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# European Aluminium Extrusion Market Outlook

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# Objectives

- What is driving European extrusions demand?
- How has strong growth changed market dynamics?
- Global View: Will demand growth continue?

*What is driving European demand ? How has this affected trade and costs? Can strong growth be sustained?*

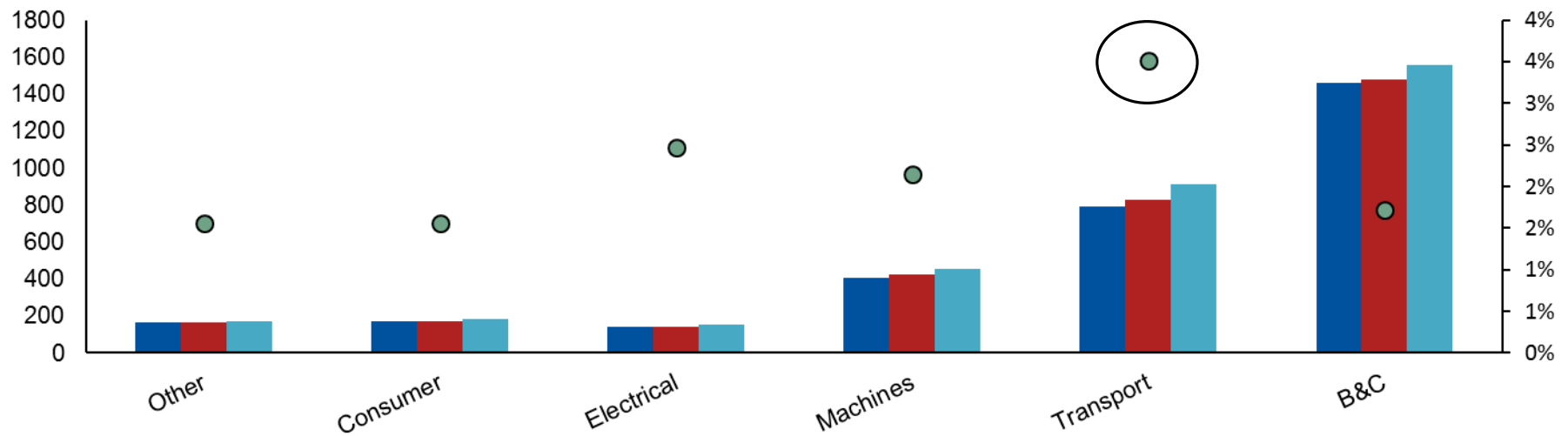
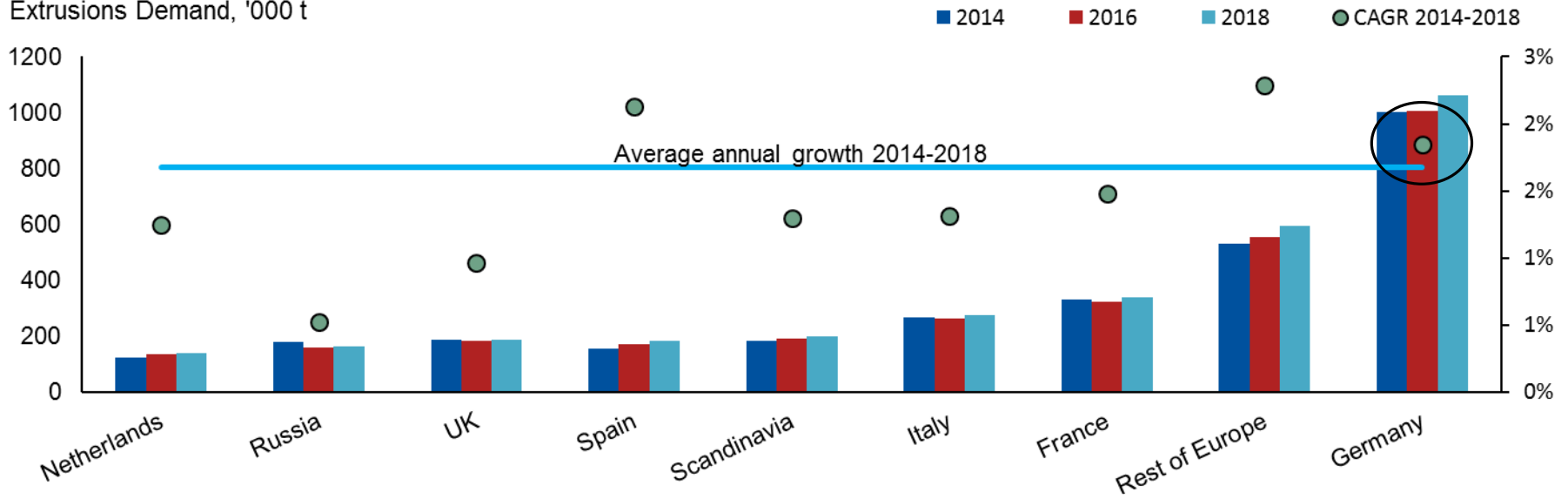
**European Demand:** What is behind strong growth?

**Market Dynamics:** How have trade and costs changed?

**Conclusion**

# Consumption rising across Europe

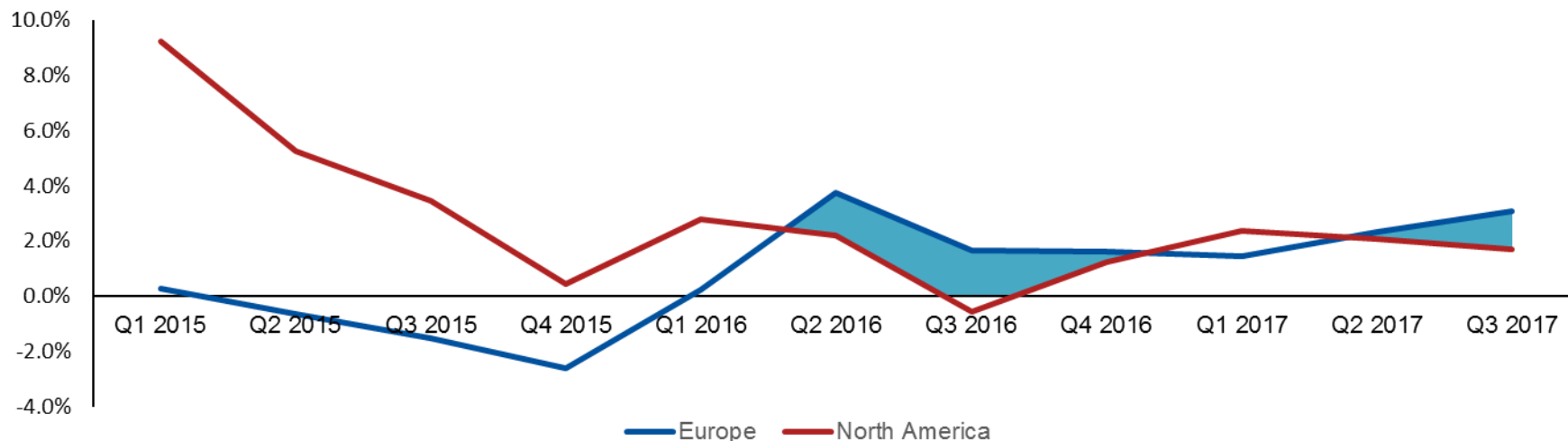
Extrusions Demand, '000 t



# Europe – growth exceeding North America

## European demand growing faster than North America

Quarterly extrusion consumption growth, % y-o-y

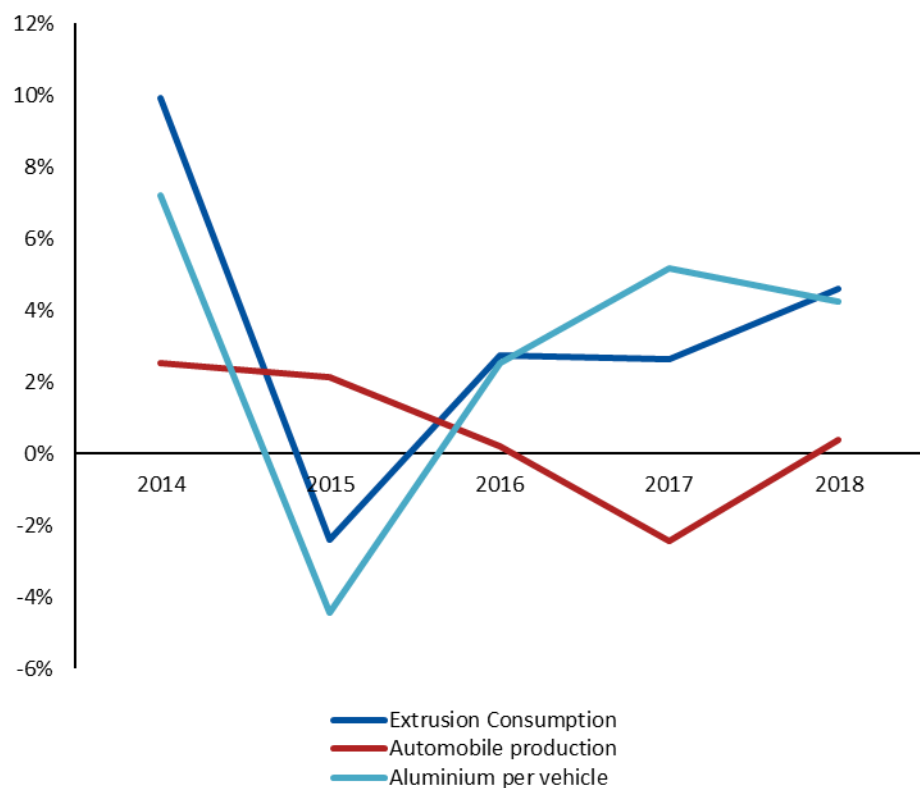


- Europe bridges gap with US growth
- European growth exceeded US in five of past six quarters
- Building and Construction – steady growth
- Transportation – driving increase in consumption

# Transportation– aluminium adoption offsets production weakness

German extrusion demand up despite stagnant auto sales

Growth on year, %



- German automobile production down...

- But aluminium consumption in transport up?

- Adoption in lightweight vehicles

- 2014-2018 CAGR Germany

- Car production: -0%

- Extrusion consumption: 1.9%

*What is driving European demand ? How has this affected trade and costs? Can strong growth be sustained?*

## **European Demand:** What is behind strong growth?

- Adoption in transportation
- Building and Construction rates begin to stabilise

## **Market Dynamics:** How have trade and costs changed?

## **Conclusion**

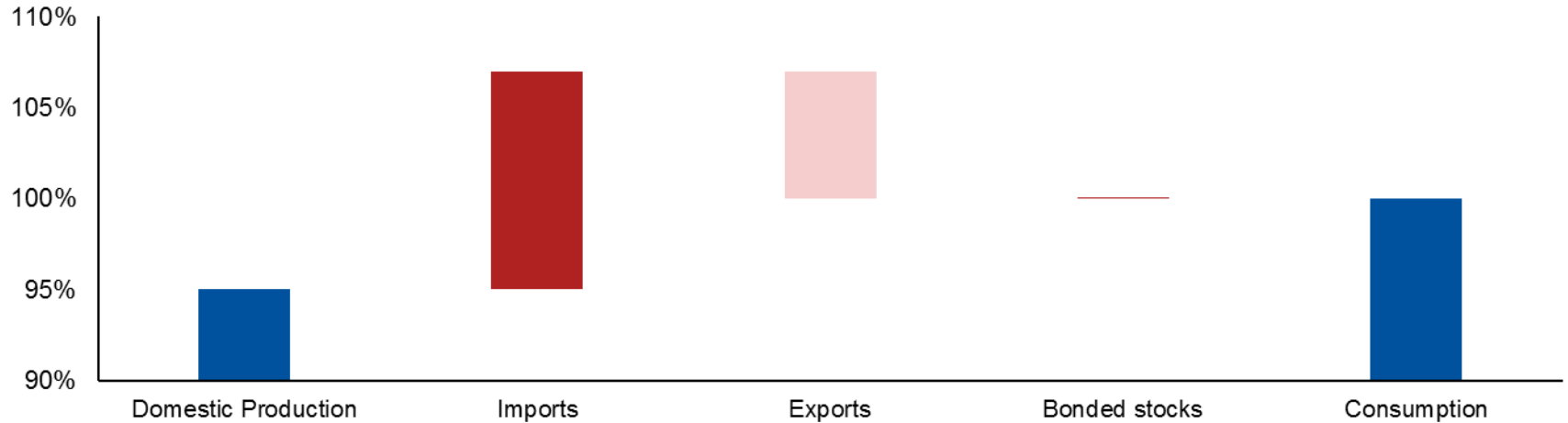
## 2015: Bonded stocks used for consumption

Extrusions Demand, % contribution



## 2017: Higher imports and production replaces stocks

Extrusions Demand, % contribution



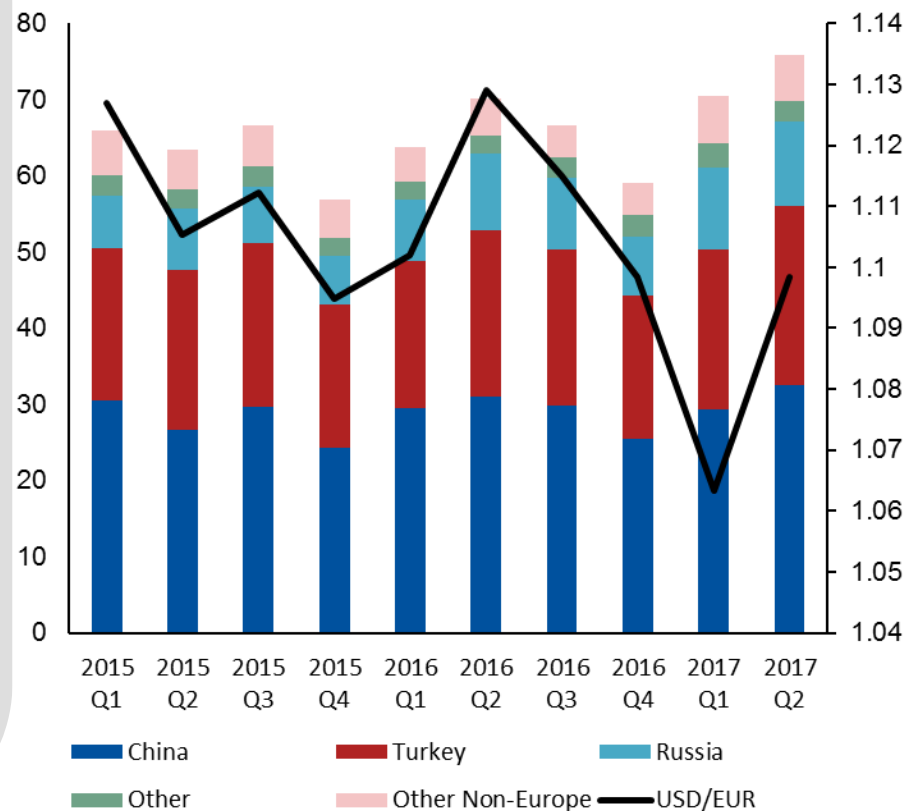


# Euro Strength – increasing market competition

- Euro stronger against US dollar in 2017
- Imports cheaper on Euro basis
- More competition for European extruders
- H1 2017: 26% higher y-o-y

## Strong Euro increases imports from outside Europe

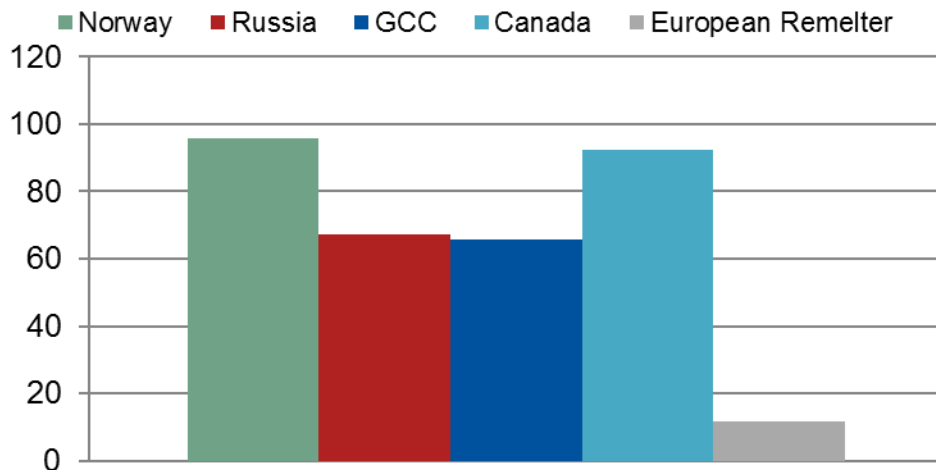
Imports, '000 (LHS); USD per EUR (RHS)



# Billet Costs – Premiums provide lustre for importers

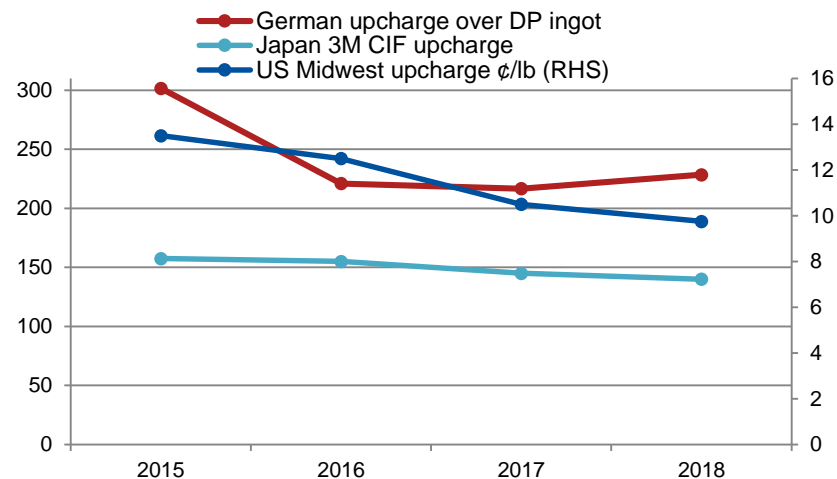
## Billet Netbacks to Germany in 2018

Billet 6063 netback over ingot, \$/t



## European billet surcharge to move above US Midwest

Regional billet premiums, \$/t, (¢/lb RHS)



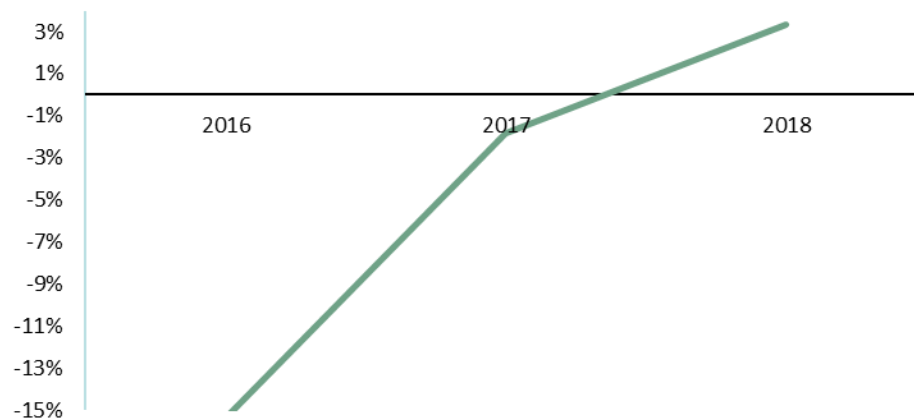
- European surcharge remains above US over forecast period
- Imports have higher netbacks than European remelters
- More supply available but...
- Billet costs not set to fall

# Tight Margins – Will stronger consumption improve profits?

- Margins expected to tighten
- Conversion costs flat despite higher demand
- Billet premiums to rise
- Pressure from importers
- Impact of high LME prices?

## Growth in conversion costs needed to sustain 2017 margin

Annual Growth, % y-o-y



*What is driving European demand ? How has this affected trade and costs? Can strong growth be sustained?*

### **European Demand:** What is behind strong growth?

- Adoption in transportation
- Building and construction rates begin to stabilise

### **Market Dynamics:** How have trade and costs changed?

- Imports higher due to strong demand, stocks drawn down
- Billet costs increasing

### **Conclusion**

# Conclusion

Strong demand driven by increasing intensity of use

Adoption in new products to offset fall in automobile sales

Imports to become a larger part of the market

Margins for European extruders to tighten

# Conclusion



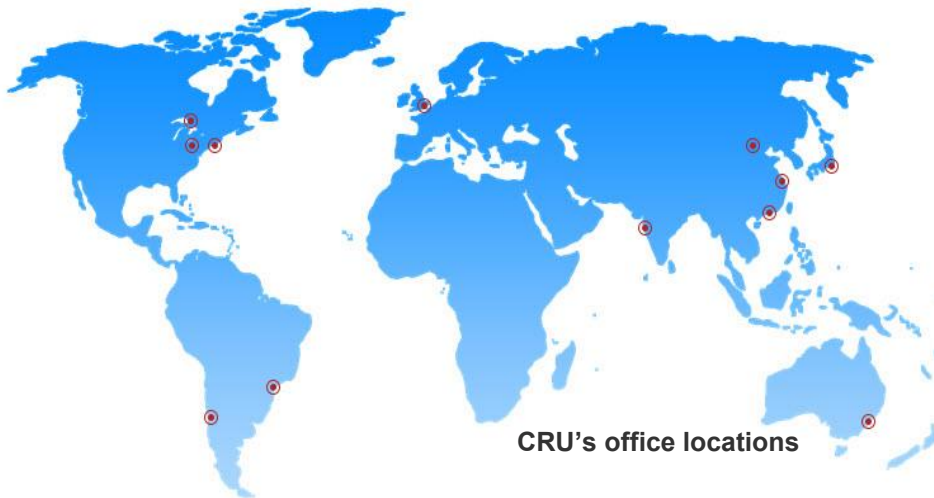




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