

# Smelters Can Smile

Japan in 1988 consumed 1.47 million metric tons of copper, 280,000 tons of lead, 750,000 tons of zinc and 2.14 million tons of aluminum as the free world's No. 2 user of nonferrous metals following the United States. Particularly in 1988, Japan's consumption of such metals was very high, reflecting the full recovery of domestic business.

The electric wire and cable industry, representing 70% of the nation's copper demand, and brass mills, accounting for the remaining 30%, both reported that their shipments in 1988 topped the 1 million-ton level for the first time. In both businesses, the construction and electric and electronic machinery industries played the locomotive role in pushing up demand. Mirroring the continued strong-yen trend, exports of electric wire and cable tended downward, while those of brass mill products increased substantially. This was due mainly to increased exports to electric and electronic machinery plants in Southeast Asia. Plants affiliated with Japanese businesses are reputed to have been the main buyers of brass mill products from Japan.

Lead was in very high demand from auto battery makers and zinc from galvanized steel sheet mills. The consumption of primary aluminum ingots topped the 2 million-ton level for the first time. Aluminum was in good demand from all the industries using it, but the use of aluminum as a material for making cans, in particular, posted a substantial increase. The ratio of aluminum cans used as beer containers increased markedly. The widespread use of 350cc aluminum cans as

soft drink containers was another contributing factor. In Japan, aluminum cans account for about 25% of the beer containers, well below the figure of more than 60% in the U.S. The demand from aluminum can makers promises to increase considerably in the years ahead.

The growth in demand for nonferrous metals in 1989 is likely to slow somewhat from 1988, but is still expected to remain high. The demand for copper from the electric wire and cable industry is likely to build up further from the 1988 level, because electric wire and cable will probably be in greater demand from the construction and electric and electronic machinery industries. Copper demand from brass mills will also likely be high since brass mill products will probably be in greater demand from the electric machinery industry, despite some slowdown in exports.

Demand for lead and zinc is also expected to be healthy, reflecting the continued high-level production of automotive batteries and galvanized steel sheets. Aluminum demand is likely to hit a new high, exceeding the previous high recorded in 1988, due mainly to increased demand from makers of electric and electronic machinery and can makers.

Despite such strong demand for nonferrous metals in Japan, the nation's nonferrous metal smelting industries are facing some problems.

In the aluminum industry, the soaring of energy costs has priced Japanese aluminum smelters out of the market, leaving most of them with no choice but to withdraw from the smelting business.



The increasing popularity of cans as containers for beer and soft drinks is boosting consumption of aluminum.

Japan's current output of primary aluminum ingots is only about 30,000 tons per year, compared with its demand for more than 2 million tons a year.

Moreover, as far as price is concerned, a "Japan premium" is put on aluminum ingots bound for this country. Japan is now in a disadvantageous position in relation to the procurement of aluminum ingots. LME (London Metal Exchange) warehouses will open in Japan in July 1989. It remains to be seen to what extent this move will help stabilize the supply and price of aluminum ingots in Japan.

Japanese copper, lead and zinc smelters depend on foreign sources to meet most of their ore needs. Their smelting margins have been their primary revenues. Since the margins are set on a dollar basis, their yen revenues have suffered a heavy setback as a result of the yen's rise. To cope with such difficulties, smelters have made desperate efforts to streamline their operations and branch out into other businesses.

In 1988, smelters posted a marked improvement in their financial position, thanks to the recovery of the nonferrous metals market and the higher profits of their secondary businesses. In 1989, smelters are likely to fare almost as well as in the previous year. Despite the likelihood of firm domestic demand, it is believed that the yen will strengthen further against the dollar. Those smelters which have an interest in oil will also suffer due to a further deterioration in the oil business.

(Kosuke Nakamura, economist)

## Electrolytic Copper and Aluminum Supply and Demand

(1,000 metric tons)

	Output	from domestic ore	from imported ore	from scrap	Imports	Consumption	
Electrolytic copper	1980	1,014.3	48.5	841.0	75.8	227.7	1,325.5
	1985	936.0	29.2	773.2	87.1	356.1	1,364.6
	1986	943.0	21.2	806.4	70.8	272.4	1,360.9
	1987	980.3	9.7	861.3	64.8	347.7	1,431.3
Aluminum	1980	1,091.5	—	—	—	841.4	1,640.9
	1985	226.5	—	—	—	1,400.4	1,783.2
	1986	140.2	—	—	—	1,214.2	1,804.6
	1987	40.6	—	—	—	1,657.6	2,056.6

Source: Ministry of International Trade and Industry