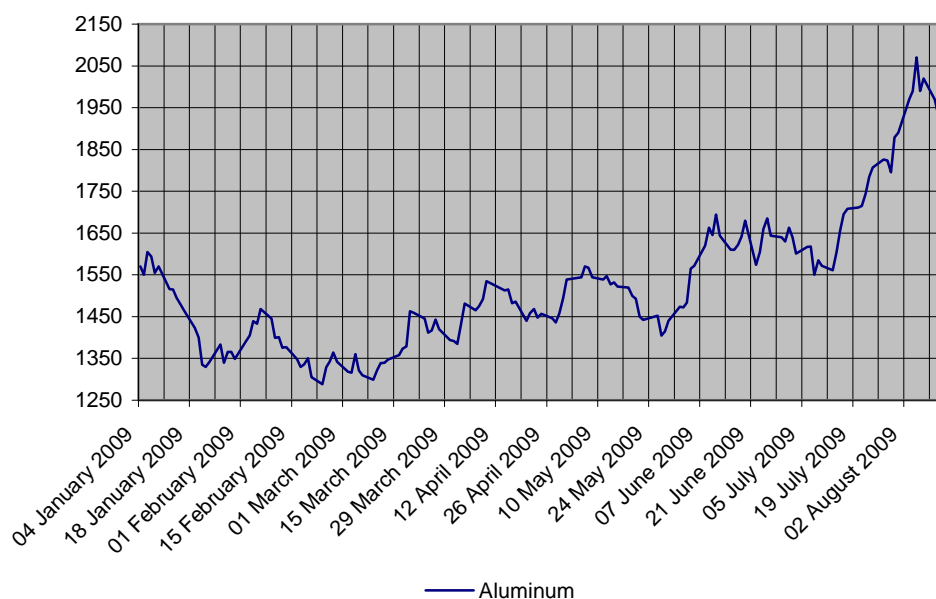


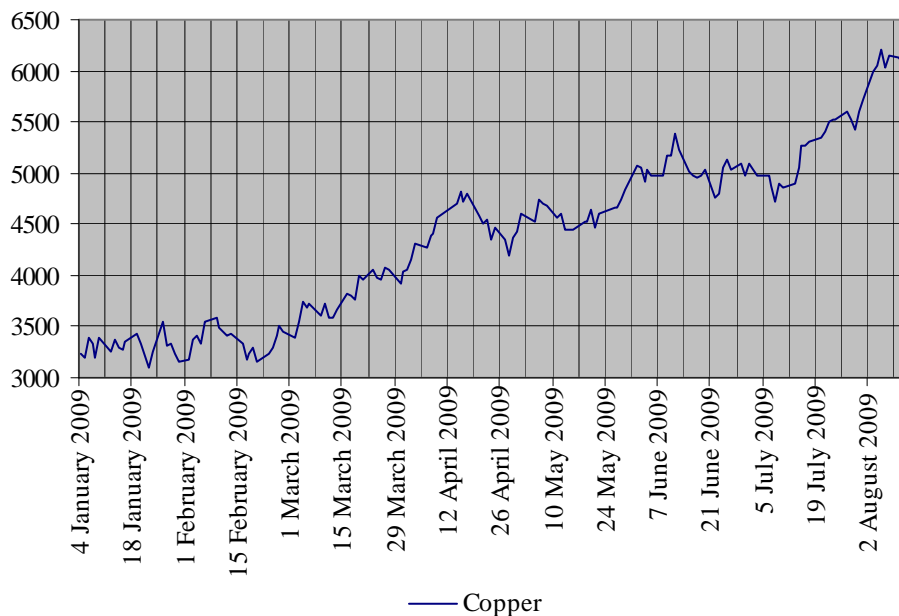
NON-FERROUS METALS: POSITIVE ON GLOBAL RECOVERY HOPE

BY GALINA KOVALISHINA, HEAD OF THE CORPORATE FINANCE
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Anti-crisis measures taken by many countries in response to sharp cuts in production and aimed at job creating are largely focused on launching large-scale infrastructural projects. The US intends to spend \$120 billion to support the population, Chinese authorities approved \$54 billion state funding of railway and motorway construction and electrification. Anticipating higher demand for base metals from main copper and aluminum consumers – construction and electric machinery making industries – have already had effect on the prices for these commodities. This has driven up non-ferrous metal prices (see the Figure).

Aluminum and copper price movements at the London metal exchange





Source: LME

Copper prices are likely to rise in the near future (the US' House of Representatives and Senate have approved funding of infrastructural projects under the Economy Recovery Plan¹ and China's National People's Congress passed economic recovery stimulating measures²). Demand for aluminum will hardly see any rise in the coming months. Although infrastructural projects require increasingly more aluminum, which had a positive impact on aluminum prices, around 30% of aluminum end products are used in aviation and automotive industries. These two sectors have been severely hit by the crisis, and how fast they will recover depends on consumer demand that is unlikely to increase in the near future. Packaging production (another industry where aluminum is widely used) is seeing a similar trend. Thus, aluminum prices will rise slower than copper prices in months to come.

LME aluminum inventories have grown 4-fold over the last year. With such sizeable stock, aluminum prices will grow slowly even if demand rises.

Many plants tend to stop using aluminum and prefer composites over many reasons, including availability of new materials and aluminum production non-efficiency in terms of energy consumption.

Mid-term prospects for the aluminum market are good. The main aluminum consumer, China continues to enhance imports to meet the domestic market requirements in aluminum products

¹ American Recovery and Reinvestment Act, <http://www.whitehouse.gov/issues/Economy/>

² Prime Minister W. Jiabao, The Second Session, 11th National People's Congress (NPC)

(profile, first of all). Besides, global economy upsurge amid falling production (aluminum stocks at company and distributor warehouses have already fallen to the minimum) might result in a sharp metal deficit that will likely affect the price.