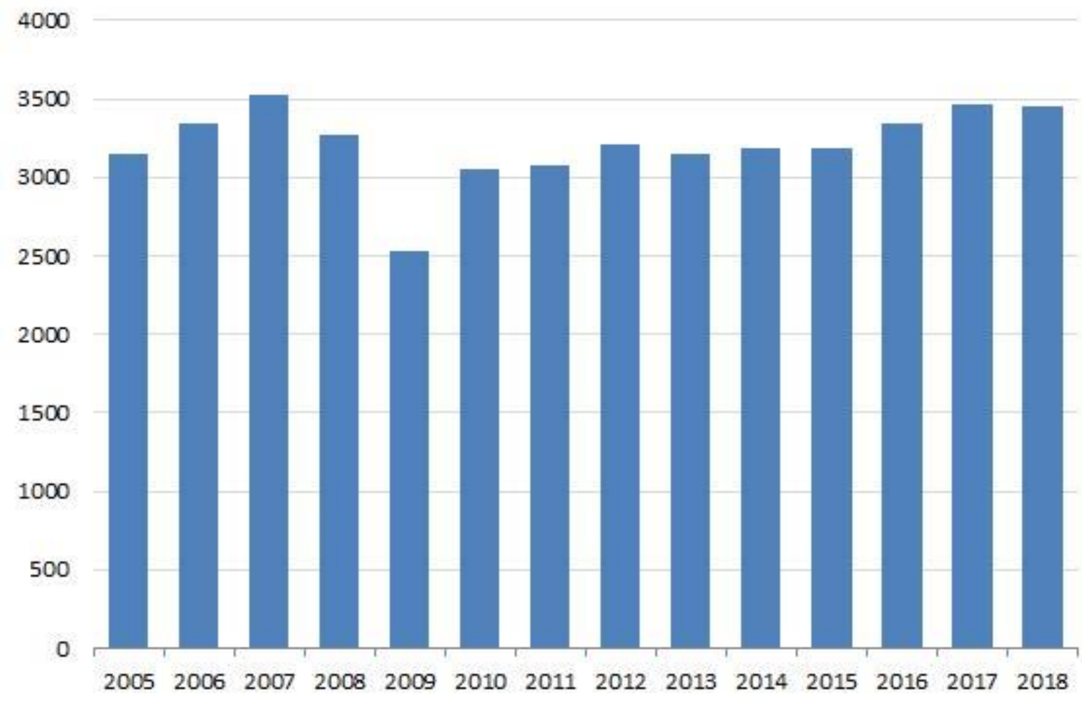
GESAMTVERBAND DER ALUMINIUMINDUSTRIE e.V.

Aluminium extrusion industry in 2019 – dead slow ahead!

Düsseldorf, 28 February 2019 Looking back at 2018, the aluminium extrusion industry held its course during the year. However, the speed was by no means steady: at the beginning of the year the captains of industry were shouting "full speed ahead" and then along came the changeover to WLTP in the second half of the year and cries of "stop engines" could be heard! The industry encountered numerous risks along its route: raw materials' supply, import duties imposed by the USA on specific aluminium products, competition from imports, etc. The industry was also exposed to several other risks. And there are unlikely to be fewer risks in 2019: Brexit, ongoing trade disputes, dampened economic development, imminent punitive tariffs on cars, developments in China, etc. This is akin to throwing a spanner in the works, especially for the export-oriented German economy. And Germany is by far the largest market for extruded products in Europe. In view of these general conditions, the new command from the bridge is now "dead slow ahead" and attests to cautious optimism!

The European extrusion industry produced around 3.4 million tonnes of extrusions in 2018. They are used in the industrial and construction sectors and other markets. Within the industrial sector, the transport sector is of paramount importance.

Figure 1: Production of extrusions in Europe from 2005 to 2018 in kilotonnes

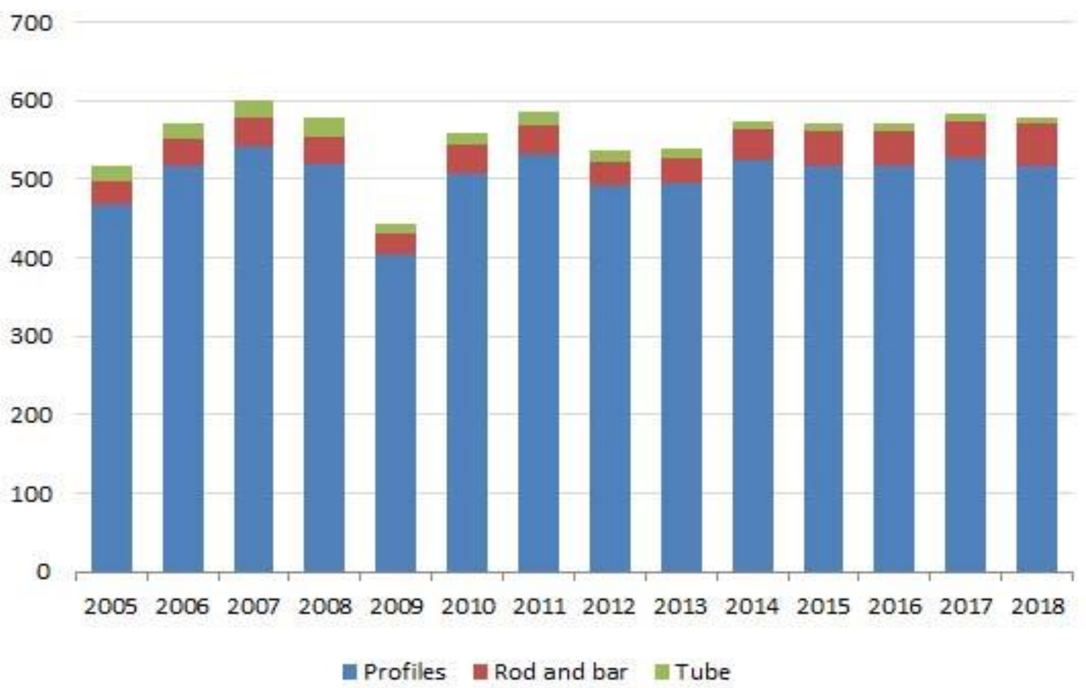


Source: GDA and European Aluminium.

Germany – Europe’s largest market for extruded products

Germany is the European aluminium extrusion industry’s largest customer by far, accounting for almost a third of total production: of the 3.4 million tonnes of extrusions produced in Europe in 2018, German customers alone ordered a million tonnes. Germany is also one of the largest locations for extrusion production in Europe, where it has further consolidated its importance in this respect in recent years. Developments in the automotive sector have played an important role here and will continue to do so in the future.

Figure 2: Production of extrusions in Germany from 2005 to 2018 in kilotonnes

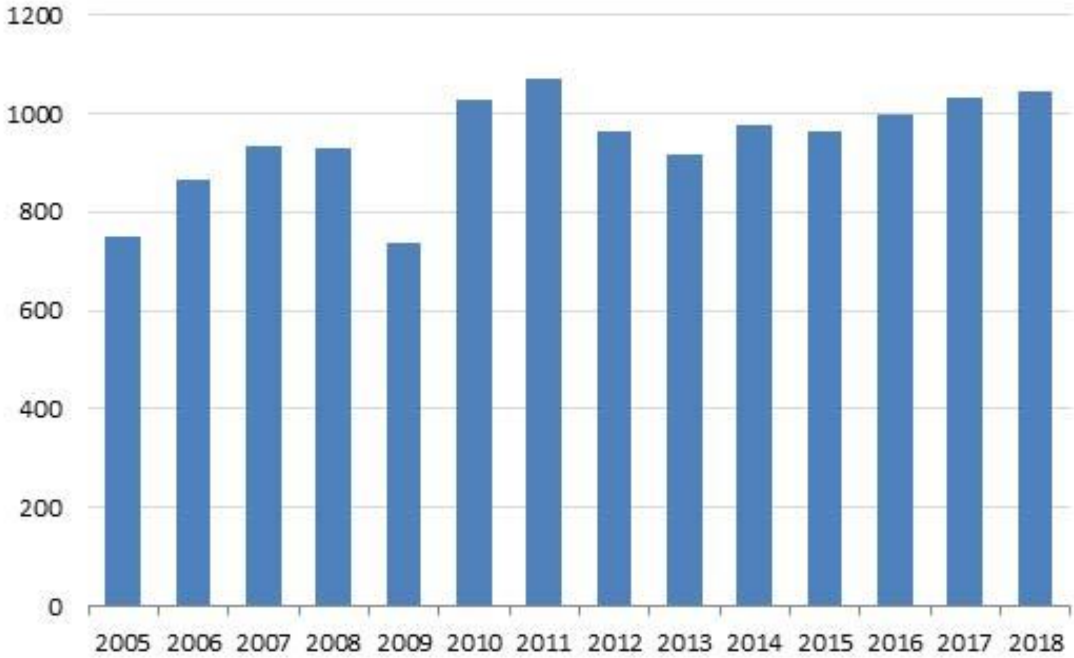


Source: GDA

At 579,000 tonnes, extrusion production in Germany in 2018 was 0.8 per cent below the previous year's level. The output of profiles – the most important product segment in terms of quantity – decreased 1.7 per cent year-on-year. The WLTP conversion problems mentioned earlier were the main reason. Rod and bar accounted for the second largest share of production: some 51,600 tonnes were produced in 2018. This corresponds to an increase of 10.3 per cent year-on-year. Tube production in 2018 amounted to 9,200 tonnes (minus four per cent).

According to initial projections, German demand for extruded products – defined as domestic shipments plus imports – amounted to 1,045,000 tonnes in 2018 (see Figure 3). This corresponds to an increase of one per cent over the previous year.

Figure 3: German demand for extrusions from 2005 to 2018 in kilotonnes



Source: GDA and Federal Statistical Office.

Developments in foreign trade: growing pressure from imports

Imports of extruded products into the European Union increased by a projected four per cent in 2018. China (plus 15 per cent), Turkey (plus 19 per cent) and Switzerland (plus 11 per cent) benefited most from this development. China accounts for 34 per cent of imports and Turkey for as much as 24 per cent. On the other hand, Switzerland only accounts for eight per cent.

German imports rose by a projected three per cent in 2018. There was above-average growth in imports from China (plus 32 per cent) and Turkey (plus 12 per cent). However, Italy (plus eight per cent) and Greece (plus 18 per cent) recorded particularly strong growth as well.

The United Kingdom is an important export market for the German extrusion industry. Exports already decreased three per cent in 2018. For German companies, up to five per cent of their own production is directly at stake as a result of the consequences of Brexit. The indirect risks are likely to be many times higher.

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Dead slow ahead!

According to current estimates by the International Monetary Fund and other institutions, the growth momentum of the global economy will slow down this year. Current forecasts for 2019 are predicting real gross domestic product growth of 3.5 per cent. The growth in real GDP in the euro zone is expected to be 1.6 per cent this year; in Germany, the forecast is for growth of only 1.3 per cent.

Industrial production in the eurozone is expected to increase by one per cent in 2019, and the construction industry is also expected to grow by the same order of magnitude. German industry will follow this slightly positive trend. However, no growth is expected this year in the German construction industry (especially in building construction).

Overall, the mood in the extrusion industry has improved somewhat since the fourth quarter of last year. Although the economy has cooled down, capacity utilisation by manufacturers of extruded products is largely satisfactory and demand is expected to grow slightly. In other words: dead slow ahead! This command is assuming that the above-mentioned risks do not materialise. Otherwise, the command will quickly be changed again to “stop engines”.

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