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RusAl Head Says Market Needs 18 Months to Clear 'Problems'

By The Moscow Times

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United Company RusAl, the world's largest aluminum producer, said the euro currency crisis may cause a "cyclical panic" in commodity markets, prompting a decline in metal demand from smaller manufacturers.

A concern for the industry is "how quickly the euro will go down," RusAl's billionaire chief executive Oleg Deripaska said in an interview. Smaller customers may be affected more than larger companies and could reduce orders next year, he said.

Commodity prices have dropped on mounting concern that Europe's sovereign debt crisis will cripple the global economy and curb metals demand. Increased funding stress in the region has helped drive the dollar to the highest since January against the euro, which has fallen by about 13 percent against the U.S. currency since the debt crisis began two years ago.

"The cyclical panic that is going on in the markets is, of course, reflected in company

decisions," Deripaska said late last week. "We have a lot of small companies that could feel the pressure and may decide to go the less risky way."

Prices for aluminum, used in beverage cans, cars and airplanes, have retreated 28 percent from this year's May 3 high of $2,797 a ton.

Declining prices help create a "healthy environment" to close the gap between oversupply and demand, Deripaska said. Weakening prices may force as much as 3 million tons of aluminum capacity to be closed or mothballed, he said, adding that aluminum won't return to the $1,300-a-ton low seen after the global financial crisis in 2009. "That's impossible," he said.

Aluminum stockpiles rose to a record on Dec. 13 and orders to withdraw supplies from warehouses fell to a 15-month low amid speculation traders are boosting bets on a continued slump in the metal. Inventories monitored by the London Metal Exchange climbed 2 percent to 4.81 million tons, enough to supply the biggest consumer, China, for about three months.

The aluminum market needs 18 months to clear the "problems" that followed the global recession, Deripaska said. "We need to shut down unjustified capacity" to reduce the "massive" volumes in stock, he said.

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