The Latin American steel industry maintains moderate performance

Latin America in January-May 2018:

- 27.1 million tons reached the steel crude production
- 24.0 million tons was the finished steel production
- 28.7 million tons recorded the apparent steel consumption
- Imports fell 8% and exports grow 8%

Alacero - August 02nd, 2018. Between January-May 2018, the steel consumption remained similar to the same period of 2017, meanwhile the steel crude and finished production grew 3% and 6%.

Although, imports fell 8%, regional consumption is supplied by 34% of these imports. Exports are 8% higher than Jan-May 2017. For its part, regional trade balance remain negative, even though it diminished 18%.

LATIN AMERICAN STEEL MARKET 2018
Thousand tons, annual variation (%)

	January	February	March	April	May	Accumulated
Crude steel production	5,328 ↑ 2%	5,193 ↑ 5%	5,805 ↑ 7%	5,551 ↑ 5%	5,253 ↓ -5%	27,130 ↑ 3%
Finished steel production	5,457 ↑ 4%	4,361 ↑ 7%	4,902 ↑ 9%	4,688 ↑ 6%	4,592 ↑ 3%	24,000 ↑ 6%
Apparent steel use	6,613 ↑ 3%	5,170 ↑ 4%	5,766 ↓ -4%	5,729 ↑ 6%	5,429 ↓ -8%	28,707 0%

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

Production

Crude steel. The region produced 27.1 million tons (Mt) of crude steel during Jan-May 2018, 3% higher than the volume recorded in the same period of 2017 (26.4 Mt). Brazil it is still the main producer in the region with 53% of the regional production (14.3 Mt), increasing 1% versus Jan-May 2017.

Finished steel. Finished steel production reached 24.0 Mt, 6% higher than registered in Jan-May 2017. The main producers were Brazil with 9.8 Mt (accounting for 41% of the Latin American output) and Mexico with 8.3 Mt (with 35% share of regional output).

Finished steel consumption

In the first five months of the year, the region reached 28.7 Mt of finished steel consumption, similar to Jan-May 2017 (28.7 Mt). Largest increases in consumption, in absolute and percentage terms, were recorded in Brazil (additional 531 thousand tons, an increase of 7%), Argentina (369 thousand tons additional tons, up 19%), and Ecuador (68 thousand tons additional tons, up 9%).

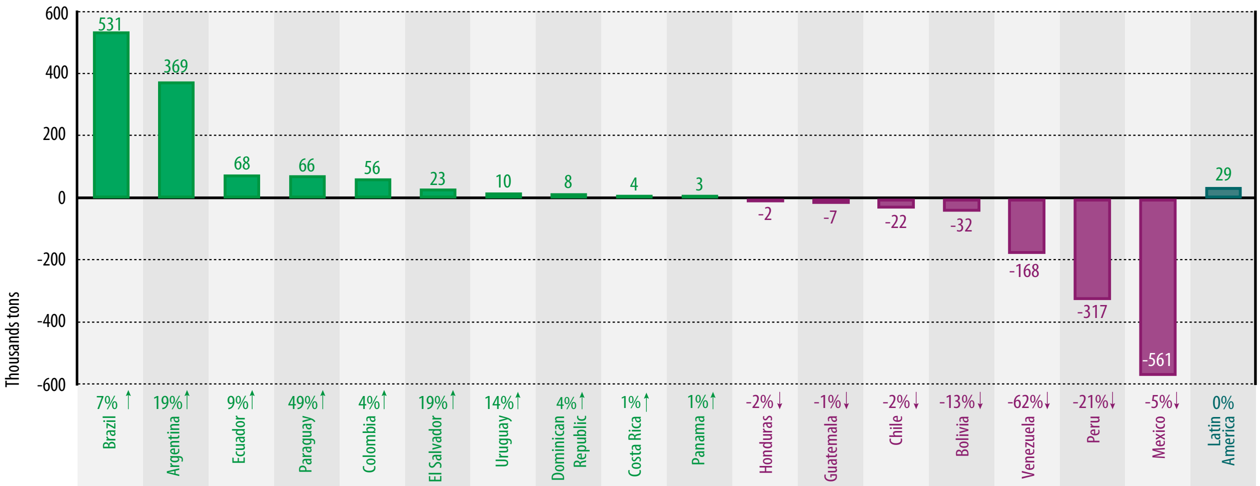
Conversely, in the same period Peru, Bolivia and Mexico recorded declines of 21%, 13% and 5%, respectively.

From Latin-American`s total steel consumption, 57% corresponds to flat products (16.3 Mt), 41% (11.7 Mt) to long products and 2% to seamless tubes (584 thousand tons).

GRAPH 01

ANNUAL VARIATION OF FINISHED STEEL USE (JAN-MAY 2018 VS JAN-MAY 2017)

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



Source: Alacero

Trade balance

Imports. In Jan-May 2018, Latin America imported 9.9 Mt of finished steel, 8% less than imported during the same period of 2017 (10.8 Mt). Of this total, 71% corresponds to flat products (7.0 Mt), 21% to long products (2.6 Mt) and 3% to seamless tubes (251 thousand tons).

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 4.4 Mt, 8% more than Jan-May 2017 (4.1 Mt). Out of this total, 44% are flat products (1.9 Mt), 43% long products (1.9 Mt) and 13% to seamless tubes (563 thousand tons).

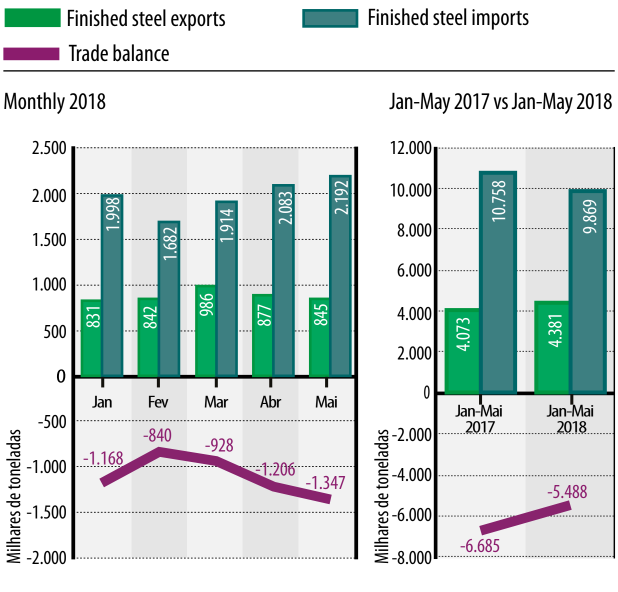
Trade deficit. In Jan-May 2018, the region recorded a finished steel trade deficit of 5.5 Mt. This imbalance is 18% lower than the one observed in Jan-May 2017 (-6.7 Mt).

Brazil was the only country to maintain a trade surplus of finished steel (1,1 Mt). Contrary, the largest deficit was recorded in Mexico (-2.5 Mt), followed by Colombia (-1.0 Mt), Chile (-682 thousand tons), Peru (-537 thousand tons) and Ecuador (-508 thousand tons).

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

GRAPH 02

LATIN AMERICAN STEEL TRADE



Source: Alacero

Production June 2018 - Advance Information

Advance information for June 2018, indicates that crude steel production reached 5.4 Mt in the month, 4% more than May 2018 and 6% higher than June 2017. The volume recorded during the first half of 2018 was 32.6 Mt, 3% more than Jan-Jun 2017 (31.6 Mt).

The production of finished steel closed at 4.5 Mt, 2% less than May 2018 and up 2% versus June 2017. In the first semester of 2018, the finished steel production reached to 28.5 Mt, up 5% versus Jan-Jun 2017 (27.1 Mt).

Glossary

Crude steel: Steel in its most basic form, coming from the continuous casting process, (slap, 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 45 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.