An Analysis of US Imports of Aluminium before and after Increases in US Tariffs in early 2018

1. Introduction

On March 23, 2018, the previously announced increases in US tariffs on steel and aluminium came into effect. The purpose of this paper is to examine the statistical evidence on the impact of these tariffs on aluminium import volumes and import prices into the US.

2. An Analysis of US imports of top 5 aluminium import products

Charts 1 list the top 5 aluminium import products into the US. Imports grew strongly in 2017 up to $US 23 billion mostly due to increased imports of unwrought aluminium either alloyed, or not alloyed. Import volumes increased again in 2018. The top five products accounted for 61% of aluminium imports.

Chart 2 shows that the month to month movement of these top 5 products mirrors that of total aluminium imports. We focus this paper on an analysis of US imports of these 5 products.

Chart 1. US aluminium imports by top 5 major products by year

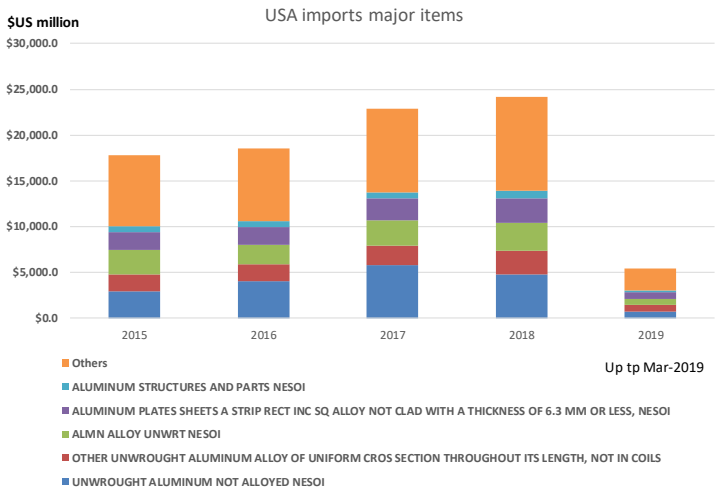


Chart 2. US aluminium imports by top 5 major products and total, by month

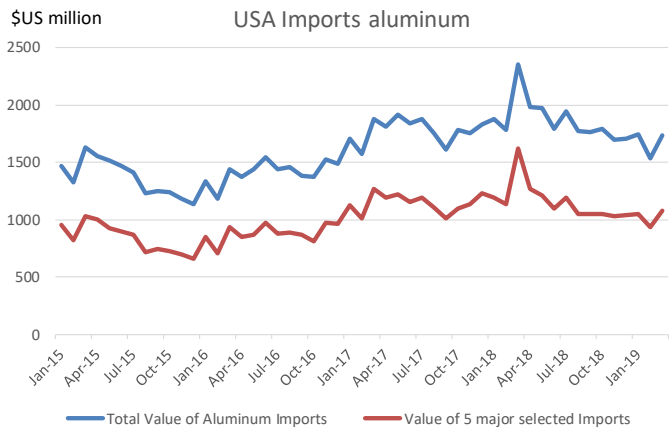


Chart 3 list US imports of the top 5 products by volume and average prices. Import volumes and average prices increased steadily from late 2015 until early 2017. Average prices continued increasing during 2017. The increased tariffs on aluminium commenced on March 23, 2018. Importers were forewarned and sharply increased volumes in that month (to avoid the tariff) from just over 430 thousand tonnes in February to 634 thousand tonnes in March. Since March imports have mostly fallen to just below 400 thousand tonnes a month. Over the May 2018 to March 2019 period, import volumes averaged 393 thousand tonnes which is 17 % below the same months in the previous years. The higher tariff has resulted in a marked decline in import volumes.

Chart 3. US imports by volumes and average prices for top 5 aluminium products

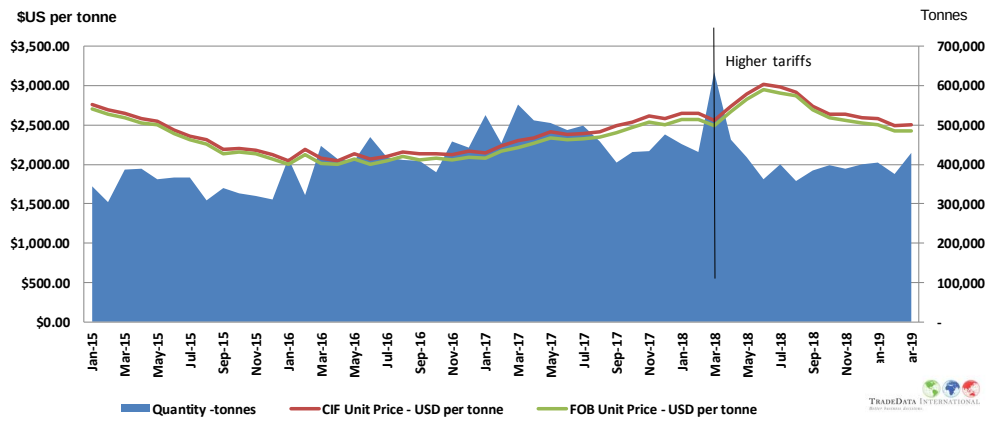


Chart 4 lists import volumes by month for the top 5 aluminium products. Unwrought aluminium not alloyed and Not Elsewhere Stated or Included (NESOI) dominate. The strong growth in imports is driven by growth in this item as is the spike in imports in March 2018, and the decline thereafter. By comparison the other four products are relatively stable except for Aluminium structures growing very strongly in 2019.

Chart 4. US aluminium imports top 5 products

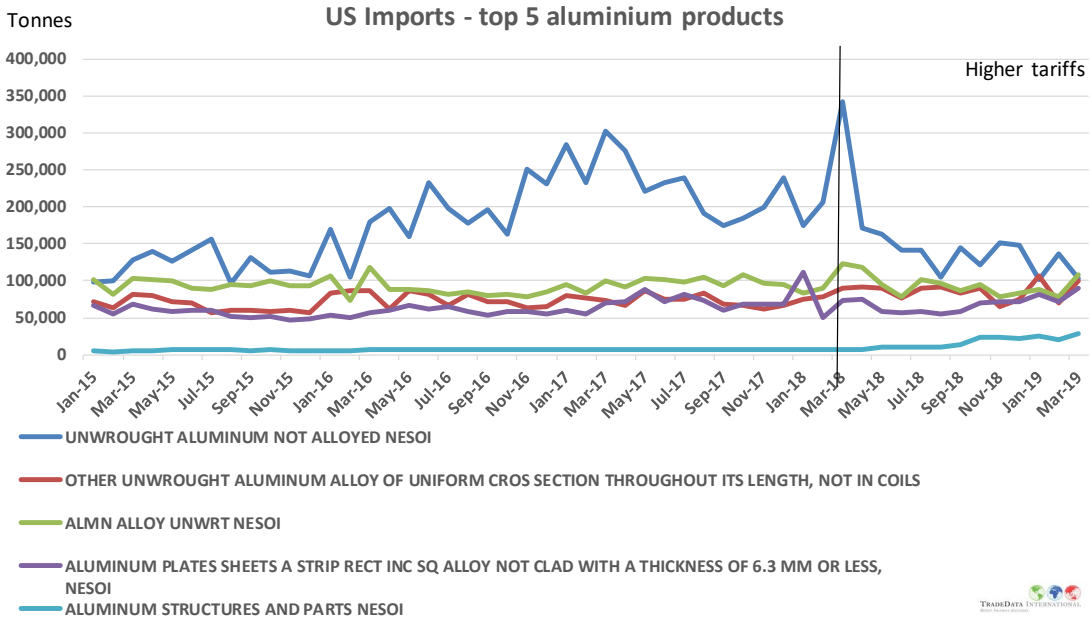


Chart 5 lists the major supply countries to the US. Canada has around 50% of the import market. Russia, the UAE and China between them have around 25%, and a host of other countries the remaining 25%. In March all the major supply countries increased their shipments. Since March, the decline in import volumes is concentrated in imports sourced from Russia and China. Imports from these two countries between April 2018 and March 2019 are 74% lower compared with the previous year. Whereas imports from Canada and the UAE have declined by only 15%. Thus, the impact of the tariff has been a decline in import volumes and these declines are heavily concentrated in imports sourced from Russia and China.

Chart 5. US imports top 5 products by supply countries

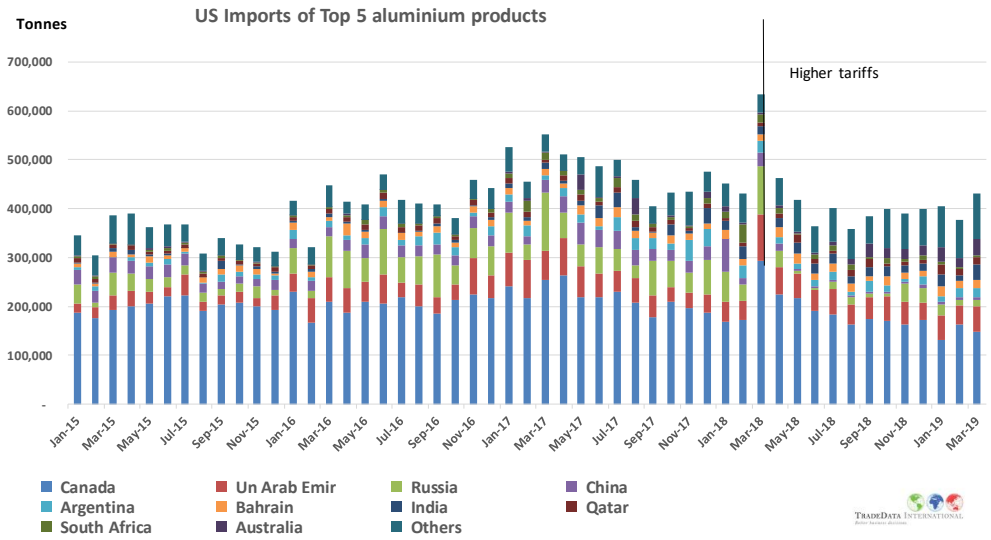
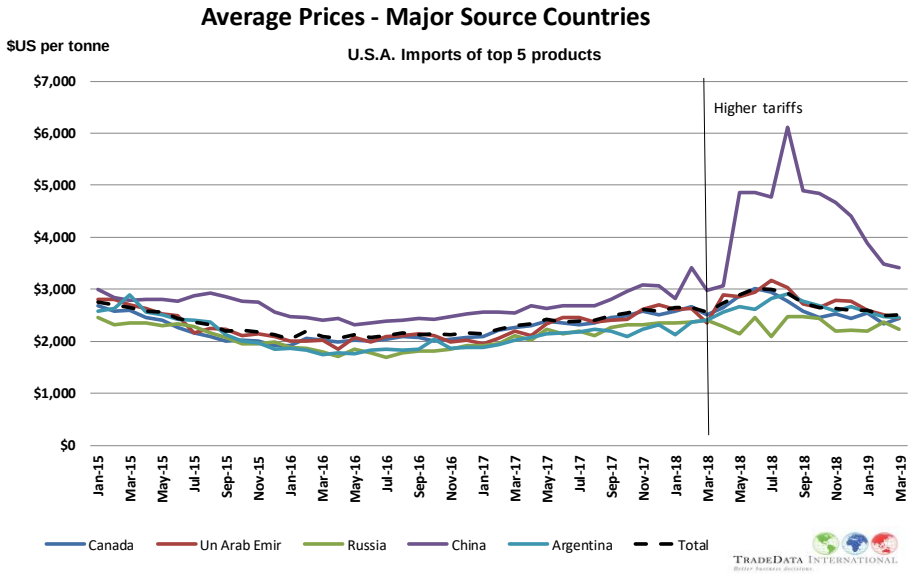


Chart 6 list average prices for the top 5 products sourced from the major supply countries. Average prices for all countries, except for China, continued their gradual increase until the middle of 2018 and then declined. Average prices from China increased by more than 100% in up until August 2018. Since then average prices have fallen.

Chart 6. US imports by volumes and average prices



The large increase in average import prices from China is largely due to compositional changes in these imports rather than increases in prices of individual products. Chart 7 shows that average price of Articles of Aluminium Not Elsewhere Included or Stated (NEIOS) are 3 to 4 times higher than other products. Whereas Chart 8 shows that the decline in imports from China in 2018 has resulted in a far higher share of higher priced imports in the mix thus driving up the overall average price from China.

Chart 7. Top 5 import products average prices

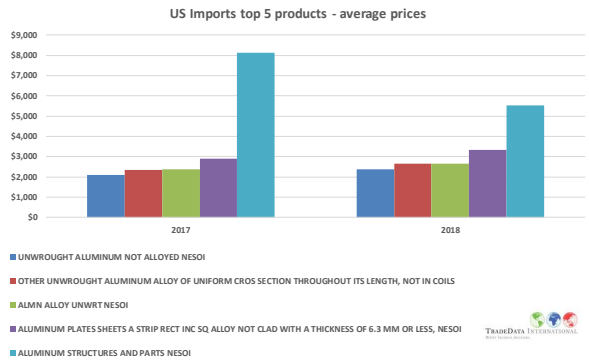
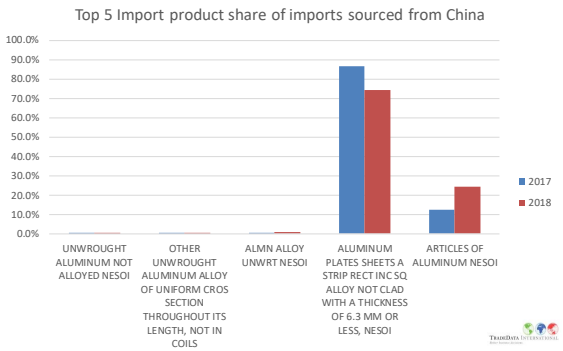


Chart 8. Share of Top 5 products imported from China



Thus, the overall impact of the tariff has been a marked decline in import volumes and these declines are heavily concentrated in imports sourced from Russia and China. The major supply country is Canada and imports from Canada have declined much less when compared with Russia and China.

3. An Analysis of US imports of Unwrought Aluminium Not Alloyed (NESOI)

Unwrought, not alloyed NESOI aluminium dominate the top 5 products. Import volumes increased from around 100 thousand tonnes a month in early 2015 to over 250 thousand tonnes a month in early 2017. Import volumes receded to around 200 thousand tonnes a month in late 2017 and early 2018. With the announced tariff increase import volumes spiked to just over 340 thousand tonnes in March 2018, before declining thereafter to just above 100 thousand tonnes by August 2018. Over the rest of 2018 imports were around 125 thousand tonnes a month but have declined again in the early months of 2019.

Average prices have been on a steady increase since early 2016 and this continued for the first few months after the tariff introduction but have since declined back to pre-tariff increase price levels by September 2018. Prices have declined a little since then in early 2019.

Chart 9. US imports of aluminium, unwrought, not alloyed NESOI.

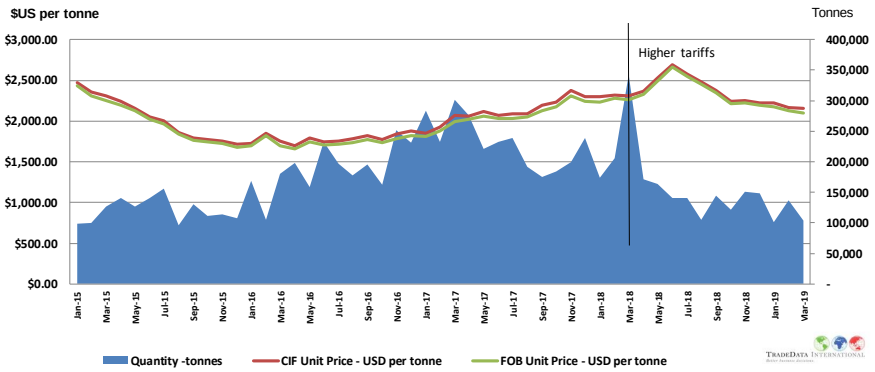
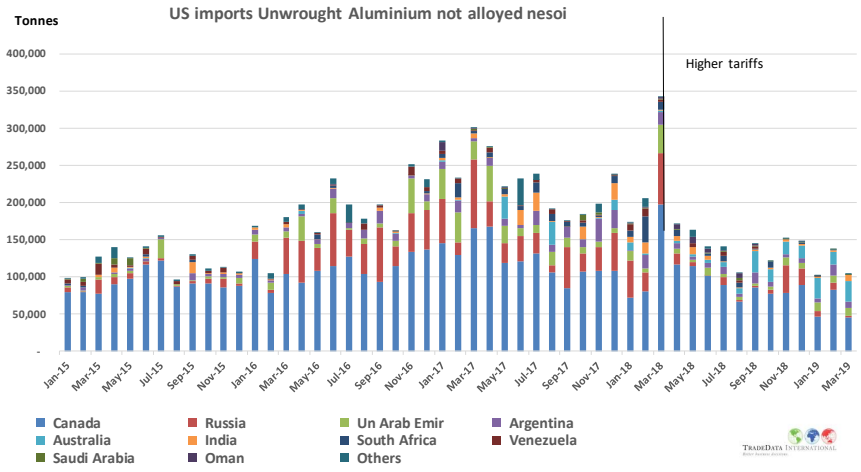


Chart 10. US imports of aluminium, unwrought, not alloyed NESOI by supply countries



Imports from Canada dominate supply to the US. Russia and the UAE are also important supply countries. The strong growth in import volumes in 2017 was due to increased imports from Canada and Russia. The decline in imports post March is due to a collapse in imports from Russia and late in 2018 and early 2019 a reduction in imports from Canada. Note: imports from Australia have increased strongly since September 2018 in what is overall a declining import market.

Charts 11 and 12 list a price histogram for US imports of unwrought aluminium, not alloyed for 2017 and 2018 respectively. Canada is the major supplier in 2017 supplying at prices between $US 2.00 and $US 2.30 per kilogram with trade concentrated around $US 2.10. Imports from Russia arrive at prices between $US 1.90 and $US 2.40 with trade concentrated around $US 2.10 per kilogram and even more so at $US 2.30 per kilogram. The UAE is a smaller supplier at lower prices around $US 1.90 per kilogram.

Chart 11. Price Histogram, 2017, US imports of aluminium, unwrought, not alloyed

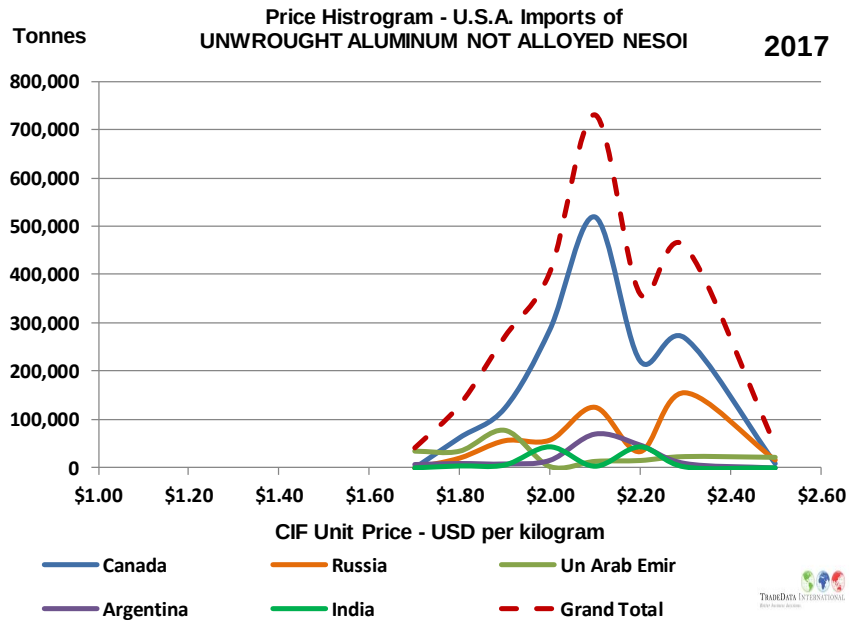


Chart 12 list the same price histogram for 2018. Canada now has a higher share of the market with a decline in imports from Russia. Prices from Canada are now 10 or more percent higher in a range between around $US 2.30 and $US 2.80 per kilogram compared with $US 2.00 to $US 2.30 in 2017. Prices of imports from Russia have also increased and are now concentrated around $US 2.50 per kilogram. Australia is now an important supplier at prices between $US 2.20 and $US 2.40 per kilogram.

Chart 12. Price Histogram, 2018, US imports of aluminium, unwrought, not alloyed

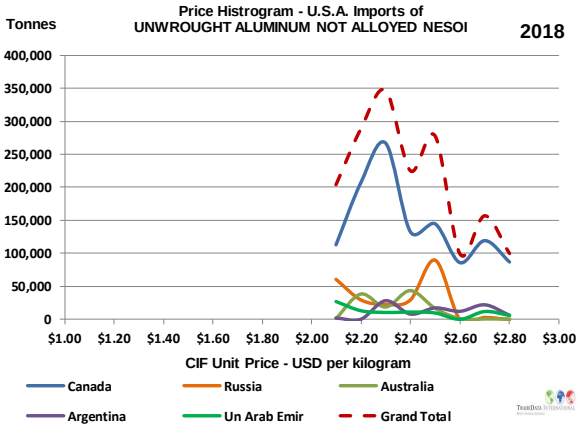


Chart 13 shows the impact of the aluminum tariff on duty paid by importers. Prior to April 2018 no duty was paid. Over the six months to March 2019, the duty paid has average 7.4% of the value of imports and averaged $US 20.4 million a month.

Chart 13. US imports of aluminium, unwrought, not alloyed – duty paid

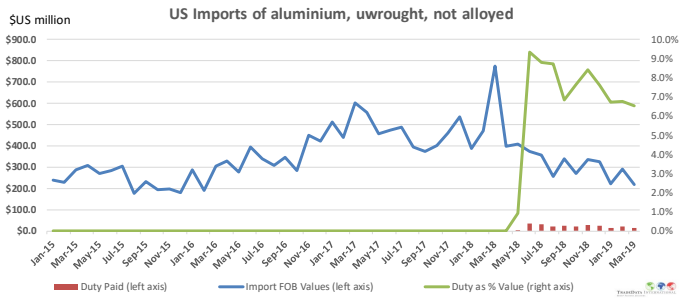
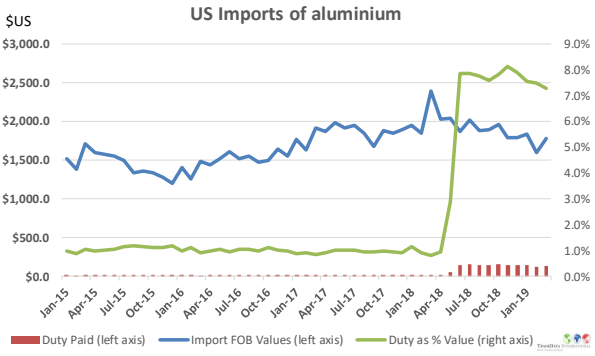


Chart 14 is like Chart 13 but is now lists total duty paid for all aluminum products. This shows a duty rate of just under 7.7% and averaged $US 139 million a month in the six months to March 2019.

Chart 14. US imports of aluminium– duty paid



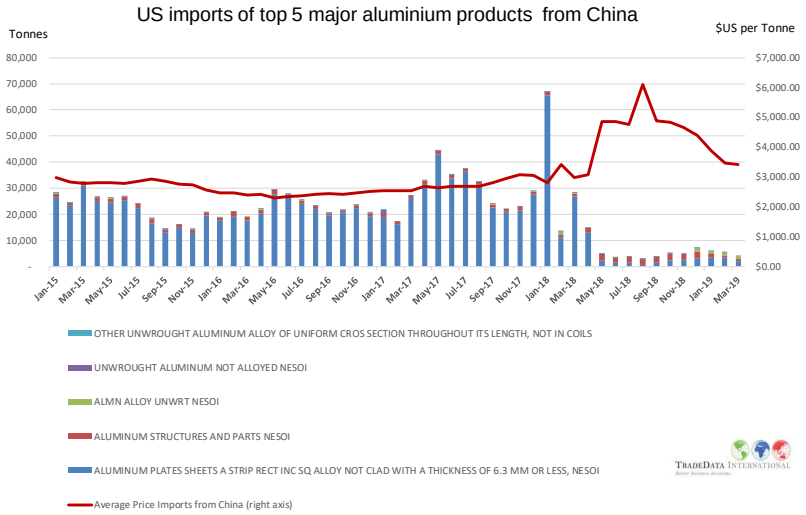
4. An Analysis of US imports of aluminium from China and Russia

Chart 15 summarizes US imports of aluminium from China. Imports are heavily concentrated in aluminium plate which, prior to the introduction of the tariff, accounted for around 50% of imports. A range of finished or semi-finished aluminium products comprise the remaining imports – for example, aluminium foil, can stock, and other articles of aluminium. The introduction of the tariff resulted in:

- A large increase in imports of plate in March 2018 followed by near cessation of imports by mid-year
- In some recent months increased imports of plate and structures.

In total, imports of aluminium from China in the 9 months to March 2019 have declined by 84%.

Chart 15. US imports of aluminum from China – summary



As outlined earlier the large increase in average import prices from China is due to compositional changes in these imports rather than increases in prices of individual products from China. The average price of Articles of Aluminium Not Elsewhere Included or Stated (NEIOS) are 4 to 5 times higher than other aluminium products and the share of these higher priced imports has increased thus driving up total average prices from China.

US imports from Russia increased strongly in 2016 and these levels were maintained in 2017 and early 2018. This strong growth was mostly unwrought aluminium, not alloyed. Alloyed unwrought and other unwrought aluminium are also significant. The introduction of the tariff in March 2018 resulted in a surge in that month followed by a near cessation of imports by June. From June import volumes are erratic with occasional large shipment months (November 2018). In total, imports of aluminium from Russia in the 9 months to March 2019 have declined by 69%.

Average import prices had been steadily increasing during 2016 and 2017. These higher prices are maintained in 2018 and thus far in 2019 but are more volatile with the changing composition of products imports into the US from Russia.

Chart 16. US imports of aluminum from Russia – summary

5. Conclusions

The US imports a wide range of Aluminium products and Unwrought aluminium, not alloyed and Not Elsewhere Stated or Included (NESOI) dominate. Aluminium imports grew strongly in 2016 and into 2017. This growth is driven by growth in this item. Canada is the largest supplier to the US. Russia, the UAE and China are also important supply countries. The strong recent growth in import volumes is due to increased imports from Canada and Russia.

The introduction of tariffs in late March initially resulted in a spike in imports (to avoid the tariff) followed by a decline in import volumes and these declines are heavily concentrated in imports from Russia and China.

Another aspect of the tariff is that import prices from Canada, Russia and other countries have increased by 10 or more per cent. Associated with the tariff are the duties now payable. In the 6 months to March 2019 these amounted to just under 8% of the aluminium import value and averaged $US 139 million a month.

The impact of the tariff introduction are lower import volumes and higher prices. Imports from China and Russia are particularly affected and much less so from Canada.

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