

How COVID-19 is changing the aluminium industry

With the COVID-19 outbreak having swept across the world, industries are beginning to be affected. The aluminium industry is no different, and with some of the outbreak's impact having become clearer in the past couple of weeks, we're taking a look into some of the specific effects.

By Jennifer G*

First and foremost has been the disruption of some industry events and operations. In our recent article on the coronavirus effect on ET '20¹ we revealed that the Aluminum Extruders Council had decided to postpone the event as a result of the outbreak. The organisation monitored advice from the World Health Organisation (WHO) and U.S. CDC (Center For Disease Control) and determined that it was simply safer to push the conference to a later date.

How much this will set industry activity back is difficult to say, but it's certainly an unfortunate (though wholly necessary) development. The ET event is a hotbed of discussion, presentation and development that generally helps to propel the industry forward. Its delay is regrettable for these reasons – though this should not be a crippling blow to individual companies, nor to the industry at large.

Beyond events like this one, demand is perhaps the most significant area to consider. And so far, there have been both positives and negatives in this regard.

Some of the most noteworthy stories affecting worldwide aluminium demand have been related to electronics, and specifically the printed circuit boards commonly used in modern devices. To clarify, an overview of aluminum PCB design² remarked on the "growing popularity" of circuit boards that use the metal, as well as the nature of the aluminium components – generally serving as the bases of PCBs. The metal, essentially, is vital in the construction of these miniature but powerful electronics. And it's become clear that among the devices that use these aluminium PCBs, we may actually see both increases and

decreases in demand.

On the one hand, there are some medical devices that are now in extremely high demand, and which depend on advanced PCBs to function. Most notable among these are ventilators, which are being used to assist vulnerable COVID-19 patients with breathing. It goes without saying that it's a terrible thing that the virus has spread to the point that there is now a dire need for rapid production of ventilators. Nevertheless, this is one factor contributing, however grimly, to higher demand for aluminium parts.

On the other hand, there are less essential electronic devices that may use aluminium-based core components that may see decreases in demand. For instance, all modern smartphones are powered by PCBs, and there has been some talk of production of these devices slowing down as a result of the pandemic. This talk is not confirmed, but in the worst case scenario we could see entire new product lines (such as the iPhone 12) delayed, and a reduction of aluminium demand as a result.

Moving away from PCBs, but on a similar note, there may also be some decline in retail scrap activity within the aluminium supply chain. Discussions about the industry response³ to COVID-19 have mentioned specifically that the supply chain may see effects, potentially from slowing production in the auto industry (though some involved in retail scrap indicated they had yet to see negative effects as of the time of that writing). Here too, potential negative effects are an open question, but there's certainly a possibility that slowing industry could slow demand.

Beneath all of these questions and considerations, there is also the issue of mining to keep in mind. While the points above speak to demand (or lack thereof) for aluminium, the scale of the COVID-19 pandemic is broad enough to impact supply as well. For instance, reports on mining operations⁴ in India have indicated that despite relevant businesses being deemed "essential" (and thus allowed to remain open during lockdowns), activity is slowing down significantly. It appears that while the operations can remain active, workers are either electing not to show up, or are unable to reach the mines due to travel restrictions. If these remain the conditions for long, the aluminium industry could also see a legitimate supply problem.

All in all, it's a complex picture that could become somewhat clearer in the coming months. Right now though, it's clear that COVID-19 is affecting the aluminium industry in multiple ways — even if the ultimate impact of those effects is hard to determine. ■

References

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