Business activity in aluminium sector mixed

Sentiment remains good / GDA President optimistic for 2016

Düsseldorf, 1 September 2016 – Business activity in the German aluminium sector has been mixed so far this year. Semis producers managed to increase their production in the first half of 2016 (+ 2.5 per cent), but declines were reported by aluminium smelters (- 0.4 per cent), founders (- 4.6 per cent) and converters (- 1.1 per cent). There continues to be cautious optimism regarding growth expectations for 2016. “Domestic demand in Germany will develop more weakly than expected but will still tend to be positive overall,” says Dr Hinrich Mählmann, President of Düsseldorf-based Gesamtverband der Aluminiumindustrie (GDA). “There are risks in particular in the export-intensive car industry because the UK is an important trading partner. We do not see any reason for concern at the moment regarding the more consumer-oriented markets in Germany, and the medium to long term prospects for the sector are also positive. The global consumption of aluminium will continue to grow steadily, also in Germany. In view of the large potential for innovation in the German market, the competitiveness of the aluminium industry will continue to grow." 2015 showed that despite growing competitive pressure and somewhat weaker demand, the German aluminium industry still managed to acquit itself well. In addition, the German aluminium industry is in good shape at the moment. “Germany is, and remains, the largest market and the most important production location for aluminium in Europe", adds Dr Mählmann.

Aluminium production mixed in 2016

During the period January to June 2016 some 581,100 tonnes of aluminium were produced in Germany. Production was thus 0.4 per cent below the level of the previous year. It comprised 271,400 tonnes of primary aluminium and 309,700 tonnes of recycled aluminium. Compared with previous year, production of primary aluminium rose 1.4 per cent, while production of recycled aluminium fell 1.9 per cent.

The production of aluminium semi-finished products rose 2.5 per cent to 1,260,200 tonnes during the period January to June 2016. The companies in this sector supply rolled products, extrusions, conductor material and wire to every important sector. In terms of quantity, the production of aluminium semis is the most important sector of the German aluminium industry. After the automotive sector and the building and construction industry, packaging and mechanical and electrical engineering are the largest markets for aluminium semis.

Rolling mills account for the largest share of German aluminium semis production and rolled products totalled 953,800 tonnes during the period. This represents an increase of 3.2 per cent compared with the corresponding period a year earlier. GDA expects this positive trend to continue. German aluminium rolling mills have a 30 per cent share of European production capacity and a 40 per cent share of deliveries in Europe. The German rolling mills are not only the leaders in Europe in terms of volume: they are also leaders in technology and product differentiation. The major share of growth is being generated abroad.

Aluminium extruders reported stable development of production from January to June 2016. The quantity produced totalled 294,600 tonnes. The most important markets for aluminium extrusions are the building and construction industry and the automotive sector, as well as industrial applications. Besides offering modern and innovative extrusion technology, one of the strengths of the sector is the development of high-grade profile applications with increased customer benefits. The high level of demand for extruded products in Germany attracts many suppliers from abroad. It is not only the traditional European suppliers who are trying to increase their market share here but also a multitude of suppliers from eastern and south-eastern Europe and China. There is a lot of product entering the market but as Dr Hinrich Mählmann says, “The German industry is nevertheless very competitive,” This competitiveness of the sector depends on German producers being highly specialised with a large vertical range of manufacture and producing high-quality, intelligent profile solutions.

The remaining semis production (conductor material and wire) rose 10.3 per cent to 11.800 tonnes.

German aluminium foundries made a cautious start to the year. Production during the period January to May 2016 fell 4,6 per cent, totalling 443,540 tonnes. The foundries produce sand castings, chill castings and die-castings, with vehicle manufacturing as the most important customer sector.

German aluminium converters processed a total of 173,500 tonnes of aluminium during the period January to June 2016. The production volume was thus 1.1 per cent lower than the corresponding period a year earlier. Conversion is divided into three product groups: foil and thin strip, tube / aerosol and other cans, and metal powder. Developments were mixed here: while foil and thin strip reported a 0.1 per cent increase year-on-year, decreases were reported for the metal powder and tube / aerosol and other cans categories of 3,2 per cent and 7,1 per cent respectively.

Underlying economic conditions and outlook for 2016

The Brexit has led to increased market uncertainty. There has also been a slight clouding of economic prospects. Nevertheless, overall the macroeconomic conditions for Germany and Europe as a whole are still positive. “Opportunities for the German aluminium companies currently outweigh risks and we are looking forward with cautious optimism to how business develops,” is how Dr Hinrich Mählmann describes the prospects of his sector in 2016. “We are hoping for growth in our most important target markets, especially in automotive and aerospace.”

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Production data for the German aluminium industry (in tonnes)

	2014	2015	Change year-on-year	Jan.-June 2016	Change year-on-year
Primary aluminium	530,700	541,400	2.0%	271,400	1.4%
Recycled aluminium	599,400	620,100	3.5%	309,700	- 1.9%
Total raw aluminium	1,130,100	1,161,500	2.8%	581,100	- 0.4%
Rolled products	1,952,400	1,857,300	- 4.9%	953,800	3.2%
Extrusions	591,500	586,900	- 0.8%	294,600	0.0%
Conductor material + wire	21,600	20,900	- 3.2%	11,800	10.3%
Total aluminium semis	2,548,500	2,448,300	- 3.9%	1,260,200	2.5%
Aluminium Foil	270,600	274,100	1.3%	137,500	0.1%
Tube / aerosol and other cans	42,900	44,400	3.5%	21,400	- 7.1%
Metal powder	35,800	32,100	- 10.3%	14,600	- 3.2%
Total aluminium conversion	349,300	350,600	0.4%	173,500	- 1.1%

	2014	2015	Change year-on-year	Jan.-May 2016	Change year-on-year
Aluminium castings	994,000	1,065,500	7.2%	443,540	- 4.6%

Sources: GDA, BDG and Federal Statistical Office; data partly provisional.