

Global Steel Trade Monitor

Steel Imports Report: United Kingdom

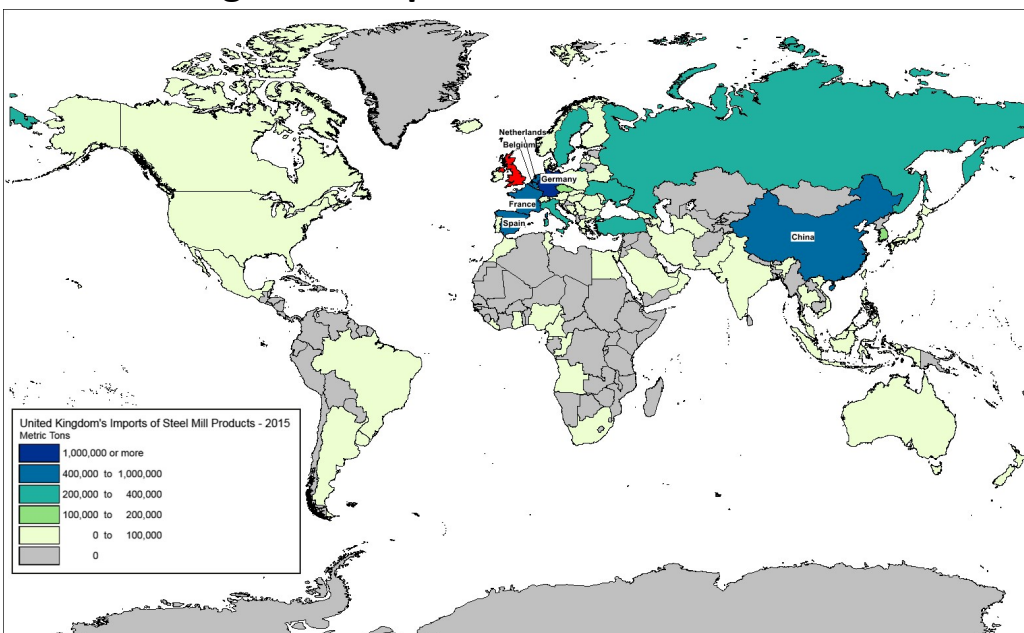
February 2017

Background

The United Kingdom was the world's eighteenth-largest steel importer in 2015. In year to date 2016 (through September), further referred to as YTD 2016, the United Kingdom imported 5.2 million metric tons of steel, a 6 percent increase from 4.9 million metric tons in YTD 2015. The U.K.'s imports represented about 1.8 percent of all steel imported globally in 2015. The volume of the United Kingdom's 2015 steel imports was less than one-fifth the size of the world's largest importer, the United States. In value terms, steel represented just 1 percent of the total goods imported into the U.K. in 2015.

The United Kingdom imports steel from over 110 countries and territories. The six countries labeled in the map below represent the top import sources for the United Kingdom's imports of steel, with the U.K. receiving more than 400 thousand metric tons from each and together accounting for 63 percent of the U.K.'s steel imports in 2015.

United Kingdom's Imports of Steel Mill Products - 2015



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Quick Facts:

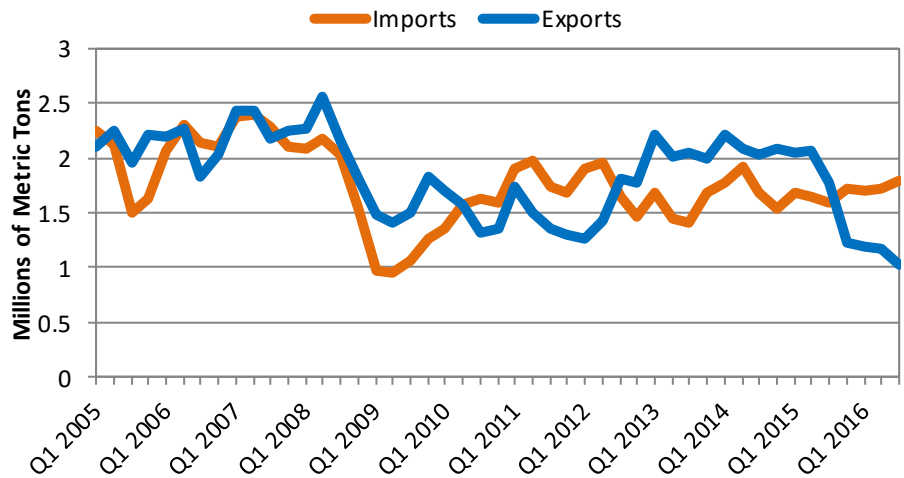
- World's 18th-largest steel importer: 5.2 million metric tons (YTD 2016)
- 83% steel import growth since Q1 2009
- YTD import volume up 6% while import value down 13%
- Top three import sources: Germany, Belgium, Netherlands
- Import penetration up to 68.8% in YTD 2016 from 63.9% in YTD 2015
- Largest producers: Tata Steel, Celsa, Outokumpu
- 20 European Union trade remedies in effect against imports of steel mill products

Steel Imports Report: United Kingdom

Steel Trade Balance

The United Kingdom has alternated between a steel trade surplus and a steel trade deficit for the past decade. Imports and exports both fell in 2008-2009 following the global recession. While imports have increased 83 percent since their low point in Q1 2009, exports declined by 31 percent between Q1 2009 and Q3 2016, due to a sharp drop in exports in recent quarters. The U.K. switched from a steel trade surplus to a trade deficit in Q3 2015. In YTD 2016, the steel trade deficit amounted to -1.8 million metric tons – the highest deficit since 2005.

United Kingdom's Trade in Steel Mill Products by Quarter

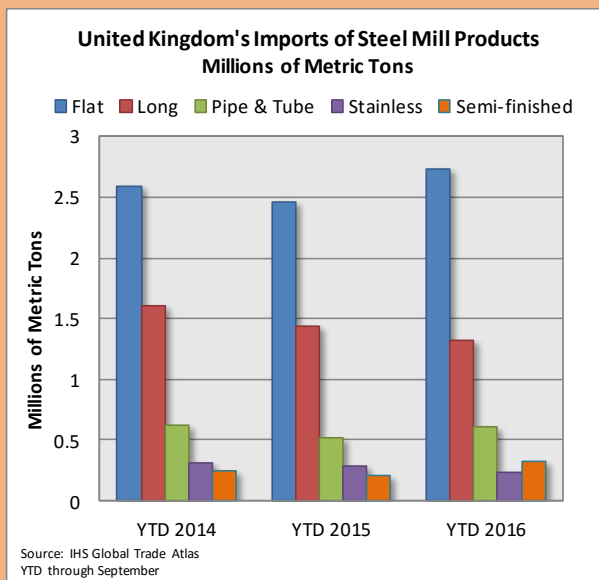


Source: IHS Global Trade Atlas

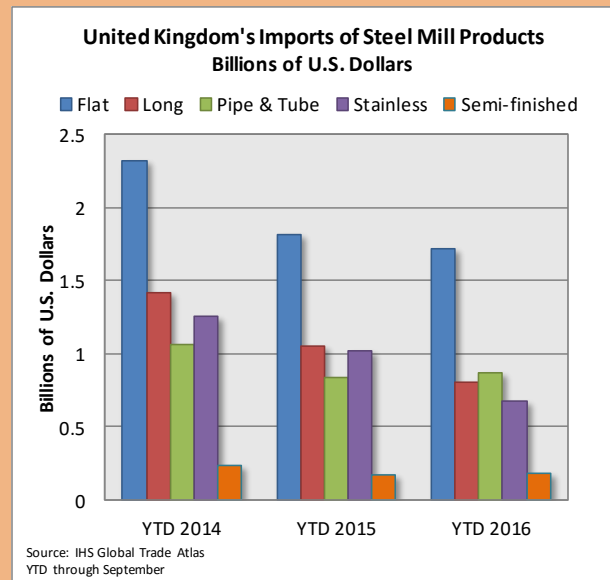
Import Volume, Value, and Product

The United Kingdom's volume of steel imports has averaged 6.7 million metric tons since 2010. Imports decreased in 2015 by 4 percent to 6.6 million metric tons from 6.9 million metric tons in 2014. In YTD 2016, steel imports were up 6 percent to 5.2 million metric tons from 4.9 million metric tons in YTD 2015. By contrast, the value of the United Kingdom's steel imports decreased by 13 percent to \$4.3 billion from \$4.9 billion in YTD 2015, which can be attributed to a significant drop in global steel prices.

In YTD 2016, flat products accounted for the largest share of the U.K.'s steel imports at 52 percent, or 2.7 million metric tons. Long products accounted for 25 percent, or 1.3 million metric tons, of the U.K.'s imports, followed by pipe and tube at 12 percent (611.8 thousand metric tons), semi-finished steel at 6 percent (319.7 thousand metric tons), and stainless steel at 5 percent (236.5 thousand metric tons).



Source: IHS Global Trade Atlas
YTD through September



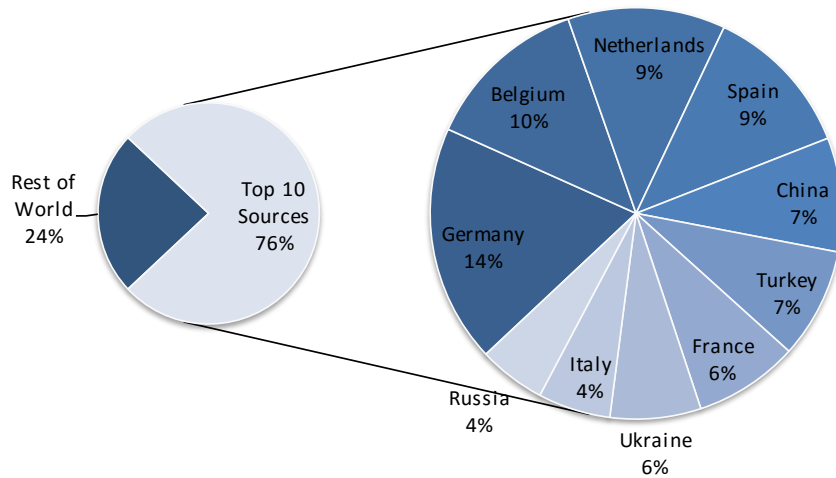
Source: IHS Global Trade Atlas
YTD through September

Steel Imports Report: United Kingdom

Imports by Top Source

The top 5 source countries for the United Kingdom's steel imports represented 76 percent of the total steel import volume in YTD 2016 at 4 million metric tons (mmt). Germany accounted for the largest share of the U.K.'s imports by source country at 14 percent (0.7 mmt), followed by Belgium at 10 percent (0.5 mmt), the Netherlands at 9 percent (0.5 mmt), Spain at 9 percent (0.5 mmt), and China at 7 percent (0.4 mmt).

United Kingdom's Steel Imports - Top 10 Sources
YTD 2016 - Millions of Metric Tons



Source: IHS Global Trade Atlas
YTD through September

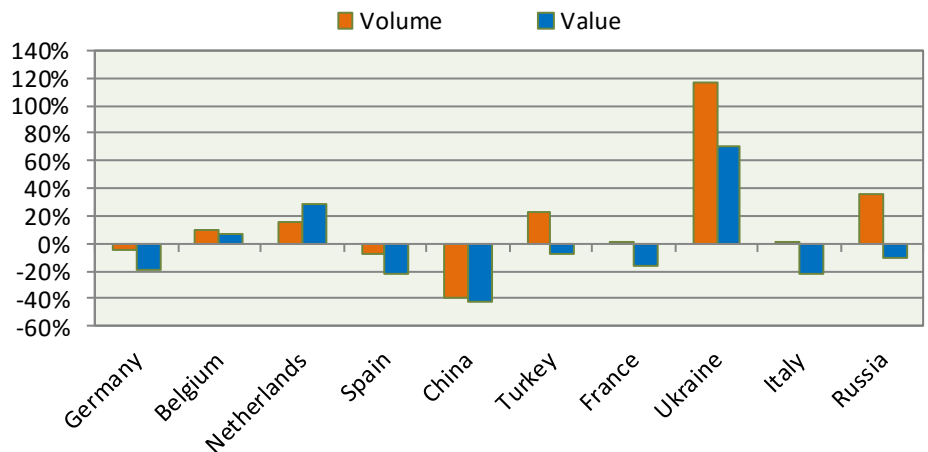
The United States ranked 30th as a source for the United Kingdom's steel imports in YTD 2016, representing just 0.3 percent of imports (17.9 thousand metric tons).

Trends in Imports from Top Sources

Between YTD 2015 and YTD 2016, the volume of steel imports increased from seven of the United Kingdom's top 10 source countries. Imports from Ukraine were up 116.6 percent from YTD 2015, followed by imports from Russia (up 35.6%), Turkey (up 22.3%), and the Netherlands (up 15.4%). Imports from China showed the largest volume decrease, down 39.6 percent from YTD 2015, followed by Spain (down 7%) and Germany (down 4.8%).

The overall value of the U.K.'s imports decreased from seven of its top 10 sources, reflecting the decline in global steel prices. Imports from China, Spain, and Italy showed the largest decreases in value in YTD 2016, down 41.8 percent, 21.63 percent, and 21.61 percent, respectively. The U.K.'s imports from Ukraine increased 70.5 percent, followed by imports from the Netherlands (up 28.1%) and Belgium (up 7.4%).

Percent Change in Imports from Top 10 Sources (YTD 2015 to YTD 2016)



Source: IHS Global Trade Atlas
YTD through September

Imports from Ukraine increased 70.5 percent, followed by imports from the Netherlands (up 28.1%) and Belgium (up 7.4%).

Outside the top 10 sources, other notable volume changes included the United Kingdom's imports from South Korea (up 61%), Taiwan (up 202%), and the United Arab Emirates (up 239%).

Steel Imports Report: **United Kingdom**

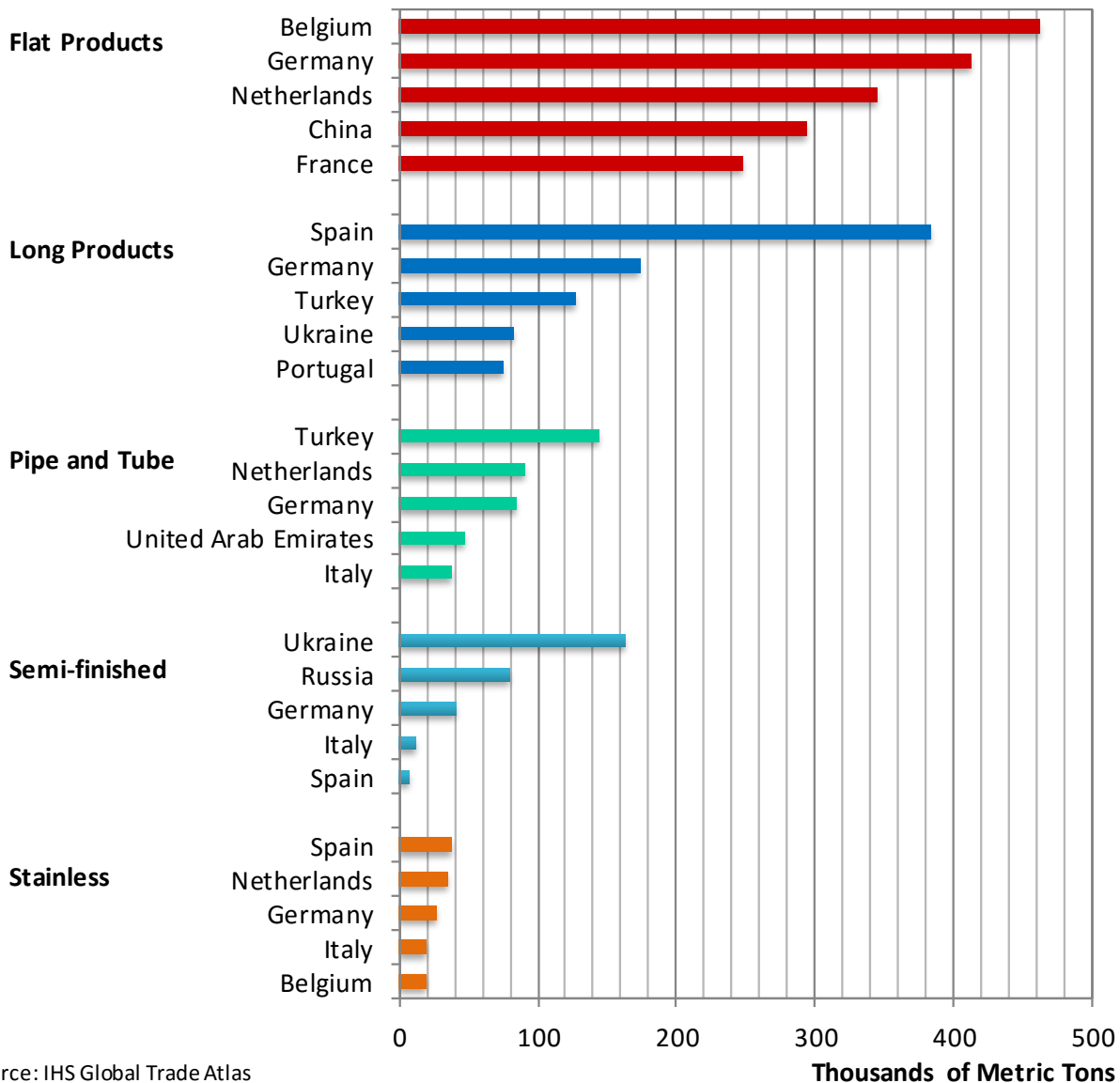
Top Sources by Steel Product Category

The top source countries for the United Kingdom's imports by volume vary across types of steel products. The U.K. imported the largest share of flat products from Belgium in YTD 2016 at 17 percent (462.5 thousand metric tons), followed by Germany at 15 percent (414.1 thousand metric tons).

In YTD 2016, Spain represented the largest shares of both long product imports at 29 percent (384 thousand metric tons) and stainless imports at 16 percent (37.7 thousand metric tons), while Turkey represented the largest share of pipe and tube imports at 24 percent (145 thousand metric tons). The U.K. imported just over half of semi-finished steel from Ukraine in YTD 2016 at 51 percent (163.2 thousand metric tons).

The United States was not a top-five import source for any product category.

United Kingdom's Top 5 Import Sources by Product - YTD 2016



Source: IHS Global Trade Atlas
YTD through September

Steel Imports Report: United Kingdom

United Kingdom's Export Market Share from Top Source Countries

In 2015, the share of steel exports sent to the United Kingdom from its top import sources increased or remained unchanged from half of the top 10 sources. The share of steel exports to the U.K. from Germany, the Netherlands, and Russia all increased by less than one percentage point, while the share of exports to the U.K. from France and Turkey remained unchanged from 2014. Export shares to the

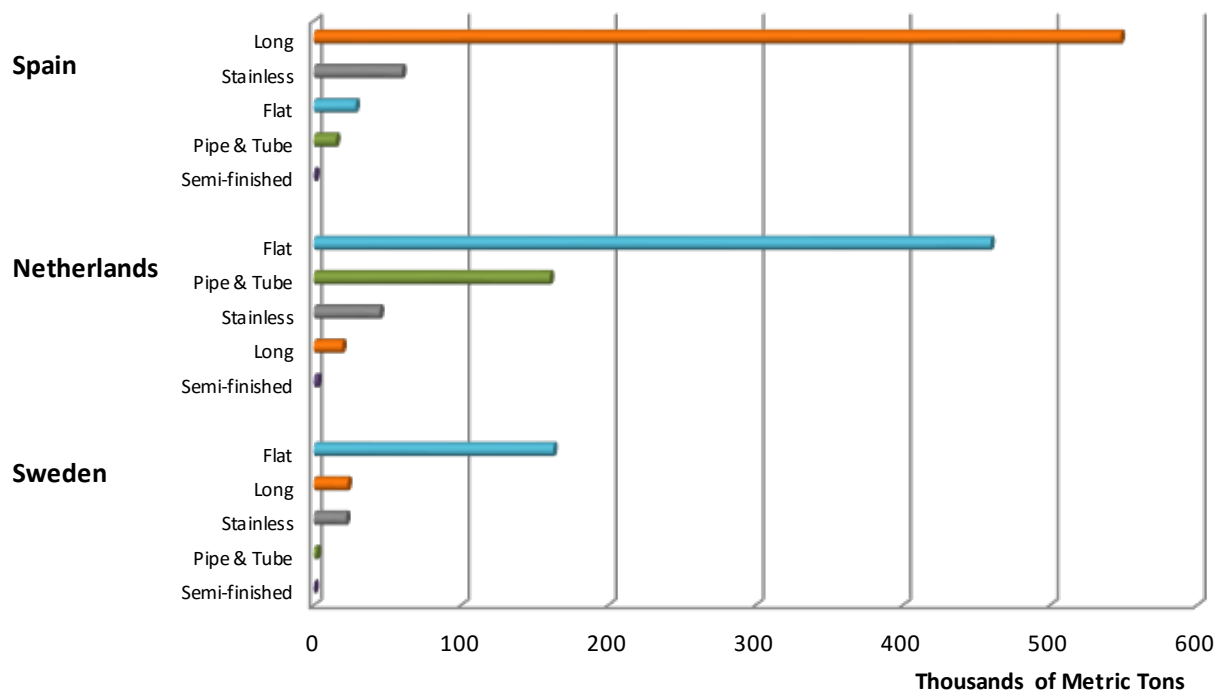
| United Kingdom's Steel Export Market Share | | | | |
|--|-------------------------------------|---------------------|-------------------------------------|---------------------|
| Top 10 Import Sources (2015) | Share of Exports to the U.K. - 2014 | U.K.'s Rank in 2014 | Share of Exports to the U.K. - 2015 | U.K.'s Rank in 2015 |
| Germany | 4.3% | 9 | 4.4% | 9 |
| China | 1.0% | 30 | 0.7% | 32 |
| Spain | 7.0% | 6 | 6.8% | 6 |
| Belgium | 4.8% | 4 | 4.4% | 5 |
| Netherlands | 5.9% | 5 | 6.3% | 5 |
| France | 3.0% | 8 | 3.0% | 8 |
| Turkey | 2.9% | 7 | 2.9% | 9 |
| Italy | 2.8% | 10 | 2.4% | 13 |
| Russia | 0.5% | 27 | 0.6% | 27 |
| Sweden | 6.8% | 3 | 6.7% | 4 |

Source: IHS Global Trade Atlas, based on import data per reporting country

U.K. from China, Spain, Belgium, Italy, and Sweden all decreased by less than one percentage point.

Among the United Kingdom's top sources, Spain, the Netherlands, and Sweden sent the largest share of exports to the U.K. at 6.8 percent, 6.3 percent, and 6.7 percent, respectively. In 2015, long products accounted for the largest share of steel exports to the U.K. from Spain at 84 percent of exports (548.1 thousand metric tons). Flat products accounted for the largest shares of exports to the United Kingdom from both the Netherlands (67 percent or 459.7 thousand metric tons) and Sweden (77 percent or 162.6 thousand metric tons).

Steel Export Composition of Top Market-Share Countries - 2015

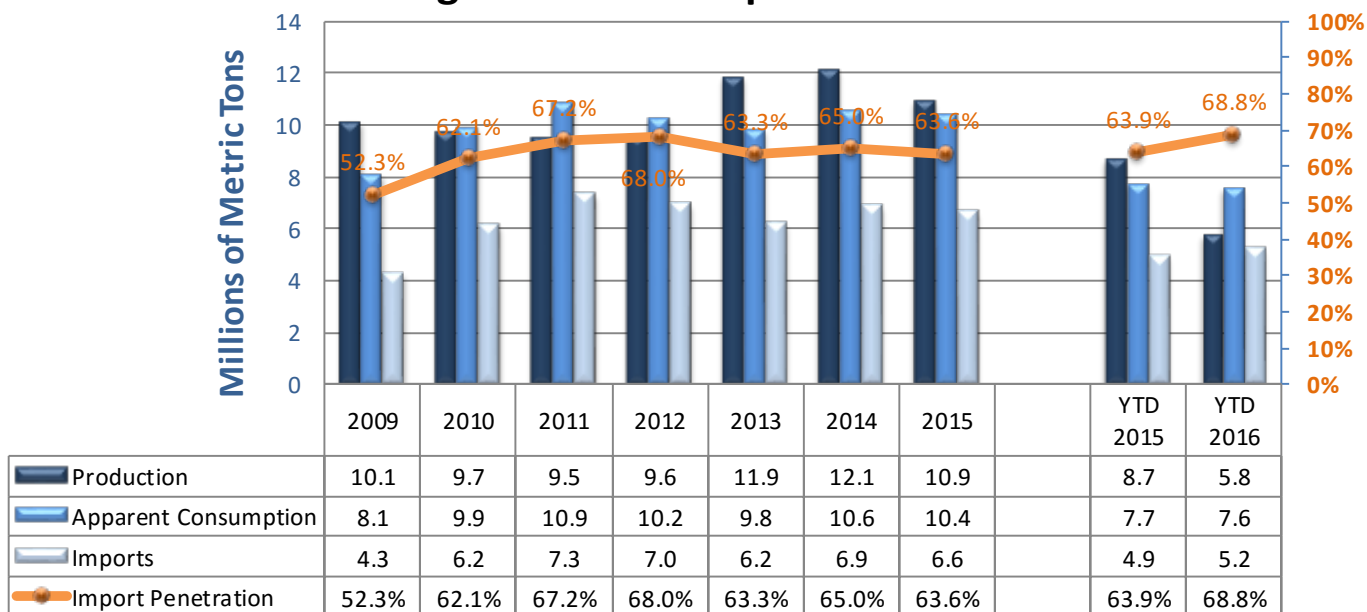


Source: IHS Global Trade Atlas, based on import data per reporting country

Steel Imports Report: United Kingdom

Overall Production and Import Penetration

United Kingdom's Steel Import Penetration



Source: World Steel Association; IHS Global Trade Atlas
YTD through September

Crude steel production in the United Kingdom decreased 6 percent between 2009 and 2011 before climbing by 28 percent between 2011 and 2014. Production in 2015, however, declined by 10 percent to 10.9 million metric tons, and in YTD 2016, production has declined significantly — down 33 percent from YTD 2015 — and has amounted to roughly half of the production total for all of 2015. Apparent consumption (a measure of steel demand) was outpaced by production in the majority of years, but decreased production levels in YTD 2016 caused production to fall behind demand for the first time since 2012. Import penetration levels remained above 60 percent every year except 2009. In YTD 2016, import penetration increased by nearly 5 percentage points to 68.8 percent, due to increasing imports and declining demand.

Top Producers

Of the United Kingdom's 10.9 million metric tons (mmt) of steel production in 2015, 9.1 mmt was produced by basic oxygen furnace and 1.9 mmt by electric arc furnace — according to industry association UK Steel. Thailand-based SSI closed its Teesside production facility in September 2015 (formerly owned by Tata Steel which purchased domestically-owned Corus). With the closure of SSI Teesside, steel production in the U.K. declined significantly in 2016.

| United Kingdom's Top Steel Producers in 2015 | | |
|--|-------------------------------|--|
| Company | Production (mmt) | Main Products |
| Tata Steel | 3.2 mmt (Port Talbot only) | Slab, hot-rolled, cold-rolled, galvanized |
| Sahaviriya Steel Industries (SSI Teesside) | N/A | N/A |
| Celsa | 1.2 mmt | Semi-finished, rebar, wire rod, light sections |
| Outokumpu | N/A | Long products, semi-finished, stainless |

Sources: Metal Bulletin, *Iron and Steelworks of the World Directory 2017*; UK Steel; Company websites

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Trade Remedies in the Steel Sector

Antidumping duties (AD), countervailing duties (CVD), associated suspension agreements, and safeguards are often referred to collectively as trade remedies. These are internationally agreed upon mechanisms to address the market-distorting effects of unfair trade, or serious injury or threat of serious injury caused by a surge in imports. Unlike anti-dumping and countervailing measures, safeguards do not require a finding of an “unfair” practice. Before applying these duties or measures, countries investigate allegations and can remedy or provide relief for the injury caused to a domestic industry. The table below provides statistics on the current number of trade remedies the European Union, which includes the United Kingdom, has against imports of steel mill products from various countries. The European Union has no steel mill safeguards in effect.

| European Union Trade Remedies in Effect Against Steel Mill Imports | | | | |
|---|-----------|------------|---|--------------|
| Country | AD | CVD | Suspension Agreements and Undertakings | Total |
| Belarus | 1 | | | 1 |
| China | 7 | 1 | | 8 |
| India | 1 | 2 | | 3 |
| Japan | 1 | | | 1 |
| Russia | 3 | | | 3 |
| South Korea | 1 | | | 1 |
| Taiwan | 1 | | | 1 |
| Ukraine | 1 | | | 1 |
| United States | 1 | | | 1 |
| TOTAL | 17 | 3 | 0 | 20 |

Source: World Trade Organization, through December 1, 2016

Steel Imports Report: Glossary

Apparent Consumption: Domestic crude steel production plus steel imports minus steel exports. Shipment data are not available for all countries, therefore crude steel production is used as a proxy.

Export Market: Destination of a country's exports.

Flat Products: Produced by rolling semi-finished steel through varying sets of rolls. Includes sheets, strips, and plates. Used most often in the automotive, tubing, appliance, and machinery manufacturing sectors.

Import Penetration: Ratio of imports to apparent consumption.

Import Source: Source of a country's imports.

Long Products: Steel products that fall outside the flat products category. Includes bars, rails, rods, and beams. Used in many sectors but most commonly in construction.

Pipe and Tube Products: Either seamless or welded pipe and tube products. Used in many sectors but most commonly in construction and energy sectors.

Semi-finished Products: The initial, intermediate solid forms of molten steel, to be re-heated and further forged, rolled, shaped, or otherwise worked into finished steel products. Includes blooms, billets, slabs, ingots, and steel for castings.

Stainless Products: Steel products containing at minimum 10.5% chromium (Cr) offering better corrosion resistance than regular steel.

Steel Mill Products: Carbon, alloy, or stainless steel produced by either a basic oxygen furnace or an electric arc furnace. Includes semi-finished steel products and finished steel products. For trade data purposes, steel mill products are defined at the Harmonized System (HS) 6-digit level as: 720610 through 721650, 721699 through 730110, 730210, 730240 through 730290, and 730410 through 730690. The following discontinued HS codes have been included for purposes of reporting historical data (prior to 2007): 722520, 722693, 722694, 722910, 730410, 730421, 730610, 730620, and 730660.

Global Steel Trade Monitor: The monitor provides global import and export trends for the top countries trading in steel products. The current reports expand upon the early release information already provided by the Steel Import Monitoring and Analysis (SIMA) system that collects and publishes data on U.S. imports of steel mill products. Complementing the SIMA data, these reports provide objective and current global steel industry information about the top countries that play an essential role in the global steel trade. Information in these reports includes global exports and import trends, production and consumption data and, where available, information regarding trade remedy actions taken on steel products. The reports will be updated quarterly.

Steel Import Monitoring and Analysis (SIMA) System: The Department of Commerce uses a steel import licensing program to collect and publish aggregate data on near real-time steel mill imports into the United States. SIMA incorporates information collected from steel license applications with publicly released data from the U.S. Census Bureau. By design, this information provides stakeholders with valuable information on the steel trade with the United States. For more information about SIMA, please go to <http://enforcement.trade.gov/steel/license/>.



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