Hot-Rolled Steel

Prof. Jerry Hausman, MIT

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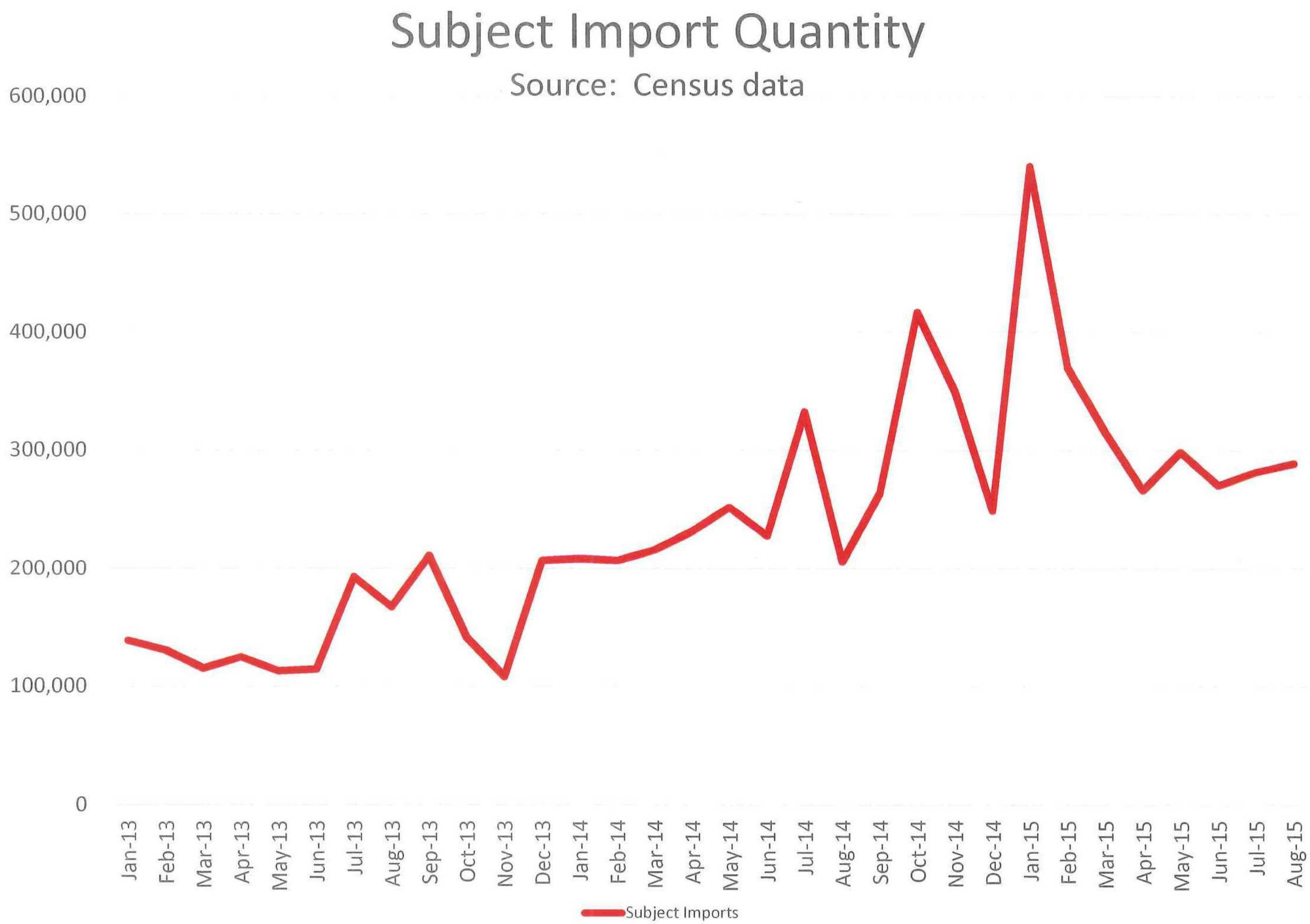

Subject Import Quantity
Source: Census data
600,000
500,000
400,000
300,000
200,000
100,000
0
Jan-13
Feb-13
Mar-13
Apr-13
May-13
Jun-13
Jul-13
Aug-13
Sep-13
Oct-13
Nov-13
Dec-13
Jan-14
Feb-14
Mar-14
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May-14
Jun-14
Jul-14
Aug-14
Sep-14
Oct-14
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Feb-15
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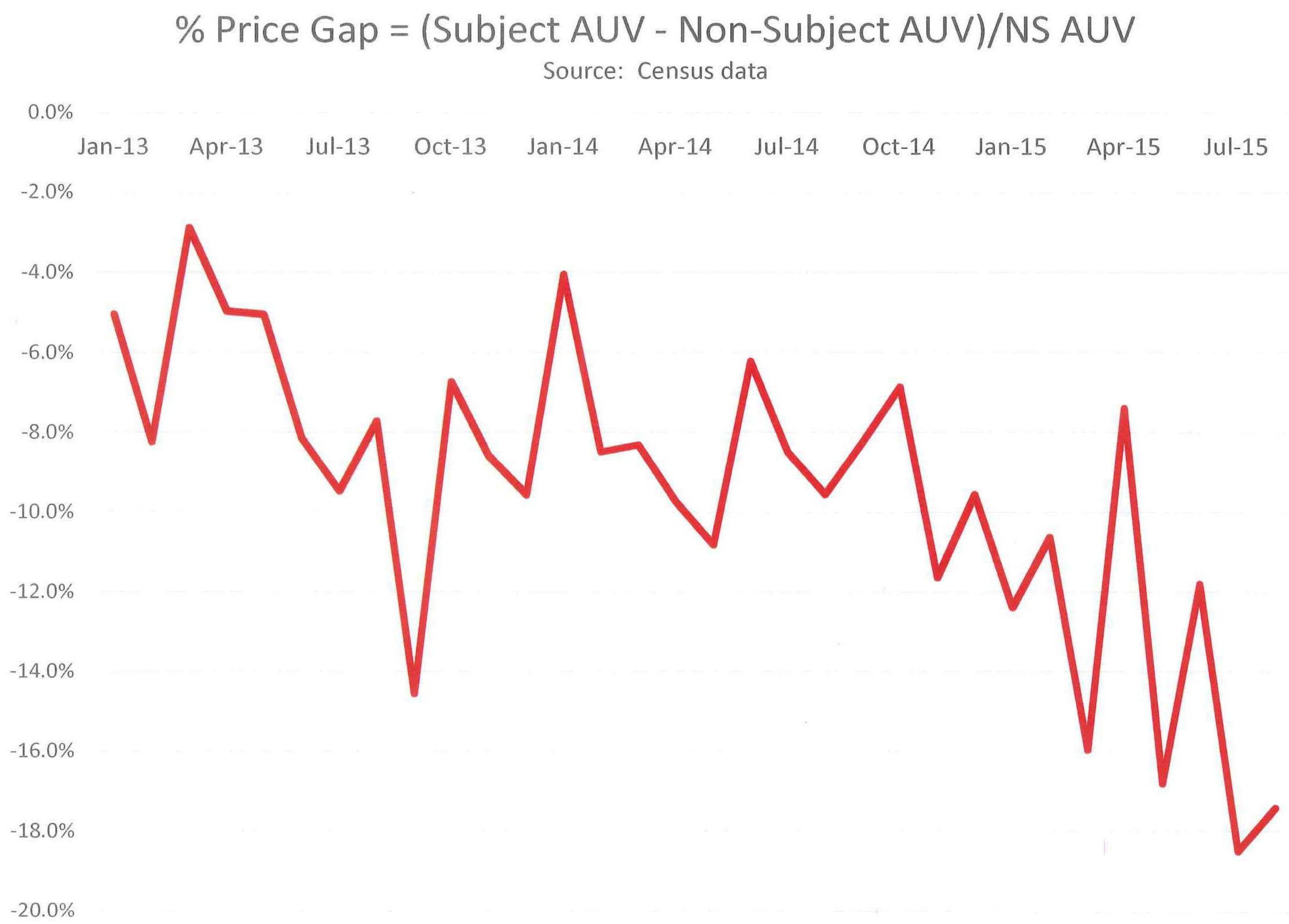
Jun-15
Jul-15
Aug-15
Subject Imports



% Price Gap = (Subject AUV - Non-Subject AUV)/NS AUV
Source: Census data
0.0%
-2.0%
-4.0%
-6.0%
-8.0%
-10.0%
-12.0%
-14.0%
-16.0%
-18.0%
-20.0%
Jan-13
Apr-13
Jul-13
Oct-13
Jan-14
Apr-14
Jul-14
Oct-14
Jan-15
Apr-15
Jul-15

Commission Injury Factors

- **Volume of imports** – Subject imports increased by 105.4% during the period from 2013 to 2015. Non-subject imports did not increase as fast.
- **Price** –The surge in dumped subject imports dragged down domestic prices since subject and domestic imports are highly substitutable and compete on price. The lost sales and lost revenue data collected by the Commission contains significant direct evidence of underselling by the subject imports, including responses from hot-rolled purchasers that they purchased substantial volumes of subject imports instead of domestic product because of lower prices. In a relatively stable-to-declining market, even accounting for changes in input costs, imports are a significant explanation for the significant decline in U.S. hot-rolled steel prices.
- **Comparison of Subject and Non-subject AUVs, which act as controls–**

HR AUV Change During POI

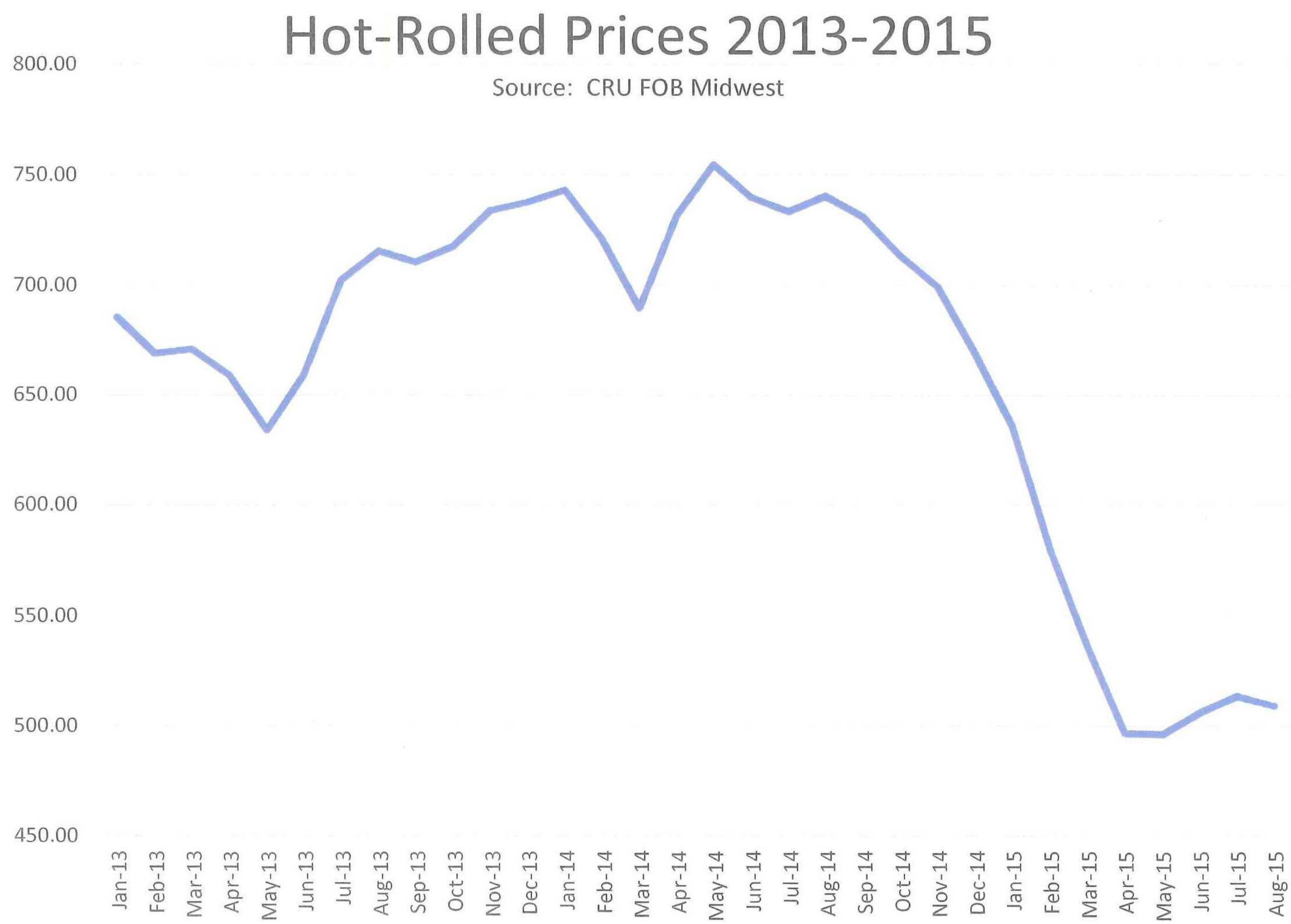
Subject -32.5% Non-subject -20.2%

Impact of Imports

- The surge in subject imports has reduced the domestic industry's sales, production, profits at all levels (gross, operating, net), and headcount compared to what it should be.
  - In particular, the industry's profitability is lower than one would expect, particularly given the strength of the automotive market.
  - Domestic auto sales are at a very high level. For example, sales of domestic autos and light trucks increased by 21.6 % from 2012 to 2015.
  - Over the period 2013-2015, overall U.S. GDP growth averaged 2.2% per year and growth in automobile sales averaged 7.2% per year.
  - HR demand remained strong until August 2015, higher than beginning of POI.
- Because of the capital intensive nature of steel production, steelmakers must earn strong rates of return, much higher than current rates of return, during demand peaks in order to cover required investments for the entire cycle

Effect of CRU Prices

- 12/14 to 12/15 CRU HR prices decreased by -40.0%.
- All pricing in the market is affected by CRU prices, including both spot and contract pricing. This outcome is expected from economic analysis, since customers choose whether to use spot or contract pricing, or a mix of both.
- Changes in CRU spot prices affect other spot prices almost immediately.
- Contract pricing is affected in a variety of ways, including when new contracts are entered into and when existing contracts expire and are renegotiated, based largely on spot market prices. Some contracts are short-term, approximately 90 days, while other contracts are typically one year in duration. In addition, during the contract term, there may be built-in price adjustments, based on CRU prices or another price index, which is highly correlated with CRU prices.
- For example, a comparison of CRU prices with spot prices and base prices in the contracts, demonstrates a high correlation between all of these prices. The estimated correlation for large producers is 0.867 (post-hearing brief)
- I estimate lagged effects of changes in import prices for 4 months in terms of overall prices (post-hearing brief)


Hot-Rolled Prices 2013-2015
Source: CRU FOB Midwest
800.00
750.00
700.00
650.00
600.00
550.00
500.00
450.00
Jan-13
Feb-13
Mar-13
Apr-13
May-13
Jun-13
Jul-13
Aug-13
Sep-13
Oct-13
Nov-13
Dec-13
Jan-14
Feb-14
Mar-14
Apr-14
May-14
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Nov-14
Dec-14
Jan-15
Feb-15
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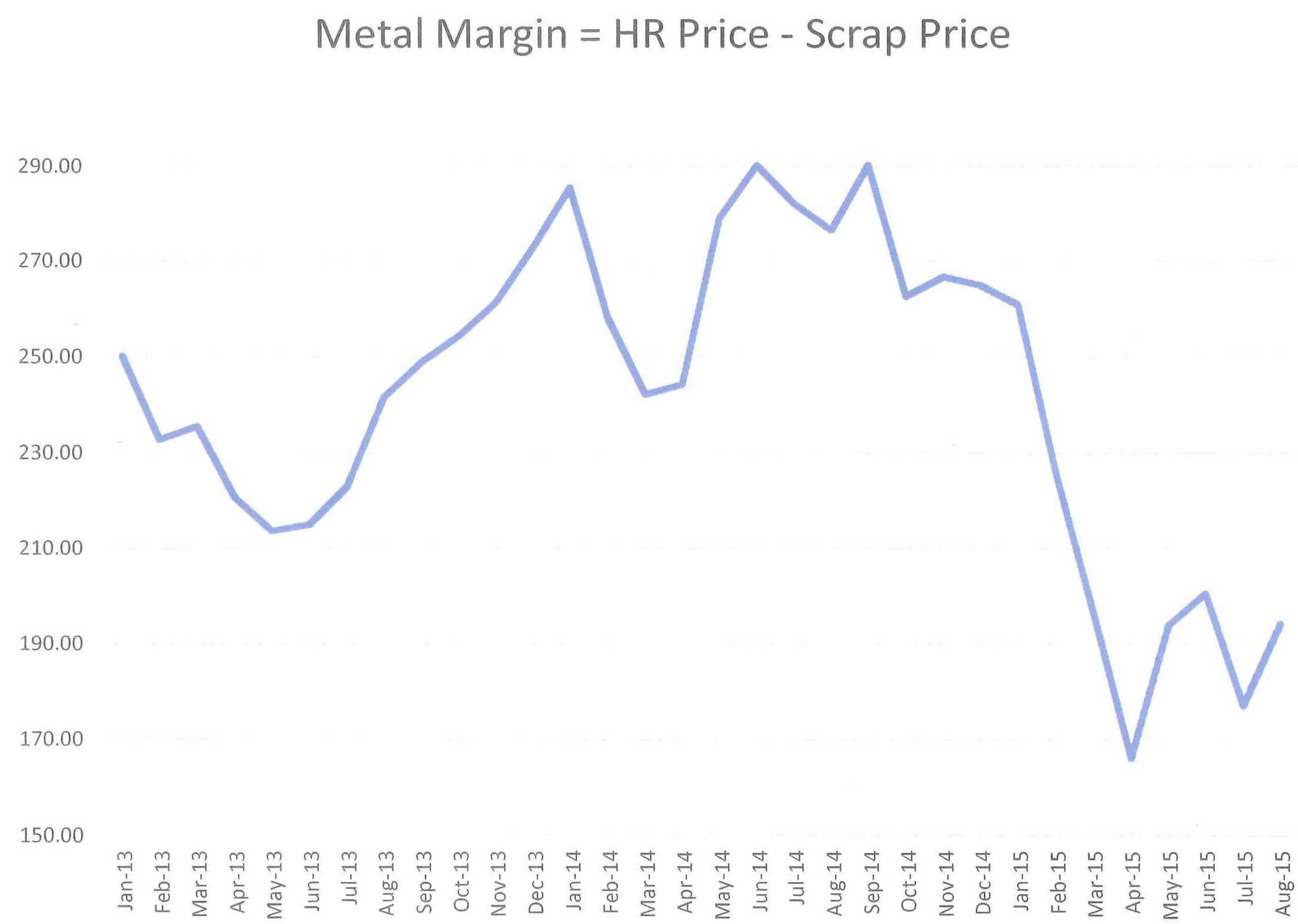
Jun-15
Jul-15
Aug-15

Causation

- US industry lost significant volume
- US industry forced to decrease prices
- Significantly lower US industry profits is the result
- Significantly lower US industry employment
- Commission staff has confirmed that volume has shifted and that price reductions were the result of subject imports
- From 2014 to 2015, HR CRU spot prices decreased by about $199/short ton, while U.S. producers' raw material costs declined by only about $83/short ton.
- Next graph on metal margin takes account of decrease in raw material costs and finds that producers' margins decreased leading to decreased profitability


Metal Margin = HR Price - Scrap Price
290.00
270.00
250.00
230.00
210.00
190.00
170.00
150.00
Jan-13
Feb-13
Mar-13
Apr-13
May-13
Jun-13
Jul-13
Aug-13
Sep-13
Oct-13
Nov-13
Dec-13
Jan-14
Feb-14
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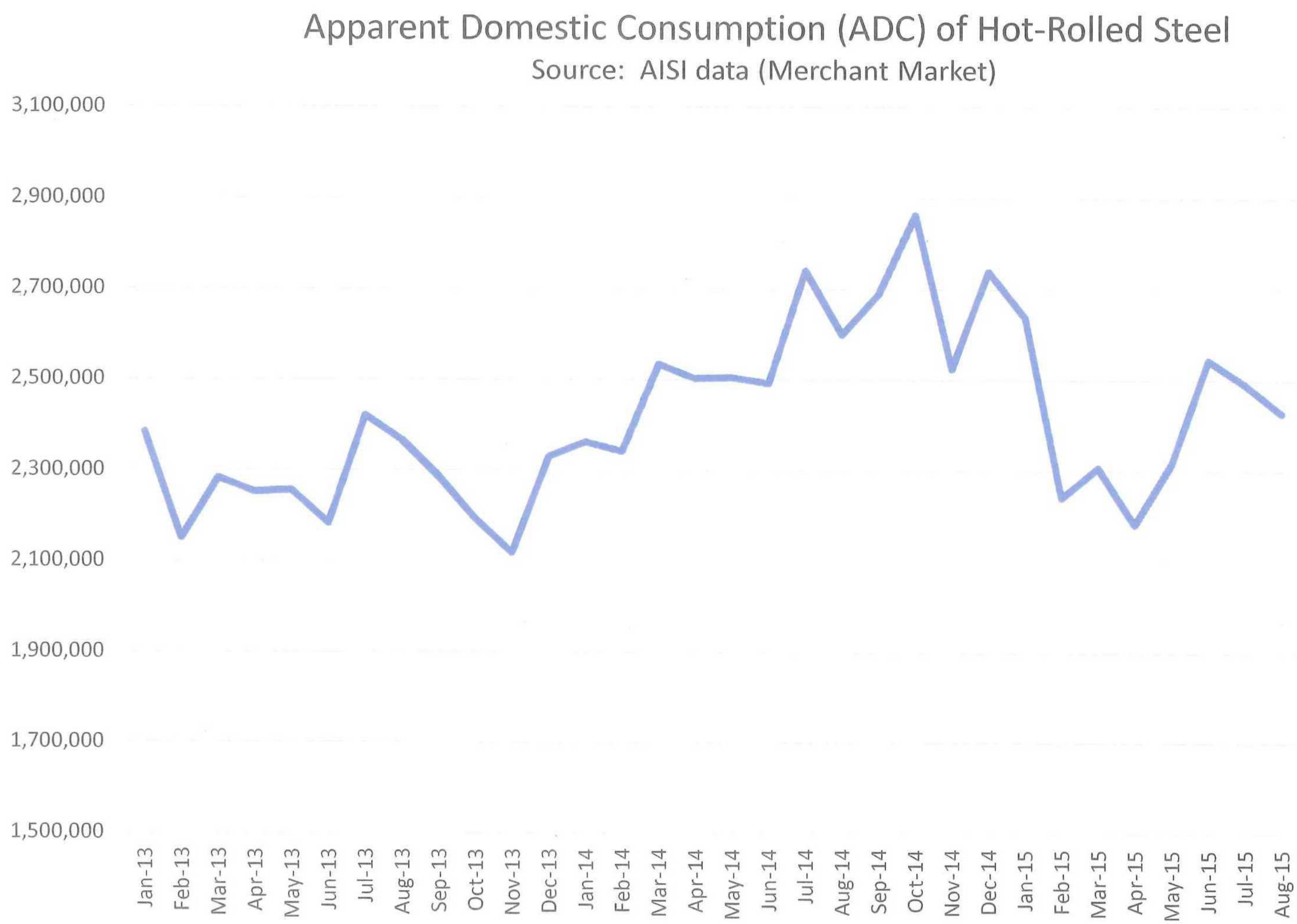

Apparent Domestic Consumption (ADC) of Hot-Rolled Steel
Source: AISI data (Merchant Market)
3,100,000
2,900,000
2,700,000
2,500,000
2,300,000
2,100,000
1,900,000
1,700,000
1,500,000
Jan-13
Feb-13
Mar-13
Apr-13
May-13
Jun-13
Jul-13
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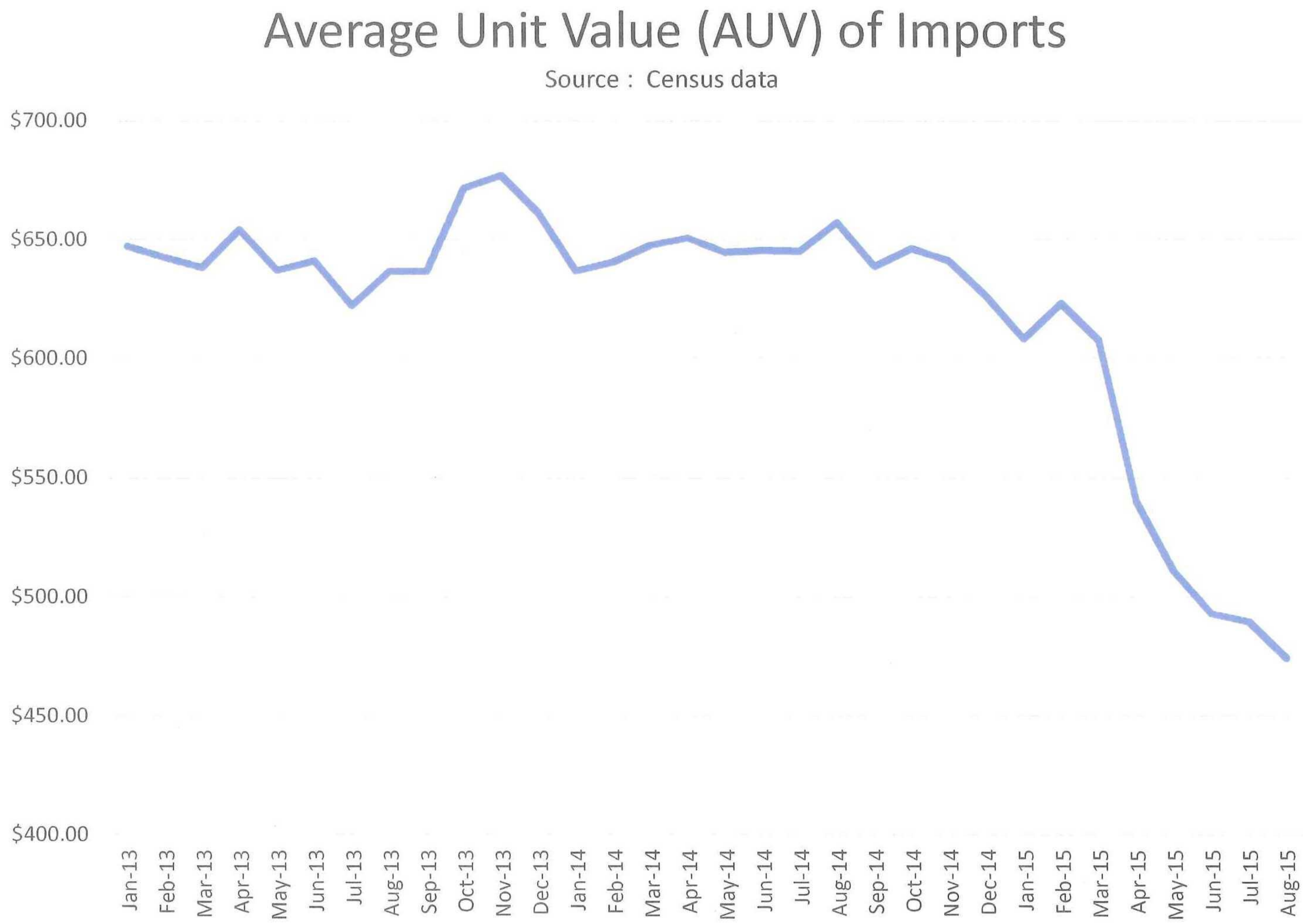
Average Unit Value (AUV) of Imports
Source : Census data
$700.00
$650.00
$600.00
$550.00
$500.00
$450.00
$400.00
Jan-13
Feb-13
Mar-13
Apr-13
May-13
Jun-13
Jul-13
Aug-13
Sep-13
Oct-13
Nov-13
Dec-13
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Feb-14
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Jul-15
Aug-15

Causation Analysis

- CRU spot prices decreased, especially in 2015
- Metal margins, price – scrap cost, decreased, especially in 2015
- Demand did not decrease significantly until after August 2015
  - Demand higher in August 2015 than in January 2013, at the beginning of the POI
  - Drilling demand decreased but increases in other demands for HR counteracted the decrease until about August 2015
  - Thus, demand does not explain all of the decrease in HR price and metal margins
- AUV of imports decreased, especially in 2015 when prices and metal margins were decreasing
- Price of subject imports was decreasing significantly more than price of non-subject imports as gap analysis demonstrates
- Conclusion: decreasing prices and metal margins caused by increasing subject import quantities and decreasing import AUVs, especially subject import AUVs.

Threat of Future Injury

- Substantial excess capacity in the global steel industry, including with regard to hot-rolled steel and particularly in the subject countries, threatens the U.S. hot-rolled steel industry with further injury in the reasonably foreseeable future.
- The U.S. hot-rolled industry is threatened by subject countries, which have significant excess capacity, are able to divert exports from third markets to the United States, and are able to product shift to hot-rolled steel from cold-rolled steel, corrosion-resistant steel or other non-scope products. The Staff Report contains the data to conduct such an analysis.
- Demand in other subject producers' home and alternative export markets is weaker than in the U.S. market. For example, demand in key markets such as North East Asia (including Japan and Korea) has decreased and will not recover in the near future.
- While U.S. hot-rolled steel prices have been depressed, they are still higher than hot-rolled steel prices in subject producers' home markets and in third-country markets. This situation gives an economic incentive for subject producers to continue to increase hot-rolled steel exports to the U.S. market in the absence of orders, further threatening the domestic industry.