



# The Latin America Steel Market: an Overview

Francisco Leal  
OECD Steel Committee Meeting. September 17 -18, 2018  
Paris, France



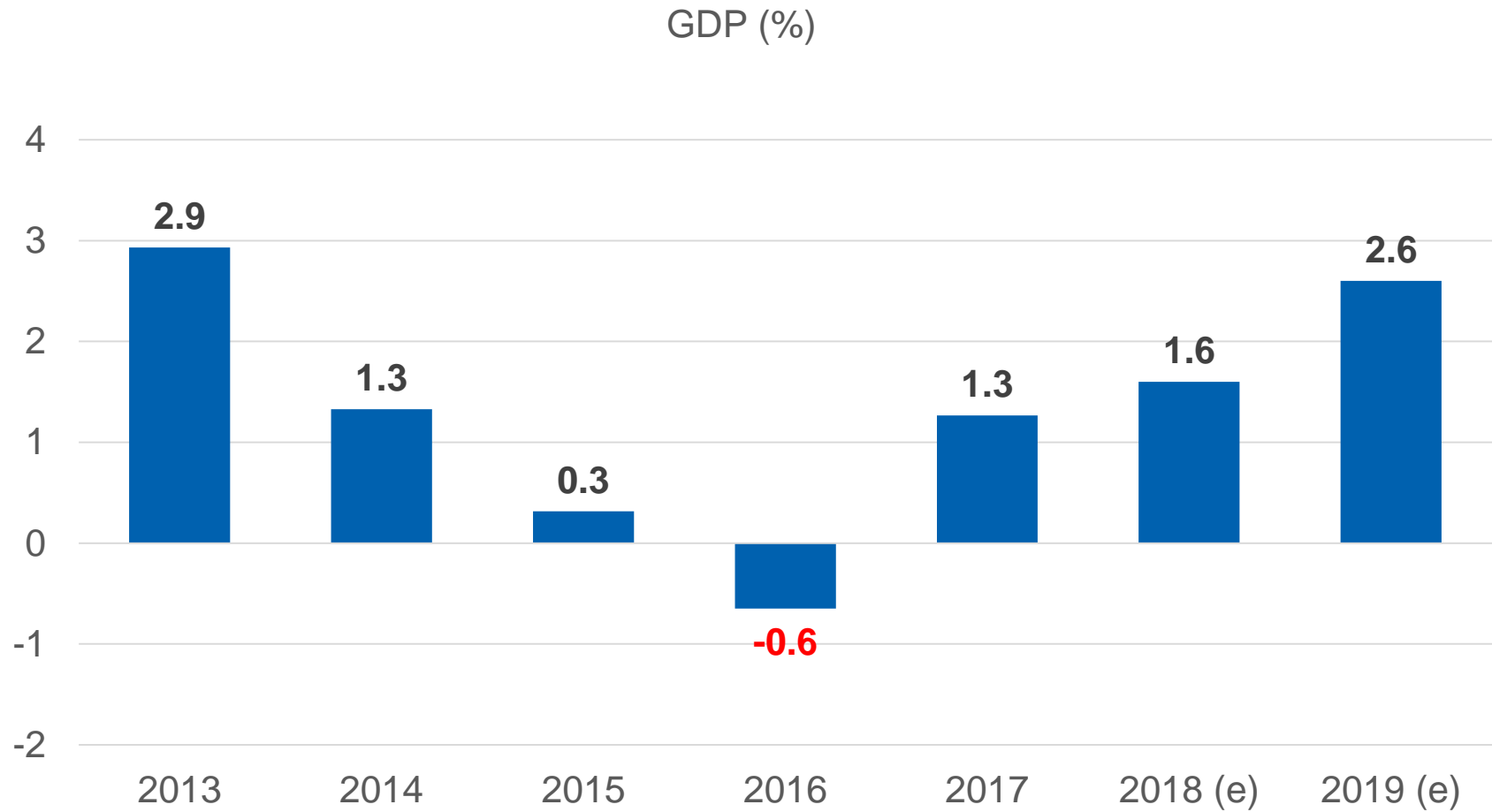
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# Introduction

- Despite some adverse factors affecting Argentina, Brazil and Mexico, Latin America is heading to a second year of recovery in 2018. During the first half of the year, the three largest economies faced headwinds that induced slower economic activity, accompanied by volatility in financial markets, trade disputes and exchange rates.
- In July, the IMF lowered its 2018 economic growth forecast for Latin America to 1.6% from 2% growth in its April report.
- Strikes and political tensions in Brazil, trade tensions hindering Mexico and tighter financial conditions in Argentina are among the reasons for the lowered expectations for growth.
- On the positive side, most of those negative factors are under control or even disappeared, raising the probability of more normal performance for the second half or even the possibility of an economic rebound.

# Latin America recovery is under way



(e): estimated

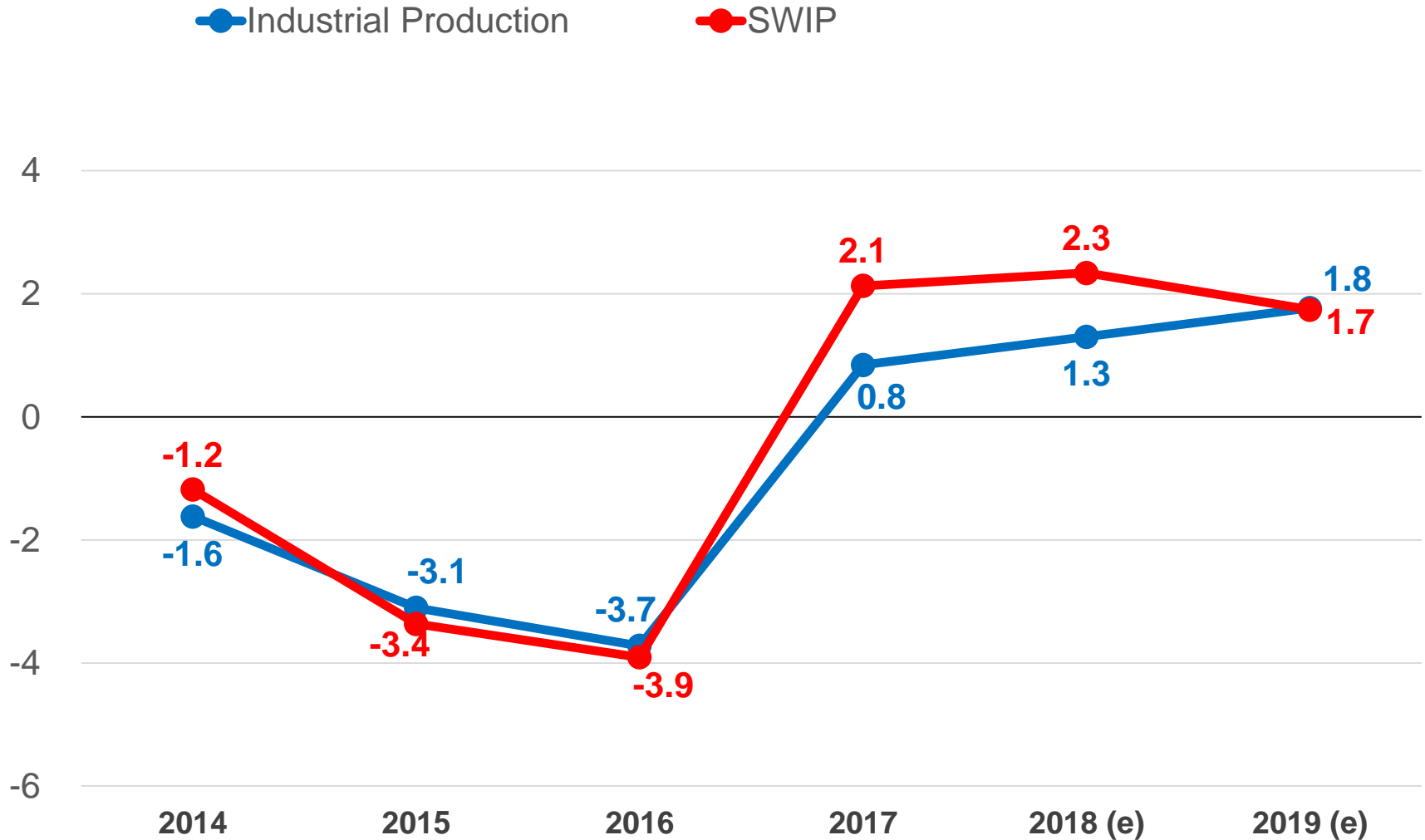
# Latin America GDP outlook

## GDP Growth (%)

Country	2016	2017	2018 (e)	2019 (e)
Latin America	-0.6	1.3	1.6	2.6
Argentina	-2.3	2.9	-1.0	1.6
Brazil	-3.5	1.0	1.5	2.5
Chile	1.6	1.4	2.7	3.0
Colombia	1.8	1.8	2.8	3.4
Mexico	2.9	2.0	2.2	1.8
Peru	4.0	2.5	4.0	4.2
Venezuela	-16.5	-14.0	-15.0	-6.0

(e): estimated

# Steel Drivers in line with expectations

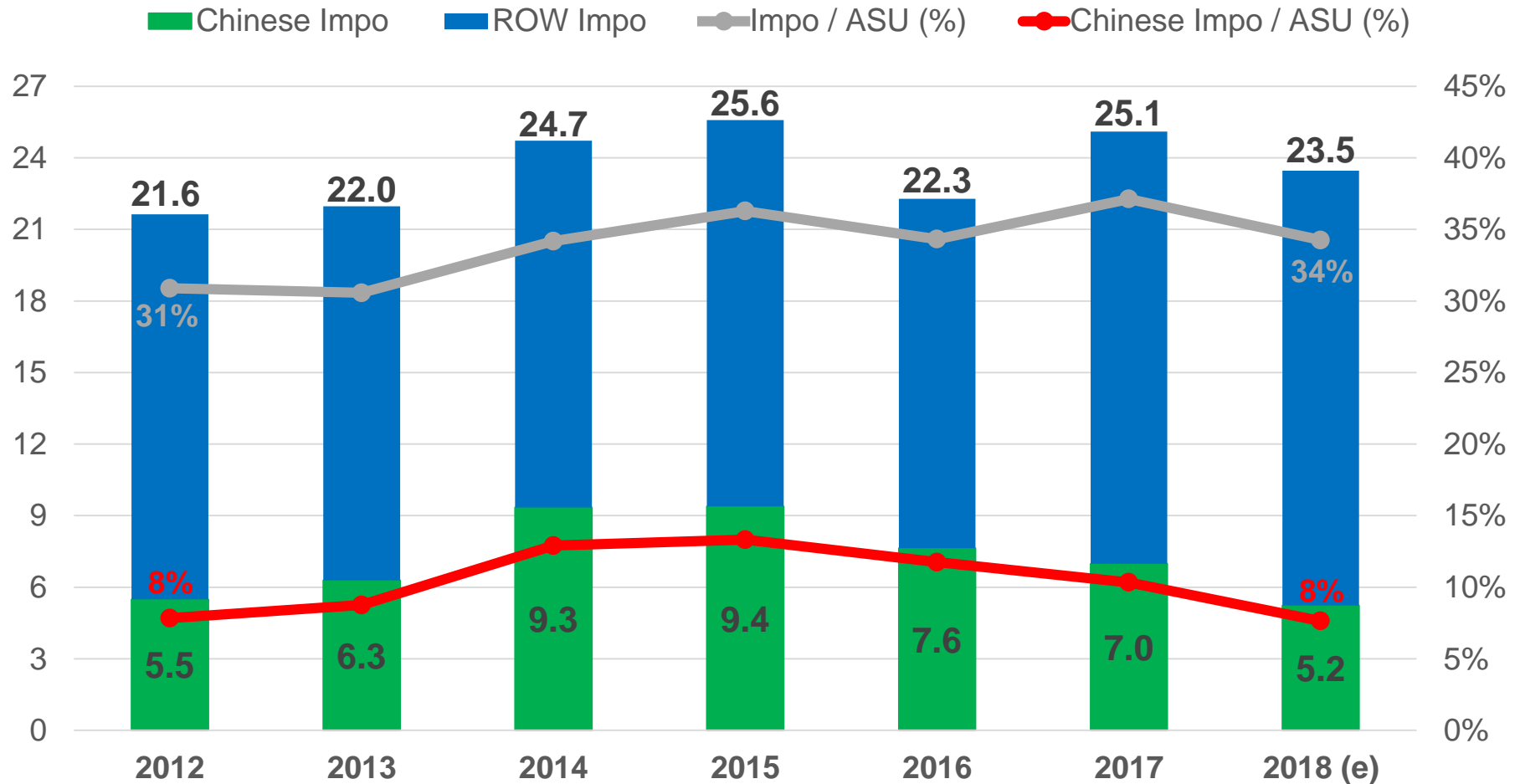


(e): estimated

# Imports continue to be a key concern

Million tons

Imports/ASU



(e): estimated

# Latin America Unfair Trade Measures

Country	In Process		In Force	
	Total	Against China	Total	Against China
Argentina	1	1	2	1
Brazil	7	6	15	12
Chile	1	0	2	2
Colombia	0	0	9	8
Honduras	0	0	1	1
Mexico	1	0	33	18
Peru	0	0	1	1
Dominican Republic	0	0	3	1
<b>Latin America</b>	<b>10</b>	<b>7</b>	<b>66</b>	<b>44</b>

# Latam ASU Outlook for 2018 - 2019

Million Tons

Country	2018e	2019e
Latam	68.5	70.6
Argentina	5.0	5.1
Brazil	20.1	21.4
Chile	2.8	2.9
Colombia	3.7	3.8

Country	2018e	2019e
Mexico	25.9	26.2
Peru	3.8	3.9
Venezuela	0.5	0.5
Other Latam	6.8	6.9

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 (%)

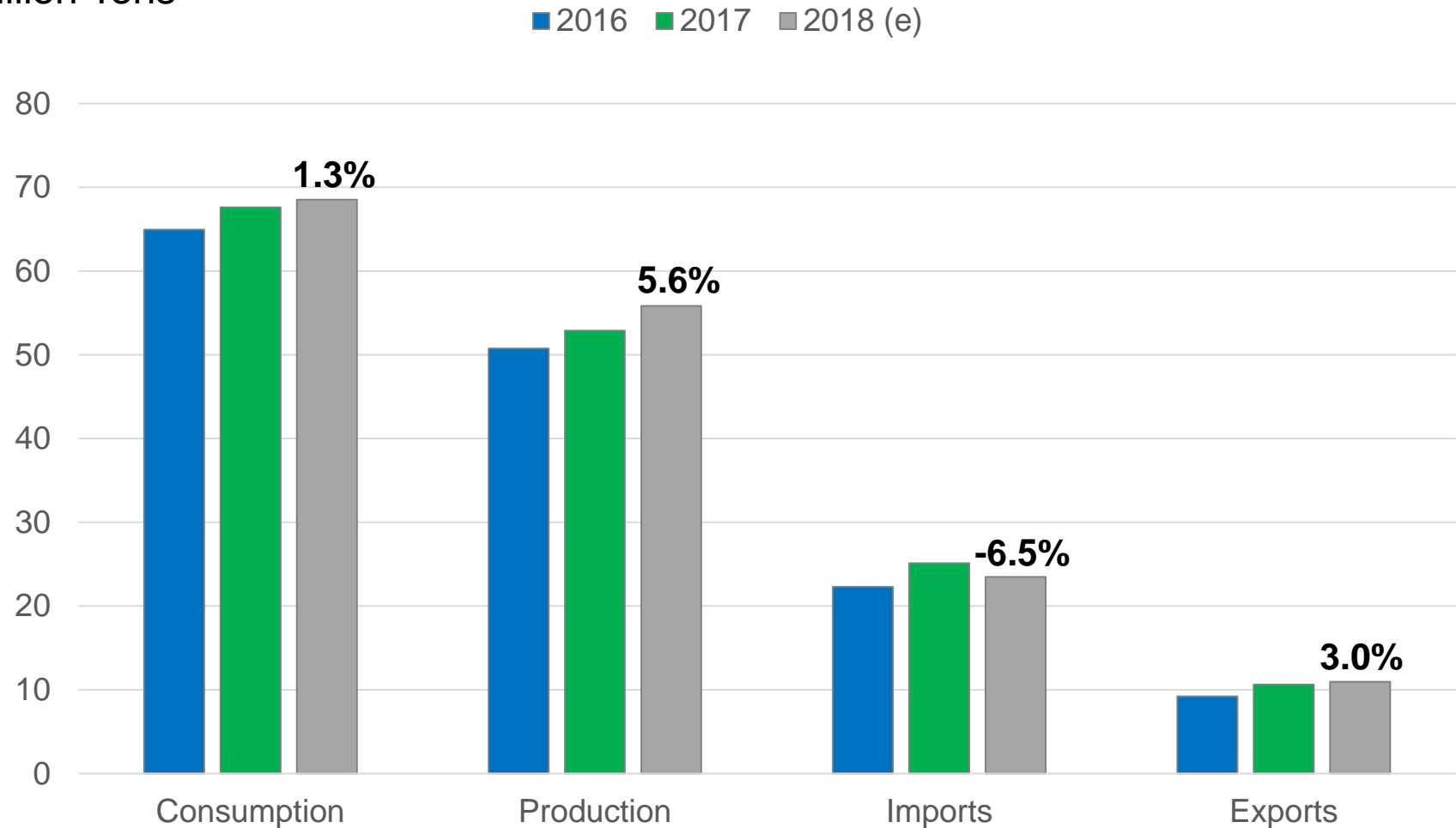
Country	2018e	2019e
Latam	1.3%	3.1%
Argentina	0.8%	2.2%
Brazil	4.9%	6.2%
Chile	1.1%	2.5%
Colombia	2.5%	3.0%

Country	2018e	2019e
Mexico	-1.9%	1.2%
Peru	3.3%	3.4%
Venezuela	0.0%	0.0%
Other Latam	2.7%	2.5%

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

# Latin American steel market in 2018

Million Tons



(e): estimated

# Global trade issues

- The global industry continues to face trade challenges.
  - The issue of overcapacity. The Global Forum is still a work-in-process but there is an urgent need to set a clear and mandatory agenda to advance in solving this problem.
  - The US Department of Commerce's on Section 232 tariff.
  - The probable US Department of Commerce's 232 investigation on auto and auto parts, given that the auto industry is an important customer of the steel industry.
- It is clear than in these challenges, the Latin America steel industry is not part of the problem.

# Final comments

- Going forward, the steel industry and the economic performance of the region will be a function of:
  - Global growth, commodities prices, foreign exchanges and interest rates.
  - Economic uncertainty about the short term political scenarios (Brazil, Mexico, Colombia, Argentina).
  - Escalating trade frictions.
  - The region ability to implement structural reforms directed to productivity and the ability to innovate and assimilate new technologies.
- The challenges facing Latin America are of a medium – long term, not short term nature (for the moment).



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