



Brazil Steel presents lower revised forecasts

Steel importation prevents creation of new jobs and investments in the steel chain

Despite the all-time high output forecast for 2011 of 35.3 Mt – fostered mainly by CSA's going into operations – this was a difficult year for the Brazilian steel industry. The Brazil Steel Institute had to revise its forecasts for the year, which have come out lower. The exceeding steel production capacity compared to demand remains high worldwide (500 Mt) and in Brazil as well (20.2 Mt). Like other countries in Latin America, Brazil has been suffering deeper deindustrialization caused by increased direct and indirect steel importation. The metal-mechanic chain has been strongly impacted. The share of the manufacturing industry in value added fell from 18.1% in 2005 to 15.8% in 2010. Furthermore, over 60% of China's exportations to Brazil are of metal-mechanic goods. "Given this scenario, we have had to bring our 2011 crude steel output forecasts down by 3%", said the President of the Board of Brazil Steel, André B. Gerdau Johannpeter.

Importations of steel products in the year are estimated at 3.7 Mt, 37.9% down from the previous year, though still higher than historical levels. Apparent consumption should reach 25 Mt, 4.3% down from 2010. Domestic sales should present an increase of 3.8% compared to 2010, reaching 21.5 Mt, still below 2008 pre-crisis levels. Steel exportations in the period should total 10.7 Mt and US\$ 8.3 billion, an increase of 19.4% in volume and of 43.1% in value, compared to 2010.

In view of the country's macroeconomic projections for 2012, Brazil Steel estimates that the apparent consumption of steel products should be of 26.7 Mt, an increase of 7.1% "We understand that the post-crisis world is far more complex and competitive, which enhances the importance of preserving the domestic market by correcting competitive and tax asymmetries", said the Executive President of the Brazil Steel Institute, Marco Polo de Mello Lopes, pointing out the strategic importance of the sector for economy of the country.

IMPACT ON EMPLOYMENT LEVELS – Preliminary data from a study contracted by the Brazil Steel Institute from Fundação Getúlio Vargas (FGV), assessing the importance of steel in the Brazilian economy, indicates that the participation of the steel sector in the country's GDP is 4%. Although the sector is not personnel-intensive, it impacts on sectors which are. Each job created in the steel industry generates other 23 throughout the chain. If the imported volume of steel in 2010 of 5.9 Mt had been produced in Brazil, it would have generated 582 thousand jobs.

The post-privatization period (1994-2010) saw investments amounting to US\$ 34.1 billion. Although the sector has planned investments of over US\$ 5 billion over the next years, the current scenario of global crisis has led companies in the sector to revise the implementation schedules of new projects.

(Legenda da foto) - Marco Polo de Mello Lopes, Executive President of the Brazil Steel Institute, Andre Gerdau Johannpeter, President of the Board, and Fernando Blumenschein, Projects Coordinator of FGV.



Marco Polo de Mello Lopes, Executive President of the Brazil Steel Institute, Andre Gerdau Johannpeter, President of the Board, and Fernando Blumenschein, Projects Coordinator of FGV.

Port war prevents the creation of 770 thousand jobs in Brazil

While Brazil poses before the world as a rising economic power and consolidates itself in a world market still suffering the effects of a global economic crisis, 12 states in the country offer tax incentives for imported products, which jeopardize the competitiveness of national goods and have a negative impact for Brazilian workers. Over 700 thousand jobs were not created since 2010 because of such incentives. Such jobs would have brought forth a GDP increase of R\$ 18.7 billion. Add that to the valuation of the Real, increasing interest rates and the high tax burden, and the result is the current delicate scenario for the Brazilian industry.

Twelve states offer ICMS incentives to attract foreign investments, comprising a tax benefit reaching 10% of the value of imported goods. However, such reduction brings no benefits to the consumer, since the importer grabs hold of this "premium". The state granting the incentive is not punished either, since it receives 3% of the taxes paid. The tab is actually picked up by the state where the goods are purchased by the final consumer. However, the

worst consequence is the exportation of jobs to other countries. For example, all steel imported enjoying tax incentives by the state of Santa Catarina in 2010 is equivalent to the output of a mill with 4,500 Brazilian employees.

The industry is not against importation. It is part of the rules of the market. But the industry can not agree with the distortions caused by mechanisms that value the foreign product to the detriment of the national one. This is unfair competition. It makes the country run the serious risk of having its domestic production replaced by importations.

The Senate is expected to approve Bill of Law 72/2010, which will eliminate interstate ICMS, the sole financing source of this war, thus eliminating one of the main factors hindering the competitiveness of the Brazilian industry, which already suffers from the valued Real and the heavy taxation burdening national production.



Exhibit of Steel Sculptures

The Brazil Steel Institute and the Villacero Foundation sponsored the exhibit of Steel Sculptures, at the Banco do Brasil Cultural Center in Rio de Janeiro, between November 19 and December 18 2011. The event presented works by 10 Brazilian artists, who stimulated the visitors towards a new way to look at steel. The exhibit comprised 20 pieces, all in steel, exploiting the various possibilities of tridimensionality in Brazilian contemporary art.

Under the curatorship of the Villacero Foundation's Guillermo MacLean, and sponsorships from Aperam, ArcelorMittal, Gerdau, Sinobrás, Thyssenkrupp CSA, Usiminas and Votorantim Energia, the exhibit Steel Sculptures arrived in Rio as part of an initiative comprising so far 14 exhibits in seven countries of three continents, with the main aim of presenting different alternatives for converting steel, a material largely used in constructions and industries, into pure art. The sculptures show the versatility of the material in shapes that range from the finest detail, from a filigree to the monumentality of pieces imposing their own strength and fortitude.

The CCBB organized, with the support of Brazil Steel, a special edition of the "Practices and Reflections" workshop, for public school teachers, with the presence of artist Caciporé Torres. The workshop involved the discussion of the role of sculptures in the urban social context through the artist's work.



Exhibition visitor's



Antonio Spinosa

CBCA releases Steel Structure Magazine

The CBCA – Brazilian Center of Steel Construction released a virtual technical-scientific magazine on steel construction – Steel Structure Magazine. The magazine provides an as yet non-existent space for professionals to publish their scientific articles or technical notes on subjects related to steel structures and to mixed concrete-steel structures. The magazine will have editorial independence and be supported by three editors and a qualified number of collaborators in the structural engineering academic field. According to CAPES, a necessary condition for a quality magazine is to be supported by a national association.

CCABrasil presents experiences with co-products at international conference in the USA

The CCABrasil, Brazil Steel Co-Products Center, was one of the highlights at the Annual Meeting of the NSA – National Slag Association, in Pensacola Beach, USA. The CCABrasil presentation was attended by 180 people and addressed the Brazilian experience in the development of applications and uses for steel aggregate in the country. Held between September 26-29, the NSA Annual Meeting had 29 presentations by specialists from several countries, who addressed the best practices, technical and marketing strategies for and environmentally correct uses of steel aggregates (the material of the event is available at www.ccabrasil.org.br).

At the event, the NSA, in the person of its President Karen Kiggins, was invited to participate of CCABrasil as a collaborator, aiming at the exchange of information and experiences relevant to the use of steel aggregate between the two entities.

Furthermore, PhD Aleksandra Drizo, specialist in the use of steel aggregate for treatment of effluents, with projects in New Zealand, the US, Taiwan and France, was invited to share her experience with the Board of Management of CCABrasil during a meeting to be held in January, 2012, in the city of Vitória-ES.

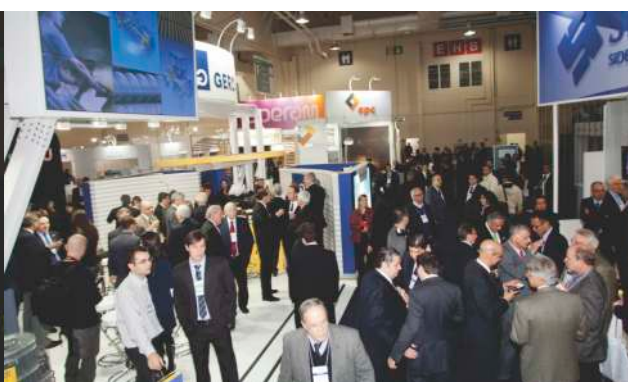
EVENTS

BRAZILIAN **STEEL** CONFERENCE 23rd EDITION & ExpoSteel | 2012

The most important event in the steel chain, organized by the Brazil Steel Institute, will be held between June 26-28, 2012, at Transamérica Expo Center, in São Paulo. The Event will have the presence of important Brazilian and foreign participants and will address the main issues interesting to the steel production chain in Brazil and worldwide. Besides the lectures, congress participants and visitors will be able to visit ExpoSteel 2012, a business fair gathering representatives of steel and mining companies and suppliers of equipment, services and technological innovation for the steel chain. During the last edition, in 2011, approximately 3,500 businesspeople visited the stands at the event, which was sponsored by ArcelorMittal, Gerdau, Usiminas, Votorantim Siderurgia, Vale, CNI, V&M do BRASIL, Thyssenkrupp CSA, Sinobras, White Martins, CBMM, Techint, Aperam, Villares Metals, Harsco Metals, EPC Engenharia, Enesa, Air Liquide and Caixa.



John Lichtenstein, Director of Accenture



Visitors at ExpoSteel



Alexandre Tombini, President of the Central Bank and Andre Gerdau Johannpeter, President of the Board, visit the Steel Village.

23rd Brazilian Steel Conference & ExpoSteel 2012

Date: June 26-28, 2012

Venue: Transamérica Expo Center, São Paulo

Organization: Brazil Steel Institute

Site: www.acobrasil.org.br/congresso2012

52nd ALACERO Congress

Brazil Steel actively supported the organization of the 52nd Latin American Steel Congress (ALACERO), between November 13-15, 2011, in Rio de Janeiro. Among the Institute's activities were support in the definition of subjects for panels and speakers; organization of the guests' program and Congress closing party in Ilha Fiscal, as well as the organization of industrial visits, with the support of Gerdau and Thyssenkrupp CSA. Brazil Steel also participated in the launch of the entity's new brand and brand name, changing from Latin American Iron and Steel Institute to Latin American Steel Association (ALACERO).



Closing party of Alacero 52

STATISTICS

The Brazilian accumulated crude steel output over the period January-November 2011 was of 32.5 Mt, 6.5% up from the same period in 2010. Regarding rolled products, the accumulated output in the year was of 23.3 Mt, 1.8% down from the previous year. Despite the fall verified among rolled products, the output of crude steel increased in the January-November period due to the production of semi-finished products, up by 33.9%, mainly due to CSA, which contributed to the growth of 42.3% in slabs output in 2011.

Regarding domestic sales, the 2011 accumulated result was of 19.9 Mt, 2.9% up from the same period in the previous year. The analysis of the sectorial distribution of domestic sales shows that most industrial consuming sectors of steel products presented growth rates of little significance, complying with the figures presented by the IBGE in

the last Monthly Industrial Survey (PIM), which indicates an accumulated rate increase by the industry of only 0.7% between January and October 2011.

The poor sales performance of the sector and of the national production is the reflex of the high volume of importations of manufactured products. Between January and November 2011, a total 3.4 Mt of imported steel products were recorded, while indirect steel importations (steel contained in imported goods) reached 4.5 Mt of steel contained, an increase of 19.2% over the same period of the previous year. Therefore, total importations of steel over the period, direct and indirect, reached 7.9 Mt. The the indirect steel trade balance (Indirect Exportations – Indirect Importations) forecast for 2011 is negative by 2.1 Mt, a balance which was positive by the same amount in 2005.

