



# PRIMARY ALUMINIUM INDUSTRY

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**Trade tariff fallout: Global aluminium prices at risk; negative impact on margins of domestic primary aluminium entities**

**FEBRUARY 2025**



## 1 Decoding Trump tariff on aluminium sector



## 2 US aluminium production and trade flows



## 3 Global demand of aluminium



## 4 Trade flows from Asian counterparts



## 5 Impact analysis on domestic aluminium entities



## 6 ICRA's rating trends on non-ferrous sector





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*The recent tariff announcement by the US is likely to risk demand in the country. With China also facing challenges in reviving its economy, this is expected to negatively impact the LME aluminium prices.*

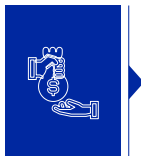
*Any sharp decline in aluminium prices would adversely impact the profitability of domestic primary aluminium manufacturers.*



- On February 11, 2025, the United States of America (US) revised the tariff rates applicable on aluminium imports to 25% from 10% and withdrew all country-specific duty exemptions previously granted under Section 232 of the Trade and Expansion Act of 1962, from March 12, 2025. This removes all preferential market access extended to a few countries, applying a uniform tariff for aluminium imports to all countries henceforth.



- The US typically imports 4.5-5.0 million tonnes of aluminium annually, which contributes ~12% to the global aluminium trade. Given the high import dependence of ~84% in CY2024, the US will continue to import aluminium in the foreseeable future and the tariff is expected to drive a significant rise in the US regional premium, with the Mid-west premium already up by ~17% in February 2025 compared to end-January 2025. This is likely to push the aluminium prices higher in the US, negatively affecting industries like automotive and manufacturing.



- As a result, the tariff announcement is likely to adversely impact the aluminium demand in the US. Also, with China already facing challenges in reviving its economy, this could have a bearish impact on aluminium prices. In addition, dormant smelters in the US may resume operations, weighing on the prices. Moreover, Canada contributes ~60% to the total US import of primary aluminium, which might get redirected to European nations, impacting the European regional premium.



- The impact on Chinese trade flows is expected to be minimal, as exports to the US already declined in recent years. India's reliance on the US market is also very minimal, at ~2% in FY2024. However, with a uniform tariff applicable to all countries, Indian exporters have an opportunity to expand export footprint in the US market.



- In FY2025, the profitability of the domestic primary aluminium entities is being supported by a sharp increase in LME prices, despite an increase in alumina cost. However, the bearish trend expected in LME aluminium prices will negatively impact the margins of domestic entities in the near to medium term.



- In a pessimistic scenario of declining LME aluminium prices, the profitability of the primary aluminium entities could drop to \$500/MT in FY2026, compared to a base case of \$750/MT, assuming a decline in LME prices by around \$350/MT, respectively.



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