

Latin America: Finished steel demand and output grows in January-August, but also imports. Trade deficit ascends to 18%

Latin America in January-August 2017:

- > 42.4 million tons reached the steel crude production
- > 35.1 million tons was the finished steel production
- > 44.3 million tons recorded the apparent steel consumption
- > Trade balance rise to 8.3 Mt, 18% higher than 2016

Alacero - Santiago, Chile, October 31th, 2017. Latin American figures for the first eight months of 2017 showed an increase of 5% in consumption, meanwhile crude steel production and finished steel production grew 8% and 3% respectively compared to the same period of last year. Evidencing better global and regional economic conditions.

However, imports increased by 14%, affecting regional consumption, which is supplied by 33% of these imports, growing three percentage points versus the same months in 2016 (30%). For its part the trade balance of the region remain negative, whose deficit increased 18% vs Jan-Aug 2016.

LATIN AMERICAN STEEL MARKET 2017

Thousand tons, annual variation (%)

	January	February	March	April	May	June	July	August	Accumulated
Crude steel production	5,221 ↑ 12%	4,960 ↑ 7%	5,417 ↑ 17%	5,297 ↑ 16%	5,508 ↑ 9%	5,151 ↑ 3%	5,399 ↑ 2%	5,424 ↑ 0%	42,377 ↑ 8%
Finished steel production	4,274 ↑ 4%	4,067 0%	4,509 ↑ 5%	4,429 ↑ 7%	4,454 ↑ 4%	4,395 ↑ 1%	4,457 ↑ 1%	4,511 ↑ 5%	35,096 ↑ 3%
Apparent steel use	5,366 ↑ 2%	5,090 ↑ 3%	5,927 ↑ 7%	5,236 ↓ -2%	5,734 ↑ 9%	5,729 ↑ 7%	5,568 ↑ 8%	5,696 ↑ 5%	44,346 ↑ 5%

↑↓ indicates variation versus same month of the last year

Source: Alacero

Production

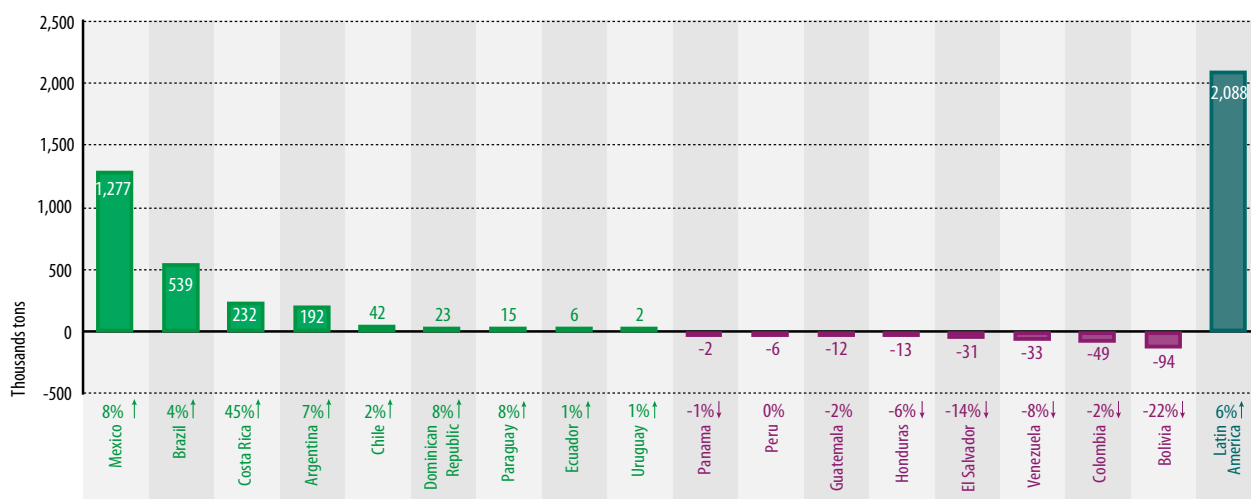
Crude steel. The region produced 42.4 million tons (Mt) of crude steel during Jan-Aug 2017, 8% higher than the volume recorded in the same period of 2016 (39.3 Mt). Brazil it is still the main producer in the region with 53% of the regional production (22.5 Mt), increasing 9% versus first eight months of 2016.

Finished steel. In the same period, finished steel production reached to 35.1 Mt, 3% higher than registered in Jan-Aug 2016. The main producers were Brasil with 14.7 Mt (accounting for 42% of the Latin American output) and Mexico with 12.6 Mt (with 36% share of regional output).

GRAPH 01

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

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



Source: Alacero

Finished steel consumption

During Jan-Aug 2017, the region reached to 44.3 Mt of finished steel consumption, 5% higher than Jan-Aug 2016 (42.3 Mt). Largest increases in consumption -in absolute and percentage terms- were recorded in Mexico (additional 1.3 Mt, an increase of 8%), Brazil (539 thousand tons additional tons, up 4%), Costa Rica (232 thousand tons additional tons, up 45%), Argentina (192 thousand tons additional tons, up 7%) and Chile (56 thousand tons additional, up 2%).

Conversely, in the same period Bolivia, El Salvador, Venezuela and Honduras recorded declines of 22%, 14%, 8% and 6%, respectively.

From Latin-American's total steel consumption, 57% corresponds to flat products (25.4 Mt), 41% (18.2 Mt) to long products and 2% to seamless tubes (821 thousand tons).

Trade balance

Imports. In Jan-Aug 2017, Latin America imported 14.5 Mt of finished steel, 14% more than imported during the same period of 2016 (12.8 Mt). Of this total, 69% corresponds to flat products (10.0 Mt), 29% for long products (4.2 Mt) and 3% to seamless tubes (370 thousand tons).

Currently, imports represent 33% 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 to 6.3 Mt, 9% more than Jan-Aug 2016 (5.8 Mt). Of this total, 50% are flat products (3.1 Mt), 41% long products (2.5 Mt) and 9% to seamless tubes (590 thousand tons).

Trade deficit. Between Jan-Aug 2017, the region recorded a finished steel trade deficit of 8.3 Mt. This imbalance is 18% higher than the one observed in Jan-Aug 2016 (-7.0 Mt).

Brazil and Argentina were the only countries to maintain a trade surplus of finished steel, 2.0 Mt and 83 thousand tons, respectively. Contrary, the largest deficit was recorded in Mexico (-3.8 Mt), followed by Colombia (-1.5 Mt), Chile (-1.1 Mt) and Peru (-1.0 Mt).

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

Production September 2017 - Advance Information

Advance information for September 2017, indicates that crude steel production reached to 5.4 Mt, the same volume of August 2017 and 6% higher than September 2016. The volume recorded during Jan-Sep 2017 was 47.8 Mt, 8% more than Jan-Sep 2016 (44.4 Mt).

The production of finished steel closed at 4.4 Mt, 2% less than Aug 2017 and up 5% versus September 2016. Between Jan-Sep 2017, the finished steel production reached to 39.5 Mt, up 4% versus Jan-Sep 2016 (38.2 Mt).

Glossary

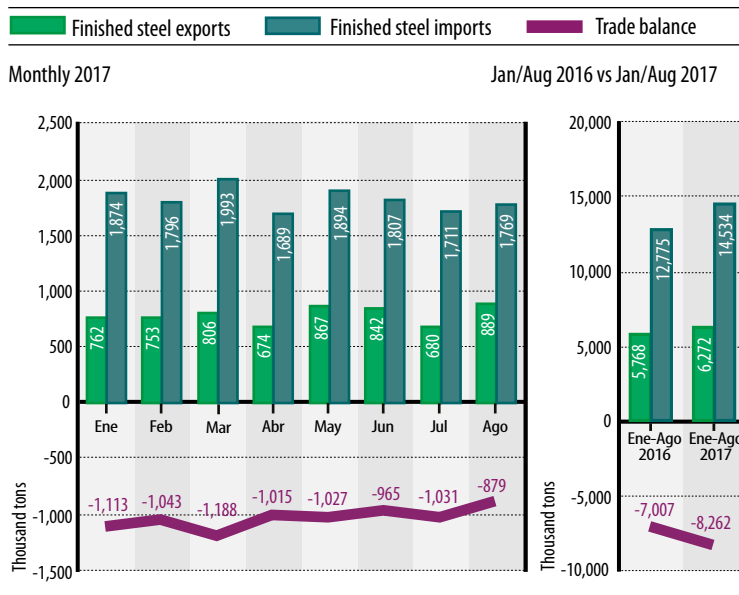
Crude steel: Steel in its most basic form, coming from the continuous casting process, (slab, billet etc.). To obtain the qualities necessary for usage, this kind of steel needs to pass posterior processes, like rolling etc.

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).

GRÁFICO 02

LATIN AMERICAN STEEL TRADE



Source: Alacero

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.

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