



Global Steel Trade Monitor

Steel Imports Report: Mexico

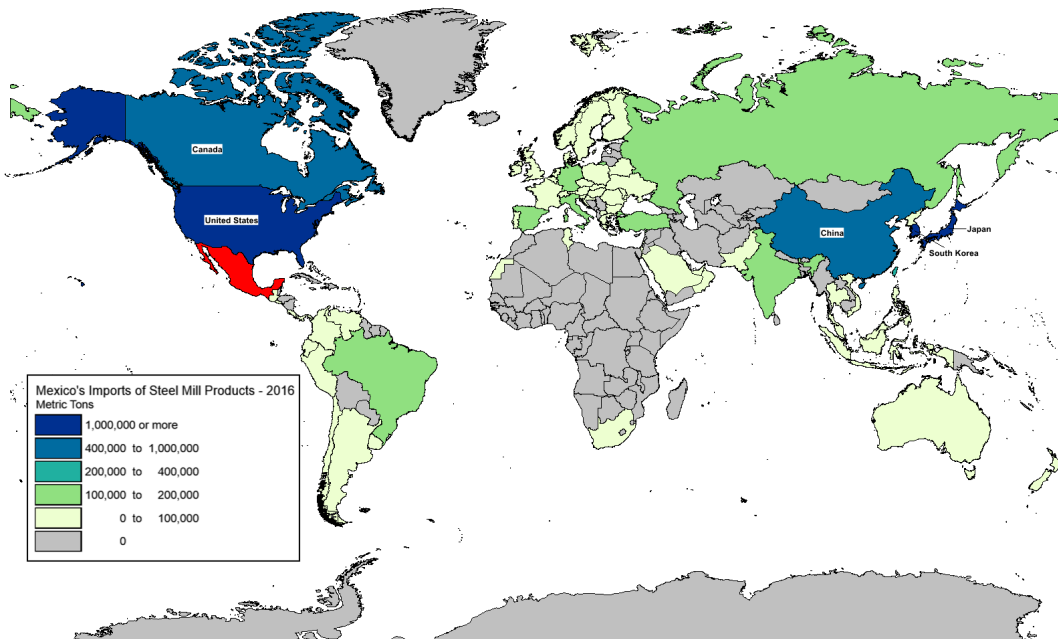
September 2017

Background

Mexico is the world's twelfth-largest steel importer. In year to date 2017 (through June), further referred to as YTD 2017, Mexico imported 5.6 million metric tons of steel, a 19 percent increase from 4.7 million metric tons in YTD 2016. Mexico's imports represented about 3 percent of all steel imported globally in 2016. The volume of Mexico's 2016 steel imports was just under a third the size of the world's largest importer, the United States. In value terms, steel represented just 2.3 percent of the total goods imported into Mexico in 2016.

Mexico imports steel from over 140 countries and territories. The five countries labeled in the map below represent the top import sources for Mexico's imports of steel, with each sending more than 400 thousand metric tons to Mexico and together accounting for 79 percent of Mexico's steel imports in 2016.

Mexico's Imports of Steel Mill Products - 2016



Data Source: Global Trade Atlas; Copyright © IHS Global Inc. 2017. All rights reserved.

Quick Facts:

- World's 12th-largest steel importer: 5.6 million metric tons (YTD 2017)
- 97% steel import growth since Q1 2005
- YTD import volume up 19% while import value up 25%
- Import penetration up from 40.6% in YTD 2016 to 42% in YTD 2017
- Top three import sources: United States, Japan, South Korea
- Largest producers: AHMSA, Ternium S.A, ArcelorMittal, Deacero
- 26 trade remedies in effect against imports of steel mill products

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Steel Trade Balance

Between 2005 and 2016, there were only two periods when Mexico had a steel trade surplus, Q2 2015 and Q1 2010. Other than these two quarters, Mexico maintained a continuous trade deficit. Between Q1 2005 and Q2 2017, imports have grown 97 percent, while exports have decreased 14 percent, causing the trade deficit to widen. YTD 2017, Mexico's steel trade deficit amounted to -3.3 million metric tons — a 28 percent increase from -2.6 million metric tons in YTD 2016.

Mexico's Trade in Steel Mill Products by Quarter

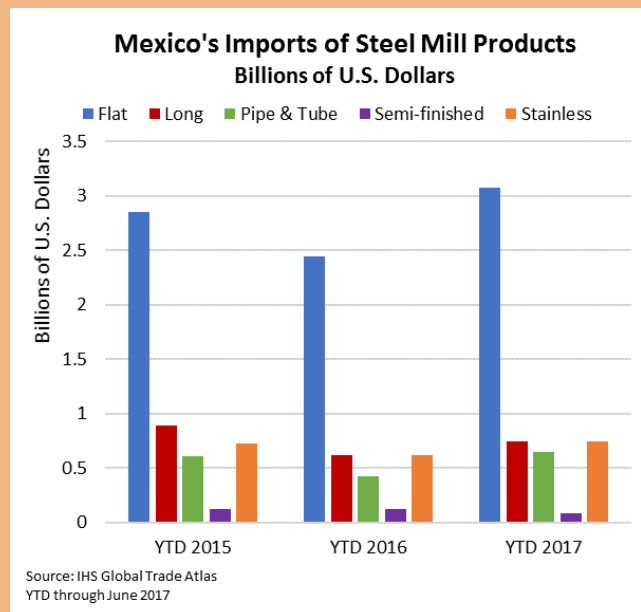
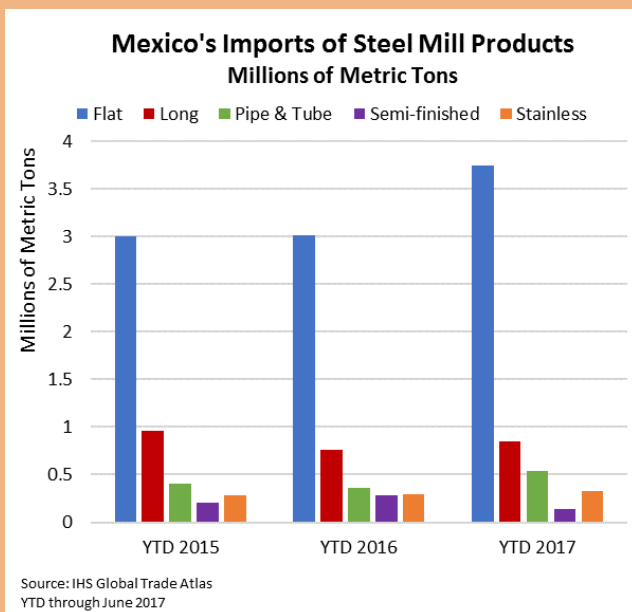


Source: IHS Global Trade Atlas

Import Volume, Value, and Product

Mexico's volume of steel imports has been trending upwards since 2011. After peaking in 2015 at 9.9 million metric tons, imports declined in 2016 to 9.6 million metric tons. In YTD 2017, imports were up 19 percent from YTD 2016 to 5.6 million metric tons. The value of Mexico's steel imports reached a peak in 2014 at \$10.3 billion before declining 14 percent to \$8.8 billion in 2016. In YTD 2017, Mexico's import value has risen 25 percent to \$5.3 billion from \$4.2 billion in YTD 2016.

Flat products accounted for 67 percent of Mexico's steel imports in YTD 2017, a total of 3.7 million metric tons. Long products accounted for 15 percent of Mexico's imports (852 thousand metric tons), followed by pipe and tube at 10 percent (543 thousand metric tons), stainless products at 6 percent (328 thousand metric tons), and semi-finished products at 3 percent (140 thousand metric tons).

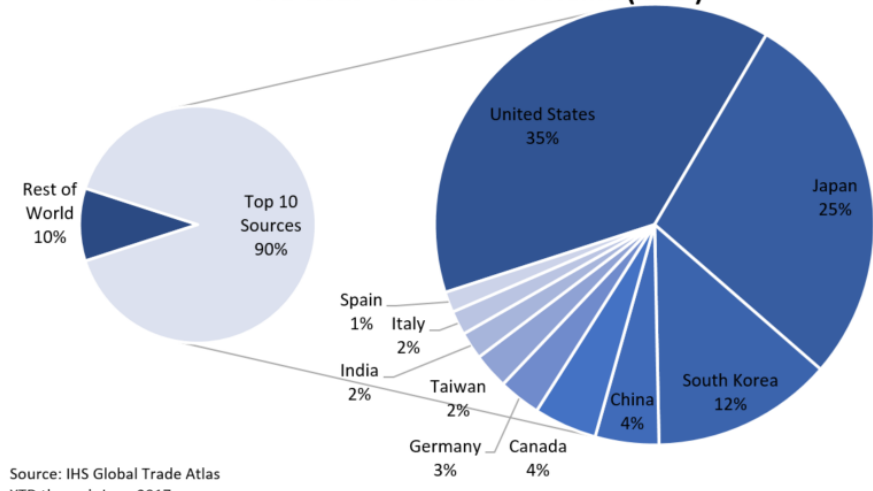


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Imports by Top Source

The top 10 source countries for Mexico's steel imports represented 90 percent of the total steel import volume in YTD 2017 at 5 million metrics tons (mmt). The United States accounted for the largest share of Mexico's imports by source country at 35 percent (1.9 mmt), followed by Japan at 25 percent (1.4 mmt), South Korea at 12 percent (0.67 mmt), China at 4 percent (0.24 mmt), and Canada at 4 percent (0.23 mmt). The top 5 rankings remained unchanged from YTD 2016.

Mexico's Steel Imports - Top 10 Sources
YTD 2017 - Percent of Volume (mmt)



Source: IHS Global Trade Atlas
YTD through June 2017

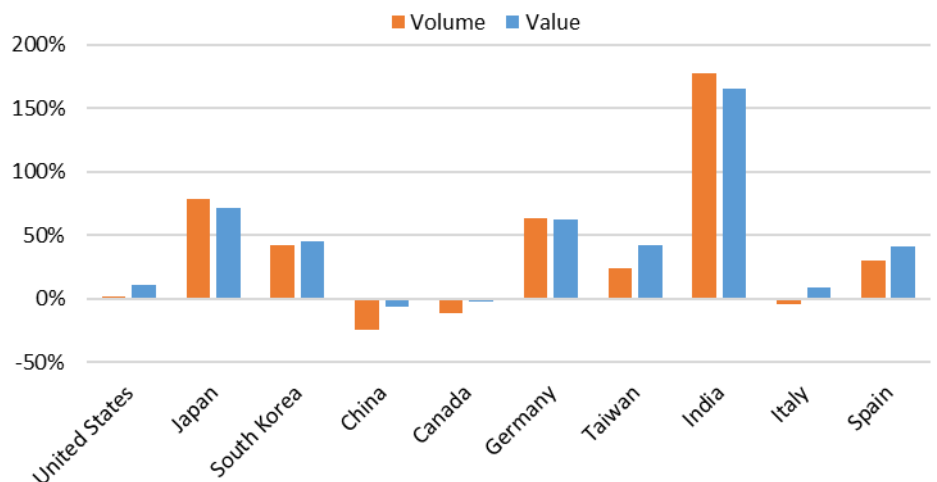
Trends in Imports from Top Sources

The volume of Mexico's steel imports increased from seven of Mexico's top 10 steel import sources between YTD 2016 and YTD 2017. Imports from India showed the largest increase, up 177 percent from YTD 2016, followed by imports from Japan (up 79%), Germany (up 63%), and South Korea (up 42%). Imports from China fell the most, down 25 percent in YTD 2017, followed by Canada (down 11%) and Italy (down 4%).

In value terms, Mexico's imports increased from 8 of the 10 source markets, except for China (down 6%) and Canada (down 2%) in YTD 2017.

Imports from the rest of Mexico's top 10 sources all showed value increases. Steel imports from India increased the most with a rise of 165 percent, followed by Japan (up 71%), Germany (up 63%), South Korea (up 45%), and Taiwan (up 42%).

Percent Change in Imports from Top 10 Sources (YTD 2016 to YTD 2017)



Source: IHS Global Trade Atlas
YTD through June 2017

Outside of the top 10 sources, other significant volume changes included Mexico's imports from 17th-ranked Vietnam (up 222% in YTD 2017), 22nd-ranked Austria (up 260%), and 24th-ranked Argentina (down 73%).

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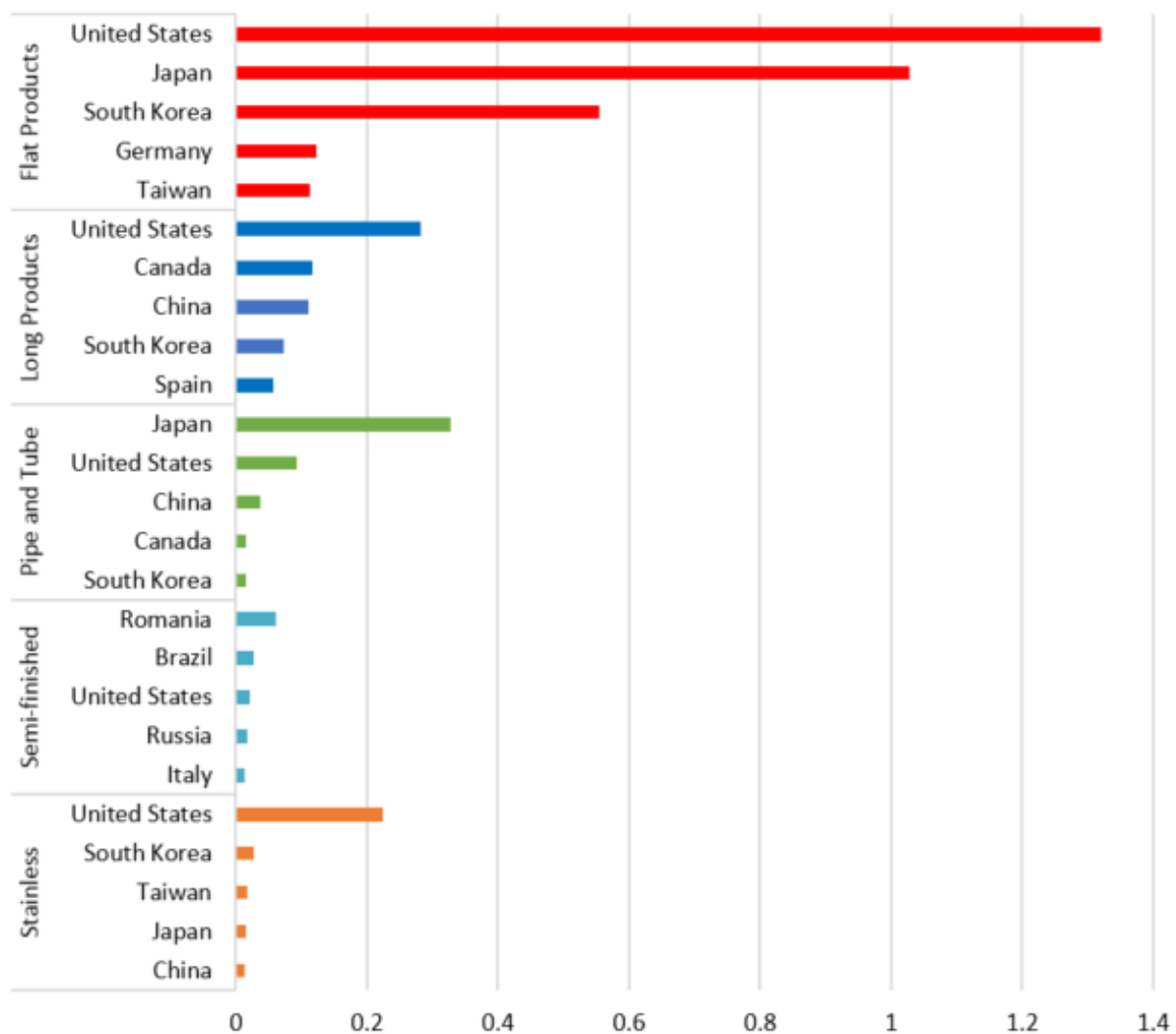
Top Sources by Steel Product Category

The top source countries for Mexico's imports by volume vary across types of steel products in YTD 2017, though the United States held the top spot for three product categories.

In flat products, the United States accounted for 35 percent of Mexico's imports (1.3 mmt), followed by Japan at 27 percent (1 mmt). Imports from the United States accounted for 33 percent of Mexico's long product imports (282 thousand metric tons) and 69 percent of stainless imports (225 thousand metric tons).

Mexico received the most pipe and tube products from Japan in YTD 2017, accounting for 60 percent (328 thousand metric tons). Romania accounted for the largest share of Mexico's imports of semi-finished products at 43 percent (60 thousand metric tons).

Mexico's Top 5 Import Sources by Product - YTD 2017



Source: IHS Global Trade Atlas
YTD through June 2017

Millions of Metric Tons

Steel Imports Report: Mexico

Mexico's Export Market Share from Top Source Countries

In 2016, the share of steel exports sent to Mexico from its top import sources increased in the majority of the top 10 sources. The share of the United States' steel exports to Mexico showed the largest increase (up 1.4 percentage points), followed by Japan (up 0.8 percentage points), and Italy (up 0.7 percentage points). Export shares to Mexico in Germany, Brazil, and India each increased by one-tenth of a

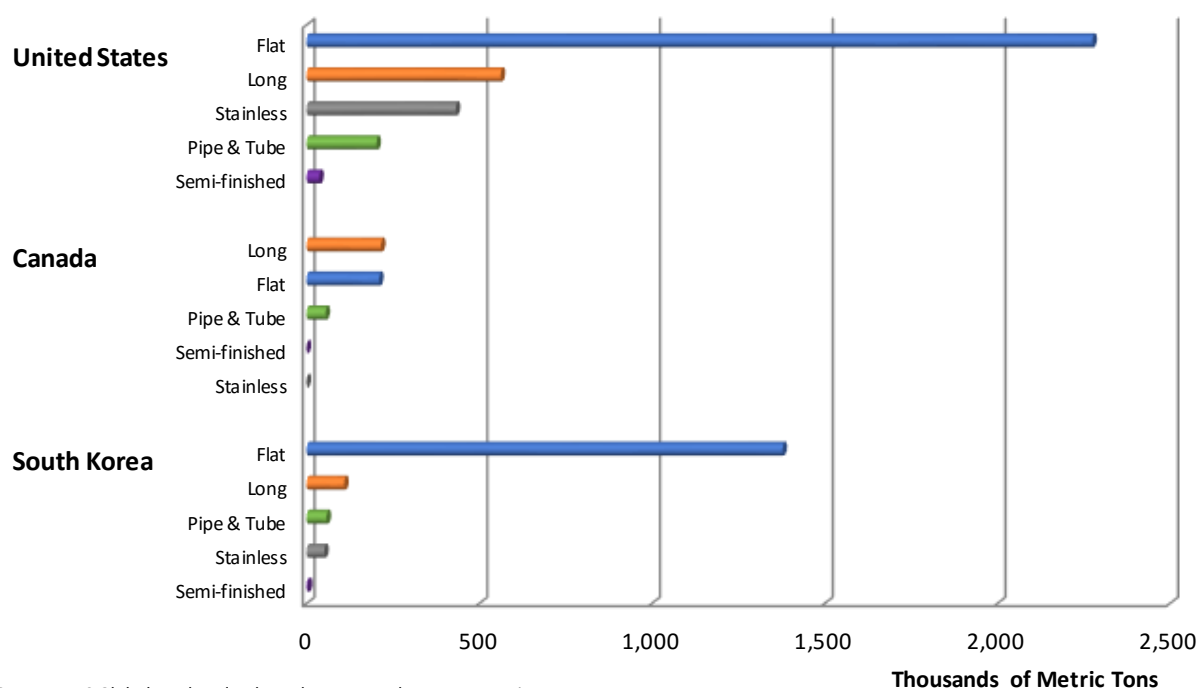
Mexico's Steel Export Market Share				
Top 10 Import Sources	Share of Exports to Mexico - 2015	Mexico's Rank in 2015	Share of Exports to Mexico - 2016	Mexico's Rank in 2016
United States	38.0%	2	39.4%	2
Japan	4.0%	9	4.8%	8
South Korea	5.3%	6	5.3%	7
China	1.0%	26	0.6%	39
Canada	8.4%	2	7.9%	2
Taiwan	2.8%	12	1.9%	13
Germany	0.8%	20	0.9%	19
Italy	0.5%	28	1.2%	21
Brazil	2.4%	7	2.5%	9
India	1.7%	15	1.8%	14

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

percentage point. Taiwan's share of steel exports to Mexico decreased the most with a decline of 1 percentage point, while export shares in South Korea, China, and Canada decreased by less than one percentage point.

Among Mexico's top import sources, the United States, Canada, and South Korea sent the largest shares of their total steel exports to Mexico in 2016. Flat products accounted for the largest shares of exports to Mexico from both the United States at 65 percent (2.3 million metric tons) and South Korea at 86 percent (1.4 million metric tons), while long products accounted for 45 percent (1.4 million metric tons) of Canada's exports to Mexico.

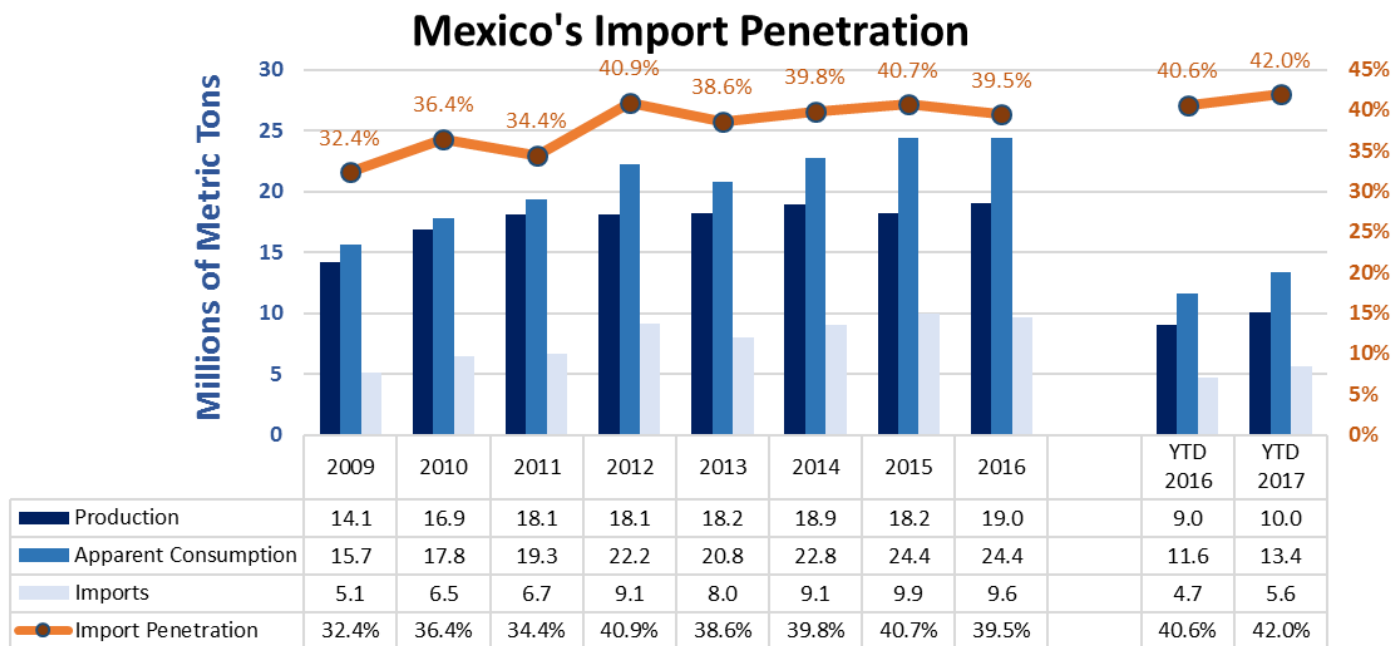
Steel Export Composition of Top Market-Share Countries - 2016



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

Steel Imports Report: Mexico

Overall Production and Import Penetration



Sources: World Steel Association; IHS Global Trade Atlas
YTD through June 2017

Mexico's crude steel production increased by 34 percent between 2009 and 2016. In YTD 2017, production was up 11 percent to 10 million metric tons from 9 million metric tons in YTD 2016. Apparent consumption (a measure of steel demand) has increasingly outpaced production since 2009. The gap between demand and production widened significantly in 2015 and 2016. In YTD 2017, the gap increased to 3.4 million metric tons, up from 2.6 million metric tons in YTD 2016. Import penetration grew by nearly 9 percentage points between 2009 and 2012 and has averaged 40 percent since then. In YTD 2017, import penetration increased to 42 percent from 40.6 percent in YTD 2016.

Top Producers

Mexico's steel production is a mix of domestic and foreign-owned companies, and the majority of Mexico's steel output is concentrated among a handful of producers, with the country's top four producers accounting for roughly 85 percent of total 2016 production, based on actual and estimated data.

Mexico's Top Steel Producers			
Rank	Company	Production (mmt)	Main Products
1	Altos Hornos de México, S.A.B. de C.V. (AHMSA)	5	Bars, cold-rolled/hot-rolled coils/sheets, slabs, sections, plates
2	Ternium S.A	5*	Bars, billets, cold-rolled/hot-rolled coils/sheets, slabs, wire rod, sections, pipes & tubes, galvanized
3	Arcelor Mittal	4	Bars, blooms, billets, slabs, wire rod
4	Deacero	2.5	Billets, bars, wire rod, galvanized

Source: Metal Bulletin, *Iron and Steelworks of the World Directory 2017*; American Iron and Steel Institute (AISI); Company websites
* estimated capacity

Steel Imports Report: **Mexico**

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 Mexico has against imports of steel mill products from various countries. Mexico has no steel mill safeguards in effect.

Mexico’s Trade Remedies in Effect Against Steel Mill Imports				
Country	AD	CVD	Suspension Agreements and Undertakings	Total
Brazil	1			1
China	7			7
France	1			1
Germany	1			1
India	1			1
Japan	1			1
Kazakhstan	1			1
Romania	1			1
Russia	4			4
South Korea			1	1
Spain	1			1
Ukraine	3			3
United Kingdom	1			1
United States	2			2
TOTAL	25	0	1	26

Source: World Trade Organization, through June 1, 2017

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/>.



INTERNATIONAL
TRADE
ADMINISTRATION

Steel Import Monitoring and Analysis
1401 Constitution Ave., NW, Room 21006
Washington, D.C. 20230

T 202.482.2105
F 202.501.1377
Email ECCGlobalSteelStats@trade.gov

trade.gov/steel