INTERNATIONAL TRADE ADMINISTRATION

Global Steel Trade Monitor

Steel Imports Report: **Mexico**

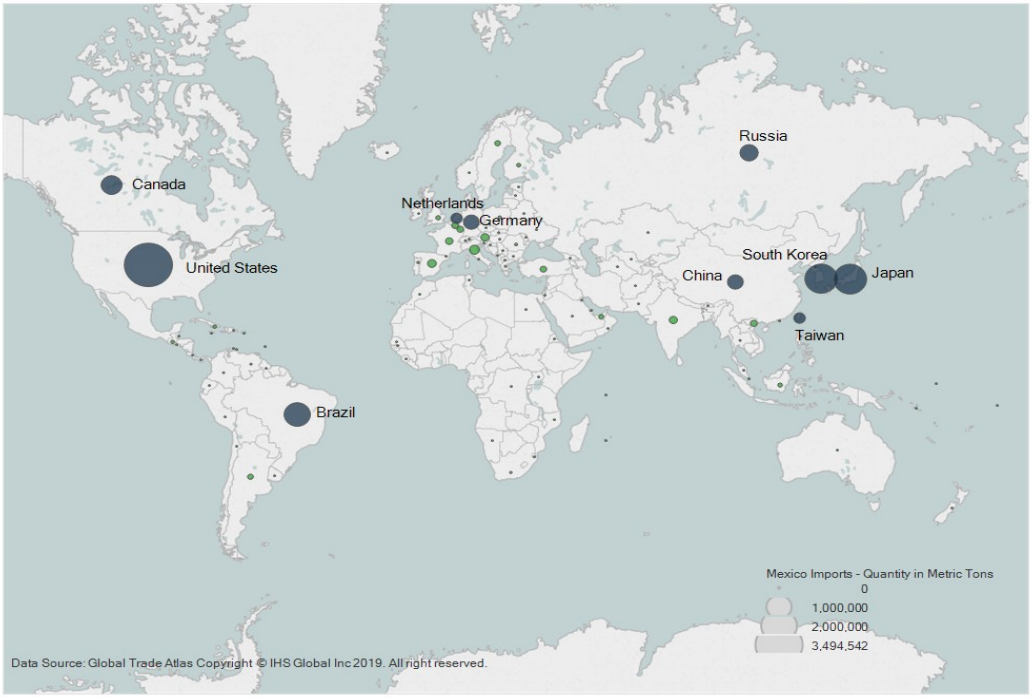
May 2019

Background

In 2017, Mexico was the world's eleventh-largest steel importer. In 2018, Mexico imported 11 million metric tons of steel, a 2 percent increase from 10.8 million metric tons in 2017. Mexico's imports represented 3 percent of all steel imported globally in 2017. Mexico's 2018 steel imports were just over a third of the size of the largest steel importer, the United States. In value terms, steel represented just 2.4 percent of the total amount of goods imported into Mexico in 2018.

Mexico imports steel from over 95 countries and territories. The ten countries highlighted in the map below represent the top import sources for Mexico's imports of steel, with each sending more than 190 thousand metric tons and together accounting for 90 percent of Mexico's steel imports in 2018.

Mexico's Imports of Steel Mill Products-2018 (Top Ten in Blue)



Quick Facts:

- In 2018, Mexico imported 11 million metric tons of steel
- 117% increase in steel imports since 2009
- Import penetration up from 32.4% in 2009 to 43.1% in 2018
- 2018 import volume up 2% while import value up 8% from 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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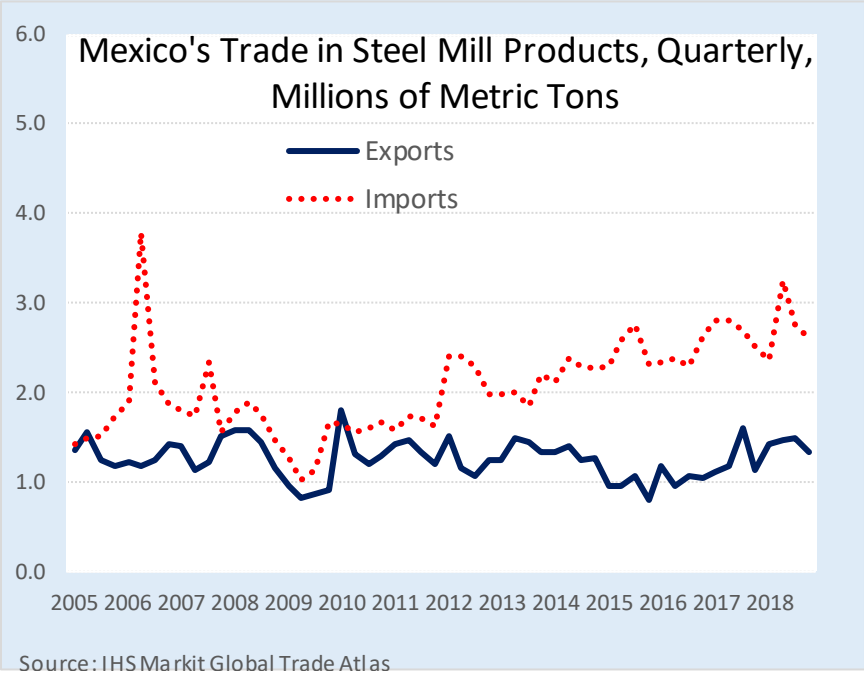
Steel Trade Balance

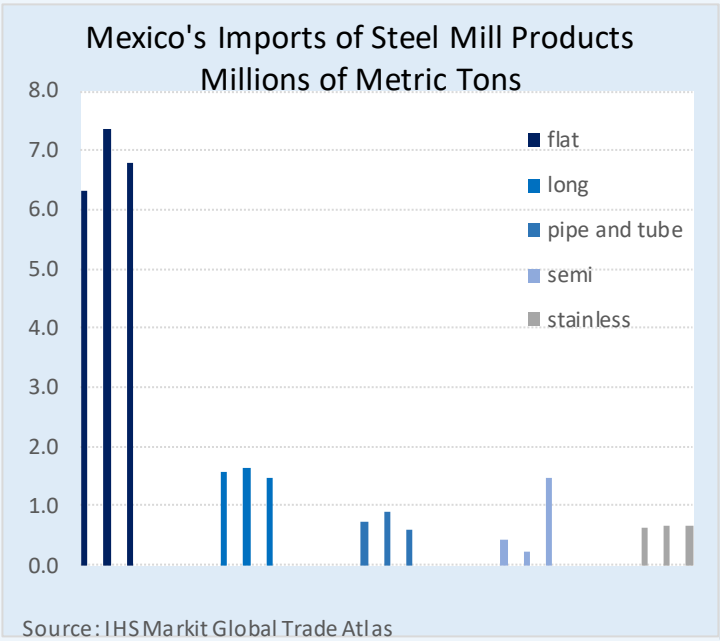


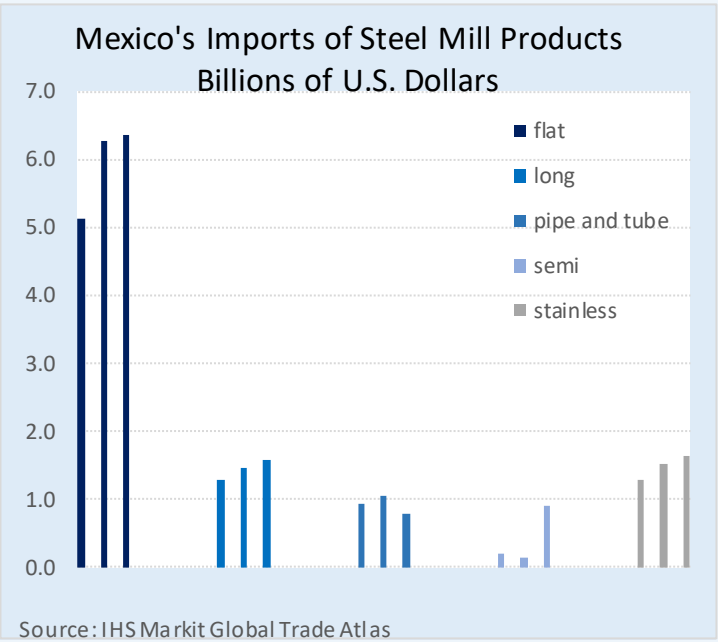
Between 2005 and 2018, there were only two periods when Mexico had a steel trade surplus, Q2 2005 and Q1 2010. Other than these two quarters, Mexico maintained a continuous trade deficit. The deficit has grown since 2012, as demand for steel imports has risen while exports have remained stagnant. Between 2009 and 2018, Mexico's imports increased 117 percent, significantly outpacing exports which, over the same period, increased by 60 percent. Mexico's 2018 steel trade deficit amounted to nearly 5.3 million metric tons, an 8 percent decrease from a 5.8 million metric ton deficit in 2017.

Import Volume, Value, and Product

Between 2009 and 2012, the volume of Mexico's steel imports nearly doubled. Since then, imports have increased modestly. In 2018, imports increased by 2 percent to 11 million metric tons from 10.8 million metric tons in 2017. Similarly, the value of Mexico's imports increased by 8 percent to $11.3 billion in 2018, from $10.4 billion in 2017.

Flat products account for nearly two-thirds of Mexico's 2018 steel imports, at 62 percent or 6.8 million metric tons. Semi-finished products accounted for 13 percent (1.5 million metric tons) of Mexico's 2018 steel imports, followed closely by long products (13% or 1.5 million metric tons), stainless steel (6% or 665 thousand metric tons), and pipe and tube products (5% or 583 thousand metric tons).





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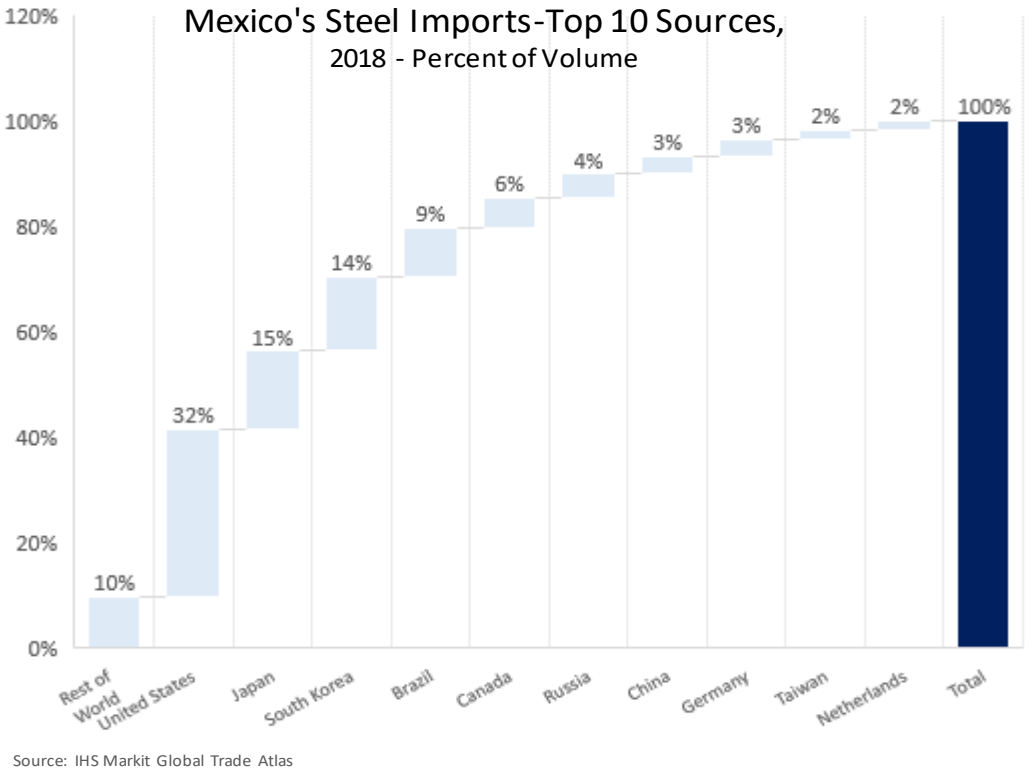
Imports by Top Source

The top 10 source countries for Mexico's steel imports represented 90 percent of the total steel import volume in 2018 at 9.9 million metric tons (mmt). The United States accounted for the largest share of Mexico's imports by source country at 32 percent (3.5 mmt), followed by Japan at 15 percent (1.6 mmt), and South Korea at 14 percent (1.6 mmt).

The United States has been the largest source of Mexico's imported steel since at least 2005.

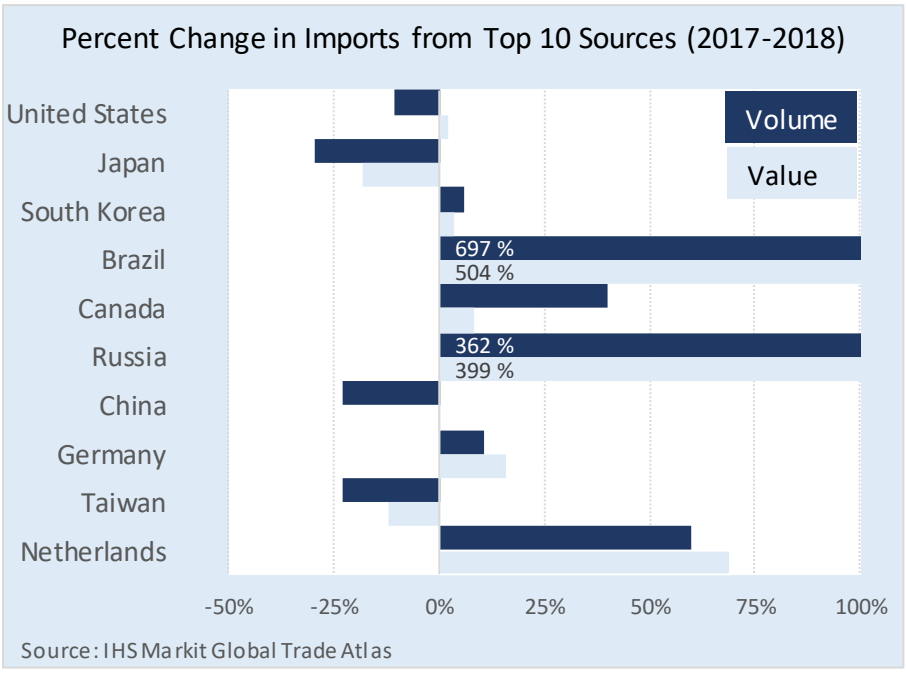


Source: IHS Markit Global Trade Atlas

Trends in Imports from Top Sources

In 2018, the volume of Mexico's steel imports increased from 6 of the top 10 sources, while the value of imports increased from 7 of the top 10 sources.

Notable 2017 to 2018 increases in the volume of Mexico's imports include those from Brazil (697%) Russia (362%), the Netherlands (60%) and Canada (40%). During this period, Mexican imports by volume notably declined from the Japan (-30%), China (-23%), Taiwan (-23%) and the United States (-11%). Between 2017 and 2018, imports increased the most in value terms from Brazil and Russia, up 504 percent and 399 percent, respectively.



Source: IHS Markit Global Trade Atlas

Outside of the top 10 sources, other significant changes in Mexico's import volume included 13th-ranked Austria (63%), 14th-ranked India (-50%), 16th-ranked Vietnam (-39%), and 24th-ranked Indonesia (1336%).

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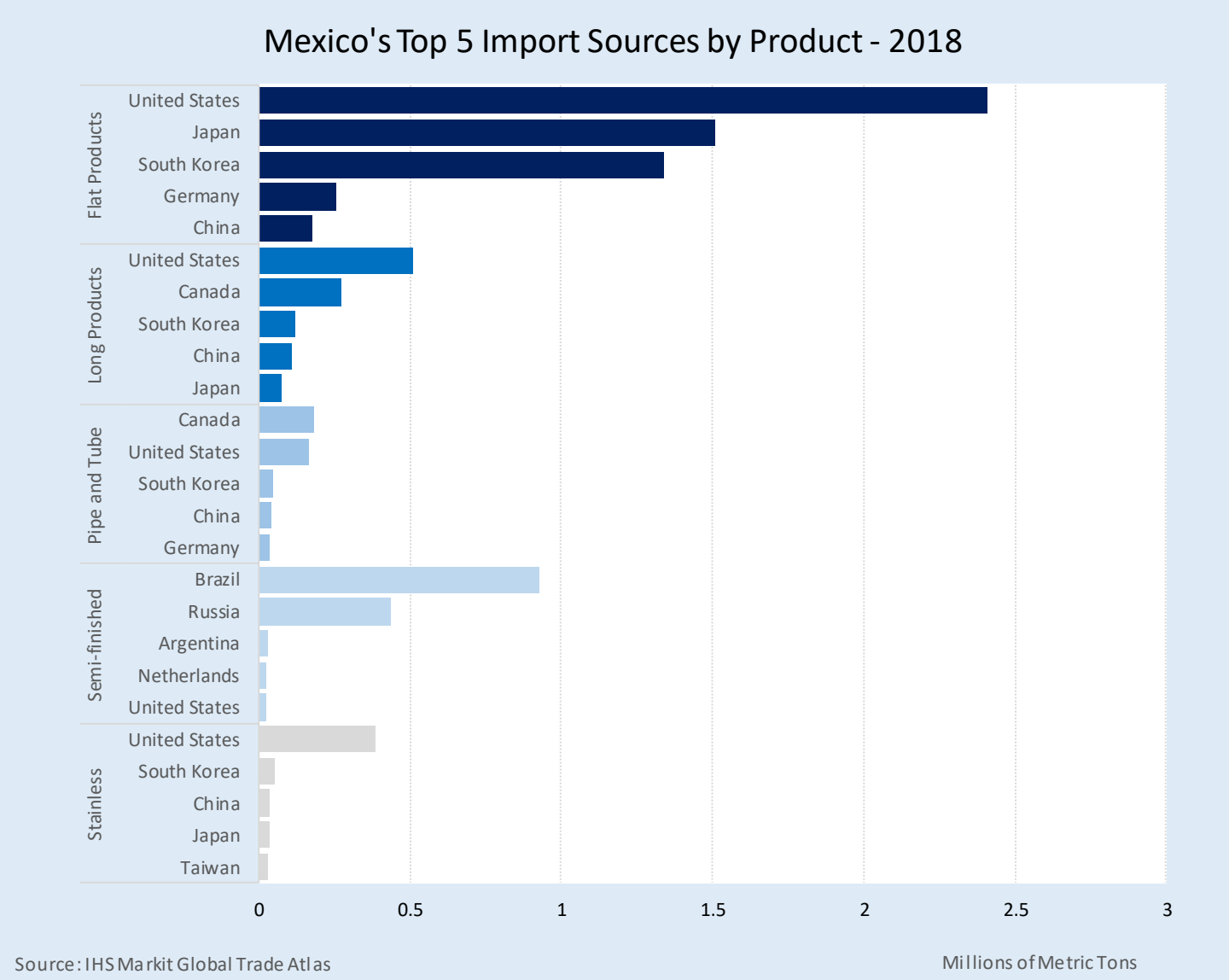
Top Sources by Steel Product Category

In 2018, Mexico's top import sources by volume varied across types of steel products, though the United States held the first spot for 3 of the 5 product categories. In 2018, the U.S. accounted for the largest share of Mexico's imports of flat products at 35 percent (2.4 million metric tons), long products at 35 percent (510 thousand metric tons), and stainless steel products at 58 percent (386 thousand metric tons.) Japan and South Korea were notable sources of flat products for Mexico, accounting for 22 percent (1.5 million metric tons) and 20 percent (1.3 million metric tons respectively.

Canada accounted for the largest share of Mexico's pipe and tube imports in 2018 at 31 percent (182 thousand metric tons), followed closely by the United States at 28 percent (163 thousand metric tons). Brazil occupied the top spot for Mexico's imports of semi-finished products at 63 percent (928 thousand metric tons), followed by Russia at 30 percent (434 thousand metric tons).



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Mexico's Export Market Share from Top Source Countries

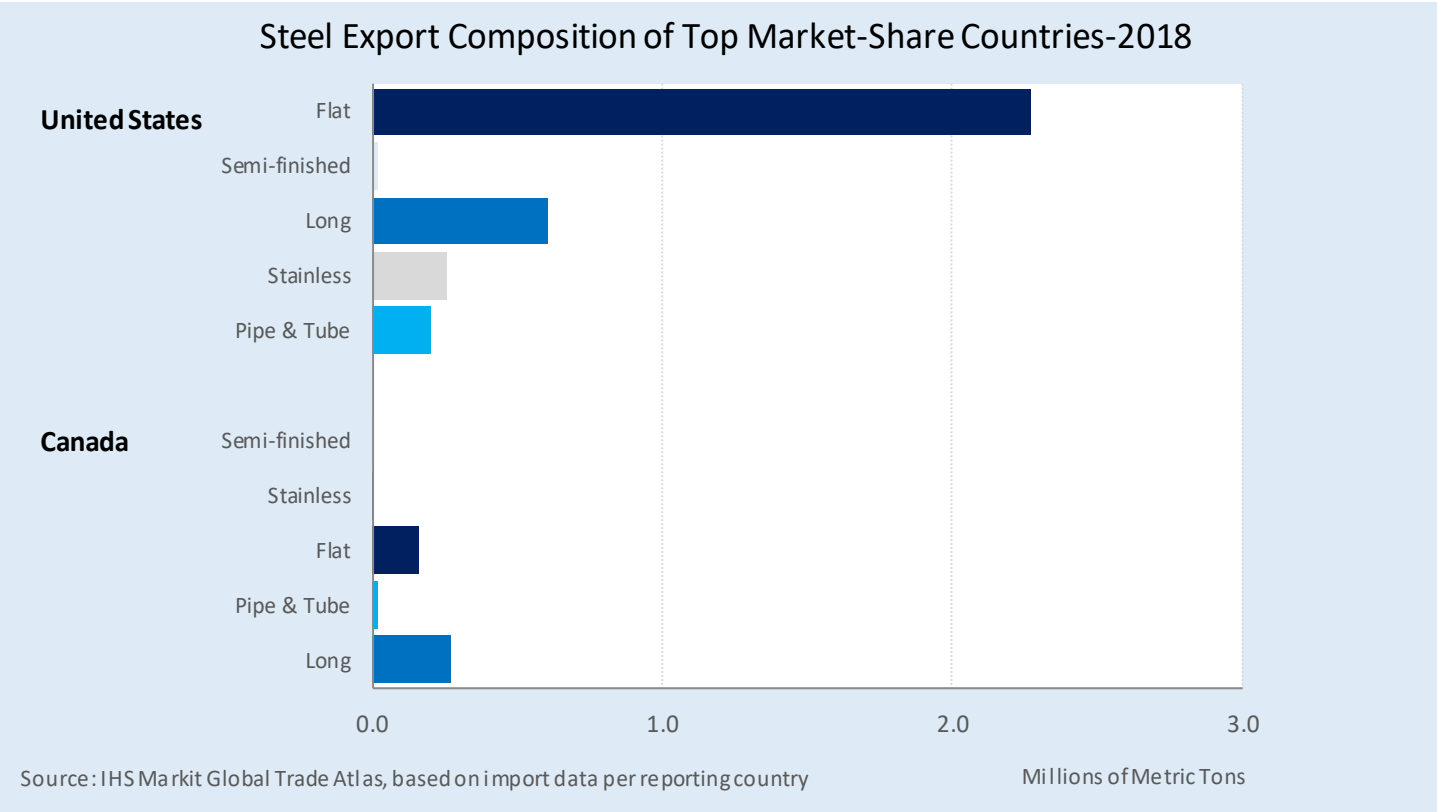
In 2018, the share of steel exports sent to Mexico from its top import sources increased in 6 of the top 10 sources. The share of the Netherlands' steel exports to Mexico showed the largest increase (up 1.2 percentage points), followed by the United States (up 1.1 percentage points), South Korea (up 0.9 percentage points) and Russia (up 0.7 percentage points). Export shares to Mexico in China, and Germany each increased by less than one-third of a percentage point. Brazil's share of steel exports to Mexico decreased the most with a decline of 2.5 percentage points, while export shares in Taiwan, Japan and Canada each all decreased by less than a percentage point.

Mexico's Steel Export Market Share

Top 10 Import Sources	Share of Exports to Mexico - 2017	Mexico's Rank in 2017	Share of Exports to Mexico - 2018	Mexico's Rank in 2018	Change in Share
United States	38.7%	2	39.9%	2	↑
Japan	5.1%	7	5.0%	7	↓
South Korea	6.1%	5	7.0%	5	↑
Brazil	4.8%	5	2.3%	10	↓
Canada	7.0%	2	6.9%	2	↓
Russia	7.7%	3	8.4%	3	↑
China	0.7%	30	0.8%	33	↑
Germany	1.2%	18	1.5%	18	↑
Taiwan	2.3%	13	1.7%	18	↓
Netherlands	1.0%	14	2.3%	10	↑

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

Among Mexico's top import sources, the United States and Canada sent the some of the largest shares of their total steel exports to Mexico in 2018. Flat products accounted for the largest shares of exports to Mexico from the United States at 68 percent (2.3 million metric tons), while long products accounted for 59 percent (266 thousand metric tons) of Canada's exports to Mexico.



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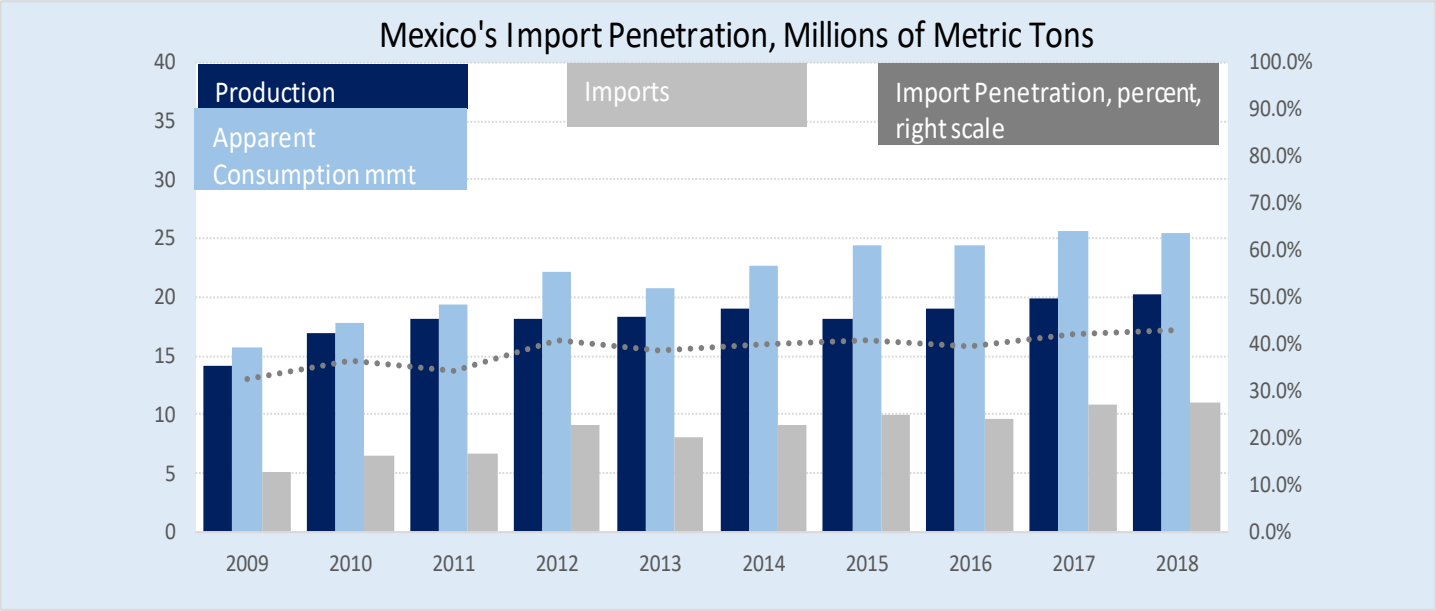
Overall Production and Import Penetration



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Production	14.1	16.9	18.1	18.1	18.2	18.9	18.2	19.0	19.9	20.2
Apparent Consumption	15.7	17.8	19.3	22.2	20.8	22.8	24.4	24.4	25.7	25.5
Imports	5.1	6.5	6.7	9.1	8.0	9.1	9.9	9.6	10.8	11.0
Import Penetration	32.4%	36.4%	34.4%	40.9%	38.6%	39.8%	40.7%	39.5%	42.0%	43.1%

Source: World Steel Assocation; IHS Markit Global Trade Atlas

Between 2009 and 2018, Mexico's crude steel production grew by 43 percent from 14.1 million metric tons to 20.2 million metric tons. Apparent consumption (a measure of steel demand) has increased from 15.7 million metric tons in 2009 to 25.5 million metric tons in 2018. The gap between production and apparent consumption has increased since 2009, growing from -1.5 million metric tons in 2009 to -6.2 million metric tons in 2015. Since 2015, this gap has shrunk slightly, decreasing from -5.8 million metric tons in 2017 to -5.3 million metric tons in 2018. Between 2009 and 2018, Mexico's import penetration increased from 32.4 percent to 43.1 percent.

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 83 percent of total 2017 production, based on actual and estimated data.

Mexico's Top Steel Producers in 2017

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 (Estimated Capacity)	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

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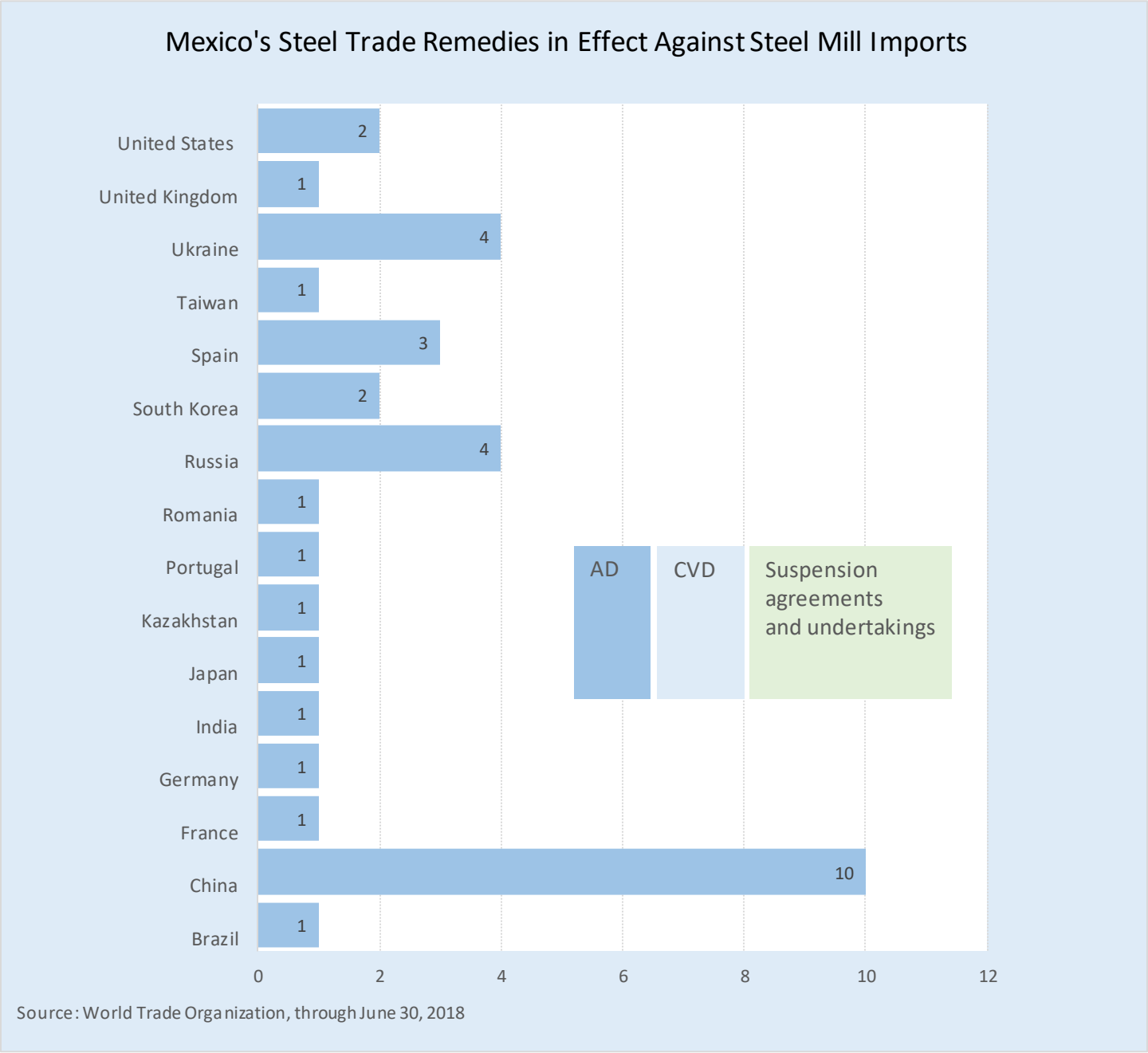
Trade Remedies in the Steel Sector

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



Source: World Trade Organization, through June 30, 2018

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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