

NAFTA Steel Industry Pulse

North American Steel Trade Committee
Washington, DC
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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

Imports and Global Overcapacity Continue to Plague NAFTA Market

- Steel producers in North America continue to be plagued by unfairly traded imports from offshore
- Despite declines in offshore finished imports in 2015 and 2016, import market share continues to be elevated
- NAFTA remains one of the only regions with significant direct and indirect steel trade deficits
- Steel production and employment levels in NAFTA remain well below sustainable levels
- Despite the tireless efforts of NAFTA governments at the Global Forum on Steel Excess Capacity, global overcapacity continues to grow

NAFTA Macroeconomic Data

Weak Growth Continues to Plague North America

Gross Domestic Product (GDP)

	Percent Change (Y-O-Y)						
	2011	2012	2013	2014	2015	2016	2017f
U.S.	1.6	2.2	1.7	2.4	2.6	1.6	2.1
Canada	2.5	1.7	2.0	2.5	0.9	1.4	2.2
Mexico	4.0	4.0	1.4	2.2	2.5	2.3	1.7

Industrial Production (IP)

	Percent Change (Y-O-Y)						
	2011	2012	2013	2014	2015	2016	2017f
U.S.	2.9	2.8	2.0	3.1	-0.7	-1.2	1.7
Canada	3.8	0.9	1.8	4.0	-1.3	-0.3	4.3
Mexico	3.4	2.9	-0.5	2.7	1.0	0.0	1.4

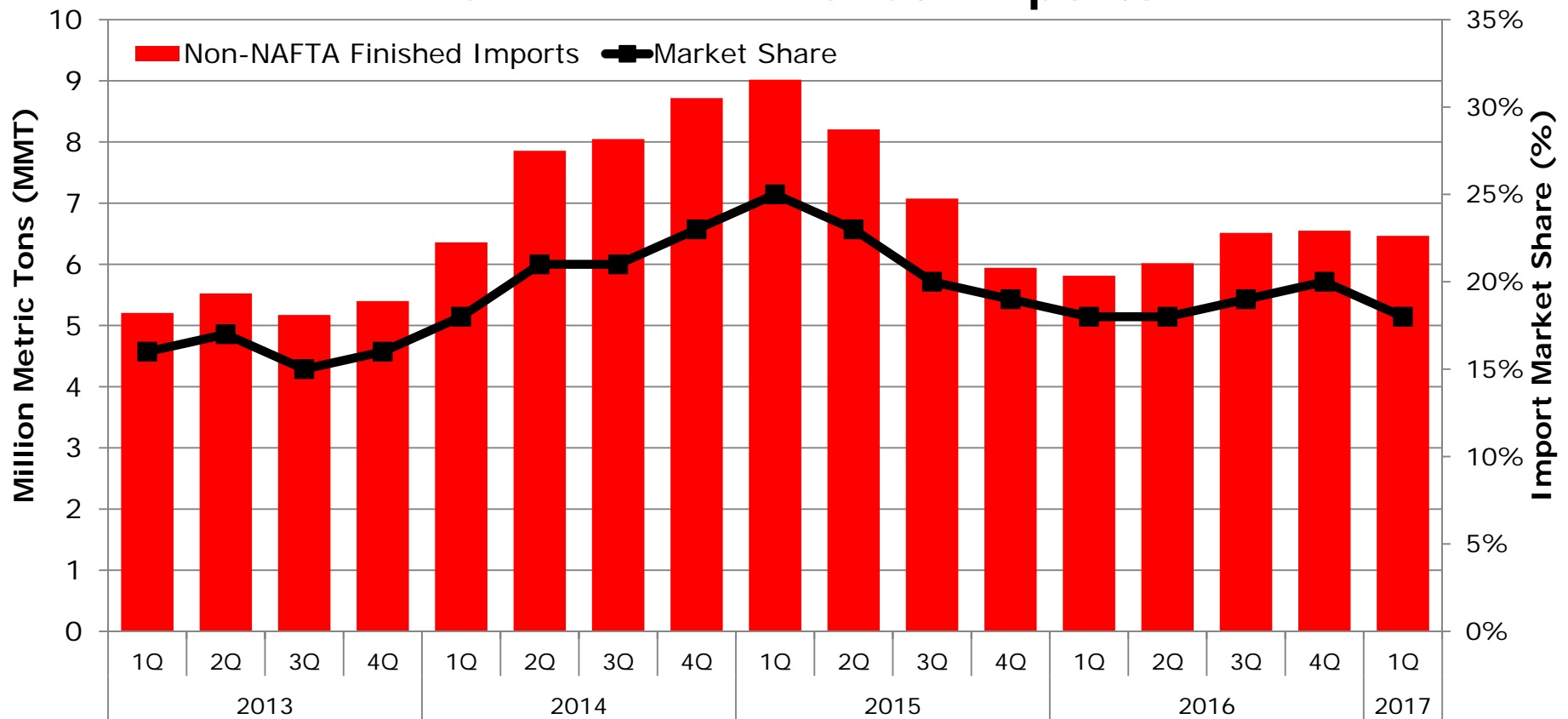
Source: Blue Chip (U.S. and Canada), Mexico Economic Outlook, Second Quarter 2016, BBVA Research
2017f = Forecast



Finished Imports Market Share Remains Elevated

Non-NAFTA Imports Increased on a Year-Over-Year Basis in 1Q17

Non-NAFTA Finished Imports

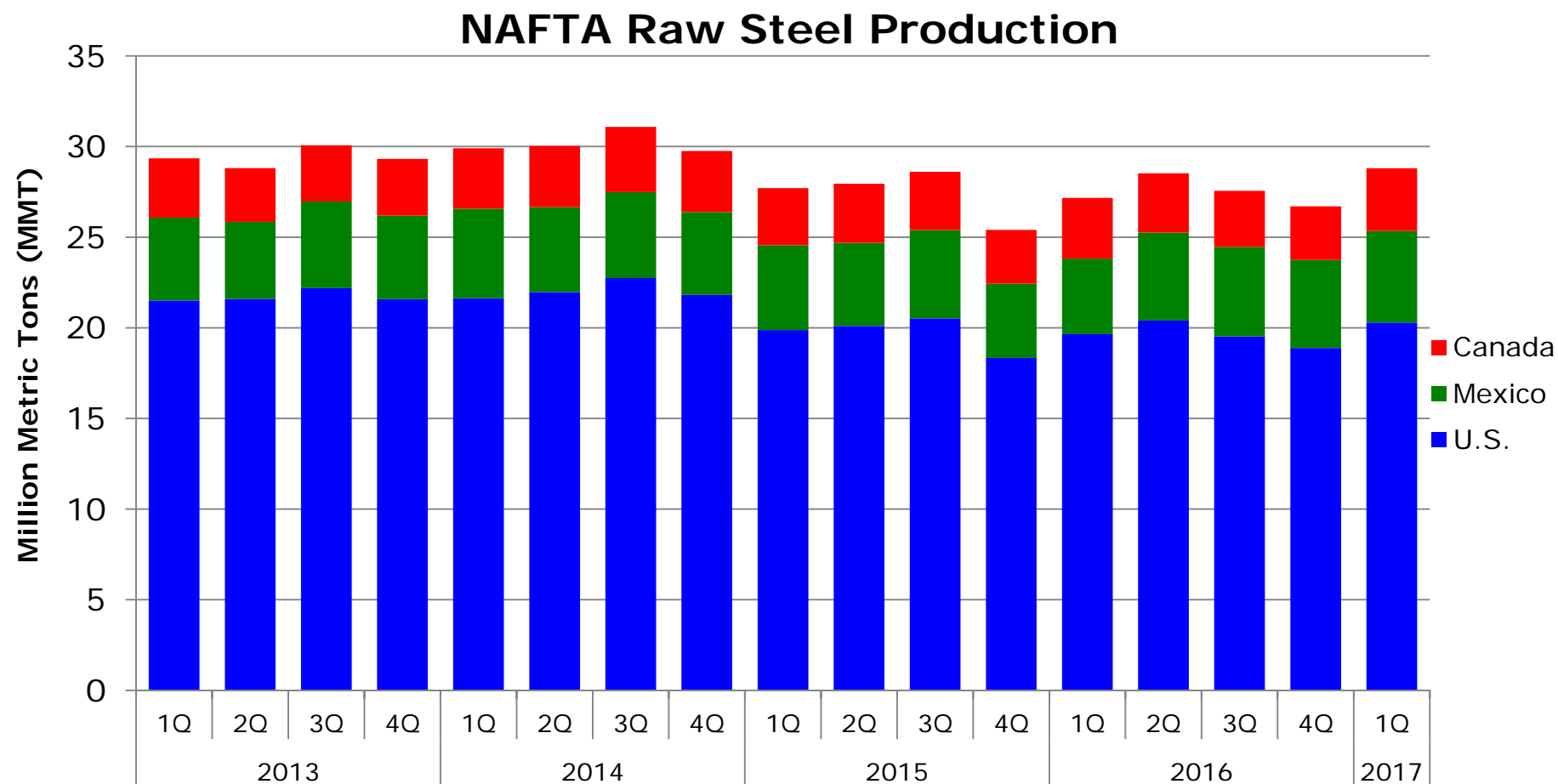


Offshore Finished Imports (MMT)	2013	2014	2015	2016	2017A
	21.3	30.9	30.2	24.9	25.9
Market Share %	16%	21%	22%	19%	18%

Source: U.S. Census Bureau (Census), Statistics Canada, AISI, Canacero 4



While NAFTA Raw Steel Production is at Its Highest Level in Over Two Years, It Still Remains Below 2014 Levels

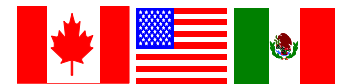
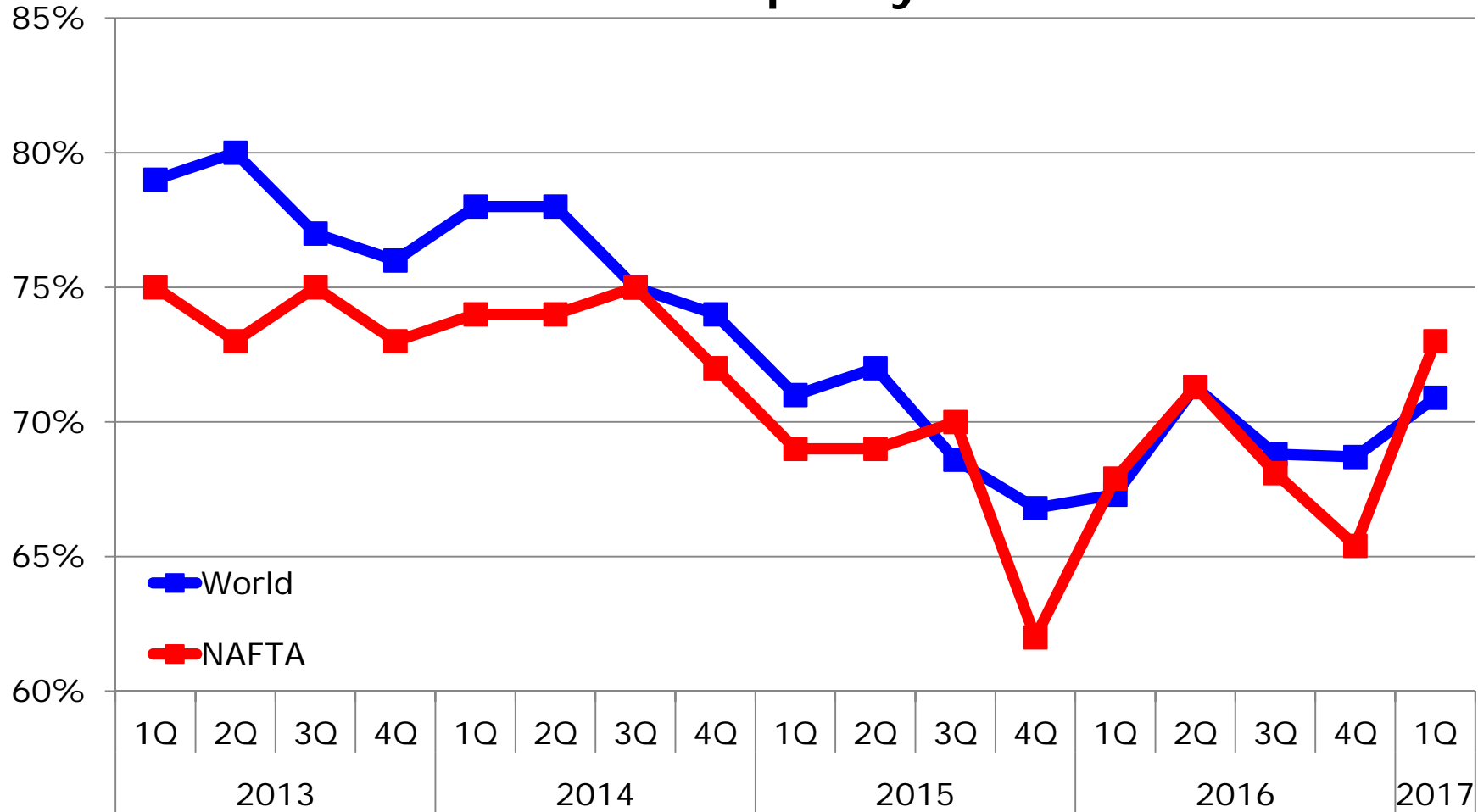


NAFTA Production (MMT)	2013	2014	2015	2016	2017 (A)
	117.6	120.8	109.7	109.9	115.2



Global Utilization Remains Weak as Overcapacity Continues to Plague World Markets

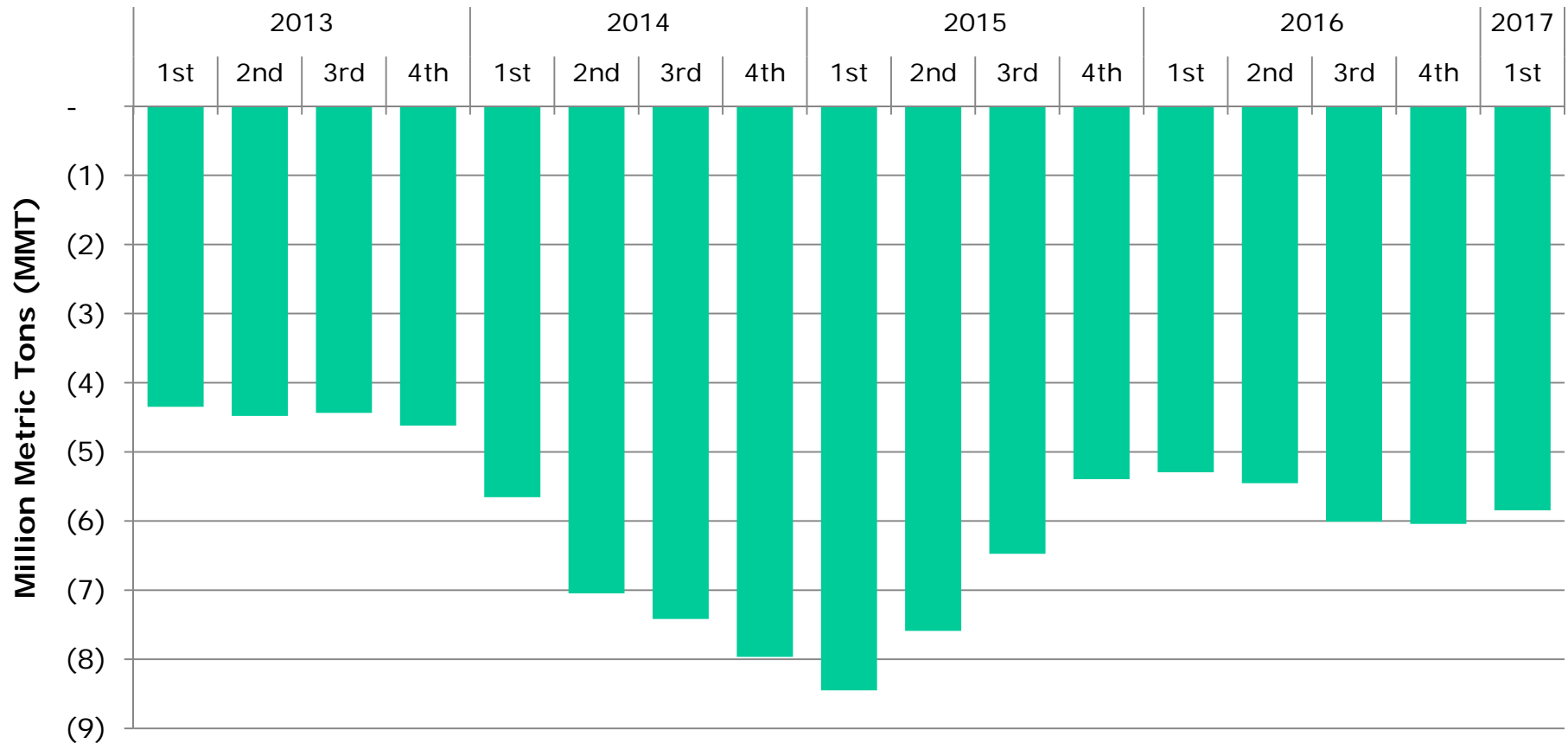
World and NAFTA Capacity Utilization Rates



NAFTA Direct Steel Trade Deficit

2017 Annualized Deficit Likely to Surpass 23 Million MT

NAFTA Finished Steel Trade Deficit



NAFTA Direct Steel Trade Deficit (MMT)	2013	2014	2015	2016	2017A
	-17.9	-28.1	-27.9	-22.8	-23.4

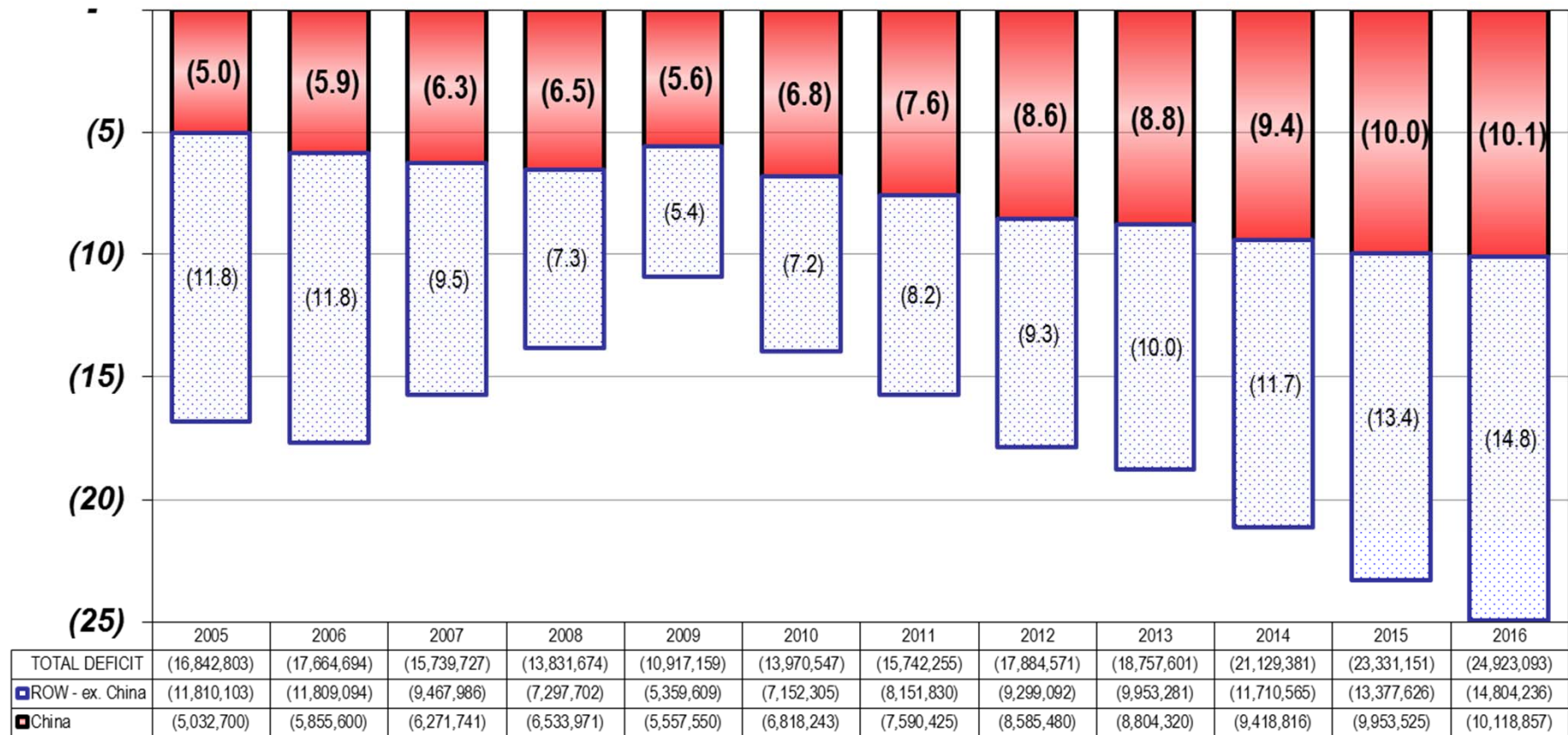


NAFTA Indirect Steel Trade

NAFTA Steel Trade Deficit in Manufactured Goods Nearly 25 Million MT in 2016

Steel Content
Million MT

NAFTA INDIRECT STEEL TRADE DEFICIT WITH CHINA and ROW



Growth of NAFTA Steel Consumption in 2017 Below 2014 Levels

Million MT	2011	2012	2013	2014	2015	% Change Y-O-Y	2016	% Change Y-O-Y	2017f	% Change Y-O-Y
Canada	14.2	15.6	14.8	15.8	13.3	-15.4	15.2	+13.0	15.1	-0.5
Mexico	19.8	20.9	20.6	23.4	24.8	+6.0	25.4	+2.5	25.7	+1.4
United States	89.2	96.2	95.7	107.0	96.1	-10.1	91.6	-4.6	94.3	+3.0

Spring 2017 Outlook For NAFTA Region

Apparent Finished Steel Use (ASU)

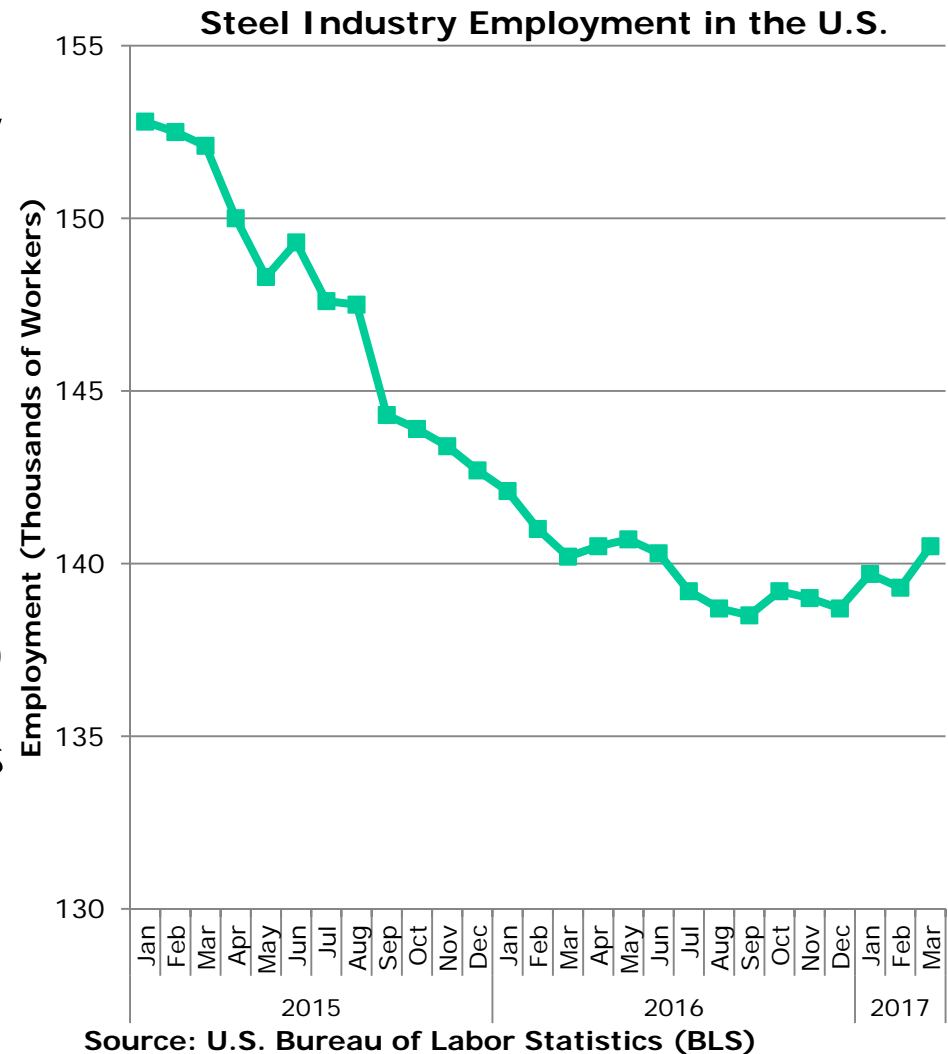
Million MT	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017f
Finished Steel	155.7	141.7	130.5	83.5	111.2	123.2	132.7	131.1	146.2	134.2	132.2	135.1

2016 ASU in NAFTA declined by 1.5 percent, while 2017 forecast remains well below 2006-07 consumption



Impact of Global Steel Overcapacity and Steel Import Surges

- Between January 2015 and December 2016, steel industry employment in the U.S. declined by more than 14,000 workers; only 2,000 jobs have returned so far in 2017
- Multiple U.S. facilities remain idled, including raw steelmaking and finishing mills
- Two major Canadian steel producers (Stelco and Algoma) continue to operate under Canada's Companies' Creditors Arrangement Act (CCAA)
- Mexican steel producers continue to see increases in imports, while production barely grows



International Efforts to Reduce Global Steel Overcapacity

- The NAFTA governments have demonstrated continued leadership in coordinating with governments worldwide on efforts to address the global steel overcapacity crisis
- Industry appreciates the tireless work that the NAFTA governments have done on our behalf to apply international pressure to address overcapacity through multilateral forums, including the Global Forum
- Industry's primary goal remains the establishment of verifiable international commitments to reduce excess capacity, including (a) permanent closures of capacity in China and elsewhere and (b) eliminating government interference through subsidies, state-ownership, etc. in the steel industry

Strengthening Trade Remedy Regimes in Each NAFTA Country

- NAFTA steel producers continue to advocate for strong trade remedy regimes in all three North American countries to ensure that unfairly traded steel imports are shut out of the entire NAFTA market
- Industry in each country is working on specific tools to address the effects of global steel overcapacity
 - Canada – Trade Remedy Modernization through Budget 2017 included significant improvements
 - Mexico – Continued work on legislative/regulatory adjustments to align with trade remedies of NAFTA partners
 - U.S. – Full implementation of ENFORCE Act and Executive Orders to address trade remedies

Preserving China's Status as a Non-Market Economy (NME)

- The NAFTA steel industry continues to argue that China remains a non-market economy (NME) for antidumping purposes
- Industry believes that NAFTA governments must maintain current NME methodologies and not act unilaterally to grant China market economy status (MES)
- Governments must encourage our key trading partners (EU, Brazil, others) to treat China as an NME until developments in China warrant MES treatment
- China must be encouraged to implement market-based reforms, including removing government interference in the steel industry and requiring steel producers to operate in accordance with basic market principles

Strengthening and Modernizing NAFTA is Critical to the Success of North American Steel Producers

- Trade in steel products between NAFTA countries has increased 117.2 percent since the agreement entered into force in 1994; 88 percent of all North American steel exports are to NAFTA partners
- NAFTA significantly benefits all three industries, including by strengthening supply chains with key customer groups
- Key priorities for NAFTA modernization include:
 - Strengthen rules of origin and enhance regional value content requirements
 - Promote trade enforcement cooperation and coordination
 - Establish enforceable currency disciplines
 - Establish disciplines governing conduct of state-owned enterprises
 - Improve customs procedures operation and procedures, as well as upgrade border infrastructure

Working with NAFTA Governments

on Issues of Strategic Importance

- Continue to focus efforts on addressing global overcapacity
- Defend China's treatment as an NME at the WTO and continue to push for support among key allies
- Increase effectiveness of domestic trade remedies by enforcing and improving our current trade laws
- Modernize NAFTA to ensure increased demand for North American steel
- Ensure NAFTA governments work together on trade remedy developments and at the WTO
- Address market-distorting practices, including currency manipulation and raw material export restrictions
- Ensure free trade agreements benefit the NAFTA steel industry and supply chains