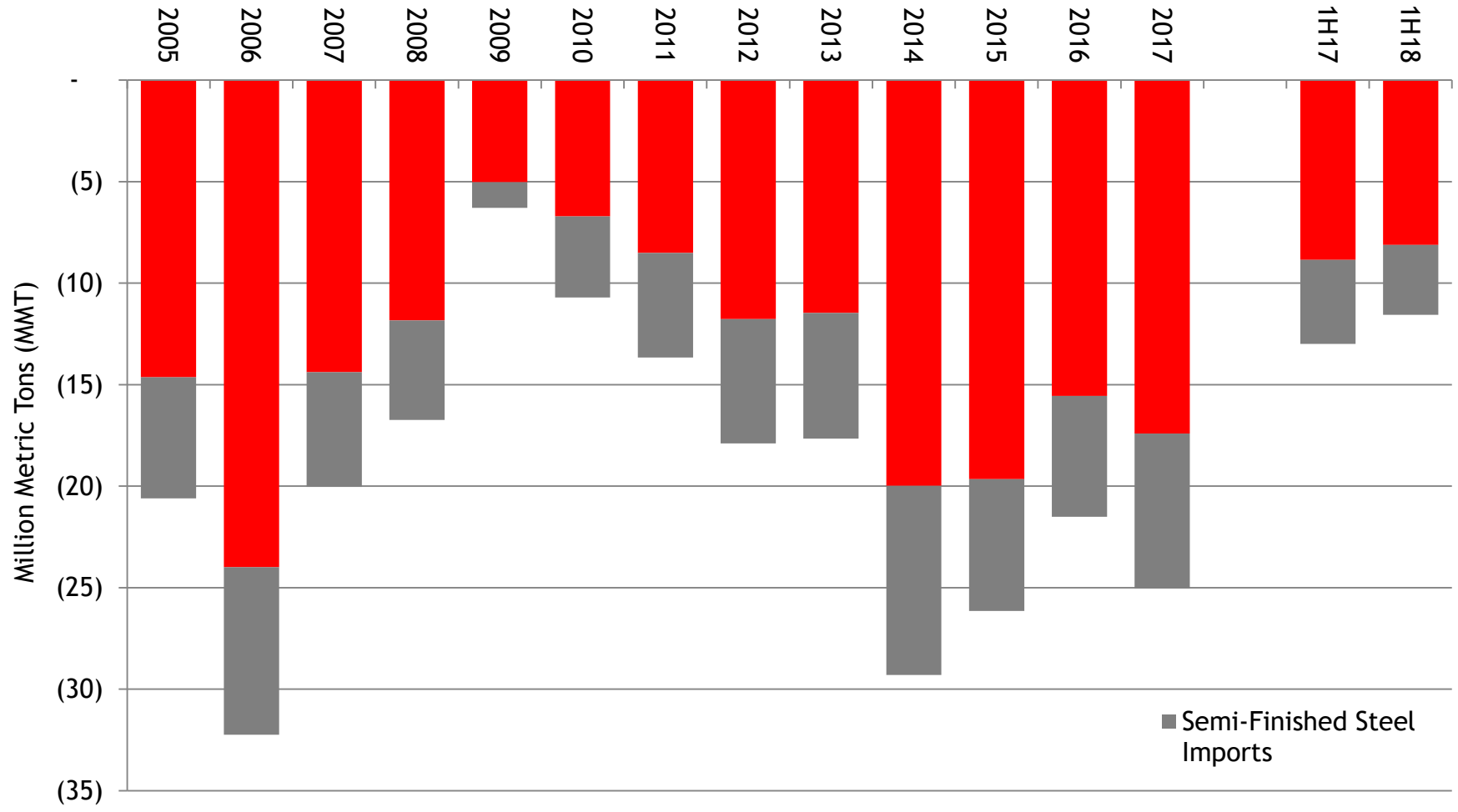
Source: U.S. Census Bureau



U.S. Direct Steel Trade Deficit Remains Elevated

U.S. Direct Steel Trade Balance

Source: U.S. Census Bureau



Impacts of Global Steel Overcapacity and Steel Import Surges

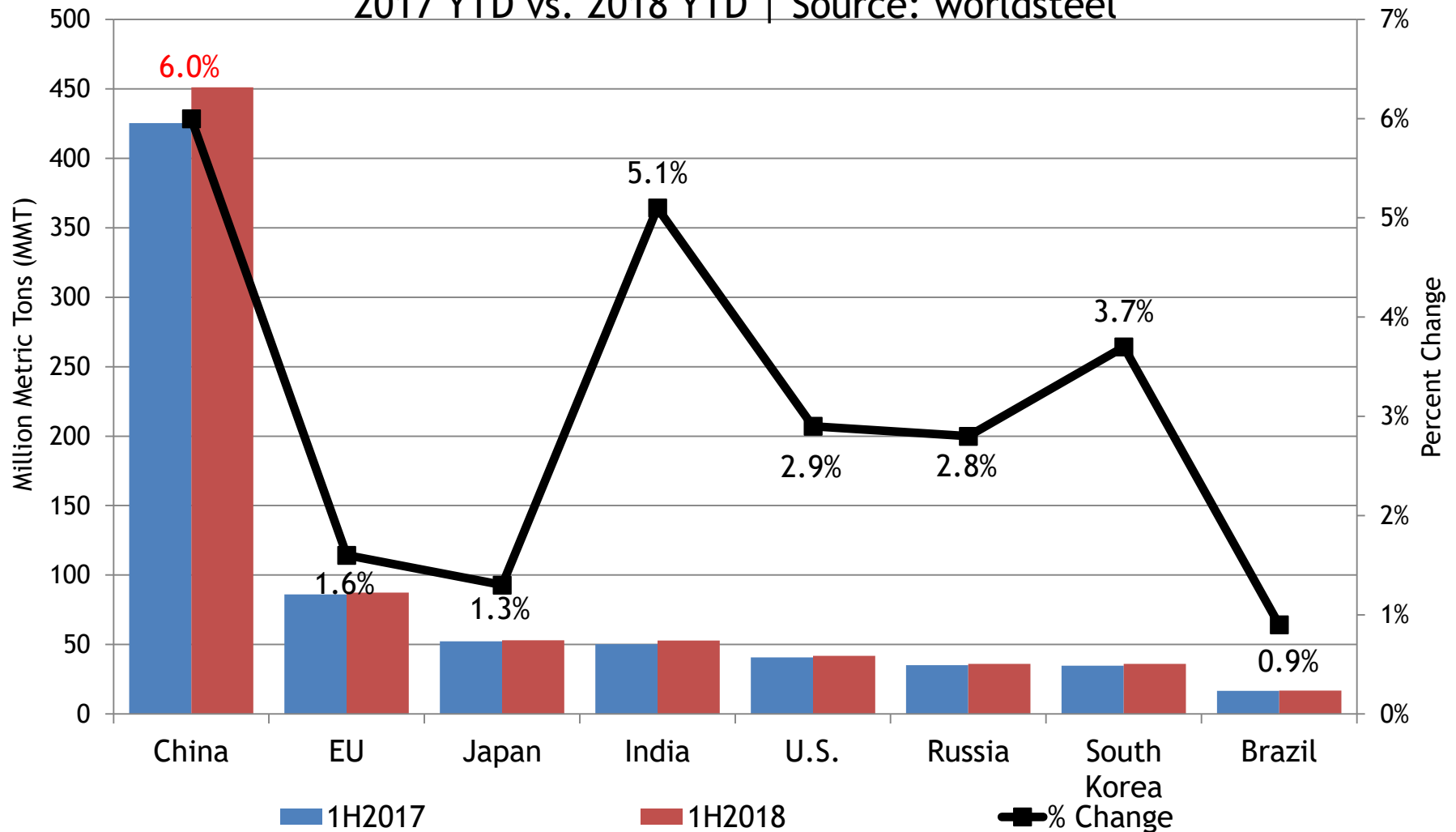
- As of June 2018, steel industry employment in the United States remains over 7,000 workers below January 2015 levels
- While some steelmaking facilities have recently come back on-line, multiple facilities remain idled and workers on layoff, including raw steelmaking, finishing mills and downstream producers, such as pipe and tube mills

International Efforts to Reduce Global Steel Overcapacity

- U.S. steelmakers remain committed to working with governments to address the global overcapacity crisis
 - U.S. industry is encouraged by continued efforts of governments at the Global Forum on Steel Excess Capacity to address subsidies and market-distorting practices
- However, renewed efforts should achieve:
 - (1) Meaningful net reductions in uneconomic capacity
 - (2) Elimination of government subsidies and other market-distorting policies and practices in the steel industry
 - (3) Effective trade remedies and enforcement

China's Steel Output Continues to Expand Faster than Other Major Steel Producers

Raw Steel Production - Top Global Steel Producers
2017 YTD vs. 2018 YTD | Source: worldsteel



State Supported Steel Production is Leading to an Untenable Situation for the U.S.

- U.S. steel producers continue to be plagued by repeated surges of unfairly-traded imports, which continue to erode steel market conditions
- Global steel excess capacity continues to distort steel markets worldwide
- U.S. steelmakers favor effective solutions to get governments out of the business of supporting uneconomic capacity expansions
- Urgent action by governments are needed to address this critical situation