



The Latin America Steel Market: an Overview

Rafael Rubio
OECD Steel Committee Meeting. March 5 - 6, 2018
Paris, France



The logo for 'alacero' features the word in a bold, lowercase sans-serif font. The 'a' is blue, and the remaining letters 'l', 'a', 'c', 'e', 'r', 'o' are green. A stylized graphic above the 'l' consists of a green leaf-like shape on the left and a blue leaf-like shape on the right, both pointing towards the right.

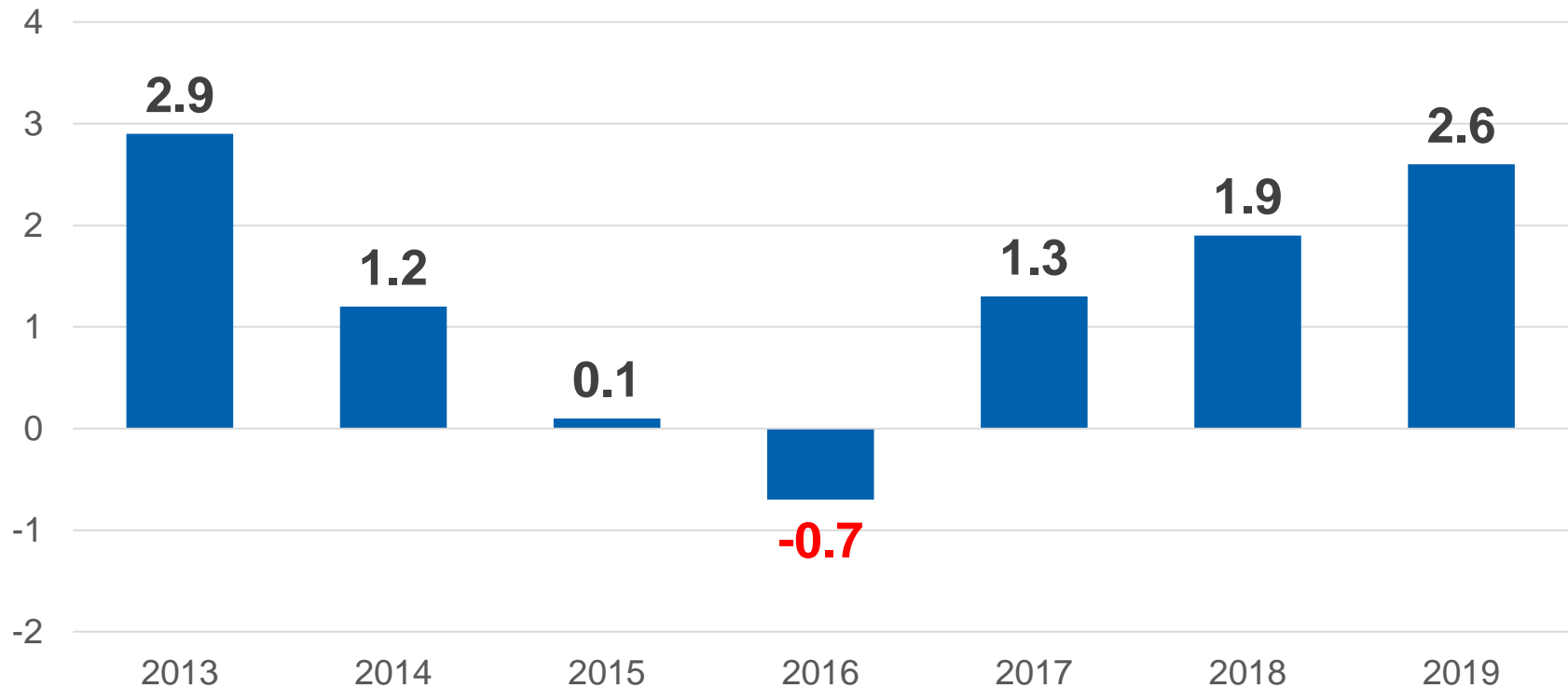
ASOCIACIÓN
LATINOAMERICANA
DEL ACERO

Introduction

- By the fourth quarter of 2017, the Latin America economic recovery was under way. During the quarter, GDP grew an estimated 3.1% with all the major countries with growth rates from 2 to 5% (with the exception of Venezuela).
- According to the IMF's last January report, 2018 will continue the positive momentum begun in 2017, with a growth rate of $\approx 2\%$ this year and $\approx 3\%$ in 2019. These rates may be on the conservative side.
- On the positive side, fundamentals have improved across the region and should benefit from stronger world economic growth, raising commodities prices, better terms of trade and capital inflows.
- On the negative side, sentiment toward the region will be a function of presidential elections in Brazil, Mexico, and Colombia, development of the reform agenda in Argentina as well as some political concerns in Peru.

Latin America recovery is under way

GDP (%)

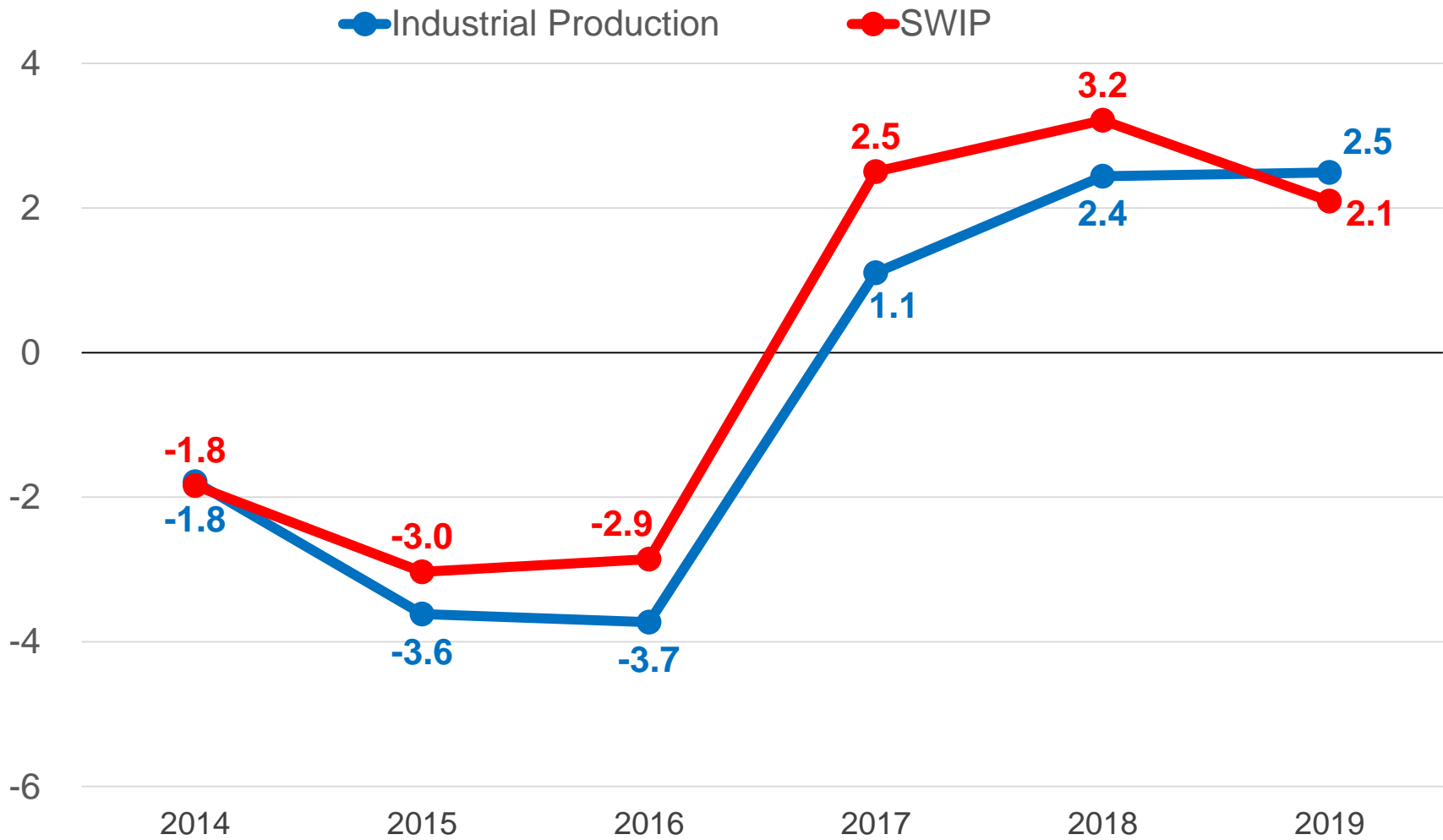


Latin America GDP Outlook

GDP Growth (%)

Country	2016	2017	2018	2019
Latin America	-0.7	1.3	1.9	2.6
Argentina	-2.3	2.9	3.1	2.9
Brazil	-3.5	1.0	2.8	3.0
Chile	1.6	1.4	2.7	3.0
Colombia	1.8	1.8	2.7	3.2
Mexico	2.9	2.0	2.2	1.8
Peru	4.0	2.7	4.2	4.2
Venezuela	-16.5	-12.0	-6.0	-2.0

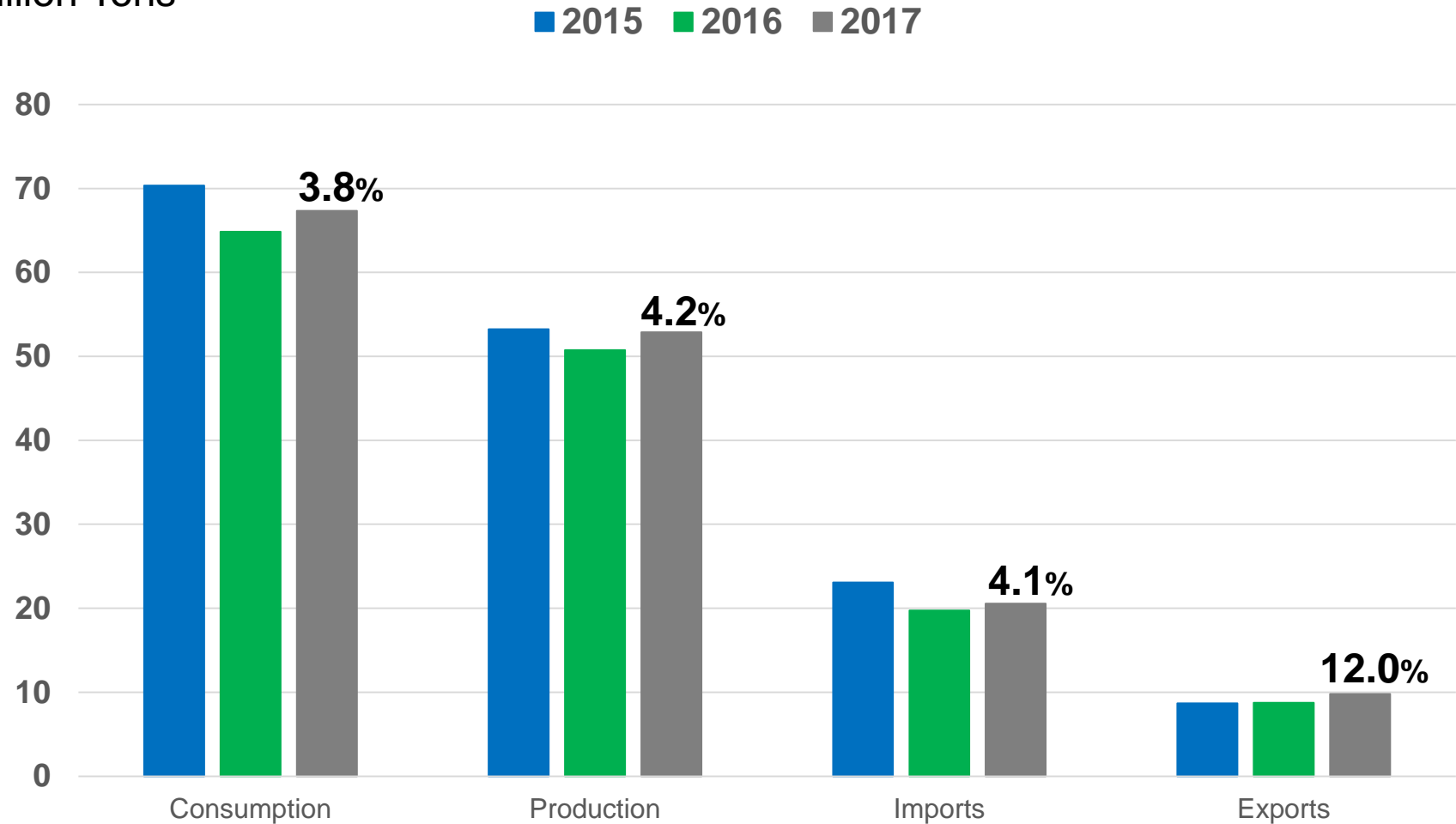
Steel Drivers in line with Expectations



Source: Alacero

Latin American steel market in 2017

Million Tons

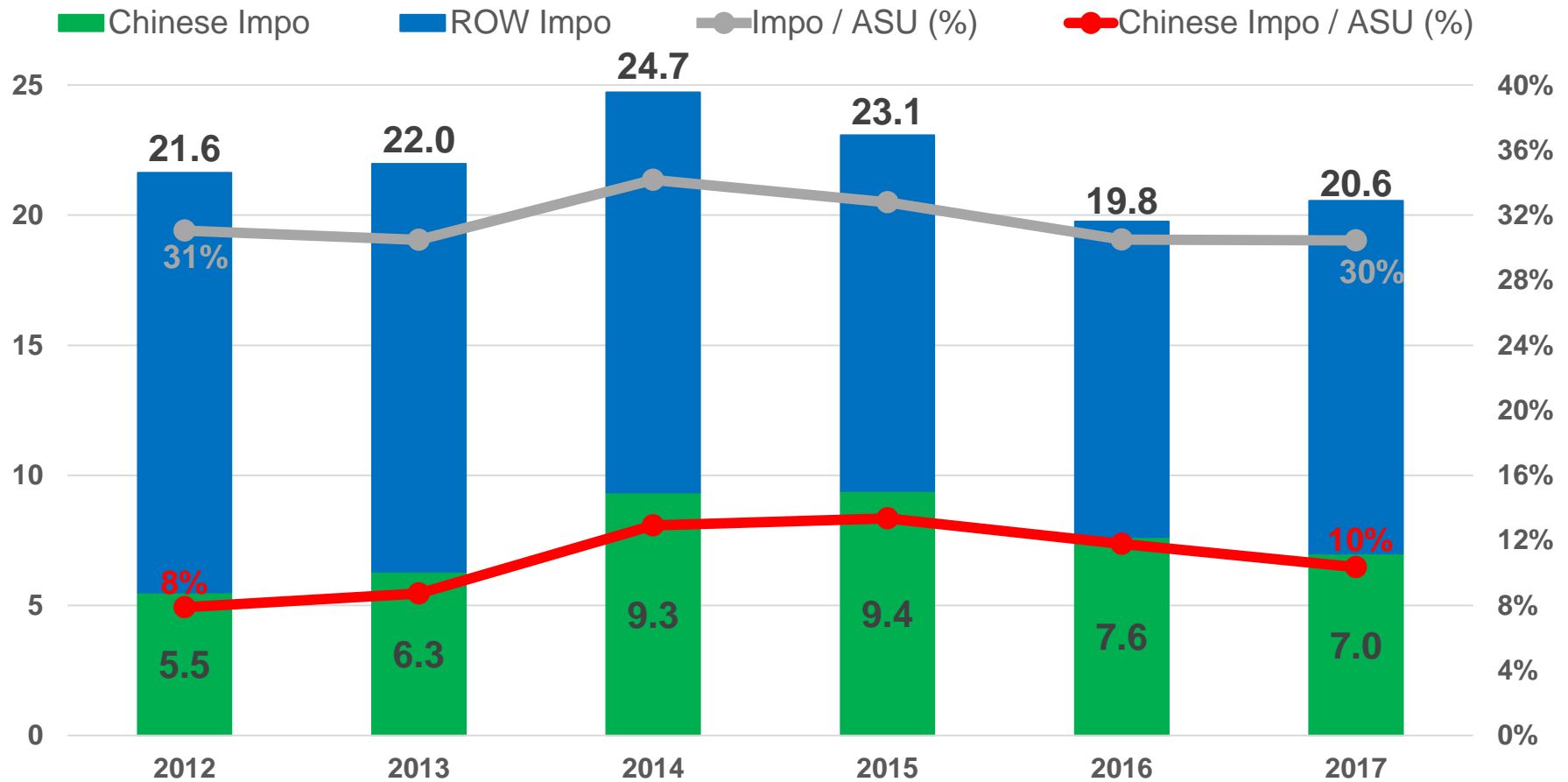


Source: Alacero.

Imports continue to be a key concern

Million tons

Imports/ASU



Source: Alacero

Latin America Unfair Trade Measures

Country	In Process		In Force	
	Total	Against China	Total	Against China
Argentina	2	2	1	0
Brazil	7	6	15	12
Chile	0	0	2	2
Colombia	0	0	6	6
Honduras	0	0	1	1
Mexico	1	0	31	16
Peru	0	0	1	1
Dominican Republic	0	0	3	1
Latin America	10	8	60	39

Latam ASU Outlook for 2018 - 2019

Million Tons

Country	2018	2019
Latam	70.8	73.3
Argentina	5.4	5.6
Brazil	20.4	21.6
Chile	2.8	3.0
Colombia	3.8	4.0

Country	2018	2019
Mexico	27.3	27.7
Peru	3.8	3.9
Venezuela	0.5	0.5
Other Latam	6.8	7.0

Other Latam: Bolivia, Costa Rica, Cuba, Dominican Rep., Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Trinidad & Tobago and Uruguay.

Latam ASU Outlook for 2018 - 2019

Growth Rate (%)

Country	2018	2019
Latam	5.2%	3.6%
Argentina	9.6%	4.0%
Brazil	6.3%	6.2%
Chile	1.1%	7.5%
Colombia	5.0%	5.4%

Country	2018	2019
Mexico	3.5%	1.5%
Peru	12.8%	2.0%
Venezuela	0.0%	0.0%
Other Latam	3.5%	2.5%

Other Latam: Bolivia, Costa Rica, Cuba, Dominican Rep., Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Trinidad & Tobago and Uruguay.

Global trade issues

- The global industry is facing two major trade challenges: the issue of overcapacity in the context of the Global Forum and the US Department of Commerce's recommendations on Section 232 investigation (which are global in nature).
- The Global Forum is still a work-in-process but there is a need to set a clear and mandatory agenda to advance in solving the overcapacity issues. The downside risk is to get back to trade frictions the next time there is a economic downturn.
- The US Department of Commerce's recommendations represent a different challenge because is a legal action by one country but with world-wide repercussion's. President Trump has announced his decision: a 25% tariff on steel imports with more details next week.
- In the context of the US decision, the Latin America steel industry is not part of the problem and should be excluded of the final decision.

Final comments

- Going forward, sentiment and the economic performance of Latin America will be a function of:
 - The 2018 political cycle in Colombia (May), Mexico (June), and Brazil (October). Populism versus market-friendly candidates.
 - The region ability to implement economic reform directed to the ability to innovate, assimilate new technologies and increase productivity.
- In this scenario, the Latin America steel market is expected the improved its performance and set into a more stable path.
- The main drivers of steel demand are also in a upward trend.
- Global steel trade is an open question.



The Latin America Steel Market: an Overview

Rafael Rubio

OECD Steel Committee Meeting. September 28 – 29, 2017

Paris, France



The logo for 'alacero' features a stylized green leaf above the letter 'a'. The word 'alacero' is written in a bold, sans-serif font, with 'al' in blue and 'acero' in green.

ASOCIACIÓN
LATINOAMERICANA
DEL ACERO