

Disclaimer:

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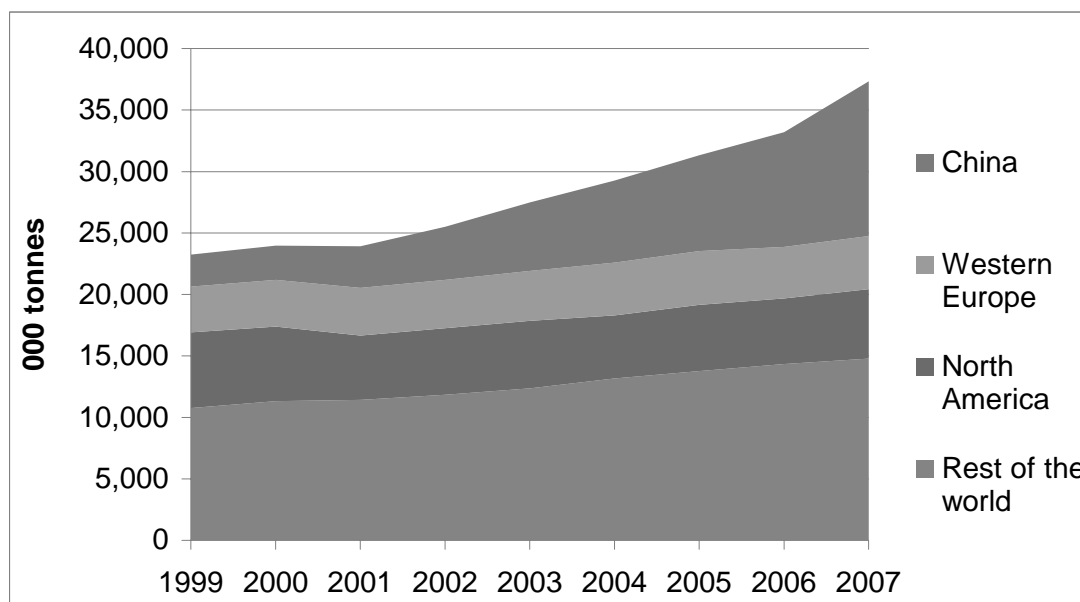
The Asian market for Aluminium Extrusions

(Paper presented in November 2008)

Trends in primary aluminium – production & prices

In 2007, the global production of primary aluminium crossed 37 million tonnes, an increase of near 14 million tonnes since the year 2000. The growth of primary aluminium in China has been spectacular with production increasing from 2.8 million tonnes in the year 2000 to 12.6 million tonnes in 2007. The Asian region accounted for 44% of the production in 2007.

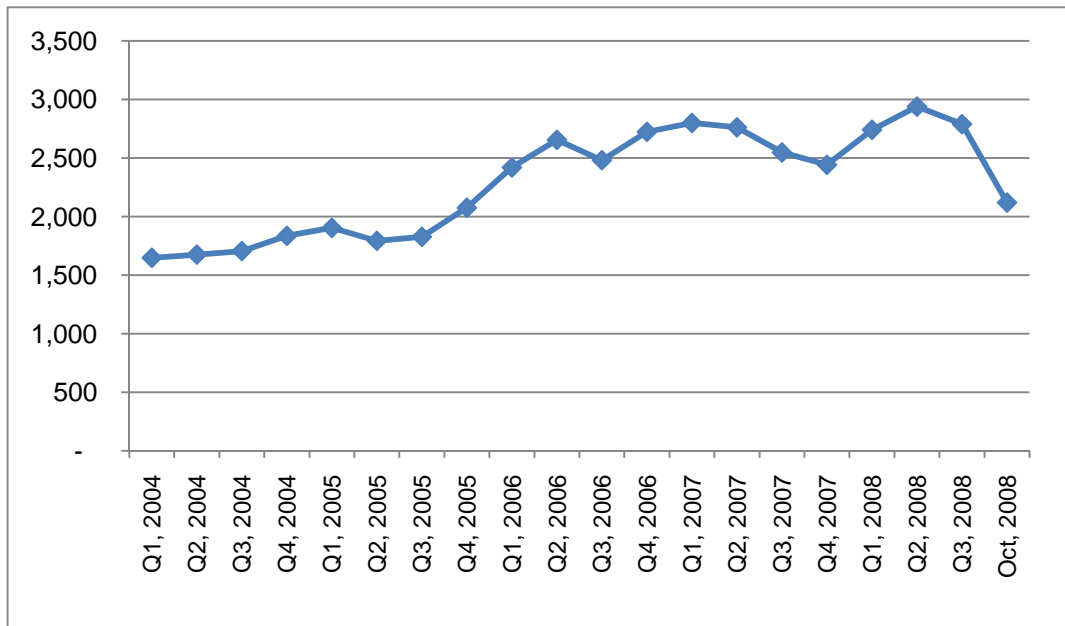
Global production of primary aluminium, 1999-2007 (000 tonnes)



Source: International Aluminium Institute, China Nonferrous Metals Industry Association

Since 2004, aluminium prices have been increasing steadily and reached a peak in the second quarter of 2008. LME (London Metal Exchange) prices rose sharply from \$1,650 per tonne in 2004 to \$2,900 per tonne by the second quarter of 2008. However, they have been declining sharply since then and were hovering around \$2,000 per tonne at the end of October, 2008. The global financial crisis has had a huge impact on the prices as well as the industry.

LME : Primary Aluminium prices, 2004-2008 (\$/tonne)

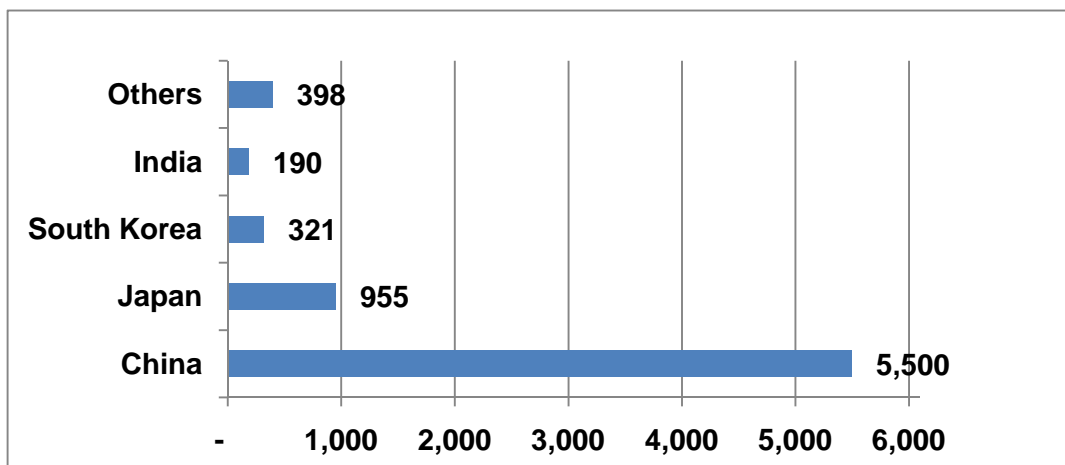


Source: London Metal Exchange, Minerals & Metals Review

The aluminium extrusions market in Asia

The market for aluminium extrusions in Asia was about 7.4 million tonnes in 2007 and has exhibited strong growth in the past decade, primarily due to the demand in China growing in leaps and bounds. China was the major market for aluminium extrusions at 5.5 million tonnes in 2007, followed by Japan at 0.95 million tonnes.

Asia: Aluminium extrusions demand by country, 2007 (000 tonnes)



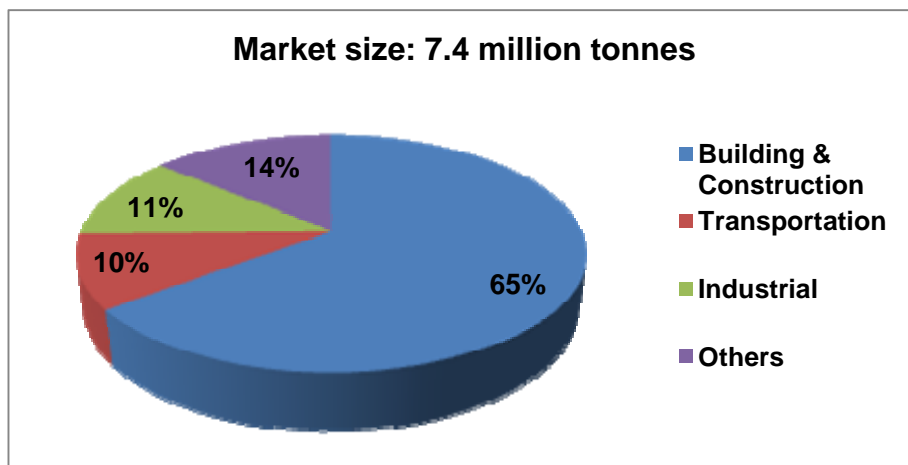
Source: Madras Consultancy Group

Note : Other countries included are Indonesia, Malaysia, Taiwan and Thailand

The growth in demand in China for aluminium extrusions has been high in recent years, thanks to the high spending on the building & construction, transportation, defence and the infrastructure sectors. Beijing Olympics substantially added to the demand. However, demand has slowed down considerably since then. The demand in Japan though has been relatively stagnant and fell by 5.4% in 2007. The demand in India at about 190,000 tonnes in 2007 has been growing well in recent years.

The building & construction sector, including architectural applications, is the major end user segment for aluminium extrusions in Asia and accounted for over 65% of the market in 2007. The demand for aluminium extrusions in the transportation sector has been showing robust growth over the past few years. Other industrial applications have also added significantly to the demand.

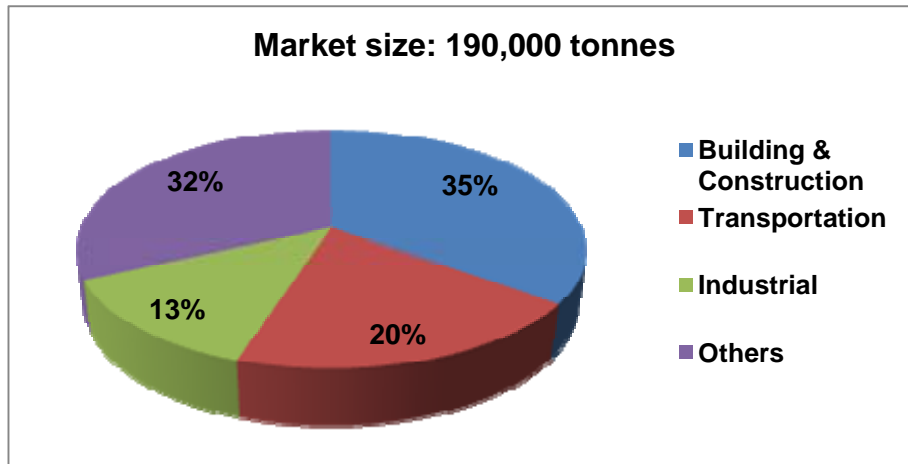
Asia: Consumption of aluminium extrusions by end use sector, 2007 (%)



Source: Madras Consultancy Group

In China, the building & construction accounted for about 66% of the extrusion demand, followed by industrial sector at 12% and transportation at 8%. In Japan too, this sector accounted for 60%, followed by transportation at 18%. In contrast to these two countries, the demand for extrusions from the building & construction sector in India accounted for just 35% of the market.

India: Consumption of aluminium extrusions by end use sector, 2007 (%)

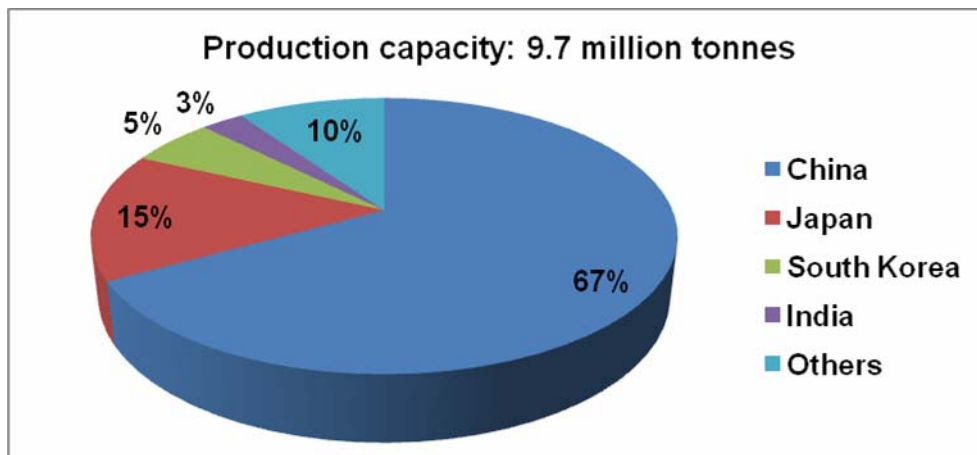


Source: Madras Consultancy Group

Production capacity in Asia

The production capacity of aluminium extrusions in Asia was about 9 million tonnes in 2007 with China accounting for 67%, followed by Japan at 15%. Other major extrusions manufacturing countries are South Korea and Taiwan. Some of the major manufacturers of aluminium extrusions in Asia are Asia Aluminium (China), Guangdong Fenglu Aluminium Company Ltd. (China), YKK AP (Japan), Tostem Corporation (Japan) and Liaoning Zhongwang Aluminium Profile Co. Ltd. (China). The industry is highly fragmented with over 700 extruders in place; the top five accounted for just 12% of the capacity.

Asia: Aluminium extrusions production capacity by country, 2007 (%)



Source: Madras Consultancy Group

China is one of the principal exporters of aluminium extrusions in the world, and is reported to have exported near 750,000 tonnes in 2007. In July 2007, the government of China reduced the rebate on export of aluminium extrusions to zero from the 11% that this sector enjoyed and this has acted as a damper to the country's export prospects.

The economic stimulus package announced recently by the Chinese Government, with the main focus on infrastructure, augurs well for the aluminium extrusions sector. Barring a slowing down in late 2008 and part of 2009, countries like as India are expected to be back on their high growth trajectory by late 2009. Other emerging economies such as Bangladesh, Pakistan and Vietnam will also emerge as key markets for aluminium extrusions as their economies and consequently the building & construction sector expand rapidly.

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