
Aluminum expects 1.593 million tonne surplus in 2009 - JP Morgan

Thursday, 15 Oct, 2009

Dow Jones reported JP Morgan Chase & Company as saying that the aluminum market is expected to be in a 1.593 million tonne surplus in 2009, shrinking to 677,000 tonnes in 2010 assuming disruptions of around 4 million tonnes.

Mr Michael Jansen ED of JP Morgan said that the disruptions are expected to be split roughly 50% between China and 50% in the west. Inventories are expected to be around 10.1 weeks of consumption in 2010 up from 9.7 weeks in 2009 and 6.8 weeks in 2008.

He said that "There are 4.5 million tonnes of on exchange stock, a record 45 days of consumption. Likely a further 2 million tonnes to 3 million tonnes of metal is being held off exchange in addition to producer and consumer inventory.

Mr Jansen said that there is also considerable smelter excess capacity with capacity utilization globally in 2009 around 79%, against a long term average of around 90%. So a large demand improvement can be met quite easily through existing capacity. This capacity is currently at record low levels. Smelter capacity at between 47 million tones and 48 million tonnes in 2009 is possibly enough to meet demand through to 2011 to 2012. This means that production for the year at just less than 38 million tonnes is a fairly disastrous outcome for the industry and makes sustaining margin expansion highly unlikely.

He said that capacity will grow in 2009 and 2010 when new smelter projects in the Middle East come on stream. Despite the excess capacity in the market, many aluminum producers are breaking even or turning a profit at current prices.

He added that "At USD 1,600 per tonne no one is going out of business. The price won't force people to make voluntary cuts but maybe involuntary cuts are still possible.

(Sourced from Dwjones.com)

For more news visit at www.steelguru.com