

# Recent Developments in the NAFTA Steel Industry

OECD Steel Committee Meeting  
Paris  
September 9, 2016

CSPA  ACPA



**American  
Iron and Steel  
Institute**



CPTI  
THE COMMITTEE  
ON PIPE AND TUBE  
IMPORTS

**SSINA**  
Specialty Steel Industry  
of North America

  
**CANACERO**  
Cámara Nacional de la Industria del Hierro y del Acero

# NAFTA Macroeconomic Data

## Gross Domestic Product (GDP)

|               | Percent Change (Y-O-Y) |      |      |      |      |       |
|---------------|------------------------|------|------|------|------|-------|
|               | 2011                   | 2012 | 2013 | 2014 | 2015 | 2016* |
| <b>U.S.</b>   | 1.6                    | 2.2  | 1.7  | 2.4  | 2.6  | 1.5   |
| <b>Canada</b> | 2.5                    | 1.7  | 2.0  | 2.5  | 1.1  | 1.3   |
| <b>Mexico</b> | 4.0                    | 4.0  | 1.4  | 2.2  | 2.5  | 1.9   |

## Industrial Production (IP)

|               | Percent Change (Y-O-Y) |      |      |      |      |       |
|---------------|------------------------|------|------|------|------|-------|
|               | 2011                   | 2012 | 2013 | 2014 | 2015 | 2016* |
| <b>U.S.</b>   | 2.9                    | 2.8  | 1.9  | 3.7  | 1.3  | -0.9  |
| <b>Canada</b> | 3.8                    | 0.9  | 1.8  | 4.0  | -1.3 | -0.5  |
| <b>Mexico</b> | 3.4                    | 2.9  | -0.5 | 2.7  | 0.9  | 0.4   |

- Economic growth in North America remains weak, as growth in U.S. and Mexico is expected to be less than 2015, while growth in Canada remains stagnant
- Industrial production in the U.S. and Canada is expected to contract in 2016, with lower expected in Mexico

Source: Blue Chip (U.S. and Canada), Mexico Economic Outlook Second Quarter 2016, BBVA Research

\*2016 Forecast



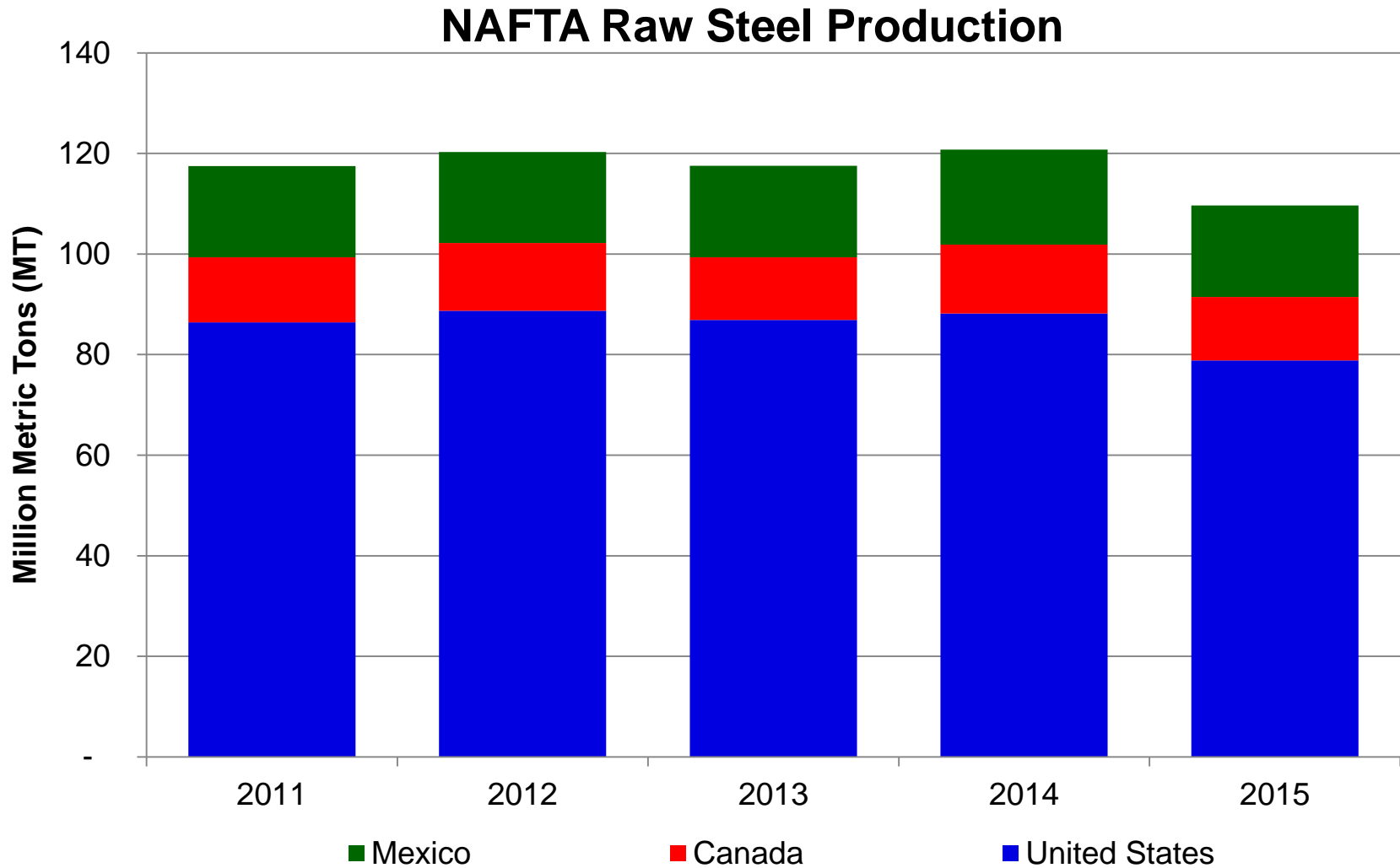
# Offshore Finished Imports Continue to Capture Significant Market Share in NAFTA



Source: U.S. Census Bureau, AISI, Statistics Canada, Canacero



# NAFTA Production Declined by 9.2 Percent in 2015 and Remains Below Prior Year Levels

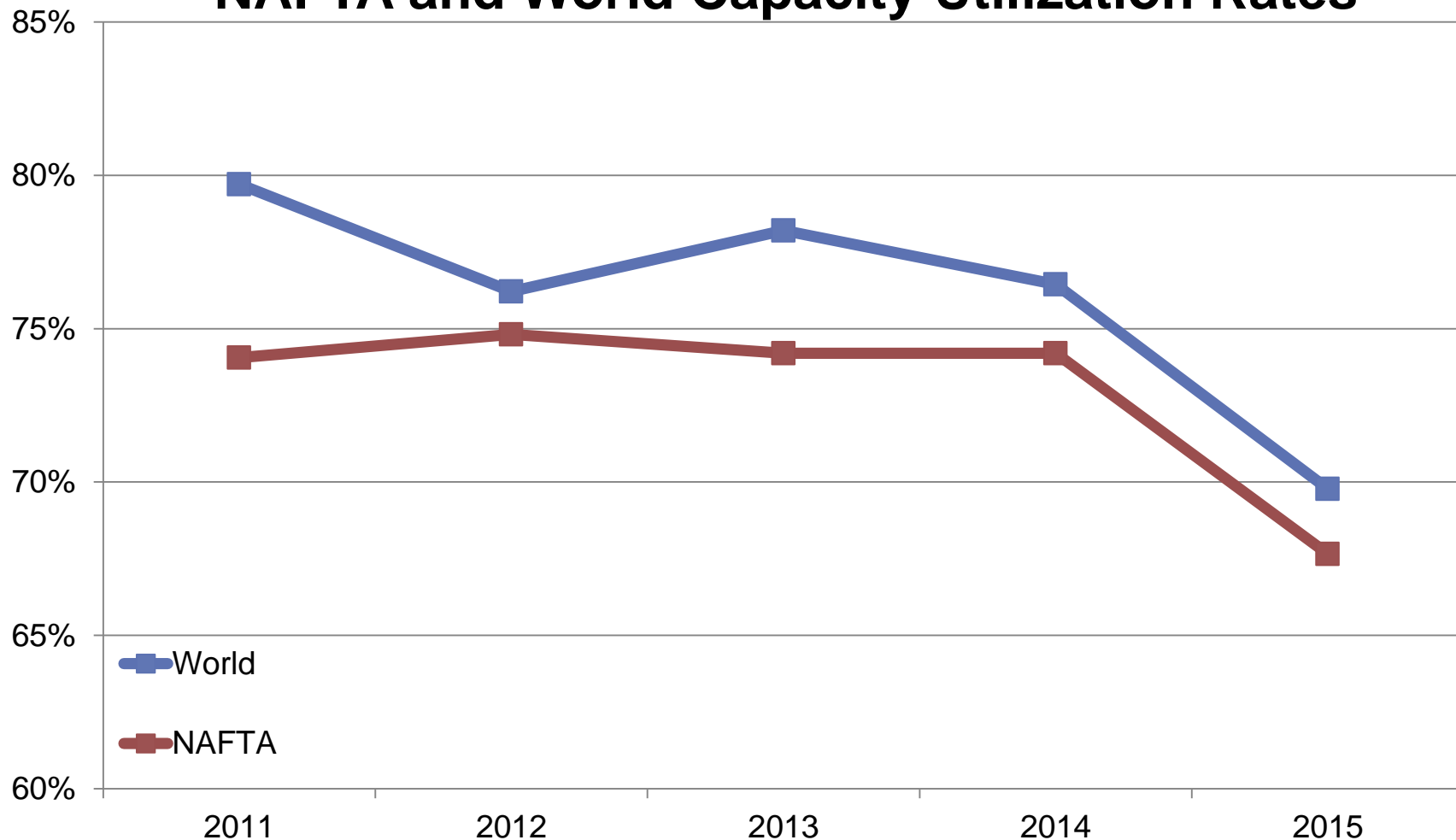


Source: AISI, Statistics Canada, Canacero



# As Global Utilization Rates Weaken, NAFTA Remains Consistently Below World Levels

## NAFTA and World Capacity Utilization Rates

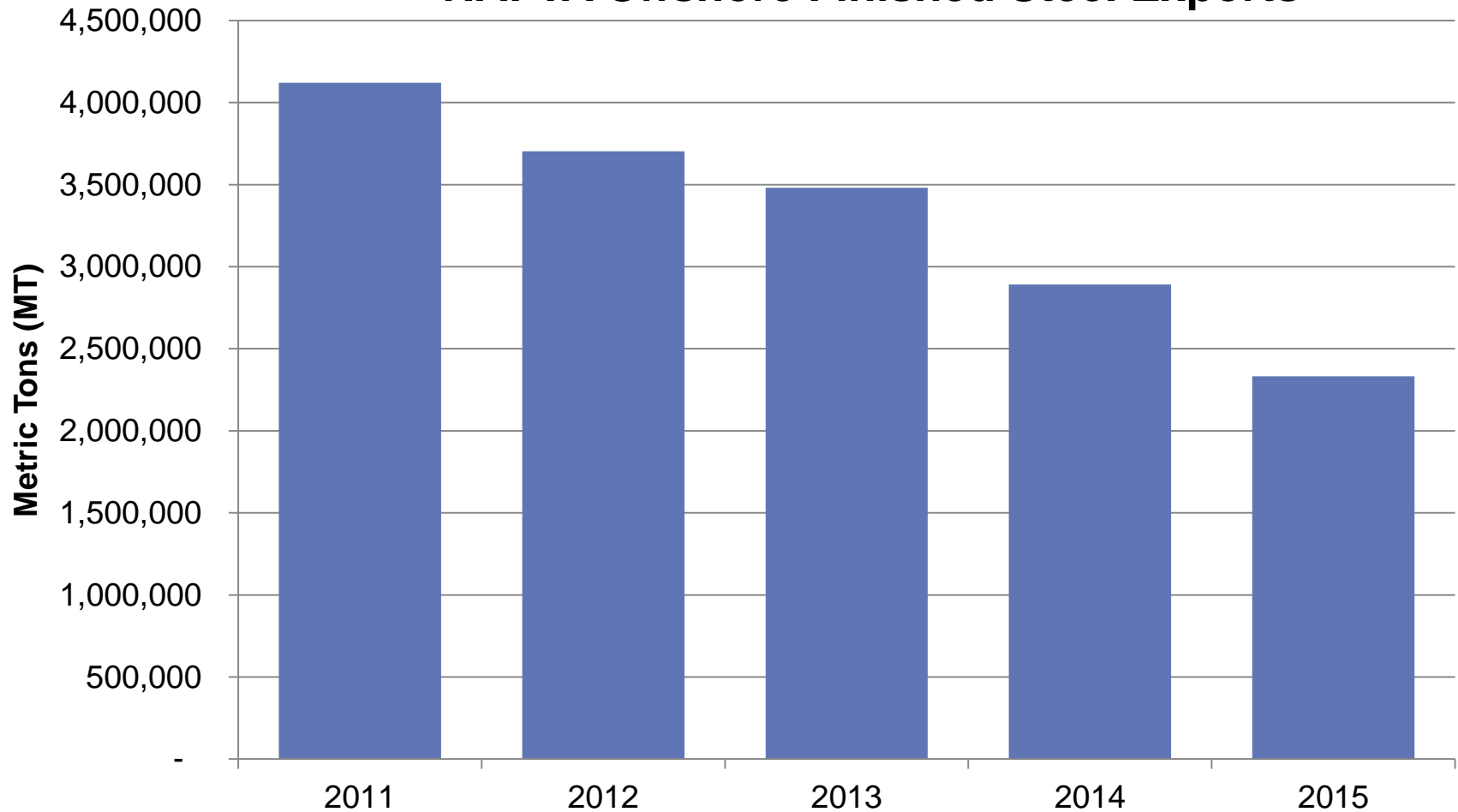


Source: AISI, Statistics Canada, Canacero, WorldSteel Association



# NAFTA Steel Exports in Decline as Other Countries Increase Exports

## NAFTA Offshore Finished Steel Exports



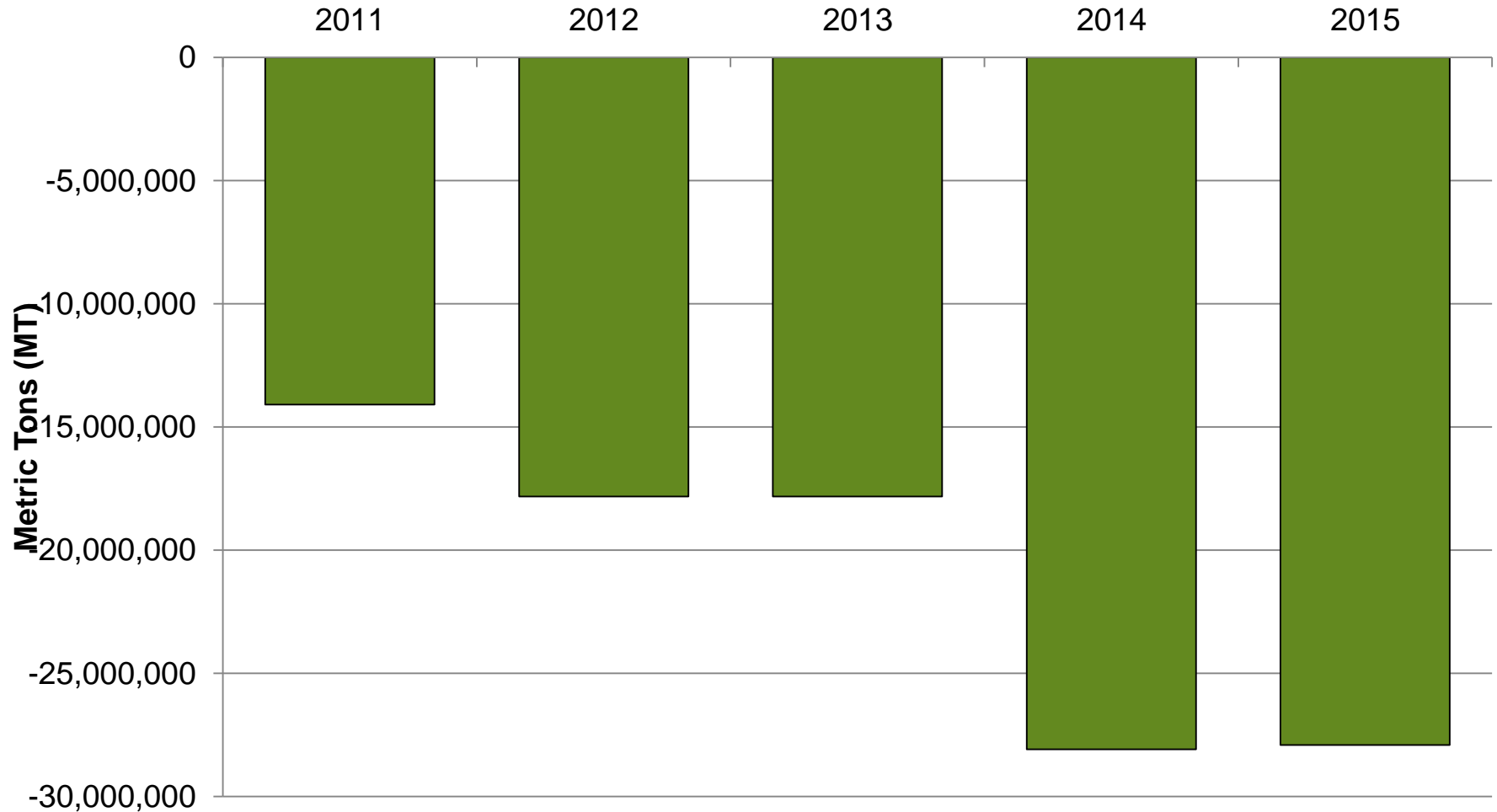
Source: U.S. Census Bureau, Statistics Canada, Canacero



# NAFTA Direct Steel Trade Balance

Deficit Surges to Approximately 28 Million MT in 2014 and 2015

## Direct Steel Trade Balance



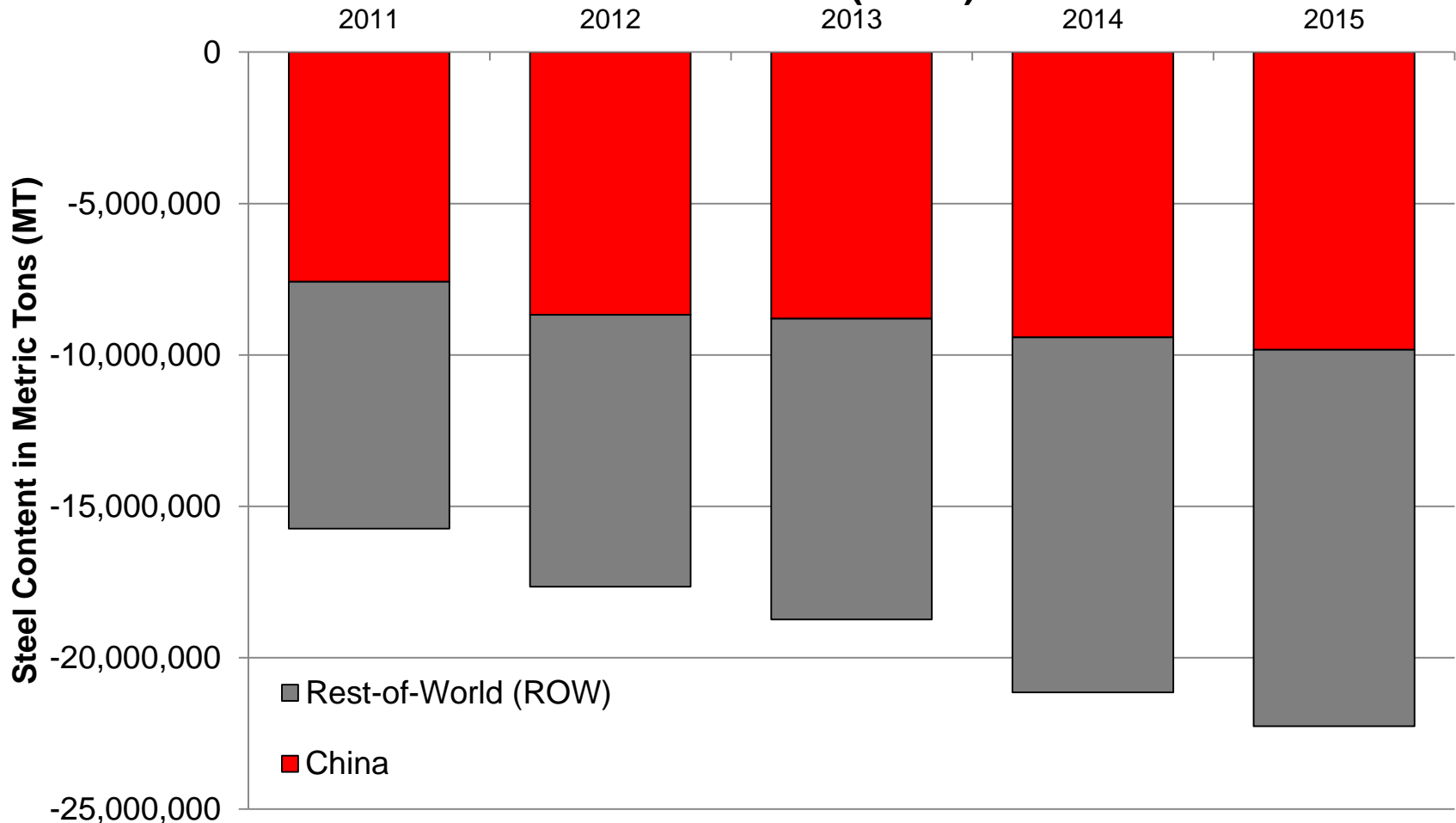
Source: U.S. Census Bureau (Census), Statistics Canada, AISI, Canacero



# NAFTA Indirect Steel Trade

NAFTA Steel Trade Deficit in Manufactured Goods Over 22 Million MT in 2015

## NAFTA Indirect Steel Trade Deficit with China and Rest of World (ROW)



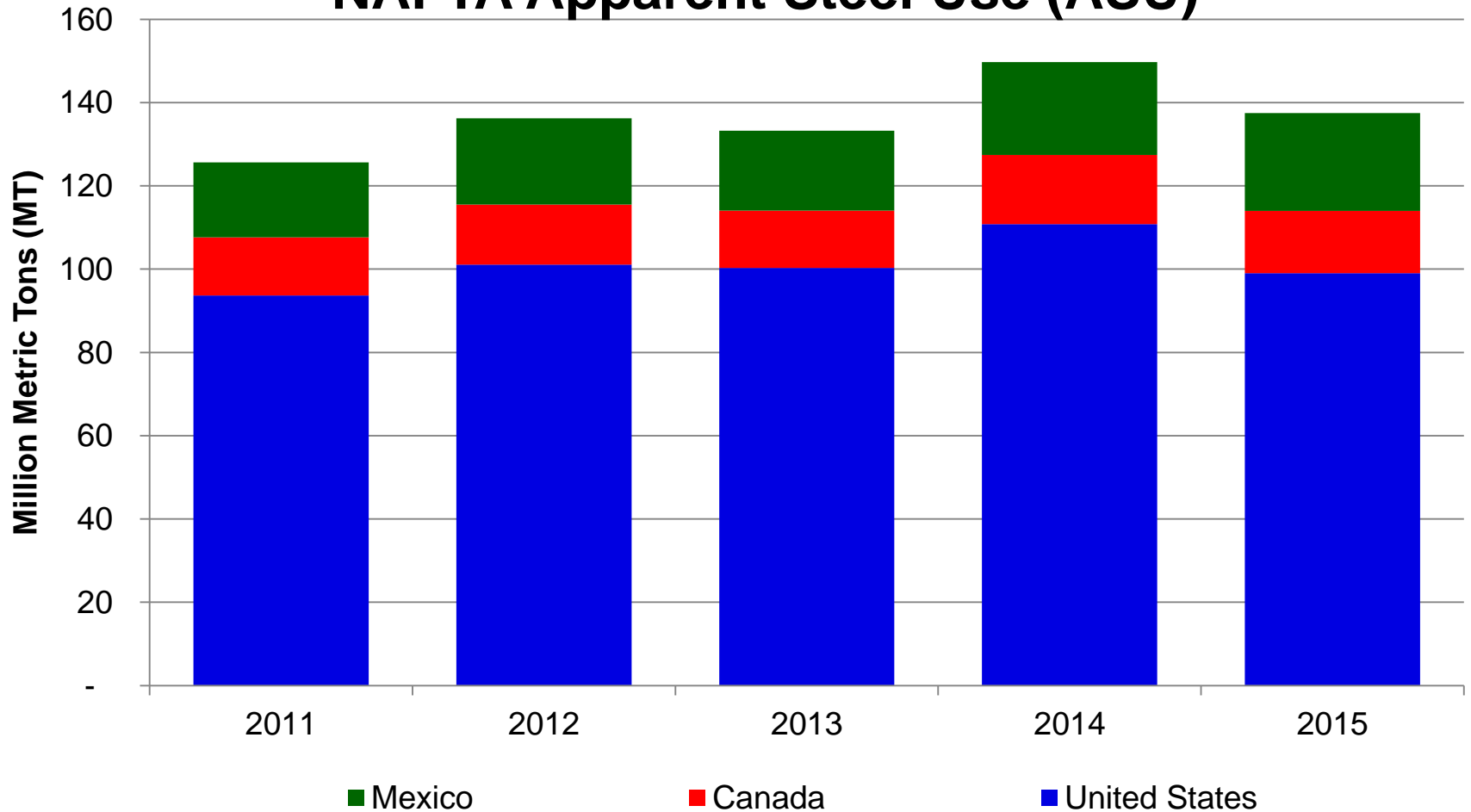
Source: AISI, Global Trade Atlas





# NAFTA Apparent Steel Use Declining Since Mid-2014

## NAFTA Apparent Steel Use (ASU)



Source: U.S. Census Bureau (Census), Statistics Canada, AISI, Canacero



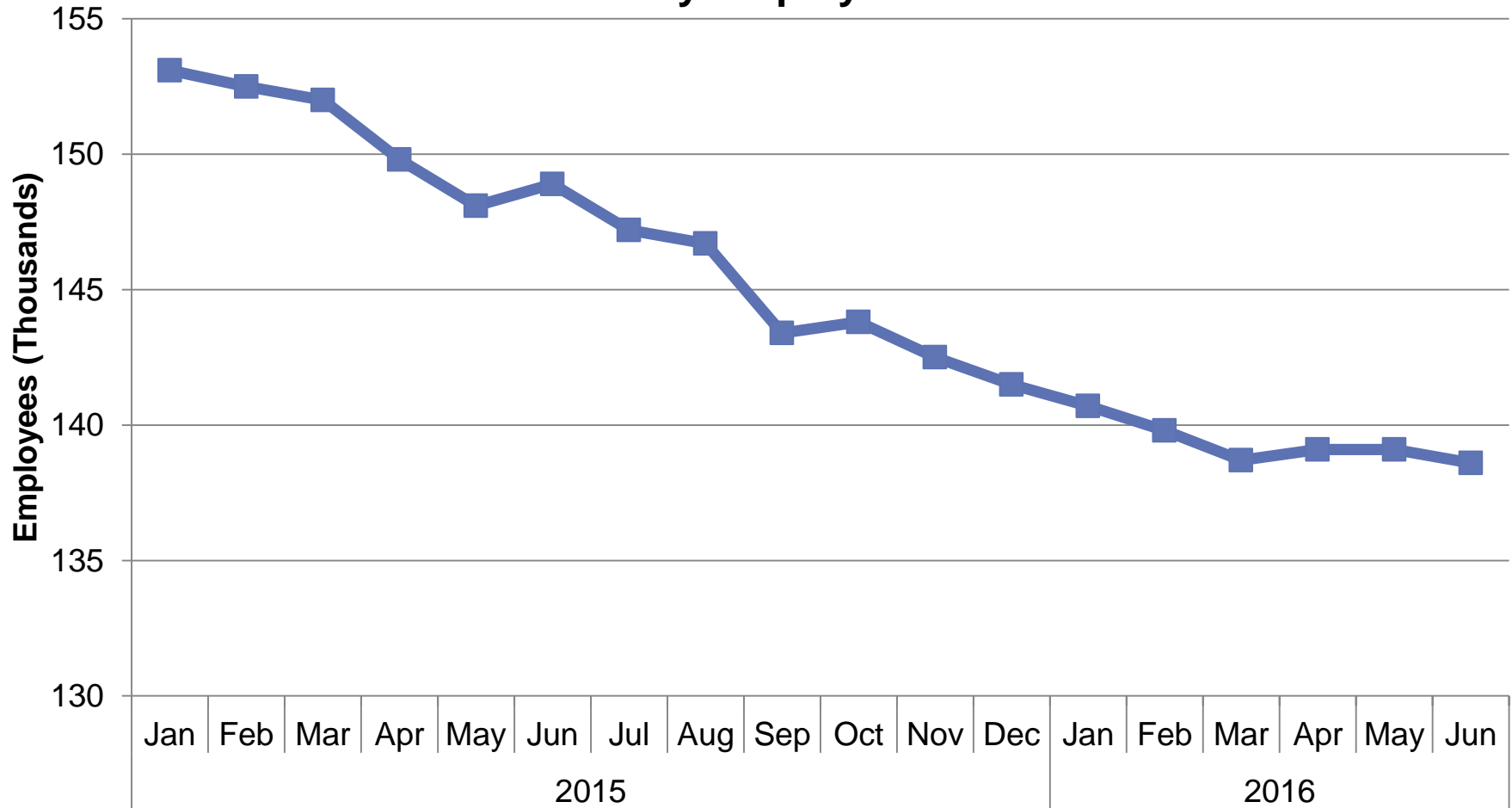
# Impacts of Global Steel Overcapacity and Steel Import Surges

- Since January 2015, employment in the steel industry in the U.S. has declined by 14,500 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 currently in bankruptcy (Essar Steel Algoma and U.S. Steel Canada)
- Recent negative impacts of the global steel overcapacity to the Mexican steel sector include a 10 percent decline in employment over the past year and capacity utilization remains well below 70 percent in 2015-16



# Steel Industry Employment in the U.S. Continues to Decline

## Steel Industry Employment in the U.S.



Source: Bureau of Labor Statistics (BLS)



# North American Steel Market Remains in Peril

- North American steel producers continue to be plagued by offshore imports, which are adversely affecting steel market conditions
  - NAFTA remains one of the only regions with a significant direct and indirect steel trade deficits
- Despite drops in volumes of offshore finished imports in 2015, import market share continues to be elevated, while production and employment levels have dropped significantly
- Global steel overcapacity remains the biggest issue plaguing the North American and global steel markets

