

Brazil's Steel to Invest US\$ 13 Billion

Contributed by Carolina Pimentel
Wednesday, 19 January 2005

The Brazilian steel sector will invest US\$ 13 billion on expansion through 2010. The sector expects to spend US\$ 2.5 billion this year and US\$ 3.5 billion in 2006.

It is estimated that up to 70,000 temporary jobs will be created during the construction phase and 40,000 permanent positions thereafter.

This information was provided by the vice-president of the Brazilian Steel Institute (IBS), Luiz André Rico Vicente, following a meeting with President Luiz Inácio Lula da Silva in the Planalto Palace.

Vicente also said that the sector hopes that 2004's outstanding performance will be repeated this year.

Earnings soared 40% last year. He cautioned, however, about the possible negative impact of raw material price increases.

In his view, iron ore prices could rise 35-40%. As for coal, the price per ton could increase from US\$ 60 to US\$ 120.

Vicente informed that there is no maneuvering room in this case, since most of the coal used in Brazil comes from other countries, such as the United States and Canada.

Vicente affirmed that President Lula expressed concern over the impact of price increases on inflation.

"The big goal, according to what he told us, is the stability of inflation. This is the goal that favors the country's poor classes the most. We shall have to do all we can to collaborate with the government in this policy," he stated.

He said that he did not converse with Lula about price controls.

The representative of the steel mills hopes the government will continue to maintain contractual rules.

"This Administration, so far, has been exemplary when it comes to maintaining the established rules. Changes in direction are non-existent," he emphasized.

The Ministers of Finance, Antônio Palocci, and of Development, Industry, and Foreign Trade, Luiz Fernando Furlan, were also present at the encounter.

Translation: David Silberstein
Agência Brasil