Recent Developments in the NAFTA Steel Industry

OECD Steel Committee Meeting
Paris, France
September 26-27, 2019
Overview of North American Market Conditions

- Macroeconomic economic conditions in North America are softening, causing growth in manufacturing to slow.
- While new investments in North American steel mills continue, there have also been recent increases in announced layoffs, mill idling and permanent closures.
### NAFTA Macroeconomic Data

#### Gross Domestic Product (GDP)

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<td>2.5</td>
<td>2.9</td>
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#### Industrial Production (IP)

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<td><strong>U.S.</strong></td>
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<td>1.6</td>
<td>3.9</td>
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<tr>
<td><strong>Mexico</strong></td>
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<td>0.0</td>
<td>0.5</td>
<td>-0.5</td>
<td>0.8</td>
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Source: U.S. Bureau of Economic Analysis (BEA), IHS Markit (U.S. – Sep. 2019 forecast), Bank of Canada, Mexico Economic Outlook, BBVA Research

2019f and 2020f = Forecasts
Offshore Imports Account for 16 Percent of the North American Market in 2019

Source: U.S. Census Bureau (Commerce), Global Trade Atlas, AISI, CSPA, Canacero
North American Steel Production Has Returned to 2014 Levels, but Shows Signs of Slowing Growth

North American Crude Steel Production

% Change 1H19 vs. 1H18
+1.8%

Source: AISI, CSPA, Canacero
North American Apparent Steel Demand Remains Below Recent Highs

NAFTA Apparent Demand

Source: U.S. Census Bureau (Commerce), Global Trade Atlas, AISI, CSPA, Canacero
North American Finished Steel Exports Remain Low, Down 32 Percent from 2013 Levels

NAFTA Finished Steel Exports to the World

 Thousand Metric Tons (MT)

Source: U.S. Census Bureau (Commerce), Global Trade Atlas
NAFTA Direct Steel Deficit Set to Exceed 25 Million Metric Tons for Sixth Year in a Row

Source: U.S. Census Bureau (Commerce), Global Trade Atlas
NAFTA Utilization Has Dipped Below World Utilization Rates

Steelmaking Capacity Utilization - NAFTA vs. World

Source: AISI, CSPA, Canacero, WorldSteel Association
NAFTA Steelmaking Capacity Has Remained Remarkably Steady Since 2000

Steelmaking Capacity
Global vs. NAFTA - 2000 to 2018

Source: OECD
Steel Production Growth Weak or Negative for Most Global Producers, While China Soars

Crude Steel Production by Top Global Steel Producers

Source: worldsteel
Efforts to Strengthen the North American Steel Market through Increased Cooperation

- The steel industry in all three countries is working to strengthen the North American steel market by—
  - Urging prompt adoption and implementation of the U.S.-Mexico-Canada Agreement, which will enhance the integration of our economies and modernize the NAFTA
  - Strongly supporting government efforts to address global excess capacity and improve WTO rules on subsidies and other forms of market-distorting support
  - Supporting North American governments’ cooperative efforts to strengthen trade remedy enforcement against dumped and subsidized imports and to adopt measures to combat transshipment, circumvention and evasion
State Supported Steel Production Continues to Impact North America

- As demand and production soften in many markets worldwide, North American steel producers continue to face unfairly-traded steel imports and circumvention of trade remedies from many countries.

- Meanwhile, global steel excess capacity continues to plague steelmakers and markets worldwide.

- Over nearly three years, the GFSEC has had few results; much remains to be done.

- North American producers favor effective solutions to get governments out of the business of supporting uneconomic capacity expansions.

- Urgent actions by governments are needed to address this critical situation by effective trade remedies enforcement and continuation of the Global Forum on Steel Excess Capacity.
Update on Steel Market in Mexico
Mexico: Macro economics fundamentals

- **GDP**: 2.5% average growth (2013-2017), 2018: 2.0%. 2019: +0.5%. Estimated

- **Construction sector**: +0.6% marginal growth in 2018, and 2019: +1.0% Estimated

- **Industrial sector**: +0.6% growth in 2018, and 2019: +0.5% Estimated

**Med-term public policy actions:**

1) Fight against corruption
2) Infrastructure investment plan
3) Industrial policy to expand industrial development
4) Government spending control
5) Sound fiscal and financial management
6) Implementation of Plan for Well-being and Health
Mexico: Trade law and enforcement actions

- **Safeguard.** Mexican Government implements a 15% ad valorem MFN on 186 HTS codes, which defend ten finished steel categories.

- **Anti-dumping.** Mexico has implemented 33 final anti-dumping resolutions against several steel products and 3 underway investigations, AD targeted country was PR China with 80%.

- **Customs Enforcement.** The new Federal Administration has the mandate to fight against corruption and unfair trade. Steel has defined as a strategic sector in customs enforcement action plans.