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Aluminum Highlights
Week Ending: February 1, 2019
An update on industry activity and economic indicators

Market View

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The views expressed in the “Market View” are those of the author and do not necessarily represent the views of the Aluminum Association

On January 27, 2019, the US announced it was lifting sanctions against companies controlled by Oleg Deripaska, including UC Rusal. The removal of sanctions from Rusal has seemed inevitable for months now. Repeated extensions to the general license allowing companies to continue contracts with UC Rusal signified that the US Treasury was unlikely to impose full sanctions on UC Rusal. As a result, the LME price and US spot premiums have been largely unresponsive to UC Rusal developments recently, and the final removal of sanctions has again been largely ignored in premia and price.

China announced that its GDP expanded 6.6% in 2018, down from 6.9% in 2017. This is the slowest yearly growth since 1990. Growth in Q4 slowed to 6.4% from 6.5% in Q3 2018. However, it is expected that China will avoid a hard landing for its economy by announcing further stimulus measures in 2019. The Chinese Ministry of Finance stated that Beijing would plan tax cuts and increase spending as part of its stimulus plans.

Also in China, additional price driven closures were announced in Shandong, taking the total price driven closure of capacity since the start of 2018 to 2.25Mtpy. US and China trade talks are progressing with a summit between President Trump and Chinese Vice Premier Liu He scheduled in Washington on 7 February.

In the US, the Fed as expected did not raise its key interest rate, but in a change of tone from December, the central bank said it will be "patient" as it decides on another round of rate hikes. The dovish statement sent the stock market higher and the dollar lower, which has offered support to metal prices.

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- Mercatus Center Finds China Benefiting From Section 232 Exclusion Process: George Mason University’s Mercatus Center released a new report this week – Growing Backlog, Inconsistent Rulings Cast Doubt over Tariff Exclusion Request Process...
- U.S. Officially Lifts Sanctions on Rusal: The Treasury Department this week announced that the Office of Foreign Assets Control (OFAC) officially lifted sanctions on Rusal...
- U.S.-China Trade Talks Continue in DC: With one month left to negotiate before new tariffs are levied, the U.S. and China met at the senior ministerial level this week for two days of trade talks in Washington...
- Bipartisan Bill to Curb President’s Tariff Authority Introduced: A bipartisan group of legislators has introduced legislation in both the House and the Senate to limit the president’s authority to impose tariffs under Section 232...
January 29 – Aluminum net shipments (including exports) by domestic U.S. and Canadian facilities totaled an estimated 1,800 million pounds during December, an increase of 5.6 percent over the December 2017 total of 1,704 million pounds. Shipments of aluminum mill products rose 4.5 percent over the previous year to 1,206 million pounds, while shipments of aluminum ingot for castings, exports and destructive uses advanced 8.0 percent year-over-year, totaling 594 million pounds. For the year, preliminary producer shipments totaled an estimated 24,577 million pounds in 2018, an increase of 3.4 percent over the 2017 total of 23,763. December inventory levels totaled an estimated 3,456 million pounds, off eight-tenths of one percent from the previous month but up 7.8 percent year-over-year.

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January 29 – According to the most recent DAT Trendlines release (January 20 – January 26), the national average van rate dropped below the $2 per mile mark for the first time since September 2017 ($1.97). Falling fuel surcharges and increased capacity in the spot market are putting downward pressure on rates, as average flatbed prices also moved lower ($2.37).

January 31 – Sales of new single-family houses in November 2018 were at a seasonally adjusted annual rate of 657,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This is 9.1 percent above the revised October rate of 562,000 but is 4.0 percent below the November 2017 estimate of 712,000. The median sales price of new houses sold in November 2018 was $302,400. The average sales price was $362,400.

January 31 – Statistics Canada reports that real GDP in Canada fell one-tenth of one percent in November, following a three-tenths of one percent increase in October. Decreases in wholesale trade, finance and insurance, manufacturing and construction more than offset gains in 13 of 20 industrial sectors. Goods-producing industries were down three-tenths of one percent, the third decline in four months, while services-producing industries were essentially unchanged. Total manufacturing output declined five-tenths of one percent in November, the third decline in four months, as the majority of subsectors were down. Declines occurred in both durable (-0.7%) and non-durable manufacturing (-0.3%).
January 31 – Statistics Canada report that Canada’s Industrial Product Price Index (IPPI) fell seven-tenths of one percent in December, mainly due to lower prices for energy and petroleum products (-7.4%). This followed an eight-tenths of one percent decline the previous month. The IPPI excluding energy and petroleum products increased four-tenths of one percent. Alumina and aluminum production prices increased for the first time in seven months (+2.0%), but were off 2.7 percent from a year ago. The overall IPPI rose 2.2 percent during the 12-month period ending in December, after increasing 2.8 percent in November.

February 1 – The U.S. Census Bureau of the Department of Commerce reported that the annual rate of construction spending during November 2018 totaled an estimated $1,299.9 billion, seasonally adjusted, an increase of eight-tenths of one percent m/m, and 3.4 percent over the November 2017 estimate of $1,257.3 billion. Residential construction ($548.4 billion seasonally adjusted annual rate) advanced 3.4 percent m/m, and was up six-tenths of one percent y/y. Nonresidential construction was at a seasonally adjusted annual rate of $751.5 billion, off 1.0 percent from October 2018 (+5.5% y/y). Construction spending through November 2018 totaled $1,200.7 billion, 4.5 percent above the $1,149.3 billion ytd 2017.

February 1 – Preliminary data published by Automotive News indicated that U.S. light-vehicle sales totaled 1.147 million units in January 2019, a decline of 1.0 percent from the January 2018 total of 1.159 million units. The daily sales rate in January was 45,879 over 25 days, also 1.0 percent below the January 2018 rate of 46,365 (also 25 days). January’s seasonally adjusted annual rate of 16.90 million units was 1.9 percent below last month’s 17.22 million units. Total sales in 2018 reached a revised estimated 17.334 million units, six-tenths of one percent above the 2017 estimated total of 17.239 million.
February 1 – Total nonfarm payroll employment increased by 304,000 in January, the U.S. Bureau of Labor Statistics reported. The unemployment rate rose to 4.0 percent, with job gains occurring in several industries, including leisure and hospitality, construction, health care, and transportation and warehousing. Manufacturing employment rose by 13,000 jobs, bringing the sector’s run of consecutive monthly increases to 18. The average monthly change for the sector now stands at 21,800 additional jobs over the last 12 months. In total, manufacturing employment has increased by roughly 261,000 jobs over the last year.

Unanimous USITC Decision Finds Unfairly Traded Common Alloy Sheet Imports From China Harming U.S. Industry
Aluminum Association Applauds Major Win for U.S. Aluminum Producers and Rules-Based Global Trade

Driving Modern Manufacturing
$2.7 Billion in Aluminum Industry Investment Creates U.S. Jobs
February 1 – The Markit final U.S. Manufacturing Purchasing Managers’ Index (PMI) posted 54.9 in January, up from 53.8 in December. Overall operating conditions across the U.S. manufacturing sector improved in January, supported by faster expansions in output and new orders. Domestic demand drove new business growth, as new export orders rose only marginally and at the weakest rate since last October. Business confidence about the year ahead also picked up markedly to reach a three-month high. Meanwhile, goods producers increased their workforce numbers strongly amid a quicker rise in new orders. Nonetheless, backlogs continued to expand. On the price front, input cost inflation eased to a 12-month low but remained marked and above the series trend.

February 1 – The Markit Canada Manufacturing Purchasing Managers’ Index (PMI) eased from 53.6 in December to 53.0 in January. Manufacturers in Canada reported another loss of momentum at the start of 2019, with output and new business growth easing further from the peaks seen last summer. Export sales remained particularly subdued in January, with this index pointing to a marginal fall in new work from abroad. On a more positive note, manufacturing companies signaled a robust pace of job creation and slower input cost inflation during the latest survey period.

February 1 – The headline Markit Mexico Manufacturing PMI rose from 49.7 in December to 50.9 in January. The Mexican manufacturing industry started 2019 on the right foot. Business conditions improved for the first time in three months as faster growth of new orders led to a renewed increase in employment. At the same, there was a weaker decline in input stocks, while production moved closer to stabilization. Fuel shortages resulted in longer suppliers' delivery times, restricted optimism and increased input costs. Sentiment was the lowest seen in the series history.
Global Activity Continued...

**February 1** – The [Caixin China General Manufacturing PMI](https://www.caijin.com/) posted 48.3 at the start of 2019, down from 49.7 in December. Latest survey data signaled subdued overall operating conditions in the Chinese manufacturing sector at the start of 2019. Production and total new work were both slightly down at the start of the year, despite a renewed increase in export orders. Relatively muted demand conditions underpinned the first fall in purchasing activity for 20 months, while firms also registered lower inventories of both purchased and finished items.

**February 1** – The headline [Nikkei Japan Manufacturing PMI](https://www.nikkei.com/) fell to 50.3, from 52.6 in December. The Japanese manufacturing sector began 2019 with a notably softer improvement in business conditions. The headline PMI fell to the lowest since August 2016 amid coincident declines in both output and new orders for the first time in two-and-a-half years. A stronger deterioration in international demand was also recorded in January. In turn, firms made inroads into their backlogs of work, reduced stocks and scaled back input buying. Meanwhile, business confidence weakened for the eighth straight month, and employment growth eased.

**February 1** – The final [Markit Eurozone Manufacturing PMI](http://www.markit.com/) registered 50.5, down from 51.4 in December, unchanged from the flash estimate. The headline index has now fallen for six consecutive months and stood in January at its lowest level since November 2014. Ongoing weakness was apparent in the intermediate goods sector at the start of 2019, whilst producers of investment goods recorded a deterioration in operating conditions for the first time since July 2013. In contrast, the consumer goods category continued to enjoy solid growth in January.
February 1 – On the NYMEX, the near-month WTI crude oil futures (Cushing, OK WTI Future Contract 1) closed the week at $55.26/bbl on Friday, February 1, up $1.57 (+2.9%) from last week’s close of $53.69/bbl. Oil prices increased as U.S. sanctions on Venezuela’s state-owned oil firm raised the risk of tighter crude supplies and a recent survey showed a considerable monthly decline in OPEC production. Active U.S. oil-drilling rigs declined by 15 last week to 847, the fourth weekly decline in the last five weeks. Compared to last year, oil rigs have increased by 82. Brent Crude on London’s ICE Futures exchange closed the week up at $62.75/bbl (+1.8%). Friday’s spread between the two was $7.49/bbl, off from last week’s spread of $7.95/bbl.

January 31 – The U.S. Energy Information Administration reported that natural gas spot prices rose at most locations this report week (Wednesday, January 23 to Wednesday, January 30). However, Henry Hub spot prices fell from $3.10/MMBtu last Wednesday to $2.96/MMBtu.

At the NY Mercantile Exchange (Nymex), the February 2019 contract expired Tuesday at $2.950/MMBtu, down 3¢/MMBtu from last Wednesday. The March 2019 contract decreased to $2.854/MMBtu, down 7¢/MMBtu from last Wednesday. The price of the 12-month strip averaging March 2019 through February 2020 futures contracts climbed 2¢/MMBtu to $2.946/MMBtu.
According to the most recent release by the Federal Reserve Board, the Nominal Broad Dollar Index closed the week at 126.31 on Friday, January 25th, falling four-tenths of one percent from the previous week’s close of 126.80. This is the fifth weekly decline in the Index over the last six weeks. The Index remained below its 30 day moving average for the fifth consecutive week. Over the last six months, the index has advanced 1.9 percent, while it’s up 9.0 percent over the last 12 months.

The nominal broad dollar index is a weighted average of the foreign exchange values of the U.S. dollar against the currencies of a broad group of major U.S. trading partners.
The Aluminum Association, founded in 1933, works globally to aggressively promote aluminum as the most sustainable and recyclable automotive, packaging and construction material in today’s market. The Association represents North America and foreign-based primary producers of aluminum, aluminum recyclers, producers of semi-fabricated products and foundries as well as suppliers to the industry or distributors or jobbers.

The Aluminum Association’s statistical programs provide industry information on primary aluminum production, new orders of mill products, industry shipments, end use market estimates, inventories, recycling and foreign trade on a monthly, quarterly and annual basis. Special surveys provide data on specific subjects such as primary capacity, flat roll capacity, inventories and castings shipments. Custom reports are available on a for-fee basis. Web briefings are also available upon request.

Industry Overview
Aluminum Statistical Review (Annual Fact Book)
Aluminum Highlights (Weekly)
Aluminum Situation (Monthly)
Summary of Producer Shipments and Inventories (Monthly)

Primary Aluminum
Primary Aluminum Production – U.S. and Canada (Monthly)
Primary Installed Capacity (Annual)
Shipments of Primary Aluminum by Form (Quarterly)

Mill Products
Index of Net New Order Receipts for Aluminum Mill Products (Monthly)
Can Stock Shipments (Monthly)
Electrical Conductor Shipments (Monthly)
Extruded Products Shipments and Press Utilization (Monthly)
Flat Roll Capacity (Annual)
Foil Shipments (Monthly)
Forging and Impacts Shipments (Monthly)
Rod, Bar, and Wire Shipments (Monthly)
Sheet and Plate Shipments (Monthly)

End Use
Extrusion Shipments by End Use (Quarterly)
Fin Stock Shipments by End Use (Quarterly)
Foil Shipments by End Use (Monthly)
Sheet and Plate Shipments by End Use (Quarterly)

Castings
U.S. Foundry Castings Shipments (Quarterly)
Canada Foundry Castings Shipments (Annual)

Recycling
New Can Stock (Class) Scrap Receipts (Monthly)
Used Beverage Can Reclamation (Annual)

Foreign Trade (based on government customs data)
Summary of U.S., Canada and Mexico Imports and Exports (by Commodity), Monthly
Foreign Trade Online Database - U.S., Canada and Mexico Exports & Imports of Aluminum (By Commodity, by Country)

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