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U.S. Steel Market Outlook

Amy Ebben
ArcelorMittal USA
November 30, 2018



Agenda

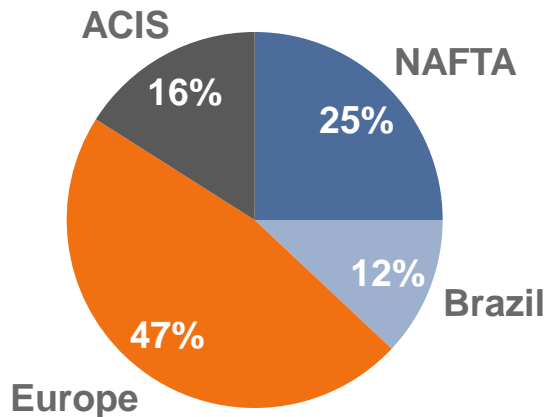
- ArcelorMittal introduction
- U.S. steel industry performance and trade
- Global steel industry
- Review of steel markets



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



ArcelorMittal in the United States



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Steelmaking

- 1 Burns Harbor/
Burns Harbor Plate
- 2 Cleveland
- 3 Coatesville
- 4 Indiana Harbor
- 5 Riverdale
- 6 Steelton

Cokemaking

- 7 Monessen
- 8 Warren

Mining

- 9 Hibbing*
- 10 Minorca
- 11 Princeton

Finishing

- 12 AM/NS Calvert*
- 13 Columbus
- 14 Conshohocken
- 15 Double G Coatings*
- 16 Gary Plate
- 17 I/N Tek and
I/N Kote*
- 18 Piedmont
- 19 Weirton

Tailored Blanks

- 20 Dearborn*
- 21 Detroit
- 22 Montezuma*
- 23 Pioneer
- 24 Tonawanda*

Tubular

- 25 Marion
- 26 Shelby

Offices

- 27 Chicago
corporate office
- 28 Nashville
- 29 Detroit/Southfield
- 4 East Chicago R&D
- 30 Richfield
- 31 Houston
- 32 The Woodlands
- 33 Washington, D.C.
(Government
relations)

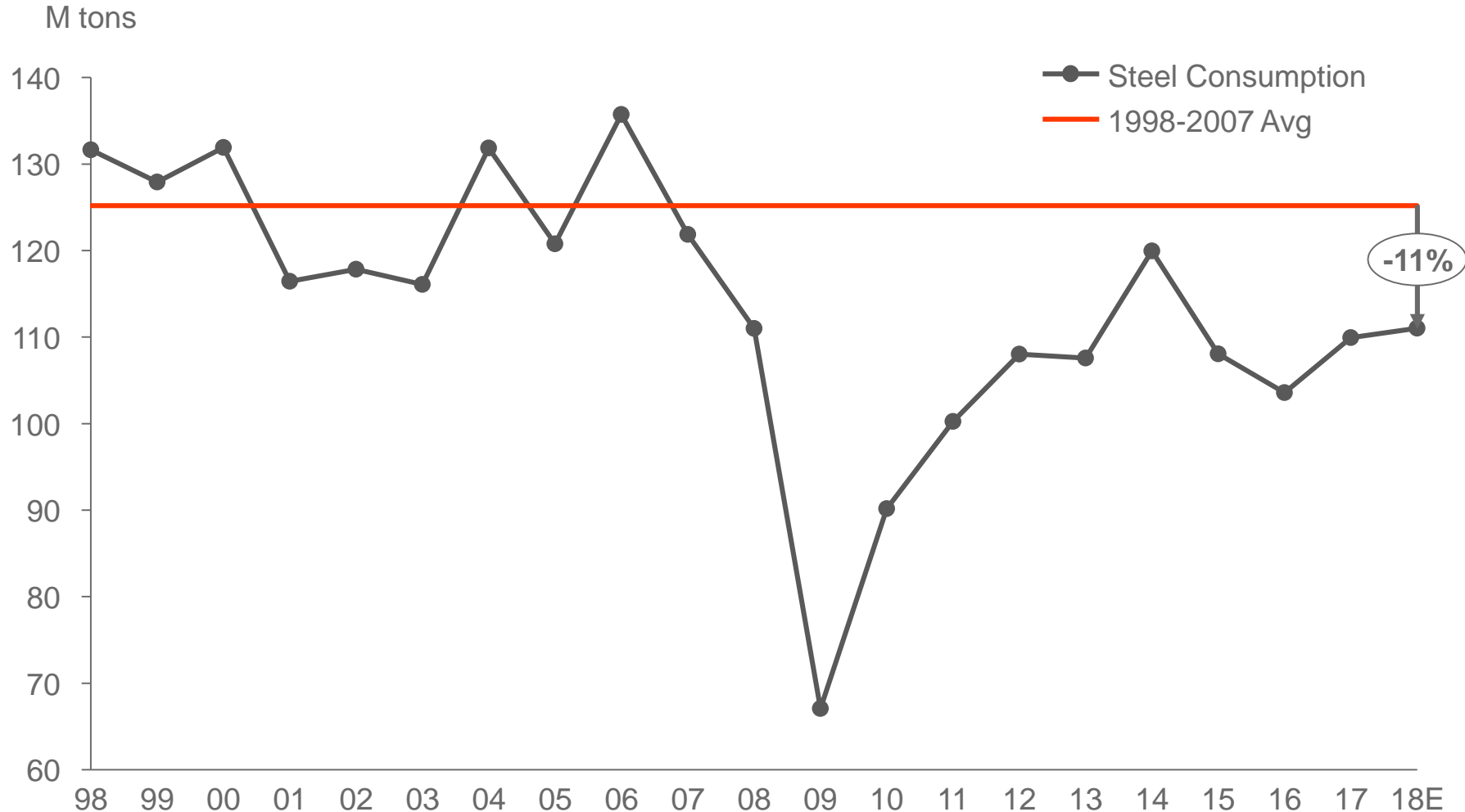
ArcelorMittal has facilities, offices and joint venture partnerships in 14 states and the District of Columbia

Steel demand in the U.S. continues to improve but remains below pre-recession levels



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U.S. Apparent Steel Consumption: 1998-2018



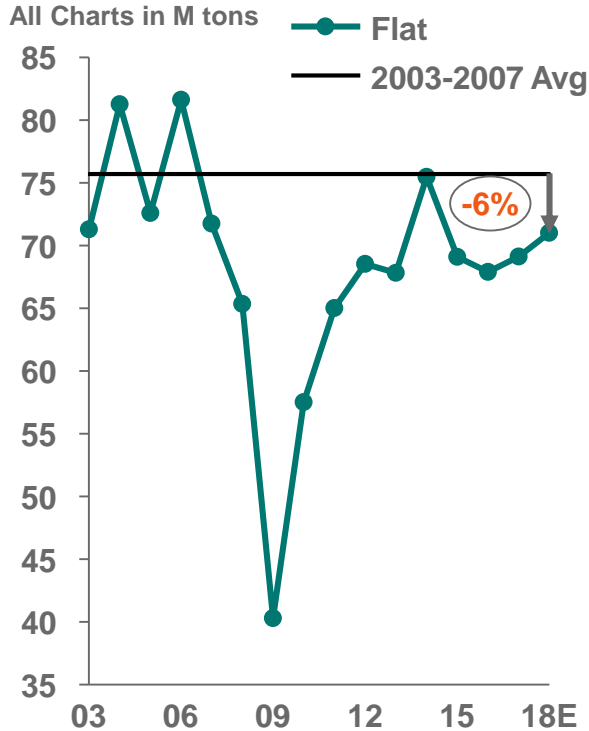
Source: AISI, AMUSA Marketing; 18E based on YTD September annualized

Varying levels of demand performance among the major steel products has led to prolonged recovery

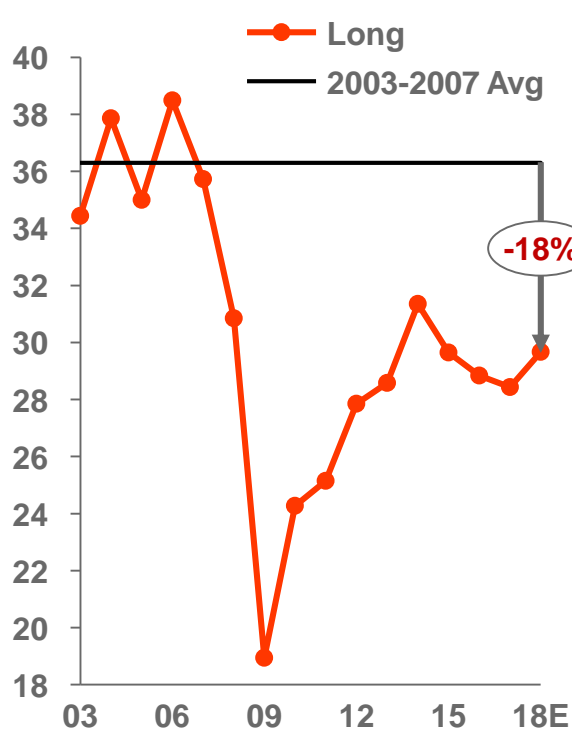


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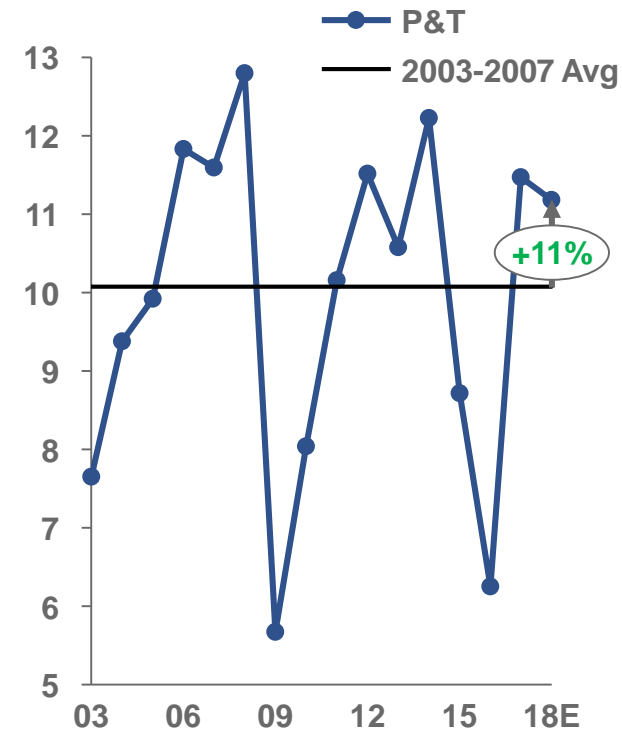
Flat Roll Products



Long Products



Pipe & Tube



63%



26%



11%

Section 232 steel tariffs



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- **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%

THE EFFECT OF IMPORTS OF STEEL ON THE NATIONAL SECURITY

AN INVESTIGATION CONDUCTED UNDER SECTION 232 OF THE
TRADE EXPANSION ACT OF 1962, AS AMENDED



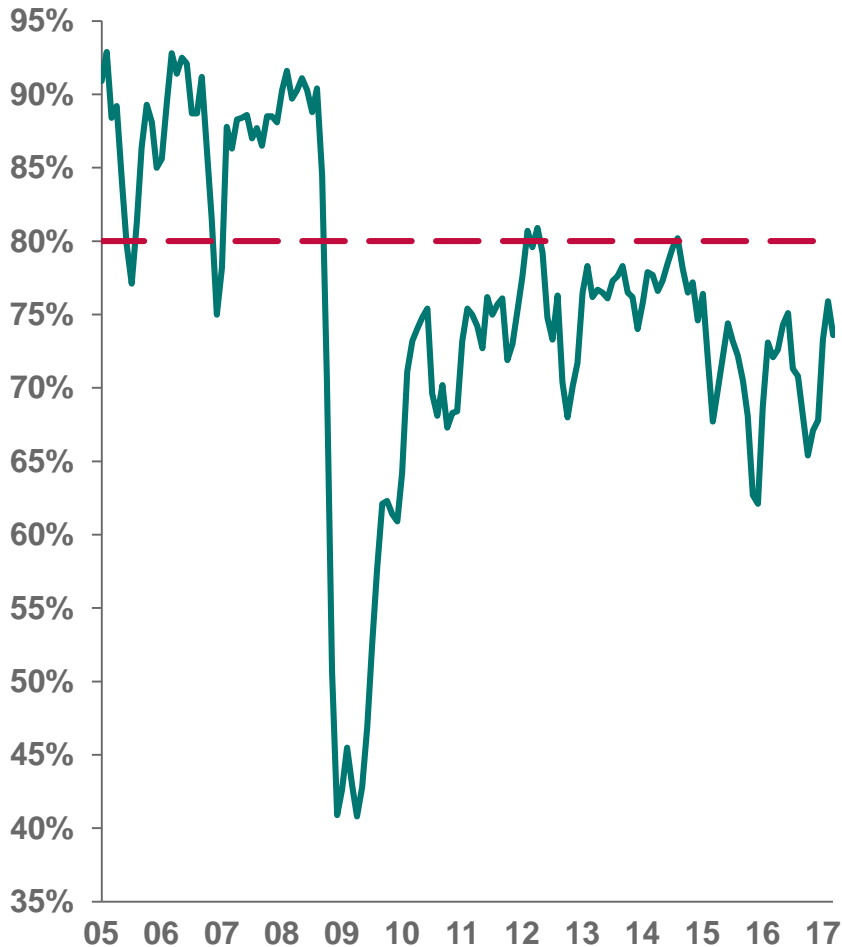
The "Why" Behind Section 232



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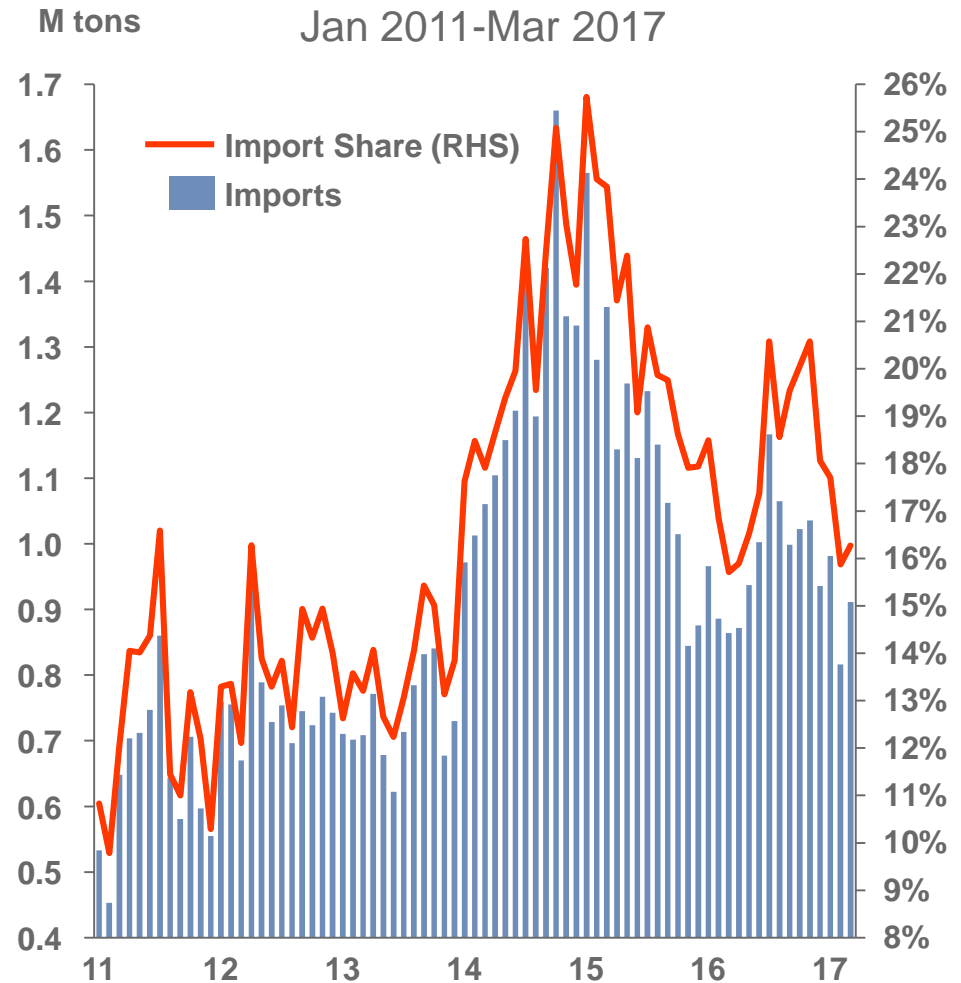
U.S. Monthly Raw Steel Capacity Utilization

Jan 2005-Mar 2017



U.S. Quarterly Flat Roll Imports & Market Share

Jan 2011-Mar 2017



Source: AISI, AMUSA Marketing









Section 232 Scope



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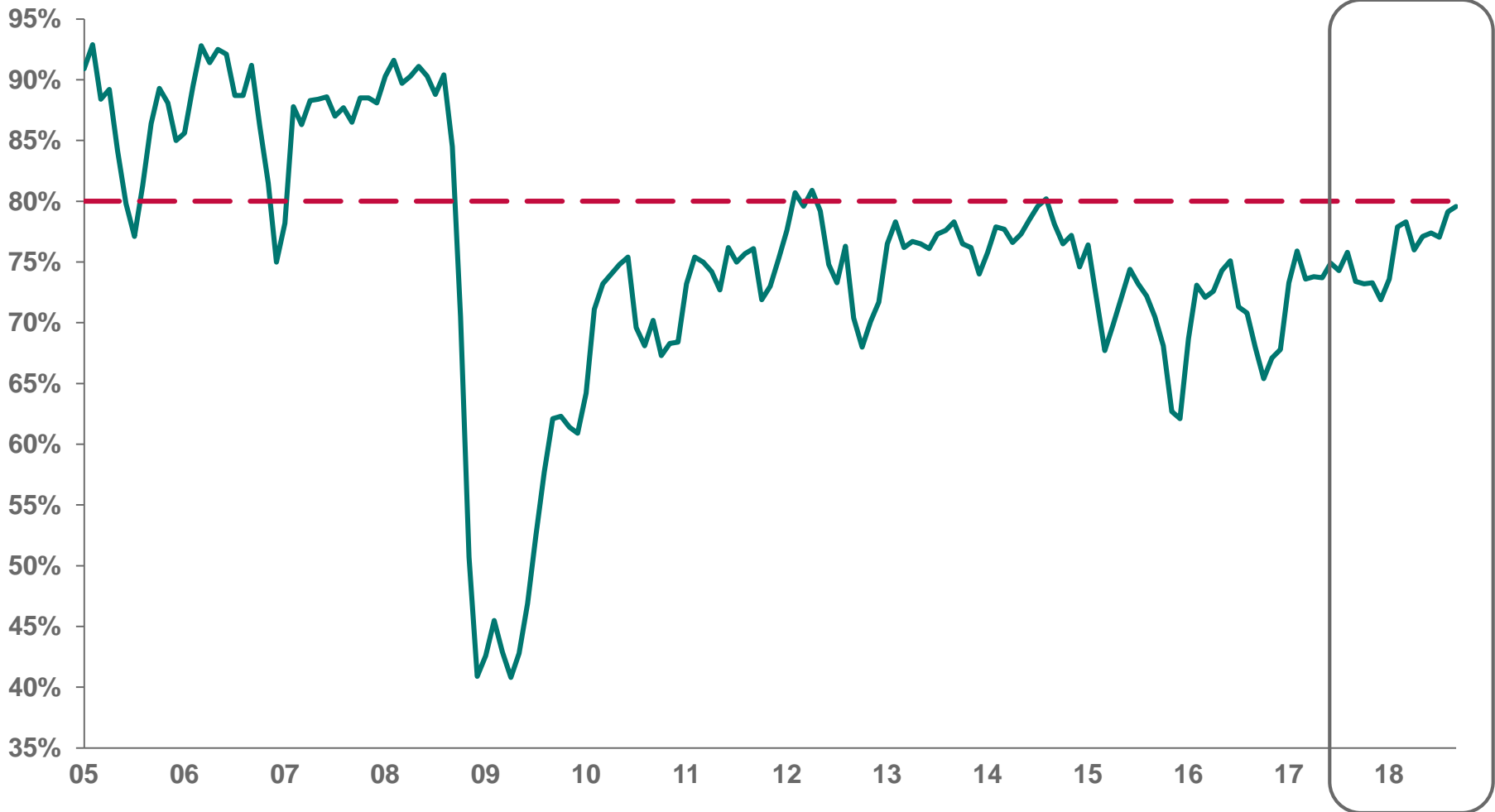
2017 Carbon Flat Roll Imports (M tons)

Section 232 Current Status

Canada	 3.2	25% Tariff
Mexico	 0.9	25% Tariff
EU	 1.3	25% Tariff
Turkey	 0.8	50% Tariff
South Korea	 1.1	Absolute Quota: 70% of 2015-2017 Avg
Australia	 0.3	Full Exemption
Brazil	 0.4	Absolute Quota: Avg 2015-2017 imports of 70% for finished and 100% for semi's
Argentina	0.0	Absolute Quota: 135% of 2015-2017 Avg
Others	 3.5	25% Tariff

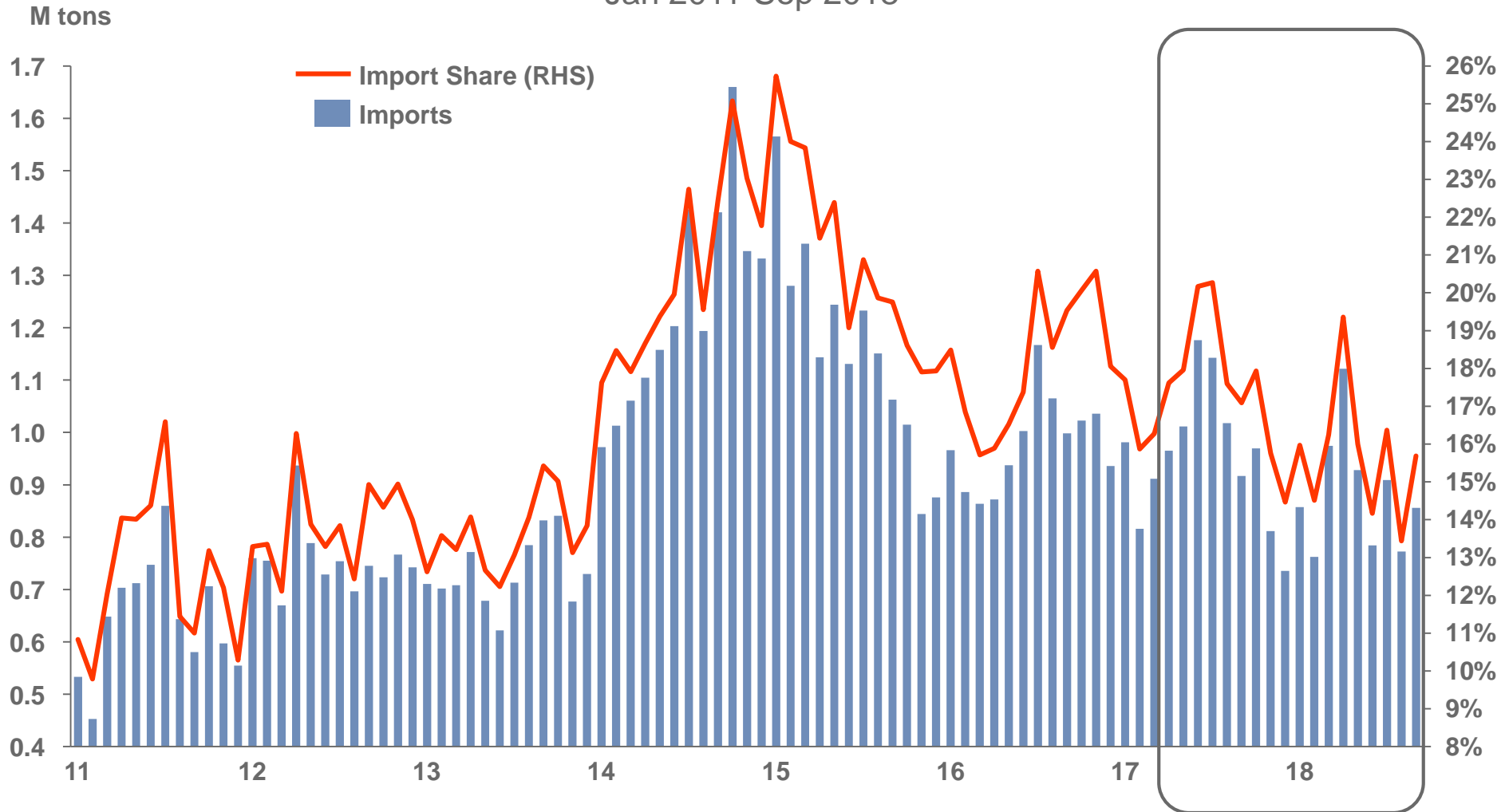
Industry utilization approaches 80%; Flat Roll mills at higher utilization

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



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

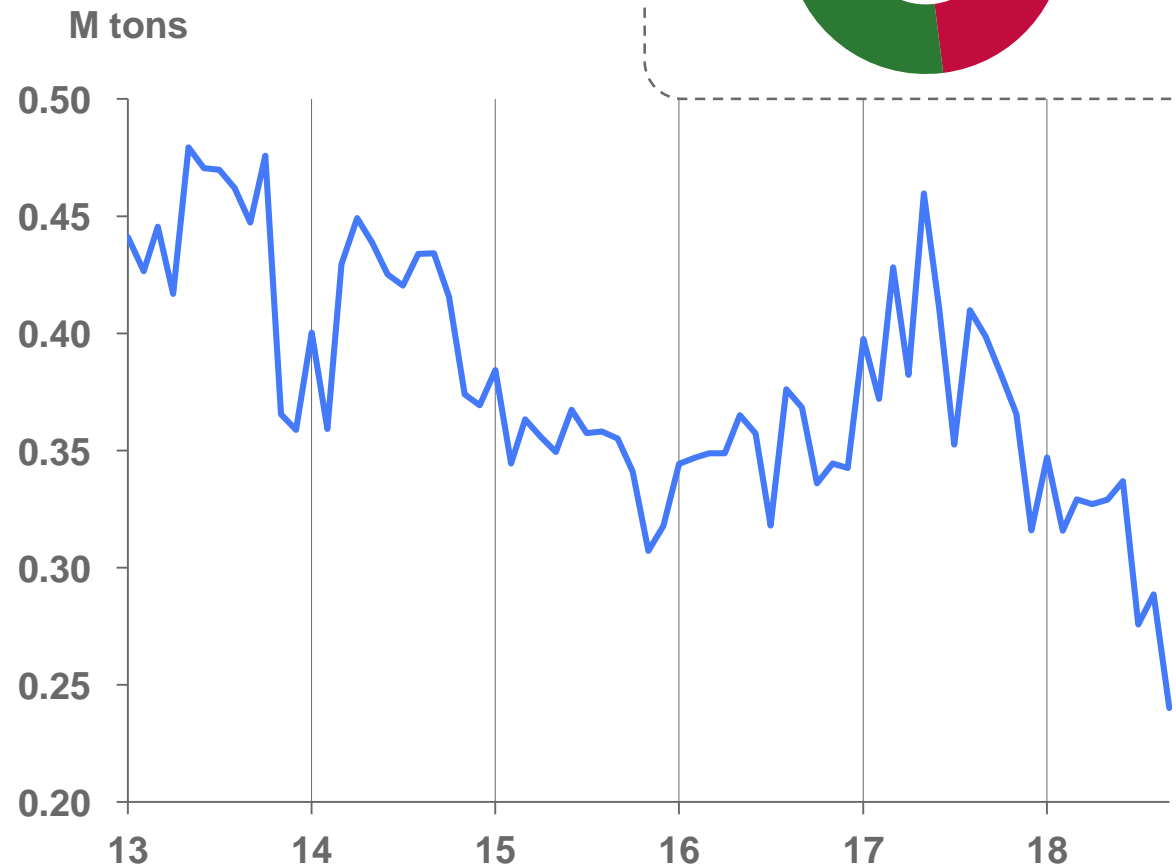


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Other Impacts:

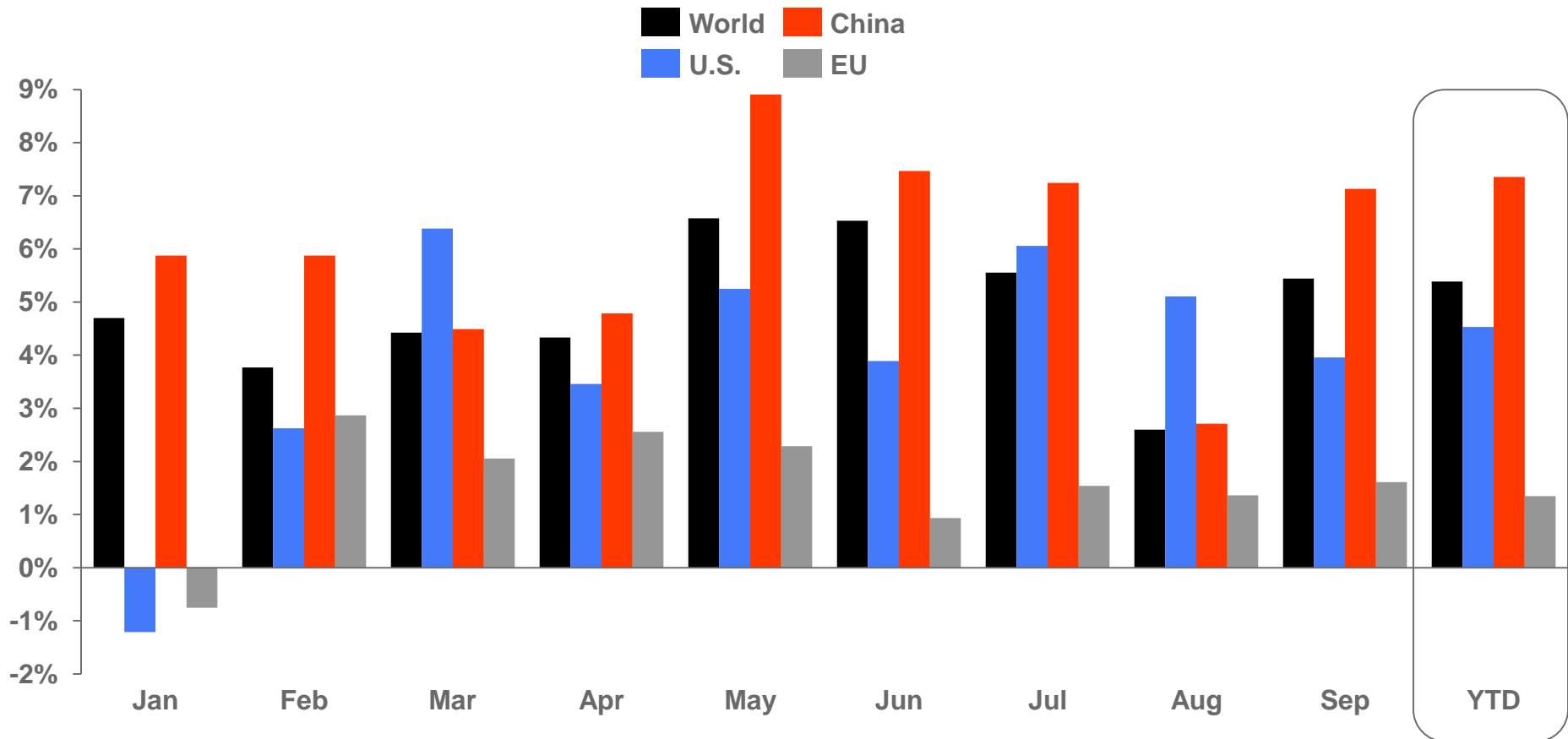
- Steel prices increased significantly post-232 but have weakened since Summer.
- Idled domestic capacity has been restarted.
- Domestic mills have announced new investments to increase future capacity.

Carbon Flat Roll Exports Jan 2013-Sep 2018



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.

What does 5% growth look like?

Annual 5% Change in Raw Steel Production

M metric tons

90
80
70
60
50
40
30
20
10
0

USA

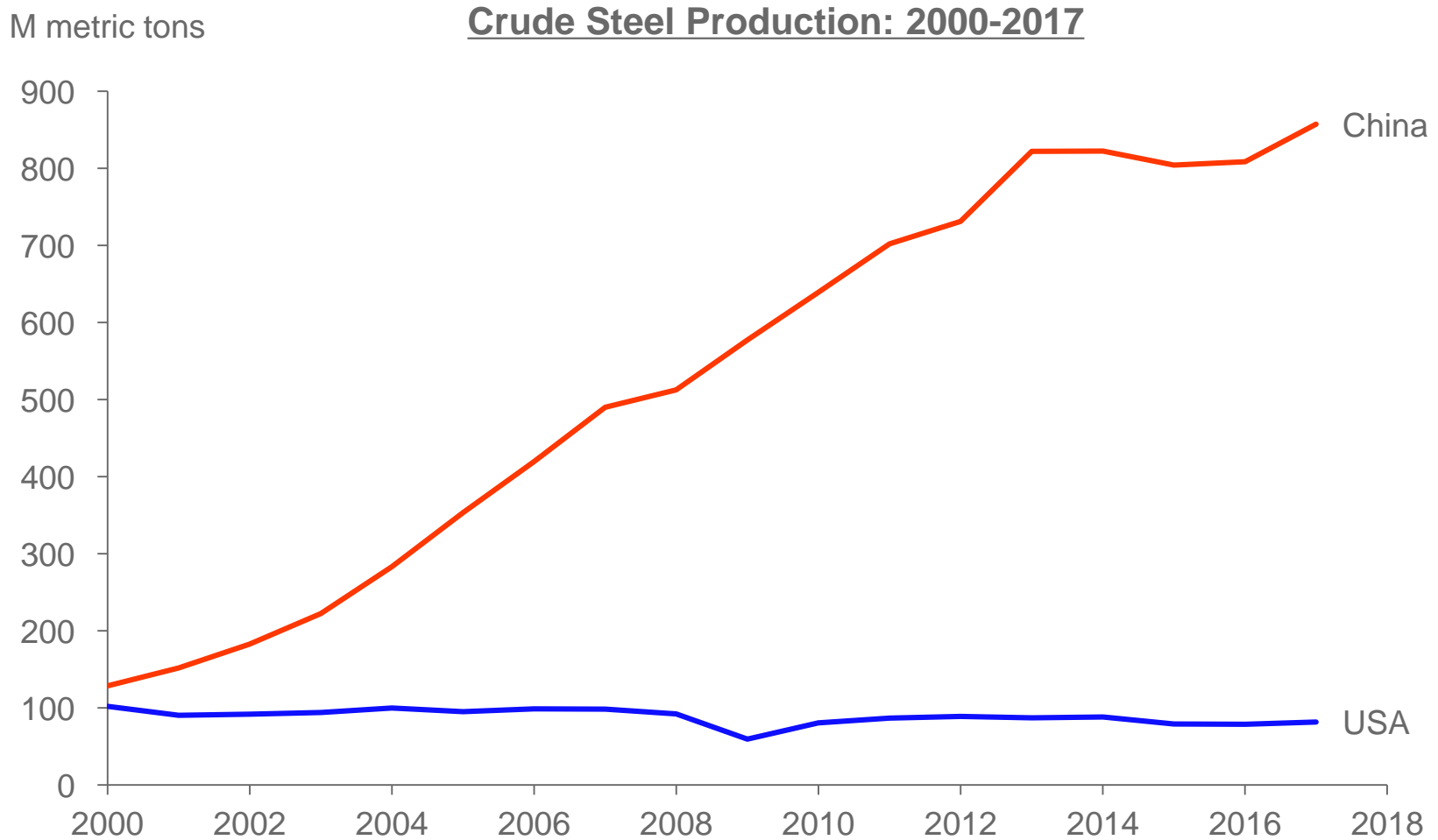
Just 5% growth
in China is
equivalent to
adding $\frac{1}{2}$ of the
entire U.S.
industry

China

90
80
70
60
50
40
30
20
10
0

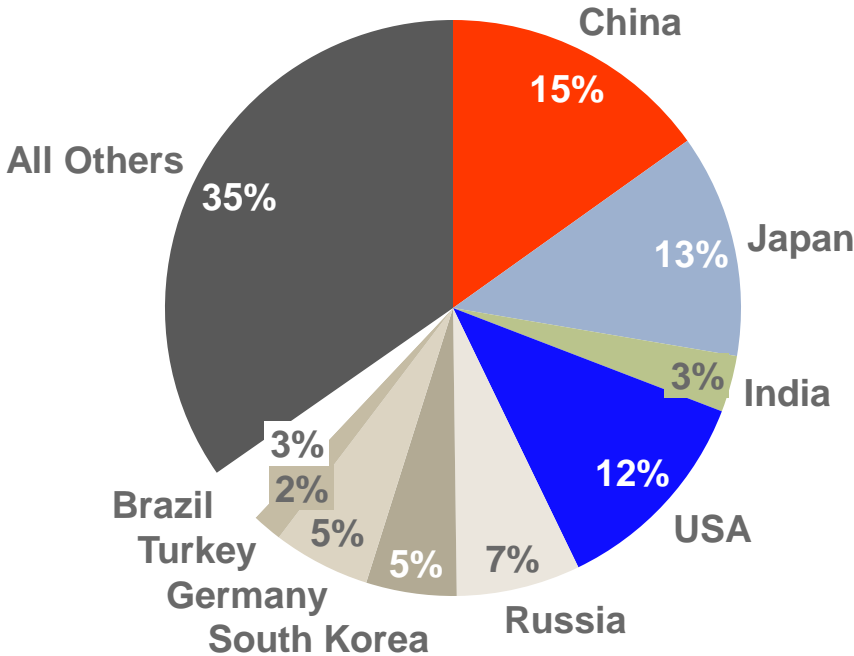
USA 2018E

The impact of China on the global industry

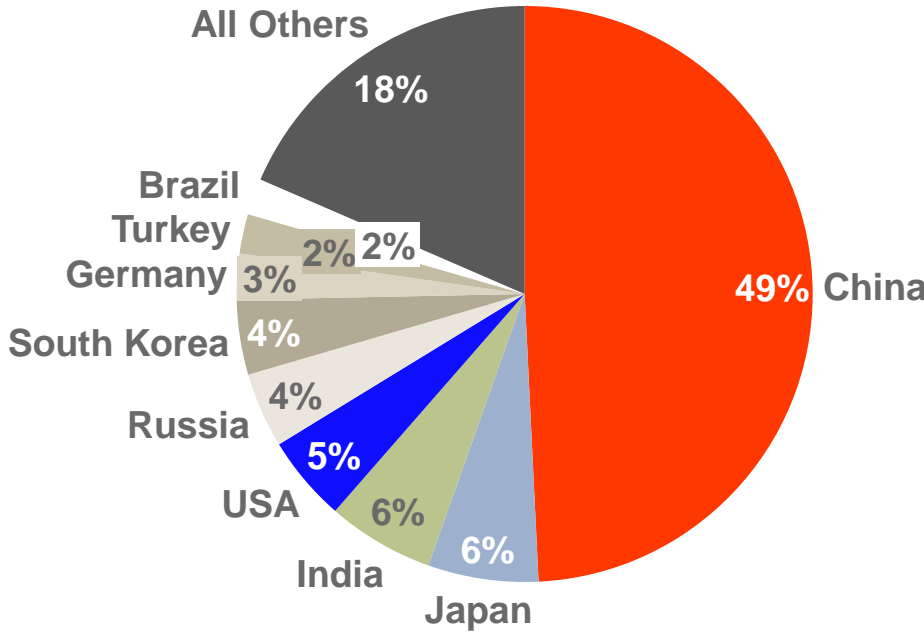


US industry's position among world's top steel-producing countries has declined

2000 Crude Steel Production



2017 Crude Steel Production



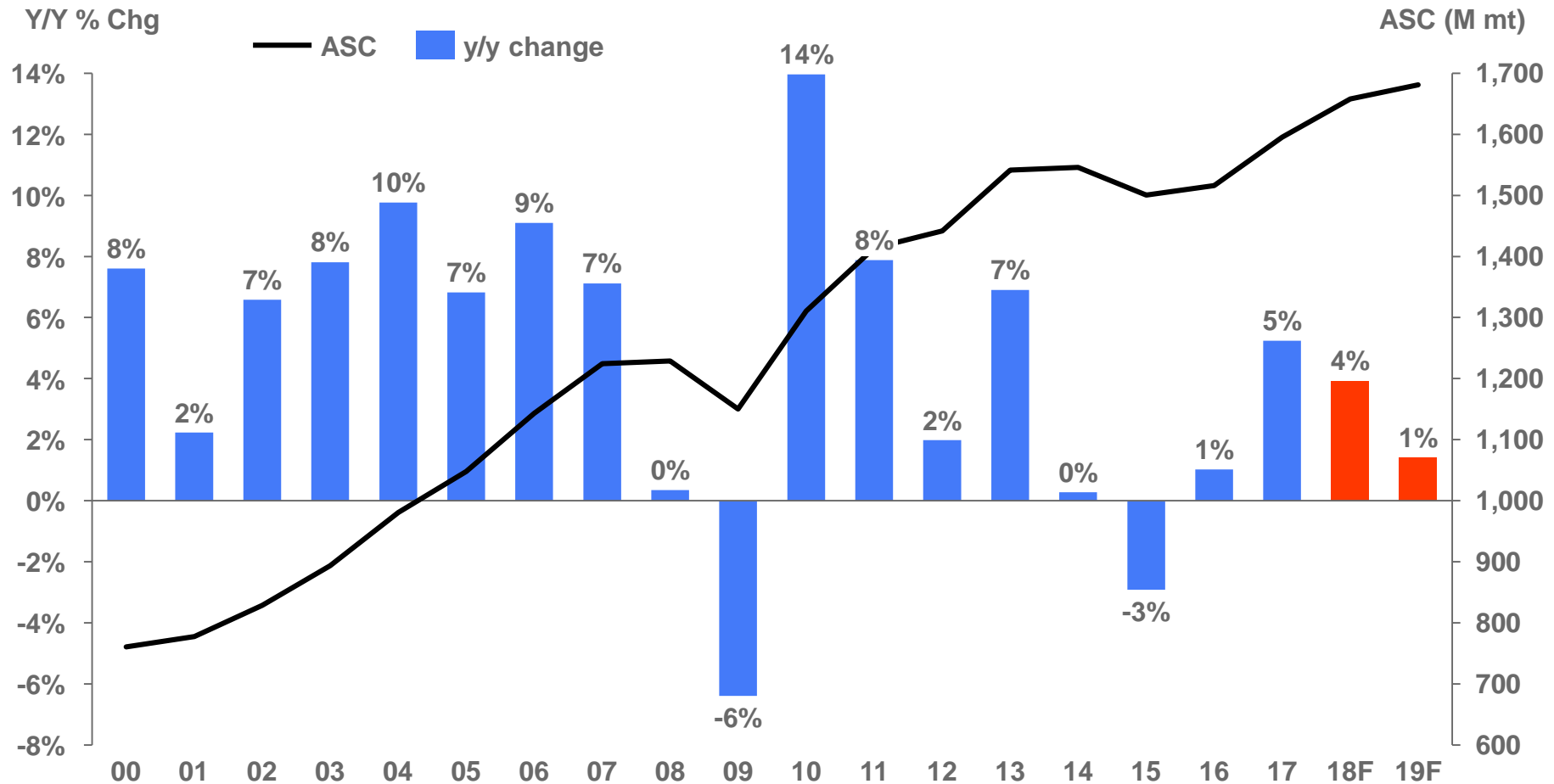
Source: World Steel Association

Global steel demand accelerated in 2017-2018 following slowdown in 2014-2016



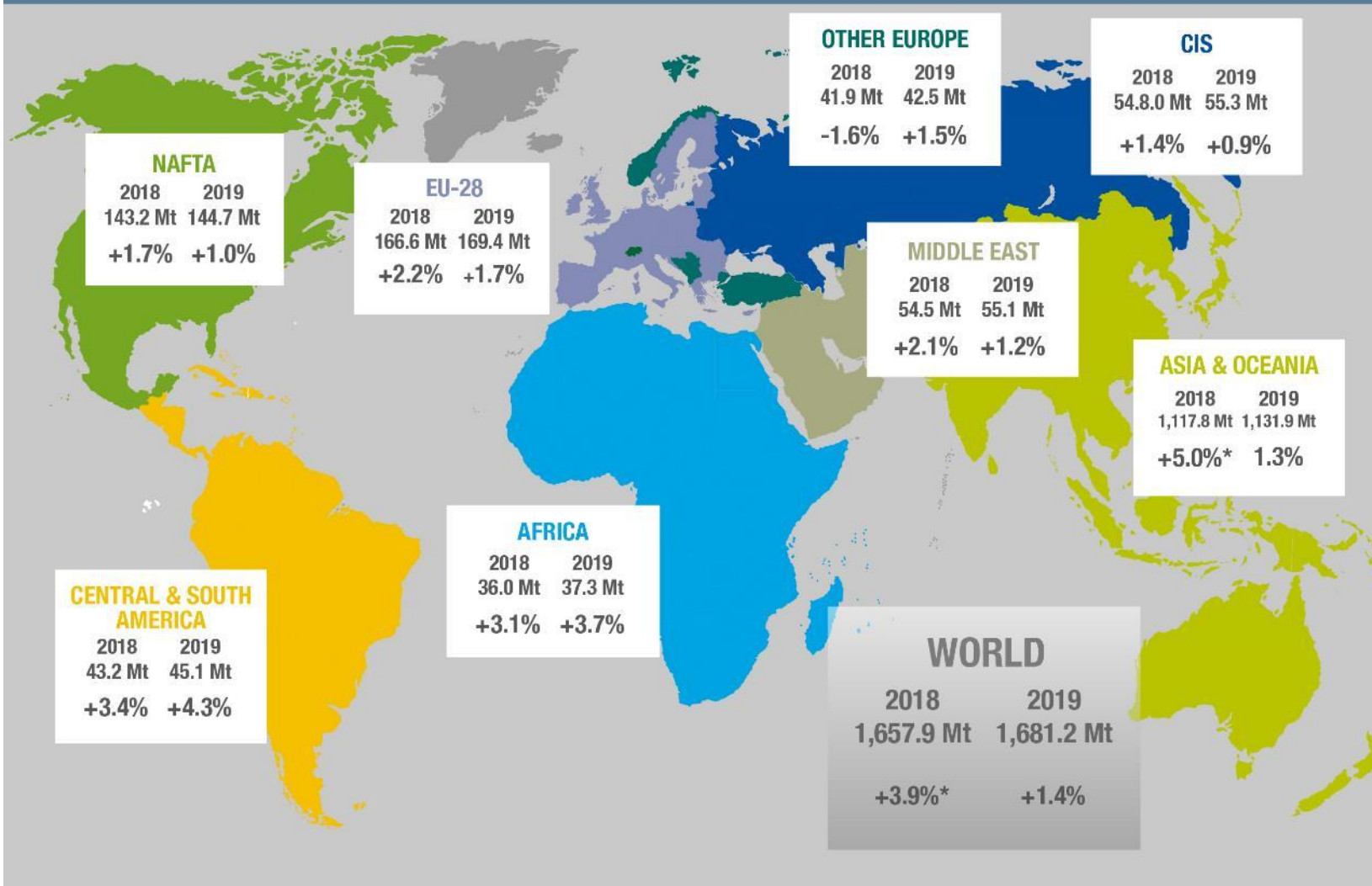
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2000-2019 Apparent Steel Consumption (Finished Steel)

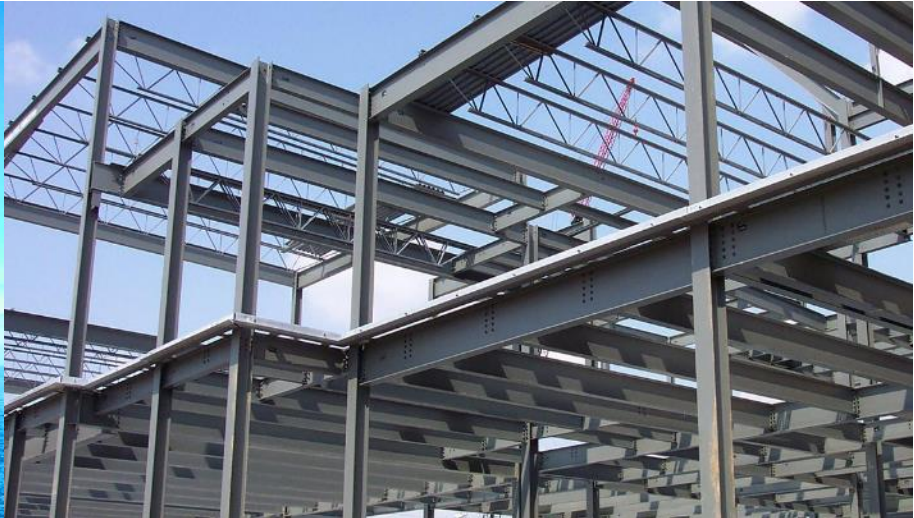


STEEL DEMAND, FINISHED STEEL

Mt =million tonnes
y-o-y growth rate is expressed in %

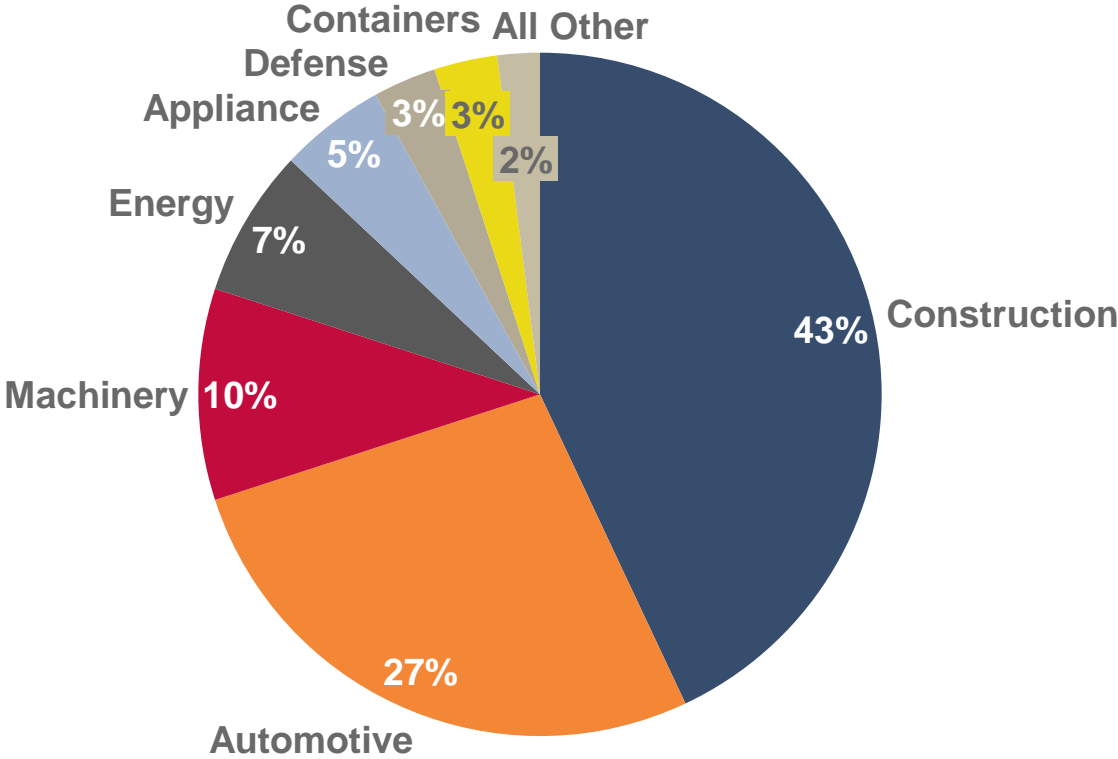


Review of steel markets



Steel Consuming Markets

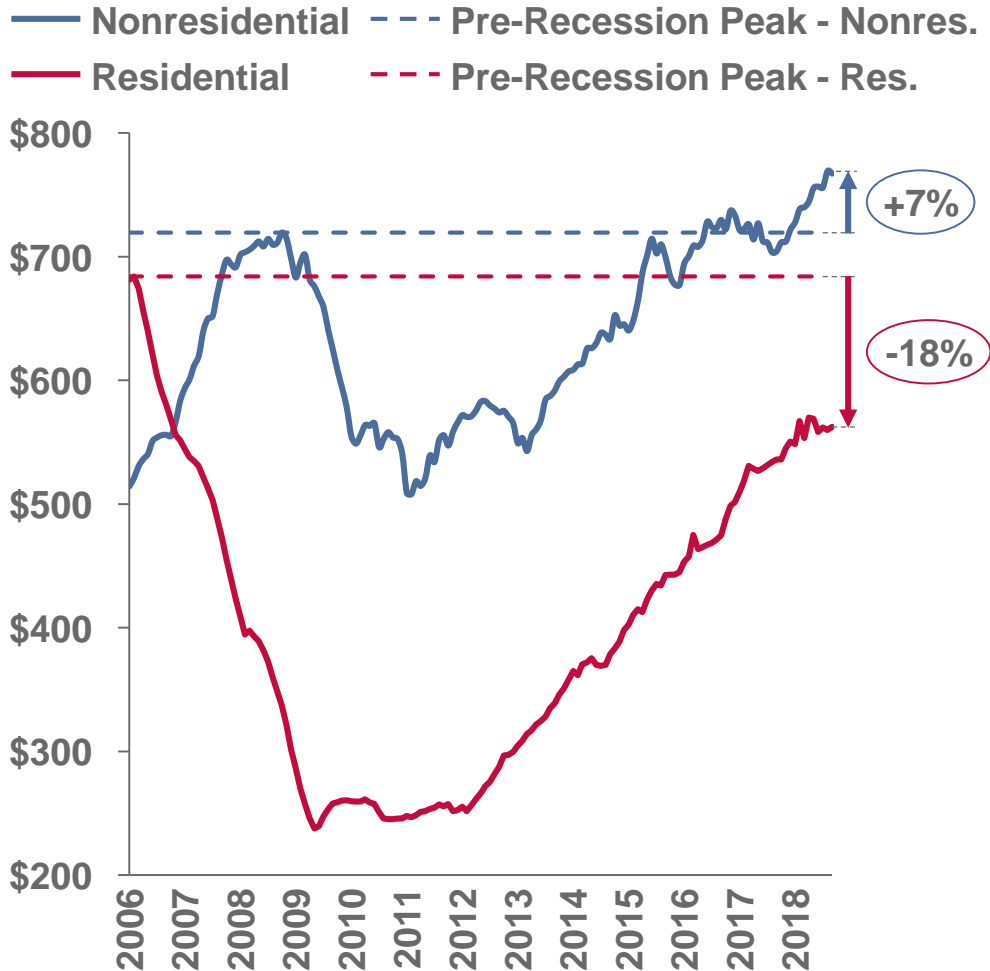
Estimated 2017 Steel Consumption by End-use Market



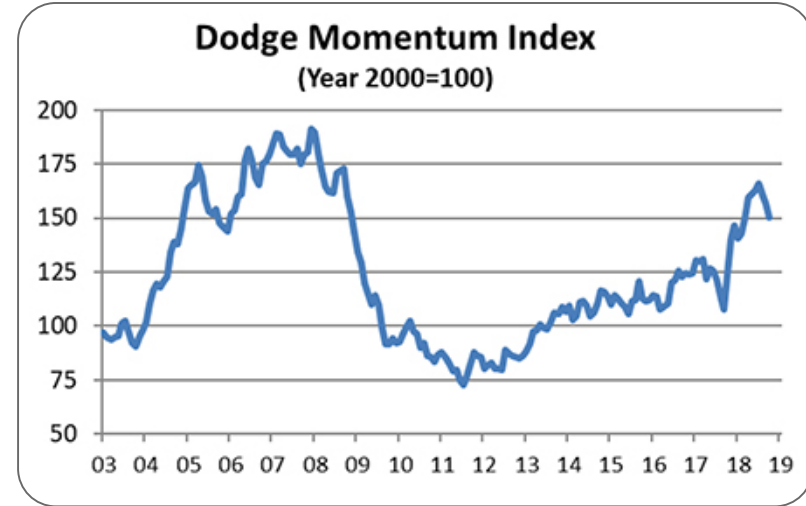
Construction and Automotive industries are the top consumers of steel in the US. About 35% of purchase flow through distribution before reaching final customer.

Construction likely near peak; Infrastructure spending could help future steel demand

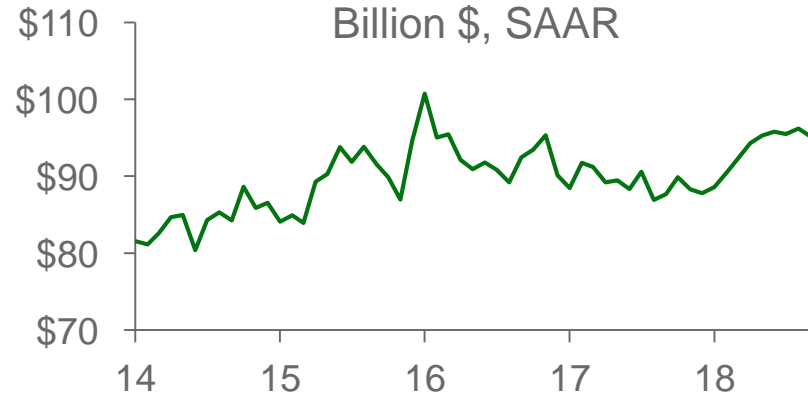
Construction Spending
Billion \$, SAAR



Dodge index points to drop by end 2019



Highway & Street Spending
Billion \$, SAAR



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



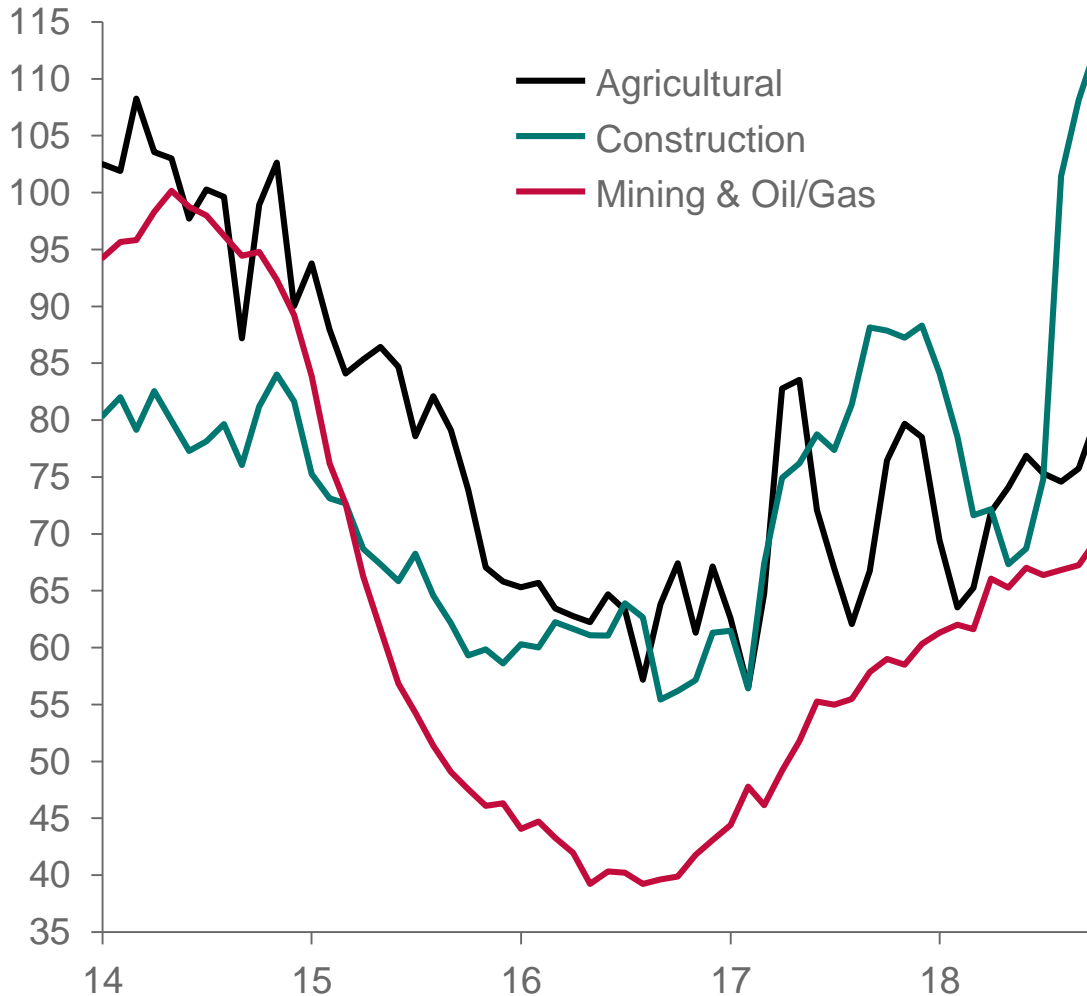
Recovery in machinery demand has boosted Plate and Hot Roll shipments



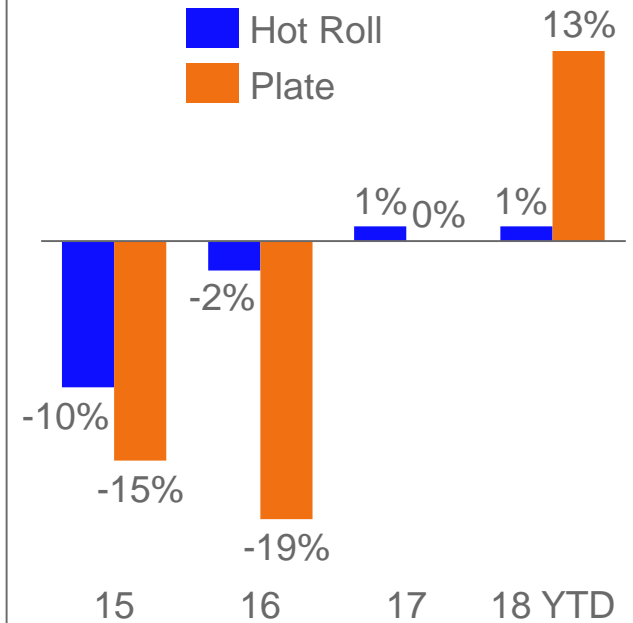
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US Machinery - Industrial Production Index

Jan 2014- Oct 2018

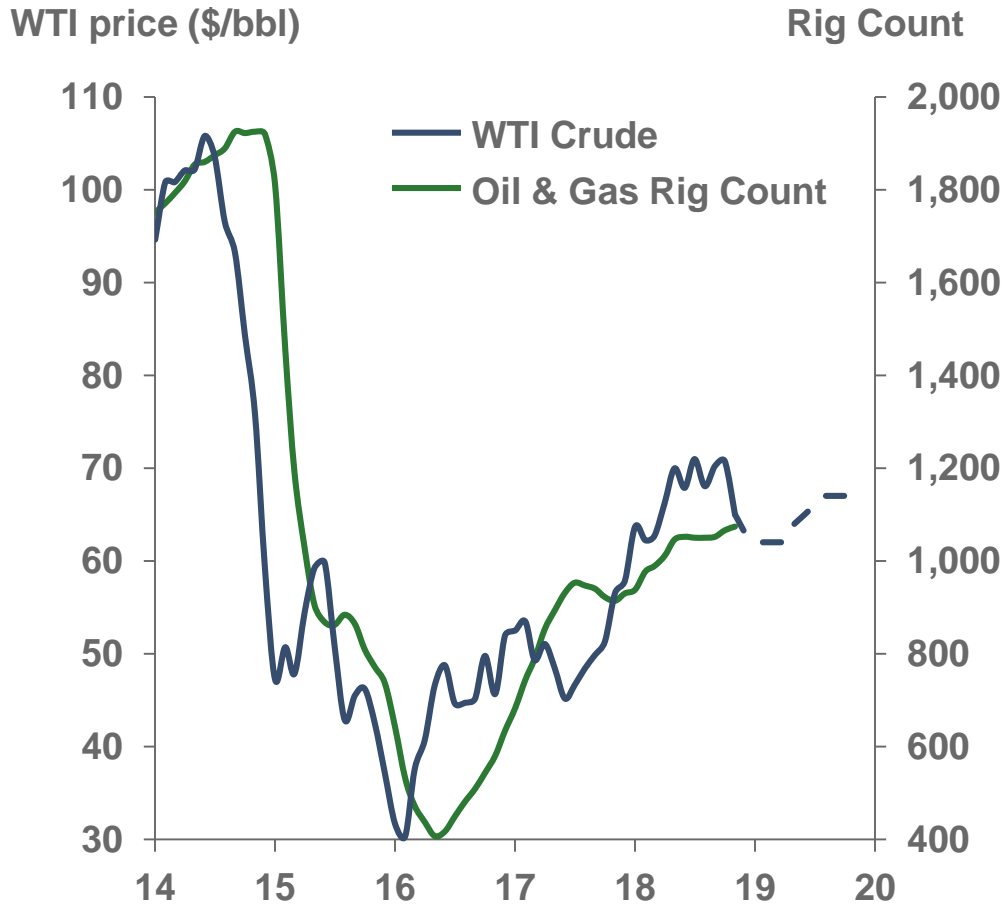


Y/Y % Change in Apparent Steel Consumption



Energy pipe & tube demand grows with pipeline investment; US pipe mills looking to gain share

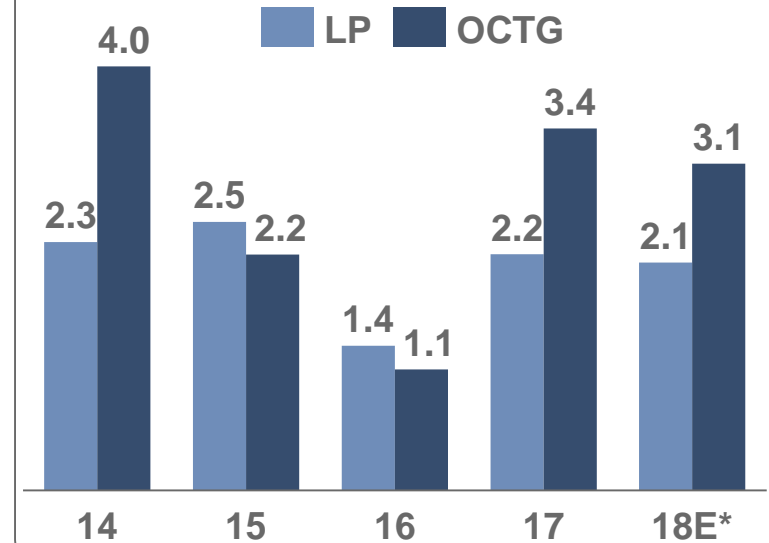
U.S. Oil & Gas Rig Count and Oil Price Forecast Jan 2014-Dec 2019



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



*18E = Jan-Sep annualized

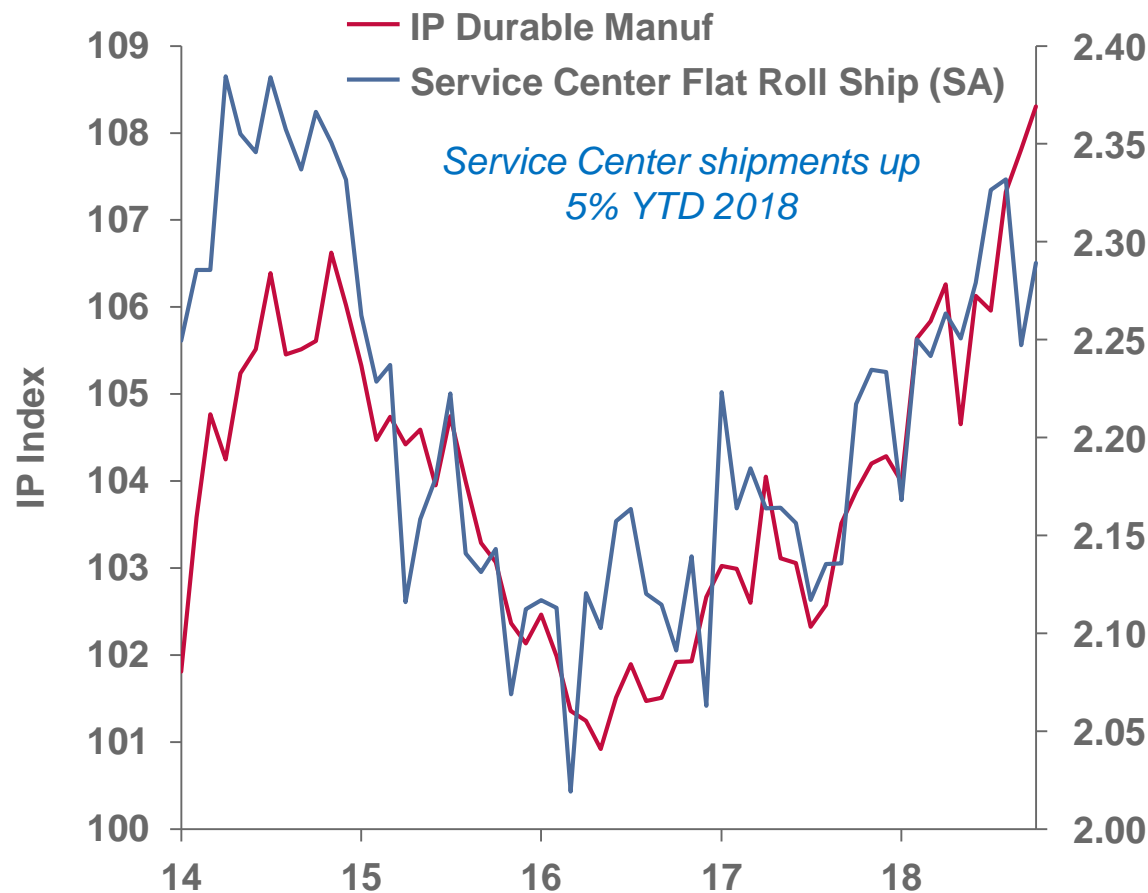
Positive manufacturing sentiment providing healthy backdrop for distribution demand



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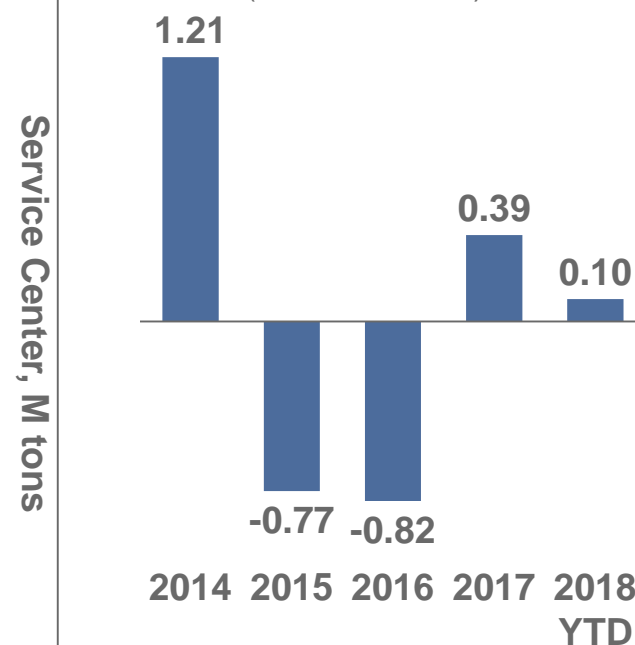
Steel Service Center Shipments vs. IP Durable Manufacturing

Jan 2014- Oct 2018



Annual Change in Service Center Flat Roll Inventories

(Millions of Tons)

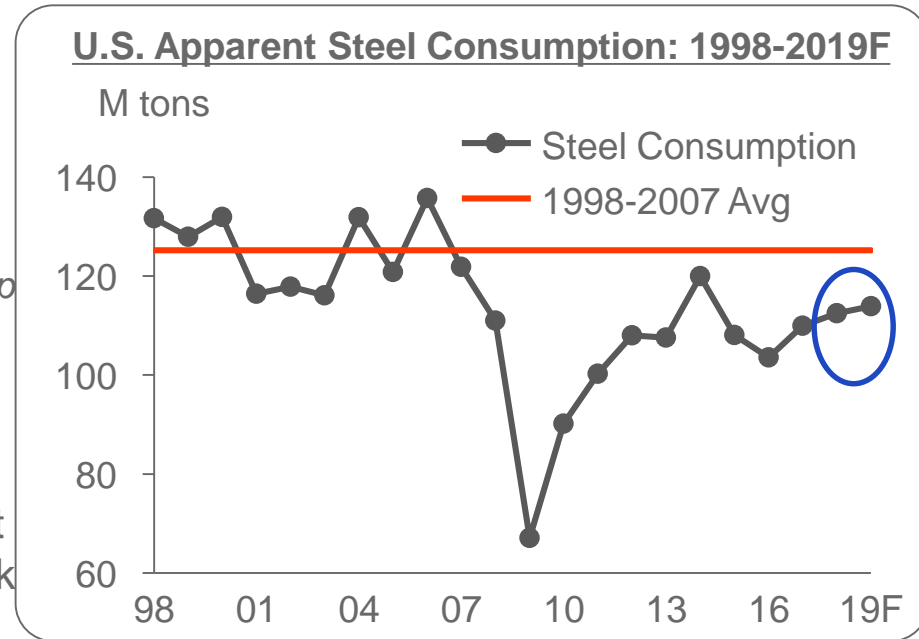


2019 Outlook



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- 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.



Thank you



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