Steel Industry Executive Summary: September 2021

Highlights

- From May 2021 to June 2021, U.S. imports of steel mill products increased 16.1% from 2.3 million metric tons to 2.7 million metric tons.
- In June 2021, capacity utilization was estimated at 83%, an increase of 2 percentage points from 81% May.
- According to data from CRU, U.S. steel production was 7.1 million metric tons in June 2021, down 1.4% from 7.2 million metric tons in May 2021.

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Trade – U.S. Imports of Steel Mill Products

- From May 2021 to June 2021, U.S. imports of steel mill products increased 16.1% from 2.3 million metric tons to 2.7 million metric tons.
  - June 2021 steel imports were up 109.9% from one year ago and increased 59.8% from the 2020 average monthly volume of 1.7 million metric tons.
  - Steel mill imports in June 2021 were down 34.0% from the most recent import volume peak of 4.0 million metric tons in October 2014.
  - Imports increased in July 2021 and license data suggest that steel imports decreased by volume in August 2021 compared with June and July 2021.

Note: Import license data, indicated in a different color in the graph below, are not official U.S. Census data, reflect a rolling total of licenses received in the most recent two months, and are subject to change.

- In YTD 2021 (through June), U.S. imports of steel mill products were 13.4 million metric tons, a 19.1% increase from 11.3 million metric tons in YTD 2020.
  - In value terms, imports increased 37.5% to $13.0 billion in YTD 2021 from $9.5 billion in YTD 2020.
  - Canada accounted for the largest share of U.S. imports by volume in YTD 2021 at 24.2%, followed by Brazil (17.5%) and Mexico (14.3%).
  - The U.S. imported 4.9 million metric tons of flat carbon and alloy products in YTD 2021, accounting for 36.5% of total steel mill imports (the largest category). This was followed by semi-finished carbon and alloy products at 4.1 million metric tons or 30.8% of total imports.
Figure 2 – U.S. Imports of Steel Mill Products by Partner

U.S. Imports of Steel Mill Products by Partner YTD 2021 (June)

- Total Quantity: 13.4 million metric tons
- Source: SIMA Monitor

Figure 3 – U.S. Imports of Steel Mill Products by Product Category

U.S. Imports of Steel Mill Products by Product Category YTD 2021 (June)

- Total Quantity: 13.4 million metric tons
- Source: SIMA Monitor

U.S. Department of Commerce | International Trade Administration
Trade – U.S. Trade Balance in Steel Mill Products

- While U.S. imports of steel mill products by volume have been volatile since 2014, with a declining trend, exports have also declined, with much less volatility in the past 6 years. In June 2021, the steel trade deficit was 2.0 million metric tons, a 20.8% increase from May 2021.
  - Compared to the trade deficit from one year ago, the June 2021 steel trade deficit has widened by 142%.
  - From May to June 2021, the volume of U.S. steel imports increased by 16.1% to 2.7 million metric tons from 2.3 million metric tons. Compared with June 2020, June 2021 imports were up 109.9% by volume and up 17.7% from three years ago.
  - Exports increased 4.9% by volume between May 2021 and June 2021 from 672.7 thousand metric tons to 705.6 thousand metric tons. June 2021 exports were up 74.6% from one year ago and down 14.9% from three years ago.

Figure 4 – U.S. Imports/Exports of Steel Mill Products

Prices

- After declining in 2020, benchmark domestic steel prices have grown significantly since the beginning of 2021.
- U.S. domestic prices for hot-rolled band (HRB) have continued to increase, to reach nearly $2,100 per metric ton in September 2021. This is a dramatic increase of about 300 percent from recent lows in August 2020 of $525 per metric ton. Of note, while U.S. prices continue to increase, prices in the world, and Europe have been
declining since early summer and those in China remain below their respective high in May.

- Chinese HRB prices increased from their recent lows of about $402 in April of last year to about $768 per metric ton in September. While this is a significant jump, given the rise in U.S. prices, the gap between U.S./Chinese prices is nearly $1,300 per metric ton, manyfold above the average differential of about $250.
- The increase in price differential is apparent and also continues between U.S. prices and both world and European prices.

Figure 5 – U.S. Domestic Steel Prices

Production & Capacity Utilization

- According to data from CRU, U.S. steel production was 7.1 million metric tons in June 2021, down 1.4% from 7.2 million metric tons in May 2021.
- June 2021 production was up 50.5% from 4.7 million metric tons in June 2020.
• Global steel production was down 3.7% in June 2021, at 167.9 million metric tons compared with 174.4 million metric tons in May 2021.
  o Global production in June 2021 increased 13.2% from one year ago.
  o Total world crude steel production in 2020, at 1.83 billion metric tons, was down by 0.2% from the 2019 level of 1.84 billion metric tons.
  o China’s June 2020 production decreased by 5.6% from May to 93.9 million metric tons.
  o China’s total production in 2020, the last full year of available data, amounted to 1.0 billion metric tons, a 6.2% increase from the previous year.
Figure 7 – Monthly World Crude Steel Production

Figure 8 – Monthly Crude Steel Production - Major Producers
China’s share of total monthly world steel production stood at 56% in June 2021, accounting for over half of the monthly total world production, while the U.S. at 4% ranked fourth behind China, Japan, and India (counting the 27 member states of the EU separately, rather than as a single bloc).

Figure 9 – Share of World Crude Steel Production
• U.S. domestic steel capacity utilization has been trending up since May 2020 and in June 2021 reached the highest rate seen since 2008.
  o In June 2021, capacity utilization was estimated at 83%, an increase of 2 percentage points from 81% May.
  o Capacity utilization in June 2021 was up 26.2 percentage points from one year ago and up 7.9 percentage points from five years ago.
  o Overall capacity utilization in 2020 averaged 68.9%, down from the 2019 annual average of 79.3%.
  o June 2021 capacity utilization increased 28.4 percentage points from the recent low of 54.6% reached in May 2020 and increased 8.3 percentage points from the average for the past decade of 74.7%.

Figure 10 – U.S. Domestic Steel Capacity Utilization

• Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, increased 2.3% to 8.5 million metric tons in June 2021, from 8.3 million metric tons in May 2021.
  o June 2021 demand increased 30.5% from one year ago and is up 2.8% from five years ago.
  o Demand in June 2021 was 74.1% higher than April 2020, when steel demand, at only 4.9 million metric tons, was at its lowest level in recent years.
  o Steel demand in 2020 amounted to 81.1 million metric tons, an 18.3% decline from 99.4 million metric tons in 2019.
In June 21, import penetration for steel mill products, excluding semi-finished products, was 21.9%, an increase of 1.6 percentage points from May 2021. This also marks a 0.2 percentage point increase from the import penetration level one year ago. Import penetration in 2020 averaged 16.8%.
Industry Status

- The U.S. steel industry, as represented in the chart below, posted a combined net gain of $3.3 billion in Q2 2021.
  - According to publicly available figures, four out of five companies reported quarterly net gains.
  - Nucor reported the highest quarterly net profit at $1.5 billion, followed by U.S. Steel at $1.0 billion, Steel Dynamics at $702.3 million, and Commercial Metals Company at $130.4 million. Carpenter Technology reported a quarterly net loss of 57.1 million.
  - Between Q1 2009-Q2 2021, the group of steel companies monitored in the below chart collectively reported net earnings for 33 quarters.
  - The net income chart includes AK Steel (through Q3 2019), Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and U.S. Steel.

![Figure 13 - Steel Industry: Quarterly Net Income](image-url)
• Q2 2021 average share prices increased from Q1 2021 average share prices for three out of the four charted steel stocks.
  o Of the charted steel stocks, Steel Dynamic’s average share price saw the largest increase from the previous quarter at 48.1%, 44.6%, followed by U.S. Steel with an increase of 44.6%, and Arcelor Mittal with an increase of 30.9%. Nucor’s average share price saw a decrease at -98.4%.
  o Compared to the same quarter last year, two of the four charted steel stocks showed decreases in average share prices, with Arcelor Mittal decreasing by 100.0%, followed by Nucor decreasing 97.8%. U.S. Steel’s average share price increased by 221.7% and Steel Dynamics’ average share price increased by 127.6%.
  o Two of the four stocks underperformed compared to the S&P 500 between Q2 2020 and Q2 2021.
  o The stock chart monitors the trends of the S&P 500, US Steel, Nucor, Steel Dynamics, and ArcelorMittal quarterly share prices as indexed to average share prices in Q1 2009. The S&P 500 trend line serves as a basis upon which to compare the performance and relative movement of the U.S. steel industry (via stocks) to the broader U.S. market.

Figure 14 – Steel Stocks vs. S&P 500, Quarterly Average Share Price Activity
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