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METALS

SECTORIAL OVERVIEW JUNE/JULY 2016

GLOBAL MARKET



In 2016, the prices of all metals in the global market record their historical minimums. However, in the second quarter 2016, a growth in prices of 5% was recorded, which was the first one after its decrease in seven quarters in a row. In July, this growth started to speed up, and the prices of metals increased by 5.7% in relation to June, by which they reached the highest level since September last year.



The growth in prices of metals was mainly made by a drop in the supply of metals and a raise of their demand. However, these changes are still insufficient to absorb currently larger supply than demand. Since China is the largest manufacturer and consumer of metals in the world, trends in the Chinese market have the most significant impact on price.



On the demand side, a growth in metal prices has been caused by the increase of investments in infrastructure in China, their support policy focused on increase of demand for metals and expansive credit policy in this country. On the supply side, a growth in metal price was mainly influenced by the reduction of metal production in China of 0.1%.



On the market of basic metals, the largest increase of price was recorded with nickel, while the lowest increase was recorded in aluminium. The price of nickel increased by 15%, if compared with the previous month, which has been the highest inter-monthly increase of prices of one metal for the last six years. The reason is the announcement of Phillipines to reduce the production of this metal due to its negative impact on environment. In the upcoming years, the recovery of prices of all basic metals is expected, which will be mostly contributed by the development of construction industry in India, Indonesia, Malaysia, Philipines, Singapur and Thailand.



On the market of precious metals, the prices of gold and silver have risen mainly due to the decrease of GBP after the Brexit. Since the beginning of the year, the price of gold increased by 27%, whereas the silver price grew by 46%, in relation to the same period of the previous year. However, in the forthcoming years, the prices of gold and silver are expected to decline continuously. The price of platinum will be the only price to increase.

METAL PRICES

Metal	2016		2015	2016	2015	The previous year **		The previous three years ***	
	July	Jun	July	Average*	Average	Minimum	Maximum	Minimum	Maximum
Iron \$/t	57.0	52.0	52.0	52.9	55.8	41.0	61.0	41.0	137.1
Copper \$/t	4864.9	4642.0	5456.8	4728.3	5510.5	4471.8	5217.3	4471.8	7291.5
Aluminium \$/t	1629.1	1593.5	1639.5	1555.4	1664.7	1467.9	1629.1	1467.9	2055.6
Gold \$/ounce	1336.7	1276.4	1128.3	1237.0	1160.7	1075.7	1336.7	1075.7	1351.7
Silver \$/ounce	20.0	17.3	15.1	16.5	15.7	14.1	20.0	14.1	22.6

CHANGES OF METAL PRICES %

Metal	2016		2016/2015	2016	2016/2015	Prethodnih godinu dana**		Prethodne tri godine***	
	Jul	Jun/July	July	July/Average*	Average	July 2016/Minimum	July 2016/Maximum	July 2016/Minimum	July 2016/Maximum
Iron	57.0	10	-11	-2	-5	39	-7	39	-58
Copper	4864.9	5	-1	15	-14	9	-7	9	-33
Aluminium	1629.1	2	18	5	-7	11	0	11	-21
Gold	1336.7	5	33	-9	7	24	0	24	-1
Silver	20.0	16		-9	5	42	0	42	-11

*Average prices in January-July 2016, **Last 12 months, ***Last 36 months

Source: WB

DOMESTIC MARKET

GENERAL INFORMATION

The metalworking sector in Serbia is highly concentrated and is an ordinary representative of the missing middle phenomenon. Namely, the 10 largest enterprises make around 80% of total revenues, whereas the rest of 750 companies generate 20%. In the field of RAW materials and primary products, two state-owned enterprises completely mark the supply – Železara Smederevo in the sector of iron and steel, and RTB Bor in the sector of copper. In the sectors of middle and upper level of metal processing and in the sector of fabricated metal products, the structure is more fragmented, however, this sector lacks enterprises that can be taken as large ones according to the European standards.

The most important export destinations are Italy, Turkey, Germany, Bosnia and Herzegovina and Macedonia, while the major import destinations are Ukraine, China, Bosnia and Herzegovina and Hungary. Serbia exports one fourth of iron and steel to Italy, one third of the produced aluminium to Germany, whereas a third of copper is exported to Turkey.

CURRENT INFORMATION

METALS

Historically low prices of metals in the global market have a negative impact on those enterprises to which metal is the main output (Železara Smederevo and RTB Bor) and a positive influence on those enterprises dealing with production of metal products, i.e. to which metal is the main input.

The production of basic metals records an increase, when compared with the average of the previous year. The most dynamic growth was recorded with the production of steel pipes, hollow profiles and fittings (48% more in comparison with the average of the previous year), and is followed by the greater production of raw iron, steel and ferroalloys (33% more in relation to the average of the previous year).

Foreign trade in basic metals recorded a deficit in the first half of 2016. This result was mainly contributed by the reduced export of iron, steel and aluminium. On the other hand, in the sector of copper, a surplus of 105 million EUR was recorded. In the following period, we can expect the recovery of export of iron and steel, taking into consideration a growth in prices of these metals in the global market as well as the reform of Železara Smederevo and the assumption that the utilization of the plant will reach its full capacity.

METAL PRODUCTS

The production of metal products recorded a growth of 14%, if compared with the previous year. This growth is owed to the more fruitful production in metal construction industry that increased by one fourth as well as to the rolling mills and powder metallurgy and machinery metalworking. On the other side, the production of steam boilers, metal cisterns, reservoirs and containers, blades and tools, has recorded a decline.

Foreign trade in fabricated metal products has recorded a surplus this year, whereby the export share of these products is more than one third of the export value of the entire metalworking sector.

Almost a fourth of the export of metal products consists of iron and steel products made by Železara Smederevo. However, the good information is that the number of companies participating in international trade increased, if compared with the previous year. A third of these companies are exporters, out of which 58% are net exporters, who contributed to this year's growth of the export of fabricated metal product by 4%.



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