Manufacturing in 2017: Challenges and Opportunities — Steel Industry Perspective

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NABE Manufacturing Roundtable

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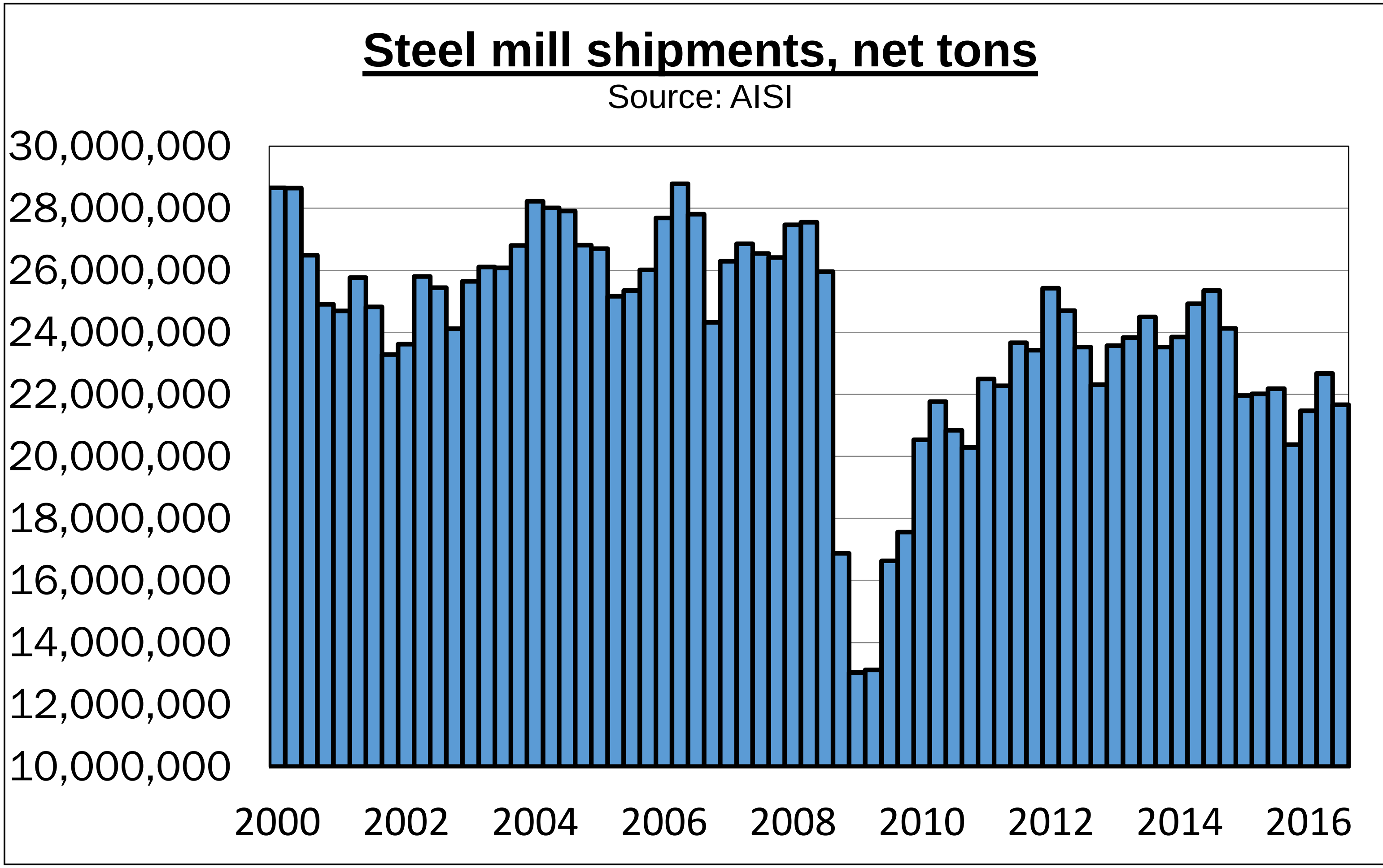
The New Steel

Domestic steel shipments stabilized in 2016 after double-digit decline in 2015



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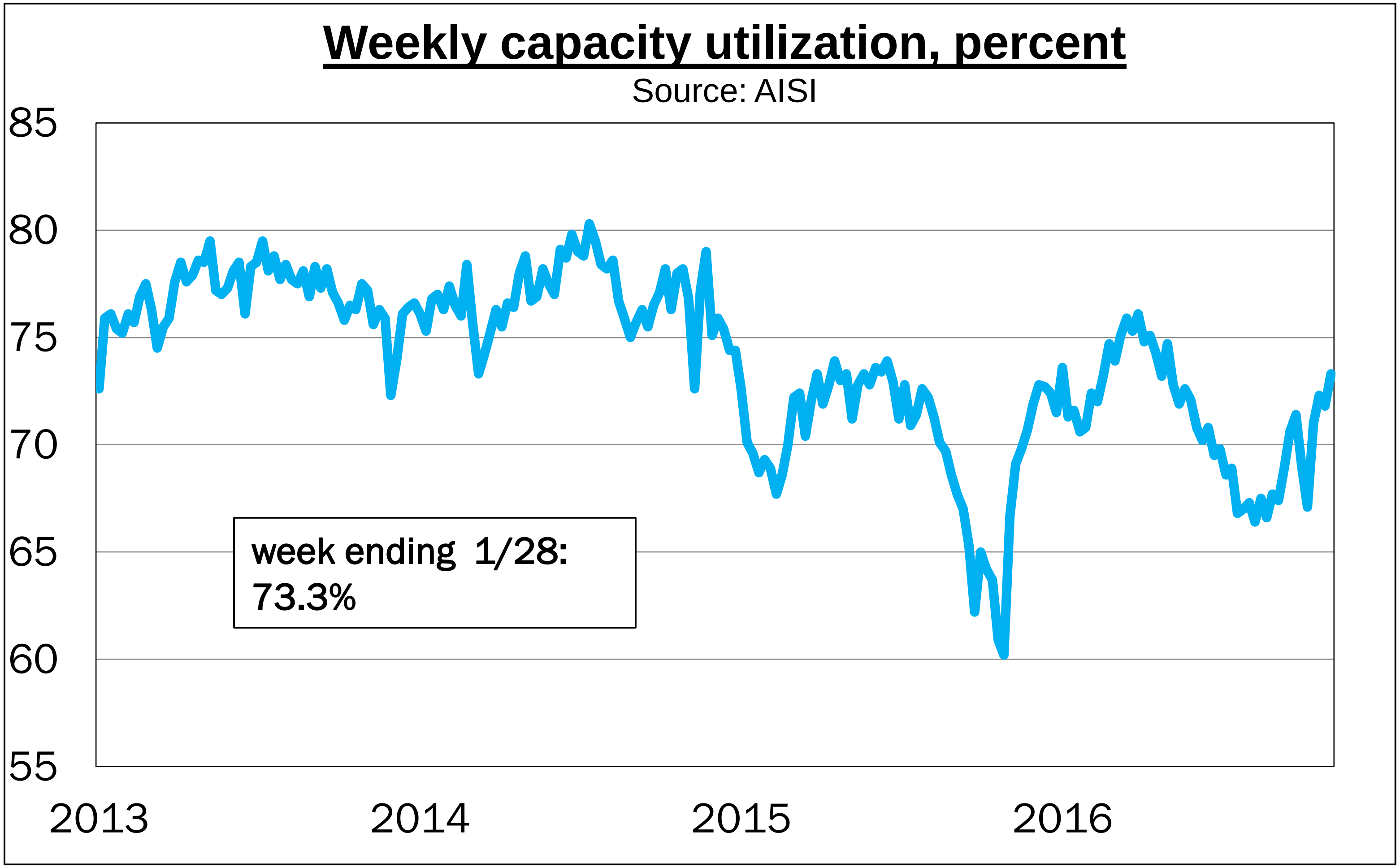
Capacity utilization has trended upward over last three months



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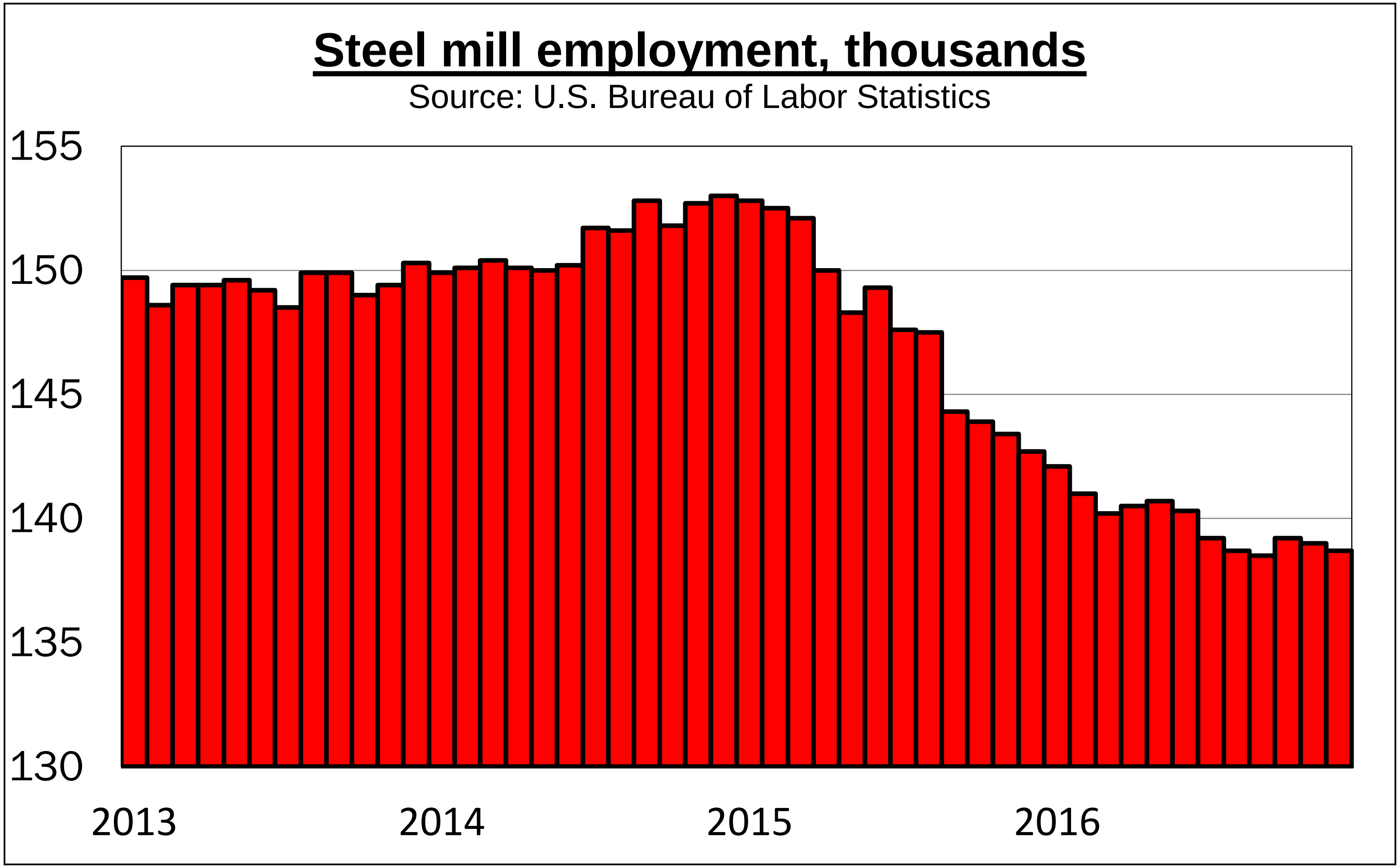
Steel mill employment down more than 14,000 since late 2014



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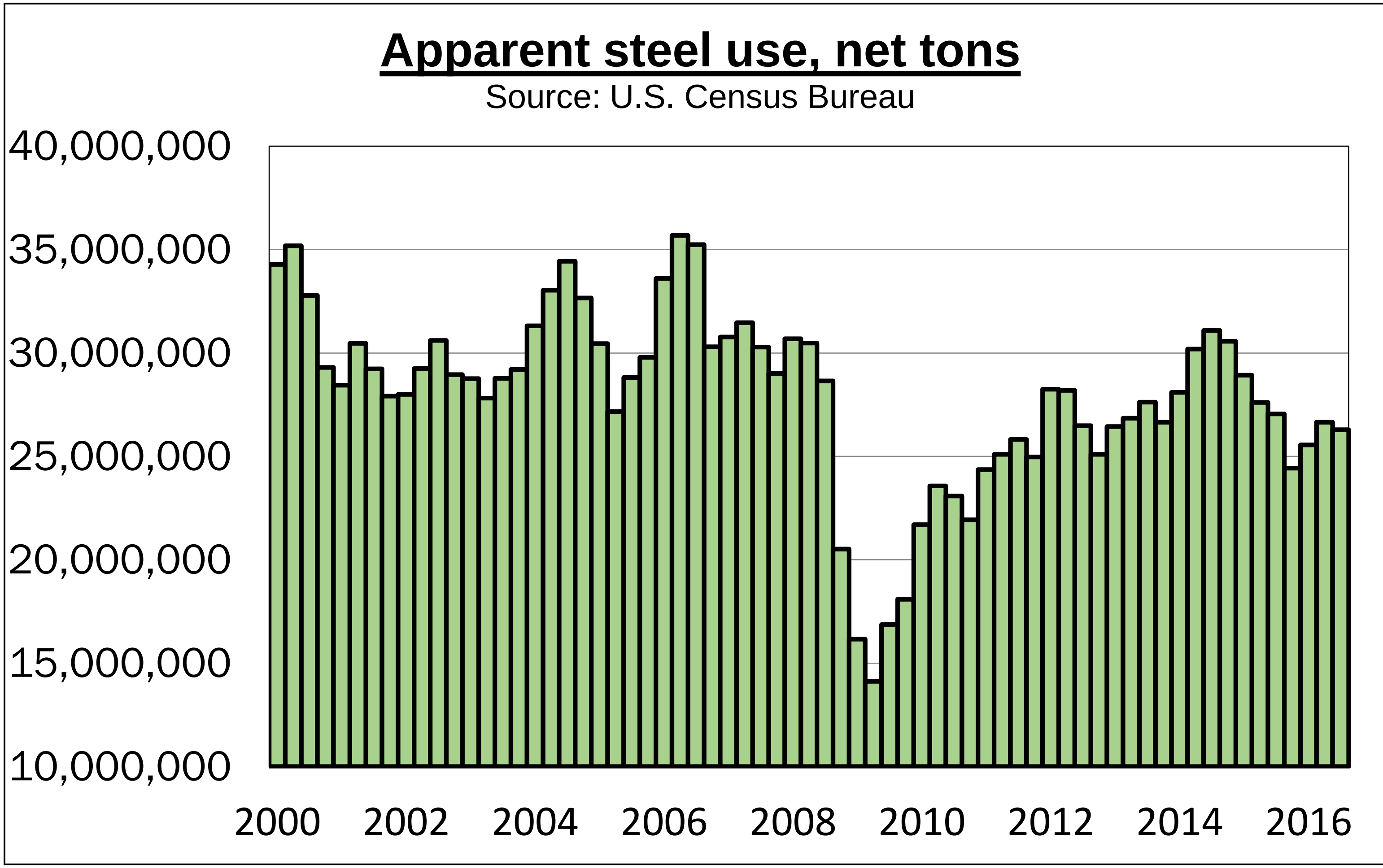
Domestic demand weakened in 2015 and 2016



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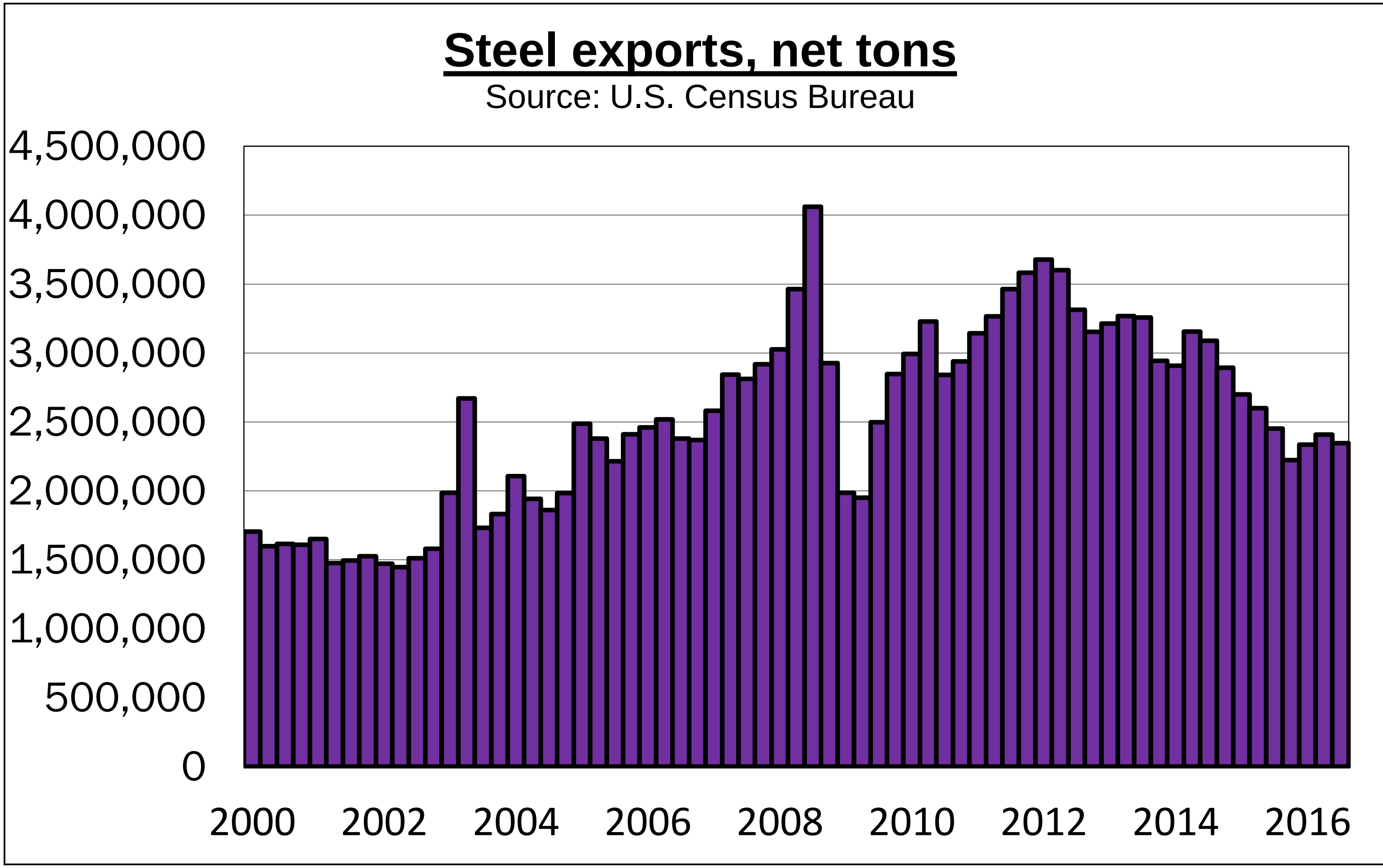
Export shipments have trended downward since 2012



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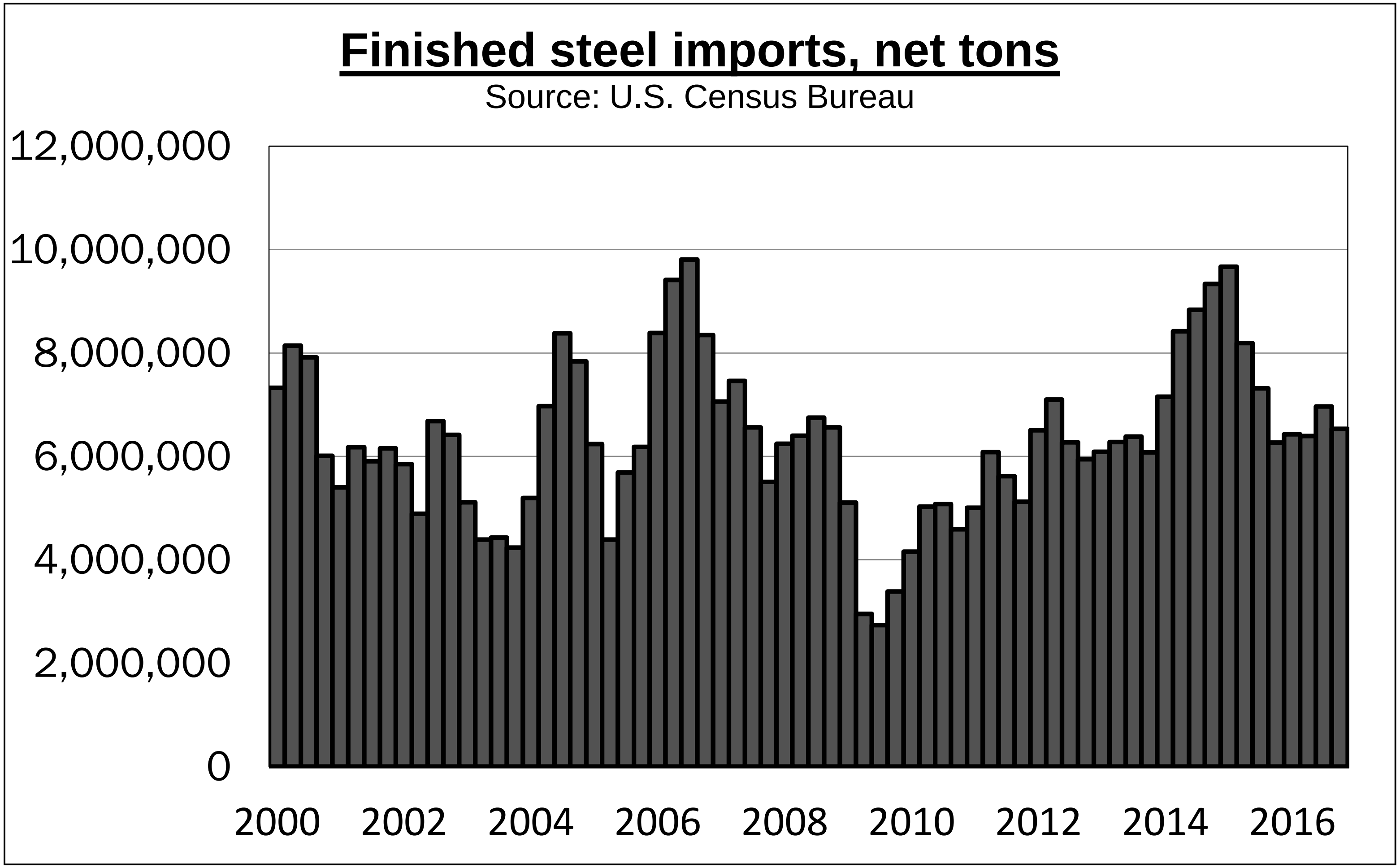
2014-15 import surge is abating, but imports remain at a high level



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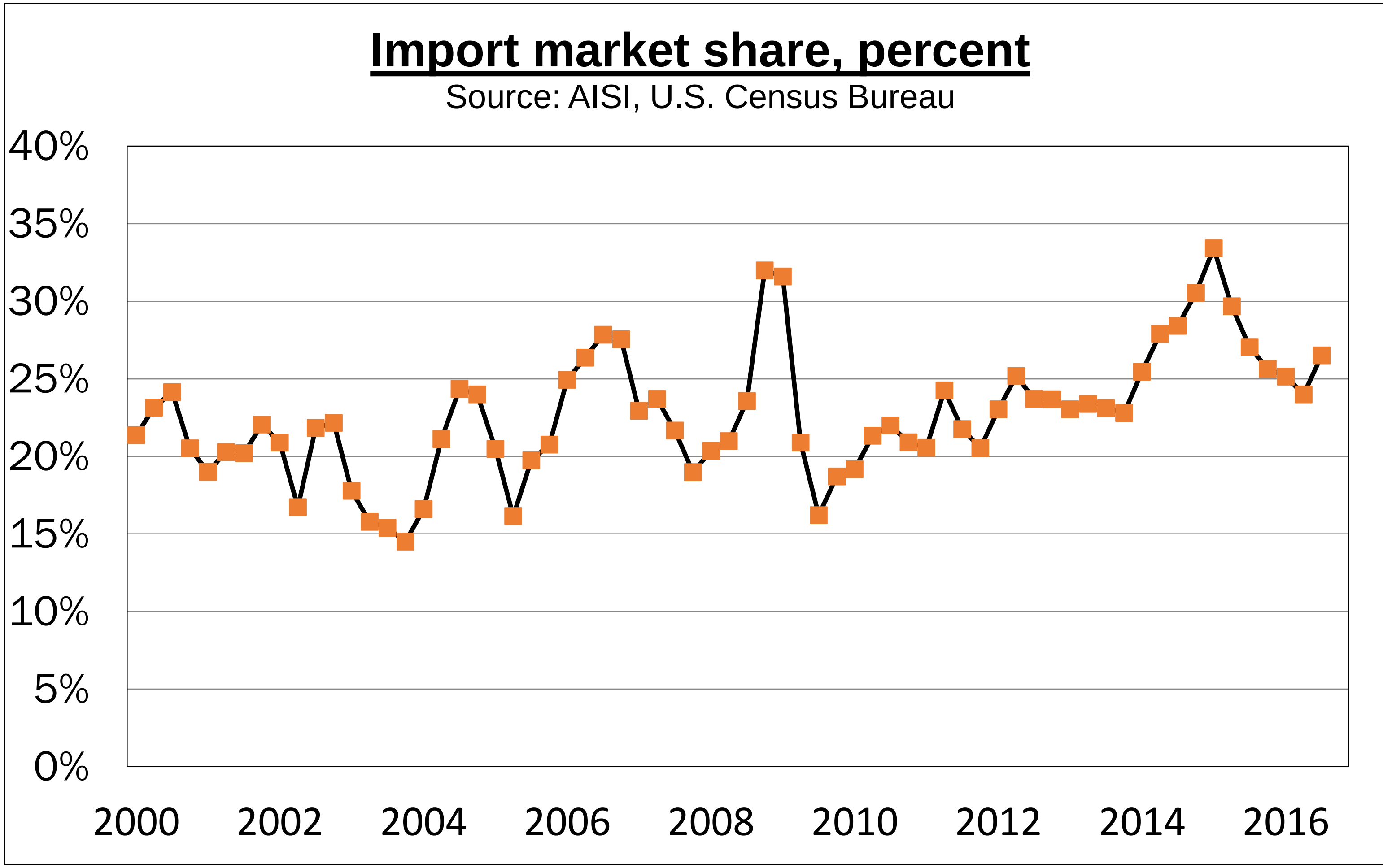
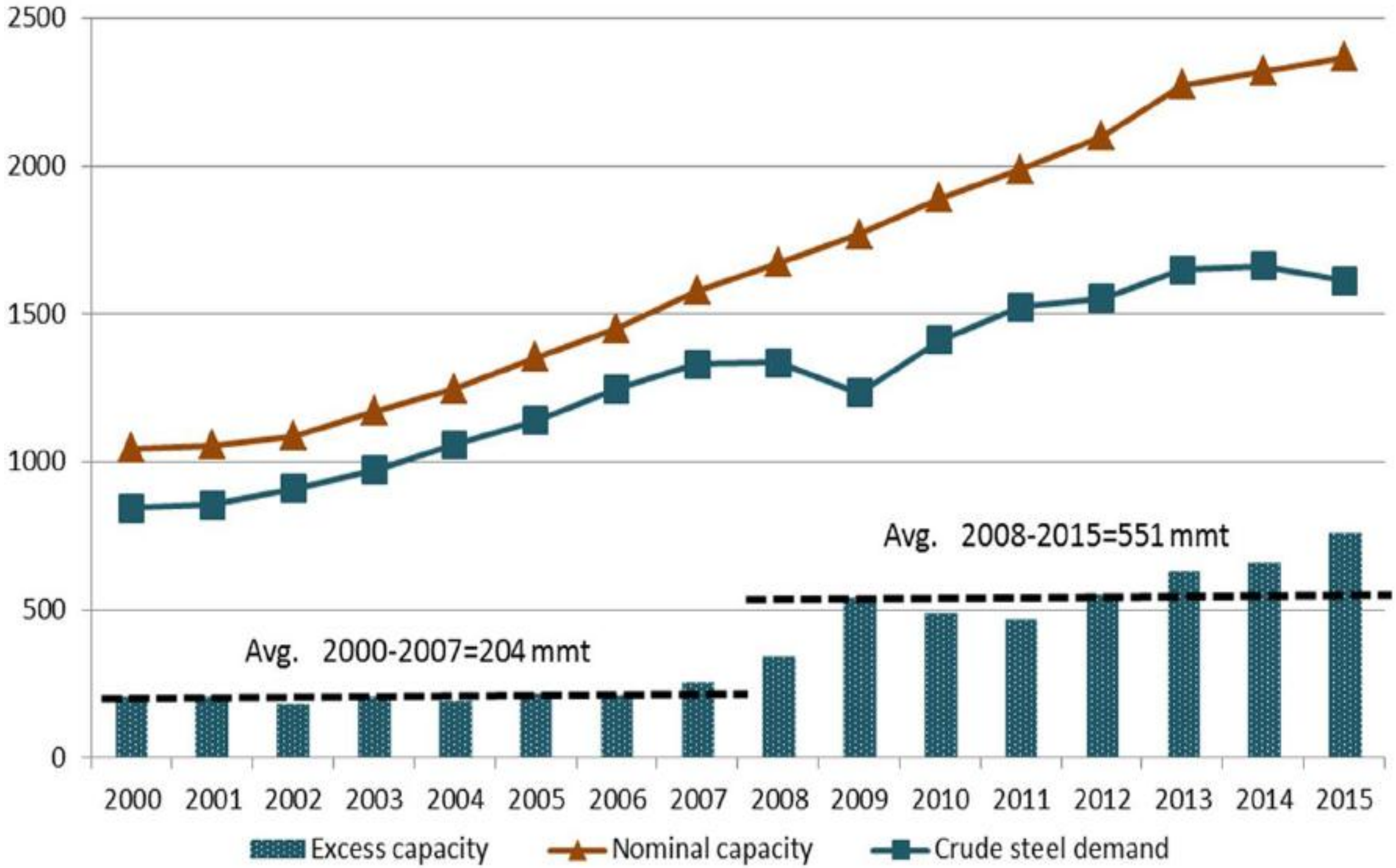


Global excess capacity reached 700 million metric tons in 2015



Million metric tons

Source: Worldsteel Association; OECD

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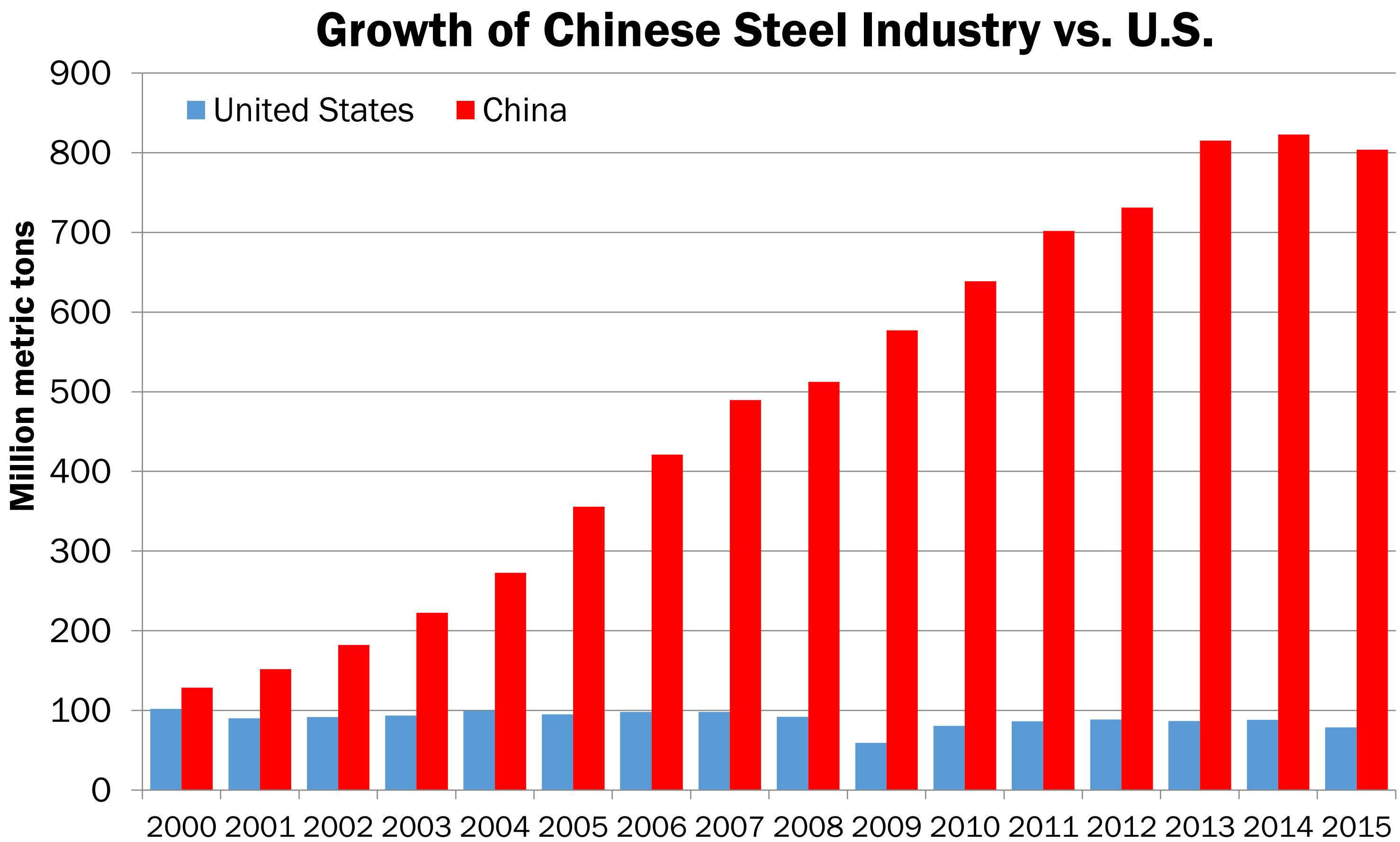
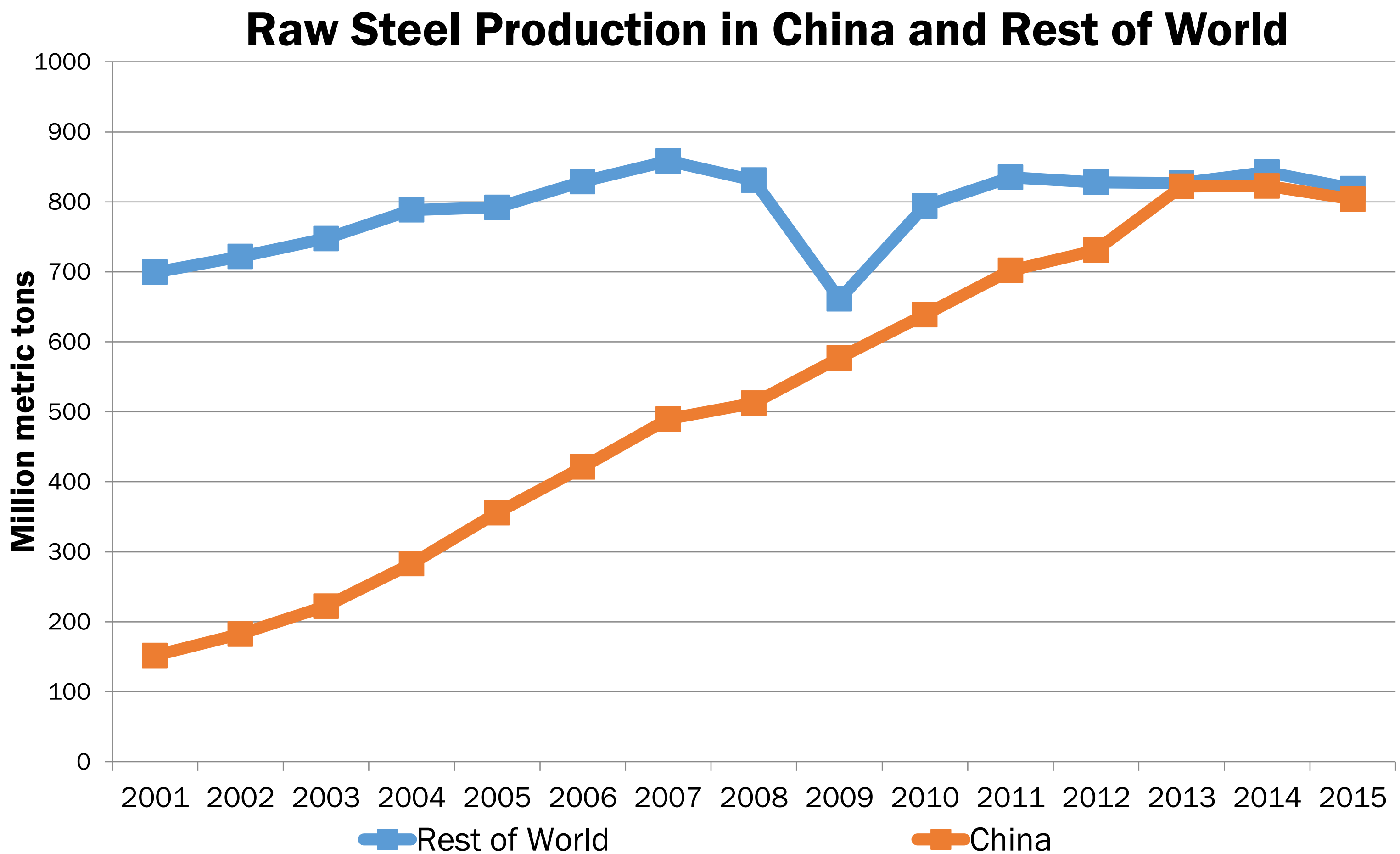
Chinese steel production has exploded



Source: Worldsteel Association

Chinese steel production has exploded



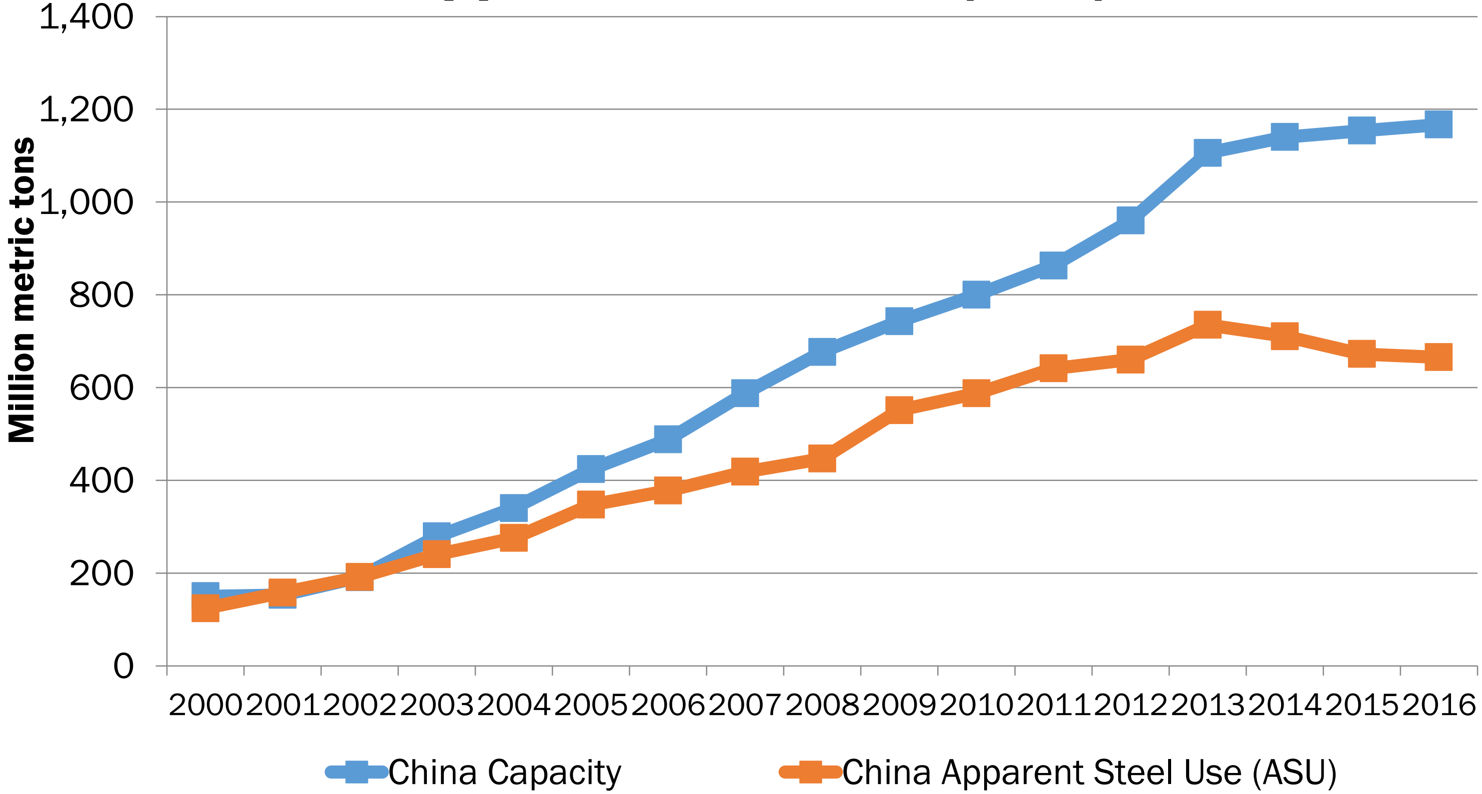
Source: Worldsteel Association

As Chinese steel demand peaks…

*2016 Estimated using data through November 2016
Source: Worldsteel Association

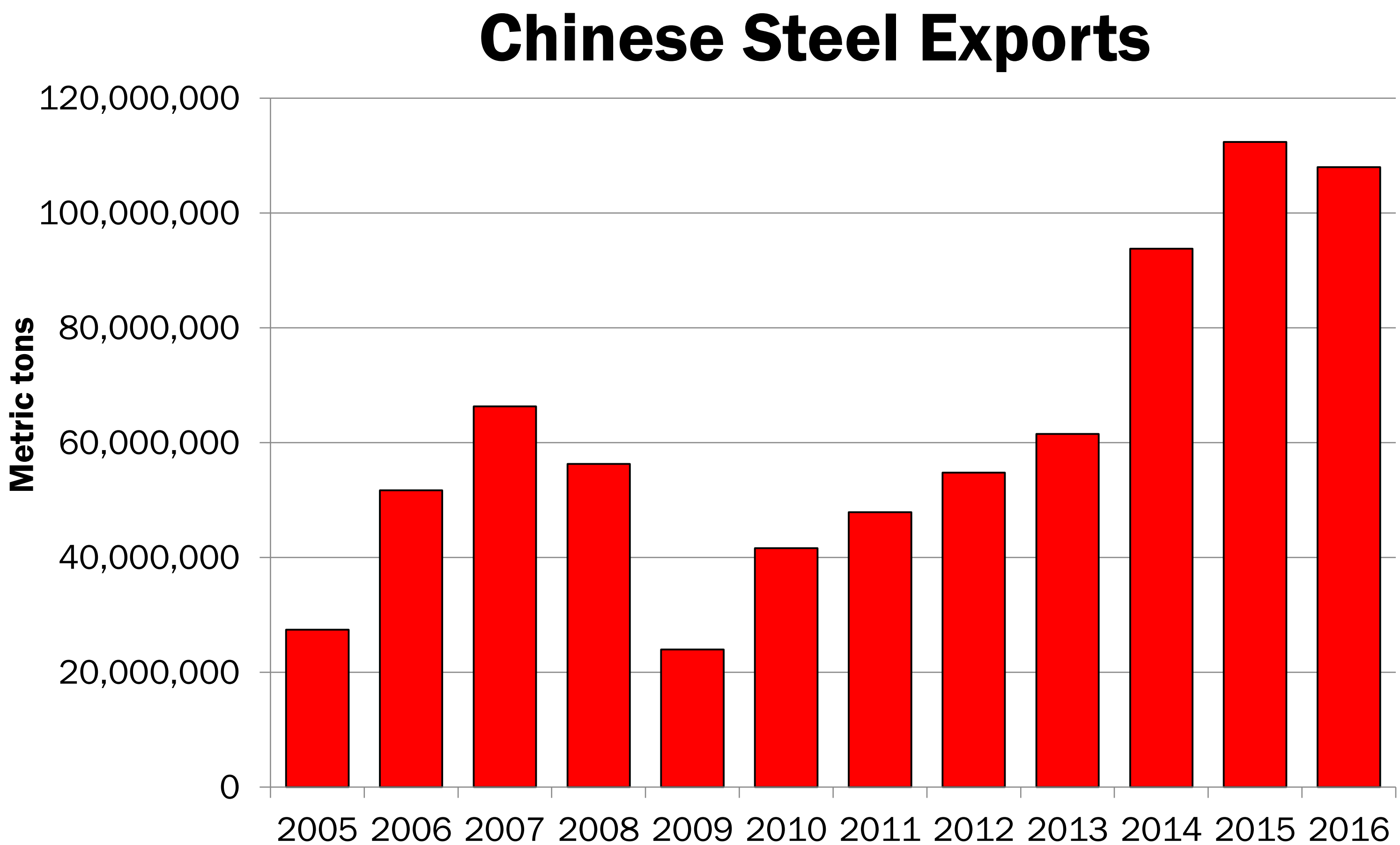
… overcapacity soars…

Chinese Steelmaking Capacity and Apparent Steel Use (ASU)



Source: Worldsteel Association

… and Chinese steel exports surge



Source: Government of China

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U.S. Market Driver Outlook: 2017-2018

Market	Forecast trend	Explanation
Automotive		U.S. production softens slightly as light vehicle sales plateau, but remains at high level. NAFTA-wide production sees incremental growth.
Non-Residential Construction		Moderate growth in 2017 and 2018 for most segments.
Residential Construction		Recovery continues in residential construction, but balance of growth shifting to single unit construction and away from multi-unit
Machinery		Largely flat in 2017 with recovery emerging in 2018. Renewed dollar appreciation remains a risk.
Infrastructure		Baseline is for stable 2017. However a substantial long-term infrastructure program could provide a material boost to demand, particularly beginning in 2018.
Energy		Investment slowly returning to oil and gas exploration and production sector as prices stabilize at higher levels than in 2016.
Inventory		Service center inventories show incremental rebound as demand increases, but wholesalers remain cautious.