

Latin America: Finished steel consumption grew 7%, while crude steel production increase 16% during Jan-Apr 2017

Latin America in January-April 2017:

- > 20.9 million tons reached the steel crude production
- > 17.3 million tons was the finished steel production
- > 22.4 million tons recorded the apparent steel consumption
- > 17% increase the total imports of Latin American steel

Alacero - Santiago, Chile, June 22th, 2017. The figure of the steel industry during January-April 2017 continue showing improvement compared to the same period last year. The finished steel consumption grew 7%, meanwhile the crude and finished steel production increase 16% and 4%, respectively, versus the first four months of 2016. These growth rates reflect, in part, lower statistical base caused by the weak performance observed at the beginning of 2016.

For its part, the regional steel imports represents 34% of Latin-American consumption, two points higher than the same months of 2016 (32%). This affects the trade balance of the region that remain negative, whose deficit increased 23% vs Jan-Apr 2016.

LATIN AMERICAN STEEL MARKET 2017

Thousand tons, annual variation (%)

| | January | February | March | April | Accumulated |
|---------------------------|----------------|----------------|----------------|----------------|-----------------|
| Crude steel production | 5,221 ↑ 15% | 4,960 ↑ 10% | 5,417 ↑ 20% | 5,295 ↑ 18% | 20,893 ↑ 16% |
| Finished steel production | 4,276 ↑ 4% | 4,067 0% | 4,518 ↑ 6% | 4,415 ↑ 7% | 17,275 ↑ 4% |
| Apparent steel use | 5,359 ↑ 2% | 5,343 ↑ 8% | 5,970 ↑ 8% | 5,256 ↓ -2% | 22,445 ↑ 7% |

↑↓ indicates variation versus same month of the last year

Source: Alacero

Production

Crude Steel. The region produced 20.9 million tons (Mt) of crude steel during Jan-Apr 2017, 16% higher than the volume recorded in Jan-Apr 2016 (18.0 Mt). Brazil it is still the main producer in the region with 53% of the regional production (11.1 Mt), increasing 14% versus first four months of 2016.

Finished steel. In the same period, the production of finished steel reached 17.3 Mt, 4% higher than registered in Jan-Apr 2016. The main producers were Brasil with 7.3 Mt (accounting for 42% of the Latin American output) and Mexico with 6.2 Mt (with 36% share of regional output).

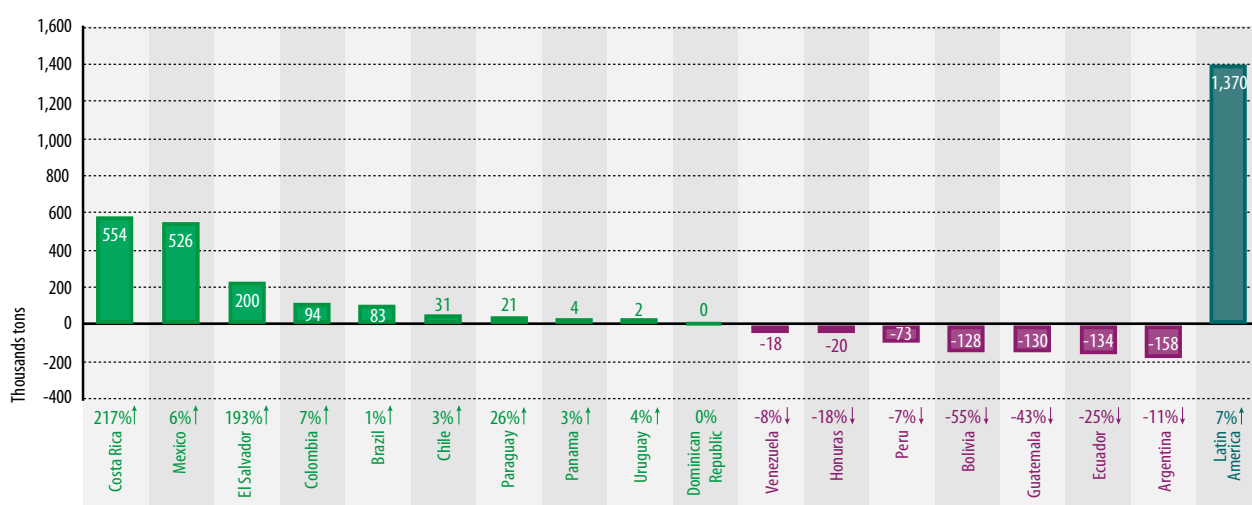
Finished steel consumption

In the first four months of 2017, the region reached 22.4 Mt of finished steel consumption, 7% higher than Jan-Apr 2016. Largest increases in consumption -in absolute and percentage terms- were recorded in Mexico (additional 526 thousand tons (thous tons), an increase of 6%), Colombia (94 thous tons additional tons, up 7%) and Brasil (83 thous tons additional tons, up 1%).

GRAPH 01

ANNUAL VARIATION OF FINISHED STEEL USE (JAN/APR 2017 VS JAN/APR 2016)

+/- indicates variation in thousand tons ↑↓ indicates percentage variation



Source: Alacero

Conversely, in Argentina finished steel consumption shrank by 158 thous tons, down 11% vs Jan-Apr 2016. While Bolivia, Ecuador, Guatemala, Honduras, Peru and Venezuela recorded declines of 55%, 25%, 43%, 18%, 7% and 8%, respectively.

From Latin-American's total steel consumption, 56% corresponds to flat products (12.5 Mt), 43% for long products (9.5 Mt) and 2% to seamless tubes (357 thous tons).

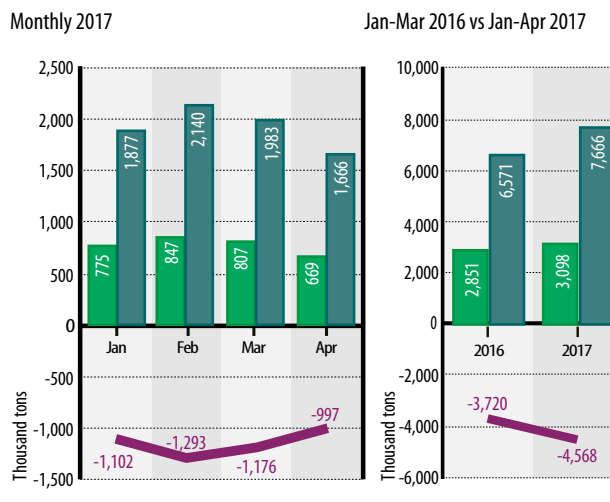
Trade balance

Imports. In Jan-Apr 2017, Latin America imported 7.7 Mt of finished steel, 17% more than imported during in the same period of 2016 (6.6 Mt). Of this total, 65% corresponds to flat products (5,0 Mt), 33% for long products (2.5 Mt) and 2% to seamless tubes (186 thous tons).

GRAPH 02

LATIN AMERICAN STEEL TRADE

■ Finished steel exports ■ Finished steel imports
■ Trade balance



Source: Alacero

Currently, imports represent 34% of the regional finished steel consumption, which brings about disincentives to the local industry, trade frictions, and threatens jobs.

Exports. Latin American exports of finished steel reached 3.1 Mt, 9% more than Jan-Apr 2016 (2.8 Mt). Of this total, 51% are flat products (1.6 Mt), 38% for long products (1.2 Mt) and 11% to seamless tubes (328 thous tons).

Trade deficit. Between Jan-Apr 2017, the region recorded a trade deficit of 4.6 Mt of finished steel. This imbalance is 23% higher than the one observed in Jan-Apr 2016 (-3.7 Mt).

Brazil and Argentina were the only countries to maintain a trade surplus of finished steel, 840 thous tons and 46 thous tons, respectively. Contrary, the largest deficit was recorded in Mexico (-1.8 Mt), followed by Colombia (-814 thous tons), Chile (-550 thous tons) and Peru (-509 thous tons).

The evolution of trade flows and the balance are shown in Figure 02.

Production May 2017 - Advance Information

Advance information for April 2017, indicates that crude steel production reached 5.4 Mt, 2% higher than April 2017 and 10% more than May 2016. The volume during Jan-May 2017 recorded was 26.3 Mt, 14% more than Jan-May 2016 (23.0 Mt).

The production of finished steel closed at 4.4 Mt, less 1% than April 2017 and 2% up than May 2016. Between Jan-May 2017, the finished steel production reached 21.7 Mt, up 4% versus Jan-May 2016 (20.9 Mt).

Glossary

Crude steel: Steel in its most basic form, coming from the continuous casting process, (slab, billet etc.). To obtain the qualities necessary for usage, this kind of steel needs to pass posterior processes, like rolling etc.

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.

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, whose production –of about 70 million annual tons– represents 95% of the steel manufactured in the region. 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.