

Latin America: Chinese steel exports decrease 8% while average price grows 33% in 2017

- China exported 72.8 million tons to the world.
- 7.0 million tons were sent to Latin America.
- US\$ 688 is the average price per ton worldwide (without Latam).
- US\$ 634 is the average price per ton to the region.
- 39 current unfair trade actions against China in Latin America.

Alacero - Santiago, Chile, February 14th, 2018. During the last year, China exported to the world 72.8 million tons (Mt) of steel, which 66.6 Mt were finished steel and 6.2 Mt of steel-derivatives product. This global volume is 31% lower with respect to Jan-Dec 2016 (106.2 Mt).

At regional level, Latin America accounted for 9.6% of total global exports, increasing its participation in 2.4 percentage points versus 2017, which reached a 7.2% and continuing at third place as China's preferred destination. The region is preceded by South Korea (11.3 Mt, 15% of the global total) and Vietnam (7.6 Mt, 10% of the total).

In 2017, Latin America received 7.0 Mt of Chinese steel products, which 6.8 Mt were finished steel and 802 thousand tons were steel-derivatives products. This volume is 8% lower than 7.6 Mt recorded in Jan/Dec 2016. The main destinations for Chinese steel (finished + steel-derivatives) in Latin American during 2017 were: Central America which received 1.4 Mt (20% of the region); Chile with 1.4 Mt (19.7%); and Peru, 962 thousand tons (13.8%).

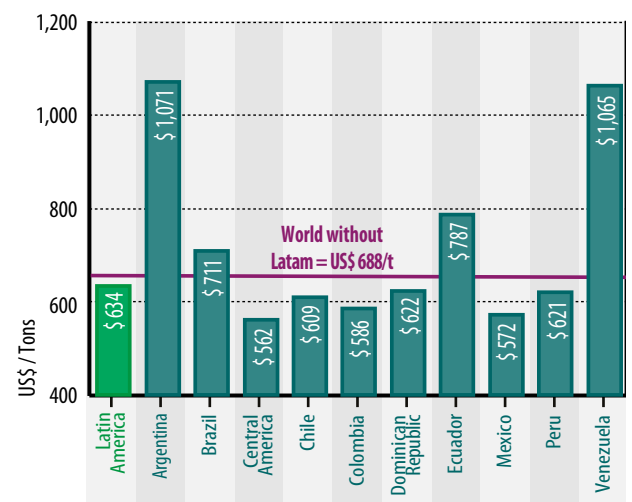
Average price: Chinese exports to the world and to the region

During 2017, the volume of Chinese steel received by Latin America is equivalent to a value of US\$ 4,432 million, it means that the average price per ton is US\$ 634. This average value increased 33% versus the average registered in 2016 (US\$ 478/ton). Although the average price of the region increased in comparison to the previous years, the average price is 8% lower than the average value of the rest of the world (without Latin America), with US\$ 688/ton, equivalent to a total of US\$ 45,298 million.

The Graph 01 shows that among the countries most affected by a low price are: Central America (with an average price of US\$ 562/ton, 18% below the average for the rest of the world), Costa Rica (US\$ 568/ton and 18% lower), Peru (US\$ 572/ton, 17% lower) and Colombia (US\$ 586/ton, 15% less than the average for the rest of the world).

GRAPH 01

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



Source: Alacero based on GTA/Chinese Customs data

Quarterly analysis of Chinese exports

Figure 02 shows, since 1°Q 2014 to 4°Q 2017, the movement in the volume and price of Chinese steel (finished + derivatives) exported to Latin America and the rest of the world.

It can be seen until the fourth quarter of 2017, the average prices of Chinese exports to Latin America and to the rest of the world increased 4% compared to the 1°Q 2014. Meanwhile, volumes shipped by China to Latin America were 26% lower, while for the rest of the world these have increased by 12%.

The Graph 03 shows the evolution average price per quarter that steel exports (finished + derivatives) have experienced from China. It can be observed that during the first quarter of 2016 the lowest value was reached, while for the following semesters there is a recovery in average prices in Latin America and the rest of the world.

Flat products to Latin America

During 2017, China shipped to Latin America 4.7 Mt of flat products, concentrating 68% of the steel exports, 22% more than in 2016.

The average price of that volume was US\$ 623, 9% lower than the rest of the world and 25% higher than in 2016. The corresponding price to the rest of the world (excluding Latin America) was 33% higher than the previous year with 8%.

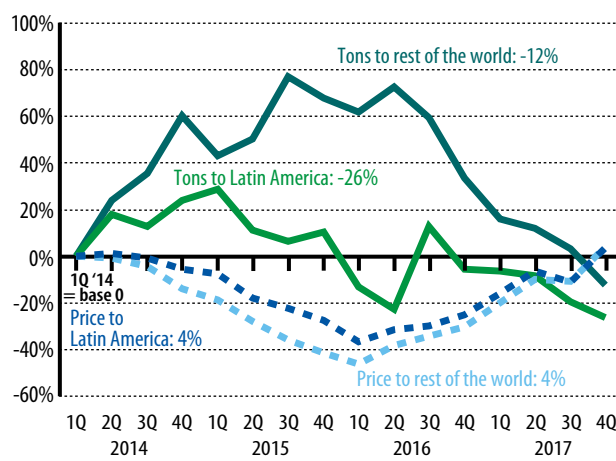
For their part, Chile, Central America and Brazil, were the three largest importers of flat steel from China receiving 1.1 Mt, 911 thousand tons and 729 thousand tons respectively. These three destinations recorded average prices of 14%, 15% and 5% lower the average for the rest of the world, respectively. While Venezuela, Argentina, Cuba, Paraguay and Mexico are the only destinations that face a higher value than for the rest of the world. (See Chart 04)

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

■ Latin America - Tons ■ Latin America - US\$/Tons
■ World without Latam - Tons ■ World without Latam - US\$/Tons

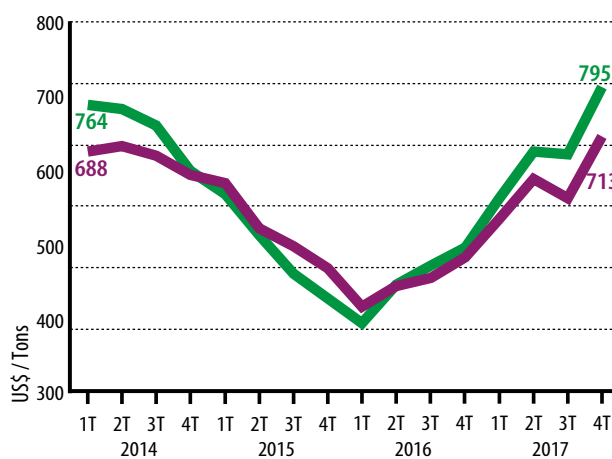


Source: Alacero based on GTA/Chinese Customs data

GRAPH 03

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

■ Latin America ■ World without Latin America



Source: Alacero based on GTA/Chinese Customs data

In 2017, other alloyed steel sheets and coils (1.4 Mt, 10% less than 2016) and hot dip galvanized sheet (1.2 Mt, 16% higher than 2016) were the most significant exports from China to the region.

Long products, seamless tubes and steel derivatives to Latin America

In the case of long products from China to Latin America exports, reached 1.3 Mt, 18% of total steel (finished + derivate) received from that country.

The average price was US\$ 530/ton, US\$ 2 lower than the rest of the world (US\$ 532/ton) and 56% higher than 2016 (US\$ 340/ton).

Central America, the largest importer of Chinese long steel in the region (311 thousand tons), registered an average price of US\$ 433/ton, 19% lower the price of the r-o-w and 45% higher than Jan/Dec 2016 (US\$ 299/ton).

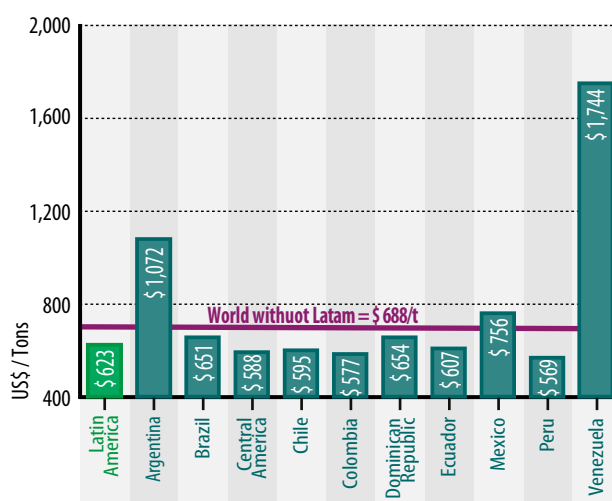
Bars (578 thousand tons) fell 38% compared to 2016, while imports of wire rods (544 thousand tons) were 62% lower.

in 2017, seamless pipes counted for 4% of total steel (finished + derivate) shipments from China to the region, a volume of 250 thousand tons (20% drop y-o-y). The average price faced by Latin America was US\$ 956/ton, 12% lower than for the rest of the world (US\$ 1,092/ton). See Table 01.

Finally, the share of the steel-derivatives products is 11% of the total Chinese steel exports of to the region during 2017, with a volume of 754 thousand tons (612 thousand tons correspond to seamless pipes and 143 thousand tons to wire). This volume was 6% lower than received in 2016. Latin America is the top destination for Chinese exports of these products. The average price of steel-derivatives products in the year was US\$ 772/ton, 17% lower than observed for r-o-w and 42% below than level recorded in 2016 (US\$ 736/ton).

GRAPH 04

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



Source: Alacero based on GTA/Chinese Customs data

CHART 01

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

Destiny	(US\$/ton)			
	Flat	Long	Seamless pipes	Derivate steel
World				
without Latam	688	532	1,092	924
Latin America	623	530	956	772
Argentina	1,072	897	1,530	1,142
Brazil	651	759	2,425	1,153
Central America	588	433	804	647
Chile	595	592	862	690
Colombia	577	479	792	779
Ecuador	607	505	837	918
Mexico	756	616	1,670	1,056
Peru	569	516	673	678
Dominican Rep.	654	440	792	638
Venezuela	1,744	632	874	853

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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