U.S. Steel Market Outlook

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November 30, 2018
Agenda

• ArcelorMittal introduction
• U.S. steel industry performance and trade
• Global steel industry
• Review of steel markets
About ArcelorMittal

- World's leading steel and mining company with about 199,000 employees in 60 countries

- Recognized leader in all major global steel markets, including automotive, construction, household appliances and packaging, with leading R&D and technology, as well as sizeable captive supplies of raw materials and outstanding distribution networks

- An industrial presence in 19 countries exposes the company to all major markets, from emerging to mature

- Values geographical breadth, product diversity and raw material security

2017 Crude Steel Production

- ACIS: 16%
- NAFTA: 25%
- Brazil: 12%
- Europe: 47%
ArcelorMittal in the United States

ArcelorMittal has facilities, offices and joint venture partnerships in 14 states and the District of Columbia.
Steel demand in the U.S. continues to improve but remains below pre-recession levels.

U.S. Apparent Steel Consumption: 1998-2018

Source: AISI, AMUSA Marketing; 18E based on YTD September annualized
Varying levels of demand performance among the major steel products has led to prolonged recovery.

### Flat Roll Products
- **All Charts in M tons**
  - **Flat**
  - **2003-2007 Avg**
  - **-6%**

### Long Products
- **Long**
- **2003-2007 Avg**
- **-18%**

### Pipe & Tube
- **P&T**
- **2003-2007 Avg**
- **+11%**

Source: AISI, Images from WorldSteel, AMUSA Marketing, 2018E based on YTD Sep annualized; % represents percentage of 2017 US steel consumption
Section 232 steel tariffs

• **April 19, 2017**: Commerce initiates 232 investigation

• **Jan 11, 2018**: Report given to President affirming that steel is important to national security and hurt by imports

• **March 8, 2018**: Presidential Proclamation of 25% tariff on all imports effective March 23
  – Canada, Mexico, EU to be exempt temporarily while negotiations continue

• **Country-level exemptions**: Korea, Argentina and Brazil agree to quotas in place of tariffs; Australia given full exemption with no quota

• **Product exemptions**: process put in place for U.S. manufacturers to apply for one year waiver

• **June 1, 2018**: 25% tariff put in place for Canada, Mexico, and EU
  – Retaliatory tariffs announced on domestic steel exports and other goods

• **August 10, 2018**: President announces Turkey’s tariff rate will be doubled to 50%

Sources: Dept of Commerce, Customs & Border Protection, AMUSA Marketing
The “Why” Behind Section 232

U.S. Monthly Raw Steel Capacity Utilization
Jan 2005-Mar 2017

U.S. Quarterly Flat Roll Imports & Market Share
Jan 2011-Mar 2017

Source: AISI, AMUSA Marketing
# Section 232 Scope

## 2017 Carbon Flat Roll Imports (M tons)

<table>
<thead>
<tr>
<th>Country</th>
<th>Imports (M tons)</th>
<th>Tariff Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>3.2</td>
<td>25% Tariff</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.9</td>
<td>25% Tariff</td>
</tr>
<tr>
<td>EU</td>
<td>1.3</td>
<td>25% Tariff</td>
</tr>
<tr>
<td>Turkey</td>
<td>0.8</td>
<td>50% Tariff</td>
</tr>
<tr>
<td>South Korea</td>
<td>1.1</td>
<td>Absolute Quota: 70% of 2015-2017 Avg</td>
</tr>
<tr>
<td>Australia</td>
<td>0.3</td>
<td>Full Exemption</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.4</td>
<td>Absolute Quota: Avg 2015-2017 imports of 70% for finished and 100% for semi’s</td>
</tr>
<tr>
<td>Argentina</td>
<td>0.0</td>
<td>Absolute Quota: 135% of 2015-2017 Avg</td>
</tr>
<tr>
<td>Others</td>
<td>3.5</td>
<td>25% Tariff</td>
</tr>
</tbody>
</table>

### Source:
CBP, AISI, AMUSA Marketing
Industry utilization approaches 80%; Flat Roll mills at higher utilization

U.S. Monthly Raw Steel Capacity Utilization
Jan 2005-Sep 2018

Source: AISI
Imports have been volatile since S232 investigation was announced.

U.S. Quarterly Flat Roll Imports & Market Share
Jan 2011-Sep 2018

Source: AISI, AMUSA Marketing
Exports are cooling on high domestic prices and retaliatory tariffs

Other Impacts:

- Steel prices increased significantly post-232 but have weakened since Summer.
- Idled domestic capacity has been restarted.
- Domestic mills have announced new investments to increase future capacity.

Source: AISI, AMUSA Marketing
The Global Steel Industry is Performing Well in 2018

2018 Crude Steel Production by Month: Y/Y % Change

All major steel producing regions have increased production YTD 2018. Global steel production is up 5% y/y.

Source: World Steel Association
What does 5% growth look like?

**Annual 5% Change in Raw Steel Production**

M metric tons

Just 5% growth in China is equivalent to adding $\frac{1}{2}$ of the entire U.S. industry.

Source: World Steel Association, AMUSA Marketing
The impact of China on the global industry

Crude Steel Production: 2000-2017

M metric tons

Source: World Steel Association
US industry’s position among world’s top steel-producing countries has declined

Source: World Steel Association

2000-2019 Apparent Steel Consumption (Finished Steel)

Source: World Steel Association, Oct 2018 Short Range Outlook
Review of steel markets
Steel Consuming Markets

Estimated 2017 Steel Consumption by End-use Market

Construction and Automotive industries are the top consumers of steel in the US. About 35% of purchase flow through distribution before reaching final customer.

Source: AISI Profile 2018, AMUSA Marketing
Construction likely near peak; Infrastructure spending could help future steel demand

Construction Spending
Billion $, SAAR

Source: FRED, Dodge, AMUSA Marketing
Auto demand remains at strong levels

U.S. Motor Vehicle- Industrial Production Index
Jan 2004-Oct 2018

Things to Watch
✓ USMCA – changes to domestic content requirements
✓ 232 report due in February
✓ Fuel economy standards

Source: FRED, AMUSA Marketing
Recovery in machinery demand has boosted Plate and Hot Roll shipments

**US Machinery - Industrial Production Index**
Jan 2014- Oct 2018

- Agricultural
- Construction
- Mining & Oil/Gas

**Y/Y % Change in Apparent Steel Consumption**
- Hot Roll
- Plate

Source: FRED, AISI, AMUSA Marketing
Energy pipe & tube demand grows with pipeline investment; US pipe mills looking to gain share

U.S. Oil & Gas Rig Count and Oil Price Forecast
Jan 2014-Dec 2019

Reduction in import share would have big impact for domestic pipe & tube producers

U.S. Energy Pipe & Tube Imports
(Millions of Tons)

39% of imports from S. Korea in 2014 vs 25% in 2018

Source: Baker Hughes, EIA Short Term Outlook (Nov’18), AISI, AMUSA Marketing
Positive manufacturing sentiment providing healthy backdrop for distribution demand

Steel Service Center Shipments vs. IP Durable Manufacturing
Jan 2014- Oct 2018

Service Center shipments up 5% YTD 2018

Source: FRED, MSCI, AMUSA Marketing
2019 Outlook

• U.S. steel demand anticipated to post growth of 1-2% in 2018 and 2019. Underpinning growth in steel consumption is the healthy US economy which should continue to expand in 2019.
  – Trade tensions, inflation and rising interest rates top downside risks for the year given potential impact on manufacturing output and consumer demand

• Most major steel markets are projecting flat or higher growth in 2019. Construction, the biggest market for steel, is likely nearing its cyclical peak.

• Although not approved by Congress, USMCA brings more certainty to North America economies, particularly as related to automotive production. Steel tariffs imposed by Section 232 remain in effect for Canada and Mexico but could be eliminated or replaced by quotas in the short term.

• Steel imports have trended lower following Section 232 tariffs but remain above historical market share levels. Imports will evolve based on trade remedies and global pricing dynamics. Global steel demand is expected to increase in 2019.

• Supply by US steel mills is increasing with restart of idled capacity and new investments.

Source: AISI, World Steel Association, AMUSA Marketing
Thank you