

SOLID OUTLOOK FOR ALUMINIUM

BY MATTHEW LERNER & PHILIP BURGERT

Aluminium consolidation has just begun — Demetriou

■ CHICAGO — Steven Demetriou, chairman and ceo of Aleris International, said that although the aluminium industry has gone through a transformation via consolidation, the sector has only just begun its restructuring and will continue to see more downstream consolidation.



Demetriou: We have only scratched the surface

He made his remarks in a keynote address at AMM's North American Aluminium Conference in Chicago last week.

Demetriou cited the building of Aleris as one example of how consolidation has taken hold of the downstream aluminium industry. He also pointed to JW Aluminium Co's recent purchases of Rollex Aluminium and Coastal Aluminium Rolling Mills, but emphasised that there will be more activity to come.

"We need to have further consolidation," Demetriou said. "We have only scratched the surface and still have a way to go."

Some of this consolidation will come at the impetus of competitive threats from imports and competition from other materials. "The best way to respond to these threats and accelerate achievements in efficiencies and global expansion is through consolidation."

Merger activity in the downstream sector is creating opportunities for those interested and will continue to do so, Demetriou said. "This will be an attractive sector for investors for years to come," he said. "It's exciting to see the tremendous appetite for investment in this industry."

Demetriou also addressed Alcoa's bid for Canadian rival Alcan, saying that although he would not predict an outcome, the activity could well be a plus for the downstream sector. "If anything happens, it will lead to opportunities in the downstream industry."

Would Aleris be interested in buying any assets that might be divested in any combination due to anti-trust concerns? Referring to Alcoa, he said, "They're in aerospace. We're in aerospace. If it happens, we'll take a look at it."

... while China's aluminium semis boom is 'here to stay'

■ CHICAGO — Despite being among the most expensive aluminium producers in the world, China is just beginning its boom in the export of semi-finished light metal and imports of semis from the country are here to stay, speakers at AMM's North American Aluminium Conference in Chicago said.

"The Chinese semis export boom is in its early stages and soon will not be unnoticed," Jorge Vazquez, president of analysis firm Harbor Intelligence, Laredo, Texas, told a session on supply and demand.

Vazquez noted that Chinese aluminium production costs range to more than \$1,900 per tonne for some producers other than Aluminum Corp of China (Chalco) and are almost \$1,650 per tonne for Chalco or more than twice the cost of the cheapest aluminium production.

But at the same time, he said, aluminium producers are currently enjoying the highest profits per tonne of shipped metal in the history of the industry.

"The market rewards producers to increase supply and meet the strong growth in demand," Vazquez said, noting that 80 percent of the growth in industrial consumption of aluminium in recent years also has come from China. "Aluminium profit margins are so high that even high-cost Chinese products are making considerable money," he added.

In 2007, Vazquez said Harbor estimates that China will export 1.7 million tonnes of aluminium, with more than 80 percent of that in the form of semi-finished products. He noted that China is providing incentives for semi exports that may boost those shipments to 1.6 million tonnes this year from 600,000 tonnes last year.

Also seeing a strong outlook for semi-finished products in China was Greg Barczy, vice president of development and technical director for CMC Commonwealth Metals, a unit of Irving, Texas-based Commercial Metals Co.

Barczy noted that China had produced more than 1 million tonnes of aluminium in April, and will be self-sufficient in aluminium within two years and has been growing semi-finished aluminium production.

"The future has already happened... in China," he said. "We just have to brace ourselves to deal with it and live with it."