

# Latin America: Steel imports from China increase 8%, the average price is up 33% during January-March 2017

- > 1.9 million tons shipped to Latin America
- > 8% increase in volume vs Jan-Mar 2017
- > 33% increase in the average price value

Alacero - Santiago, Chile, May 09, 2017. Between January-March 2017, China exported to the world 20.2 million tons (Mt) of steel, decreasing 26% versus Jan-Mar 2016 (27.2 Mt). Of that volume, 18.8 Mt were finished steel and 1.4 Mt of steel-derivatives products.

Meanwhile, Latin America received 1.9 Mt of Chinese steel, 8% more than Jan-Mar 2016 (1.8 Mt); of these total 1.7 Mt were finished steel and 190 thousand tons (thous tons) of steel-derivatives products.

In the first quarter of the year, the main destination for China's steel in the region were, Central America with 384 thousand tons (2% less than in Jan-Mar 2016), Chile 349 thous tons (36% more) and Peru 297 thous tons (26% more).

## Average price: Chinese exports to the world and to the region

The volume received by the region from China corresponds to a value of US\$ 1,117 million, which is equivalent to an average price of US\$ 580/ton, 33% higher than in the same quarter of 2016 (US\$ 436/ton). While Chinese steel exported to the world (excluding Latin America), shows a total of value of US\$ 12,287 million in the quarter, at an average price of US\$ 613/ton.

Several destinations in the region face significantly lower import prices than the rest of the world. Graph 01 shows that the most affected are Central America (which faced an average price of US\$ 499/ton, 19% below the average for the rest of the world), Peru (with an average price of US\$ 518/ton, 15% lower) and Costa Rica (US\$ 527/ton, 14% lower than the average of the rest of the world).

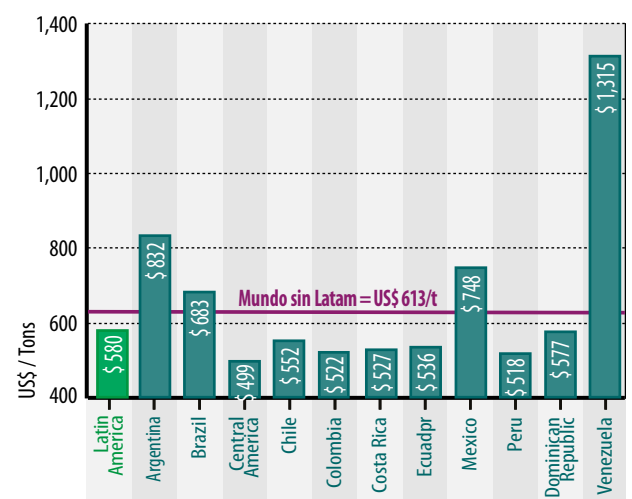
## Quarterly analysis of Chinese exports

Graph 02 shows the quarterly movement in volumes and prices of steel (finished + derivatives) exported from China to Latin America and the rest of the world, from the beginning of the first quarter of 2014 until the first quarter of 2017.

It can be observe that up to the first quarter of 2017, the volumes sent by China to Latin America were 6% lower, while for the rest of the world these have increased by 16%.

GRAPH 01

FINISHED STEEL: AVERAGE PRICE OF CHINESE EXPORTS TO LATIN AMERICA, JAN/MAR 2017



Source: Alacero based on GTA/Chinese Customs data

In turn, average prices of Chinese exports to Latin America weakened by 16% compared to Q1 2014, while those applied to the rest of the world did so by 20%.

Chart 03 shows the evolution of the average price per quarter that steel exports (finished + derivatives) have experienced from China. It's observed that in the first quarter of 2016 the lowest value was reached for this index, while for the following quarters the tendency is for recovery, both for Latin America and for the rest of the world.

### Flat products to Latin America

During January and March 2017, flat products accounted for 61% of steel exports (finished and derivative) from China to Latin America, with 1.2 Mt (56% more than in Jan-Mar 2016).

The volume of imports of flat products from China to the region was at an average price 9% lower than the rest of the world, however, its value has increased 30% compared to Jan/Mar 2016 (US\$ 455/ton), While the price faced by the rest of the world increased 50% in the same period (US\$ 432/ton).

Chile, Central America and Peru, were the three largest importers of flat steel from China receiving volumes of 285 thous tons, 204 thous tons and 190 thous tons, respectively.

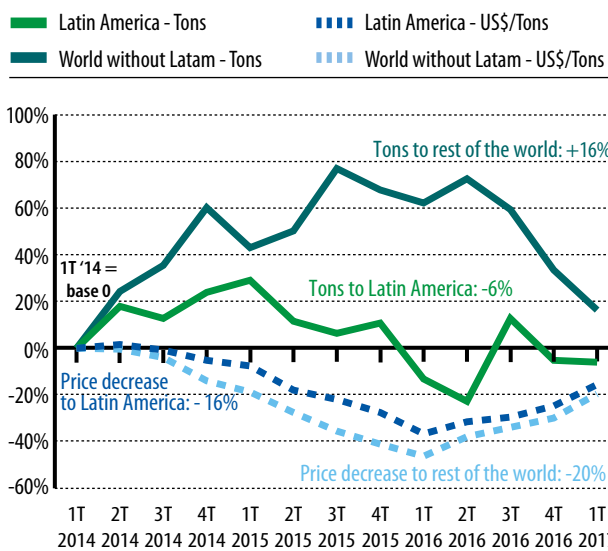
These three destinations recorded average prices of these products 16%, 14% and 21% below the average value face by the rest of the world, respectively. While Venezuela, Argentina and Mexico are the only destinations that face a higher value than the rest of the world. (See Chart 04).

During the first quarter of 2017, sheets and coils of other alloy steels (421 thous tons) and hot-rolled (293 thousand tons) were the main flat steel products that entered the region, showing an increase in their imported volume of 102% and 35% compared to Jan-Mar 2016, respectively.

GRAPH 02

### FINISHED STEEL: EVOLUTION OF CHINESE EXPORTS TO LATIN AMERICA AND R-O-W

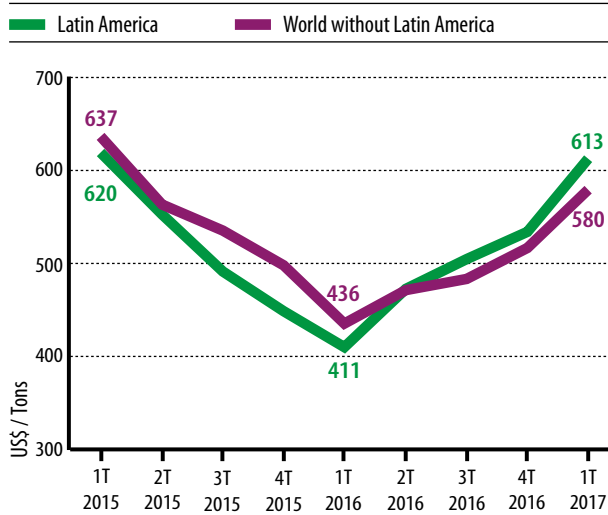
Volume (tons) and price per ton (US\$/ton) – Variations vs 1Q 2014



Source: Alacero based on GTA/Chinese Customs data

GRAPH 03

### AVERAGE PRICE EVOLUTION OF CHINESE STEEL EXPORTS TO LATIN AMERICA AND THE REST OF THE WORLD



Source: Alacero based on GTA/Chinese Customs data

## Long products, seamless tubes and steel derivatives to Latin America

In the first three months of the year, exports of long products from China to Latin America reached 420 thous tons, 22% of the steels (finished products + derived) received from the Asian country.

The average price of long products in the period was US\$ 460/ton, the same level as the one observed for the rest of the world (US\$ 458/ton) and 44% higher than the one recorded in Jan-Mar 2016 (US\$ 319/ton).

Central America, the largest importer of long steel in the region (139 thous tons), recorded an average price of US\$ 396/ton, 14% lower than the rest of the world and 49% higher than in January / March 2016 (US\$ 266/ton).

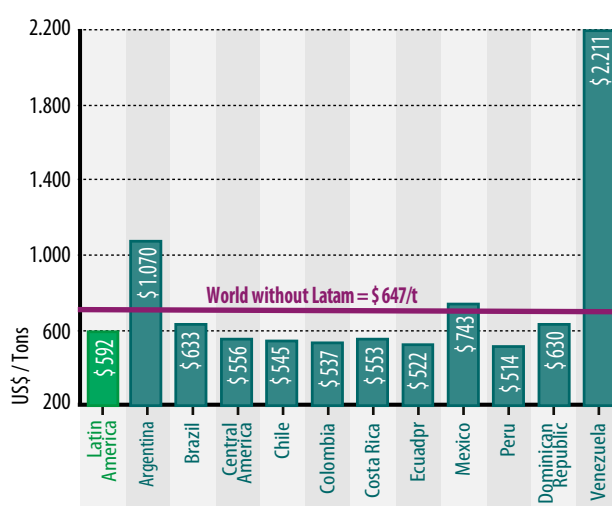
Wire rod (192 thous tons) fell 17% compared to Jan-Mar 2016, while imports of Chinese bars (179 thous tons) were 56% lower.

In the first quarter of 2017, seamless tubes accounted for 3% of steel shipments finished products + derived) from China entering the region, with a volume of 62 thous tons (35% lower than in Jan-Mar 2016). Its average price for Latin America was US\$ 806/ ton, 19% lower than the rest of the world (US\$ 997/ton),

Finally, derivatives products accounted for a 10% share of total Chinese steel exports in January-March 2017, with a volume of 190 thous tons (156 thous tons for welded tubes and 35 thous tons for wire). This volume was 1% lower than that received in Jan-Mar 2016. Latin America continues to be the main destination worldwide for Chinese exports of these products. The average price of steel derivative products in the year was US\$ 698/ton, 18% lower than that observed for the rest of the world (US\$ 855/ ton) and 13% above that registered in January-March 2016 (US\$ 617/ton).

GRAPH 04

### AVERAGE PRICE OF FLAT STEEL CHINESE EXPORTS TO LATIN AMERICA, JAN/MAR 2017



Source: Alacero based on GTA/Chinese Customs data

CHART 01

### MAIN REGIONAL DESTINATIONS: AVERAGE IMPORT PRICE PER TON (US\$) JANUARY/MARCH 2017

Destiny	(US\$/ton)			
	Flat	Long	Seamless pipes	Derivate steel
<b>World</b>				
<b>without Latam</b>	<b>647</b>	<b>458</b>	<b>997</b>	<b>855</b>
Latin America	<b>592</b>	<b>460</b>	<b>806</b>	<b>698</b>
Argentina	1.070	732	1.497	1.024
Brazil	633	679	2.698	1.021
Central America	556	396	746	552
Chile	545	487	646	617
Colombia	537	433	730	681
Ecuador	522	441	731	763
Mexico	743	571	1.628	925
Peru	514	472	634	648
Dominican Rep.	630	400	1.052	614
Venezuela	2.211	1.826	694	857

Source: Alacero based on GTA/Chinese Customs data

## Glossary

*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, pre-painted, stainless steel, chrome-plate sheets, hot dip galvanized sheet etc.) and seamless tubes.

*Steel- derivatives products:* Refers to the products that come from finished steel (welded tubes being the most significant item).

*Central America:* Considers Guatemala, Belize, Honduras, El Salvador, Nicaragua, Costa Rica and Panama.

*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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