

Trade deficit of Latin America with China reaches US\$ 22 billion in 2016

- The total trade deficit of Latin America with China is US\$ 22 billion.
- Total Chinese steel exports to Latin America were 7.6 million tons.
- Alacero publishes its “China-Latin America Foreign Trade Yearbook 2014-2016”.

Alacero - Santiago, Chile, March 31, 2017. During 2016, the Latin American steel value chain - which includes raw materials, finished steels and indirect trade - registered a trade deficit with China for US\$ 21,652 million, decreasing its gap compared to the previous year. (See Table 1). This is mainly due to declining exports of steel products from China.

These figures are part of the China-Latin America Foreign Trade Yearbook 2014-2016, published by the Latin American Steel Association this week.

TABLE

LATIN AMERICA-CHINA TRADE BALANCE: STEEL VALUE CHAIN (MILLION US\$ AND ANNUAL %)

	2014	2015	2016
Raw materials	21,160	13,529	13,924
	-16%	-36%	3%
Finished steel	-5,418	-5,252	-3,627
	39%	-16%	-31%
Indirect steel trade	-40,556	-39,344	-31,949
	-1%	-3%	-19%
Total value chain	-24,814	-31,066	-21,652
	26%	21%	-30%

Note: The does not include chapter 73 trade balance because its products are already included either in finished Steel or in indirect steel trade.

Source: GTIS/WTA – China Customs – Alacero

Raw Materials

Prices of steel raw materials (iron ore, coal, scrap, among others) saw an increase in their sales prices in 2016, compared to the low values of 2015. Despite this, China received a volume of 9% higher (1,208 million tons (Mt)), compared to 2015 (1,110 Mt). From Latin America, China received 242 Mt, 12% more than in 2015.

The main input imported by China from Latin America was iron ore; 242 million tons were sent, 12% more than in 2015. 89% of these exports originated in Brazil.

China's shipments of raw materials to the region declined 36% in volume (1.1 Mt) and 35% in dollar value (US \$ 274 million) vs. 2015. Coke was the main steel input sent by China to the region, receiving 1.0 Mt (37% less than in 2015).

Finished steel

Total steel exports of Chinese to Latin America, which includes rolled products (long steel, flat and seamless tubes) and derivatives (wire and seam), reached 7.6 Mt, 19% less than in 2015.

At the same time, the region exported to China only 9 thousand tons of finished and derivative steel, a figure that was significantly lower than the inflow to the region and was also 40% lower than that achieved in 2015 (15 thousand tons).

The main destinations for finished steel and derivative products from China to Latin America were Central America, which received 1.8 million tons (24% of the regional total), Chile (1.3 million tons, 17%) and Peru (989 thousand tons, 13%). While Brazil was the fourth destination of these steels in the region with 889 thousand tons, followed by Colombia with 622 thousand tons and Mexico 586 thousand tons.

Flat products accounted for 51% of total finished steel and derivative products imported from China to Latin America (3.4 Mt), but decreased by 15% versus 2015 (4.6 Mt). Long products received from China reached a volume of 2.6 Mt, 35% of the total and 22% less than in 2015 (3.4 Mt). Seamless tubes reached 311 thousand tons, while derivatives products received by the region reached 802 thousand tons, 11% of the total (See Chart 01).

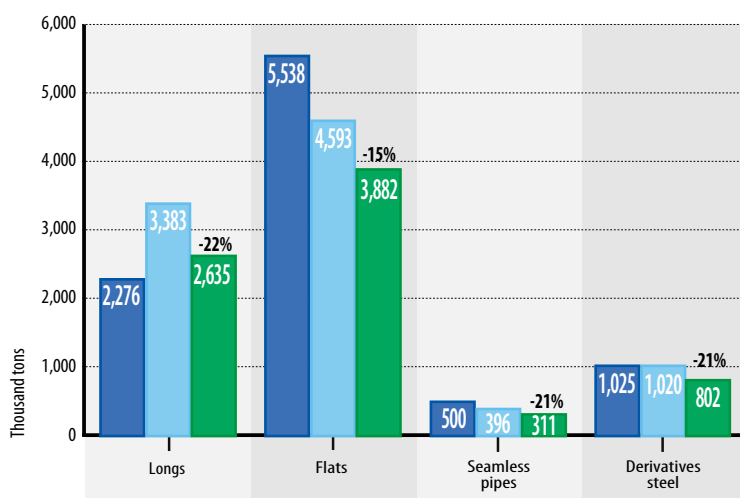
By volume, the most representative flat products from China in 2016 were: Sheets and Coils of other Alloy Steel (1.2 Mt) and Hot Dip Galvanize Dip (943 thousand tons). In the case of long products, Bars with 1.4 Mt and Wire Rod 938 thousand tons concentrate the higher volumes.

GRAPH 01

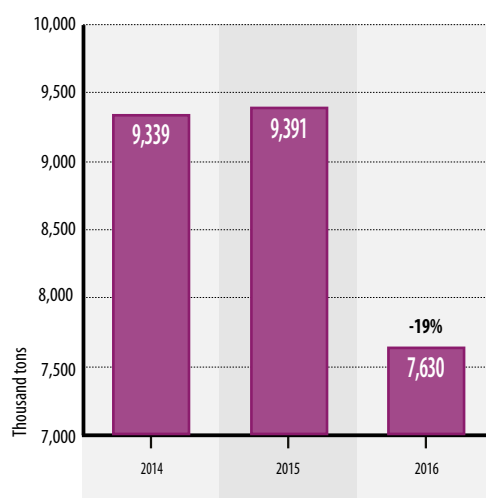
FINISHED STEEL: CHINESE EXPORTS TO LATIN AMERICA IN TONS BY PRODUCT AND TOTAL

2014 2015 2016 Finished + Steel Derivados

By products



Total products



Source: GTIS/WTA – China Customs – Alacero

Indirect Trade

In 2016, the trade deficit in dollar term of Latin American against China for steel products decreased 19% compared to 2015, for a total of US\$ 31,949 million. The volume of steel input from the Asian giant fell 8% from the previous year, while the dollar value of these imports decreased by 15%.

Chinese exports to Latin America of products with high steel content included in the indirect steel trade reached 5.5 Mt in 2016. Conversely, Chinese imports from the region reached barely 64 thousand tons of steel content, 17% less than in 2015.

Between the products that arrived in the region, cars and commercial vehicles contributed 855 thousand tons, reaching the most significant participation in dollar terms (\$ 6,112 million), 17% of the total. The second most relevant category (in terms of dollars value) was Office Machines of which Latin America received 47 thousand tons from China to a value of \$ 5,212 million. Machines and Equipment followed with a value of US\$ 4,456 million.

Conclusions

While Latin America continues to record a surplus in the trade of steel raw materials with China, this is not enough to compensate for the deficit in finished products and indirect trade. This trade declined compared to 2015, breaking the upward trend of recent years. The region needs to increase its capacity to manufacture and export higher value-added products in order to reduce the gaps that exist with the main economies of the world.

The "China-Latin America 2014-2016 Foreign Trade Yearbook" prepared by Alacero covers all figures of the regional steel value chain (raw materials, finished steel, manufactured products and indirect trade) and it is available for sale requesting it through comunicaciones@alacero.org. It is also available free of charge to Alacero's members via Extranet.

Glossary

Raw material: Refer to those materials involved in the steelmaking process They include iron ore, coal, coke, coating and refractory materials, nickel, zinc, tin, manganese and electrodes.

Finished steel: Refers to steel included in one of these 3 groups: Long products (e.g.: reinforcing bars, bars, wire rod, light sections, heavy sections, rails), flat steel (e.g.: sheets and coils, coated sheets, prepainted, stainless steel, chrome-plate sheets, hot dip galvanized sheet etc.) and seamless tubes.

Manufactured steel products: Also known as Chapter 73 (customs code HS). These include higher added value, more elaborated steel products.

Indirect steel trade: Include those manufactured goods with significant steel content. For example: metallic furniture, automobiles, mechanical products, etc.

Ton: A unit of weight or volume of sea cargo, equal to a metric ton (1,000 kg).

About Alacero

Alacero –the Latin American Steel Association– is the organization that brings together the Steel Value Chain of Latin America to promote the values of regional integration, technological innovation, corporate responsibility, excellence in human resources, safe working environments, and social and environmental sustainability. Founded in 1959, Alacero is formed by 49 companies in 12 countries of Latin America, whose production of about 70 million annual tons. Alacero is a Special Consulting Organization to the United Nations and is recognized as International Non-Government Organization by the Republic of Chile, host country of Alacero’s headquarters.

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