

Forecast - Aluminium

- Metalworld Research Team

India, which accounts for 4 percent of global aluminum demand, witnessed a decline of 10.5 percent year-on-year in apparent consumption between January-August'11. For the whole of 2011, the EIU expects a decline in Indian aluminum consumption by around 5 percent. But in 2012 and 2013, demand is forecasted to rise around 9 percent a year

On a year-to-date basis, aluminum prices on the LME have slumped more than 20 percent, with major downside pressure seen in the month of October and November. Average monthly aluminum prices on the LME have slipped from \$2687/tonne in April'11 to an average of \$2058/tonne in December'11. Growing economic concerns, rising aluminum inventories coupled with low risk appetite added to pressure on prices. Average monthly aluminum prices in India have declined to Rs108/kg in December'11 from Rs119/kg in April'11. Economic concerns have increased over time and debt woes in the Euro Zone remain a major cause of concern. Prices are not being influenced by demand-supply factors alone and are mainly taking cues from the macroeconomic scenario.

Size of the global aluminum market stands at \$97bn and is expected to touch \$100bn by end of 2011. Average demand growth in India between 2001-2010 was 12 percent pa. At a global level demand growth was 5 percent pa between 2001-2010. Major producers of aluminum are China, Russia and Canada, while major consuming countries are China, US, Europe and

Japan. Per capita use of aluminum stands at 1.15 kg in India, 12.4 kg in US, 10.6 kg in China and the world average stands at 11.2 kg. In 2010, world aluminum consumption rose 14.1 percent, reaching pre-crisis levels. For 2011, the EIU expects global aluminum consumption to grow at a slow pace of 4.8 percent as compared to 2010. According to the WBMS, between January-August'11, global primary aluminum consumption rose 5.2 percent year-on-year to 28.1m tonnes. Apparent consumption in China during the first eight months of this year rose by 6.2 percent while growth in Germany during the same period rose by a whopping 15 percent.

Led by expansion in Germany's automotive sector, year-on-year apparent consumption growth in the EU rose 11.4 percent year-on-year in the first eight months of the year. But for the year 2012, the EIU has revised down aluminum consumption growth for the EU to below 1 percent. This expectation is on the basis of weak regional GDP growth, grim property market scenario and the end of the restocking cycle. China accounts for a whopping 40 percent share in global



COUNTRYWISE PERCENTAGE CONTRIBUTION		
Country	Production	Consumption
China	39	40
Russia	10	2
Canada	7	1
EU	6	17
Latin America	6	==
Australia	5	==
US	4	11
Africa	4	==
India	4	4
Brazil	==	2
South Korea	==	3
Japan	==	5
Others	7	15

aluminum consumption and the EIU expects growth in the country to slow to 6 percent in 2011 as compared with a rise of 10.5 percent in 2010. Economic prospects for China look weak considering the tight lending market scenario, weak demand for cars and a grim global economic scenario.

Japan which accounts for 5 percent of world aluminum consumption is expected to witness a slowdown in aluminum demand growth in 2011 on the back of problems in the manufacturing supply chain after the earthquake and tsunami that struck the nation in March'11. For 2011, the EIU expects aluminum consumption in Japan to fall by 5 percent. In the first eight months of the year, apparent consumption fell by 8.2 percent year-on-year. But for 2012, the country is expected to witness an increase in aluminum demand by 7.5 percent on the back of a base effect coupled with increased demand from reconstruction activity after the earthquake.

The US accounts for 11 percent of global aluminum consumption but apparent demand during the first eight months of the year remained dull, rising just 2.1 percent year-on-year. One of the major factors that affected demand was the decline in production of cars by Japanese carmakers in the US.

India, which accounts for 4 percent of global aluminum demand, witnessed a decline of 10.5 percent year-on-year in apparent consumption between January-August'11. For the whole of 2011, the EIU expects a decline in Indian aluminum consumption by

Primary Aluminium : World Total Production - Consumption ('000 Tonnes)						
	2008	2009	2010	2011	2012	2013
Production	39670	37199	41169	43219	44927	46777
Consumption	36905	34764	39662	41548	43410	45670
Supply / Deficit	2765	2435	1507	1671	1517	1107



around 5 percent. But in 2012 and 2013, demand is forecasted to rise around 9 percent a year. World primary aluminum production witnessed a sharp increase of 10.7 percent in 2010 but for the year 2011 the EIU expects production is expected to grow at a slow pace of 5 percent. Increase in production is mainly driven by restart of idle capacity at Chinese smelters coupled with production from large smelters in the Middle East, mainly in the Gulf Co-operation Council (GCC) countries.

China accounts for around 40 percent of world aluminum production and the country is expected to witness 7 percent growth in 2011, after a

whopping 25.6 percent rise in 2010. Environmental concerns and restriction on power utilization could lead to slowdown in manufacturing activity, thus affecting demand for aluminum.

Outlook

Rising inventories coupled with a comfortable supply-side scenario is expected to act as a negative factor for aluminum in the coming year. But with improvement in the US economic scenario and expected decline in interest rates in China, sharp downside in prices will be cushioned in the second-half of the year.

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