



Global Steel Trade Monitor

Steel Exports Report: Brazil

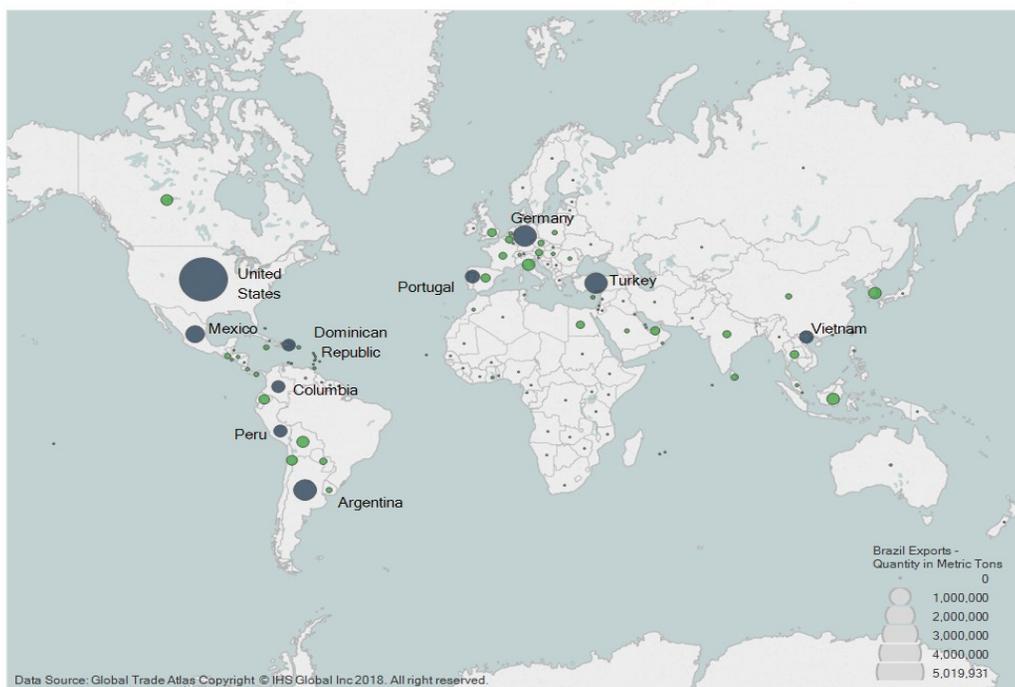
September 2018

Background

Brazil is the tenth-largest steel exporter in the world. In year-to-date 2018 (through June), further referred to as YTD 2018, Brazil exported 6.9 million metric tons of steel, down 6 percent from YTD 2017 levels. Brazil's exports represented about 3 percent of all steel exported globally in 2017. The volume of Brazil's 2017 steel exports was about one-fifth the volume of the world's largest exporter, China. In value terms, steel represented just 1.1 percent of the total goods Brazil exported in 2017.

Brazil exports steel to more than 110 countries and territories. The ten countries labeled in the map below represent the top markets for Brazil's exports of steel, receiving more than 350 thousand metric tons each and accounting for about 71 percent of Brazil's steel exports in 2017.

Brazil's Exports of Steel Mill Products-2017 (Top Ten in Blue)



Quick Facts:

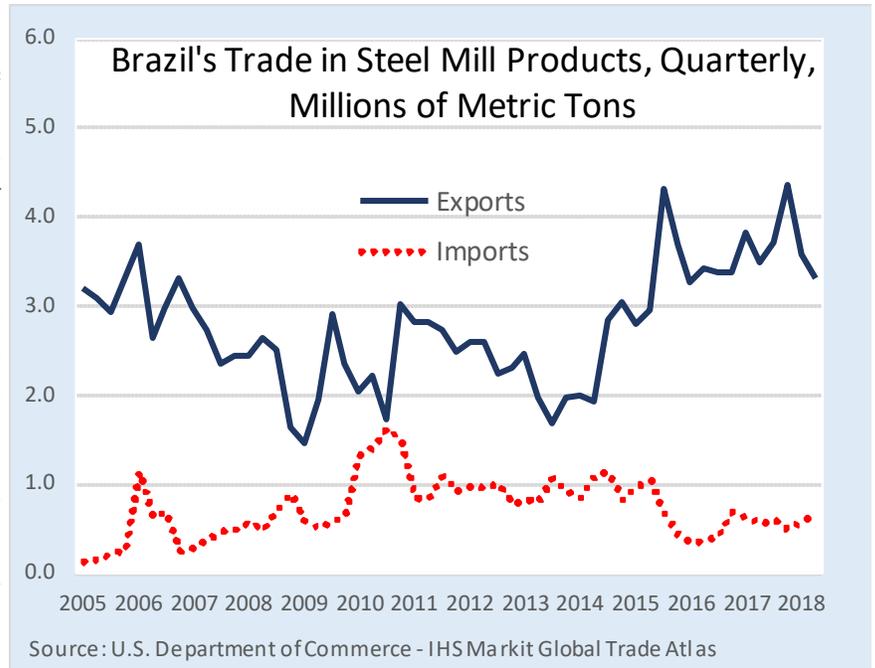
- World's tenth-largest steel exporter: 6.9 million metric tons (YTD 2018)
- 126% growth in steel exports since Q1 2009
- YTD export volume down 6% and export value up 16%
- Top three markets: United States, Turkey, Germany
- Exports as a share of production at 39.9% in YTD 2018
- Largest producers: Gerdau, ArcelorMittal, USIMINAS, CSN
- 17 trade remedies in effect in 7 countries and the EU involving steel mill imports from Brazil

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Steel Trade Balance

Brazil continues to maintain a large trade surplus in steel products. Decreasing exports and rising imports caused the trade surplus to narrow by half in 2010 to 3.1 million metric tons. The trade surplus soon widened again, increasing 320 percent between 2010 and 2017. Between Q1 2009 and Q2 2018, exports grew 126 percent, while imports grew 14 percent.

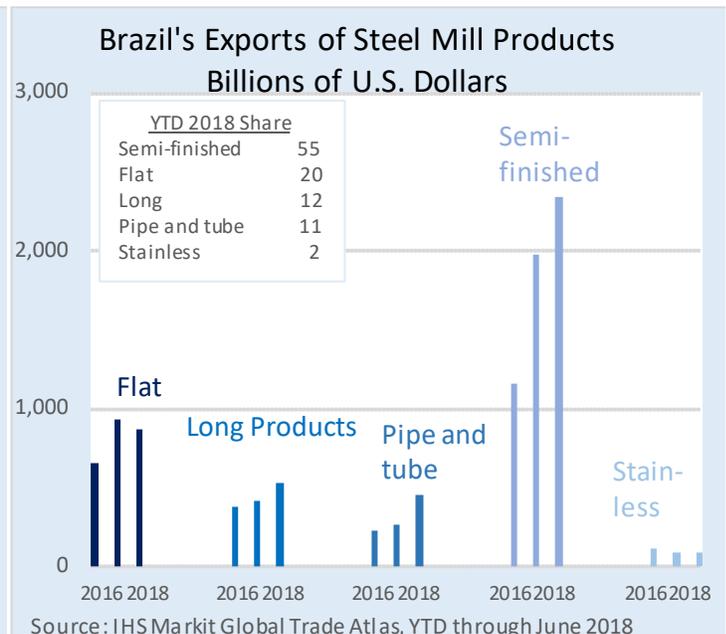
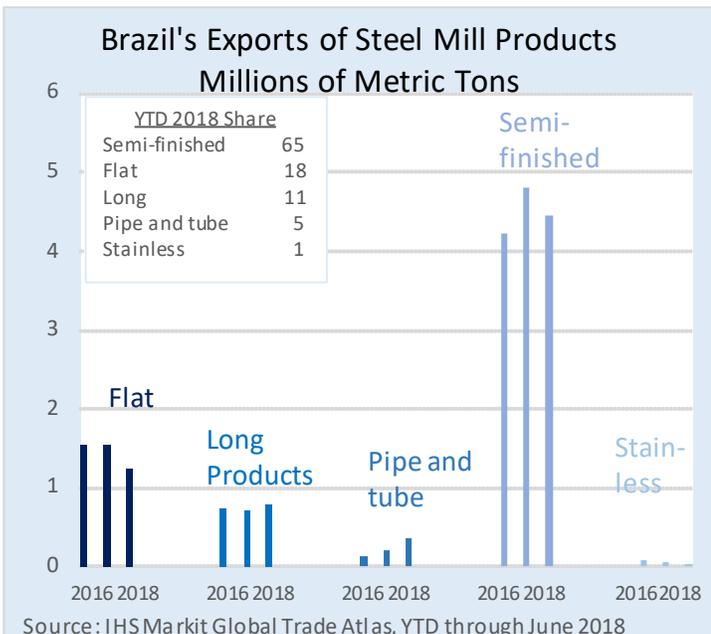
Brazil's trade surplus in YTD 2018 was 5.6 million metric tons, down 8 percent from 6.1 million metric tons in YTD 2017.



Export Volume, Value, and Product

The volume of Brazil's steel exports reached a peak in 2017 at 15.3 million metric tons. In YTD 2018, exports decreased 6 percent from YTD 2017 to 6.9 million metric tons. The value of Brazil's steel exports, however, increased by 16 percent in YTD 2017 to \$4.3 billion from \$3.7 billion in YTD 2017.

Semi-finished steel accounted for 65 percent of Brazil's steel exports by volume in YTD 2018 at 4.4 million metric tons. Flat products represented the second-largest category at 18 percent (1.2 million metric tons), followed by long products at 11 percent (781 thousand metric tons), pipe and tube at 5 percent (362 thousand metric tons), and stainless steel at one percent (36 thousand metric tons).

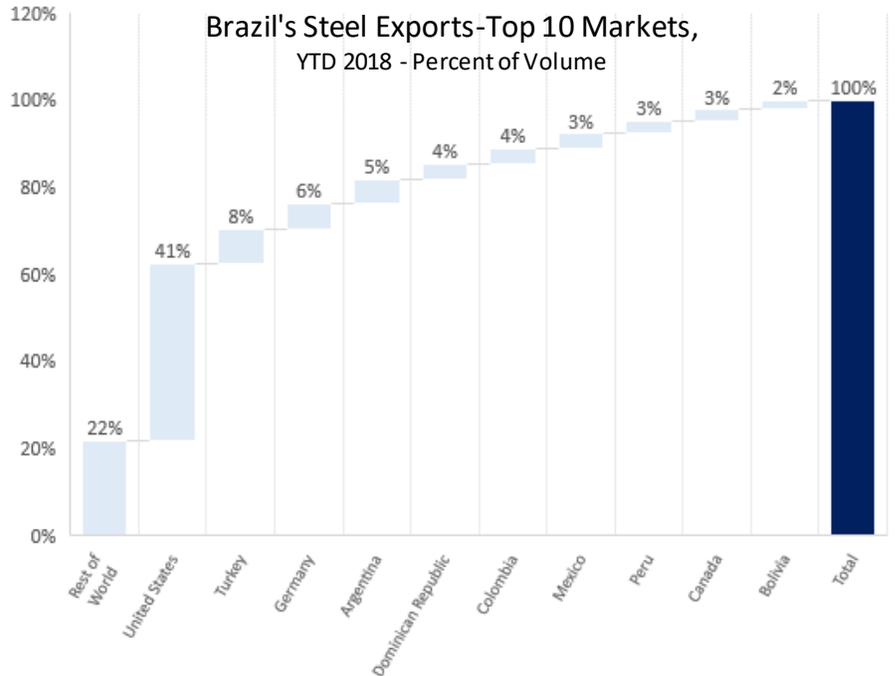


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Exports by Top Market

Exports to Brazil's top 10 steel markets represented 78 percent of Brazil's steel export volume in YTD 2018 at 5.4 million metric tons (mmt). The United States was the largest market for Brazil's exports with 41 percent (2.8 mmt), followed by Turkey at 8 percent (0.5 mmt), and Germany at 6 percent (0.4 mmt).

The United States has ranked first as a destination for Brazil's steel exports for most of the last decade. In YTD 2018, exports by volume to the United States increased by 10 percent, when compared to YTD 2017.

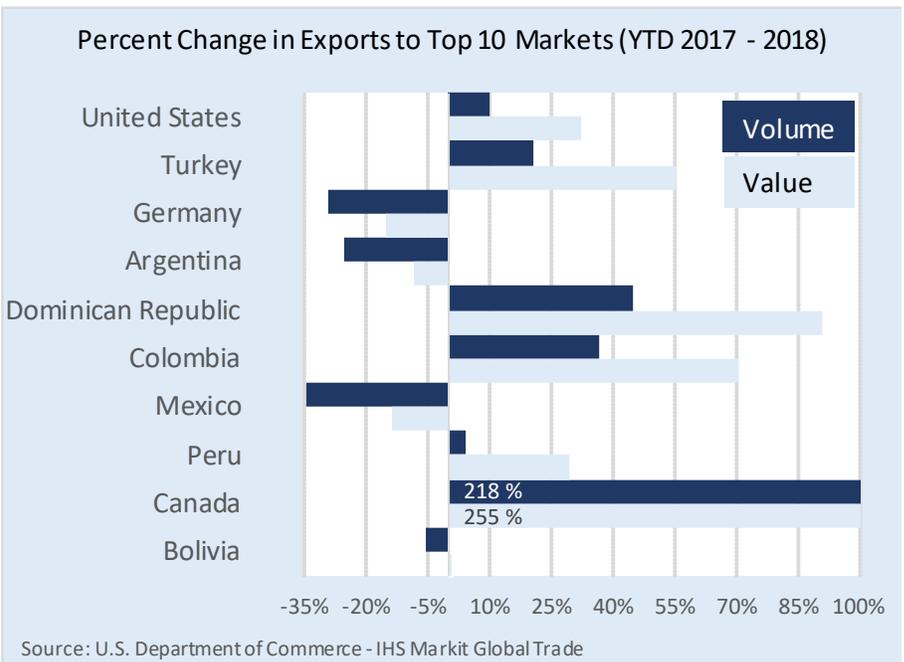


Source: U.S. Department of Commerce - IHS Markit Global Trade Atlas -YTD through June 2018

Trends in Exports to Top Markets

The volume of Brazil's steel exports increased to six of the country's top 10 steel export markets in YTD 2018 compared to YTD 2017. Exports increased the most to Canada (+218% by volume in YTD 2018), followed by the Dominican Republic (+45%), Columbia (+37%), Turkey (+21%), the United States (+10%), and Peru (+4%). Brazil's export volumes decreased to Mexico (-35%), Germany (-29%), Argentina (-25%), and Bolivia (-5%).

The value of steel exports increased to seven of Brazil's top 10 markets in YTD 2018. As with volume, Canada saw the largest increase in value, up 255 percent in YTD 2018, followed by the Dominican Republic (+91%), Columbia (+71%), Turkey (+56%), the United States (+33%), Peru (+29%), and Bolivia (+1%). Brazil's exports by value decreased to Germany (-15%), Mexico (-14%), and Argentina (-8%).



Source: U.S. Department of Commerce - IHS Markit Global Trade

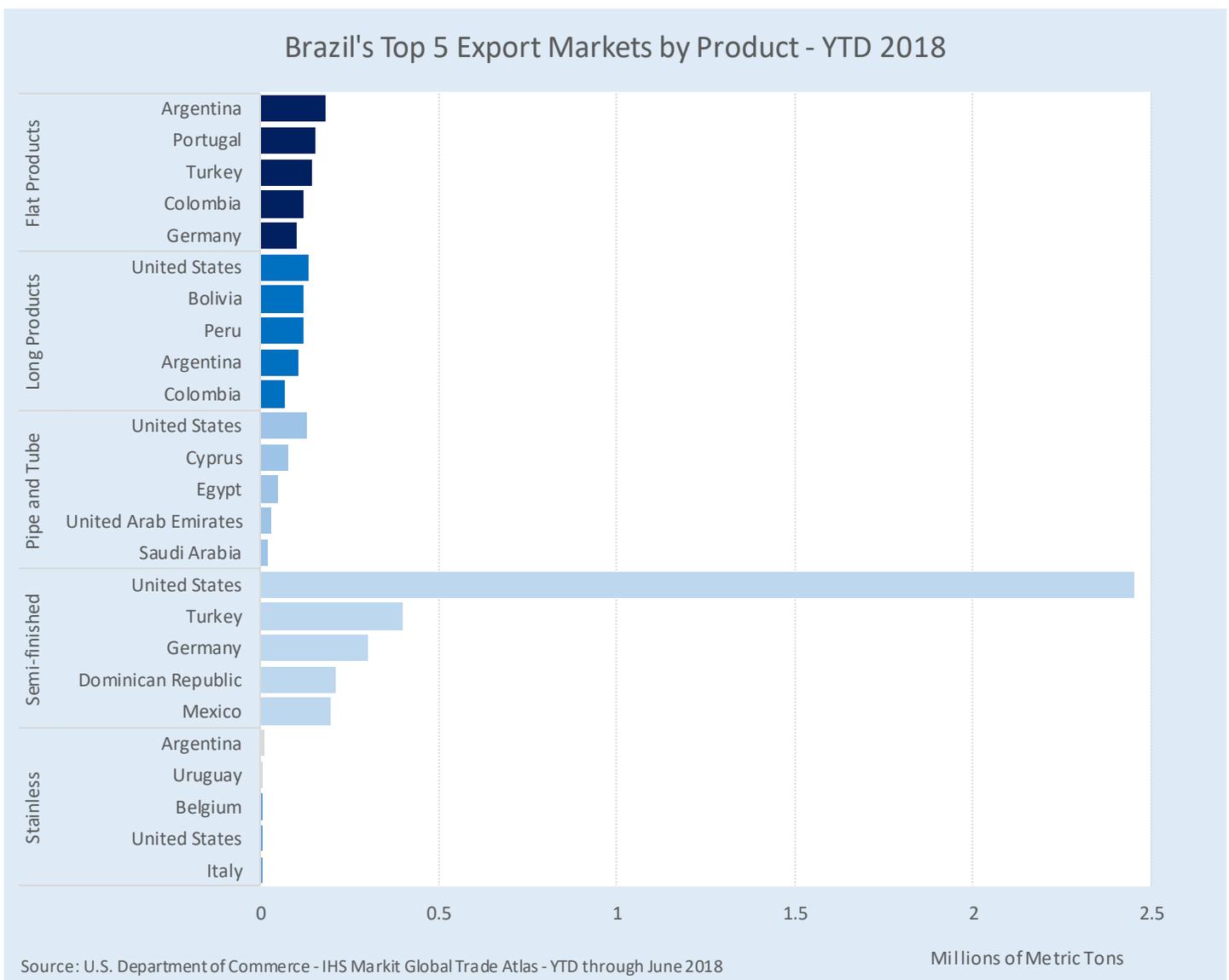
Additional notable changes of steel exports by volume in YTD 2018 were to 13-ranked Poland (+892%), 14th-ranked Belgium (+288%), and 22nd-ranked Egypt (+3,181%).

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Top Markets by Steel Product Category

Brazil's top export markets by volume vary by type of steel product. The United States led in three of the top five product categories in YTD 2018. The United States was the largest market for Brazil's long products at 17 percent (135 thousand metric tons). The United States also led as a destination for Brazil's exports of pipe and tube products (35% or 128 thousand metric tons) and semi-finished products (55% or 2.5 million metric tons).

Argentina was the largest market for Brazil's exports of flat products at 15% (183 thousand metric tons) and stainless products at 30 percent (11 thousand metric tons).



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Brazil's Import Market Share in Top Destinations

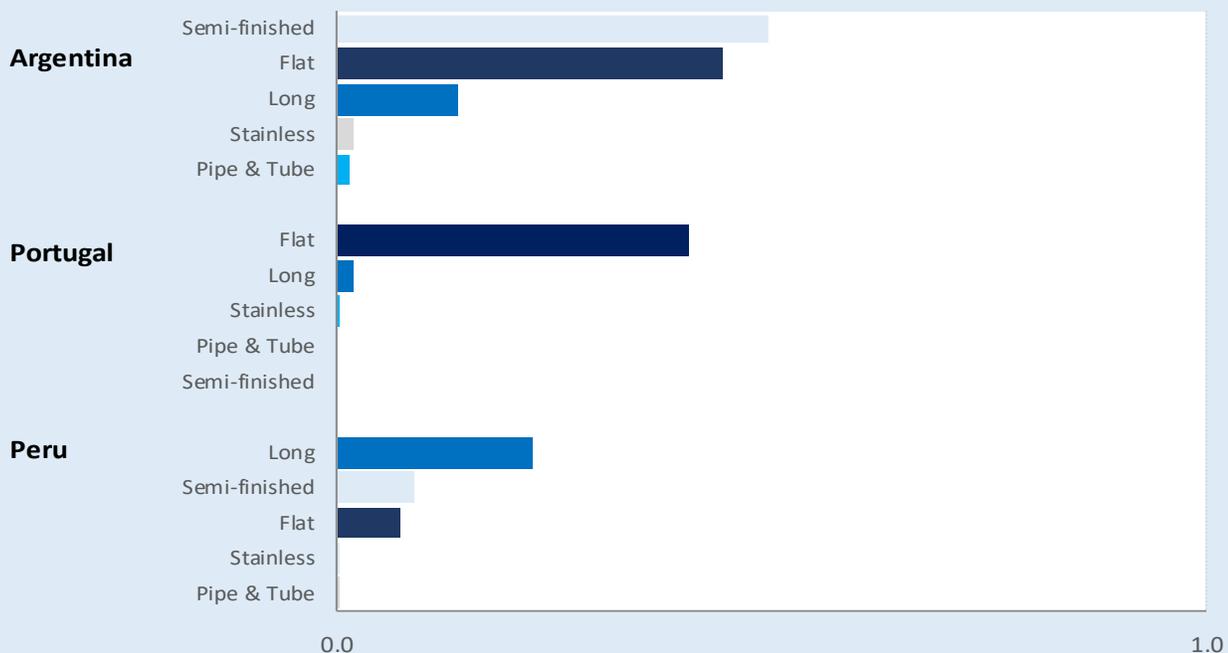
In 2017, the import market share for Brazil's steel products increased in seven of Brazil's top 10 export destinations. Countries with increases in their share of steel imports from Brazil included Argentina (up 8.8 percentage points from 2016), Portugal (up 5.1 percentage points), Peru (up 1.8 percentage points), Germany (up 0.8 percentage points), the United States (up 0.5 percentage points), Turkey (up 0.5 percentage points), and Colombia (up 0.4 percentage points). Mexico decreased its share of imports from Brazil by less than 1 percentage point.

Brazil's Steel Export Market Share						
Top 10 Export Markets	Share of Imports from Brazil-2016	Brazil's Rank in 2016	Share of Imports from Brazil - 2017	Brazil's Rank in 2017	Change in Share	
United States	13.0%	2	13.5%	2	↑	
Germany	0.5%	22	1.3%	15	↑	
Argentina	63.3%	1	72.1%	1	↑	
Turkey	3.1%	10	3.5%	10	↑	
Mexico	1.7%	9	1.2%	11	↓	
Portugal	9.1%	2	14.1%	2	↑	
Vietnam*	0.1%	12	N/A	N/A	N/A	
Peru	18.3%	2	20.2%	2	↑	
Colombia	14.7%	3	15.1%	4	↑	
Dominican Rep	45.3%	1	N/A	N/A	N/A	

Source: IHS Markit Global Trade Atlas, based on import data per reporting country
*Vietnam 2016 data unavailable

Among Brazil's top export markets, Argentina received more than 70 percent of its total steel imports from Brazil in 2017. Semi-finished and flat products accounted for 45 percent (498 thousand metric tons) and 40 percent (444 thousand metric tons), respectively, of Argentina's imports from Brazil, while nearly all of Portugal imports from Brazil were of flat products at 96 percent (403 thousand metric tons). Over 50 percent of Peru's imports from Brazil in 2017 were of long products (223 thousand metric tons).

Steel Import Composition of Top Market-Share Countries-2017

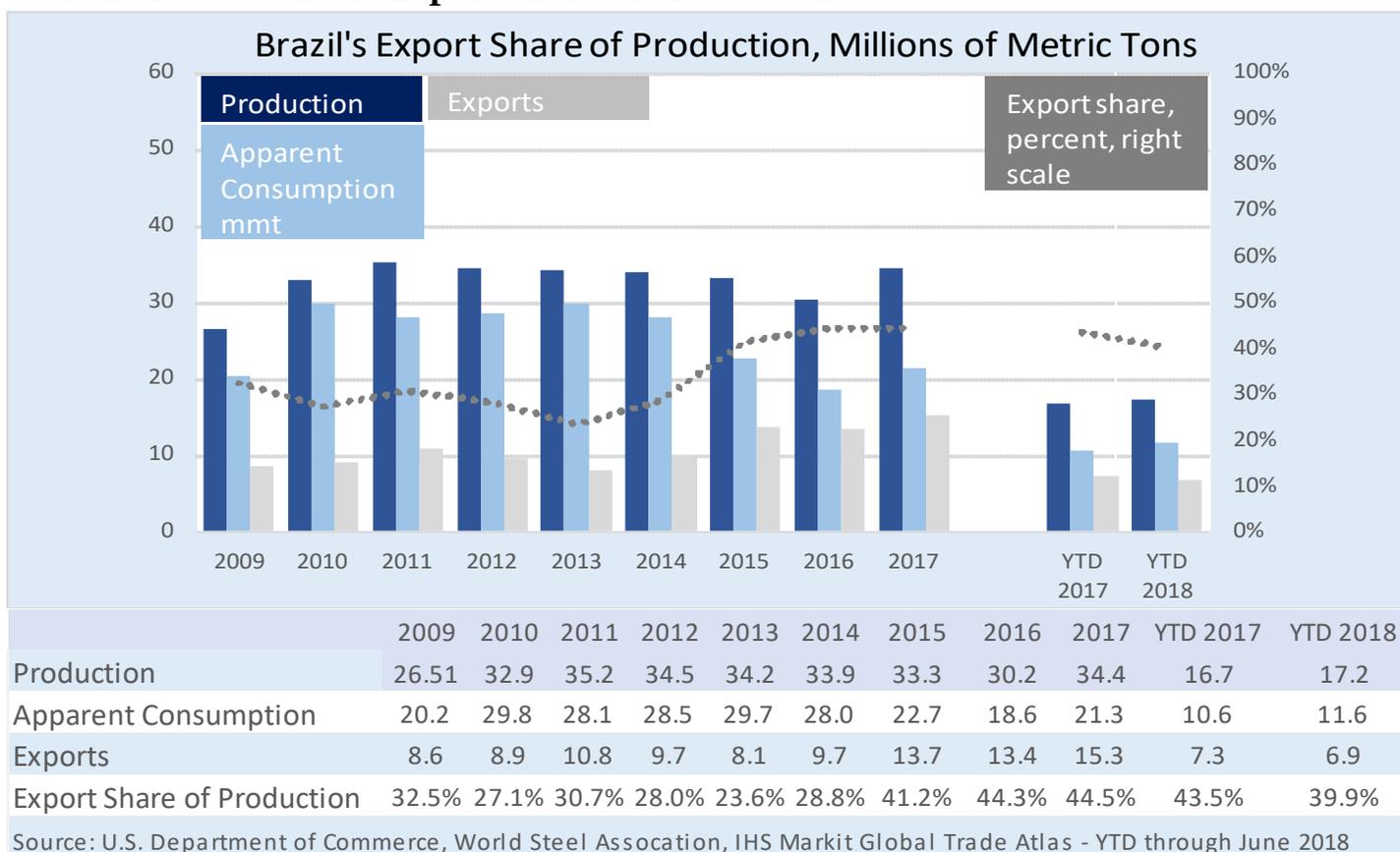


Source: IHS Markit Global Trade Atlas, based on import data per reporting country

Millions of Metric Tons

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Overall Production and Export Share of Production



Between 2016 and 2017, Brazil's crude steel production increased by 14 percent to 34.4 million metric tons. Through June, Brazil's production in YTD 2018 was up 3 percent from YTD 2017. Apparent consumption (a measure of steel demand) has also increased, up 9 percent from YTD 2017. Steel production has outpaced demand, and the gap between the two has increased 191 percent since 2013 to a total of 13.0 million metric tons in 2017. The YTD 2018 gap between production and demand was 5.6 million metric tons. Brazil's steel exports as a share of production declined from 43.5 percent in YTD 2017 to 39.9 percent in YTD 2018.

Top Producers

Steel production in Brazil is concentrated among four large companies — the majority of which are domestically-owned. Despite large reserves of iron ore in the country, Brazilian steel production uses a mix of iron ore-based blast furnaces and scrap metal-based electric arc furnaces.

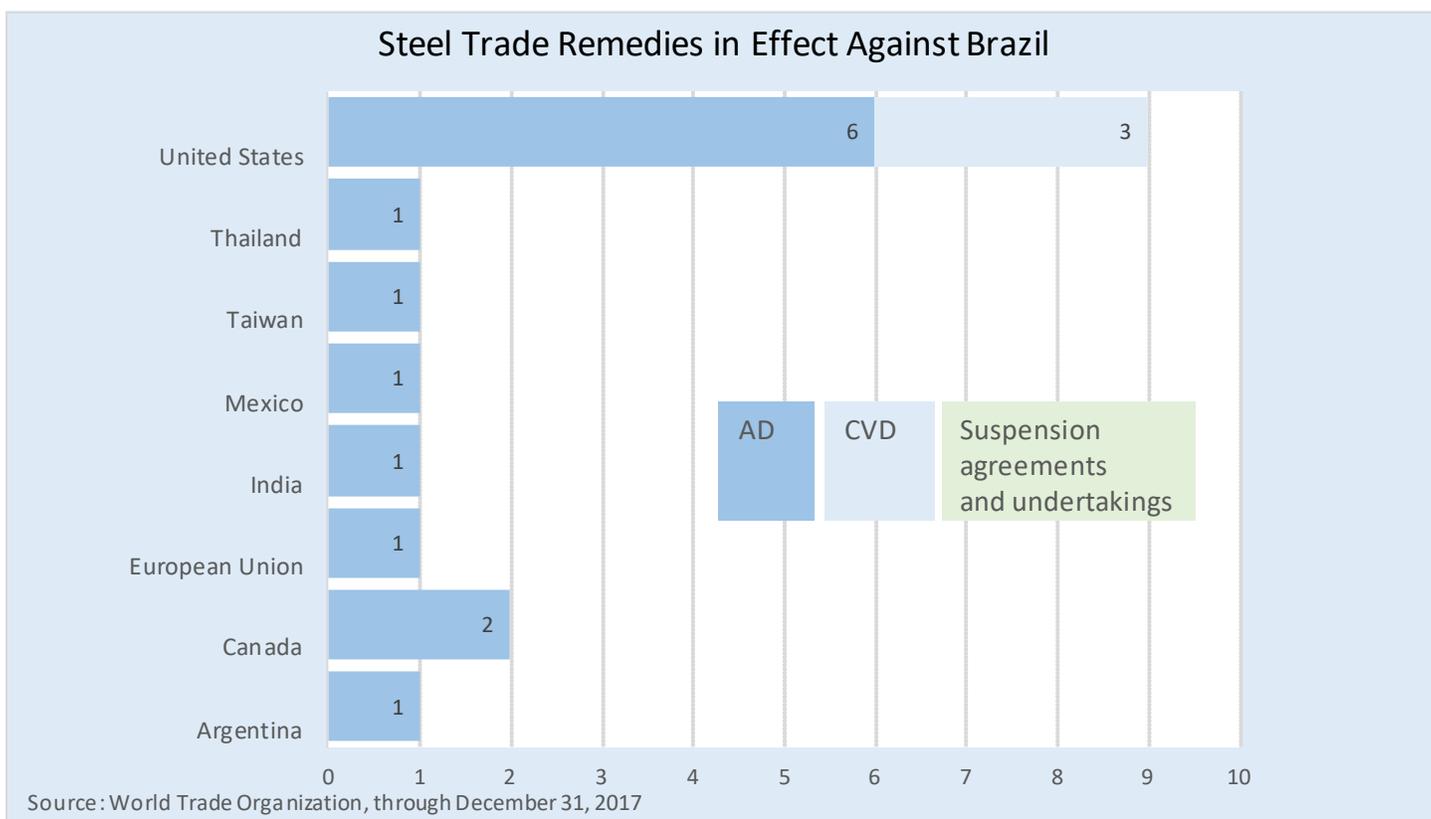
Brazil's Top Steel Producers in 2017			
Rank	Company	Production (mmt)	Main Products
1	Gerdau SA	26 (worldwide)	Long products, semi-finished products
2	ArcelorMittal Brasil	11.3	Long products, flat products
3	Usinas Siderurgicas de Minas Gerais SA (USIMINAS)	9.6	Cold-rolled strip, heavy plates, galvanized
4	Companhia Siderurgica Nacional (CSN)	5.6	Hot-rolled, Cold-rolled, galvanized, coated sheets

Source: World Steel Association; Hoover's; Bloomberg; Company websites

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Trade Remedies in the Steel Sector

Antidumping duties (AD), countervailing duties (CVD), associated suspension agreements, and safeguards are often referred to collectively as trade remedies. These are internationally agreed upon mechanisms to address the market-distorting effects of unfair trade, or serious injury or threat of serious injury caused by a surge in imports. Unlike anti-dumping and countervailing measures, safeguards do not require a finding of an “unfair” practice. Before applying these duties or measures, countries investigate allegations and can remedy or provide relief for the injury caused to a domestic industry. The tables below provide statistics on the current number of trade remedies various countries have against steel mill products from Brazil.



Global Steel Mill Safeguards in Effect

Country	Product(s)
India	1) Hot rolled steel in coils; 2) Hot-rolled steel flat sheets and plates
Indonesia	1) Articles of finishing casing and tubing 2) Flat-rolled products of iron or non-allow; 3) I and H sections of other alloy steel; 4) Bars and rods, hot-rolled, in irregularly wound coils
Malaysia	1) Hot-rolled steel plate; 2) Steel concrete reinforcing bar; 3) Steel wire rod and deformed bar-in-coil
Morocco	1) Cold-rolled sheets and plated or coated sheets; 2) Reinforcing bars and wire rods
Philippines	Steel angle bars
South Africa	Hot-Rolled steel flat products
Thailand	1) Hot-rolled steel flat products with certain amounts of alloying elements; 2) Unalloyed hot-rolled steel flat products in coils and not in coils; 3) Structural hot-rolled H-beams with alloy
Vietnam	Semi-finished and certain finished products of alloy and non-alloy steel

Source: World Trade Organization, through February 28, 2017

Steel Exports Report: Glossary

Apparent Consumption: Domestic crude steel production plus steel imports minus steel exports. Shipment data are not available for all countries, therefore crude steel production is used as a proxy.

Export Market: Destination of a country's exports.

Flat Products: Produced by rolling semi-finished steel through varying sets of rolls. Includes sheets, strips, and plates. Used most often in the automotive, tubing, appliance, and machinery manufacturing sectors.

Import Penetration: Ratio of imports to apparent consumption.

Import Source: Source of a country's imports.

Long Products: Steel products that fall outside the flat products category. Includes bars, rails, rods, and beams. Used in many sectors but most commonly in construction.

Pipe and Tube Products: Either seamless or welded pipe and tube products. Used in many sectors but most commonly in construction and energy sectors.

Semi-finished Products: The initial, intermediate solid forms of molten steel, to be re-heated and further forged, rolled, shaped, or otherwise worked into finished steel products. Includes blooms, billets, slabs, ingots, and steel for castings.

Stainless Products: Steel products containing at minimum 10.5% chromium (Cr) offering better corrosion resistance than regular steel.

Steel Mill Products: Carbon, alloy, or stainless steel produced by either a basic oxygen furnace or an electric arc furnace. Includes semi-finished steel products and finished steel products. For trade data purposes, steel mill products are defined at the Harmonized System (HS) 6-digit level as: 720610 through 721650, 721699 through 730110, 730210, 730240 through 730290, and 730410 through 730690. The following discontinued HS codes have been included for purposes of reporting historical data (prior to 2007): 722520, 722693, 722694, 722910, 730410, 730421, 730610, 730620, and 730660.

Global Steel Trade Monitor: The monitor provides global import and export trends for the top countries trading in steel products. The current reports expand upon the early release information already provided by the Steel Import Monitoring and Analysis (SIMA) system that collects and publishes data on U.S. imports of steel mill products. Complementing the SIMA data, these reports provide objective and current global steel industry information about the top countries that play an essential role in the global steel trade. Information in these reports includes global exports and import trends, production and consumption data and, where available, information regarding trade remedy actions taken on steel products. The reports will be updated quarterly.

Steel Import Monitoring and Analysis (SIMA) System: The Department of Commerce uses a steel import licensing program to collect and publish aggregate data on near real-time steel mill imports into the United States. SIMA incorporates information collected from steel license applications with publicly released data from the U.S. Census Bureau. By design, this information provides stakeholders with valuable information on the steel trade with the United States. For more information about SIMA, please go to <http://enforcement.trade.gov/steel/license/>.



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