

Brazil Steel Institute revises its 2011 forecasts

The Brazil Steel Institute revised its 2011 forecasts. The forecast crude steel output for this year is 36.3 Mt, 10.5% up from 2010, but below the initial forecast of 39.4 Mt. This revision reflects mainly expectations for a smaller growth of the domestic market due to the economy's slowdown, maintenance of high levels of inventory, and fierce competition coming from importations, particularly in steel-intensive sectors.

Exportations should total 12.2 Mt amounting to US\$ 8.5 billion, an increase of respectively 24.8% and 46.6% over 2010. Increased exportation volumes are mainly due to the expansion of the sector's production capacity and slabs supply.

Importations should reach 3.4 Mt by the end of the year, reaching a value of US\$ 4 billion, representing a decrease of respectively 42.4% and 27.3%. Nevertheless, importations still pose a threat as the causes leading to their increase persist: exchange rates, tax wars among States and steel supply surpluses in international markets.

Domestic sales should increase by 8.9%, reaching 22.5 Mt this year. The Brazil Steel Institute thus estimates Brazil's 2011 apparent consumption to reach 25.8 Mt of steel products, 0.9% down from 2010.

The fall in apparent consumption reinforces concerns in the industry regarding the Brazilian industry's decreased participation in the country's GDP, accelerated growth of importations of steel-intensive goods and strong reduction of the share of manufactured and semi-manufactured goods in the country's exportations.

The steel industry understands as fundamental and urgent the implementation of measures allowing the elimination of asymmetries jeopardizing the industry's competitiveness with the consequent reversion of the desindustrialization scenario presented above.



DESINDUSTRIALIZATION

Study indicates deindustrialization of Latin America

The industry has been losing room in Latin America's economy, especially due to currency valuation and the growing importation of manufactured goods, notably of Chinese origin, which have been leading to the region's deindustrialization, and Brazil is one of the countries most affected by the process. These conclusions are in the study "Performance of the Latin-American metal-mechanic value chain", coordinated by the Foreign Trade Studies Center Foundation (FUNCEX), upon request of the Latin American Iron and Steel Institute (ILAFA), including Brazil, Colombia, Argentina and Mexico, published today (12) by the Brazil Steel Institute in São Paulo.

Shrinking industry participation is more acute in Brazil and Colombia, countries with the highest currency valuation over the past years, the period recording the highest increases in importation figures. This situation also reflects the falling participation of manufactured goods in exportations and their consequent primarization. Such imbalance becomes clearer when observing bilateral trade between Latin American countries and China. The trade deficit grew from US\$ 17.4 billion in 2005 to US\$ 57.5 billion in 2010.

In the case of Brazil, the participation of the manufacturing industry in added value fell from 19.2% in 2004 to 15.8% last year. Importations increased systematically in practically all sectors of

the metal-mechanic industry. And the primarization of exportations is enhanced by comparing the participation of manufactured goods, which fell from 55% in 2005 to 39% in 2010. Despite our trade surplus, our trade balance with China is particularly imbalanced. Brazilian exportations comprise basically primary products, while manufactured goods in the metal-mechanic chain account for more than 60% of the goods imported from China to Brazil.

Among the causes, besides the currency exchange rate, tax asymmetries favouring importation, especially state incentives and special regimes, the tax burden over investments and exportations, besides high labor and energy costs. The Brazilian industry needs a broad and urgent set of measures aiming at eliminating or reducing competitive disadvantages arising from this situation compromising the country's international competitiveness, as well as the reinforcement of commercial defense mechanisms and incentive to a higher percentage of national contents in goods. The Brazil Steel Institute understands as necessary urgent measures to reverse the deindustrialization scenario demonstrated by the ILAFA study.



Board Member of Brazil Steel, Jorge Gerdau presides the CGDC



Jorge Gerdau Johannpeter,
President of CGDC

Businessman Jorge Gerdau Johannpeter, Chairman of the Board of Administration of Gerdau and member of the Board of Administration of the Brazil Steel Institute, has presided, since May/2011, the Chamber of Policies for

Management, Development and Competitiveness (CGDC), reporting to the Government Council of the President. The CGDC seeks to improve the public management, not only in the elaboration of quality control mechanisms for public expenditures, but also in the establishment of guidelines. "The President has decided to take into the Federal Administration the successful experience we had in several State Governments in the area of management, showing courage and commitment to the necessary changes the Country needs in this area", stated Jorge Gerdau. The Chamber has representatives of the Federal Government and of the civil society. Representing the Government, Ministers Gleisi Hoffman (Chief of Staff), Guido Mantega (Finance), Miriam Belchior (Planning) and Fernando Pimentel (Development, Industry and Commerce). Representing the civil society, besides Jorge Gerdau Johannpeter, businessman Abílio Diniz (owner of retailers Pão de Açúcar, Extra, CompreBem, Sendas and Ponto Frio); Antonio Maciel Neto (President of Suzano Papel and Celulose) and former Petrobras President Henri Philippe Reichstul. "I hope to contribute effectively to the improvement of public management processes and for improved systemic competitiveness of the business sector", said the council member.

"Ação Empresarial" under new general coordination

Josué Gomes da Silva took over general coordination of "Ação Empresarial", during inauguration dinner on August 01 in São Paulo. The position was formerly occupied by Jorge Gerdau Johannpeter, currently presiding CGDC. Also in the coordination of Ação Empresarial are Cristiano Buarque Franco Neto (Director of Legislative Issues at Brazil Steel) as Joint General Coordinator, and Marco Polo de Mello Lopes (Executive President of Brazil Steel) as Executive Coordinator.

- It is advisable to seek more involvement, more participation by all members of Ação Empresarial and we are bringing to the appreciation of all the creation of a Strategic Supreme Council, with the participation of Presidents of all Confederations, Federations and entities associated and Presidents of companies associated. This Council could meet every two months or every quarter, so as to coordinate efforts among all of us around the common goal, which is to improve our country's competitiveness and seek the common good – said Josué during his inauguration speech.

Ação Empresarial gathers 56 organizations, being 7 confederations, 7 federations and 42 associations, institutes, unions and corporate groups.



Josué Gomes da Silva, Coordinator
General of the 'Ação Empresarial'

Brazil Steel holds Seminar on the Steel Industry for Journalists in SP

The Brazil Steel Institute held two more editions of the Steel Industry Seminar for Journalists, in Rio de Janeiro (Aug 30 and 31) and São Paulo (Sep 12). The event, now in its third cycle, gathered approximately 60 participants in each city, among journalists and journalism students. During the opening of the seminar, Brazil Steel Executive President Marco Polo de Mello Lopes introduced the Brazil Steel Institute to the attendees, talking about its operational focus and the nature of the work developed.

"The steel industry in Brazil and in the world", "Brazil's steel market: evolution and development", "Environmental sustainability in the steel industry" and "Steel, characteristics, processes and products" were the subjects presented by the Brazil Steel Institute executive management. Besides the executive president, Director of Market and Economy Cátia MacCord, Director of Institutional Subjects and Sustainability Maria Cristina Yuan and Quality Manager Fernando Matos.

Second edition of the Steelville innovates with focus on sustainability

A success at the 22nd Brazilian Steel Conference and ExpoSteel 2011, the Steelville 2011 has also been to the Construction Expo, a civil construction fair held in São Paulo, between Aug 10-13. A sample city presented by the Brazil Steel Institute in a space of approximately 1,400 m², the Steelville is meant to present everyday applications for steel, in the industry, transportation, infrastructure and in the country, offering new alternatives for civil construction and also various forms of using steel co-products in civil construction, pavement, ceramics, agriculture and cement. The use of co-products turns potential environmental liabilities into assets, and



reduces consumption of non-renewable natural resources such as limestone used in the production of cement. Co-products may also be used in soil pH correction, slope containment and production of fertilizers. Over 10,000 people have visited Steelville 2011, this year alone.

The first edition of the Village took place together with the 21st Brazilian Steel Conference & ExpoSteel 2010 in São Paulo. After that, the sample city was presented at

the Cities Conference in Brasília; at Inovatec, in Belo Horizonte; at ExpoAcabamento, in Porto Alegre and at Rio Infraestrutura, in Rio de Janeiro, with a total 21 thousand visitors.

CCABrasil launches its institutional website

The institutional website of CCABrasil, the Brazil Steel Center for Co-Products is up and running. The Center is an initiative aiming at preserving non-renewable resources and at the development of the country, managed by the Brazil Steel Institute.

The CCABrasil is an important step towards fostering the development of co-products to meet various applications, in terms of quality and sustainability. The quality of Brazilian steel is worldly renowned, and CCABrasil will work to ensure the same quality to the sector's other products.



The address of the website is www.ccabrasil.org.br

The Brazil Steel Institute carries on changes in its corporate management

The Brazil Steel Institute promoted new changes in the positions of its executives, following the process of changes in its corporate governance that started in 2010. Catia MacCord (Market and Economy), Cristina Yuan (Institutional Matters and Sustainability) and Débora Oliveira (Image and Communications) became Directors of the Brazil Steel Institute. Upon the hiring of Cristiano Buarque (Director of Legislation Matters), together with Technical Director Rudolph Buhler and Executive Manager Mônica Aguiar, they form the Board of Administration of the Brazil Steel Institute, chaired by Executive President Marco Antonio de Mello Lopes. The new governance followed an image survey which showed an inaccurate perception about the sector. In 2009, the Institute underwent changes in its name and visual identity, and it came to invest in a closer relationship with various stakeholders so as to reduce the gap between the identity and the image perceived by the sector. The Institute became then more agile in the sector's defense and reinforces its position as representative of Brazilian steelmakers.

FIGURES

SPECIFICATION	JANUARY/AUGUST		Unid.: 10 ³ t
	2011	2010	11/10 (%)
PRODUCTION			
CRUDE STEEL	23.908	22.176	7,8
ROLLED PRODUCTS	16.996	17.548	(3,1)
SEMI-FINISHED FOR SALE	5.338	3.677	45,2
DOMESTIC SALES (*)	14.513	14.421	0,6
FOREIGN TRADE (**)			
EXPORTATIONS (10 ³ t)	7.583	5.403	40,3
(US\$ Million)	5.824	3.351	73,8
IMPORTATIONS (10 ³ t)	2.495	3.827	(34,8)
(US\$ Million)	2.975	3.434	(13,4)
APPARENT CONSUMPTION (***)			
FLAT STEEL	9.402	10.602	(11,3)
LONG STEEL	7.485	7.336	2,0

(*) Excludes intra-park sales

(**) Includes semi-finished, rolled products, welded pipes, drawn products from mills and independent companies

(***) Excludes sales within the park and importations by steel mills for transformation

Source: Brazil Steel/MDIC-SECEX

EVENTS



Date: 13 - 15, november, 2011

Place: Windsor Barra, Rio de Janeiro - RJ (Brazil)

Sponsor: Instituto Aço Brasil

Site: www.ilafa.org

Organization: Ilafa

Date: 26 - 28, june, 2012

Place: Transamérica Expo Center, in São Paulo

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