

Key Performance Indicators of Selected Industries and Regions Through Third Quarter 2005¹

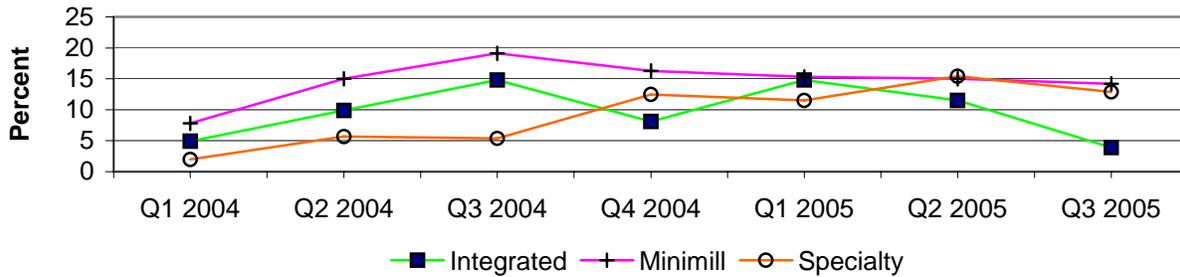
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¹The data and views presented for the following indicators are compiled from the industry sources noted and are those of the authors. They are not the views of the United States International Trade Commission as a whole or of any individual Commissioner. Nothing contained in this information based on published sources should be construed to indicate how the Commission would find in an investigation conducted under any statutory authority.

STEEL

Figure 1

Third quarter 2005 operating income¹ declines to 18-month low for integrated producers



¹ Operating income (loss) as a percent of sales. Integrated group comprises 4 firms. Minimill group comprises 7 firms. Specialty group comprises 4 firms.

Note.- Beginning in second quarter 2005 integrated group operating income includes certain non-domestic production which cannot be disaggregated from domestic production, reflecting ownership changes in the industry.

Source: Individual company financial statements.

- Luxembourg-based Arcelor SA raised its bid for Dofasco Inc. to \$4.7 billion on January 16, 2006. Rival bidder, German steelmaker ThyssenKrupp AG announced on January 23 that it would not counter the bid, clearing the way for Arcelor to acquire Dofasco one of Canada's largest steel producers, and a major supplier to the U.S. auto industry. See www.thyssenkupp.com, www.dofasco.ca, and www.arcelor.com.
- Mittal Steel USA announced on December 30, 2005 that it will permanently shut down the hot end of its Weirton, WV facility in March 2006. The shutdown signals the end of almost 100 years of steelmaking at the Weirton site, which began in 1909. Mittal plans to continue operating its sizeable tin mill operation at Weirton. See www.mittalsteel.com
- Gerdau Ameristeel Corp. announced the receipt of a \$300,000 grant on December 19, 2005 from the state of North Carolina, to be applied toward a planned 3-year, \$26.3 million expansion of its Charlotte, NC mill. The expansion is expected to add 30 additional jobs to the existing workforce of 250 people. See www.gerdauameristeel.com.
- Wheeling-Pittsburgh Steel Corp. and SNA Carbon LLC announced the formation of their joint venture coke operation, Mountain State Carbon LLC, on October 3, 2005. SNA Carbon, a subsidiary of Severstal North America Inc. will provide a total of \$120 million for a 50-percent share in the venture, and Wheeling-Pitt will provide a total of \$40 million in addition to its coke producing and related assets in Follansbee, WV. See www.wpsc.com and www.severstal.ru.

Table 1

Finished imports decrease by more than 15 percent during third quarter 2005 compared with second quarter 2005, and by more than 31 percent compared with third quarter 2004

Item	Q2 2005	Percentage change, Q3 2005		Q3 2005 ¹	Percentage change, Q3 2005	
		from Q2 2005	from Q3 2004		from Q3 2004	from Q3 2004
Producers' shipments (1,000 short tons).....	25,161	1.0		25,409		-8.7
Finished imports (1,000 short tons).....	6,813	-15.7		5,746		-31.4
Semifinished imports (1,000 short tons).....	1,611	-7.6		1,489		-24.3
Exports (1,000 short tons).....	2,379	-15.2		2,017		8.4
Apparent supply, finished (1,000 short tons).....	29,595	-1.5		29,139		-15.2
Ratio of finished imports to apparent supply (percent) ...	23.0	² -3.3		19.7		² -4.7

¹ Preliminary.

² Percentage-point change.

Note.-Because of rounding, figures may not add to the totals shown.

Source: American Iron and Steel Institute.

STEEL

Table 2

Steel service centers: Third quarter 2005 shipments trend downward compared with second quarter 2005, and with third quarter 2004

Item	June 2005	Sept. 2005	Percentage change, Sept. 2005 from		Percentage change, Q3 2005 from	
			June 2005	Q3 2004	Q3 2005	Q3 2004
Shipments (1,000 short tons)	4,720	4,623	-2.1	14,102	13,729	-2.6
Ending inventories (1,000 short tons).	14,862	12,977	-12.7	14,891	12,977	-12.9
Inventories on hand (months).....	3.1	2.8	(¹)	3.2	2.8	(¹)

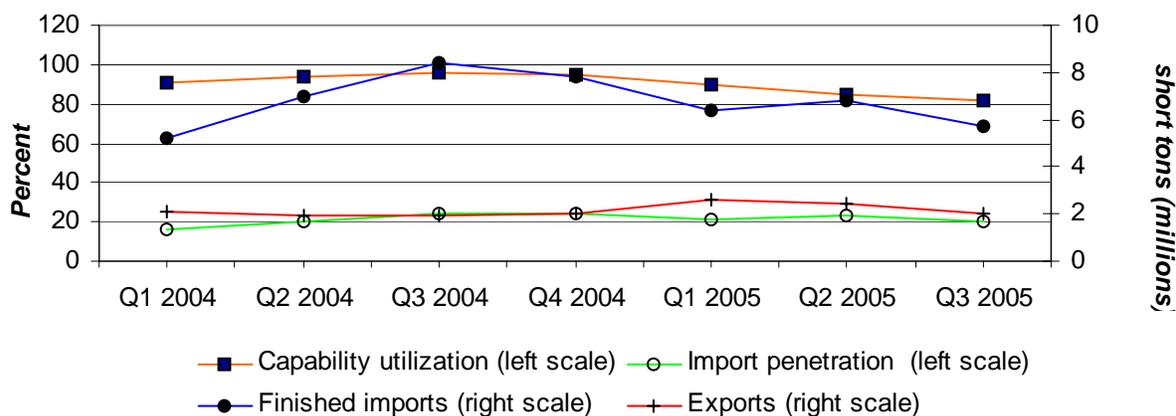
¹ Not applicable.

Source: Metals Service Center Institute.

- Shipments from U.S. steel service centers during third quarter 2005 declined by 2.1 percent compared with second quarter 2005, and by 2.6 percent compared with third quarter 2004 (table 2), although monthly shipments during August and September 2005 were slightly improved from year-earlier monthly shipments, according to the Metals Service Center Institute. See <http://www.mscci.org>
- The American Institute for International Steel import market survey (November 2005) predicts increased imports of hot-rolled and cold-rolled sheet, corrosion-resistant sheet, cut-to-length plate, merchant bar, and structurals during the next 3 to 5 months. See <http://www.aiis.org>
- The 61 countries reporting to the International Iron and Steel Institute produced more than 1.1 billion metric tons of crude steel during January-November 2005, a 6-percent increase compared with the same period in 2004. China accounted for more than 31 percent of world production, followed by the EU-25 with 17 percent, and Japan with 10 percent. See <http://www.worldsteel.org>
- Capability utilization of U.S. producers declined to its lowest level since third quarter 2003, while decreased imports reduced both import penetration and quantity of finished imports to their lowest levels since first quarter 2004 (figure 2). See <http://www.steel.org>

Figure 2

Steel mill products, all grades: Capability utilization declines to 24-month low during third quarter 2005



Note.- Capability utilization is the raw steel tonnage produced divided by the tonnage capability to produce raw steel for a sustained full order book.

Source: American Iron and Steel Institute.

AUTOMOBILES

Table 3
Total U.S. sales of new passenger vehicles (cars and light trucks), domestic and imported, and share of U.S. market accounted for by sales of total imports and Japanese imports, by specified periods, January 2005-September 2005

Item	July-Sept. 2005	Jan.-Sept. 2005	Percentage change	
			July-Sept. 2005 from Apr.-June 2005	Jan.-Sept. 2005 from Jan.-Sept. 2004
U.S. sales of domestic passenger vehicles (1,000 units)	3,697	10,540	-1.7	2.2
U.S. sales of imported passenger vehicles (1,000 units).....	926	2,657	0.6	5.2
Total U.S. sales (1,000 units)	4,621	13,198	-1.3	2.8
Ratio of U.S. sales of imported passenger vehicles to total U.S. sales (percent)	20.0	20.1	¹ 0.4	¹ 0.4
U.S. sales of Japanese imports as a share of total U.S. sales (percent).....	9.8	10.0	¹ 0.4	¹ 0.2

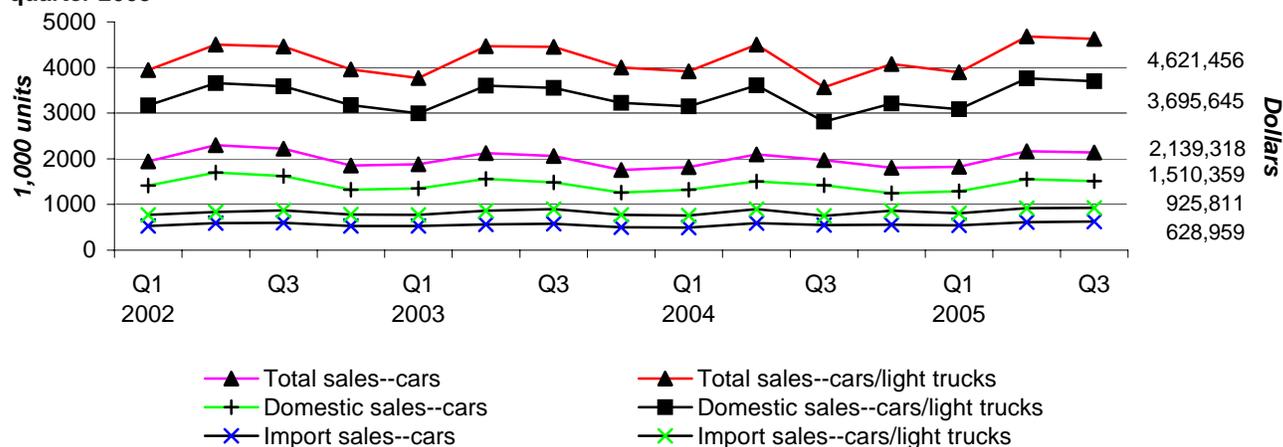
¹ Percentage point change.

Note.—Domestic passenger vehicles include U.S.-, Canadian-, and Mexican-built cars and light trucks sold in the United States. Imported passenger vehicles do not include cars and light trucks supplied by Canada and Mexico.

- Consumers benefited from "employee discount" incentive programs, launched first by GM on June 1, 2005, during the third quarter 2005. The employee discount program is considered one of the most successful incentive programs in history, and accomplished the goal of lowering high inventories of 2005 models. U.S. light vehicle sales were strong in July and August, and light vehicle inventories were the lowest for any month at the end of August since 1998.
- U.S. new car sales increased by 10.1 percent in August 2005, while light truck sales declined by 1.6 percent, compared with July 2005. Although light trucks continued to maintain a larger market share than cars, their share slipped to 51.2 percent compared with 54.0 percent in August 2004.
- In September, sales slowed, hampered by the summer sales surge and the effects of Hurricane Katrina and rising gas prices. Passenger cars continued to fare better than light trucks in September, claiming their largest share of sales since January 2003. Import brands were the big beneficiaries, accounting for nearly 61 percent of passenger car sales.

Figure A-3

Total U.S. sales of new passenger vehicles (cars and light trucks) decreased slightly from second quarter 2005



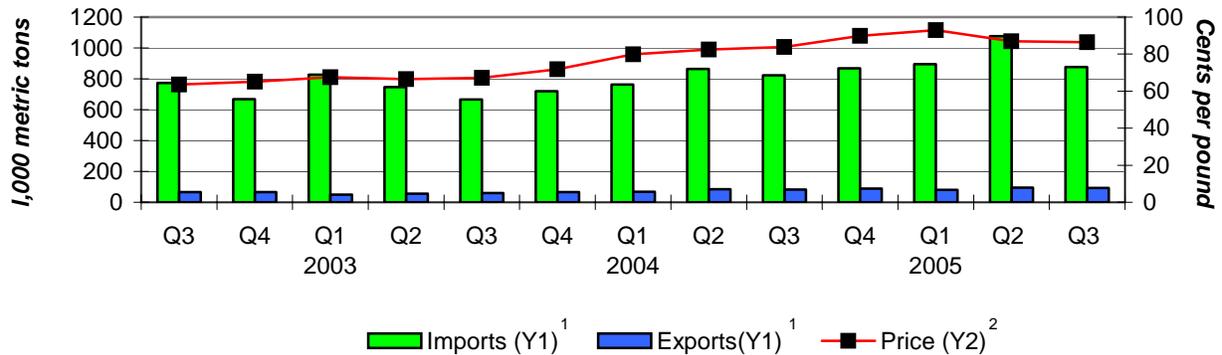
Note.—Domestic sales include U.S.- and Mexican-built vehicles sold in the United States; these same units are not included in import sales.

Source: *Automotive News*; prepared by the Office of Industries.

UNWROUGHT ALUMINUM¹

Figure 4

Imports trend toward 2004 mean during third quarter 2005 even as exports remain close to multi-year high, primarily due to demand from NAFTA partners



¹ Unwrought aluminum and aluminum alloys.

² Quarterly average of the monthly U.S. market price of primary aluminum ingots.

Source: Compiled by USITC staff based on data obtained from the U.S. Geological Survey.

- Alcoa ended aluminum production at its 195,000 metric tons per year Eastalco smelter in Frederick, MD on December 19, 2005. Alcoa plans to continue to homogenize, cut to length, and distribute billet cast at other Alcoa locations using Eastalco's existing equipment. See www.alcoa.com
- Rusal agreed to purchase 77.5 percent of the Aluminum Smelter Company of Nigeria for \$250 million on February 3, 2006. Rusal plans to invest an additional \$150 million over the next 3 years to upgrade the 193,000 metric tons per year smelter, which has been idle since 2000. See www.rusal.com
- Alcan predicted on February 7, 2006 that world demand for aluminum would exceed supply by about 300,000 metric tons this year, compared with a balanced situation in 2005. Alcan expects a 4.9-percent rise in world primary aluminum consumption during 2006, whereas new capacity and restarts will increase supply by only about 4 percent. See www.alcan.com

Table 4

During third quarter 2005, aluminum continued to decline from the historic first quarter 2005 price of almost 93 cents per pound as distributors reduced inventories to their lowest level since first quarter 2001

Item	Q3 2004	Q2 2005	Q3 2005	Percentage change	
				Q3 2005 from Q3 2004	Q3 2005 from Q2 2005
Primary production (1,000 metric tons)	662	631	617	-0.8	-2.2
Secondary recovery (1,000 metric tons)	772	763	777	0.6	1.8
Imports (1,000 metric tons)	823	1,077	876	6.4	-18.7
Import penetration (percent).....	38.5	45.3	40.2	¹ 1.7	¹ -5.1
Exports (1,000 metric tons)	82	94	93	13.4	-1.1
Average nominal price (cents/lb).....	83.8	87.0	86.4	3.1	-0.7
LME inventory level (1,000 metric tons)	680	536	513	-24.7	-4.3

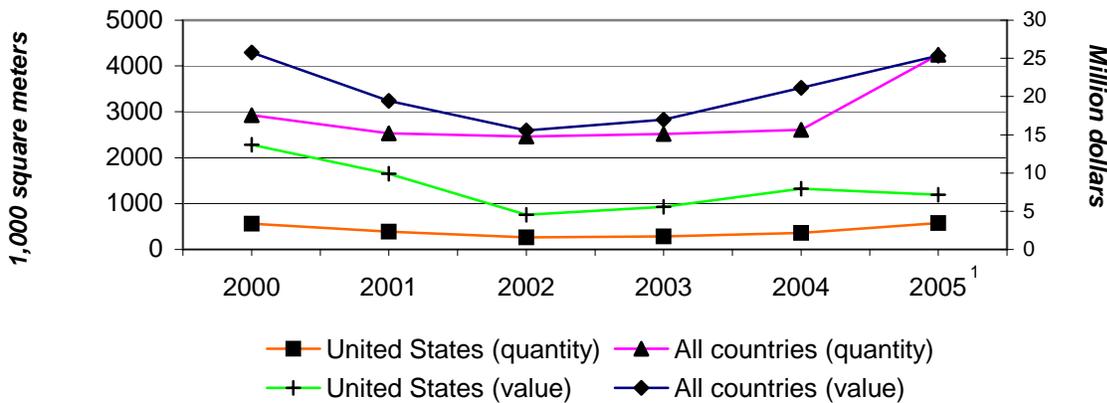
¹ Percent-point change.

Sources: Compiled from data obtained from U.S. Geological Survey and World Bureau of Metal Statistics.

¹Product coverage includes only unwrought aluminum and certain aluminum alloys for improved data comparability.

FLAT GLASS

Figure 5
Japanese monthly average imports from U.S. and world increased during first 9 months of 2005



¹ Data for Jan.-Sept. (latest available).

Source: Compiled from "World Trade Atlas: Japan" at <http://www.globaltradeatlas.com>, using official statistics provided by the Government of Japan.

Background

- Although the U.S.-Japanese agreement on Japanese market access for imports of flat glass, which sought to increase access and sales of foreign flat glass in Japan, expired on December 31, 1999,¹ the U.S. Government continues to engage the Japanese Government in discussions over access to the Japanese market. Most recently, in the 2003 Trade Forum discussion held in July 2003 under the U.S.-Japan Partnership for Economic Growth, the U.S. Government "highlighted the continuing problems that prevent market entry, including the need for tighter enforcement of rules against anticompetitive behavior."² The U.S. Government also urged Japan to modify regulations to facilitate use of energy-efficient glass in Japan.
- U.S. and Japanese negotiators have agreed that Japan's Ministry of Trade and Industry (MITI), in conjunction with the Japan Fair Trade Commission (JFTC), should monitor Japanese flat-glass manufacturers and the glass distribution system in Japan to promote competition in the sector.³

Current

- As a result of increased Japanese economic growth during the first 9 months of 2005, Japanese average monthly demand for imported flat glass from all countries increased 50 percent for the first 9 months of 2005, to 4.2 million square meters, compared with the same period in 2004. The average monthly value of total Japanese flat glass imports for the first 9 months of 2005 increased 4 percent, to \$25.3 million, compared with the same period in 2004. In full-year 2004, the quantity of average monthly Japanese imports increased 27 percent compared with the same imports in 2003, and increased 55 percent in value during the same period.
- Average monthly Japanese imports from the United States increased by quantity, but not by value during the first 9 months of 2005 compared with the same period in 2004. Average monthly Japanese imports of U.S. flat glass increased 26 percent during the first 9 months of 2005, to 579,000 square meters, compared to the same period in 2004. However average monthly Japanese imports from the United States decreased 44 percent for the first 9 months of 2005 compared to the same period in 2004. In full-year 2004, average monthly imports from the United States increased 73 percent in quantity and 124 percent in value compared with the same imports for 2003.

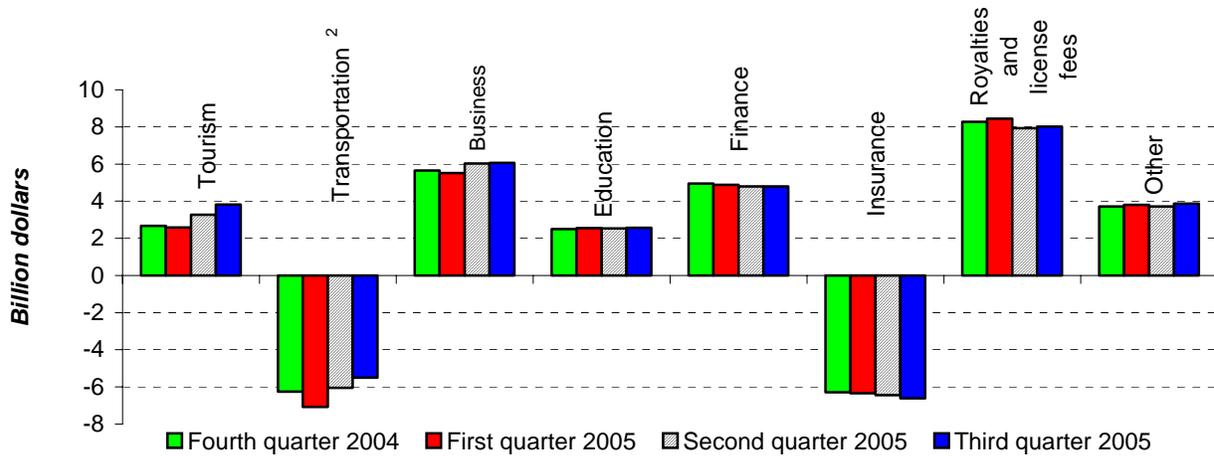
¹ Office of the United States Trade Representative (USTR), *The President's 1999 Annual Report on the Trade Agreements Program*, p. 227, downloaded from <http://www.ustr.gov/reports/tpa/2000index.html> on Mar. 3, 2004.

² USTR, *2004 Trade Policy Agenda and 2003 Annual Report of the President of the United States on the Trade Agreements Program* (final draft), 2003, pp. 21-22.

³ USTR, *Fourth Annual Submission by the Government of the United States to the Government of Japan on Deregulation and Competition Policy*, Oct. 12, 2000, p. 32.

SERVICES

Figure 6
Balance on U.S. service trade accounts,¹ by select quarters, 2004-05

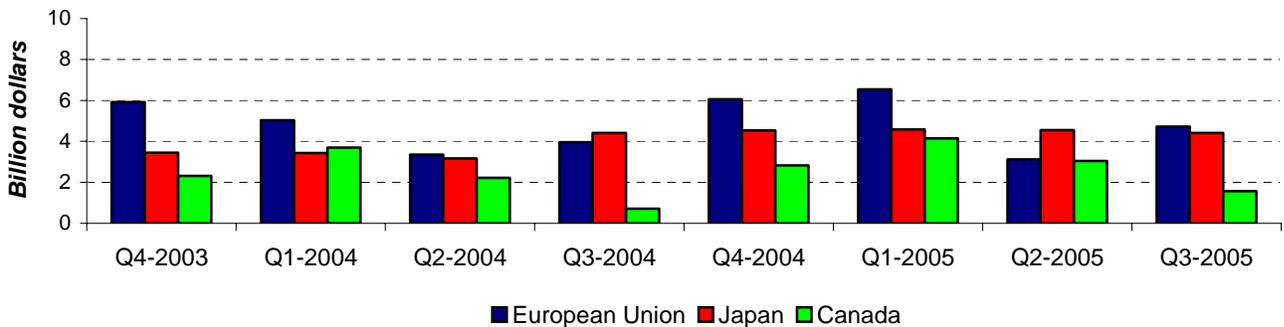


¹ Data for telecommunication services are too small to be revealed graphically.

² Includes passenger fares, freight, and port services.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, Jan. 2006, p. 25.

Figure 7
Surpluses on cross-border U.S. services transactions with selected partners, by select quarters, 2003-05¹



¹ Private-sector transactions only; military shipments and other public-sector transactions have been excluded.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, Jan. 2006, pp. 34-37.

NORTH AMERICAN MERCHANDISE TRADE HIGHLIGHTS

U.S. merchandise trade with its North American partners is highlighted in table 5. The following is a summary of key developments during the first 9 months of 2005 compared with the same period of 2004.

Macro trends

- Although U.S. energy imports from Canada and Mexico rose sharply during January to September 2005 as a result of Hurricanes Katrina and Rita which interrupted domestic energy production, the U.S. economy continued to grow at a moderate pace leading to a 9-percent (\$28.7-billion) increase in total imports to (\$332.4 billion) from its NAFTA partners over the same period of 2004.
- Canada and Mexico provide approximately one-fourth by value of all U.S. petroleum imports. The increased value of petroleum imports from Canada (by \$3.0 billion, or 22 percent) and Mexico (by \$3.2 billion, or 28 percent) accounted for a combined 22 percent of the rise in total U.S. imports from our NAFTA partners during the first 3 quarters of 2005. During the first 9 months of 2005, crude oil exports from Canada and Mexico totaled 99 percent and 88 percent of each country's total exports to the United States, or 1.62 million and 1.79 million barrels respectively. In the United States, transportation and industry account for the largest growth sectors for petroleum demand.

Exports to Canada

- U.S. exports to Canada rose by 12 percent (\$15.0 billion) to \$136.2 billion during the January to September 2005/2004 period, and consisted predominantly of energy-related resources such as crude petroleum, petrochemicals, and other refined products such as gasoline and jet fuels.¹
- The largest expansion in U.S. exports to Canada during the first 9 months of 2005 was accounted for by crude petroleum and petroleum products increasing by 236 percent (\$291 million) and 75 percent (\$656 million) respectively over the corresponding period in 2004. The bulk of these energy-related exports are sent to Canada's Maritime Provinces and the industrial and population centers in Ontario and Quebec which are largely served by petroleum and natural-gas pipelines originating in the United States. U.S. exports of crude petroleum to Canada consist largely of light oils which are typically diluted with heavier tar-based oil sands produced in Canada's Western Provinces and sent back via pipeline to North American markets.² Nearly 95 percent of Canada's oil and natural gas is transported by pipeline.³
- Other leading U.S. export products to Canada during the first 9 months of 2005/2004 were computer hardware which increased by 62 percent (\$585 million) to \$1.5 billion. Much of the growth in computer hardware exports can be attributed to an increase in demand for computer components, such as parts and accessories of printed circuit assemblies, digital and analog television tuner cards, and monolithic integrated circuits for high-definition televisions.⁴

Imports from Canada

- U.S. imports from Canada during the first 3 quarters of 2005 increased by 10 percent (\$19.6 billion) to \$209.1 billion over the corresponding period of 2004. U.S. imports of road tractors for semi-trailers, electrical energy, petroleum, and natural gas rose significantly during the first 9 months of the year.
- U.S. imports of road tractors from Canada increased by 87 percent (\$636 million) to \$1.4 billion during January to September 2005 over the corresponding period in 2004. Much of this increase resulted from U.S. freight demand outgrowing industry capacity growth, and major manufacturers such as Volvo and

¹ U.S. Department of Energy (USDOE), Energy Information Agency (EIA), "Mexico: Country Analysis Briefs", Nov. 2005, found at <http://www.eid.doe.gov/emeu/cabs/mexico.html>, retrieved Jan. 9, 2006.

² U.S. Department of State, "Calgary Energy Round-Up: October 2005," message reference No. 12958, prepared by Amconsul, Calgary, Nov. 4, 2005.

³ Canadian Energy Pipeline Association, "Ensuring a Sustainable Energy Supply for Canadians," Jan. 28, 2005.

⁴ "AMD Brings 'AMD Live' to Consumer, GPU Makers Onboard," *Electronic News*, Jan. 4, 2006.

NORTH AMERICAN MERCHANDISE TRADE HIGHLIGHTS

Table 5
U.S.-Mexico trade, 2000-04, January-September 2004, and January-September 2005

Item	2000	2001	2002	2003	2004	January-September		Percent change 2004/05
						2004	2005	
Value (million dollars)								
U.S. -Mexico trade:								
Total imports from Mexico.....	134,734	130,509	134,121	137,199	154,959	114,268	123,327	8
U.S. imports under NAFTA:								
Total value.....	83,995	81,162	84,747	87,750	96,024	70,554	77,134	9
Percent of total imports	62	62	63	64	62	62	63	¹ 1
Total exports to Mexico.....	100,442	90,537	86,076	83,108	93,018	68,263	74,700	9
U.S. merchandise trade balance with Mexico ²								
	-34,292	-39,971	-48,045	-54,091	-61,941	-46,005	-48,627	-6
U.S. -Canada trade:								
Total imports from Canada.....	229,060	216,836	210,518	224,016	255,660	189,484	209,113	10
U.S. imports under NAFTA:								
Total value.....	123,052	113,179	115,807	119,416	131,678	97,444	105,844	9
Percent of total imports	54	52	55	53	52	51	51	¹ 0
Total exports to Canada.....	155,601	144,621	142,543	148,749	163,168	121,219	136,226	12
U.S. merchandise trade balance with Canada ³								
	-73,459	-72,215	-67,975	-75,267	-92,492	-68,265	-72,886	-7

¹ Percentage-point change.

² The negative (-) symbol indicates a loss or trade deficit. The \$61.9-billion deficit in U.S. merchandise trade with Mexico in 2004 was partially offset by a \$5.6-billion U.S. surplus in bilateral services trade, not seasonally adjusted. During the first half of 2005, the U.S. surplus in bilateral service trade was \$1.9 billion, not seasonally adjusted.

³ The \$92.5-billion deficit in U.S. merchandise trade with Canada in 2004 was partially offset by a \$9.3-billion U.S. surplus in bilateral services trade. During the first half of 2005, the U.S. surplus in bilateral service trade was \$7.0 billion, not seasonally adjusted.

Source: Compiled by USITC staff from official statistics of the U.S. Department of Commerce. Statistics on U.S. services trade with Canada and Mexico are based on preliminary data provided in U.S. Department of Commerce, Bureau of Economic Analysis, U.S. International Transactions Accounts Data, table 11, found at http://www.BEA.DOC.GOV/BEA/International/BP_web/list.CFM?ANON=92.

Scania expanding factory production to produce new, more energy- efficient vehicles to replace older models.⁵

- Weather conditions and continuing U.S. economic growth increased electricity demand from Canada by 75 percent (\$713 million) to \$1.7 billion during January to September 2005/2004. Other factors leading to increased U.S. electricity import demand were rapid industrial and residential consumption due to expansion of commercial floor space, the continuing market penetration of new telecommunications technologies and medical imaging equipment, and increased use of office equipment.⁶ Additionally, the United States and Canada share interconnected grids, leading to a large volume of electricity transmission to meet seasonal, cross-border demands. Canada has historically been the only U.S. trade partner for electricity.

⁵ Bob Costello, "2005 Transportation Outlook," *Trucking Economic Review*, Dec. 29, 2004.

⁶ USDOE, EIA, "Short-Term Energy Outlook," Jan. 10, 2006, p. 4.

NORTH AMERICAN MERCHANDISE TRADE HIGHLIGHTS

Exports to Mexico

- During January to September 2005, U.S. exports to Mexico increased by 9 percent (\$6.4 billion) to \$74.7 billion, and consisted principally of refined petroleum products, electrical machinery parts, beef, and pneumatic and hydraulic machinery tools and parts.
- Despite its status as one of the world's largest crude petroleum exporters, Mexico is a net importer of refined petroleum products. During the first 9 months of 2005/2004, U.S. exports of refined petroleum products to Mexico rose by 92 percent (\$1.6 billion) to \$3.3 billion. Unleaded gasoline imports represented nearly 50 percent of Mexico's total imports of refined petroleum products. Pemex has recently completed a series of domestic refinery upgrades, and additional capacity should become available by 2008. However, the company has stated that it needs to spend at least \$19 billion over the next 8 years to make up for domestic shortfalls in gasoline production.⁷
- U.S. exports of pneumatic and hydraulic power tools to Mexico increased by 161 percent (\$252 million) to \$407 million during January to September 2005/2004. Much of the demand for these products reflects the highly integrated nature of North American manufacturing, high levels of foreign direct investment by large power-tool firms such as Black & Decker Corp., and a shared highway and electrical power infrastructure.⁸

Imports from Mexico

- U.S. jewelry imports from Mexico during the first 9 months of 2005/2004 rose by 86 percent (\$149 million) to \$321 million. Much of the demand increase for Mexican jewelry stems from moderate growth in the U.S. economy in 2005. However, in recent years, numerous U.S. manufacturers have begun to assemble certain types of jewelry in Mexico to reduce their production costs and to reduce losing market share to imports from Asia.⁹
- As a result of Hurricanes Katrina and Rita, there was a large increase in Federal spending and home construction during the period from January to September 2005/2004. Expanding manufacturing demand in the United States resulted in a 52-percent (\$265-million) increase to \$774 million in machinery parts imported from Mexico. Parts for machinery for construction equipment, such as shovel attachments, bulldozer blades, dragging buckets, and backhoe attachments, were the leading products imported from Mexico during the period.¹⁰
- Escalating U.S. demand for flat-screen, high-definition televisions was largely responsible for the 29-percent (\$1.5-billion) growth to \$6.5 billion in U.S. imports of television sets and monitors from Mexico in January to September 2005/2004. Televisions with larger screens (and higher transportation costs) tend to be imported from Mexico, whereas sets and monitors with small screens tend to be imported from China.¹¹

⁷ USDOE, EIA, "Mexico: Country Analysis Brief," Jan. 10, 2006.

⁸ "Foundry News Briefs," *Metalcasting News*, May 2005, p. 10.

⁹ Jennifer Heebner, "Change Afoot for U.S. Jewelry Manufacturers," *JCK*, Jan. 2005, p. 64.

¹⁰ Augustine Faucher, "United States Gross Domestic Product," *DismalScientist*, Dec. 21, 2005.

¹¹ Consumer Electronics Association, "U.S. Consumer Electronics Sales & Forecasts: 2000-2005," Jan. 2005.