

# Steel Market Outlook



AM/NS Calvert

# Agenda

- ArcelorMittal at a glance
- USA Steel Market Outlook
- Global Steel Outlook and Raw Materials
- Trade
- Questions

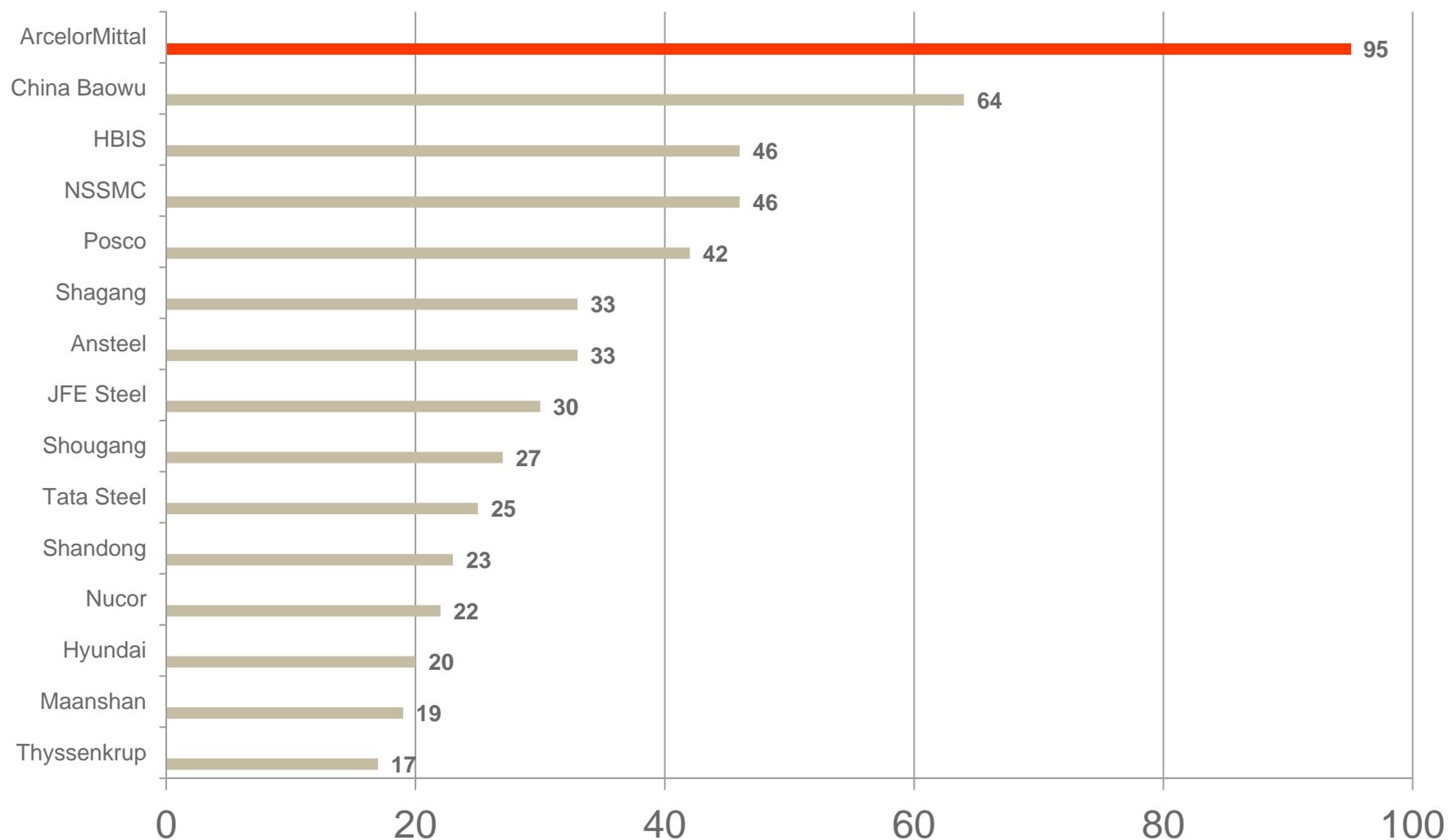
# The world's leading steel and mining company

- ArcelorMittal is the world's leading steel and mining company, with around **200,000** employees in more than **60** countries. ArcelorMittal is the 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.
- ArcelorMittal values geographical breadth, product diversity and raw materials security. Around **38%** of our steel is produced in the Americas, **47%** in Europe and **15%** in other countries such as Kazakhstan, South Africa and Ukraine.

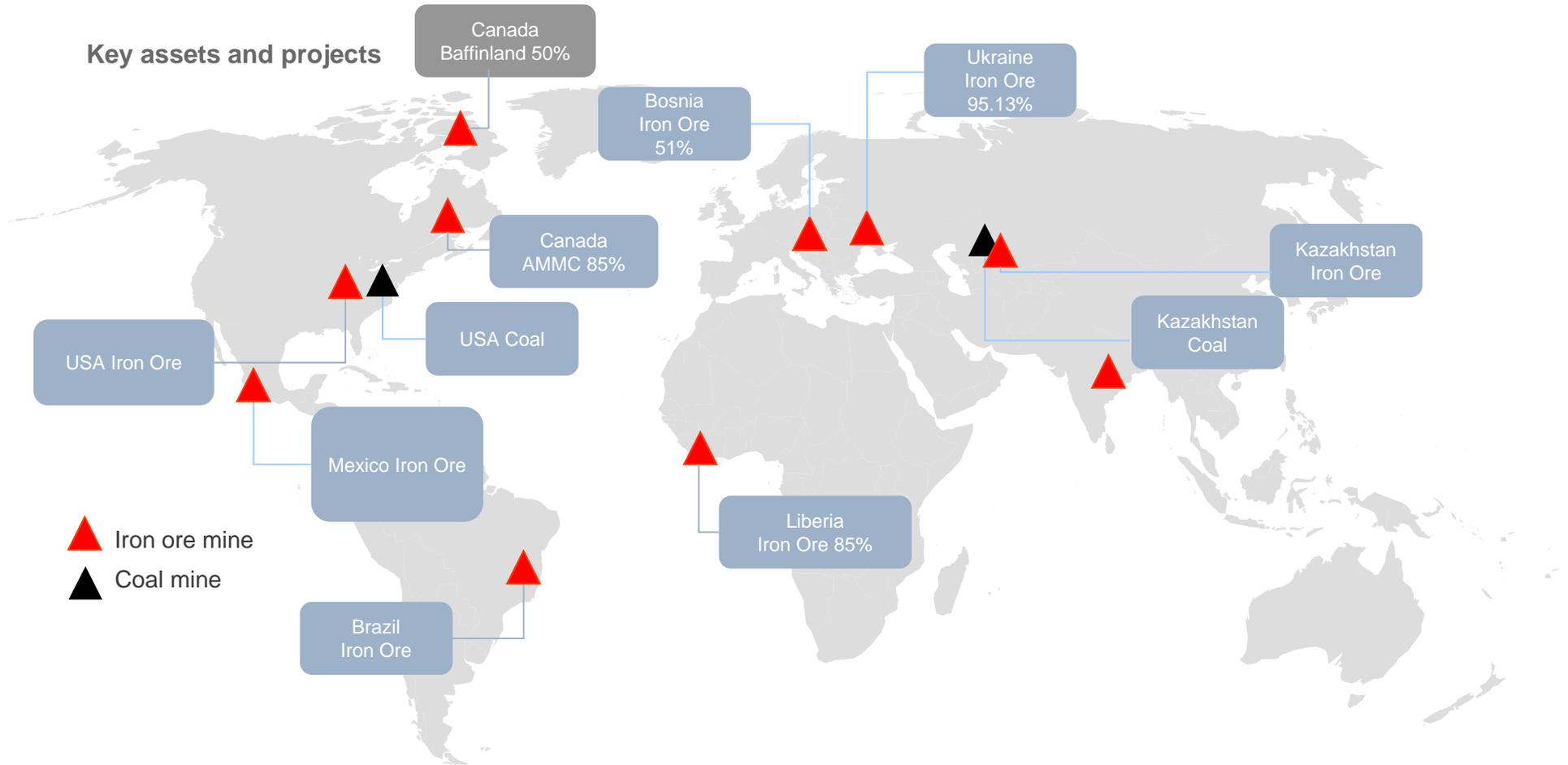
**Underpinning all our operations is a philosophy to produce safe, sustainable steel**

# Top Steel-Producing Companies (2015)

millions of metric tons



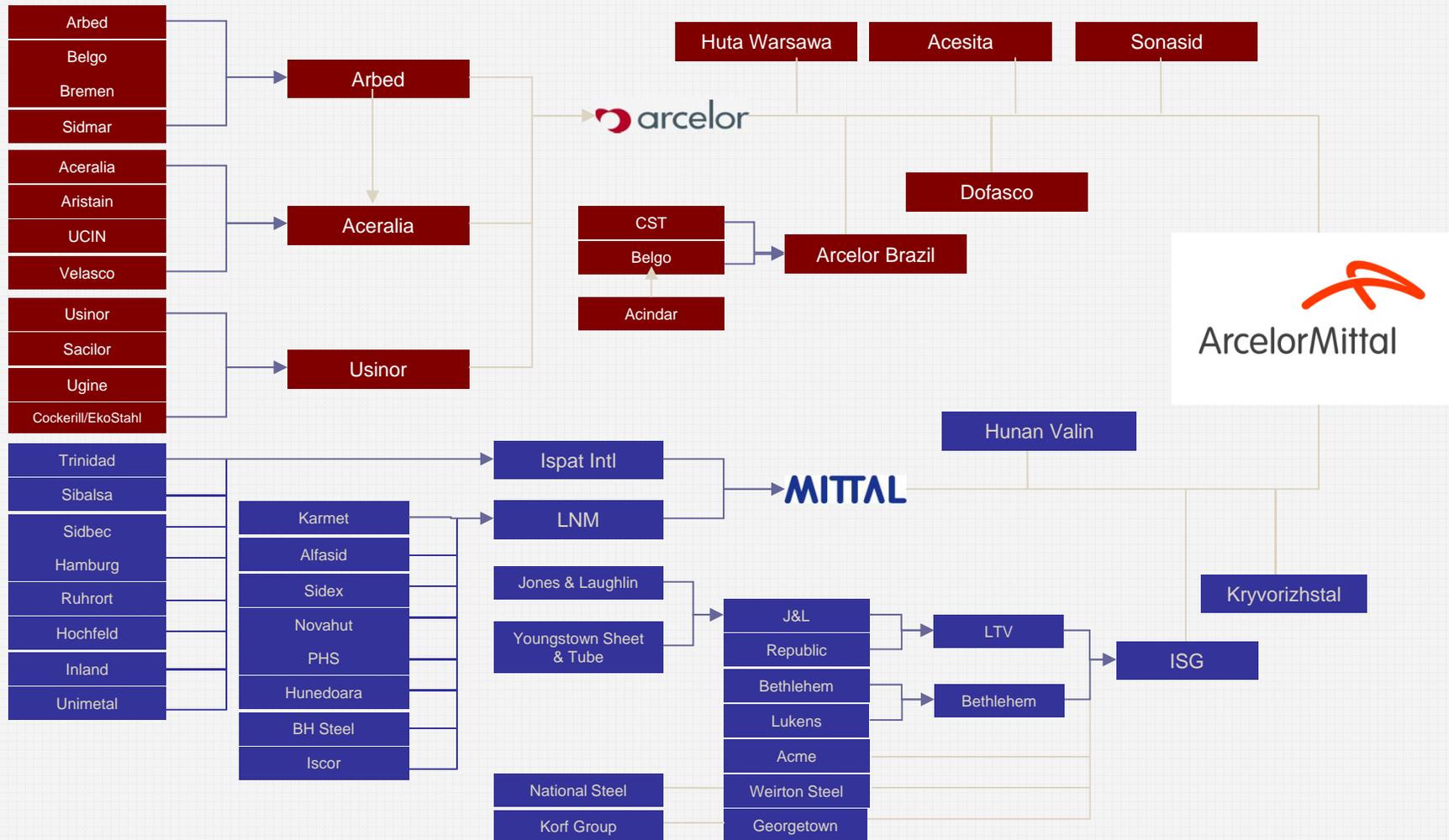
# ArcelorMittal Mining – portfolio



**Geographically diversified mining assets**

\* Includes share of production

# Strong track record of successful integration



# Steel Consuming Markets



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# Steel markets direction in 2018

|                              |   |
|------------------------------|---|
| Auto                         | ➡ |
| Residential Construction     | ⬆ |
| Non-residential Construction | ⬆ |
| Machinery                    | ⬆ |
| Appliance                    | ⬆ |
| Infrastructure               | ➡ |
| Energy                       | ⬆ |
| Steel Inventories            | ⬆ |

- Auto growth is in Mexico in 2018. USA market is flat.
- Non-res construction will add about 1m tons in 2018.
- After being negative in 2015 and 2016 energy activity is seeing positive demand in 2017 & 2018.
  - 2016 4.9
  - 2017 9.9
  - 2018 11.1
- Steel inventories started 2017 at low levels, started to rebuild in Q4, and will continue to rebuild in 2018.

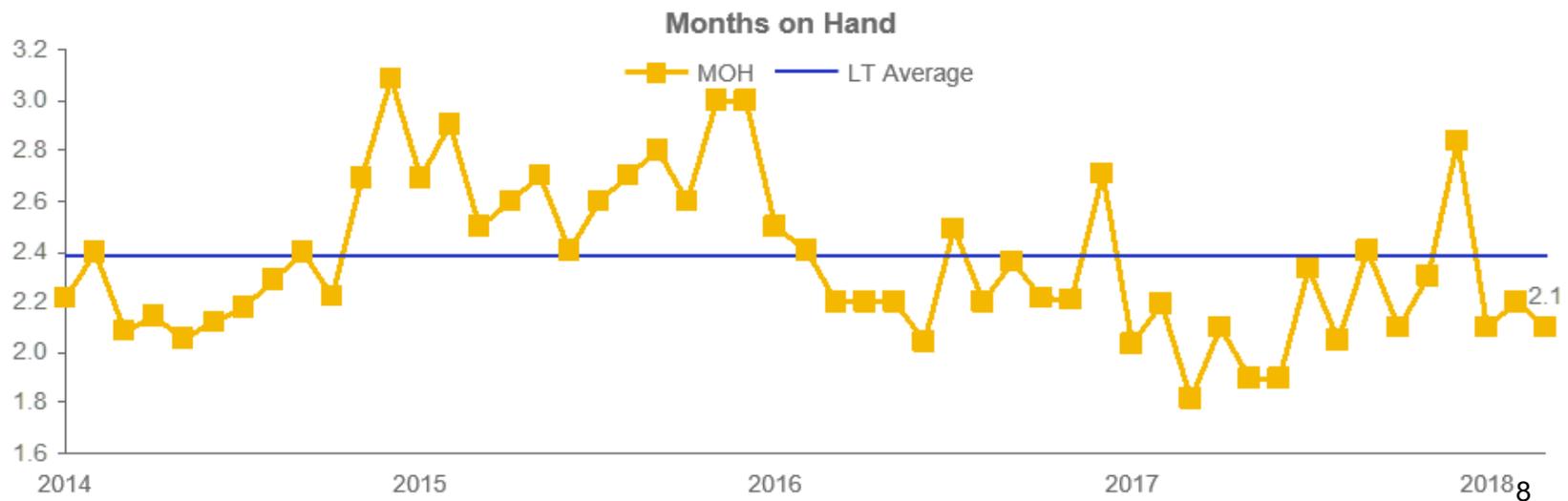
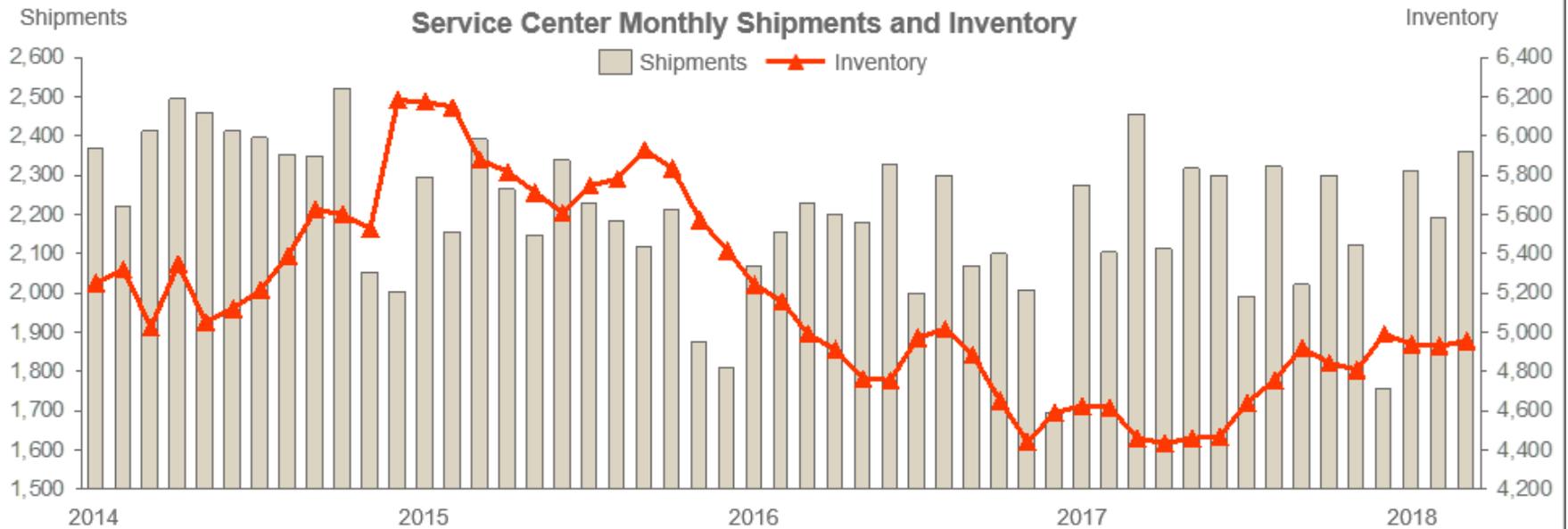
Source: AMUSA analysis

# U.S. Service Center Data: Carbon Flat Roll

Shipments, Inventory, and Months-on-Hand



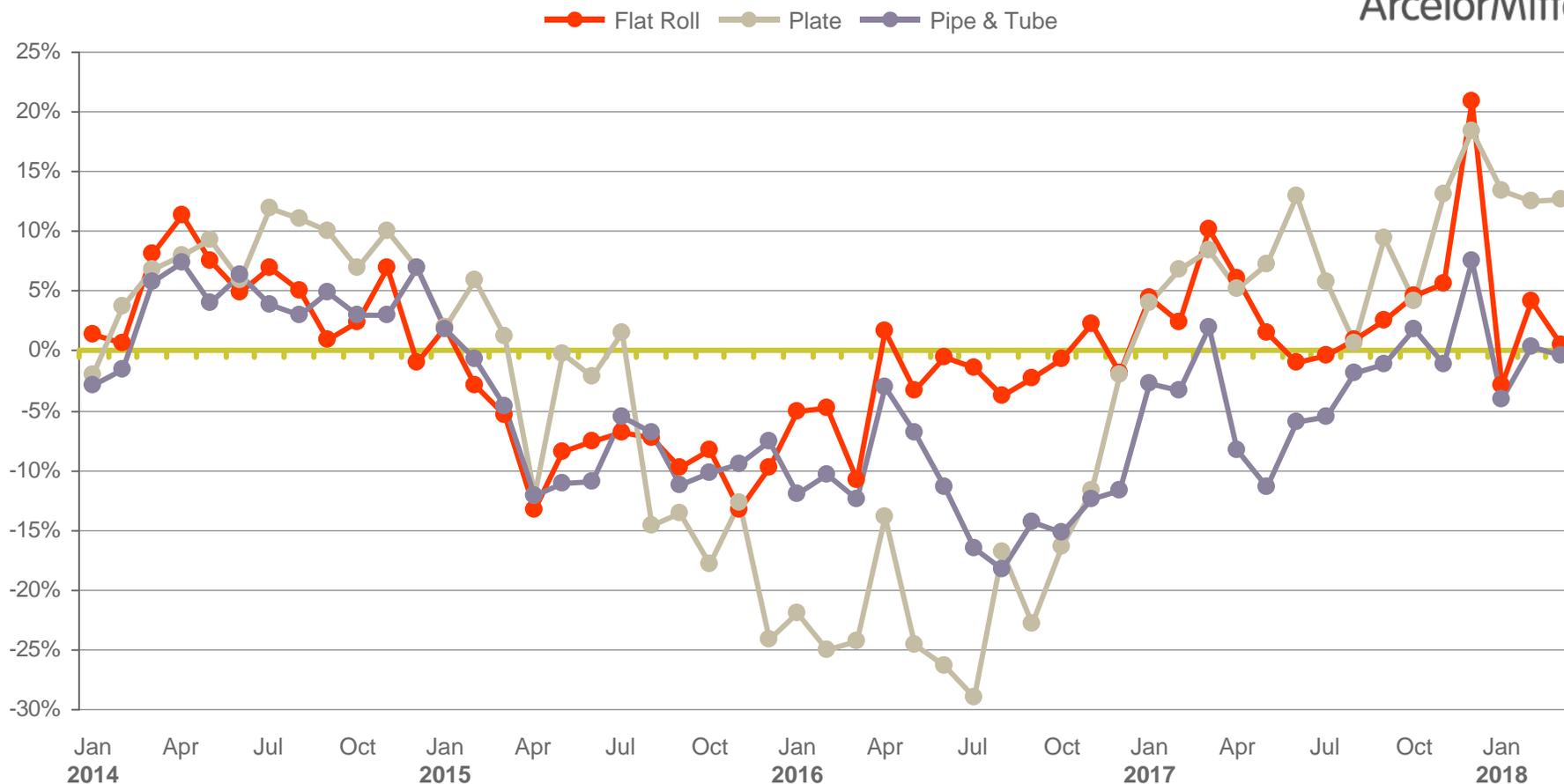
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# Average Daily Shipment Rate: Y/Y % Change



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| Shipments  | Flat Roll | Plate | Pipe & Tube |
|------------|-----------|-------|-------------|
| Mar 2017   | 2,455     | 331   | 222         |
| Mar 2018   | 2,361     | 357   | 211         |
| Diff: Tons | -94       | 26    | -10         |
| Diff: %    | -4%       | 8%    | -5%         |

## USA apparent steel consumption

|      | Short tons<br>(in millions) | % change |
|------|-----------------------------|----------|
| 2013 | 106                         | 1%       |
| 2014 | 118                         | 12%*     |
| 2015 | 106                         | -11%     |
| 2016 | 101                         | -5%      |
| 2017 | 106                         | 5%       |
| 2018 | 110                         | 4%       |

*\*About 3 million tons of the 2014 increase was an inventory overbuild due to a late year surge in imports.*

# Global Markets and Raw Materials



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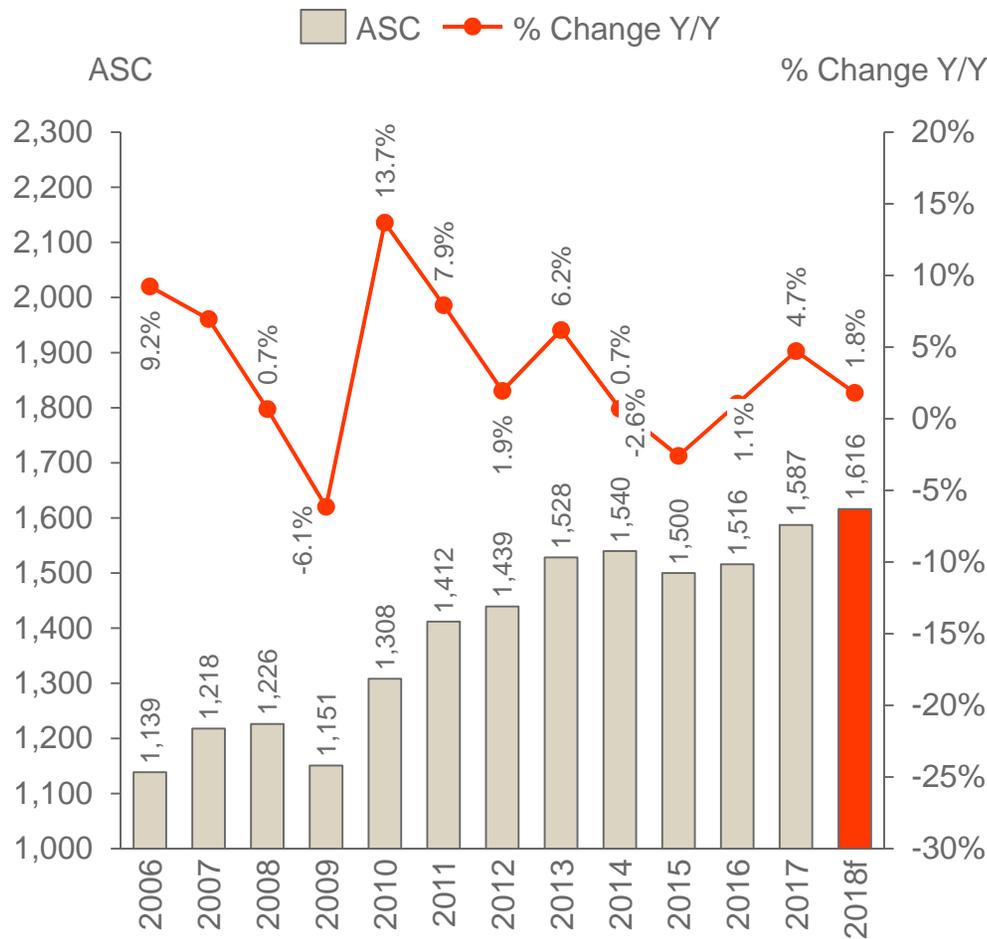
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# Raw Materials Cost Drivers



## WSA - Global Apparent Steel Consumption

million metric tons



## WSA - Global ASC Growth Forecast by Region

% Change Y/Y



\* Central and South America

Source: World Steel Association – Short Range Outlook (April 2018)

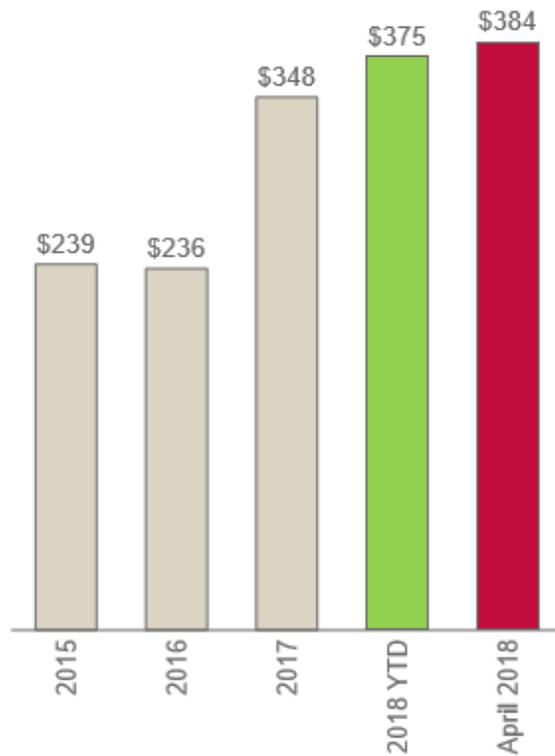
# Steelmaking Raw Material Input Costs

## 2015-2017 Averages and 2018 YTD

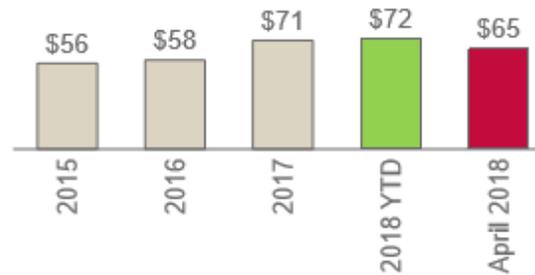


All charts in \$ per metric ton except for Scrap

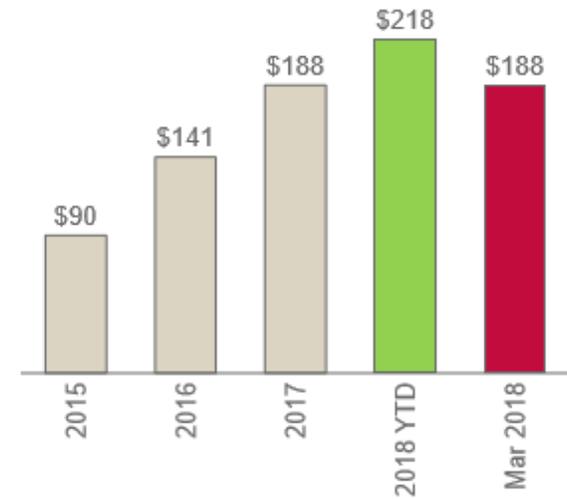
#1 Busheling Midwest Scrap (\$/GT)



Iron Ore 62% Delivered to China



Premium Hard Coking Coal FOB DBCT\*



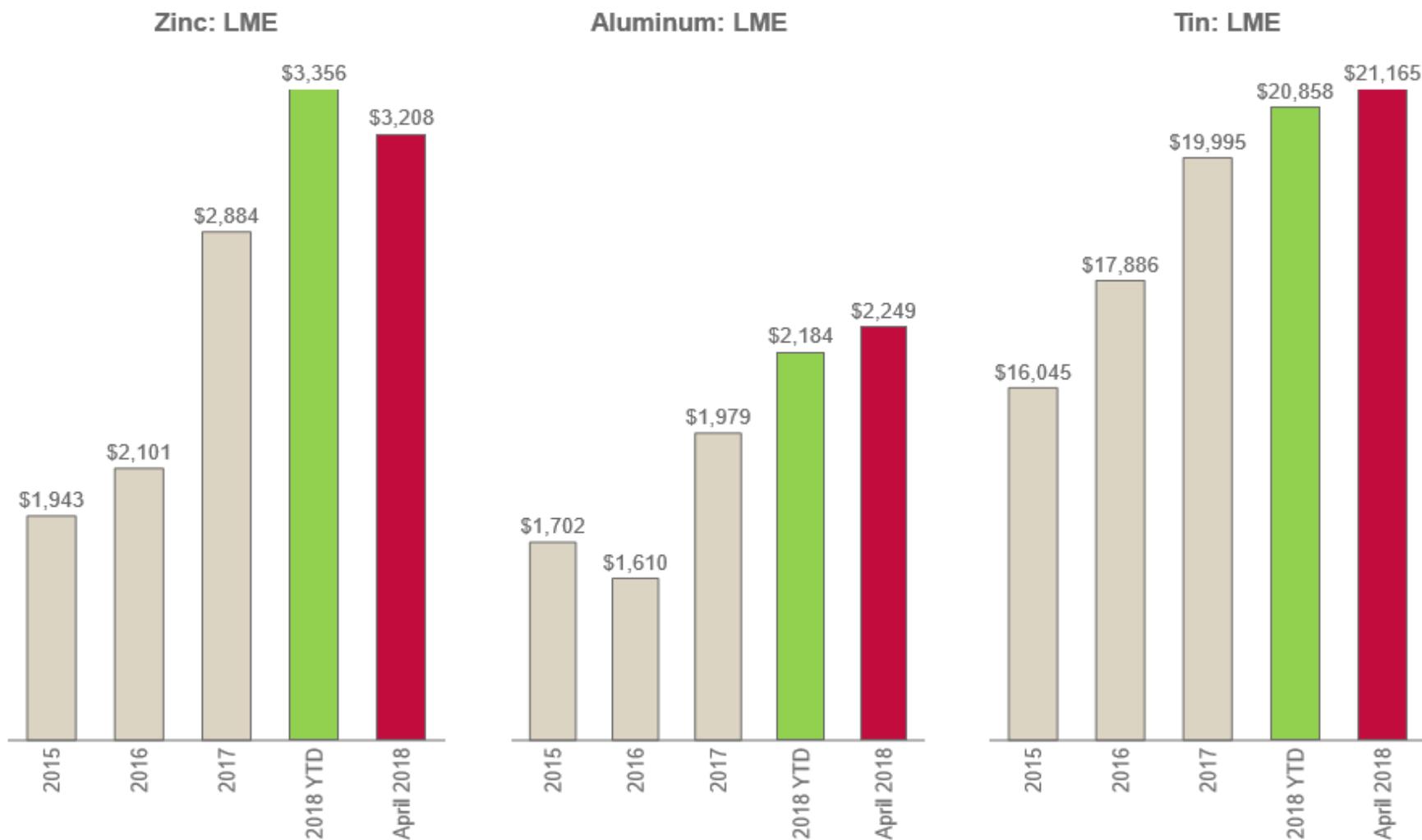
Source: MBR

# Steelmaking Raw Material Input Costs

## 2015 -2017 Averages and 2018 YTD



All charts in \$ per metric ton



Source: LME, AM 3-month ask

# Coking Coal

MBR

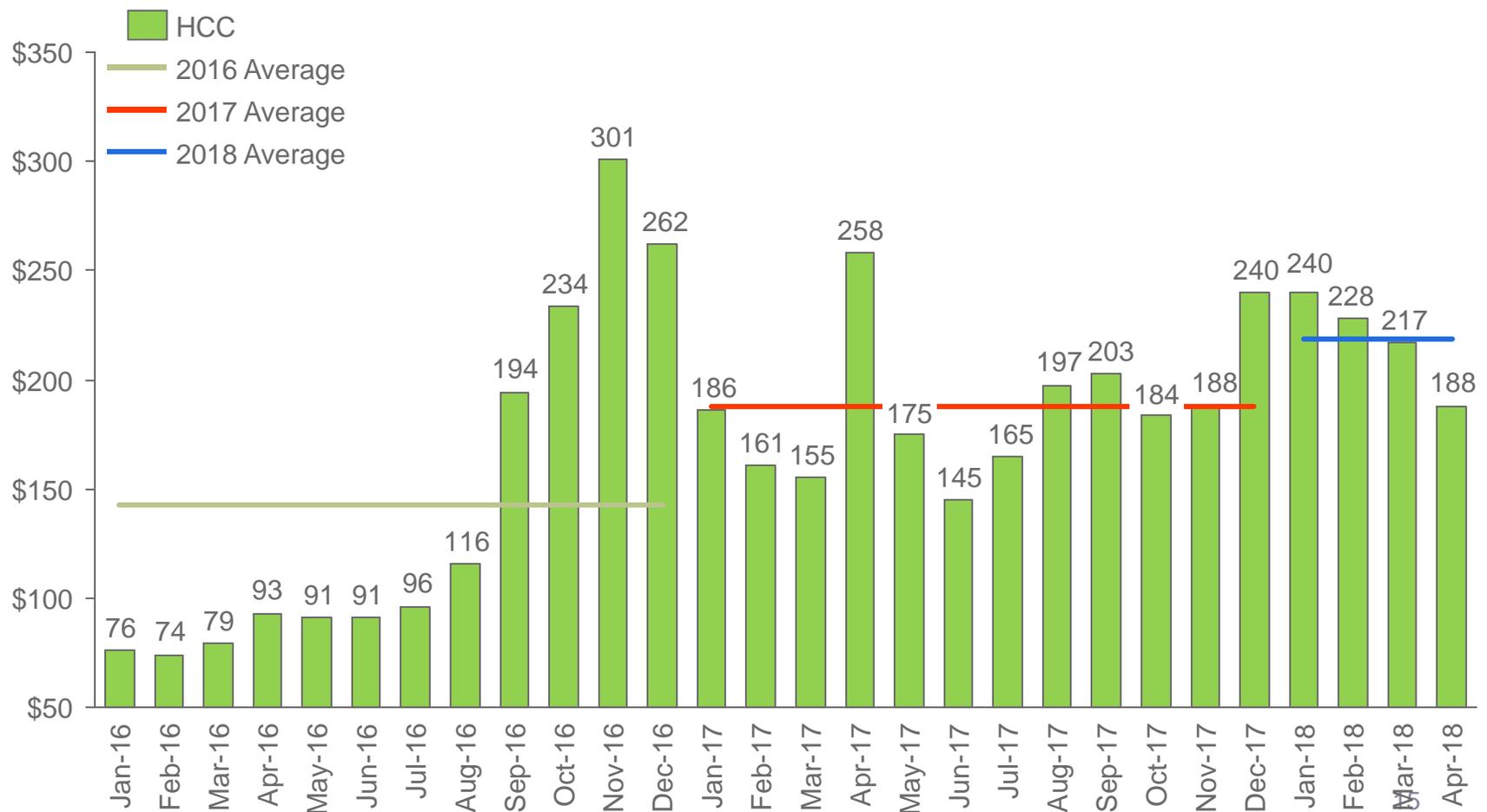
Jan 2014 – 2017 YTD



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## Coking Coal Price

Premium Hard Coking Coal  
\$/tonne FOB DBCT



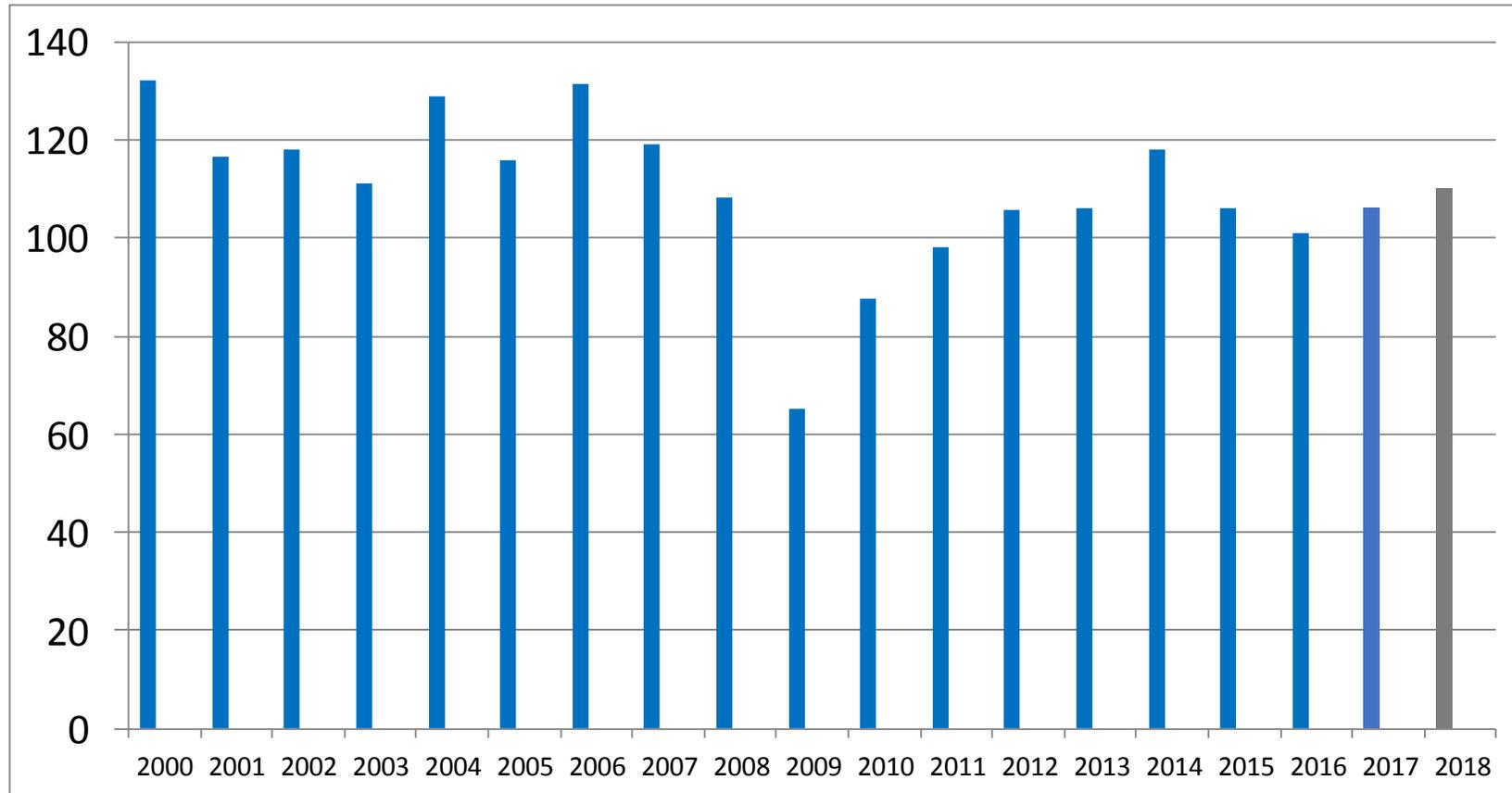
Source: MBR

Trade



# USA Apparent Steel Consumption

million of short tons



Drop in ASC in  
select recessions

- 1953 – 22%
- 1957 – 22%
- 1973 – 23%
- 1981 – 27%
- 2009 – 41%

Source: AISI, AM Marketing

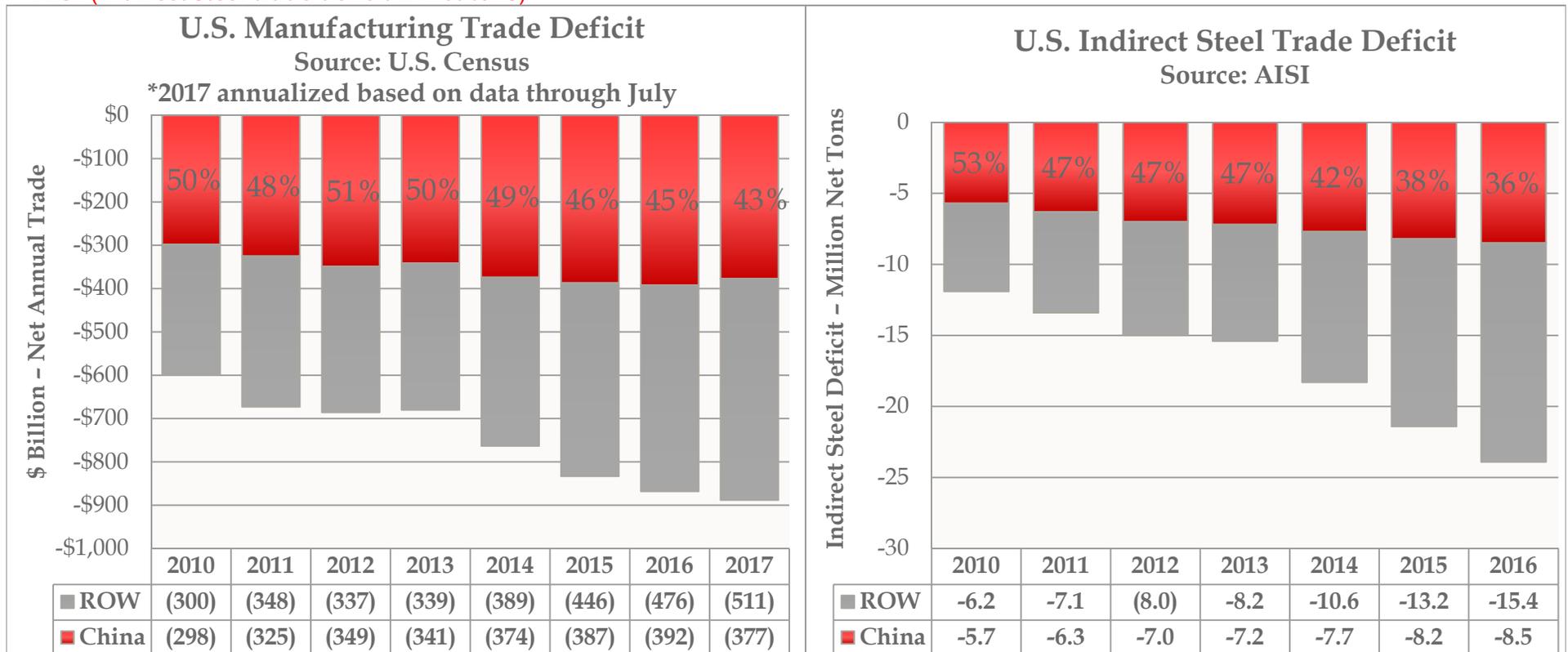
5/22/2018

# Manufacturing and Indirect Steel Trade Deficits

Sources: U.S. Census (manufacturing trade deficit in \$ billions);  
AISI (indirect steel trade deficit in net tons)



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- The U.S. manufacturing trade deficit is projected at \$868 billion in 2017 (based on 7 months of data annualized), a increase of \$2 billion from 2016.
- The U.S. indirect steel trade deficit posted another sizable increase in 2016, climbing to 23.9 million net tons from 21.4 million net tons in 2015.
- In 2016, China accounted for well over one-third (35.6%) of the total U.S. indirect steel trade deficit.

# Weekly US raw steel production Capacity utilization



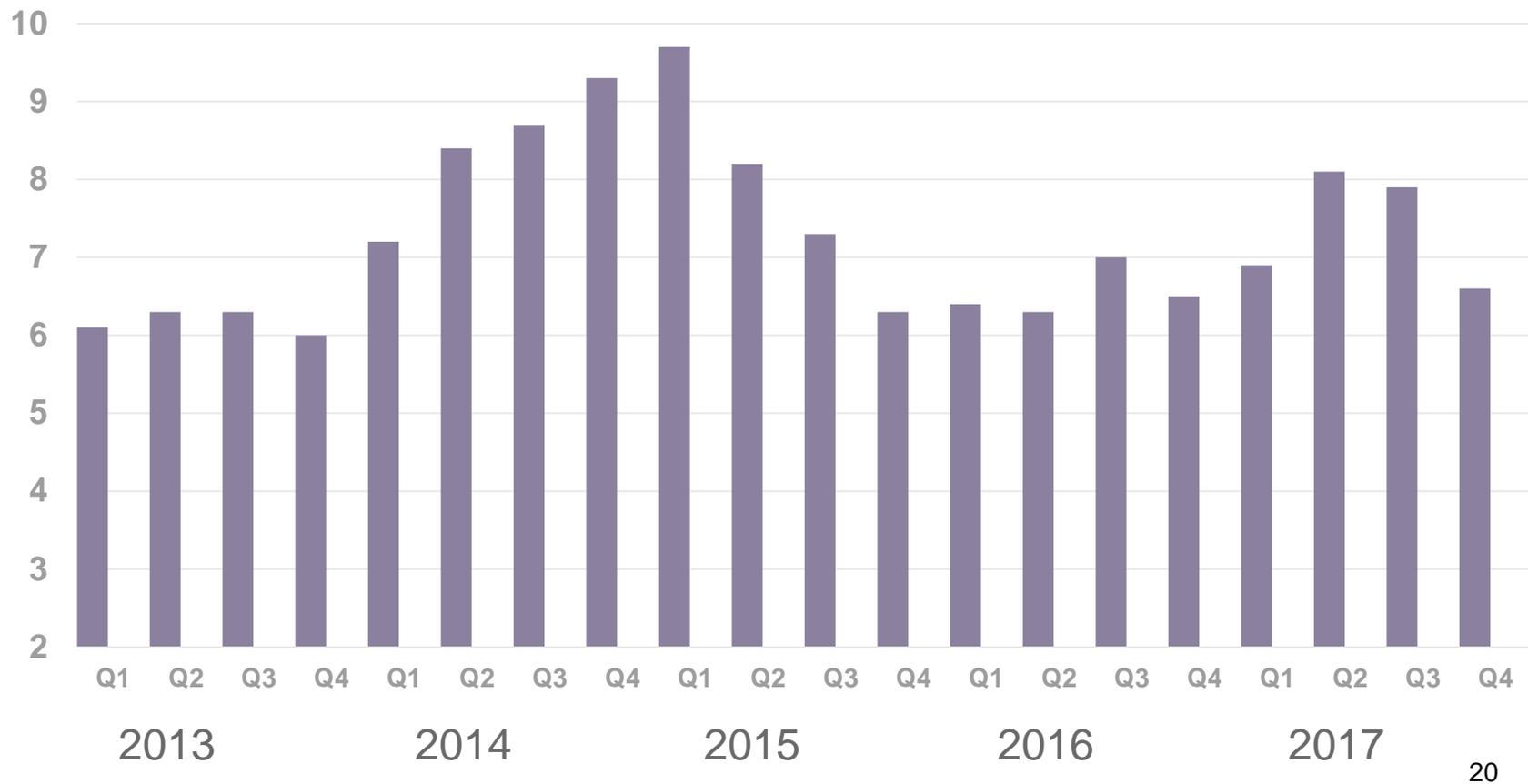
Source: American Iron & Steel Institute

# Steel imports

million of short tons/quarter

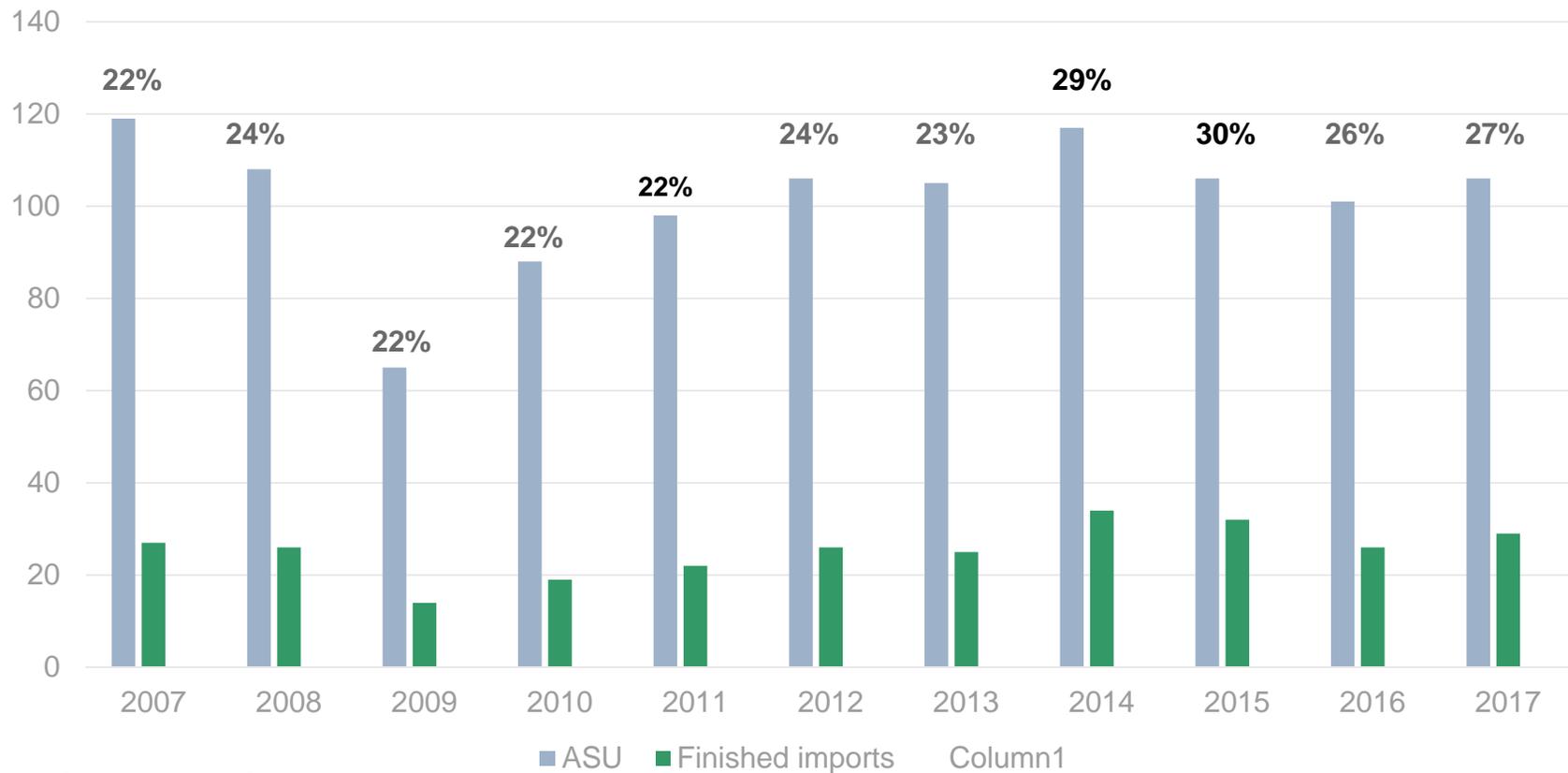


Finished steel imports



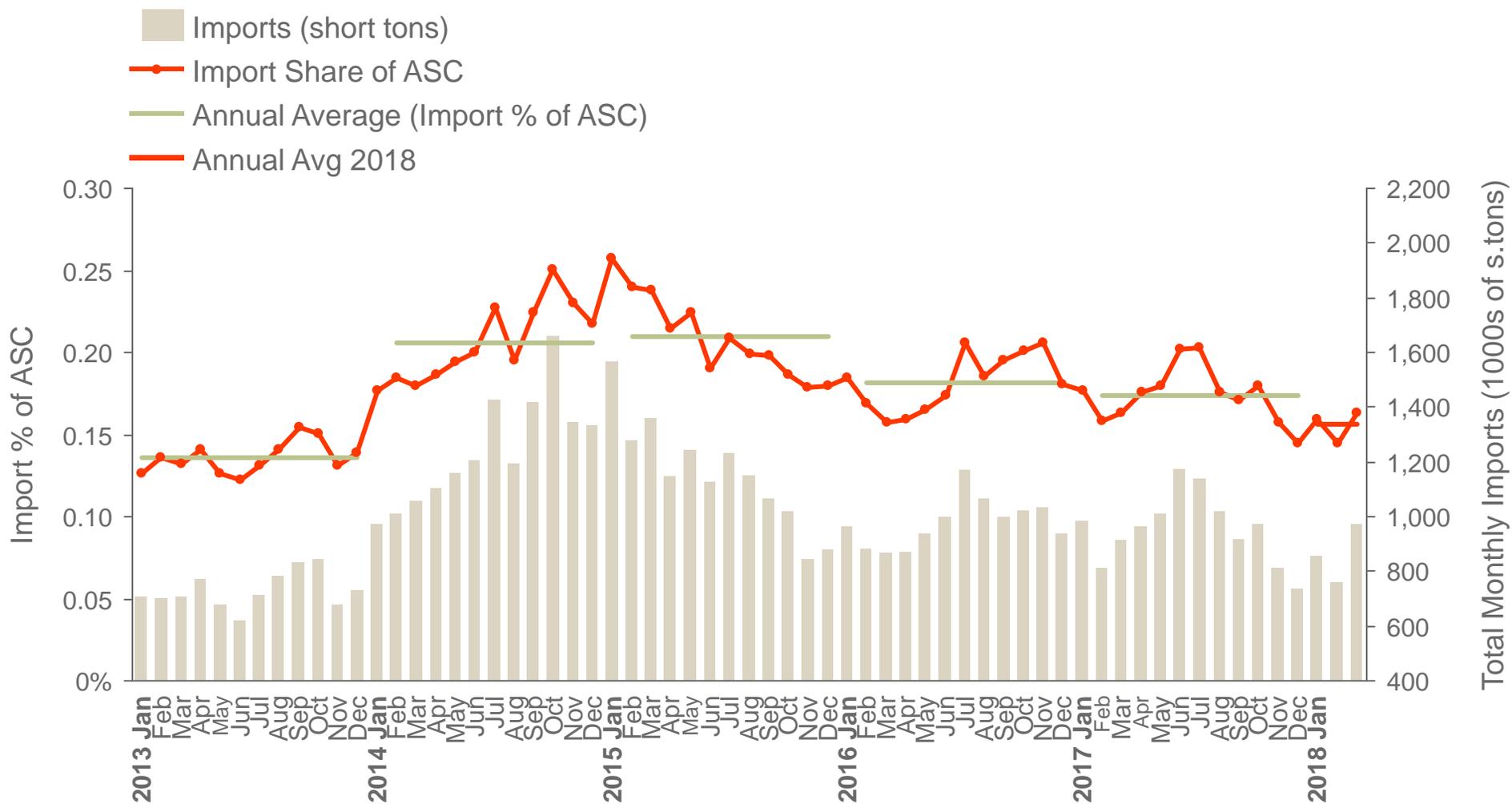
Source: Department of Commerce and AISI

# Steel imports market share by year



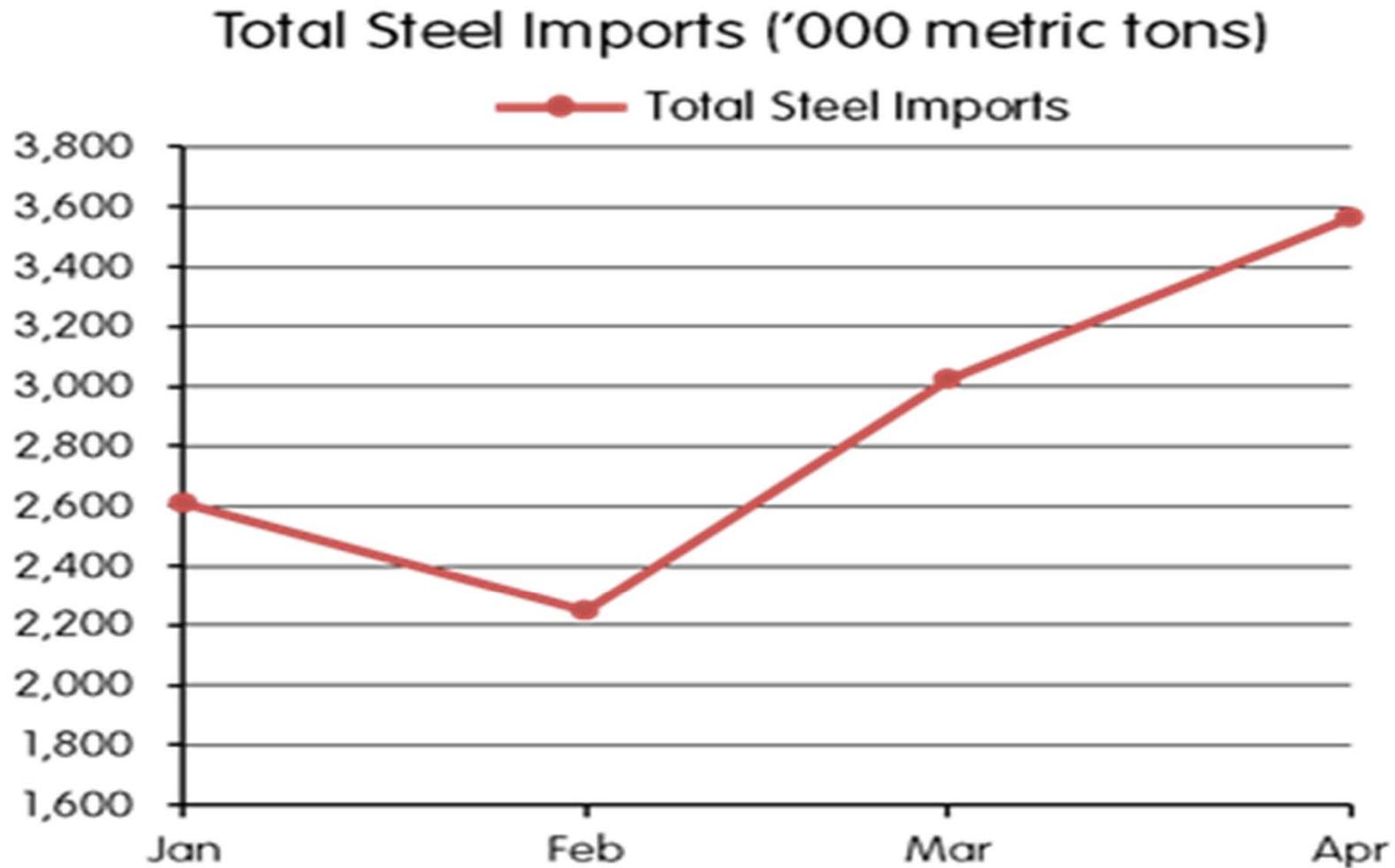
Source: AISI

# U.S. Flat Roll Imports and Import % of ASC (Carbon Only)



| Year                    | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 YTD (Mar) |
|-------------------------|------|------|------|------|------|----------------|
| Average Import % of ASC | 14%  | 21%  | 21%  | 18%  | 17%  | 16%            |

## 2018 steel imports



# Trade



- TPP
- NAFTA
  - NAFTA local content rule
  - VAT
  - “Other ally” duty
- 232
  - Exemptions granted to Canada, Mexico, Australia, Argentina, South Korea, Brazil and the EU.
  - Exemption status will expire as of June 1, 2018, subject to President Trump’s review.
  - S. Korea and Brazil have negotiated bi-lateral agreements
- Trade decisions from 2016 still stand
- Steel is just a pawn in the larger game of trade



# Summary

- In 2017 and 2018 steel markets are seeing expansion after 2 years of contracting
- Energy is a major contributor to the improvement
- Raw materials will remain volatile for the next several years
- Consumer confidence and business confidence are surging since the 2016 election
- The current administration's policies are focused on creating a strong revival of industrial markets
- 2016 decisions on trade will continue to limit the impact of imports. The impact of 232 is as yet uncertain.
- Unlike the last few years the risk is more to the upside than the down side