

August 2023

Aluminium foil deliveries depressed by de-stocking and weaker demand

Year to date (YTD) deliveries of aluminium foil for the first six months of 2023 saw demand drop 9.4% to 444,000 tonnes, with both domestic deliveries and exports down. Figures for the second quarter of the year dipped by 15%, compared to Q2 2022, as the impact of weak demand and the resulting destocking continue to be felt. This double digit decline also reflects the spike in demand seen last year in the same period, which recorded the highest ever quarterly volume, thanks to exceptional post-Covid demand. Overall production in Q2 2023 totalled 212,300 tonnes (2022: 249,400t) according to figures just released by the European Aluminium Foil Association (EAFA).

Thinner gauges, used mainly for flexible packaging and household foils, saw demand decrease in Q2 by 14% in domestic markets and almost 30% outside Europe. YTD figures were down 10% in Europe and 17% elsewhere. The effects of a return to more regular consumption patterns and the impact of continuing high inflation and rising interest rates have seen weak demand continue in the packaging and related sectors. Companies along the supply chain continue to reduce their inventories and remain cautious.

For thicker gauges, used for semi-rigid containers, technical or other applications the story is partially similar. Deliveries in the three months to end June were down 15 % overall with YTD figures showing a 11% drop for domestic markets but an increase of 40% in exports, as a spike in overseas demand in both Q1 and Q2 pushed demand in the first six months for these gauges into positive territory. As more Asian production comes back on stream these export deliveries are expected to normalise. This category of export products makes up a small volume of the total production, therefore its impact on overall output figures is less.

Reviewing the figures Bruno Rea, Chair of EAFA Roller Group said, "Following the pattern established in Q1 these numbers are in line with expectations and reflect current situations affecting the global economy which are outside our control. In addition, the figures for 2022 were exceptional as the world recovered from Covid and both consumption and demand for all kinds of commodities using aluminium foil skyrocketed."

"Recoveries are never straightforward and while tensions around the globe remain high and inflation here in Europe and other important markets remains above normal we maintain a cautious outlook for the rest of 2023. However, there are signs inflation is coming down and this accompanied by governmental programs to alleviate pressure on energy prices should have a positive impact on consumption by early 2024, or even slightly before then. Aluminium foil manufacturers remain resilient to meet these challenges, as they have done in the past."

The European Aluminium Foil Association (EAFA) is the main trade association, specifically representing companies engaged in the rolling and rewinding of aluminium foil and the manufacturing of semi-rigid alufoil containers and household foil in Europe. With its more than 40 members, the organisation represents the total aluminium foil rolling market in Europe. www.alufoil.org

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