



Al castings to chart growth despite headwinds

by: Michael Roh

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The Twinsburg, Ohio-based die-caster's current exposure to automotive customers is around 20-25% but the company recently added three new customers, including two in automotive, General Die Casters chief executive officer Brian Lennon told Fastmarkets on Thursday October 17.

"We are currently performing sampling for two new automotive customers with planned start of production in 2020," he said.

Even against a backdrop of tariffs and an ongoing strike at GM's operations in the United States, the company expects a 10-20% increase in sales stemming from these customers' orders.

Despite this, the US Section 232 tariffs and China's retaliatory tariffs have caused some pain for the company in recent months.

US imports of aluminium have been subject to a 10% tariff since US President Donald Trump announced the Section 232 tariffs in March 2018. These tariffs have had a negative impact on downstream aluminium producers, including in the casting industry.

Fastmarkets assessed the aluminium P1020A premium, ddp Midwest US at 17.5-18 cents per lb on Friday, down by 21.1% from the three-year high of 22-23 cents per lb in April 2018, a month after the tariffs were announced. The premium was at

9.4-9.5 cents per lb at the start of 2018.

"I believe that companies may be offshoring domestically purchased parts to compensate for cost increases caused by tariffs. I can only speculate on the motives for these moves... While we did see an increase in quoting after the tariffs, we have experienced a negative sales impact since they have been in place," Lennon said.

"We were producing 390 alloy shifts that were being shipped to China. The end user in China tooled up and resourced this in China shortly after the tariffs were put in place. It could be a coincidence or retaliation," he added.

The United Auto Workers (UAW) union strike against GM, now in its fifth week, forced the automaker to idle production across its US operations. That disruption has trickled down the supply chain, hurting die-casters who supply castings to GM plants.

"Our automotive orders are down due to the strike. GM's trend has been to offshore manufacturing out of the US. Based on what I have seen thus far on the contract, I don't expect them to slow down. It will be unfortunate. It's not only GM workers that lose, but everyone else in the GM supply chain. Including us," Lennon told Fastmarkets.

The GM strike has amplified downward pressure on prices for secondary aluminium alloys, the metals used to produce castings.

Fastmarkets' price for aluminium alloy A380.1 delivered Midwest, was at 59-62 cents per lb on October 17, narrowing downward by 1 cent from 59-63 cents previously and

the lowest level since March 2009.

Lennon told Fastmarkets that he, nevertheless, is optimistic that the automotive industry's willingness to incorporate more aluminium in their vehicles will support the casting industry in the long run, even while the sector struggles to adjust to a shifting trade environment and automotive disruptions.

The use of "aluminium die-castings in large structural parts is growing in the automotive industry," he said.

Lennon is optimistic that parts traditionally made from steel, such as dashboards and door panels, will soon be produced from aluminium castings.

Michael Roh -
michael.roh@fastmarkets.com