

## Industry Analysis

# Aluminum Production and Products

Q1 2014

### Industry Overview

In May 2011, antidumping and countervailing duties imposed by the U.S. International Trade Commission (ITC) took effect on imported Chinese aluminum extrusions. These duties range up to more than 400 percent on around \$500 million of aluminum products from China used in the car and construction industry. The move – which will remain in effect for five years until May 2016 – was done to offset artificially low prices resulting from Chinese government subsidies, according to ITC.

Aluminum extrusions are used in window and door frames, sills, gutters and solar power frames. They are also used to make parts for cars, trucks and boats, in furniture and a variety of other consumer and industrial goods. ITC announced last month final anti-dumping duties of about 33 percent on all aluminum extrusion imports from China. It also set additional final countervailing duties of 8 percent on imports from the Zhongya group of companies, about 10 percent on the Guang Ya group of companies and nearly 375 percent on other Chinese producers and exporters.

The aluminum industry makes a substantial contribution to the global economy and to individual national economies in many countries. Globally, close to 70 percent of all aluminum cans are recycled, making it the world's most recycled packaging product. China has surpassed the U.S. as the world's largest consumer of primary aluminum, accounting for about 43 percent of global consumption.

At roughly one-third the weight of an equivalent volume of steel, aluminum is lightweight yet strong enough for a wide range of uses. It is a good conductor of heat and electricity, resistant to corrosion, and non-toxic, making aluminum suitable for a variety of industries. The aluminum production process can be categorized into upstream and downstream activities. The upstream process involves mining and refining while the downstream process involves smelting and casting & fabricating. Downstream-fabricated products consist of rods, sheets, extrusions and foils. The final product of a three-stage production process, aluminum is made from an oxidized form of aluminum called alumina, which is in turn sourced from bauxite, a naturally-occurring source of alumina.

The top markets for the aluminum industry include transportation, packaging, building, and construction. Transportation continues to be the largest market, accounting for one-third of total aluminum output. As the transportation industry faces growing demand for high fuel efficiency and an increasingly important factor, offering attractive properties and applications.

**Latest Activities.** Though the aluminum industry was neck-deep in a continued to ramp up production right through 2008 and into August 2009, as the London Metal Exchange warehouse inventory hit highs in late 2009, as the London Metal Exchange warehouse inventory hit highs in late 2009 and stayed there through early 2010. Aluminum companies underperformed in 2009, as profits for these stocks hit their lowest levels of the recession this

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