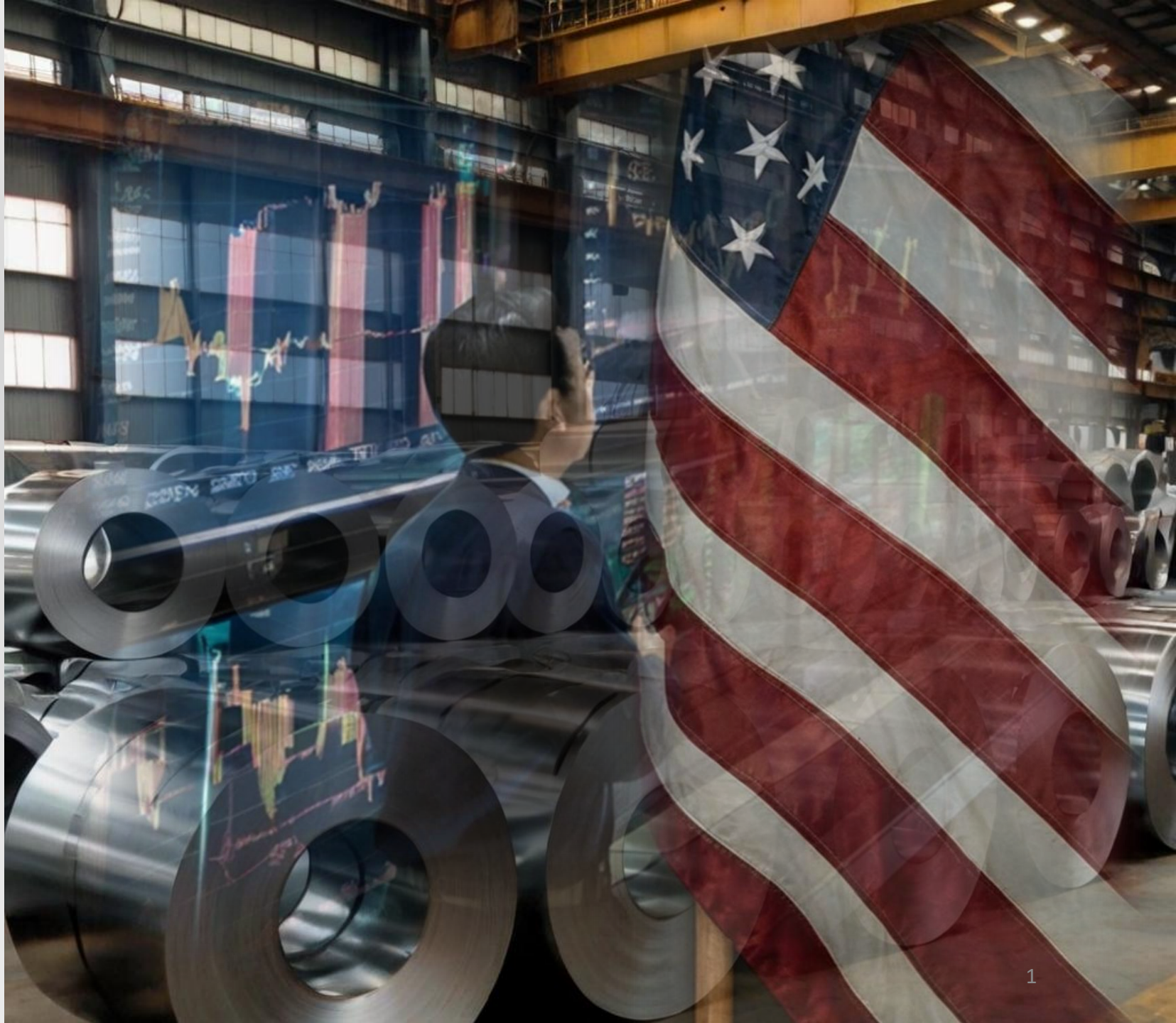


FLASH Note

Impact of U.S. Metal Tariffs on Listed Companies

AMBEON
SECURITIES

14th February 2025



Trump's new policy on U.S. aluminum and steel imports

- Trump signed proclamations increasing the U.S. tariff on aluminum from 10% to 25% and eliminating country-specific exemptions, quota deals, and product-specific exclusions for both steel and aluminum. The move aims to simplify the tariff structure, ensuring it is clear and universally applied.
- Trump emphasized that the 25% tariff applies to all countries without exceptions or exemptions. The new tariffs also extend to downstream products that use foreign-made steel and aluminum, including fabricated structural steel, aluminum extrusions, and steel strand for pre-stressed concrete.
- Trump also plans to introduce reciprocal tariffs, applying them to all countries and matching their tariff rates. Trump's approach is straightforward: if other countries impose tariffs on the U.S., the U.S. will impose equal tariffs in return.
- Trump emphasized the U.S. government's willingness to allow Japan's Nippon Steel to invest in U.S. Steel but made it clear that Nippon Steel would not be allowed to acquire a majority stake. Trump expressed confidence that tariffs would lead to economic success and that U.S. Steel was well-managed. Nippon Steel has declined to comment on Trump's latest announcements regarding tariffs and investments.
- Canadian steel and aluminum are critical to U.S. industries such as defense, shipbuilding, and automotive, as highlighted by Canadian Innovation Minister Francois-Philippe Champagne on X.
- Ahead of a March 1 tariff deadline, Trump has criticized Canada and Mexico for their inadequate efforts to secure their borders and curb the flow of drugs and migrants into the United States. He has threatened to impose a 25% tariff on all imports from both countries unless they take more decisive action.
- The U.S. president has repeatedly criticized the EU's 10% tariffs on auto imports, highlighting the disparity with the U.S. car rate of 2.5%, and pointing out that while Europe "won't take our cars," it ships millions of vehicles to the U.S. each year.
- During his first term, Trump imposed 25% tariffs on steel and 10% on aluminum, later offering duty-free exemptions to countries like Canada, Mexico, and Brazil.

Trump's policy on tariffs

Country	Tariff
China (at least)	60%
Mexico	25%
Vehicles built in Mexico	2000%
Canada	25%
EOC blanket tariffs	10%-20%
Nations shift away from trading with dollar	100%

US metal imports

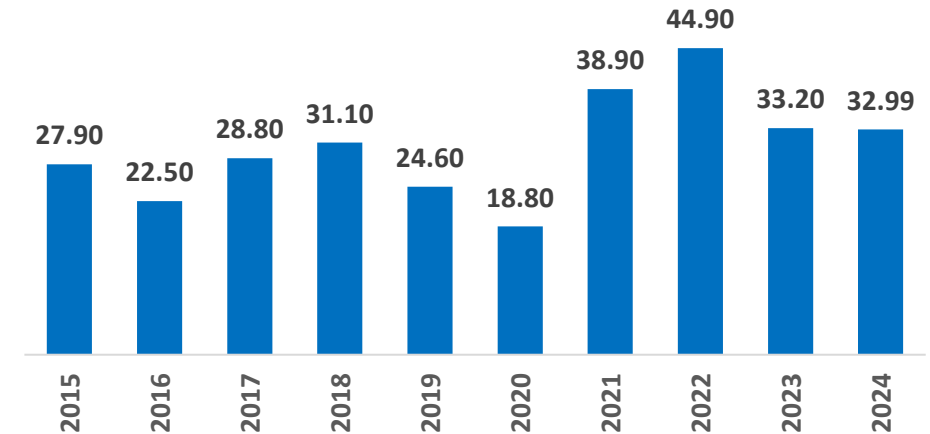
Steel imports of the US

- In 2024, total steel imports to the U.S. reached 28,858,000 net tons (NT), while finished steel imports totaled 22,500,000 NT, marking increases of 2.5% and 3.7%, respectively, compared to 2023.
- The notable increases in imports compared to 2023 were seen in products such as sheets and strip of all other metallic coated (up 52%), hot-dipped galvanized sheets and strip (up 36%), tin plate (up 32%), cold-rolled sheets (up 26%), and wire rods (up 19%).
- The largest suppliers were Canada (down 5% YoY), Brazil (down 14% YoY), Mexico (down 16% YoY), South Korea (up 7% YoY), and Vietnam (up 143% YoY).

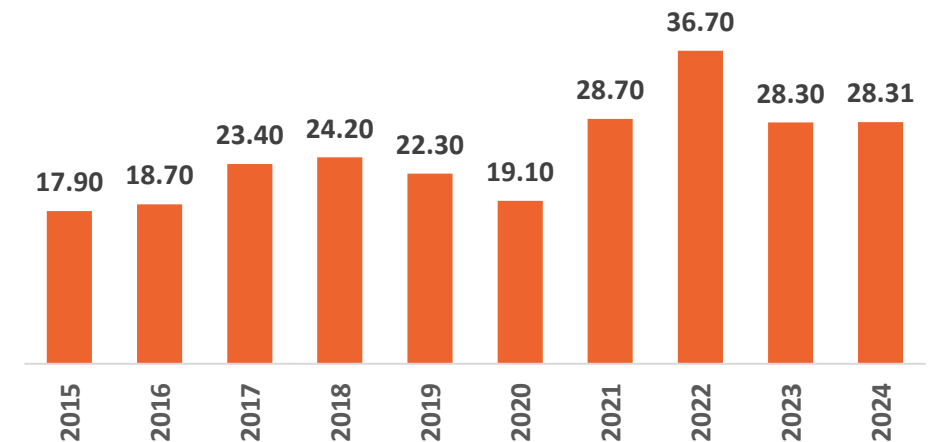
Aluminium imports of the US

- In October 2024, U.S. raw aluminum imports reached \$1 billion, marking an increase of \$75 million (8.09%) compared to \$927 million in October 2023.
- The U.S. imported the majority of its raw aluminum from Canada (\$693M), the United Arab Emirates (\$136M), India (\$53.8M), South Africa (\$34.8M), and Bahrain (\$32.8M).
- Notably, raw aluminum imports saw a significant year-over-year increase, driven largely by higher imports from the United Arab Emirates, which rose by \$17.2M (16.6%), Canada, up \$14.1M (2.15%), and Malaysia, with an increase of \$2.74M (4.08%).

United States Imports of Iron and steel was USD 32.99 Billion during 2024



United States Imports of Aluminum was USD 28.31 Billion during 2024



China is the leading producer of both steel and aluminum in the world

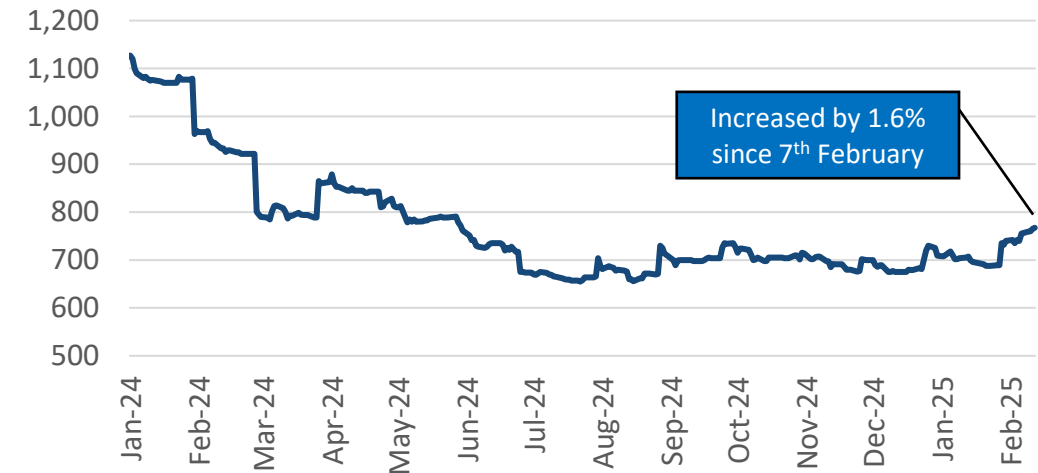
Steel Production by Country

- Global crude steel production reached 1,882.6 million metric tons (Mt) in 2024. China remained the world's largest steel producer, contributing 1,005.1 Mt, which accounted for 53.4% of total global output. Despite maintaining its dominance, China's steel production saw a 1.2% decline compared to 2023.
- India and Japan ranked second and third in global steel production in 2024, producing 149.6 Mt and 84 Mt, respectively. India accounted for 7.9% of global steel output and recorded a 6.2% YoY growth. Japan contributed 4.5% of total production but experienced a 3.4% YoY decline.
- The United States produced 79.5 Mt of crude steel in 2024, accounting for 4.2% of global steel output. U.S. steel production saw a 2.3% YoY decline.

Global Aluminium Production

- China is the world's largest producer of aluminum, producing 41 million metric tons in 2023, more than half of global production. China also consumes a significant portion of its aluminum output.
- India ranks second in aluminum production, with 4.1 million metric tons produced in 2023, a considerable gap behind China, though India's production has been growing steadily in recent years.
- Russia is the third-largest producer of aluminum, with 3.8 million metric tons produced in 2023. Despite expectations that Russia's aluminum production would decline due to its war in Ukraine and resulting sanctions, China has largely compensated for this reduction in global supply.

US Steel Future Prices Movement (USD)

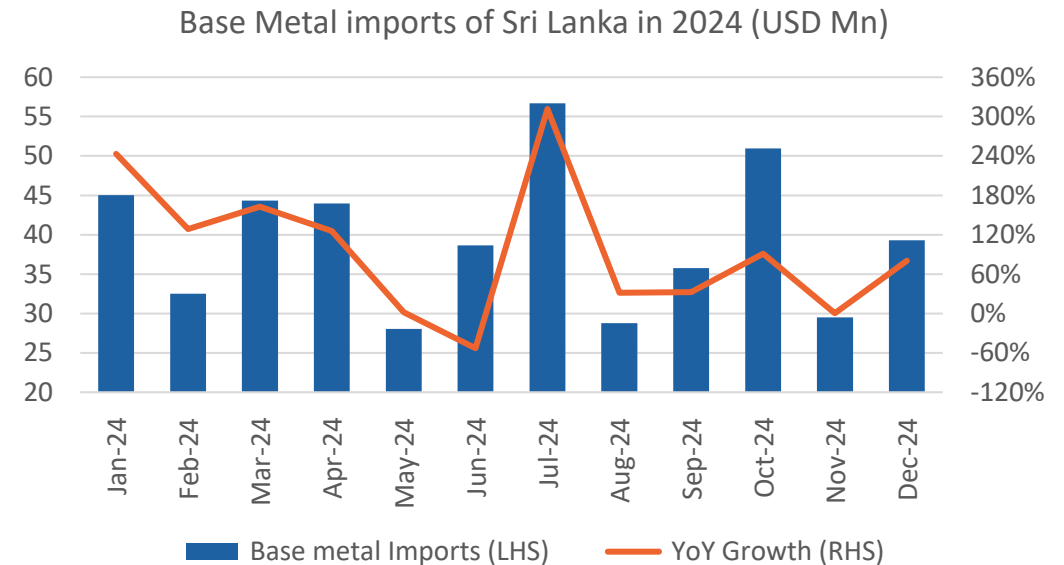


US Aluminium Future Prices Movement (USD)



Potential impact of U.S. metal import tariffs on Sri Lanka

- In 2024, Sri Lanka imported USD 473.4 million worth of base metals, accounting for 2.5% of the country's total imports and 4.0% of total intermediate goods imports. This marked a 50.8% increase compared to the previous year.
- As an intermediate import, Sri Lanka utilizes metals in the production of final goods across various manufacturing and industrial processes. However, the export of base metals and related articles remains relatively low compared to imports. In 2024, Sri Lanka exported base metals and articles worth USD 186.8 million, reflecting a 4.8% year-on-year growth.
- The imposition of U.S. tariffs on aluminum and steel may significantly impact global metal prices, potentially affecting Sri Lanka's external trade and the construction sector. As a result, many listed companies on the Colombo Stock Exchange that rely on aluminum and steel could also face challenges.



Listed Companies on CSE

AEL.N	Access Engineering PLC	Engineering/Construction
ACL.N	ACL Cables PLC	Cable Manufacturing
KCAB.N	Kelani Cables PLC	Cable Manufacturing
SIRA.N	Sierra Cables PLC	Cable Manufacturing
PARQ.N	Swisstek (Ceylon) PLC	Aluminum Extrusions (Segment)
ALUM.N	Alumex PLC	Aluminum Extrusions
LALU.N	Lanka Aluminium Industries PLC	Aluminum Extrusions

Impact on engineering and construction companies

Access Engineering PLC

- Access Engineering PLC is a civil engineering and construction company operating across four segments as Construction, Construction-Related Materials, Property, and Automobile.
- Steel, a crucial material in construction, plays a significant role in the company's various projects.
- In December 2024, Sri Lanka's Construction Purchasing Managers' Index (PMI) reached 51.4, signaling ongoing growth in construction activity. The sector's outlook for the next three months remains optimistic, driven by anticipated favorable weather conditions.
- Additionally, firms are closely monitoring the upcoming national budget, expecting government-backed infrastructure initiatives to support further industry expansion.
- While the recent growth in the construction industry presents expansion opportunities, **rising steel prices could increase raw material costs, potentially impacting the company's profitability.**



Impact on cable manufacturing companies

ACL Cables PLC

- ACL Cables PLC is a fully integrated cable manufacturer specializing in the production and sale of various electrical cables, including power cables, conductors, armored cables, aerial bundled cables, control cables, telephone cables, and auto cables where copper and aluminium are used.
- The company sources raw materials from a diverse network of local and international suppliers, with key imports coming from the UAE, China, Singapore, and Vietnam. Additionally, ACL exports a range of products, such as domestic and power cables, switches, and accessories, to over 10 countries, including the U.S.
- As a result, **U.S. tariff changes could impact both the manufacturing and sales of its aluminum-related products.**

Kelani Cables PLC

- Kelani Cables PLC is a company, specializes in manufacturing and selling power cables, telecommunication cables, and enameled winding wires, with copper and aluminum as its primary raw materials.
- The company sources materials from 51 international suppliers, making it sensitive to fluctuations in global aluminum prices. The impact of **U.S. tariffs on aluminum could drive up costs, potentially affecting the company's profitability.**

Sierra Cables PLC

- Sierra Cables PLC specializes in the manufacturing, marketing, and distribution of power cables, with aluminum being a key raw material. The **company sources its materials from both local and international suppliers, making its production costs sensitive to fluctuations in global aluminum prices.**
- Sierra Cables serves residential, commercial, and industrial sectors both domestically and internationally. Over the years, the company has significantly expanded its export market, supplying products to neighboring Asian countries, Eastern Europe, Oceania, North America, and various regions across Africa, catering to a diverse customer base.

Impact on aluminium extrusions manufacturing companies

Swisstek (Ceylon) PLC

- Swisstek (Ceylon) operates in the construction sector, specializing in tile-related products, wooden flooring and installation, aluminum, and other segments. Aluminum is the company's primary revenue driver, accounting for approximately 73% of total earnings.
- Swisstek holds an 87.38% stake in its subsidiary, Swisstek Aluminium Ltd, which has a strong presence in the aluminum extrusions market and produces a variety of products, including prefabricated windows under the Swisstek brand. **Fluctuations in global aluminum prices, influenced by U.S. tariffs, have a significant impact on the company's raw material costs.**

Alumex PLC

- Alumex PLC is a fully integrated aluminum manufacturer specializing in the production and sale of dies and aluminum extrusions. The company sources raw materials from major international suppliers and leading local entities to support its manufacturing operations.
- As one of Sri Lanka's largest aluminum exporters, Alumex primarily serves B2B customers across Asia, Australia, Europe, the USA, New Zealand, the UK, and Canada. Notably, its U.S. business partnerships include DuPont Corian, a producer of advanced composite materials for decorative applications, and Candorview, a Wilmington, Delaware-based system design company.
- Given its reliance on aluminum imports, **rising global aluminum prices impact production costs, while U.S. tariffs directly affect its exports to the region.**

Lanka Aluminium Industries PLC

- Lanka Aluminium Industries PLC specializes in the manufacturing and sale of aluminum extrusions, with its core business spanning Extrusions, Imported Extrusions, Investment Property, and Fabrication & Builders Hardware. The Extrusions segment contributes approximately 93% of the company's total revenue.
- With a strong supply chain network of over 500 suppliers, the company closely monitors aluminum prices traded on the London Metal Exchange, as fluctuations directly impact production costs. **Potential U.S. tariffs on aluminum are expected to increase the company's direct costs, affecting overall profitability.**

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