

Latin America: Crude steel production up 12% and finished steel production grew 4% during Jan-May 2017

Latin America in January-May 2017:

- > 26.4 million tons reached the steel crude production
- > 21.7 million tons was the finished steel production
- > 27.4 million tons recorded the apparent steel consumption
- > 18% increase the total imports of Latin American steel

Alacero - Santiago, Chile, July 20th, 2017. The steel market of Latin America during January-May 2017 recorded a positive balance compared to the same period last year. The finished steel consumption grew 7%, meanwhile the crude and finished steel production increased 12% and 4%, respectively.

However, this scenario is affected by steel imports that supplied 35% of Latin-American consumption, versus 31% of the same months of 2016. For its part, the trade balance of the region remain negative, whose deficit increased 22% vs Jan-May 2016.

LATIN AMERICAN STEEL MARKET 2017

Thousand tons, annual variation (%)

	January	February	March	April	May	Accumulated
Crude steel production	5,221 ↑ 13%	4,960 ↑ 7%	5,417 ↑ 17%	5,301 ↑ 16%	5,508 ↑ 9%	26,406 ↑ 12%
Finished steel production	4,274 ↑ 4%	4,067 0%	4,508 ↑ 5%	4,426 ↑ 7%	4,454 ↑ 4%	21,729 ↑ 4%
Apparent steel use	5,359 ↑ 2%	5,342 ↑ 8%	5,910 ↑ 7%	5,251 ↓ -2%	5,555 ↑ 5%	27,416 ↑ 4%

↑↓ indicates variation versus same month of the last year
Source: Alacero

Production

Crude steel. The region produced 26.4 million tons (Mt) of crude steel during Jan-May 2017, 12% higher than the volume recorded in Jan-May 2016 (23.5 Mt). Brazil it is still the main producer in the region with 53% of the regional production (14.1 Mt), increasing 14% versus first five months of 2016.

Finished steel. In the same period, the production of finished steel reached 21.7 Mt, 4% higher than registered in Jan-May 2016. The main producers were Brasil with 9.1 Mt (accounting for 42% of the Latin American output) and Mexico with 7.8 Mt (with 36% share of regional output).

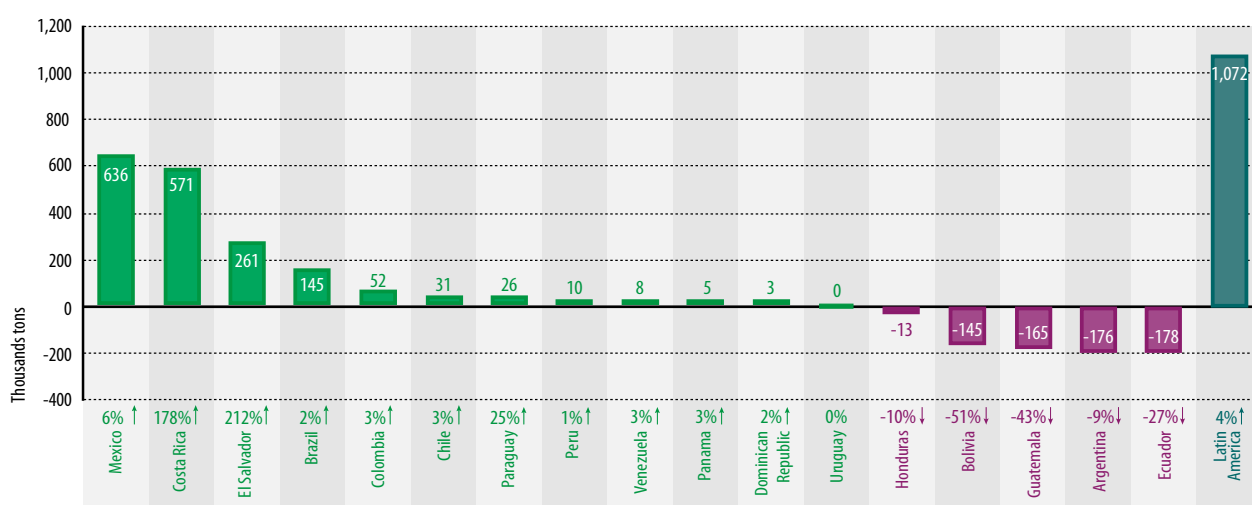
Finished steel consumption

In the first five months of 2017, the region reached 27.4 Mt of finished steel consumption, 4% higher than Jan-May 2016 (26.3 Mt). Largest increases in consumption -in absolute and percentage terms- were recorded in Mexico (additional 636 thousand tons (thous tons), an increase of 6%), Chile (31 thous tons additional tons, up 3%) and Colombia (52 thous tons additional tons, up 3%).

GRAPH 01

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

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



Source: Alacero

Conversely, in Argentina finished steel consumption shrank by 176 thous tons, down 9% vs Jan-May 2016. While Bolivia, Ecuador, Guatemala and Honduras recorded declines of 51%, 27%, 43% and 10%, respectively.

From Latin-American's total steel consumption, 56% corresponds to flat products (15.8 Mt), 42% for long products (11.8 Mt) and 2% to seamless tubes (473 thous tons).

Trade balance

Imports. In Jan-May 2017, Latin America imported 9.6 Mt of finished steel, 18% more than imported during in the same period of 2016 (8.1 Mt). Of this total, 66% corresponds to flat products (6.3 Mt), 32% for long products (3.0 Mt) and 2% to seamless tubes (239 thous tons).

Currently, imports represent 35% 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 4.0 Mt, 13% more than Jan-May 2016 (3.5 Mt). Of this total, 51% are flat products (2.0 Mt), 39% for long products (1.6 Mt) and 10% to seamless tubes (391 thous tons).

Trade deficit. Between Jan-May 2017, the region recorded a trade deficit of 5.6 Mt of finished steel. This imbalance is 22% higher than the one observed in Jan-May 2016 (-4.6 Mt).

Brazil and Argentina were the only countries to maintain a trade surplus of finished steel, 1.1 Mt and 81 thousand tons, respectively. Contrary, the largest deficit was recorded in Mexico (-2.4 Mt), followed by Colombia (-961 thousand tons), Costa Rica (-735 thousand tons), Chile (-702 thousand tons) and Peru (-660 thousand tons).

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

Production June 2017 - Advance Information

Advance information for June 2017, indicates that crude steel production reached 5.1 Mt, 7% less than May 2017 and 2% more than June 2016. The volume during Jan-Jun 2017 recorded was 31.5 Mt, 10% more than Jan-Jun 2016 (28.5 Mt).

The production of finished steel closed at 4.4 Mt, 1% less than May 2017 and 1% up than June 2016. Between Jan-June 2017, the finished steel production reached 26.1 Mt, up 4% versus Jan-June 2016 (25.2 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.

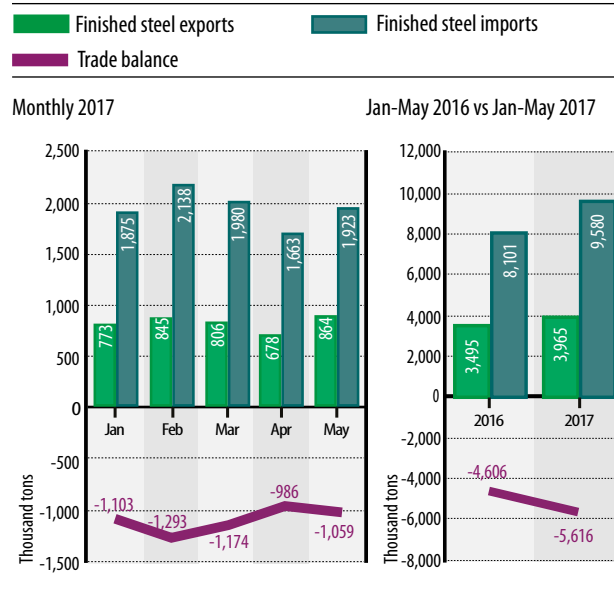
Ton: A unit of weight or volume of sea cargo, equal to a metric ton (1,000 kg).

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.

GRAPH 02

LATIN AMERICAN STEEL TRADE



Source: Alacero