Metals & Mining

From Macro to Micro: Data improves; tariffs still weigh heavy

LatAm Metals & Mining

Main takeaways on China:

(i) As a retaliation, China imposes **tariffs of 34%** on all **US products** from **April 10,** in addition to **restricting exports** of **rare earth mineral resources** and sanctioning **27 US companies**; the measure marks a new escalation in the trade war and raises geopolitical risks for global chains; **(ii)** Trade triangulation strategy via Southeast Asia was weakened with the imposition of specific tariffs on **Vietnam** (46%), **Thailand** (36%) and **Taiwan** (32%), reducing the effectiveness of alternative trade channels; **(iii) Caixin's manufacturing PMI** rises to **51.2pts** (+0.4pt m/m), the **highest level in 4M**, with a rise driven by exports and inventory rebuilding; the sub-index for new foreign orders grows at the strongest pace in 11M, reflecting **frontloading** in the face of the tariff hike; **(iv)** Despite the rise in production (52.2pts), output prices continue to fall for the 4th consecutive month, while industrial employment remains below the expansion line (48.1pts), reflecting pressured margins and a low willingness to hire; **(v) Services PMI** rises to **51.9pts** (+0.5pt m/m), supported by domestic demand, but the employment **sub-index falls at the strongest pace in 11M**, signaling structural fragility in the labor market and pressure on consumer confidence; **(vi) Composite PMI** reaches **51.8pts**, the highest level since Nov/24, sustained by the synchronized improvement between industry and services, but sales prices fall for the 4th consecutive month and business optimism drops slightly compared to Feb/25; **(vii)** We believe that the **relief seen in the March PMIs** is a **one-off**, sustained by fiscal stimulus and anticipation of foreign orders, and that the continuity of the recovery will depend on a more incisive response from economic policy, especially via stimulus to consumption.

This is another edition of our weekly report on the **Metals & Mining sector**, focusing on **Macroeconomics** in **China** and **market sentiment**. This week's series is part of the **"From macro to micro"** sequence. This report refers to **week 2** of **April 2025.**

This series of reports aims to update investors on the **main macroeconomic data** in **China**, with a focus on their correlation with the Metals & Mining sector. Market dynamics in China directly affect mining companies, as well as indirectly affecting steel mills in Brazil. Therefore, we believe it is necessary to analyze the macro without losing focus on the micro. We believe that this series of reports will be essential for monitoring the sector fundamentals that reverberate in the investment theses of the companies we cover in the sector (**Vale, CMIN, Gerdau, CSN** and **Usiminas**).

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Companies

VALE US Equity
Buy

Price: US$ 8.79 (7-Apr-2025)
Target Price 12M: US$ 11.40 (NYSE)

VALE3 BZ Equity
Target Price 12M: R$ 65.20 (B3)

CMIN3 BZ Equity
Neutral

Price: R$ 5.65 (7-Apr-2025)
Target Price 12M: R$ 5.75

GGBR4 BZ Equity
Buy

Price: R$ 15.15 (7-Apr-2025)
Target Price 12M: R$ 23.40

CSNA3 BZ Equity
Neutral

Price: R$ 8.23 (7-Apr-2025)
Target Price 12M: R$ 9.50

USIM5 BZ Equity
Neutral

Price: R$ 5.34 (7-Apr-2025)
Target Price 12M: R$ 6.00

Policy and Market sentiment

Escalating tariffs intensify geopolitical tensions and jeopardize the stability of global chains. The trade dispute between China and the United States has **reached a new level of severity**, with the announcement of **reciprocal tariffs** of **34%** on **bilateral trade** as of **April 10**. In response to the measures imposed by Washington, Beijing adopted a wide range of countermeasures, including **restrictions** on the **export** of **rare earths** - strategic inputs for high-tech and defense industries - as well as the **inclusion** of **27 US companies** on trade **sanctions** lists and export controls.

The Chinese authorities called the US measures a direct affront to WTO rules and an example of protectionist unilateralism. Additional actions include the **immediate suspension** of specific **agro-industrial imports** and the **opening** of **antitrust** and **anti-dumping investigations against US companies** operating on Chinese territory.

In this way, we see that this **upsurge** in **trade hostilities** is likely to **deepen uncertainties** about the governance of the multilateral trade system, increasing the **risks** for global supply chains and putting pressure on the macroeconomic environment at a time when the Chinese economy is still incipiently recovering. The depreciation of the yuan and the negative correction in local stock markets illustrate the **increase** in **risk aversion** in the face of **escalating tensions** between the world's two largest economies.

China may find loopholes to continue exporting to the US. We believe that the macroeconomic indicators for 1Q25 reveal a mixed outlook for China's export cycle, amid growing downside risks looking at the power of the tariffs applied by the Trump administration. We note that China's trade data from January to February shows a moderation in shipments to the US, although current levels remain higher than the historical average. In addition, there was a notable acceleration in exports to the US from Taiwan, Singapore, Thailand and Vietnam, although the increases varied significantly between these countries. Our understanding is that it is possible that China is diverting trade through surrounding countries to reach the US, bypassing the application of tariffs.

However, as we commented in the previous report, it seems to us that the major tariff move announced by Trump on April 2 will also directly impact **China's strategy** of **indirect trade** through partners in **Southeast Asia**, since the package included **country-specific tariffs**, especially on Vietnam (**46%**), Thailand (**36%**), Taiwan (**32%)**, Cambodia (**49%**), Malaysia (**24%**), Indonesia (**32%**), South Korea (**25%**) and Japan (**24%**). We believe that this **move undermines** the **trade triangulation model**, in which Chinese goods were partially redirected or relabeled via intermediary countries before reaching the US. As a result, alternative outlets will now become more restricted and less advantageous. Considering that the tariff for China will remain at 34%, it would no longer make sense to ship products via Cambodia, Vietnam and Thailand, and would reduce the spread mainly in Taiwan and Malaysia.

Chinese manufacturing surprises positively, but still reluctant vis a vis imposition of caution. Despite the positive surprise, our view is that **the domestic scenario remains challenging** with the labor market still weak, signaling a **still fragile domestic demand** and **slightly shrinking business confidence**. In addition, **deflationary pressures** persist input costs fell for the first time in 6M, and factory output prices recorded their 4th consecutive drop, signaling a horizon of economic slowdown. Even though companies have increased their inventories of raw materials, suggesting that activity is expected to continue in the short term, **industrial confidence fell** vs. **February**. Given this, our understanding is that there is a need for more **proactive** and **immediate macroeconomic policies** to sustain the recovery, especially those that encourage the Chinese to spend.

Even so, for the Metals & Mining sector, we highlight the positive surprise of the March industrial PMI, with expansion driven by **exports** and **inventory rebuilding**, which should bring tactical relief to it by sustaining the need for iron ore and spot prices in the short term. However, the combination of **(i)** still weak domestic demand for durable goods; **(ii)** the persistence of deflationary pressures and **(iii)** the worsening trade war with the US imposes caution for the medium term, given the **risk** of a **Chinese industrial slowdown** and **greater global competition for the redirection of metal surpluses**.

Macroeconomics

Chinese industry reacts to early orders and public stimulus. We believe that the main cause of the rise in the manufacturing PMI was **the recovery in orders**, with the new orders sub-index rising to 51.8pt. - the highest reading since March 2024. Our understanding is that part of this improvement stems from the behavior of international buying companies that are anticipating orders in the face of the tariff escalation promoted by the US - driven by "**Liberation Day**" (a symbolic date named by the Trump administration) and its reciprocal tariffs expected for **April 4** - which have already imposed a cumulative tariff of +20% on any Chinese products. The expectation of new punitive measures led to the frontloading of exports, temporarily sustaining manufacturing activity.

On the domestic side, **the increase in orders** also reflects the **initial impact** of a new round of **fiscal stimulus** and **monetary easing**, with emphasis on increased spending on infrastructure and programs to encourage consumption, such as the "cash for clunkers" plan, aimed at exchanging durable goods for new ones. Industrial production responded, rising to 52.2pt. in the corresponding sub-index, indicating a gain in pace at the factories. Despite this, **the output prices sub-index contracted**, indicating that even with an increase in demand, the manufacturing sector was unable to pass on prices, which reinforces the ongoing deflationary pressure.

In addition, **the industrial employment sub-index** continued to decelerate, reaching **48.1pt** (below the 50pts line, which would indicate expansion). Although the deceleration was at a slower pace than the February reading, as we commented earlier, for us the employment sub-index has become one of the most important for monitoring market sentiment, since it still reveals the reluctance of industries to expand their workforce in the face of external instability and squeezed margins.

Table 1. China PMIs - All expanding and above consensus

March, 2025	Actual	Consensus	diff	Prior	diff
Manufacturing	50,5pts	50,3pts	+0,2pt	50,2pts	+0,3pt
Non-Manufacturing	50,8pts	50,6pts	+0,2pt	50,4pts	+0,4pt
Caxin Manufacturing	51,2pts	51,1pts	+0,1pt	50,8pts	+0,4pt
Caxin Services	51,9pts	51,6pts	+0,3pt	51,4pts	+0,5pt

Source: NBS, Bloomberg, Genial Investimentos

Services accelerate in March, but there are external uncertainties and weaknesses in employment. Activity in China's services sector advanced in March, with the services PMI measured by Caixin/S&P reaching **51.9pts** (+0.3pt vs. consensus; +0.5pt m/m;), the highest level since December and in line with the improvement also captured by the official NBS survey (50.3pts). We believe that the performance reflects the gradual recovery in domestic demand - with the new business sub-index marking the highest level of the last 3M-, driven by stimulus policies and more active commercial strategies.

However, despite the positive signs in activity and the optimistic business sentiment for the next 12M, the sector continues to face important challenges. The employment component fell again, this time at the sharpest pace in 11M, reflecting both voluntary layoffs and cuts motivated by cost pressures. In addition, sales prices fell for the second consecutive year, reaching their sharpest decline in 6M, in an environment marked by intense competition and limited pass-through of input costs, which rose again in the period.

In addition, the external scenario adds a layer of uncertainty to the economic dynamics. The US government's recent decision to impose additional tariffs on Chinese products - raising the total rate to 54% (2 sections of 10% each + 34% announced on Liberation Day) - threatens export performance and could contaminate the outlook for hiring and domestic consumption, especially considering that the services sector already accounts for ~57% of China's GDP and employs ~48% of the workforce.

Private sector activity hits 4M peak, but the labor market remains under pressure The composite PMI measured by Caixin/S&P rose to 51.8pts in March (+0.3pt m/m), the highest level since November and the 17th consecutive reading in expansionary territory. We believe that the advance reflected the acceleration in both the industrial sector and the services segment. We saw a consistent rise in the volume of new orders - including exports - and growth in orders in hand for the second month in a row. However, despite the improvement in activity, employment fell again, with cuts concentrated in the services sector.

On the inflation front, sales prices fell for the 4th consecutive month, while input costs fell the most in almost five years, albeit marginally, showing competitive pressures and difficulties in passing them on. Business sentiment improved, underpinned by the prospect of continuity in domestic momentum, albeit slightly lower than in February.

PMIs with temporary relief driven by orders. The Chinese economy showed clear signs of stabilizing in the short term in March, with the activity indices (PMIs), measured by the NBS and released earlier this week, ending up beating expectations and pointing to expansion in both the manufacturing and services sectors. The **official manufacturing PMI** rose to **50.5pt.** (+0.2p.p. vs. consensus; +0.3p.p. m/m), reaching the **highest level in 12M**, while the **non-manufacturing PMI** advanced to **50.8pt**. (+0.2p.p. vs. consensus; +0.4p.p. m/m). Despite the positive bias, our understanding is that relief should be perceived as **transitory**, given the uncertain geopolitical environment and persistent structural challenges.

The **manufacturing PMI** released by **Caixin/S&P Global** at the start of the week rose to **51.2pt** (+0.1pt vs. consensus; +0.4pt m/m), the **highest reading in 4M**, confirming a moderate upturn in manufacturing activity. We believe that the advance was driven by **strong growth in new orders**, especially in the foreign sector, with exports growing at the fastest pace of the last 11M, largely reflecting the move to **bring forward purchases by US importers** in the face of the escalating trade war.

Services sustained by mobility and public construction. The **non-manufacturing PMI** accelerated to **50.8pts** (+0.2p.p. vs. consensus; +0.4p.p. m/m), with recovery mainly in **the urban services sector**, driven by the **return** of **activity after the Lunar New Year**. Construction also showed traction, driven by public works, in the face of the raising of the debt issuance ceiling by local governments. Even so, **the services employment sub-index** fell to **45.8pts** (moving further and further away from the expansion zone), reflecting that the upturn in volumes has not yet been converted into greater hiring. **The future confidence index**, on the other hand, remains high at **58.3pts**, suggesting expectations of continued momentum in the short term.

Our Take: Macroeconomics

One-off relief, but uneven growth and risks on the horizon. Thus, our view is that the positive surprise in the PMIs reflects internal stimuli and temporary external distortions, such as **the anticipation of exports in the face of the impending trade war.** The structural basis, however, remains fragile. We are still seeing high unemployment, pressured industrial margins and uneven confidence between large and small companies. **Small and medium-sized companies showed improvement** in the month, while large companies reported a more difficult environment than in February, which suggests a heterogeneous recovery that is still subject to volatility. In addition, we see that **deflationary pressure** and **the slowdown in the real estate sector remain structural obstacles**, which could limit the effectiveness of stimulus without a clearer (re)anchoring of growth via consumption and productivity.

We believe that the March PMIs will point to some relief, but that it will probably be transitory. The recovery in industrial and services activity is being sustained by **extraordinary factors** - **public stimulus** and **export frontloading** - which could lose traction in the coming months, especially if trade conflicts with the US intensify. Even so, the data reduces the urgency of new interventions in the short term and reinforces the resilience of the Chinese economy in maintaining growth close to the target of 5% by 2025.

Appendix: Vale

Figure 1. Vale – Income Statement in US$ Millions (Genial Est. 2024-2029)

Income Statement	2024E	2025E	2026E	2027E	2028E	2029E
Net Revenue	**38.701**	**39.152**	**39.956**	**39.136**	**40.138**	**41.163**
(-) COGS	(23.761)	(23.119)	(24.141)	(23.723)	(24.096)	(24.553)
Gross Profit	**14.939**	**16.033**	**15.815**	**15.413**	**16.042**	**16.609**
(-) Expenses	(1.947)	(2.686)	(2.532)	(2.021)	(1.679)	(1.735)
Adjusted EBITDA	**16.066**	**16.777**	**16.674**	**16.966**	**18.130**	**18.823**
(-) D&A	(3.083)	(3.226)	(3.419)	(3.614)	(3.816)	(4.007)
EBIT	**12.984**	**13.551**	**13.255**	**13.352**	**14.314**	**14.817**
(+/-) Financial Result	(2.777)	(2.167)	(1.876)	(2.077)	(2.290)	(2.418)
(-) Taxes	(817)	(1.877)	(1.925)	(1.920)	(2.067)	(2.148)
Net income	**9.389**	**9.507**	**9.454**	**9.355**	**9.957**	**10.251**
Profitability						
Net margin (%)	24,26%	24,28%	23,66%	23,90%	24,81%	24,90%

Figure 2. Vale– Cash Flow in US$ Millions (Genial Est. 2024-2029)

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E	2029E
Net Revenue	**38.306**	**37.953**	**39.242**	**39.780**	**40.801**	**41.883**
(-) COGS	(24.391)	(24.982)	(26.016)	(26.581)	(27.127)	(27.893)
Adjusted EBITDA	**16.061**	**15.320**	**15.562**	**15.670**	**16.284**	**16.722**
Adjusted EBIT	**12.954**	**12.020**	**12.089**	**12.018**	**12.458**	**12.730**
(-) Taxes	(1.212)	(1.051)	(1.159)	(1.227)	(1.364)	(1.497)
(+) D&A	3.107	3.301	3.473	3.651	3.826	3.992
(+/-) Brumadinho and Samarco	(415)	(1.511)	(1.300)	(718)	(893)	(279)
(+/-) Δ WK	2.956	499	283	150	625	(36)
(-) Capex	(6.088)	(6.710)	(6.854)	(7.130)	(7.130)	(7.130)
FCFF	**11.301**	**6.547**	**6.531**	**6.744**	**7.522**	**7.780**

Appendix: CMIN

Figure 1. CMIN – Income Statement in R$ Millions (Genial Est. 2024-2028)

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**15.088**	**15.022**	**16.009**	**21.694**	**23.006**
(-) COGS	(8.307)	(8.321)	(8.623)	(11.531)	(13.118)
Gross Profit	**6.781**	**6.702**	**7.386**	**10.164**	**9.888**
(-) SG&A and others	(2.240)	(1.951)	(2.071)	(2.807)	(2.979)
EBITDA	**4.977**	**6.099**	**7.068**	**9.499**	**9.436**
(+/-) Financial Result	(648)	(124)	(275)	(394)	(548)
EBT	**4.329**	**5.975**	**6.793**	**9.105**	**8.888**
(-) Taxes	(974)	(1.326)	(1.474)	(2.105)	(1.907)
Net Income	**2.257**	**3.299**	**3.563**	**4.856**	**4.451**
Profitability					
Net Margin (%)	14,96%	21,96%	22,26%	22,38%	19,35%

Figure 2. CMIN – Cash Flow in R$ Millions (Genial Est. 2024-2028)

Cash Flow	2024E	2025E	2026E	2027E	2028E
Net Revenue	**15.088**	**15.022**	**16.009**	**21.694**	**23.006**
(-) COGS	(8.307)	(8.321)	(8.623)	(11.531)	(13.118)
Adjusted EBITDA	**4.977**	**6.099**	**7.068**	**9.499**	**9.436**
EBIT	**3.879**	**4.749**	**5.312**	**7.355**	**6.906**
(-) Taxes	(974)	(1.326)	(1.474)	(2.105)	(1.907)
(+) D&A	1.098	1.350	1.756	2.144	2.530
(+/-) Δ WK	131	51	15	280	207
(-) Capex	(2.082)	(4.825)	(5.031)	(5.367)	(5.767)
FCFF	**2.052**	**(1)**	**578**	**2.307**	**1.968**

Appendix: Gerdau

Figure 1. Gerdau – Income Statement in R$ Millions (Genial Est. 2024-2028)

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**65.953**	**67.829**	**66.093**	**65.557**	**65.344**
(-) COGS	(56.337)	(55.654)	(53.917)	(53.106)	(52.033)
Gross Profit	**9.616**	**12.174**	**12.177**	**12.451**	**13.312**
(-) Expenses	(2.441)	(3.023)	(2.957)	(2.940)	(2.933)
Adjusted EBITDA	**10.897**	**14.226**	**14.507**	**15.010**	**16.073**
(-) D&A	(3.011)	(3.853)	(4.098)	(4.319)	(4.518)
EBIT	**7.394**	**9.830**	**9.880**	**10.167**	**11.032**
(+/-) Financial Result	(1.099)	(453)	(342)	(50)	142
(-) Taxes	(880)	(1.275)	(1.296)	(1.375)	(1.533)
Net income	**5.416**	**8.102**	**8.241**	**8.742**	**9.641**
Profitability					
Net margin (%)	8,21%	11,94%	12,47%	13,33%	14,75%

Figure 2. Gerdau– Cash Flow in R$ Millions (Genial Est. 2024-2028)

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E
Net Revenue	**65.953**	**67.829**	**66.093**	**65.557**	**65.344**
(-) COGS	(56.337)	(55.654)	(53.917)	(53.106)	(52.033)
Adjusted EBITDA	**10.897**	**14.226**	**14.507**	**15.010**	**16.073**
EBIT	**7.394**	**9.830**	**9.880**	**10.167**	**11.032**
(-) Taxes	(880)	(1.275)	(1.296)	(1.375)	(1.533)
(+) D&A	3.011	3.853	4.098	4.319	4.518
(+/-) Δ WK	(663)	(260)	194	99	143
(-) Capex	(5.615)	(5.676)	(5.739)	(5.802)	(5.866)
FCFF	**3.248**	**6.473**	**7.137**	**7.407**	**8.295**

Appendix: CSN

Figure 1. CSN – Income Statement in R$ Millions (Genial Est. 2024-2028)

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**42.907**	**47.035**	**51.041**	**58.920**	**63.289**
(-) COGS	(27.633)	(28.885)	(29.402)	(33.161)	(35.222)
Gross Profit	**15.274**	**18.150**	**21.639**	**25.759**	**28.067**
(-) SG&A and others	(7.089)	(8.124)	(8.207)	(8.678)	(8.627)
EBITDA	**8.184**	**10.026**	**13.432**	**17.081**	**19.440**
(+/-) Financial Result	(4.400)	(3.873)	(4.362)	(4.874)	(5.230)
EBT	**172**	**1.991**	**4.342**	**6.941**	**8.369**
(-) Taxes	(469)	(681)	(1.389)	(2.221)	(2.678)
Net Income	**(297)**	**1.310**	**2.952**	**4.720**	**5.691**
Profitability					
Net Margin (%)	-0,69%	2,78%	5,78%	8,01%	8,99%

Figure 2. CSN – Cash Flow in R$ Millions (Genial Est. 2024-2028)

Cash Flow	2024E	2025E	2026E	2027E	2028E
Net Revenue	**42.907**	**47.035**	**51.041**	**58.920**	**63.289**
(-) COGS	(27.633)	(28.885)	(29.402)	(33.161)	(35.222)
Adjusted EBITDA	**8.184**	**10.026**	**13.432**	**17.081**	**19.440**
EBIT	**4.590**	**5.864**	**8.703**	**11.814**	**13.599**
(-) Taxes	(469)	(681)	(1.389)	(2.221)	(2.678)
(+) D&A	3.595	4.163	4.728	5.266	5.841
(+/-) Δ WK	(1.080)	(372)	(4)	(866)	(562)
(-) Capex	(4.485)	(6.142)	(6.113)	(5.586)	(5.629)
FCFF	**2.151**	**2.831**	**5.926**	**8.408**	**10.571**

Appendix: Usiminas

Figure 1. Usiminas – Income Statement in R$ Millions (Genial Est. 2024-2028)

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**25.829**	**26.910**	**28.261**	**29.729**	**30.598**
(-) COGS	(24.243)	(23.957)	(25.103)	(25.479)	(26.601)
Gross Profit	**1.586**	**2.954**	**3.159**	**4.250**	**3.997**
(-) Expenses	(1.232)	(991)	(993)	(1.039)	(1.053)
Adjusted EBITDA	**1.493**	**3.191**	**3.414**	**4.467**	**4.189**
(-) D&A	(1.216)	(1.228)	(1.248)	(1.256)	(1.244)
EBIT	**402**	**1.963**	**2.166**	**3.211**	**2.945**
(+/-) Financial Result	(494)	(126)	(167)	143	505
(-) Taxes	144	(1.020)	(1.110)	(1.862)	(1.915)
Net income	**324**	**817**	**889**	**1.492**	**1.534**
Profitability					
Net margin (%)	1,26%	3,04%	3,15%	5,02%	5,01%

Figure 2. Usiminas– Cash Flow in R$ Millions (Genial Est. 2024-2028)

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E
Net Revenue	**25.829**	**26.910**	**28.261**	**29.729**	**30.598**
(-) COGS	(24.243)	(23.957)	(25.103)	(25.479)	(26.601)
Adjusted EBITDA	**1.493**	**3.191**	**3.414**	**4.467**	**4.189**
EBIT	**402**	**1.963**	**2.166**	**3.211**	**2.945**
(-) Taxes	144	(1.020)	(1.110)	(1.862)	(1.915)
(+) D&A	1.216	1.228	1.248	1.256	1.244
(+/-) Δ WK	1.208	(650)	88	(121)	(471)
(-) Capex	(1.106)	(1.436)	(1.436)	(1.149)	(1.092)
FCFF	**1.863**	**85**	**955**	**1.335**	**711**

Disclosure Section

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	Definition	Coverage
Buy	Expected return above +10% in relation to the Company's sector average	**49%**
Neutral	Expected return between +10% and -10% relative to the Company's industry average	**41%**
Sell	Expected return below -10% in relation to the Company's sector average	**5%**
under Review	Under review	**5%**

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