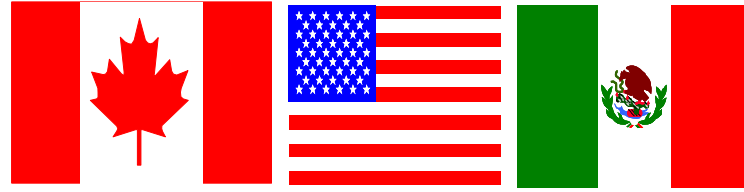


North American Steel Industry: Trends in Steel-Consuming Industries – NAFTA Indirect Steel Trade and Key Policy Challenges

**North American Steel Trade Committee
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North America's Indirect Steel Trade with the Rest of the World (ROW)

2005 - 2016

Prepared by
American Iron and Steel Institute
May 2017

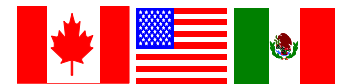
NAFTA Indirect Steel Trade

- “Indirect” steel trade constitutes imports and exports of steel-containing goods, expressed in tons of steel. This report provides an analysis of imports and exports of steel-containing manufactured goods into and out of the NAFTA region, excluding intra-NAFTA trade flows.
- The data are presented in total and by major consuming market and world region. Market categories are automotive, machinery, construction, appliance and all other.
- Values are provided for data in U.S. dollars as well as for metric tons (MT) of steel content. Trade values are provided by the Secretary of Economy of Mexico, Statistics Canada, and U.S. Census Bureau (as retrieved from Global Trade Information Service).
- Steel content is calculated using coefficients developed from an analysis of the U.S. Department of Commerce (DOC) Census of Manufacturing for steel-intensive NAICS (North American Industry Classification System) codes. The value of steel content from these surveys is converted to tons of steel using annual data for global steel product prices, currency exchange rates and DOC inflation indexes. Categorization of trade data by economic sector is based on NAICS definitions. Trade data are reconciled with NAICS definitions using DOC concordances.
- Standard protocol is followed in using recorded imports as the basis for trade values between individual countries.



2016 NAFTA Indirect Steel Trade Overview

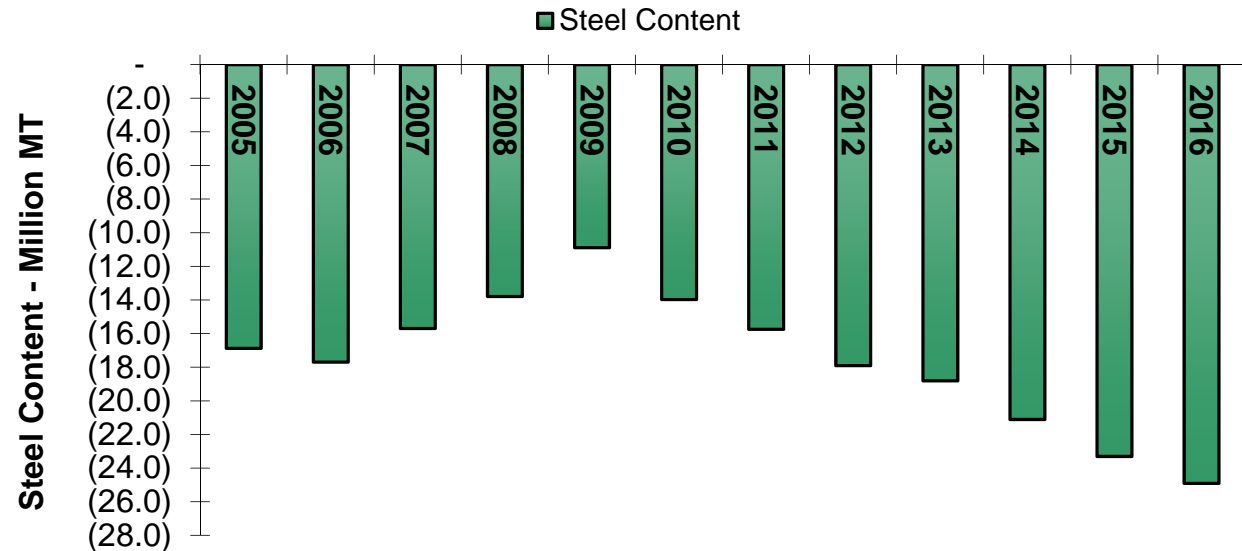
- The NAFTA indirect steel trade deficit was 24.9 million MT in 2016, 6 percent higher than the 2015 deficit of 23.3 million MT
- In 2016, NAFTA indirectly imported more than three tons of steel for every ton it indirectly exported
 - NAFTA indirect steel imports increased by 1.1 percent to 36.7 million MT in 2016. Most indirect imports from outside the region went to the U.S. market (76 percent of the total)
 - NAFTA indirect steel exports decreased by 9 percent to 11.7 million MT in 2016. About 85 percent of North America's indirect steel exports were manufactured in the U.S.
- Two-thirds of the 2016 NAFTA indirect steel trade deficit was attributable to the region's net imports of automotive (vehicles and parts) and machinery products. Deficits also occurred in the construction, appliance and other indirect categories
- More than 40 percent of the 2016 NAFTA indirect steel trade deficit was with China



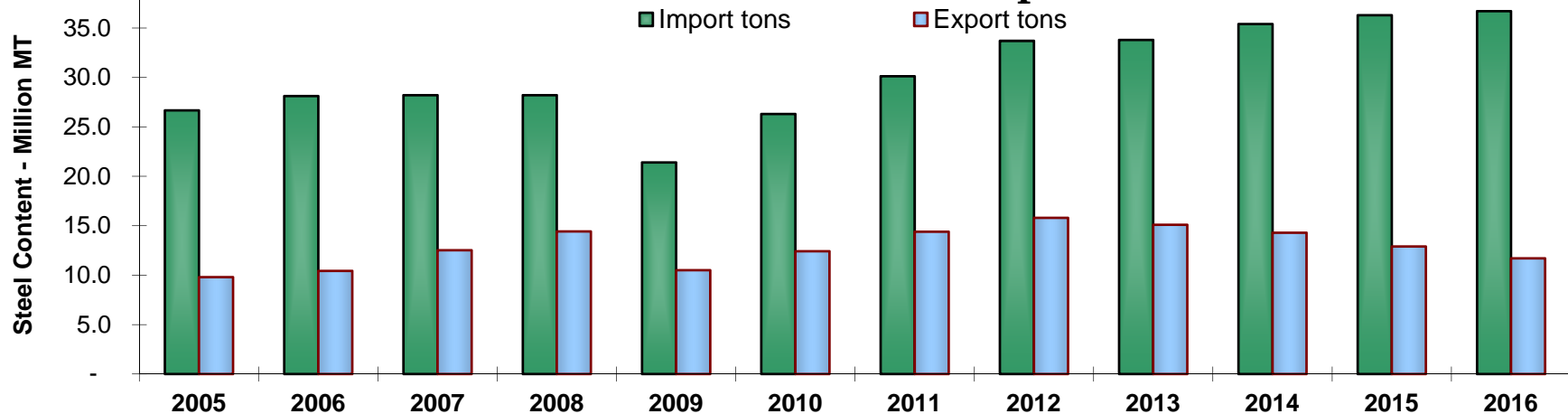
NAFTA Indirect Steel Trade Balance

The NAFTA indirect steel trade deficit of 24.9 million MT in 2016 was 6% higher than the 2015 deficit of 23.3 million MT. The deficit is now 49% above the 16.8 million MT 2005-2007 pre-recession annual average.

Indirect Steel Trade - Total Deficit

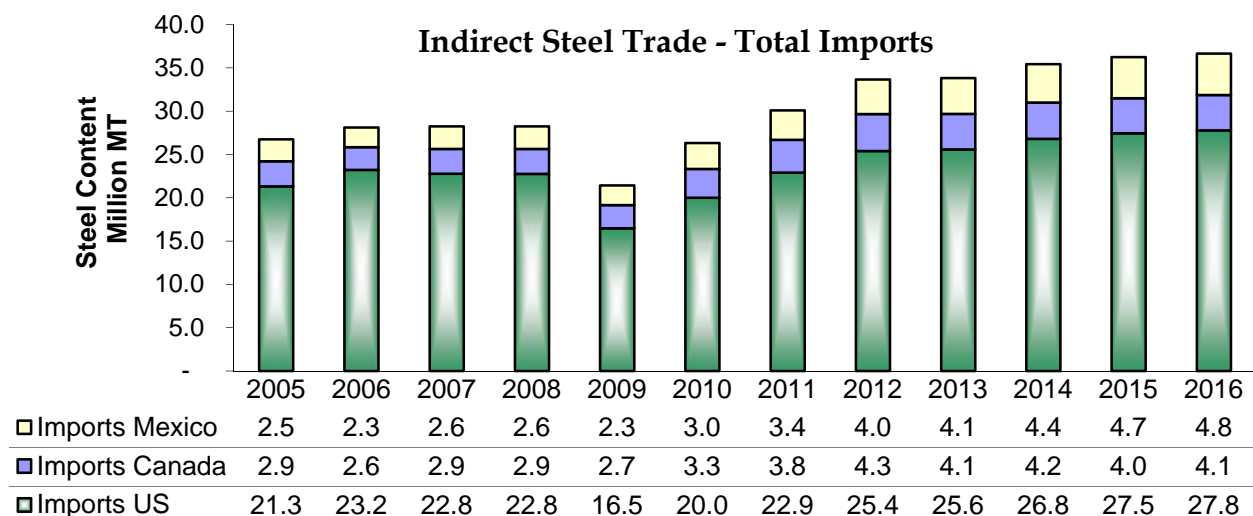


Indirect Steel Trade - Components

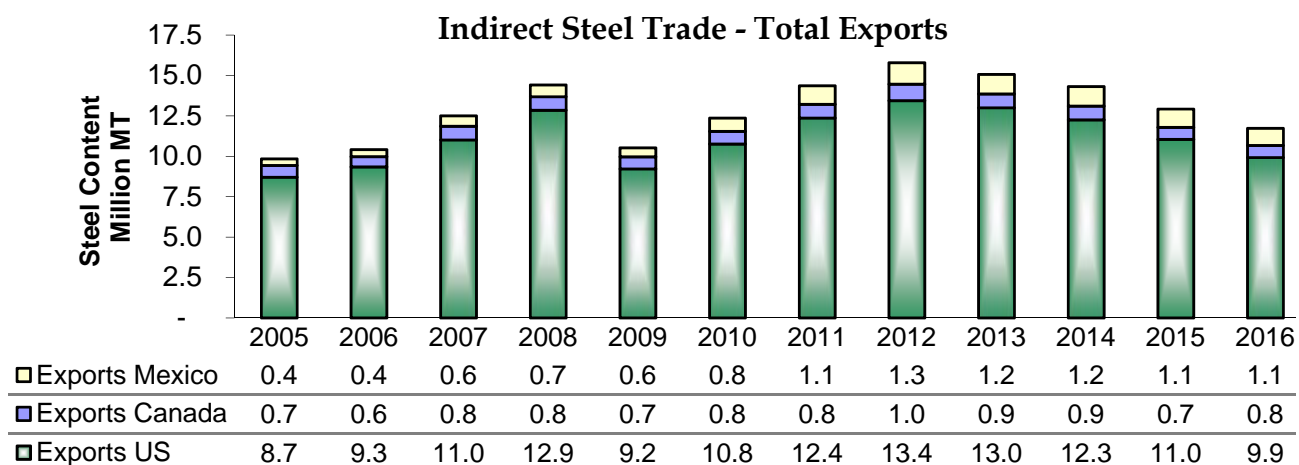


NAFTA Indirect Steel Trade Balance

Most 2016 indirect steel imports from outside the region went to the U.S. market (76% of the NAFTA total). In 2016, indirect steel imports from the ROW into the U.S., Canadian and Mexican markets increased by 1.2%, 1.1% and 0.6%, respectively, vs. 2015, all above pre-recession volumes.



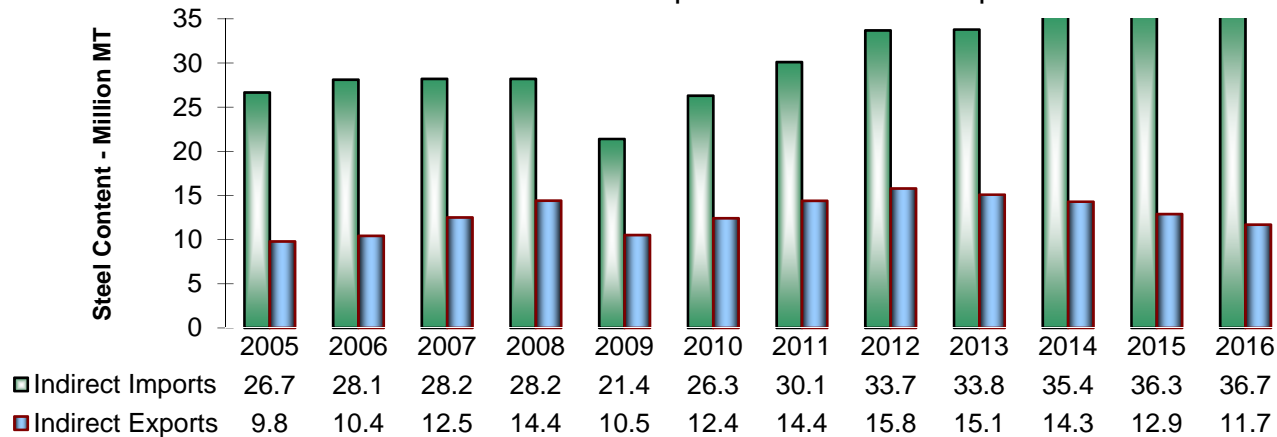
About 85% of North America's indirect steel exports to the ROW are manufactured in the U.S. While NAFTA indirect steel exports to the ROW decreased by 9% in 2016, imports continued to increase as noted above. In 2016, NAFTA imported more than 3 MT of steel containing goods for every 1 MT it exported.



NAFTA Indirect Steel Trade Balance with ROW

Indirect Steel Trade - ROW

■ Indirect Imports ■ Indirect Exports



About 67% of the 2016 NAFTA indirect steel trade deficit with the ROW is attributable to the region's net imports of automotive (vehicles and parts) and machinery products. Deficits also occur in the construction, appliance and other indirect categories.

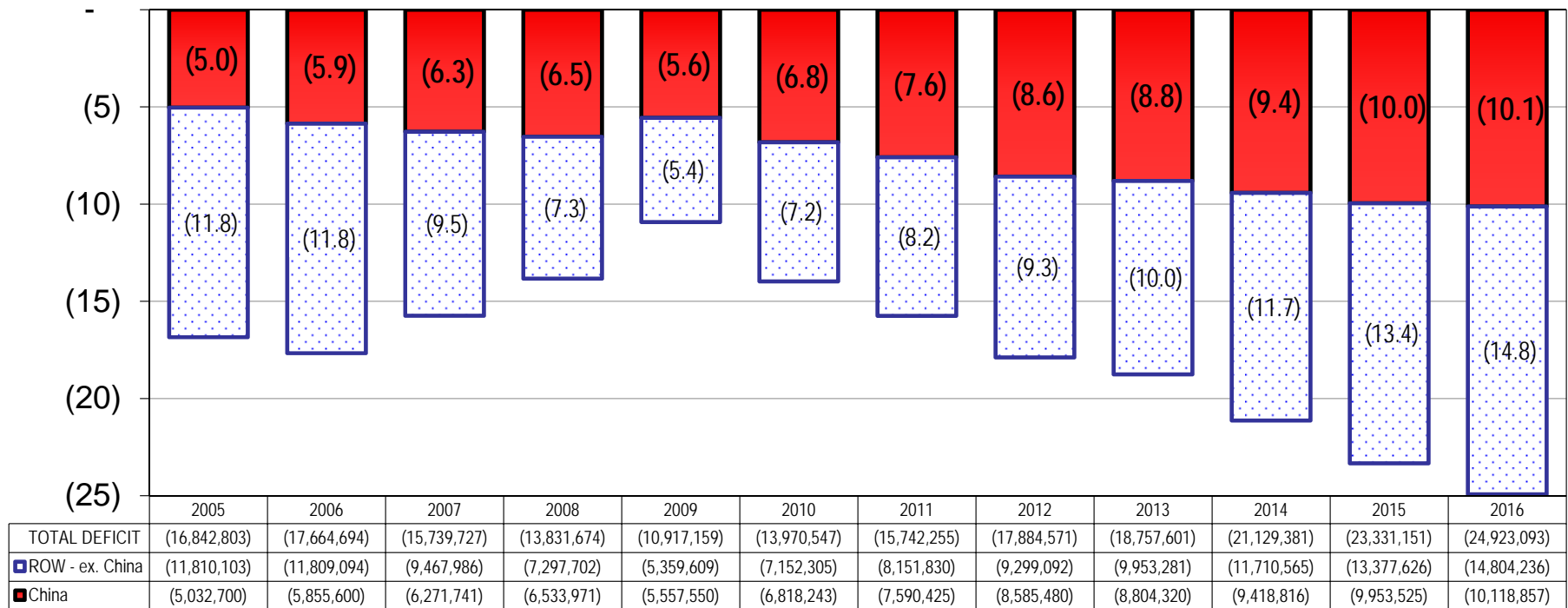
NAFTA Balance w/ ROW Steel Content Million MT	2012	% of total	2013	% of total	2014	% of total	2015	% of total	2016	% of total
Automotive	-5.8	33%	-5.7	31%	-6.2	29%	-6.8	29%	-7.1	28%
Machinery	-5.5	31%	-6.1	33%	-7.9	37%	-8.8	38%	-9.7	39%
Construction	-1.3	7%	-1.1	6%	-1.4	6%	-1.6	7%	-1.9	8%
Appliance & Utensils	-1.4	8%	-1.7	9%	-1.9	9%	-2.0	9%	-2.1	8%
Other Indirect Markets	-3.8	21%	-4.1	22%	-3.9	18%	-4.2	18%	-4.1	16%
ROW total	-17.9	100%	-18.8	100%	-21.1	100%	-23.3	100%	-24.9	100%



NAFTA Indirect Steel Trade Deficit

Steel Content
Million MT

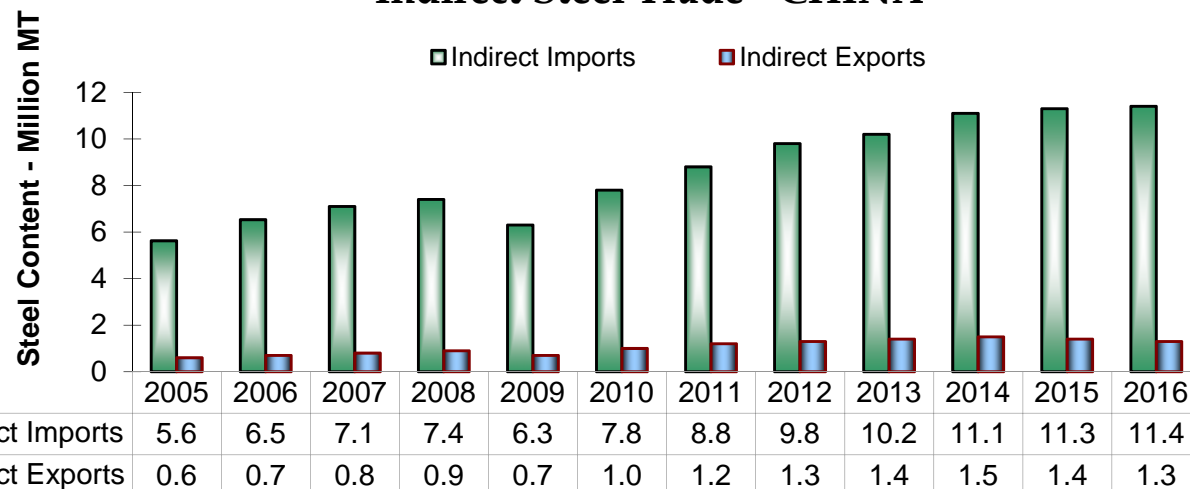
NAFTA INDIRECT STEEL TRADE DEFICIT WITH CHINA and ROW



Nearly 41% of the 2016 total NAFTA indirect steel trade deficit was with one country – China. The great recession reduced the NAFTA region’s consumption of steel-containing Chinese goods only briefly. The region’s indirect steel trade deficit of 10.1 million MT of goods manufactured in China in 2016 was an all-time high.

NAFTA Indirect Steel Trade Deficit with China

Indirect Steel Trade - CHINA



The NAFTA region's indirect steel imports from China (11.4 million MT in 2016) are nearly nine times the volume of North America's indirect steel exports to China (1.3 million MT in 2016.)

China Indirect Steel Deficit By Product Type	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Automotive	(431.5)	(556.2)	(630.6)	(668.5)	(601.6)	(688.4)	(786.0)	(944.2)	(832.3)	(922.9)	(936.1)	(831.5)
Machinery	(1,554.6)	(1,790.4)	(1,937.3)	(2,024.7)	(1,768.4)	(2,301.4)	(2,608.9)	(3,062.5)	(3,180.0)	(3,396.8)	(3,563.7)	(3,776.9)
Construction	(484.7)	(654.9)	(756.8)	(857.4)	(669.2)	(727.8)	(857.9)	(1,006.6)	(899.3)	(1,015.5)	(1,134.4)	(1,200.8)
Appliance & Utensils	(732.7)	(817.4)	(864.5)	(865.7)	(792.4)	(939.2)	(963.3)	(1,061.8)	(1,284.7)	(1,506.2)	(1,598.5)	(1,533.4)
Other Indirect Markets	(1,829.2)	(2,036.7)	(2,082.6)	(2,117.7)	(1,725.9)	(2,161.5)	(2,374.5)	(2,510.5)	(2,608.0)	(2,577.3)	(2,720.9)	(2,776.3)
CHINA total	(5,032.7)	(5,855.6)	(6,271.7)	(6,534.0)	(5,557.6)	(6,818.2)	(7,590.4)	(8,585.5)	(8,804.3)	(9,418.8)	(9,953.5)	(10,118.9)

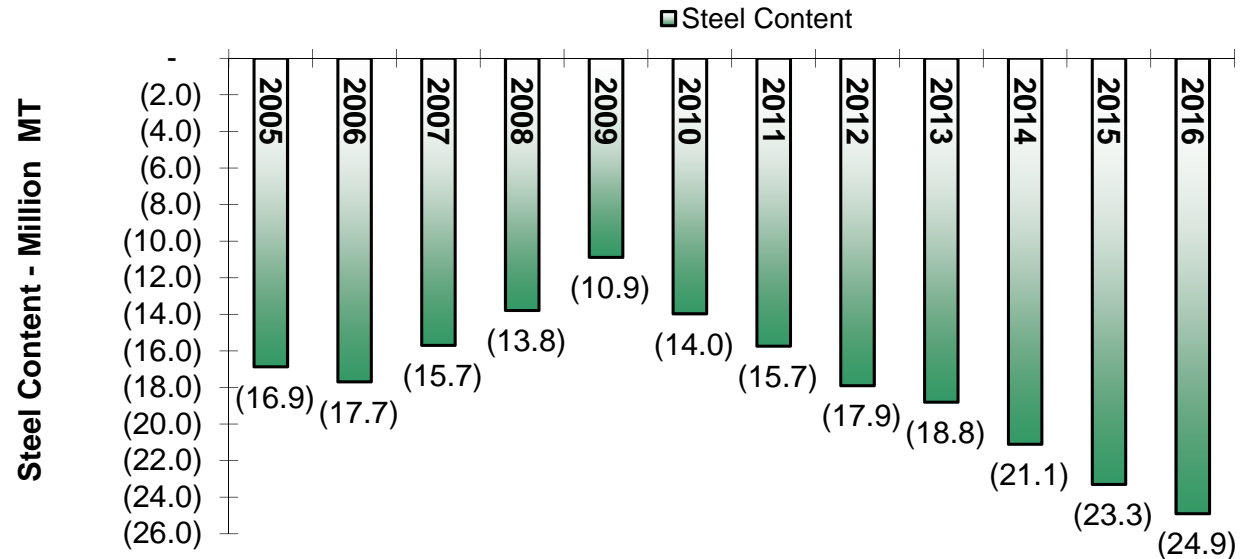


NAFTA Region Indirect Steel Trade Deficit: Summary

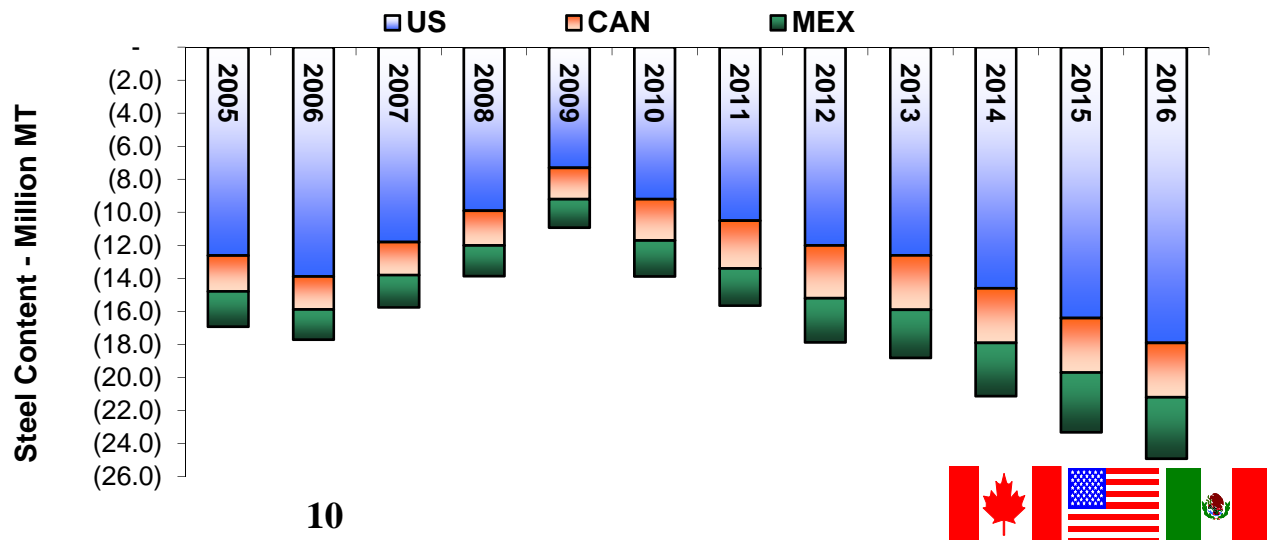
In sum, the NAFTA region in 2016 ran a 24.9 million MT indirect steel trade deficit with the ROW. NAFTA demand for steel mill products was 133.7 million MT in 2016. The region's indirect steel trade deficit with the ROW in 2016 was equivalent to almost 19% of steel mill product demand in North America.

All three NAFTA countries continue to run large indirect steel trade deficits with the ROW. In 2016, the U.S. accounted for 72% of the region's total indirect steel trade deficit with the ROW -- compared to 13% and 15% for Canada and Mexico, respectively.

NAFTA Indirect Steel Trade - ROW Deficit



Indirect Steel Trade - ROW Deficit



NAFTA Indirect Steel Trade and Key Policy Challenges: Summary

- The NAFTA steel industry remains concerned about the large and chronic indirect steel trade deficits that North America continues to run with the rest of the world – deficits that cost jobs in North America, and which reduce NAFTA economic growth rates and NAFTA steel producer gains
- We support the goals of: (1) significantly increasing the NAFTA region's exports of manufactured goods to the ROW; and (2) global structural rebalancing, i.e., the need to reduce and eliminate North America's huge manufacturing trade deficits with other world regions
- These consistently high NAFTA indirect steel trade deficits with the ROW are in part the result of a wide array of trade-distorting industrial policies of other governments, which have created and perpetuated an un-level international playing field for manufacturers in the NAFTA region
- Three key examples of the challenges NAFTA steel and other manufacturers face are currency manipulation, massive subsidies and raw material export barriers by other governments
- NAFTA steel producers see an intrinsic link between trade enforcement against unfairly traded imports and trade promotion to boost NAFTA exports to other world regions