

FACE: The heart of Germany's aluminium processing SMEs is suffering from the COVID-19 crisis - support for companies called for

- **Survey results: More than 80% of interviewees see the situation as “very bad” and “bad”.**
- **Threat lurking from Chinese and Indian aluminium products.**
- **Triple challenge from COVID-19 crisis, European Green Deal and digitalisation pressure is putting companies under stress.**
- **Lack of working capital makes the sale of small and medium-sized companies threatening**
- **High margins pressure.**
- **High import dependence of Europe.**
- **Aluminium is the future’s raw material in many areas to save weight.**
- **Cost reduction for small and medium-sized companies.**
- **Fastest measure: immediate elimination of the 6% import duties on raw aluminium as a relief for all aluminium processing companies**

In a new survey commissioned by FACE, the Federation of Aluminium Consumers in Europe (aka. independent European aluminium processors association), a clear picture emerged on how medium-sized companies in Germany were suffering from the COVID-19 crisis’s consequences. The target group of the survey were aluminium processing companies mainly involved in: the automotive, construction, packaging, electrical and mechanical engineering sectors.

It appears that 83.6% of the companies surveyed see the 2020 economic fallout as “very poor” and “poor”. However, the picture brightens up for the years 2022 to 2025 only, with barely over half of the companies surveyed believing that business will develop positively, leading to the level of 2019 or beyond.

Interesting results came out from the survey regarding the threat of competitors, two thirds of them are seen coming from China and India. From those 62.3%, only one sixth see no challenge in them, while almost twenty percent take a neutral position.

Michael Schumann, Chairman of the Board of BWA:

The aluminium processing companies, which are traditionally very energy-intensive, are facing a three-fold challenge which altogether constitute the most severe economic crisis since the Second World War: the coronavirus pandemic, the challenges of the European Green Deal and digital transition. This can easily overwhelm many companies, especially in times of crisis. Schumann warned against a technological sell-out of Germany because due to the low liquidity of companies, some of which are known as the famous "hidden champions", financial investors would not be able to secure important technological know-how.

Erika Zender, FACE, Federation of Aluminium Consumers Europe, Alu Rheinfelden:

The corona pandemic has put many companies under pressure, including my own. Our company has fallen through all the government support measures and we are now forced to take on a financial investor. We are a technology leader, especially in aluminium alloys. Our customers are putting pressure on our margins. At least one relief can be implemented quickly: "The elimination of import duties of six per cent on imported raw aluminium would relieve us, as the virtual mark-up of the companies producing in the EU would then also disappear. There is price equality between imported and EU-produced aluminium. This six percent would free up considerable resources that we urgently need now.

Professor Dr. Ingo Rollwagen, Professor of General Management Fresenius Hochschule/AMD', co-author of the policy paper:

Aluminium is the key raw material of the forthcoming Green Deal, as its properties will support a massive wave of renovation of buildings and infrastructure. Aluminium is an important part of the recycling economy due to its high recyclability and enables new development of design-based product innovations. This includes projects in the field of renewable energies, in the transformation of transport and logistics. Lightweight construction is the watchword here.

In order to support this development, aluminium processing companies in Germany need a rapid relief of regulatory and ineffective cost blocks in order to fulfil the sustainable transition as prescribed by the Green New Deal. They need constructive support from regulatory initiatives, including increased support for research and development, but also measures to ensure security of supply and protection against dumping from countries such as India and China, which are flooding the markets with high-carbon semi-finished products. Decision makers must ensure the security of supply for key sectors, and preserve a strategic advantage for aluminium.

Mario Conserva, General Secretary of FACE, Federation of Aluminium Consumers Europe:

The future of the aluminium industry in Europe lies in the hands of downstream aluminium processing SMEs, which account for over 90 per cent of the workforce.

What the aluminium processing companies in Germany urgently needs is a rapid elimination of the harmful additional costs of our raw materials, and above all on aluminium which is under the influence of an economically absurd import tariff structure.

Aluminium is a raw material that is in high demand worldwide. The production deficit in the EU is over 74 per cent and the European Union is urgently dependent on imports. These additional costs, which average 60 to 85 euros per tonne of primary aluminium purchased, are a killer in an industry with very low profit margins and a market mostly comprised of SMEs that are particularly vulnerable to crisis.

In this context, a simple measure - particularly if one wishes to alleviate the small and medium-sized enterprises affected - and to revive the economy, is to abolish import duties on raw aluminium immediately.

This is a simple, easy to implement and immediately available measure that would reduce the production costs of downstream companies and thus support their ability to regain or maintain their competitiveness in Europe and on international markets and to achieve the EU's Green Deal and digitisation ambitions.

German study (original): <https://face-aluminium.com/wp-content/uploads/2020/11/Zwischen-CO-VID-19-Folgen-und-European-Green-Deal.pdf>

German study (in English): <https://face-aluminium.com/wp-content/uploads/2020/11/Between-CO-VID19-after-effects-and-European-Green-Deal.pdf>

Executive summary (in English): <https://face-aluminium.com/wp-content/uploads/2020/11/Between-COVID19-after-effects-and-European-Green-Deal-Executive-summary.pdf>