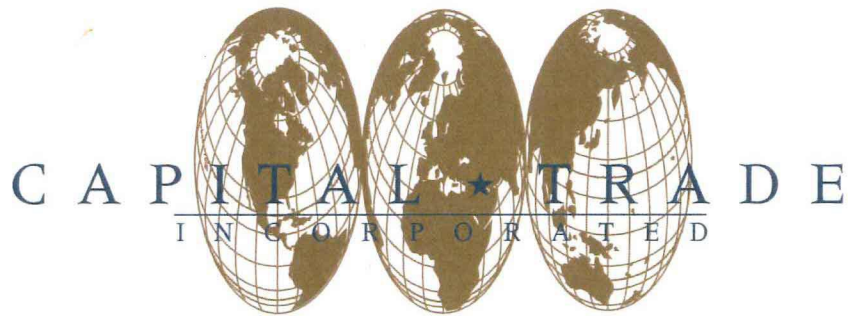


Forged Steel Fittings From China, Italy, and Taiwan

Inv. No. 701-TA-589 and 731-TA-1394-1396 (Final)

August 2, 2018

Presentation at the United States International Trade Commission



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Themes

Key Themes of Economic Analysis

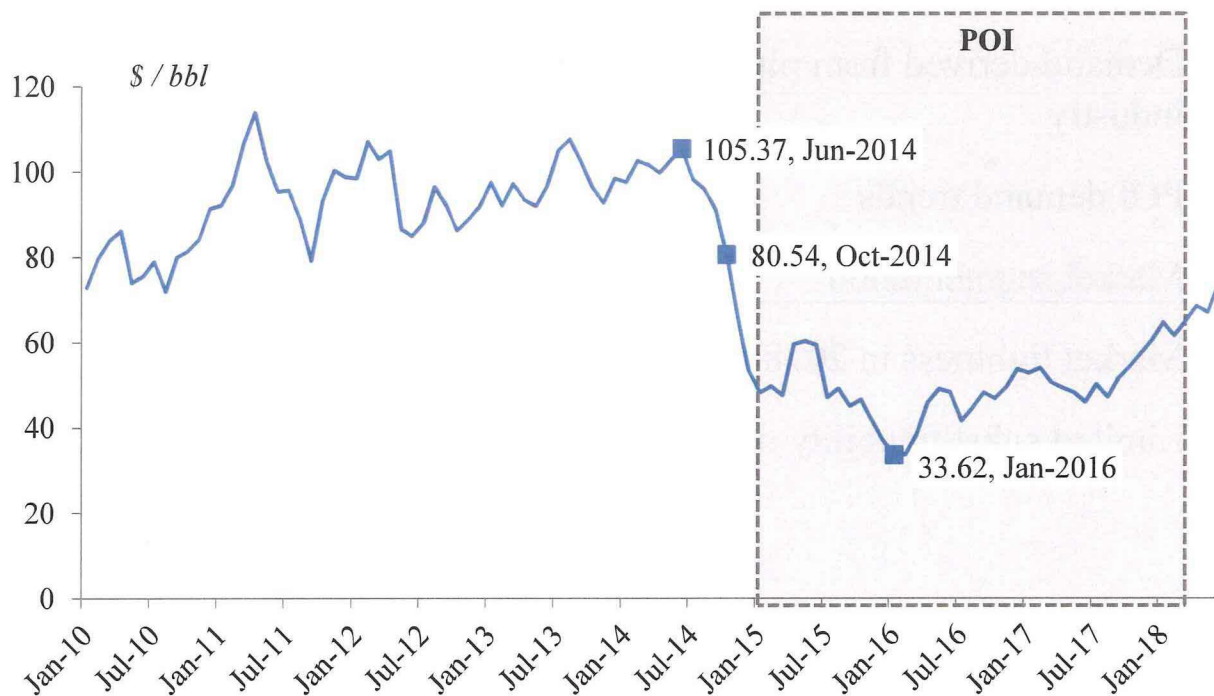
- Very large decline in demand during the first half of the POI followed by a partial recovery
- Subject imports and domestic industry performance mirrored demand trends closely
- No current injury based on statutory indicators
- Limited competition between normalized Italian fittings and domestic non-normalized domestic fittings
- No threat of injury from decumulated imports from Italy

Conditions of Competition

- Demand derived from piping systems, largely from oil and gas industry
- POI demand trends
- Market segmentation
- Market tightness in 2018:Q1
- Limited substitutability of Italian fittings

Conditions

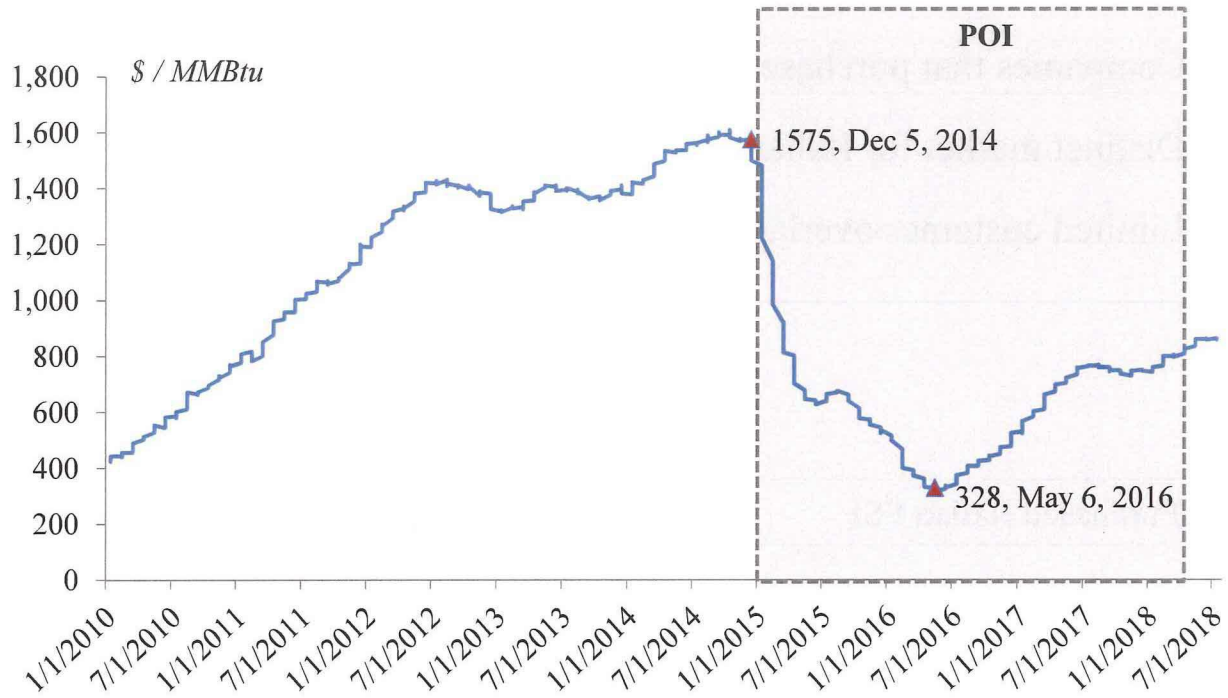
Light Sweet Crude Oil Futures Price



Source: Chicago Mercantile Exchange (end of period 1st expiring contract settlement) via Haver Analytics

Conditions

Weekly U.S. Oil Rotary Rig Count



Source: Baker Hughes, "North America Rotary Rig Count (Jan 2000 - Current)" July 27, 2018, at <http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=irol-reportsother> (downloaded 7/30/2018)

Conditions

Market segmentation

- Companies that purchase from China and those who do not
- Distinct market for Italian fittings
- Limited customer overlap

	Also purchased from:	
Total	China	Taiwan
	<i>Short tons</i>	
Purchased Italian FSF	[]	[]

Source: Responses to the Purchasers' questionnaire

Conditions

Tight Supply at End of POI

- Tight supply reported by importers
- Seven purchasers reported supply constraints
- 3 purchasers stated that U.S. producers were not accepting new customers
- Industry press reported that domestic producers were operating at full capacity
- Low inventory levels

Conditions

Asymmetric Substitutability

- Normalization
 - A form of heat treatment
 - Normalized FSF are harder and have a more refined grain structure
- 100 percent of Italian fittings are normalized
- A significant proportion of subject Italian imports are consumed by end users who require normalized fittings
- For end users who demand normalized fittings in long-term contracts and supply agreements, non-normalized fittings are not interchangeable

Volume

U.S. production and subject imports & imports from Italy tracked U.S. consumption

	2015-16	2016-17
U.S. consumption quantity	[]	[]
U.S. production quantity	[]	[]
U.S. shipments of:		
Subject import quantity	[]	[]
Subject Italian quantity	[]	[]

Source: Prehearing Report at C-3, Table C-1.

Volume

Subject imports & imports from Italy did not increase relative to production or consumption

	2015-17	2015-16	2016-17
	Percentage points		
U.S. producers' share of consumption	[]	[]	[]
Subject import quantity relative to:			
U.S. consumption quantity	[]	[]	[]
U.S. production quantity	[]	[]	[]
Subject Italian quantity relative to:			
U.S. consumption quantity	[]	[]	[]
U.S. production quantity	[]	[]	[]

Source: Prehearing Report at C-3, Table C-1.

Impact

U.S. production increased over the POI

Index values



Source: Prehearing Report at C-3, Table C-1.

Impact

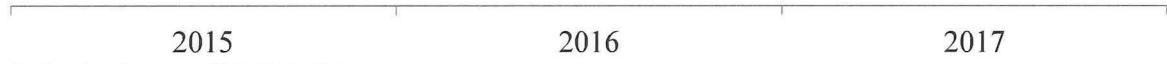
U.S. shipment quantity increased over the POI

Index values



U.S. consumption quantity

U.S. shipment quantity



Source: Prehearing Report at C-3, Table C-1.

Impact

U.S. shipment value increased over the POI

Index values



U.S. consumption value

U.S. shipment value



Source: Prehearing Report at C-3, Table C-1.

Volume

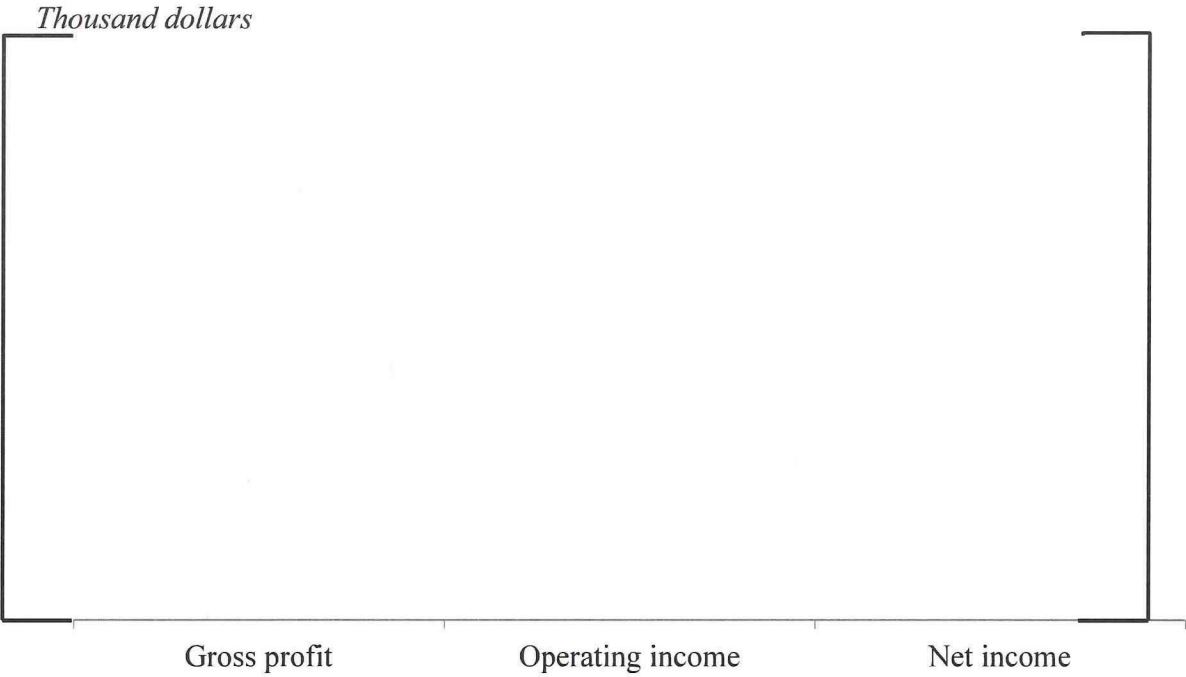
All employment-related indicators improved from 2016 to 2017

	2016	2017	2016-17
Production workers (number)	[]	[]	[]
Hours worked (1,000s)	[]	[]	[]
Wages paid (\$1,000)	[]	[]	[]
Hourly wages (\$ per hour)	[]	[]	[]
Productivity (short tons per hour)	[]	[]	[]

Source: Prehearing Report at C-3, Table C-1.

Impact

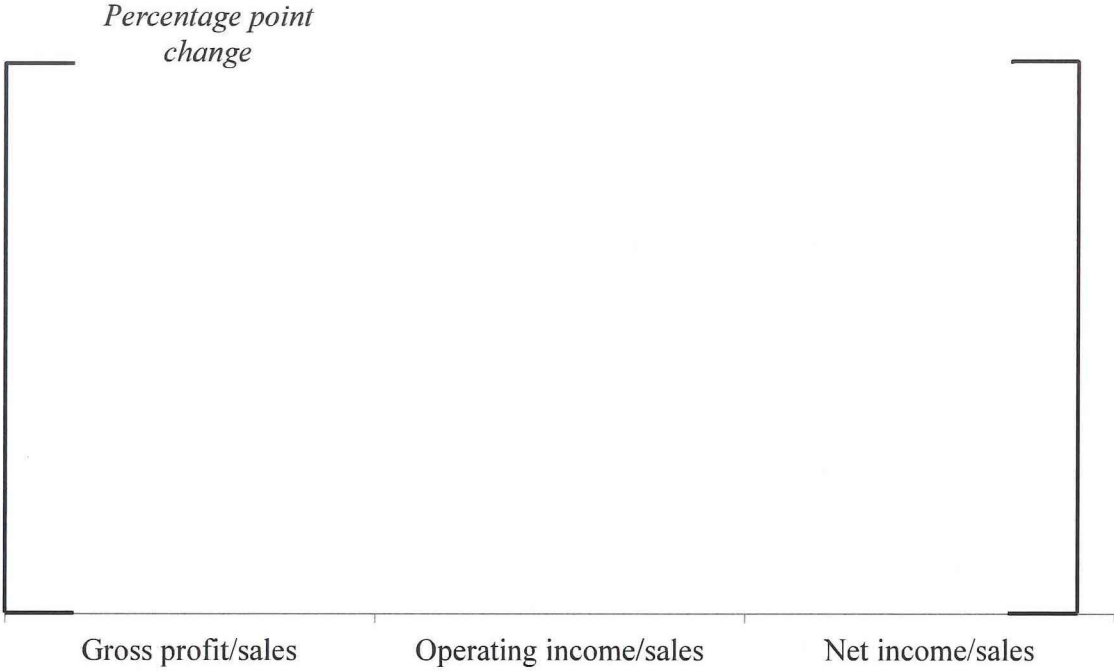
Absolute U.S. profitability improved over the POI



Source: Prehearing Report at VI-6, Table VI-3; and C-4, Table C-1.

Impact

U.S. profitability relative to net sales improved over the POI



Source: Prehearing Report at VI-6, Table VI-3; and C-4, Table C-1.

Price

Price effects were not significant

- Underselling coverage is poor for the domestic industry and the subject imports
- No price depression
 - *“We consequently do not find that cumulated subject imports depressed prices of the domestic like product to a significant degree.”* Preliminary Determination at 31.
- No cost-price squeeze over the POI
 - Raw materials costs declined relative to net sales
- Small compression in 2016 explained by increasing fixed costs unrelated to subject imports

Volume

**No cost-price squeeze with raw materials
in any year of the POI**

	2015	2016	2017	2015-17
Raw materials cost per short ton (\$)	[]	[]	[]	[]
Raw materials cost / net sales (percent)	[]	[]	[]	[]

Source: Prehearing Report at VI-3 to VI-4, Table , Table VI-1.

Threat

No threat of material injury by reason of subject imports from Italy

- Volume of imports from Italy are not significant in isolation or relative to production and consumption
- Limited substitution between normalized Italian fittings and non-normalized domestic fittings
- Limited potential for increasing imports from Italy
 - Capacity utilization is high
 - Stable product mix and third country consumption
- No subsidies
- The market was tight toward the end of the POI