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# METALS

SECTORIAL OVERVIEW SEPTEMBER 2016



## TOP NEWS

### U.S. aluminium manufacturers call on China to stop its policies of support to metal industry

A group of aluminium producers from the United States considers China the main “culprit” for the oversaturation of the global market with aluminium, and the generation of the global loss of USD 23 billion in 2015. They warn that primary aluminium producers in the U.S.A. would have to leave the market if the price of this metal falls below 1,528 USD/ton (now 1,589 USD/ton). Again, some analysts find these claims unsupported, since the production surplus has been present on the aluminium market for 15 years now, and China has participated in it just in part (60 %).

### China sees an increasing demand in rust-free cars, which is good news for zinc

At this moment just one third of cars manufactured in China have corrosion-free properties, which will have to change, considering buyers’ increasing focus on quality. This is expected to increase the Chinese demand for zinc by 350,000 tons p.a., with a similar trend expected in India, too (+150,000 tons). This will raise the price of zinc that has already had the best price performances among basic metals. The price of this metal is expected to grow by 12.7 % by the end of 2018, due to a higher demand for zinc in the future.

### Threat to mining industry: the biggest Chinese recycler acquires a renowned German recycling company

The Chinese Chiho-Tiande Group acquires the German 144-year old Scholz Holding GmbH, to expand its channels of supply in Europe. After 30 years of industrialization, China has realised that it wants to have a mass recycling of metal products, as practised in the U.S.A. (60 % of steel) and Europe (43 % of copper). The plan is to start with metal from cars, since the car sale in China increased by 165 % in the past 8 years. Besides, the German company will send its scrap metal to China, which will make China the biggest recycling destination in 10-20 years, and it will probably have to export the excessive recycling metal. The plan is to start in two years with different metals, mostly aluminium, copper and steel.

### British Steel back in the zone of profit after spin-off from Indian Tata Steel in April this year

The British company - British Steel managed to achieve its first profit within the first 100 days of business as an independent company. The company did manage to increase efficiency, after being separated, as a loser, from Tata Steel, but could not get back to the top in the Great Britain. However, it employs 4,800 people, and produces 2.8 mil tons of steel p.a., some of its major customers being Toyota, Caterpillar and UK National Railway.

### The physical trade in gold in the London Metal Exchange (LME), starting at the beginning of 2017, will increase transparency

The new e-platform introduced by LME will be centralised and will substantially contribute to higher transparency in trading in the Exchange, and is expected to extend to silver, platinum and palladium. The introduction of futures for gold, planned by LME together with Goldman Sachs and ICBC (a big Chinese lender), is still not certain.

### Canadians, too, looking for gold near Bor

After the last month announcement of the British-Australian Rio Tinto arrival near Bor for gold prospecting in this area, there is news this month that Canadian Nevsun is in Serbia for the same reason. This company invested 60 million dollars to complete investigations by September 2017, and then to immediately start preparations for mine opening. Previous explorations showed a 46 m thick layer of ore in a borehole, with as much as 15.85 % of copper and unbelievable 17.77 grams of ore per ton.

### Arrival of Chinese Hesteel already felt in the life of Smederevo inhabitants

Since the arrival of the Chinese partner, the Smederevo Steel Mill has been operating in full capacity, hiring new employees of different professional and technical qualifications. It has already hired 300 new workers. Besides, the Smederevo Steel Mill also activated other firms, some of which were near shutdown, such as Zmaj, the metal processing, fitting and installation company.



## GLOBAL MARKET

### In September, the prices of metals fell after a period of recovery from February to August this year

The prices of basic metals and minerals decreased by 1.6 % in September, and those of precious metals by 1.2 % comparing to the previous month. In comparison with other commodities, basic metals saw the greatest monthly decrease in prices, while some commodities, on the other hand, saw an increase in prices (energy, drinks, and fertilisers).

### The drop in the prices of basic metals in September has confirmed the concerns of experts worldwide that after several months of increasing prices, companies would up their production, pushing metal prices back down

For instance, iron ore and steel prices have been going up quickly since the beginning of 2016, and the companies decided to increase their production, in order to “grab” the moment of rising prices. In September, it was the price of these metals that had the greatest reaction to the increase in production, but also a drop in demand at the same time.

### The largest drop in prices in September was for iron ore that recorded the largest increase in the preceding month

The prices of iron ore dropped by 5 % comparing to August when it increased by 7 % comparing to July, which almost placed it back to the level recorded in July (USD58 comparing to the July price of USD57). A considerable drop was also seen in the prices of aluminium and nickel, now lower by 3 % and 2 %, respectively. The only basic metal with a slight increase in price was zinc.

### Metal prices are expected to decrease on average by 8 % in 2016, and 2 % in 2017

Projections for the downward trend in metal prices for 2016 were lower (more optimistic), but, considering the September drop in metal prices, this outlook for October has been revised up.

### On the market of precious metals, the price of platinum suffered the biggest fall, while the prices of gold and silver kept their mild downward trend from August

The price of platinum is lower by as much as 7 % comparing to August, and the prices of gold and silver by 1 % each. However, considering a generally rapid price growth of these metals in 2016, the prices of gold and silver were higher in September this year by 18 % and 31 %, comparing to September last year, respectively. In 2016 gold was the commodity most popular for investment, which is not surprising having in mind the omnipresent uncertainty about the global economic growth.



## DOMESTIC MARKET

### Production of basic metals has been recording growth at the rate of 3.4 % in 2016, with respect to the comparable period in 2015

The production growth was the most prominent in the last months, which is most likely due to an increased output of the Smederevo Steel Mill and its higher productivity after its acquisition in May by Chinese Hesteel. Foreign trade in basic metals records a positive balance in the first eight months of 2016, as much as 63 % higher than the surplus in the comparable period last year.

### Production of metal products in the current year is higher by 11 % than in a comparable period last year

This progress is due to more successful production in the industry of metal structures, and in rolling mills, powder metallurgy, and metal machining industry that had an above average production growth. Foreign trade in fabricated metal products recorded a surplus in the first eight months of this year, which is 6 % higher than the positive balance in the comparable period last year.



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