

The Latin America Steel Market: an Overview

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OECD Steel Committee . 25-26 March 2019, Paris, FR

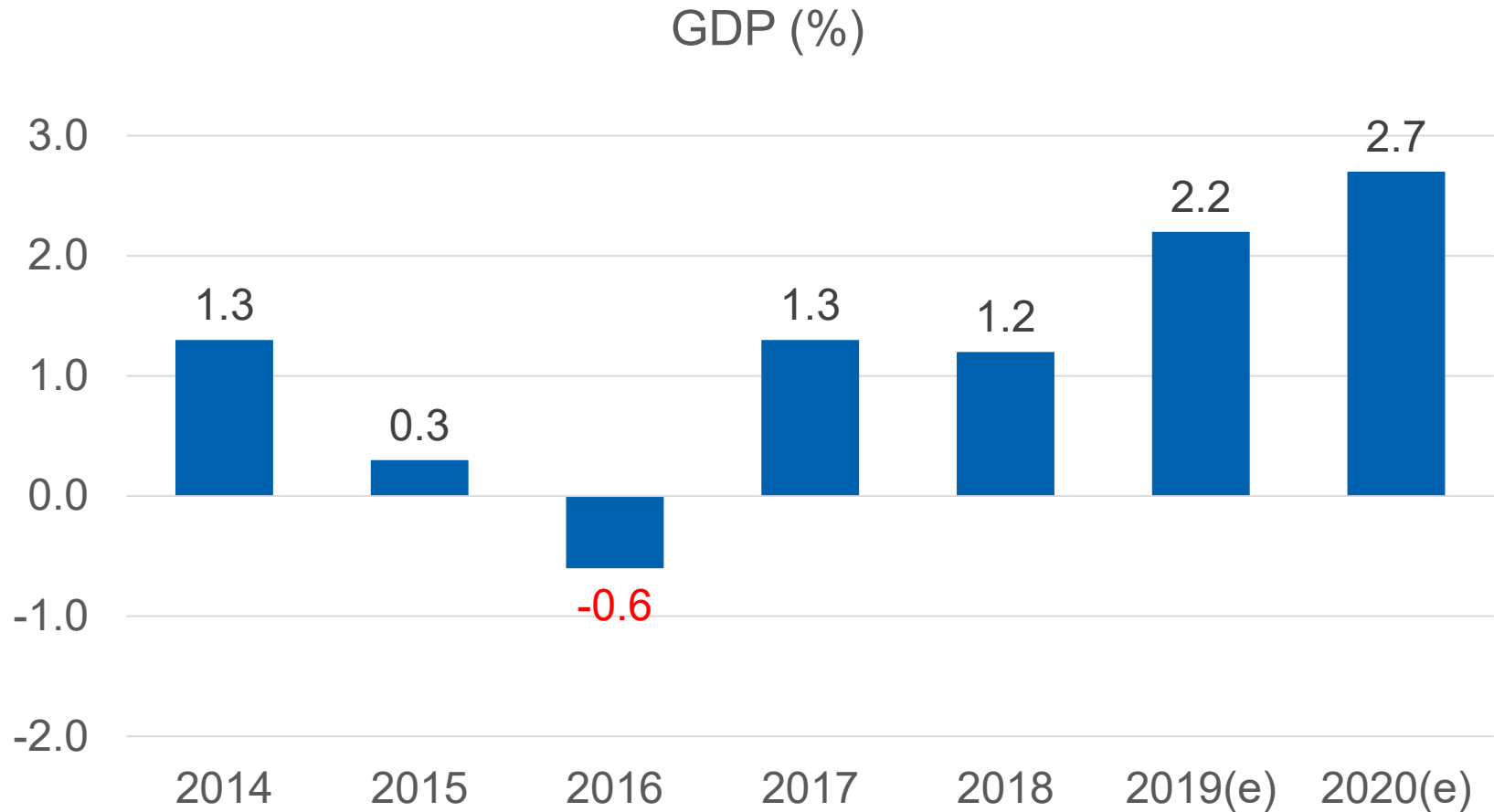


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Introduction

- Economic dynamics **decelerated** in 2018, with differences between countries and subregions:
 - Low levels of per capita income
 - Overvaluation of the dollar against local currencies
 - US protectionist measures in world trade
- According to the IMF the region grew by 1.2% in 2018, and activity is **expected to accelerate** further to 2.2% in 2019 and 2.7% in 2020.
- Global growth will be slow in 2019, with **trade tensions** between China and USA, which can be game changer in Latin America.
- Recovery is widespread throughout the region; stronger growth in the US, **end of recessions** several countries, as well as better commodity prices.
- The **outlook** has deteriorated: global trade environment and less stimulus generated by the combination of disinflation and falling interest rates.

Besides the 2018 setback, LA is recovering



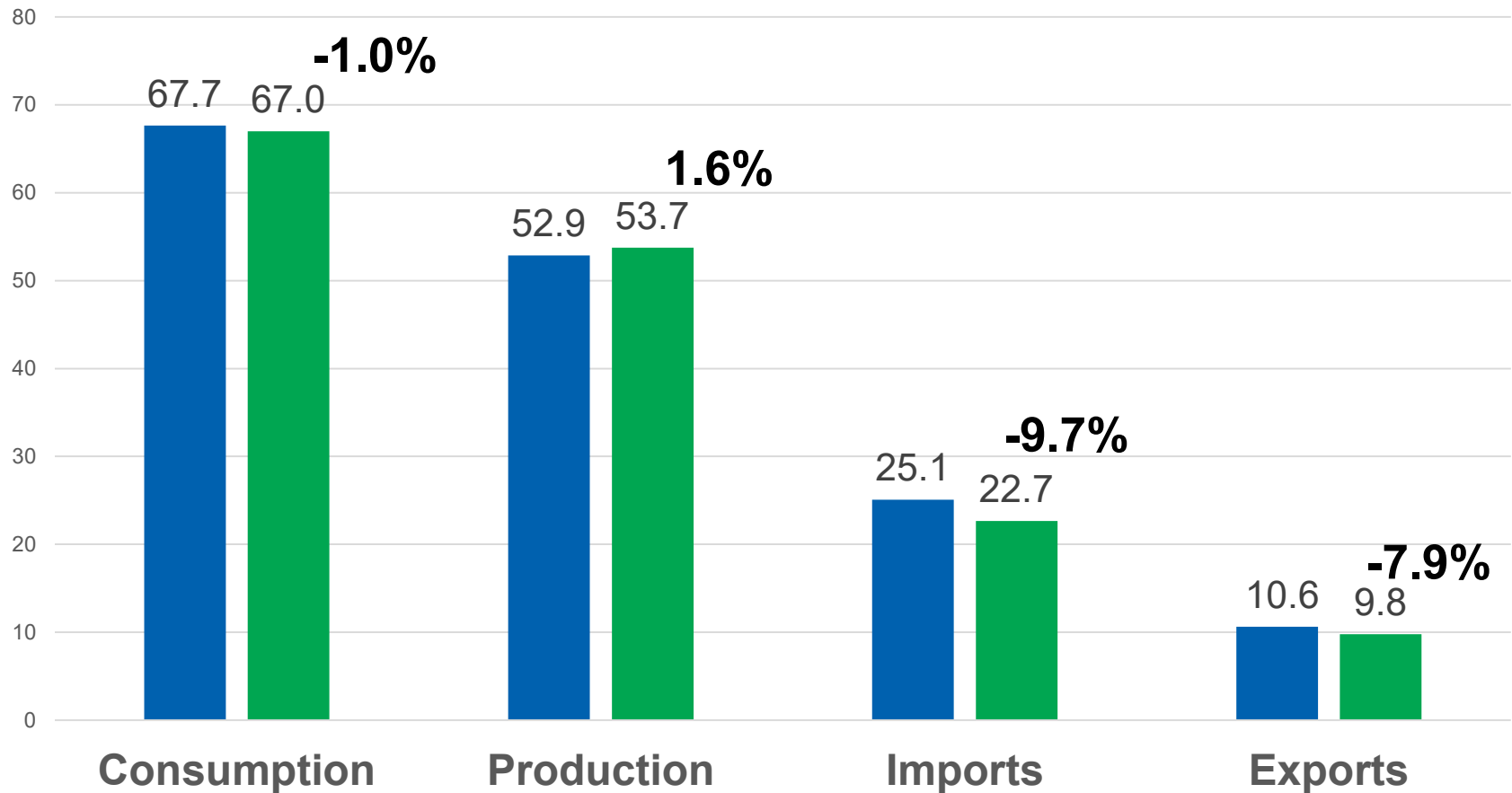
(e): estimated

Source: IMF. WEO Feb 2019

Latin American steel market in 2018

Million Tons

■ 2017 ■ 2018



Source: Alacero

Imports eased, but still high

Million tons

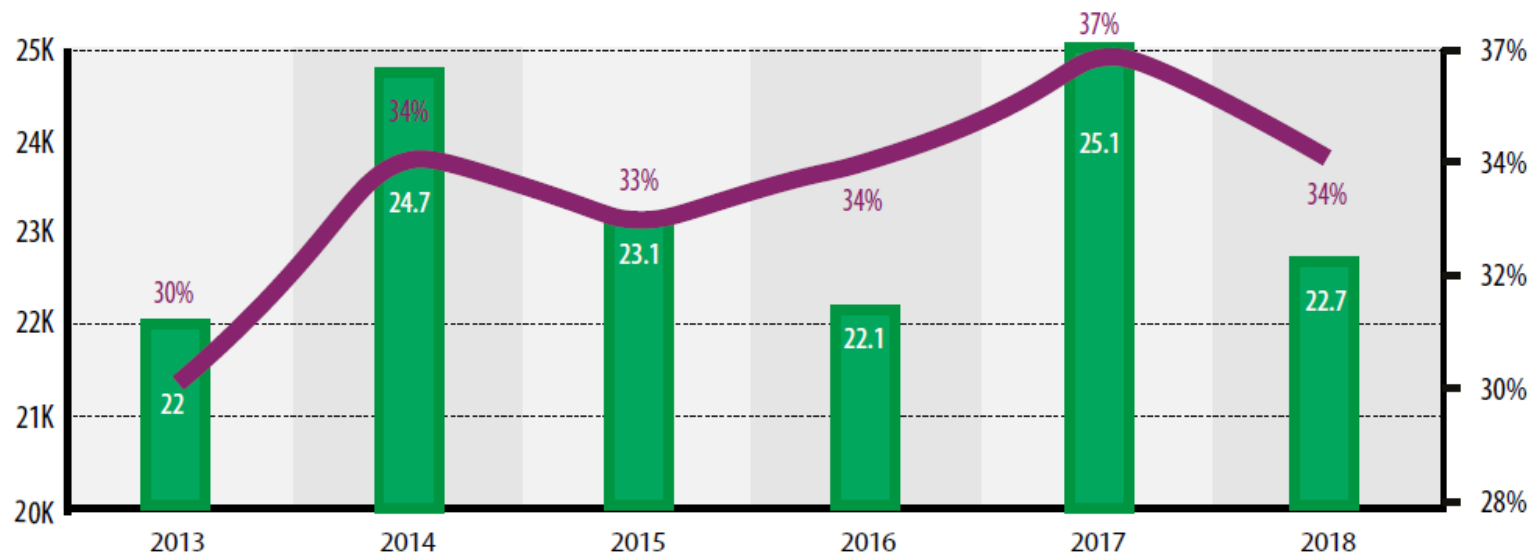
Imports/ASU

GRÁFICO 02

AMÉRICA LATINA: EVOLUCIÓN DE LA PARTICIPACIÓN DE LAS IMPORTACIONES EN EL CONSUMO DE LAMINADOS

■ Importaciones ■ Índice Importaciones - Consumo (%)

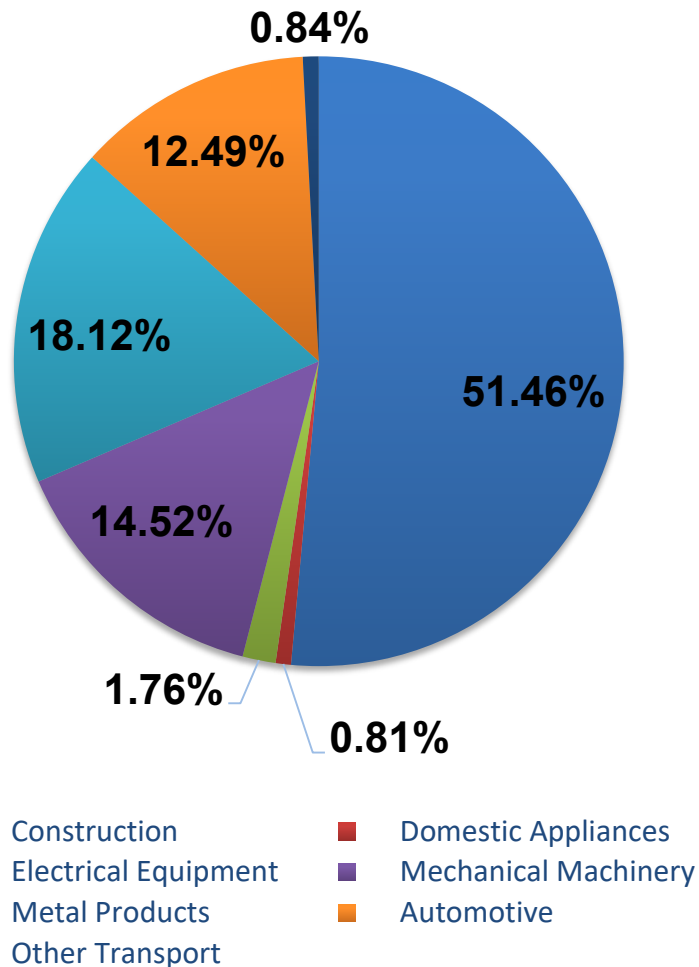
Milles de Toneladas



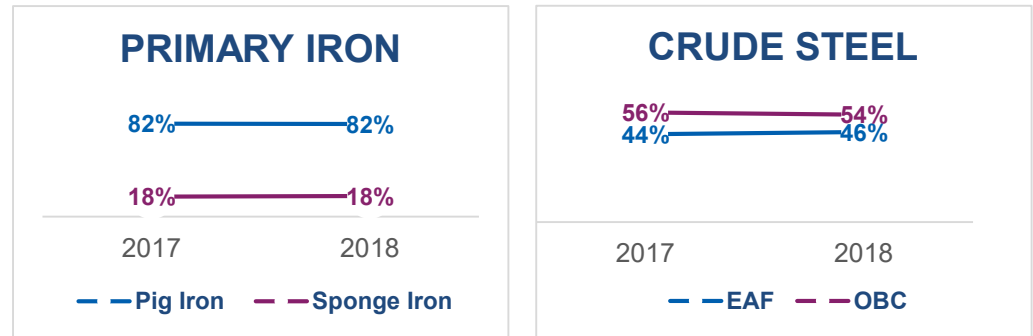
Fuente: Alacero

Main driver for consumption: Construction. Steelmaking mainly BOF, flat & long products

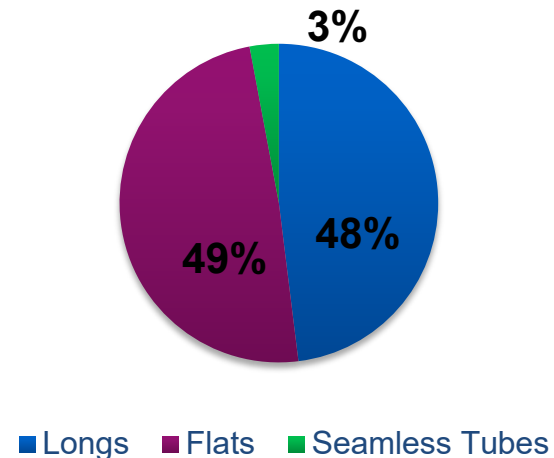
Steel Weights in LA



Raw Production



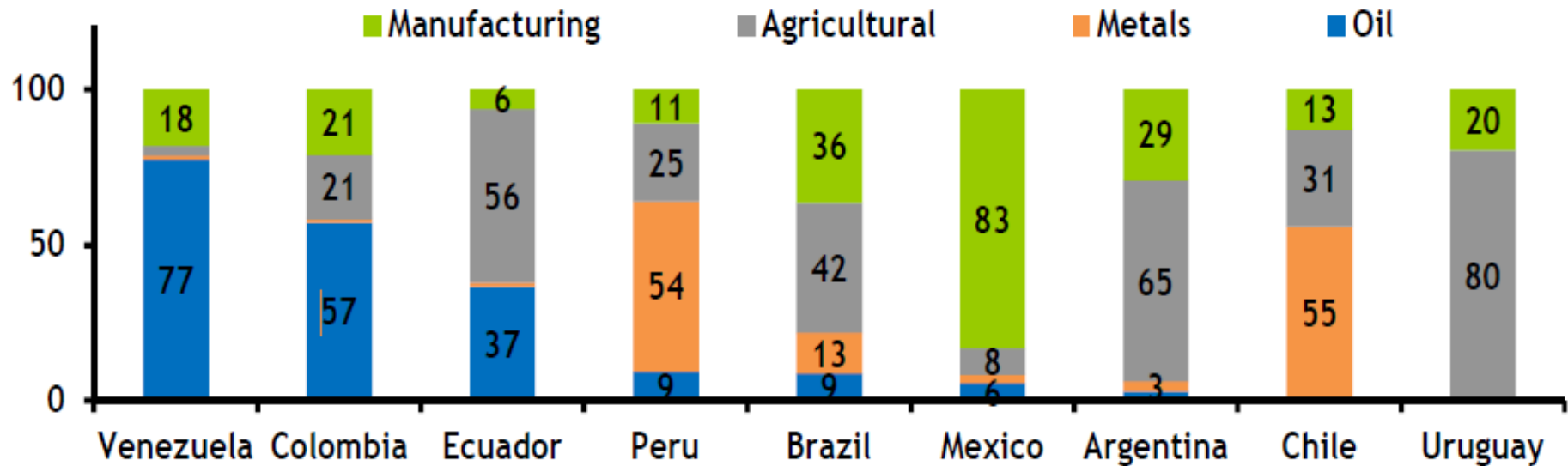
Finished Production



Commodities caused better performance, but manufacturing must be addressed

Participation in total exports

As % of total exports, 2017



Source: UNCTAD *Does not include gold and precious stones

Latin America GDP outlook

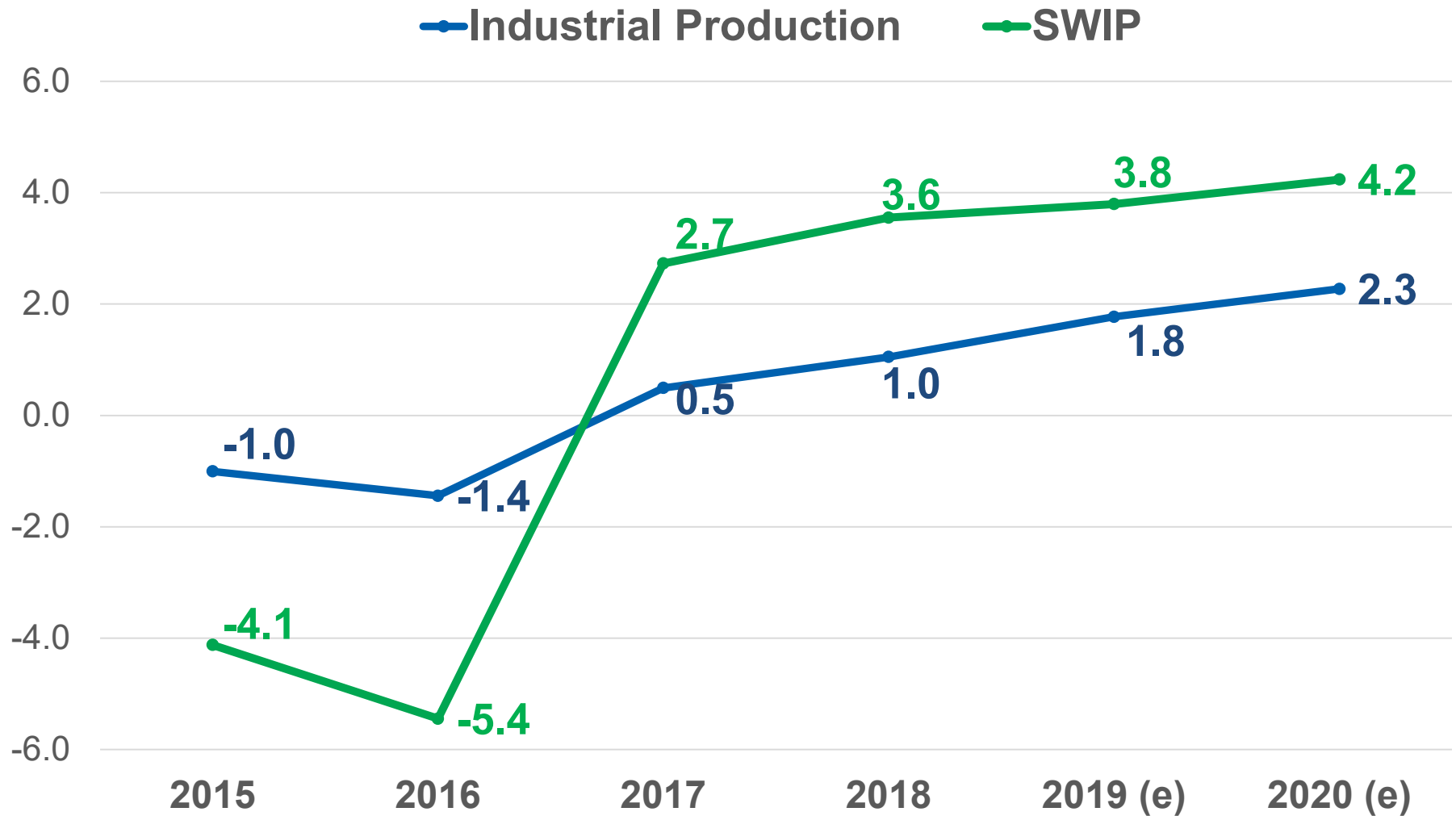
GDP Growth (%)

Country	2015	2016	2017	2018	2019(e)	2020(e)
Latin America	0,3	-0,6	1,3	1,2	2,2	2,7
Argentina	2,7	-1,8	2,9	-2,6	-1,6	2,2
Brazil	-3,5	-3,5	1,0	1,4	2,4	2,3
Chile	2,3	1,3	1,5	4,0	3,4	3,2
Colombia	3,0	2,0	1,8	2,8	3,6	3,7
Mexico	3,3	2,9	2,0	2,2	2,5	2,7
Peru	3,3	4,0	2,5	4,1	4,1	4,1
Venezuela	-6,2	-16,5	-14,0	-18,0	-5,0	-2,0

(e): estimated

Source: Latin America from IMF WEO Feb 2019. Others from National Regional Secretaries.

Steel Drivers in line with expectations



(e): estimated

Source: Alacero

Latam ASU Outlook for 2019-2020

Million Tons

Country	2018	2019	2020
Latam	67,0	68,9	72,3
Argentina	4,8	4,5	5,0
Brazil	20,6	21,7	22,9
Chile	2,7	3,1	3,4
Colombia	3,4	3,7	3,8

Country	2018	2019	2020
Mexico	25,4	25,9	26,1
Peru	3,8	3,9	4,1
<i>Venezuela</i>	<i>0,2</i>	<i>0,1</i>	<i>0,1</i>
<i>Other Latam</i>	<i>6,1</i>	<i>6,0</i>	<i>6,9</i>

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

Latam ASU Outlook 2019-2020 (%)

Growth Rate (%)

Country	2018	2019	2020	Country	2018	2019	2020
Latam	-1,0%	2,8%	4,9%	Mexico	-3,9%	1,8%	0,8%
Argentina	-1,9%	-6,2%	10,2%	Peru	3,4%	1,8%	6,1%
Brazil	7,3%	5,6%	5,5%	<i>Venezuela</i>	-66,4%	-29,1%	-0,1%
Chile	-0,7%	13,1%	8,4%	<i>Other</i>			
Colombia	-4,3%	9,1%	3,7%	<i>Latam</i>	-8,3%	-1,8%	14,7%

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

Final comments

- In the Latin America region, the steel industry and the economic performance is entering a phase of recovery, nevertheless we foresee big **potential impacts** as a function of:
 - Global trade tensions, commodities prices, foreign exchanges and interest rates.
 - Economic uncertainty about the short-term political scenarios (Argentina, Venezuela, Ecuador).
 - The region ability to implement structural reforms directed to productivity, innovate and assimilate new technologies.
 - Cope with immigration issues.
- The **challenges** facing Latin America continue to be linked to various internal and external factors, but with a growth trend.

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