

RusAl Reduces Production Capacity

By [The Moscow Times](#)

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The Ural Aluminium Plant, which belongs to Rusal. The company's capitalisation has fallen 45 percent this year.

Stagnation in the commodities market is forcing aluminum giant RusAl to cut costs by reorganizing the company's plant in Volkhov and possibly freezing production at four other facilities, Vedomosti reported Wednesday.

The company, whose value has dropped by 45.3 percent since the start of 2013, is taking steps to protect its still-profitable production facilities in Siberia. The frozen assets will be reactivated when the price of aluminum exceeds \$2,400 per ton, which will make production profitable again, RusAl's CEO Oleg Deripaska said.

However, he expects the price of aluminum to be around \$1,800 per ton at the end of 2013, close to the current price on the London Metal Exchange.

The sharp decline of metal, coal and other commodities prices has led to a \$36.4 billion decline in the combined market capitalization of mining companies since the beginning of the

year.

Severstal has lost 33.6 percent of its value, Norilsk Nickel dropped by 34.6 percent, and Evraz fell by a staggering 61 percent over the course of the slowdown.

Ailing companies have been forced to let staff go, sell assets and close factories to offset losses. Steelmaker NLMK wants to cut personnel at its Western plants by 20 percent, while Norilsk Nickel is reworking its development strategy to factor in the market's realities.

The mining industry has been suffering from a combination of overproduction, lack of demand and increasing costs, said Denis Perevezentsev, a vice president at financial services company Moody's.

With the total demand for aluminum at a maximum of 50 million tons per year, 1.5 million tons may be left unused in 2013, Renaissance Capital analyst Boris Krasnozhenov said.

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