

Future of aluminium industry in spotlight at AFSA conference

Demand for aluminium in South Africa could feasibly double in the next few years, despite pressure from an international economic slowdown and rising power prices.



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This was one of the statements made at the International Aluminium Conference which was recently held in Cape Town. Presented by the Aluminium Federation of South Africa (AFSA), the three-day conference focused on the issues impacting the development of the local aluminium industry, including new insights for successfully navigating concerns which are causing heightened uncertainty and volatility in the sector.

Mark Krieg, executive director of AFSA, said that the local aluminium industry employs just over 15,000 people and makes a net contribution to balance of payments in the region of R4.3bn, according to AFSA's research. "South Africa is fortunate to have the complete aluminium value chain in the country. We have a low per capita consumption and there is upside potential given that we have a sophisticated, modern and well established manufacturing sector," he said.

Reliable energy supply

Noel Pillay, vice-president of operations at South32, said that while South32 was committed to playing a more active role in South Africa, reliable energy supply was critical. "We are optimistic that we can find proactive solutions. Just a few years ago, it was illegal to move liquid metal yet now we transport the annual equivalent of 100,000 tons on our roads."

The Department of Trade and Industry remains fully committed to deploying all industrial policies and tools available to support the objective of doubling aluminium production, according to Thandi Phele, chief director of metal, fabrication, capital and rail transport equipment.

Richard Jacob, CEO of Hulamin Limited, outlined specific opportunities around electricity reticulation, packaging, infrastructure projects and the growing use of aluminium in the automotive sector. He warned that success would require collaboration between government and the private sector, regulatory competitiveness and stable financial markets to enable the capital raising necessary for growth.

Henk Langenhoven, chief economist at the Steel and Engineering Industries Federation of SA, cautioned that policy uncertainty is detrimental to the industry, particularly against the backdrop of unstable international aluminium prices and the fact that primary aluminium producers are not protected against instability of electricity supply. "Secondary producers are concerned about cost increases and import competition, which are crucial inputs to other sectors of the economy," he said.

Slower demand growth

Providing an overview of the global aluminium industry, Eoin Dinsmore outlined aluminium supply and demand dynamics in his capacity as principal consultant at CRU Analysis. "Global aluminium demand growth is slowing on weaker Chinese growth. Smelter closures are expected in China, USA and Europe. Premiums are under pressure from forward spreads but the deficit outside China is rising. Prices will remain under pressure from lower Chinese growth and high inventories," he said.

An automotive session included an outline from Mercedes-Benz SA on the rising use of aluminium in its vehicles. Other discussions focused on recycling, creating a circular economy and the South African scrap market over the past decade as well as latest R&D developments.

Gerd Gotz, director-general of European Aluminium, said that while Europe was ranked highest in terms of aluminium recycling, there is an ongoing need for education. "Not everything called waste is really waste and aluminium is infinitely recyclable."

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