

QUARTERLY GLOBAL UPDATE

Q2 - 2017

GLOBAL PRIMARY ALUMINIUM PRODUCTION

In May of this year the G7 leaders met in Italy in a meeting that was a preparation for the wider G20 meeting that would take place later in July in Germany. Present at the G7 were representatives from Canada, USA, France, Germany, Italy, Japan and UK. They committed to working together to address the problem of excess capacity in aluminium primary production. Note that representatives of neither China nor Russia were present. Fine words butter no parsnips and as we were to see at the later G20 meeting indeed very few parsnips were buttered.

The data for the global primary aluminium production for the first half of 2017 is now available, IAI release the data of the previous month on the 21st day of the following month.

For the first half year of 2017 primary aluminium production was at 30.316 million tonnes, which projects to an estimated 60.632 million tonnes by the year end. Of this total China produced 16.713 million tonnes in the first half of this year, projected to be 33.426 million tonnes in the year, or 55% of the world's total. In the year 2000 China produced 11% of the world's total of primary aluminium, in 2010 it was at 38% and in 2016 it was 54%. The promised cut back in China, as the government there claims to clamp down on cheap energy, advantageous investment terms and stricter environmental controls, has clearly not been effective.

At the G20 meeting under a German presidency, with China and Russia present, the meeting addressed the issue of excess industrial capacity and the negative impact that this has on global trade. But disappointingly only overcapacity in the steel industry was considered.

The overcapacity in global primary aluminium production has now been obvious from the data for the last ten years but clearly a concerted approach by all countries is not going to happen.

With the present LME price of \$1900 per tonne, apart from a few months at the end of 2015, you would have to wind the clock back to 2013 to find higher aluminium prices on the exchange when primary aluminium was at \$2100. That is hardly an incentive for investment unless a friendly government is behind you.

It has been left now to individual governments to take action themselves and the US International Trade Commission has led the way with a report on the effect of oversupply in primary aluminium production. It was applauded by the representatives of the aluminium associations of USA, Canada and Europe. The Trump administration is now taking action to restrict imports of both aluminium and steel into USA.

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THE EUROPEAN COMMISSION AND EUROPEAN PARLIAMENT.

For the first half of 2017 the Presidency of the Council of the European Union has been held by the smallest EU member, Malta. Early in July the Prime Minister of Malta addressed the European Parliament to summarise the progress that has been made during their half year holding the Presidency. There are 751 elected MEPs who sit in the European Parliament. A grand total of 30 of them attended the Parliament to hear from the Prime Minister of Malta. No doubt the other 721 were very busy elsewhere on that day.

The Presidency now moves to Estonia on 1 July 2017 up to 31 December. One of the first documents that the new President received was a report from 130 EU Trade Associations, including European Aluminium, entitled “Joint Declaration for an Ambitious EU Industrial Policy”. The European Commission has been criticised heavily in recent months for ineffective approaches on industrial policy.

The EU Member States have all agreed the proposals of the Commission on a new methodology on anti-dumping. The discussions now move to the European Parliament where MEPs have their own ideas on anti-dumping rules and methodology. One could be forgiven for thinking that it is a strange time to be discussing new rules and methodologies when the World Trade Organisation has already set up the rules. Fiddling while Rome burns indeed.

The EU Executive has produced an interesting report on the long term future of the European Non Ferrous Metals Industry. It is entitled “Non Ferrous Metals Manufacturing: Vision for 2050 and Actions Needed”. Summarising briefly, the Report highlights challenges, trade and competition, the lack of a level playing field, different environmental and social standards, the dependency of raw material imports and geopolitical vulnerabilities.

Under innovation, the non-ferrous metals industries stand accused of being “old” and generally only producing semi-fabricated products for down-stream end users. The Report emphasises the need for the circular economy, keeping control of materials right through the value chain, with take back schemes, tolling contracts and a “close the loop within Europe” philosophy.

The industry needs to retain and develop skills in the workforce, improve pay and working conditions and promote gender equality. It also needs to improve the image of the industry. Across the EU 500,000 people are employed in this industry sector. And it accounts for 1.25% of EU manufacturing.

The Report calls for more effective trade defence measures, monitoring dumping as soon as it becomes problematic. EU standards should be promoted across the world, with harmonised enforcement of standards.

Having read through the Report it might have been quicker and cheaper if the authors had merely asked the UK Metals Forum for a copy of their report “Vision 2030” where the same points were made back in 2015. ALFED are leading members of the UK Metals Forum.

EN STANDARD

EN-12020-2 Promoting the use of aluminium extruded profiles for architectural applications, with tolerances and dimensions for AW-6060 and AW-6063, has been published and is available from national standards organisations, in the case of UK from BSI.

**ALUMINIUM FEDERATION
JULY 2017**