



## Wish You Happy New Year Twenty Twenty & Best Wishes for the Upcoming Decade



### Market Information – Dec 2019

- o How new initiatives & tariffs moved aluminium Recycling Industry in 2019.
- o Indian Economy faces liquidity shortage.
- o Aluminium scrap imports increased in India during April-September despite auto sector slowdown
- o First Q1 aluminum premium contract for Japan settled at US\$83/t CIF on Wednesday
- o Downstream aluminium products exports in the GCC countries continue growth trajectory
- o Primary aluminium production ramp-up in GCC likely to bolster its export market years ahead

### HOW NEW INITIATIVES AND TARIFFS MOVED ALUMINIUM RECYCLING INDUSTRY IN 2019

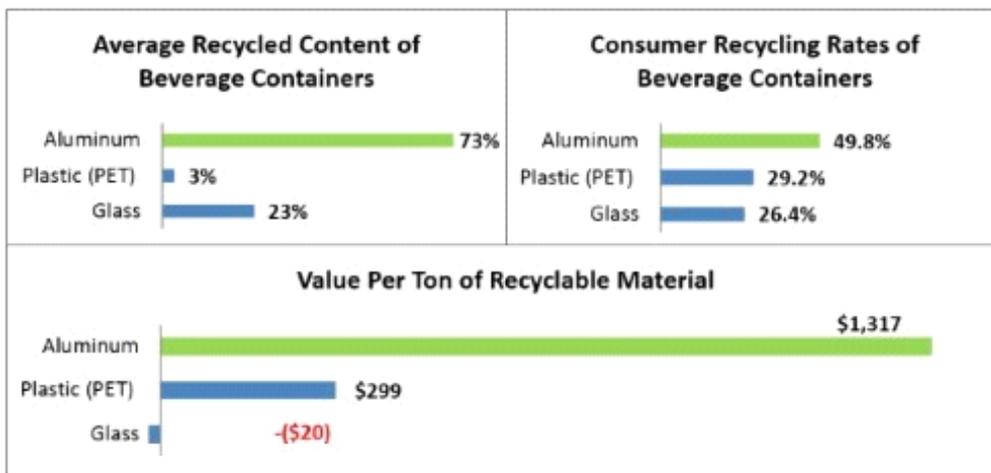
The year 2019 saw the announcement of new campaigns and initiatives to encourage and raise awareness for aluminium recycling among consumers. New schemes have been launched in an effort to meet sustainability targets. Showa Denko Group collected about 4.79 million UBC for recycling or recovered about 75 tonnes of aluminium when converted at the rate of 15.7 grams of aluminium per can. The significance of recycling is growing because of the increased focus on sustainably produced aluminium.

Emirates Environmental Group (EEG) rallied 200 entities to collect 5267 kg of aluminium cans for recycling in the recent 23rd edition of the Can Collection Day. EEG achieved 77.8 per cent of the target and therefore urged all sectors to achieve the set target of 20,000 kg till December.

Let's take a look at the aluminium recycling highlights of the year:

### Aluminium recycling rates in the US and UK

A report from the Aluminium Association and the Can Manufacturers Institute (CMI) showed that aluminium cans outperformed other competitive packaging types and materials based on several sustainability metrics. The report - "The Aluminium Can Advantage: Key Sustainability Performance Indicators 2019" revealed that aluminium cans were recycled nearly double the rate of glass or plastic bottles. The recycling rates of aluminium cans stood at 49.8 per cent. The average recycled content for an aluminium can produced also rose from 70 per cent to 73 per cent in the United States, compared to 23 percent for glass and 3 percent for plastic.



Environment Agency UK reported that a little less than 30,000 tonnes of aluminium packaging was recycled in Q3 2019. Packaging recycling rate was up 6% in the full year 2018. These numbers indicate that aluminium will hit its annual target of 108,919 tonnes of recycling in UK. In order to boost recycling data, Alupro urged the government to make short-term changes to the Packaging Recovery Note (PRN) system, pending the reform of producer responsibility system.

### Trade focus:

#### Aluminium scrap imports in India

The slowdown in the automobile sector in India could not resist the rise in aluminium scrap imports during April-September of the financial year 2019-20. As per the data submitted to the Ministry of Finance, citing figures from the Society of Indian Automobile Manufacturers (SIAM), the imports rose by 6.5 per cent, while the Indian auto sector's production tumbled 13 per cent.

The Aluminium Association of India (AAI) feels the benign import duty of 2.5 per cent on scrap is unable to restrict inbound shipments. Meanwhile, domestic primary aluminium producers are confronting high duty differential between primary and scrap. Compared with a duty of 7.5 per cent plus premium over LME prices on primary aluminium, scrap attracts a mild duty of 2.5 percent.

#### Aluminium scrap exports from US to China

The United States Geological Survey found exports of aluminium scrap from the US to China stood at 19,600 tonnes in September, down 26 per cent month-on-month. Year-on-year, the US aluminium scrap exports to China stood lower by 23.73 per cent in September 2019 from 25,700 tonnes.

In the total nine months of the year, China secured 300,000 tonnes of aluminium scrap from the US, down 24.05 per cent from 395,000 tonnes during the same period last year.

China is tightening restrictions on imports of scrap metal to adhere to an environmental campaign against foreign solid waste. China announced that it would impose an extra 5% tariff on imports of copper scrap and aluminium scrap from the United States from Dec. 15, 2019. Beijing had already levied a 25% tariff on U.S. aluminium scrap twice in 2018 leading to a total import tariff of 50%.

China's imports of aluminium scrap are expected to fall 16% year-on-year to 1.31 million tonnes in 2019.

#### Secondary aluminium recovery and consumption in the US

According to the latest report from United States Geological Survey for aluminium, total aluminium recovered from scrap (recovery from purchased, tolled, or imported scrap) in September 2019 stood at 284,000 tonne, slightly less than the amount in August 2019.

Of this, 159,000 tonnes of aluminium were recovered from new scrap and 125,000 tonnes were recovered from old scrap. For the first nine months of 2019, total aluminium recovery from scrap stood at about 2.56 million tonnes, down 8.5% YoY. Aluminium recovered from scrap or recycled aluminium accounted for 39% of total aluminium supply in the U.S. during the period from January to September 2019.

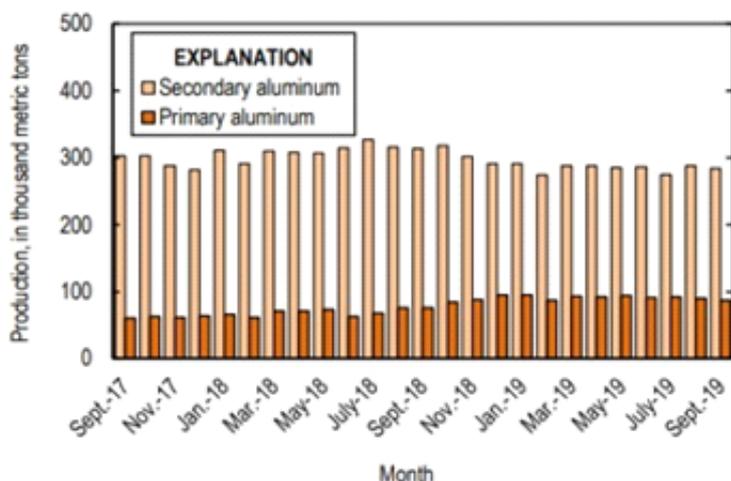
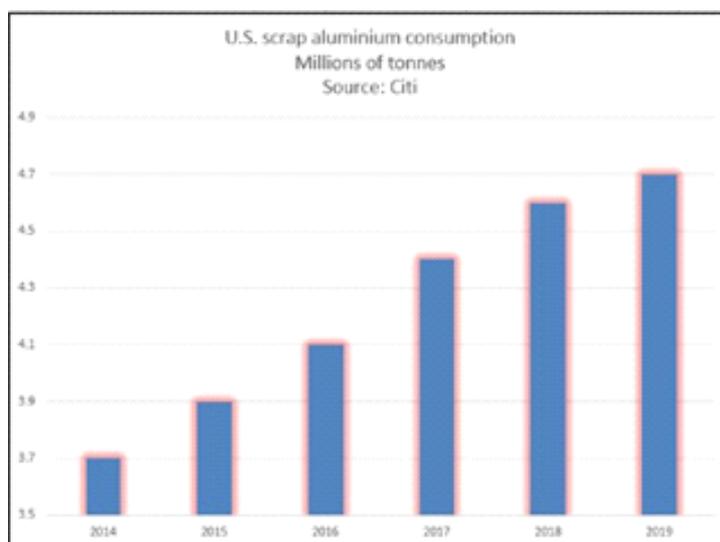


Figure 1. Monthly domestic primary and secondary aluminium production from September 2017 through September 2019.

Significant growth in the use of aluminium in transport and packaging industries in the US has resulted in the increasing availability of aluminium scrap and thereby, encouraging recyclers to expand their capacity. Those who are already expanding include Novelis, Matalco, and JW Aluminium.

Jorge Vasquez, founder of consultancy Harbor Aluminium, also said, "Scrap prices are heavily discounted because availability has outpaced capacity and because tariffs exempt scrap." The demand and use of aluminium are estimated to grow further in drinks firms and electric vehicles manufacturers, resulting in the growth in generating scrap.



Total aluminium consumption in the United States this year is estimated to be more than 10 million tonnes, nearly 15% of the global total at 67 million tonnes.

### Aluminium scraps import quotas in China

China in December issued a fresh batch of import quotas for aluminium scrap for 2019, with the quota volume declining sharply as expected. The China Solid Waste and Chemicals Management Bureau, a unit of the Ministry of Ecology and Environment, issued import quotas for another 9,844 tonnes of aluminium scrap. The latest batch of quotas was allocated to 15 companies, which have obtained 13,834 tonnes of import quotas for the fourth quarter, down 70.52% from 46,930 tonnes from Q319.

China granted three batches of import quotas of a cumulative total of 68,549 tonnes for aluminium scrap for Q4, down 83.09% from 405,416 tonnes in all the four batches of quotas for Q319.

Data from China customs showed that about 459,000 tonnes of foreign aluminium scrap was imported into China in July to October, after restrictions on imports of Category 6 metal scrap came into force on July 1.

### Announcement of new schemes and initiatives:

- The Scottish government announced a new Deposit Return Scheme (DRS) that will include aluminium and steel cans, and drink containers made of glass and PET plastic.
- Novelis partnered with 2019 Kentucky Derby for "Recycle for Good" campaign. Aluminium cans and bottles collected during the Derby will be recycled at Novelis' facility in Berea, Kentucky.
- Jaguar Land Rover launched a new aluminium recycling scheme, in a bid to reduce material wastage that comes from scrapping cars and minimise CO2 emissions throughout its entire production process.
- Pennsylvania lawmakers are aiming to pass a bill to start a bottle and can deposit program in Pennsylvania. The legislation would allow residents to receive 5 cents for each of the used cans and bottles they deposit.
- In association with Coca-Cola, Russian food retailer X5 Group will reportedly test reverse vending machines in Pyaterochka stores in Moscow, aiming to collect and recycle used plastic bottles and aluminium beverage cans of different brands.

### **News on aluminium coffee capsules:**

- Nespresso issued an invitation urging portioned coffee manufacturers to join its recycling programme that aims to improve the accessibility and convenience of aluminium capsule recycling.
- Nespresso launched a stylish city bike, named “RE:CYCLE”, from recycled aluminium coffee capsules in association with Swedish lifestyle bike brand Vélosophy.
- Dutch beverage brand Jacobs Douwe Egberts (JDE) stepped forward and formed an alliance with Nespresso for recycling aluminium coffee capsules in France.
- Nespresso, in collaboration with New York City's curbside recycling programme, made a US\$1.2 million commitment to enable better recovery of its aluminium coffee capsules. Nespresso believes that its collaboration with the New York City Department of Sanitation (DSNY), and Sims Municipal Recycling (SMR) will drive its recycling efforts.
- Nespresso and Caran d'Ache's successful partnership launched a second limited edition of ballpoint pen made from Nespresso's recycled aluminium coffee capsules.

### **Other major highlights of the year:**

- REAL ALLOY Europe joined Aluminium Stewardship Initiative (ASI) as a Production & Transformation member.
- The European Union is likely to collaborate with Jawaharlal Nehru Aluminium Research Development and Design Centre (JNARDDC) for working together on the management of aluminium waste.
- Japan to make 2020 Olympic torches from recycled aluminium plates Japan is promoting sustainability in a big way in 2020 Olympic Games in Tokyo.
- Matalco's US\$80 million aluminium recycling plant in Wisconsin Rapids got preliminary approval from the city's Finance and Property Committee for the project.

Leicester City Council teamed up with Alupro to help residents recycle more of their aluminium foil trays and wrapping foil. Alupro runs the “Foil in Love with Recycling” campaign to help the aluminium packaging industry achieve and exceed recycling rates, a current set for 64 per cent by 2020.

### **INDIAN ECONOMY FACES LIQUIDITY SHORTAGE, NEEDS QUICK DECISIONS, SAYS UNION MINISTER**

Union Minister Nitin Gadkari said the country's economy was going through a challenging situation and that around Rs 89,000 crore worth of cases were pending. Union minister Nitin Gadkari on Sunday said the country's economy was facing a challenge and that decisions related to it would have to be taken swiftly, News18 reported.

The remarks came at a time when the Centre has been facing criticism for an economic slowdown. India reported that its Gross Domestic Product had contracted to 4.5% in the July-September quarter – the slowest growth rate in more than six years, and the sixth straight quarter of slowdown. The growth rate in April-June was 5%. Core sectors such as automobiles and manufacturing have also slowed down gradually due to weakened consumer demand and dearth of investments. Wholesale price inflation rose to 0.58% in November from 0.16% the month before.

“I called senior officials at my home and told them there are cases of around Rs 89,000 crore,” he said at an event in Nagpur, Maharashtra, in support of the Centre's decision to introduce the amendments to the Citizenship Act. “I will not tell you what to do, I will only tell you that the economy of the country is going through a challenging situation. There is a shortage of liquidity and decisions have to be taken quickly.”

Earlier this month, former Chief Economic Adviser Arvind Subramanian described the country's economic crisis as a “great slowdown” and said it is in the “intensive care due to structural and cyclical factors”. His remarks came the same week the Asian Development Bank slashed its projection for India's economic growth in the ongoing financial year from 6.5% to 5.1%.

India's economic slowdown has been predicted by most other agencies and world bodies. On November 26, American credit rating agency Fitch Ratings' company India Ratings and Research revised its growth forecast for India in the 2019-'20 financial year to 5.6%. In October, the International Monetary Fund had lowered India's projected growth in the current financial year to 6.1% but said it would rebound to 7% in the 2020-'21 financial year. The United Nations Conference on Trade and Development, in its September report, said the country's economic growth was expected to slow down to just 6% in 2019 from 7.4% the previous year.

In August, credit rating agency Moody's Investors Service had downgraded the country's projected GDP 'growth rate to 6.2% for 2019-20. In May, the government had released a report by the National Sample Survey Organisation, which showed that India's unemployment rate rose to a 45-year high of 6.1% in 2017-'18. Another survey showed that the monthly per capita consumption expenditure has declined for the first time in 2017-'18 since the 1970s.

Meanwhile, Finance Minister Nirmala Sitharaman on December 13 had listed the steps the Centre had taken to boost the Indian economy. Sitharaman said her ministry was working on economic matters "wherever it is needed", and claimed that the "results of some measures have started showing".

### **ALUMINIUM SCRAP IMPORTS INCREASED IN INDIA DURING APRIL-SEPTEMBER DESPITE AUTO SECTOR SLOWDOWN**

According to a recent report, the slowdown in the automobile sector in India could not resist the rise in aluminium scrap imports during April-September of the financial year 2019-20. As per the data submitted to the Ministry of Finance, citing figures from the Society of Indian Automobile Manufacturers (SIAM), the imports have risen by 6.5 per cent, while the Indian auto sector's production tumbled 13 percent.

"In the garb of imports for the auto sector, scrap is being consumed in other sectors like electrical transmission and utensils. But the use of scrap in such sectors is detrimental and only primary aluminium should be used," said an industry source.

The Aluminium Association of India (AAI) feels the benign import duty of 2.5 per cent on scrap is unable to restrict inbound shipments. Meanwhile, domestic primary aluminium producers are confronting high duty differential between primary and scrap. Compared with a duty of 7.5 per cent plus premium over LME prices on primary aluminium, scrap attracts a mild duty of 2.5 percent.

AAI noted the total difference in duty between primary aluminium and scrap comes to \$400-500 per tonne. It also noted the aluminium scrap imports in India are non-essential as there are sufficient primary aluminium capacity and domestic scrap availability.

The country's primary aluminium industry is facing a heightened threat from scrap imports as that account for 58 per cent of the country's overall imports in FY19, resulting in a foreign exchange outgo of \$2.5 billion or INR 17,200 crore. During the January-March period of calendar 2019, India already edged past China as the largest scrap importer. In FY19, India's scrap imports from the US had soared 149 per cent, while total scrap imports rose 21 percent.

The domestic aluminium industry is, however, pinning hopes on the Government of India's upcoming Vehicle Scrap Policy that mandates scrapping of 28 million vehicles plying on roads for a decade.

### **FIRST Q1 ALUMINUM PREMIUM CONTRACT FOR JAPAN SETTLED AT US\$83/T CIF ON WEDNESDAY**

According to a Platts report, the first quarterly aluminum premium contract (Jan-March 2020) for Japan for the shipment of 1,000 t/month was settled at US\$83/t, plus LME cash settlement average of the shipment month on Wednesday. It was confirmed by a western producer and a major Japanese end user. The quarterly CIF Japan aluminium premiums are negotiated over 10 parties, including three major Western producers and several Japanese consumers and traders.

The premium is 14.4% lower than the Platts Q4 assessment of US\$97/t, and close to the US\$83-\$85/t settled in Q1 2019. Earlier to this report, market participants reported offers of US\$92/t, US\$95/t and US\$85/t by three producers and indicative bids of around US\$80-85/t.

A few Japanese traders talked about deals concluding at US\$82/t against an US\$85/t offer over Monday to Wednesday.

The deal was considered low from a producer's point of view, but Q1 premiums are usually expected to be lower. Traders expected Q2 premiums to be over US\$100/t. Other international traders expected Q1 contracts to be closed earlier considering the abundant supply and soft demand in the Japanese primary aluminium market.

The LME aluminium official cash close was settled at US\$1,802/t Tuesday. The spread between cash and three months aluminium was in US\$8.5/t backwardation as of Tuesday's close. The Platts spot Japanese import premium was assessed at US\$75-85/t plus London Metal Exchange cash, CIF Japan on Wednesday.

## **DOWNSTREAM ALUMINIUM PRODUCTS EXPORTS IN THE GCC COUNTRIES CONTINUE GROWTH TRAJECTORY**

The Gulf Cooperation Council (GCC) countries have emerged as a major hub for primary aluminium production. The aluminium industry, which began only four decades ago with Aluminium Bahrain (Alba), is now one of the key economic drivers for the Gulf region, the fastest growing aluminium producer and exporter after China. The region not only provides an opportunity for the primary aluminium sector but also offers the potential for the development of downstream industries like flat rolled products, extrusion, foil and wire rods. The GCC countries have top companies with their downstream operations.

The GCC's 40% of total primary aluminium production is used by the domestic downstream aluminium industries and about 60 per cent is exported to different parts of the world. The building, packaging, construction, transportation, automotive, electrical, and engineering and various other sectors are the key drivers of the domestic aluminium downstream products. The list of major GCC downstream players includes Gulf Aluminium Rolling Mill (GARMCO), Ma'aden, Aluminium Products Company (ALUPCO), Oman Aluminium Rolling Company LLC, Ducab Aluminium Company, and Gulf Extrusion Co. (LLC), among others.

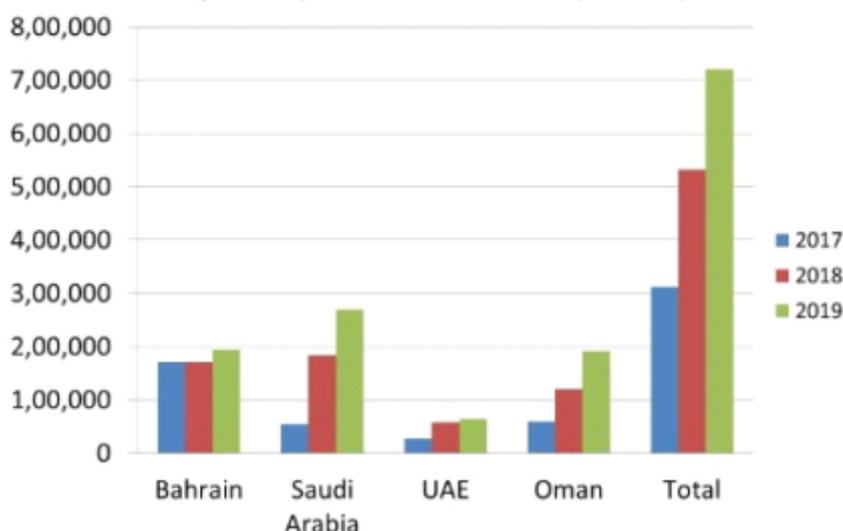
The GCC region's usage of aluminium in the form of flat rolled products (FRP) was close to 410,000 tonnes in 2018. Aluminium foil and extrusions usage in the GCC region was estimated at around 105,000 tonnes and 400,000 tonnes last year.

GARMCO of Bahrain is the major aluminium flat rolled products (FRP) producer in the Middle East region. With an annual production capacity of 165,000 tonnes, GARMCO specialises in producing high-quality flat rolled aluminium products in various sizes and alloys, including sheets and coils. The United Arab Emirates, Saudi Arabia, and Oman are the other key GCC countries that export a substantial amount of downstream products to the international markets.

Let's analyse these four Gulf countries' foreign trade trends for aluminium plates, sheets and strips in 2017, 2018 and 2019.

The four GCC countries (Bahrain, the United Arab Emirates, Saudi Arabia and Oman) together exported about 5,32,320 tonnes of aluminium plates, sheets and strips in 2018, an increase of 220,763 tonnes or 70.86% from a year earlier. The four GCC countries' exports have been increasing year-on-year. In 2019, their exports are expected to reach 720,351 tonnes, up 131.21% from 2017 and 35.32% from 2018.

**Estimated aluminium plates, sheets and strips exports by the GCC countries (Tonnes)**



As shown by our data, Bahrain exported 170,847 tonnes of aluminium plates, sheets and strips in 2017, which grew by 0.08% per cent to reach 170,717 tonnes in 2018. In 2019, Bahrain is estimated to export around 194,514 tonnes of plates, sheets and strips, up 13.85% from 2017 and 13.94% from 2018.

Exports of plates, sheets and strips by Saudi Arabia and the United Arab Emirates (UAE) have increased by 232.66% or 128,241 tonnes and 113.54% or 30,552 tonnes year-on-year to 183,361 tonnes and 57,461 tonnes in 2018. Saudi Arabia and the UAE are estimated to export 270,099 tonnes and 64,367 tonnes of plates, sheets and strips in 2019.

Oman exported an estimated 58,680 tonnes in 2017, which increased by 105.83% or 62,102 tonnes to total at 120,782 tonnes in 2018. The export volume of aluminium plates, sheets and strips are estimated to stand at 191,371 tonnes in 2019, up 58.44% from 2018, and 226.13% from 2017.

To sum up, the increasing demands in the domestic and international markets, primarily buoyed by the growth in the infrastructure development, will continue to expand the consumption of the downstream aluminium products in the GCC region. Events such as Expo 2020 and the FIFA world cup in 2022 are set to further accelerate the demand and consumption of building products in the years ahead.

### **PRIMARY ALUMINIUM PRODUCTION RAMP-UP IN GCC LIKELY TO BOLSTER ITS EXPORT MARKET YEARS AHEAD**

After China, GCC (Gulf Corporation Council) or the Gulf countries are substantially growing in primary aluminium production. In 2017, the total primary aluminium production volume in the Gulf region was 5.14 million tonnes, which in 2018 grew by 5 per cent to 5.4 million tonnes. According to the Gulf Aluminium Council (GAC) estimation, the output is likely to increase further to 5.7 million tonnes by 2019.



The growing demand for aluminium across the world is the primary driving force for this growth in the Gulf aluminium market, according to GAC. Besides, the constant efforts of the GCC countries to make a shift towards the non-oil sector, especially the aluminium industry, is another important factor.

The top five aluminium producers that have primarily contributed to the transition of the Middle East, especially the Gulf countries, from an oil economy to an emerging aluminium superpower are –

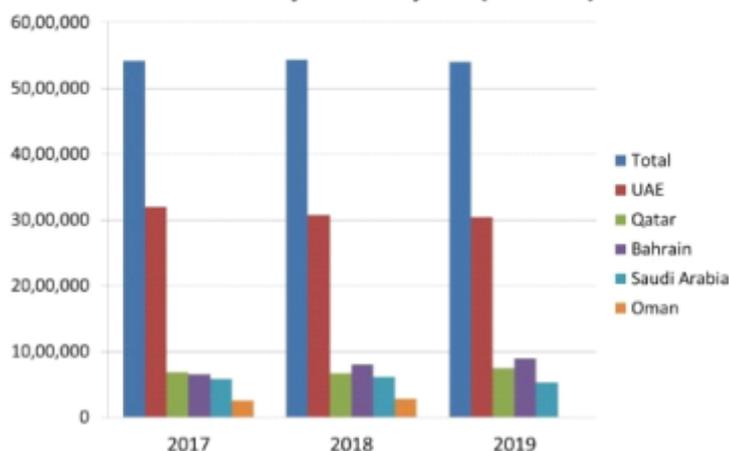
- Emirates Global Aluminium(EGA)
- Aluminium Bahrain (Alba)
- Qatar Aluminium (Qatalum)
- Sohar Aluminium
- Maa'den

Among the above list, EGA, a collaboration of Dubal - Dubai Aluminium and Emal - Emirates Aluminium, produces the highest amount in the region, followed by Alba. While EGA in 2018 produced 2.63 million tonnes of primary aluminium, Alba churned 1.1 million tonnes.

The top five aluminium producers listed above are based at five different Gulf countries, such as EGA at UAE, Alba at Bahrain, Qatalum at Qatar, Sohar at Oman, and Maa'den at Saudi Arabia.

Let us now take a look at the export trend of these five Gulf countries over the past three years. In tandem with the growth in production, the export volume has also been found growing over the years. In 2017, the total unwrought aluminium (both alloyed and non-alloyed) exports by the Gulf countries were at 5.42 million tonnes, while in 2018 at 5.43 million tonnes. In 2019, the volume is likely to continue to grow marginally to come in at an estimated amount of 5.44 million tonnes.

**Primary aluminium export trend by GCC countries year-on-year (tonnes)**



As can be seen in the above graph, the United Arab Emirates is the highest exporter among the other countries. However, its export amount is slightly declining over the years. In 2017, the country exported 3.2 million tonnes, which in 2018 came in at 3.07 million tonnes after inching down by 4.06 per cent. In 2019, the export volume from the UAE is estimated to plunge further to 3.04 million tonnes, down 1 per cent from the year earlier.

But the exports from Bahrain, which is another significant unwrought aluminium (both alloyed and non-alloyed) exporter from the list of GCC countries, have been growing year on year. From 654,384 tonnes in 2017, the country's exports in 2018 grew to 801,053 tonnes, up 22.41 per cent. 2019 is estimated to be of no exception but likely to see further growth of 12.6 per cent to 893,930 tonnes.

## We Invite Suggestions for Techical Subjects / Authors

### Proposed Programmes

- **SHIP BUILDING - Emerging Materials & Manufacturing Technologies**
- **TOOL TECHNOLOGY - Aluminum Extrusion Industry**

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