



Global Steel Trade Monitor

Steel Imports Report: Mexico

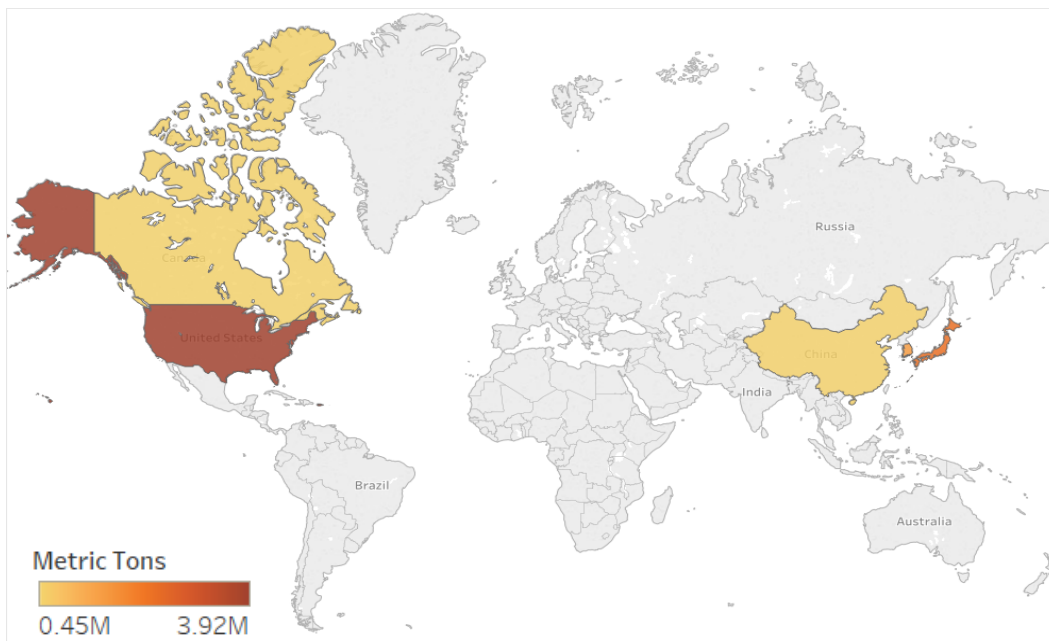
June 2018

Background

Mexico is the world's eleventh-largest steel importer. In year to date 2018 (through March), further referred to as YTD 2018, Mexico imported 2.4 million metric tons of steel, a 16 percent decrease from 2.8 million metric tons in YTD 2017. Mexico's imports represented about 3 percent of all steel imported globally in 2017. The volume of Mexico's 2017 steel imports was about a third the size of the world's largest importer, the United States. In value terms, steel represented just 2.5 percent of the total goods imported into Mexico in 2017.

Mexico imports steel from over 150 countries and territories. The five countries highlighted 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 80 percent of Mexico's steel imports in 2017.

Mexico's Imports of Steel Mill Products - 2017



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Quick Facts:

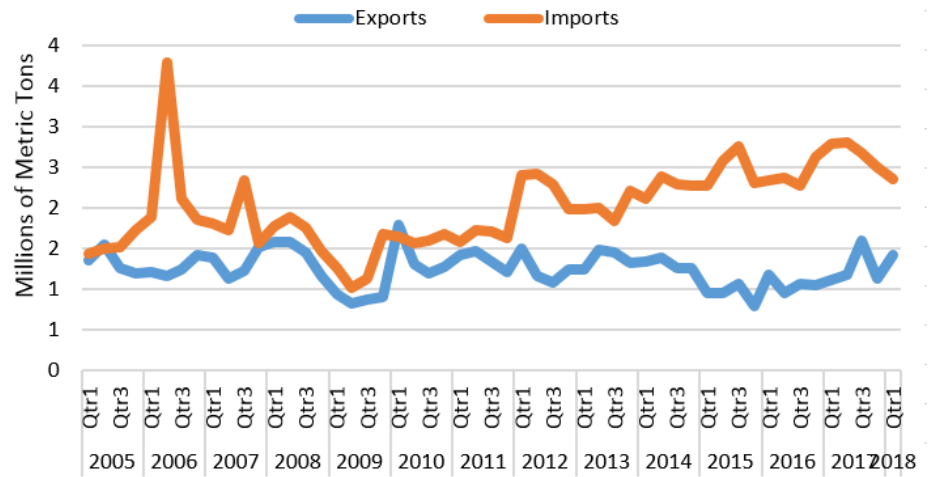
- World's 11th-largest steel importer: 2.4 million metric tons (YTD 2018)
- 94% steel import growth since Q2 2009
- YTD import volume down 16% while import value down 2%
- Import penetration down from 41.7% in YTD 2017 to 38.4% in YTD 2018
- Top three import sources: United States, Japan, South Korea
- Largest producers: AHMSA, Ternium S.A, ArcelorMittal, Deacero
- 31 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. Between Q2 2009 and Q1 2018, imports have grown 94 percent, while exports have grown 43 percent. In YTD 2018, Mexico's steel trade deficit amounted to -0.9 million metric tons — a 43 percent decrease from -1.7 million metric tons in YTD 2017.

Mexico's Trade in Steel Mill Products by Quarter

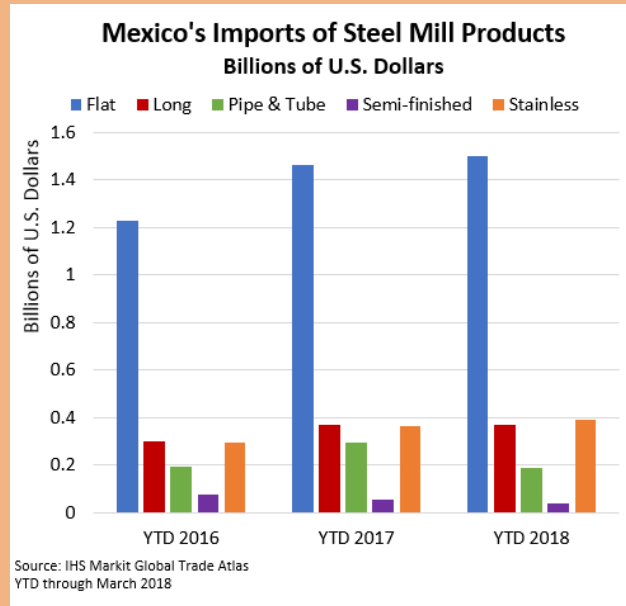
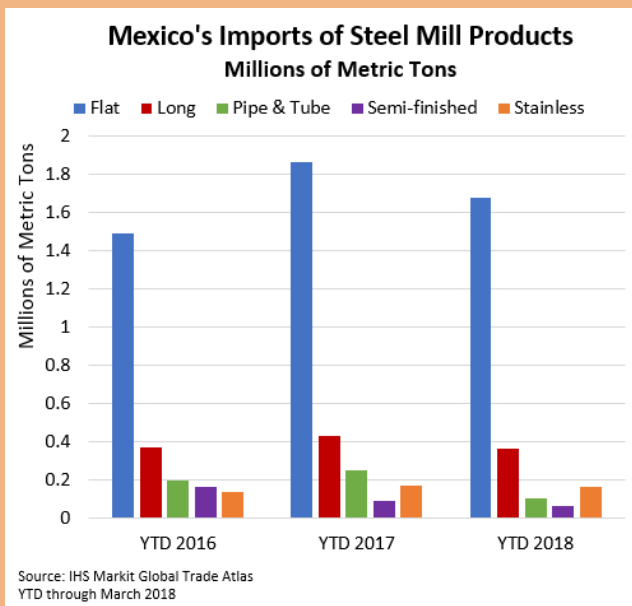


Source: IHS Markit Global Trade Atlas

Import Volume, Value, and Product

Mexico's volume of steel imports has been trending upwards since 2011. After peaking in 2017 at 10.8 million metric tons, imports have so far declined in YTD 2018. In YTD 2018, imports were down 16 percent from YTD 2017 to 2.4 million metric tons. The value of Mexico's steel imports reached a peak in 2012 at \$10.8 billion before declining, and was at \$10.5 billion in 2017. In YTD 2018, Mexico's import value has declined 2 percent to \$2.48 billion from \$2.54 billion in YTD 2017.

Flat products accounted for 71 percent of Mexico's steel imports in YTD 2018, a total of 1.7 million metric tons. Long products accounted for 15 percent of Mexico's imports (364 thousand metric tons), followed by stainless at 7 percent (164 thousand metric tons), pipe and tube products at 4 percent (99 thousand metric tons), and semi-finished products at 3 percent (59 thousand metric tons).

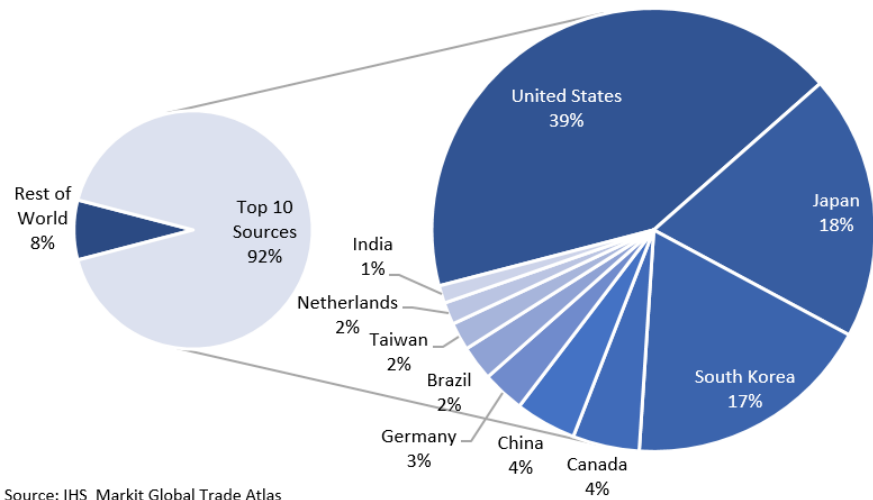


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Imports by Top Source

The top 10 source countries for Mexico's steel imports represented 92 percent of the total steel import volume in YTD 2017 at 2.2 million metric tons (mmt). The United States accounted for the largest share of Mexico's imports by source country at 39 percent (0.9 mmt), followed by Japan at 18 percent (0.4 mmt), South Korea at 17 percent (0.4 mmt), Canada at 4 percent (0.1 mmt), and China at 4 percent (0.1 mmt).

Mexico's Steel Imports - Top 10 Sources
YTD 2018 - Percent of Volume



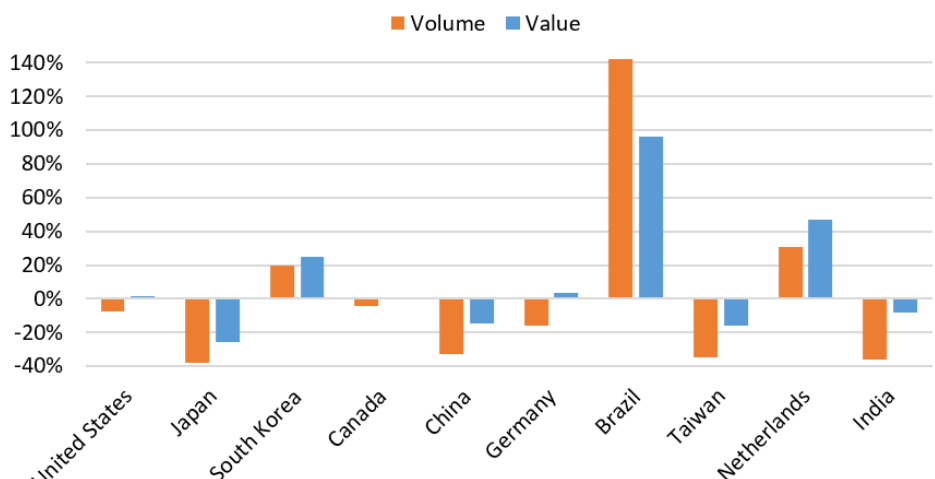
Source: IHS Markit Global Trade Atlas
YTD through March 2018

Trends in Imports from Top Sources

The volume of Mexico's steel imports decreased from seven of Mexico's top 10 steel import sources between YTD 2017 and YTD 2018. Imports from Japan showed the largest decrease, down 38 percent between YTD 2017 and YTD 2018, followed by imports from India (-36%), Taiwan (-35%), and China (-33%). Imports from Brazil increased the most, up 142 percent in YTD 2018, followed by the Netherlands (31%), and South Korea (20%).

In value terms, Mexico's imports increased from 6 of the 10 source markets in YTD 2018. Steel imports from Brazil also increased the most in value terms with a rise of 96 percent, followed by the Netherlands (47%), and South Korea (25%). Imports from Japan also showed the largest decrease in value terms, down 26 percent from YTD 2017, followed by import values from Taiwan (-16%), and China (-14%).

Percent Change in Imports from Top 10 Sources (YTD 2017 to YTD 2018)



Source: IHS Markit Global Trade Atlas
YTD through March 2018

Outside of the top 10 sources, other significant volume changes included Mexico's imports from 13th-ranked Austria (157% in YTD 2018), 21st-ranked Guatemala (183%), and 22nd-ranked Finland (667%).

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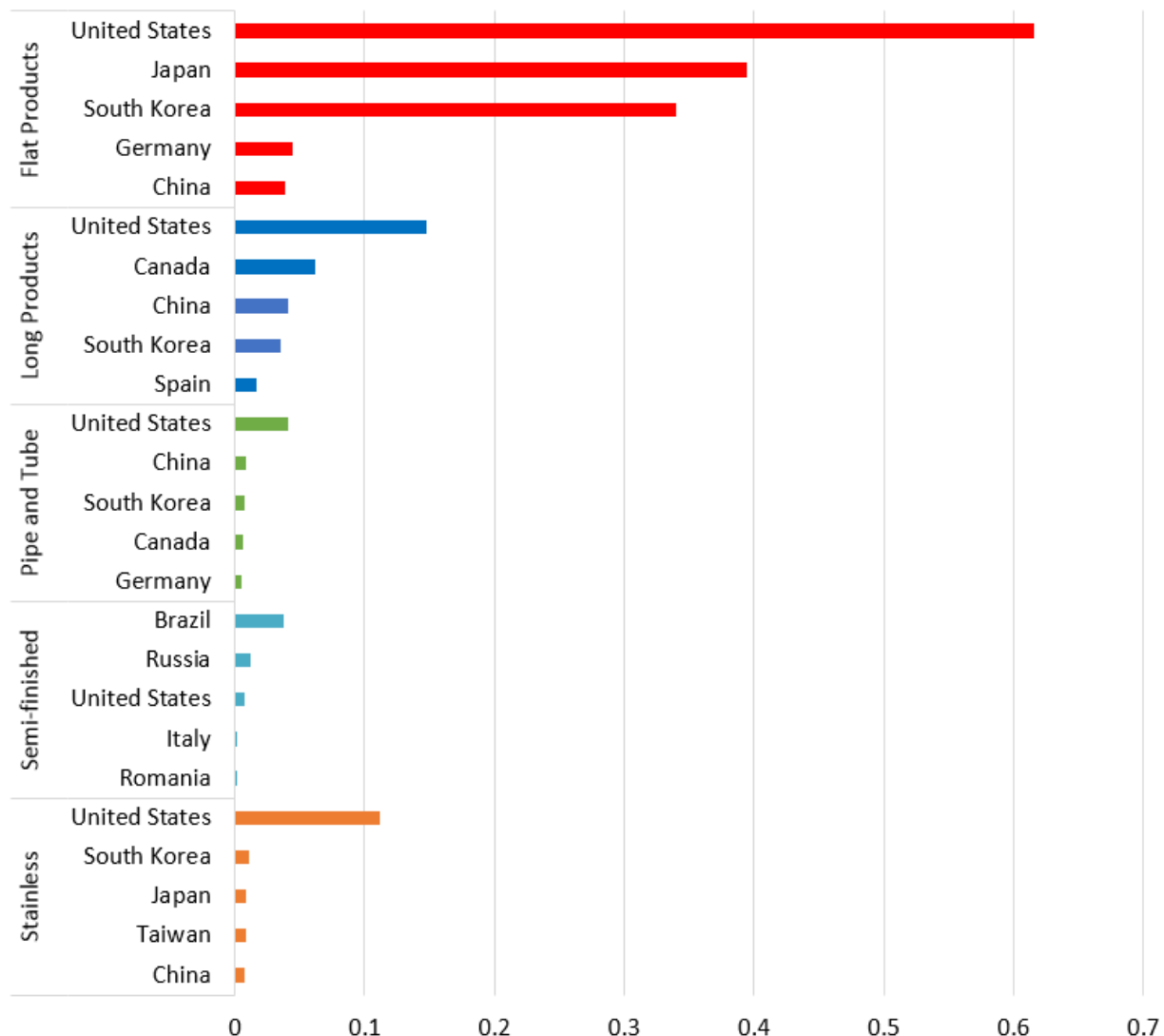
Top Sources by Steel Product Category

The top source countries for Mexico's imports by volume vary across types of steel products in YTD 2018, though the United States held the top spot for four product categories.

In flat products, the United States accounted for 37 percent of Mexico's imports (615 thousand metric tons), followed by Japan at 24 percent (395 thousand metric tons). Imports from the United States accounted for 40 percent of Mexico's long product imports (147 thousand metric tons), 42 percent of Mexico's pipe and tube product imports (41 thousand metric tons), and 68 percent of stainless imports (111 thousand metric tons).

Brazil accounted for the largest share of Mexico's imports of semi-finished products at 64 percent (38 thousand metric tons). The United States was the third-largest source of Mexico's imports of semi-finished products at 14 percent (8 thousand metric tons).

Mexico's Top 5 Import Sources by Product - YTD 2018



Source: IHS Markit Global Trade Atlas
YTD through March 2018

Millions of Metric Tons

Steel Imports Report: Mexico

Mexico's Export Market Share from Top Source Countries

In 2017, 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 South Korea's steel exports to Mexico showed the largest increase (up 0.9 percentage points), followed by Taiwan (up 0.4 percentage points), and Germany (up 0.4 percentage points). Export shares to Mexico in Japan, China, and Spain each increased by less than one-third of a percentage point.

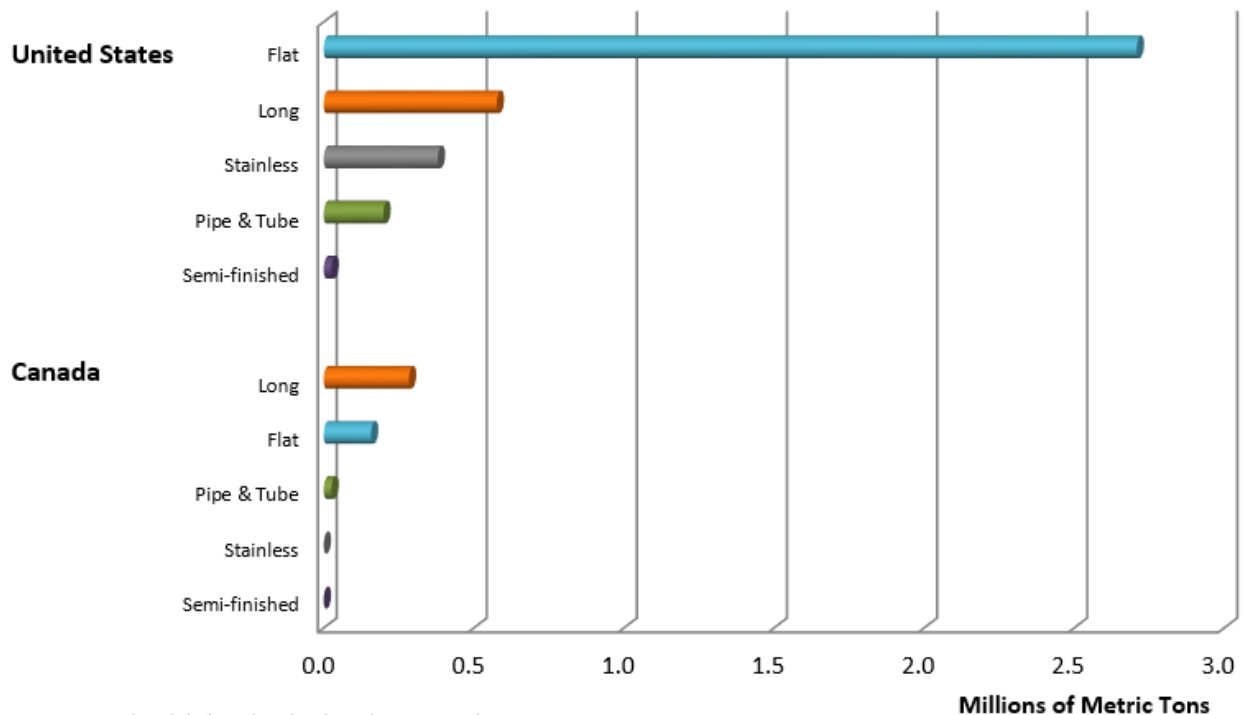
Mexico's Steel Export Market Share				
Top 10 Import Sources	Share of Exports to Mexico - 2016	Mexico's Rank in 2016	Share of Exports to Mexico - 2017	Mexico's Rank in 2017
United States	39.4%	2	38.8%	2
Japan	4.8%	8	5.1%	7
South Korea	5.3%	7	6.1%	5
China	0.6%	39	0.7%	30
Canada	7.9%	2	7.0%	2
Germany	0.9%	19	1.3%	18
Taiwan	1.9%	13	2.3%	13
India	1.8%	14	1.0%	20
Italy	1.2%	21	0.8%	21
Spain	1.2%	15	1.4%	17

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

Canada's share of steel exports to Mexico decreased the most with a decline of 0.8 percentage points, while export shares in India, the United States, and Italy each all decreased by less than a percentage point.

Among Mexico's top import sources, the United States and Canada sent the largest shares of their total steel exports to Mexico in 2017. Flat products accounted for the largest shares of exports to Mexico from the United States at 70 percent (2.7 million metric tons), while long products accounted for 61 percent (284 thousand metric tons) of Canada's exports to Mexico.

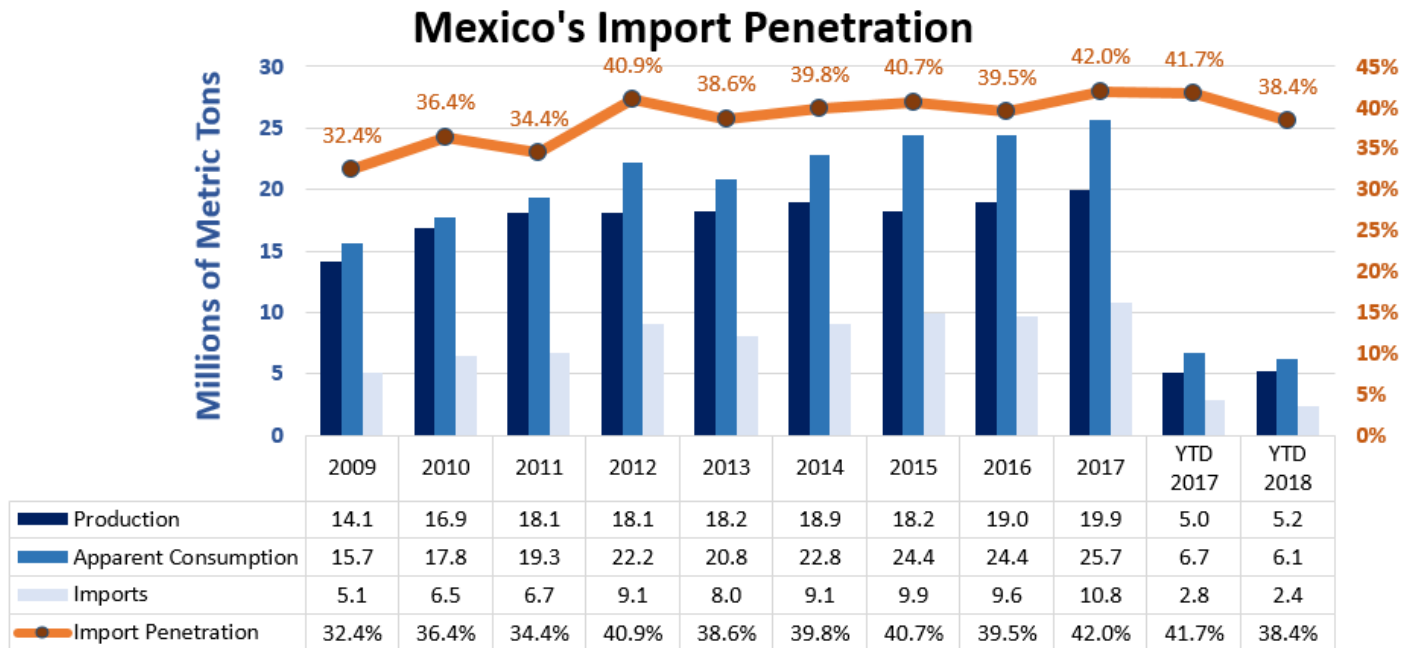
Steel Export Composition of Top Market-Share Countries - 2017



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

Steel Imports Report: Mexico

Overall Production and Import Penetration



Sources: World Steel Association; IHS Markit Global Trade Atlas
YTD through March 2018

Mexico's crude steel production increased by 41 percent between 2009 and 2017. In YTD 2018, production was up 3 percent to 5.2 million metric tons from 5.0 million metric tons in YTD 2017. Apparent consumption (a measure of steel demand) has increasingly outpaced production since 2010. The gap between demand and production widened significantly in 2014 and 2015 but stabilized in 2016 and 2017. In YTD 2018, the gap narrowed to -0.9 million metric tons, down from -1.7 million metric tons in YTD 2017. Import penetration grew by nearly 9 percentage points between 2009 and 2012 and has averaged about 40 percent since then. In YTD 2018, the import penetration decreased to 38.4 percent from 41.7 percent in YTD 2017.

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*	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

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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 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	9			9
France	1			1
Germany	1			1
India	1			1
Japan	1			1
Kazakhstan	1			1
Portugal	1			1
Romania	1			1
Russia	4			4
South Korea			1	1
Spain	2			2
Taiwan	1			1
Ukraine	3			3
United Kingdom	1			1
United States	2			2
TOTAL	30	0	1	31

Source: World Trade Organization, through December 31, 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/>.



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