

market, where demand grew by 50% returning to pre-crisis levels. Worldwide demand is predicted to rise to just short of 48 million tonnes by 2012, whereby the Asian market in general and the Chinese market in particular are seen as the catalysts for this increase. (Pic. 3)

b. Aluminium Semi-finished Products

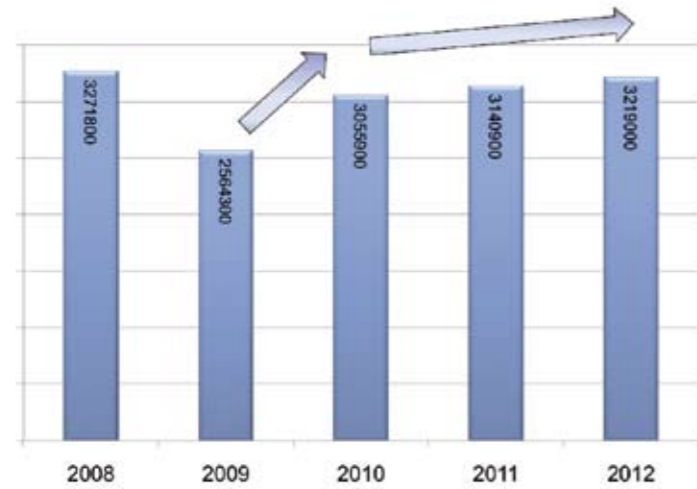
The markets for aluminium semi-finished products throughout Europe have generally recovered to pre-crisis levels. In 2008 demand of 4.5 million tonnes of rolled and

3.3 million tonnes of extruded products were recorded. At the height of the crisis demand for rolled products declined by around 850,000 tonnes and figures for extruded products decreased by approximately 700,000 tonnes.

However, by the end of 2010 this had risen by 600,000 tonnes respectively 500,000 tonnes, returning the aluminium semi-finished product markets to the near realms of pre-crisis levels. (Pic. 4 and Pic. 5)

Pic. 5

Aluminium extruded products European demand (EU27 + EFTA, tonnes)



Source: EAA

Regional differences within European industry and construction sectors are to be expected, which will no doubt be reflected in the respective aluminium markets. As such in Germany demands for rolled products had returned to 2008 levels by the end of 2010, and extruded products showed new record heights.

If one compares these figures with the situation in France, the UK, Italy and Spain it becomes clear that only the French extruded products sector has sufficiently recovered to return to pre-crisis levels, whilst the remaining markets will need considerably longer to achieve this.

4. In Summary

Indications for an economic upturn across Europe remain positive and the recovery should progress further through the coming year. The catalysts that drive economic growth will change though. Currently the recovery is fuelled in the main by the industrial sector but this is predicted to alter in the course of next year which is set to see a turning point in the European construction industry.

Growth levels in the production industry are anticipated to continue to reduce/normalise, whilst low growth rates are forecasted in the construction sector, whereas the levelling of regional differences will take quite a long time.



Coated steel or aluminium piecework must withstand a variety of environmental influences. GSB Quality Seals provide internationally accredited product assurance.

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Editorial

Facing up to the challenges of the future



Many decisions would be simpler and easier to make if we were to already know today what the world would be like tomorrow. The financial crisis hit Europe very hard in 2008. Despite optimistic announcements being made as late as the summer of that year, the downturn came in the autumn and was not only a great surprise but also very acute. The subsequent recovery has been very different in the various European countries. In many markets, forecasts are being revised markedly upwards; other countries are lagging behind. The prevailing tone for aluminium as a material in the building sector is certainly positive. Dr. Andreas Postler presents his forecasts for the coming years in this issue.

Just like decisions made at a political level, forecasts are often the starting points for future developments and changes. It was like that at the beginning of the 1990s when the state of Berlin in Germany imposed a ban on the use of aluminium as a building material, which the Gesamtverband der Aluminium Industrie (GDA) trade association successfully battled against at the time. The ban was removed on the condition that chromium-free systems be used for surface treatments. This provided the impetus for GSB International to concentrate on alternative pre-treatment systems and to then license them so that its member companies could also supply such markets with products that have a reliably high standard of quality.

Werner Mader

Werner Mader
Managing Director

By the way

Ladies and Gentlemen,

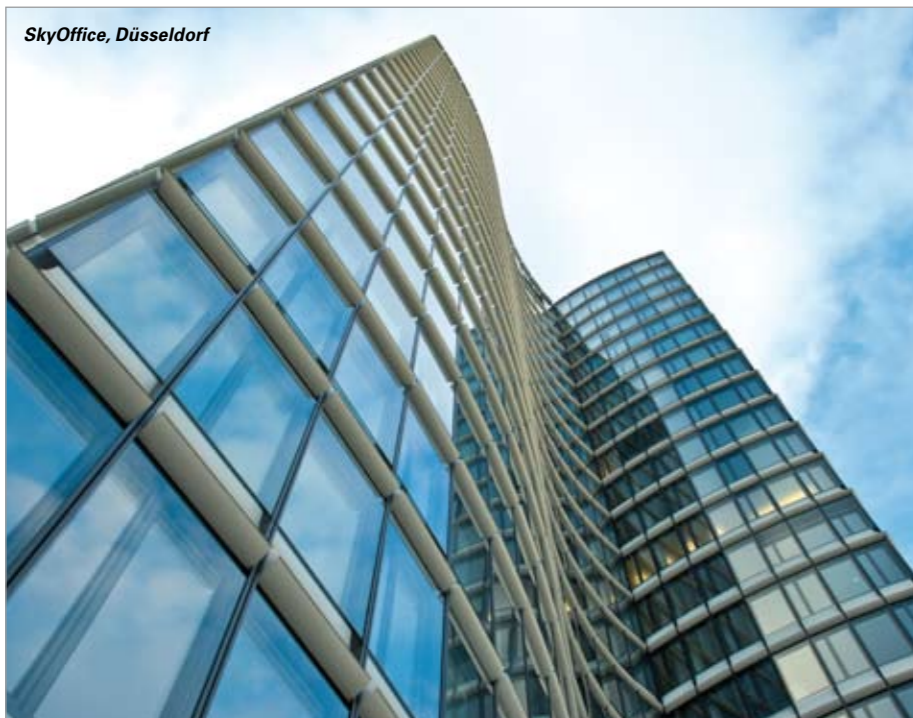
it appears to have become fashionable to consider difficult and critical decisions as „without alternative“, which brings to my mind an old Latin proverb „Many roads lead to Rome!“ For over 15 years there have been clear indications that Chromium VI-compositions ought to be replaced in the surface pre-treatment process, and our association has been working on alternative pre-treatment processes in close collaboration with the Aluminium Industry as well as Pre-treatment chemical suppliers ever since.

For over 10 years now, GSB approved coaters and licenced Premium Coaters have been working with chromium free pre-treatment systems. The results achieved are comparable to those produced by chromating systems. Pre-anodising is a further pre-treatment pro-

cess we have been actively involved in, which has produced excellent test results in terms of corrosive protection particularly in maritime climatic conditions. Since the introduction of declaration free pigmentation, the GSB has taken on a pioneering role often against some resistance from within the industry, and nowadays even in Southern Europe the renunciation of using pigments containing heavy metals has become a matter of course. The introduction of sustainable and environmentally friendly systems and processes requires a huge amount of time and dedication – but are we not duty bound to explore such alternatives?

„Those who only do what they already know, will always be stuck with what they already are.“ (Henry Ford)

Yours sincerely, Hans-Jürgen Alfort
Chairman of the Board



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GSB INTERNATIONAL e.V.
Quality Association for coated piecework building components

Managing Director: Werner Mader

Franziskanergasse 6
D - 73525 Schwäbisch Gmünd
Phone +49 (0) 71 71 / 6 80 55
Fax +49 (0) 71 71 / 53 00
info@gsb-international.de
www.gsb-international.de

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photo library GSB INTERNATIONAL e.V.

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Trends in the European Construction and Aluminium markets



Transcript of the lecture delivered on the occasion of the General Assembly of the GSB International e.V. in Düsseldorf on 10th May 2011

Dr. Andreas Postler
Market Analyses
Gesamtverband der Aluminiumindustrie e.V.

1. Background Information

The global economic crisis of 2008/2009 had a significant and far reaching impact on European markets. Gross domestic production throughout Europe decreased by 4%, and private consumption fell by 1.1%. Investments and industrial output also suffered considerably with values decreasing by 11.3% and 14.9% respectively. However, the recovery that started in 2010 has been unexpectedly strong in many areas, with gross domestic production rising by 1.7% and private consumption by 0.7%, whilst industrial output managed an increase of 7.2%. Only investments remained slightly in the red showing a year on year shortfall of minus 0.8%. (Pic. 1)

Further progress in the economic recovery had been forecast at the beginning of 2011, with business throughout Europe continuing on an upward trend during the first quarter of 2011. As such, the capacity utilisation of the manufacturing sector continued to rise in the second quarter further closing the long term gap, albeit remaining

a good deal below the heights achieved during the previous economic cycle. Improving economic indicators have resulted in brighter forecasts for many areas, and according to the Consensus Economics (as at April 2011) gross domestic production is set to rise by 1.7% during this as well as the following year. Private consumption is expected to increase by 1.0% and 1.3% and investments by 2.2% and 3.4%. Industrial production is predicted to grow even more significantly by 4.8% and 3.6%.

Yet, despite positive forecasts in terms of the economy itself, unemployment figures for 2012 are expected to equal those recorded in the crisis year of 2009, which is attributable to the fact that in many areas figures have not as yet recovered to pre-crisis levels and will, in certain countries, remain beyond reach for some time to come. The vast differences between individual countries within the European Union are best demonstrated in the comparison of their individual capacity utilisation rates. Whilst Germany's utilisation rates are

significantly above the European average, countries such as Italy or Spain continue to fall considerably short of these values.

2. Construction Industry

a. Overview

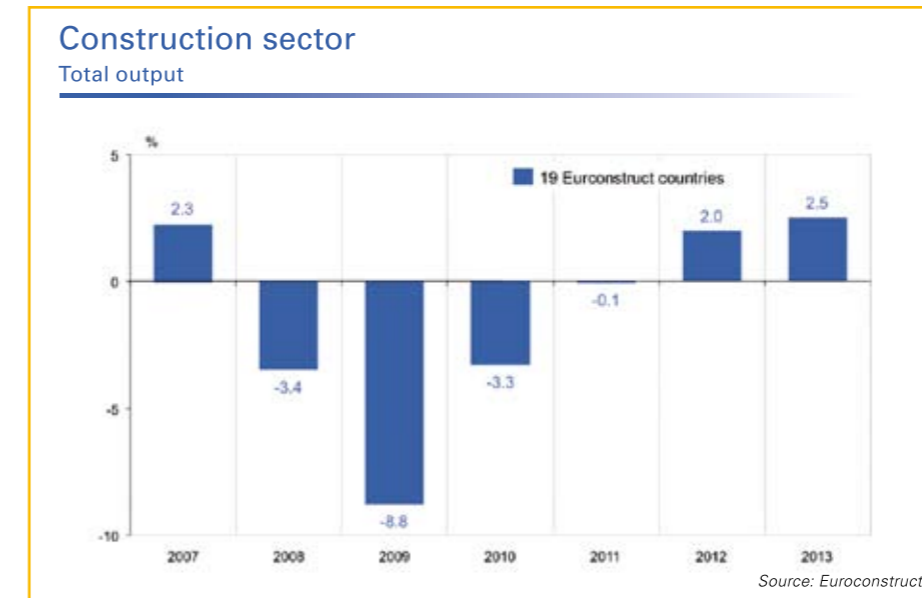
The European construction industry (Euroconstruct) generally follows the positive economic trend, albeit with a slight time delay, which in 2011 continues to leave the industry stuck in a recession, the exception being the housing industry which is showing signs of recovery and is expected to be up by around 2% year on year.

The non residential building sector remains in a phase of consolidation with a decline of around 1% being forecast for the current year. This fall is due entirely to the shortfall in new building projects, as some marginal growth is being expected within the renovation sector. The civil engineering sector is not anticipated to benefit from any positive impulses injected by either new construction or renovation projects and overall this sector is set to decrease by about 2%. (Pic. 2)

However, for the coming year forecasts for the building industry are on the positive side, with improvements expected across the board: 3% in the housing sector and 1.5% for the non residential building sector and civil engineering projects respectively. Accumulatively, this represents a 2% year on year growth in volume for the European construction industry.

Nevertheless, the fact that the construction sector continues to fall well short of its pre-crisis values and has actually decreased by 15% across Europe between 2008 and 2010 cannot be ignored. Bearing in mind the accumulative growth forecast between 2011 and 2013 for the sector, the average increase is expected to reach a mere 4.5%. It is therefore safe to say that a full recovery of the patient named Construction Industry is some years off as yet.

Pic. 2



tion volume in Germany remained stable during the crisis and even managed to grow in 2010, whereas in Spain, the market crashed, declining by almost half between 2007 and 2010 with a continuing decrease being predicted for 2011.

3. Aluminium Markets

a. Primary Aluminium

The ongoing demand for primary aluminium has not just enjoyed a speedy recovery from its original decline by 7.7% at the peak of the crisis in 2009, but in fact managed to record a colossal 18.6% year on year growth to reach an all time high of 41 million tonnes the following year. The Chinese market showed the most dynamic recovery with 23.5%, followed by Europe with 19.9%, which was mainly driven by the above average recovery of the German

b. Regional Discrepancies

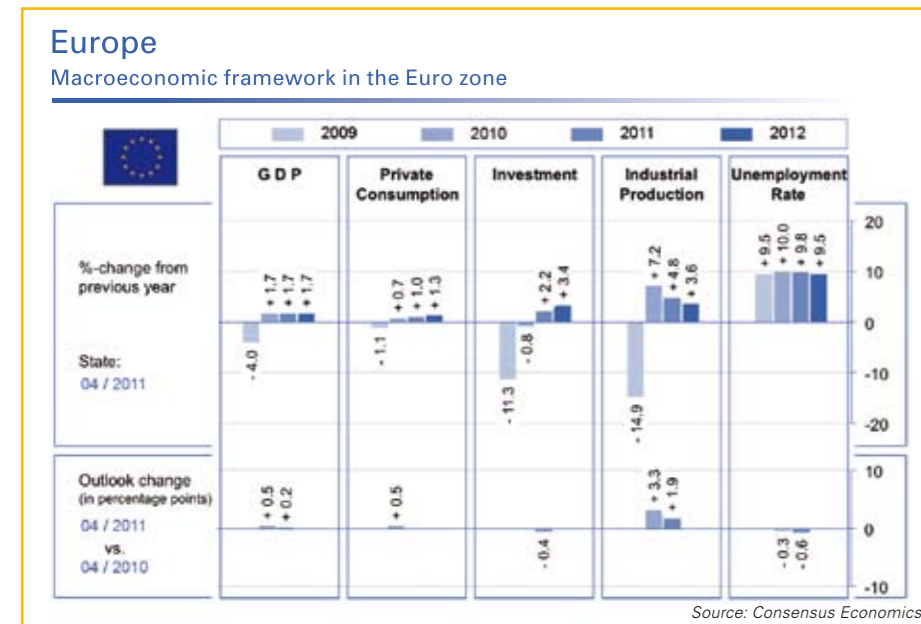
The depth of regional differences in the European construction sector becomes clear in the comparison between East and West. Whilst the construction volume in the West had already suffered a 3.8% decrease in 2008, the volume in Eastern Europe generated an impressive 6.4% growth. At the height of the crisis in 2009, the construction sector in the West of Europe plummeted by 9.2%, whereas in the East the sector achieved near stability decreasing by only 0.7%. Only in 2010 there was a short decline of 1.8% in the Eastern European market, but by comparison the Western market fell by nearly double with 3.4%.

Differences between East and West also manifest themselves in future expectations. For 2011 and 2013 growth figures of 5.7% and 8.2% are forecasted in the East, whilst growth values predicted for the West hover around 0.5% and 2.3% respectively. One of the reasons for these vast discrepancies are the structural differences between the Eastern and Western markets. In the East, civil engineering has a 42% market share, whilst housing construction only accounts for 22% of the total market. By comparison, the situation is almost reversed in the West, where housing construction represents 45% of the market with civil engineering taking a 23% market share. Also, the growth dynamic in the Eastern European construction industry is in the main driven by infrastructure, which explains why the industry managed to remain almost stable in spite of the crisis. Within Western Europe there are large differences even between the construction markets. The construc-

Pic. 3



Pic. 1



Pic. 4

