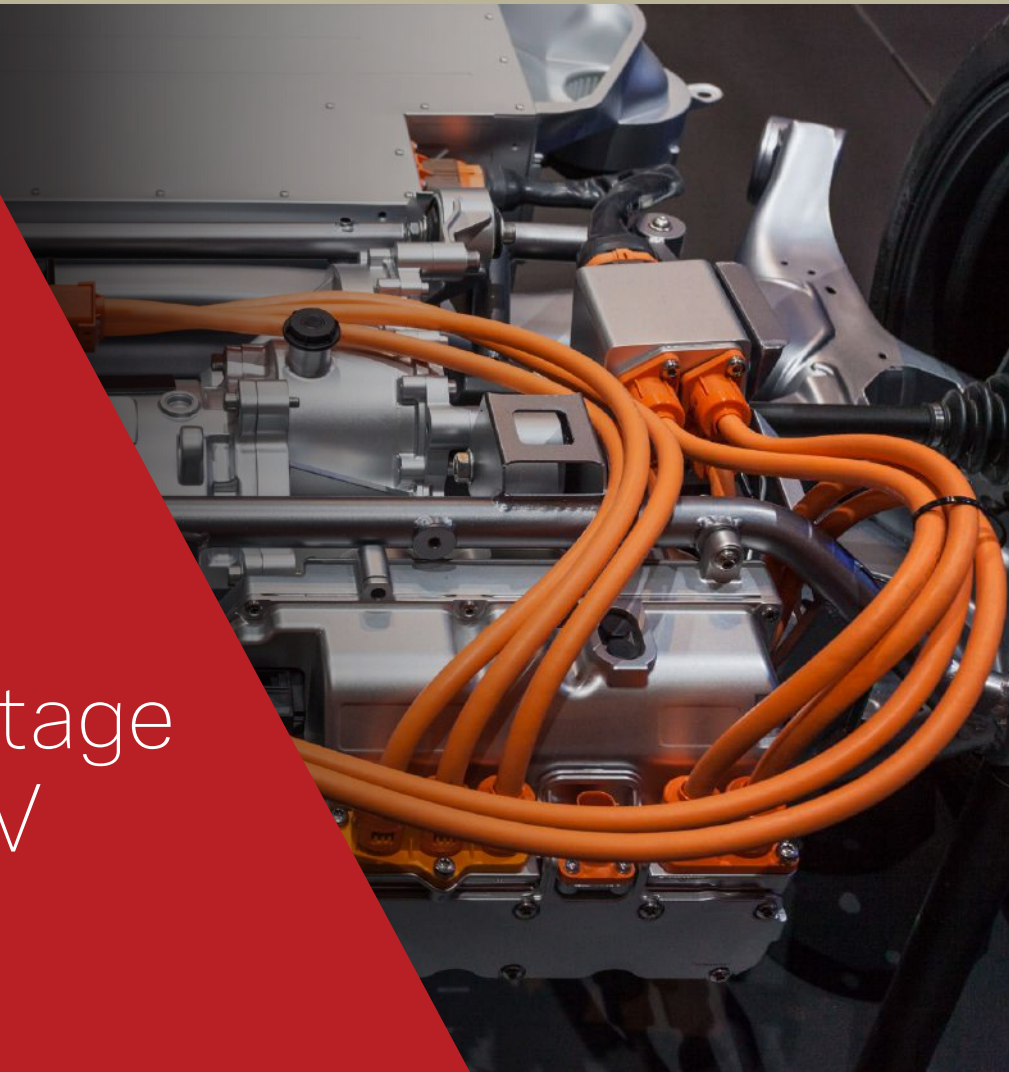


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## INDUSTRY NEWS

### WAI Ohio Valley Chapter Golf & Education Event

The **Wire Association International (WAI)**, Madison, CT, USA, announced the 18<sup>th</sup> Annual Ohio Valley Chapter Golf Tournament & Educational Program taking place on September 22, 2022, at the **Kennington Golf Club** in Canfield, OH, USA.



The WAI Ohio Valley Chapter Golf Outing helps fund the Chapter's scholarship program, and this social event also provides an excellent networking opportunity at the regional level. The link to golf course website for more details is: [www.kenningtongolf.com](http://www.kenningtongolf.com)

The event schedule is as follows:

- 7:00 a.m. Check-In, Driving Range

Opens

- 8:00 a.m. Shotgun Start
- 2:00 p.m. Buffet Dinner, Raffle Prizes, Education Program

Also, the Ohio-Valley Chapter welcomes three guest speakers to this year's dinner program. Each speaker will have a 30-minute session to share with attendees as part of the dinner program.



Register by September 7, 2022, at [wai.configio.com](http://wai.configio.com).  
[www.wirenet.org](http://www.wirenet.org)

### CRU World Optical Fibre & Cable Conference

CRU hosts the *World Optical Fibre & Cable Conference* live from November 7 to 9, 2022, in Milan, Italy. The confer-

ence will also be held virtually.

The *CRU World Optical Fibre & Cable Conference* is the premier global gathering for leaders of the telecommunications and optical fiber and cable supply chain to meet and assess key market developments.

The conference will be held in Europe for the first time with **Prysmian** confirmed as host sponsor. The event offers unrivalled access to senior decision-makers from the world's leading producers of preform, optical fiber and communication cable, to meet and do business with consumers and services providers from across the global supply chain.

The three-day event will be packed with presentations from C-level speakers, thought-leaders and innovators, as they convene to discuss business strategies for the future of global fiber-enabled connectivity.

Join the *World Optical Fibre & Cable Conference* event live in Milan, Italy, or virtually, visit:

[www.worldopticalfiberconference.com](http://www.worldopticalfiberconference.com)

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**Michael Finch, Principal Analyst**  
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In this Insight, we look at the aluminum and copper wire rod markets and whether they have been affected by sanctions on Russia.

The invasion of Ukraine by Russia on February 24, 2022, led to a slew of sanctions on the latter to date by the EU, UK, Norway, Switzerland, Iceland, USA, Canada, Bahamas, Australia, New Zealand and Japan. The sanctions target Russia's energy, economy, finance, shipping, private wealth, military, technology, media, companies and manufacturing, among others.

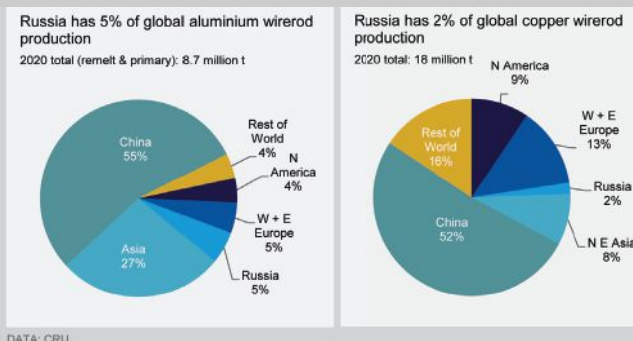
## Currently No ban on AI or Cu Wire Rod from Russia

There is currently no ban on copper or aluminum wire rod from Russia, so wire and cable companies are not reporting any shortages just yet. Sanctions on Russian metals are more likely to affect European cable producers using aluminum wire rod, rather than copper wire rod. To understand this, we will take a look at wire rod production and market share. Russia has a 2% and 5% share of global copper and aluminum wire rod production, respectively.

## Russia a Major Producer of AI Wire Rod

**Figure 1** shows Russia's production share of global aluminum wire rod and copper wire rod.

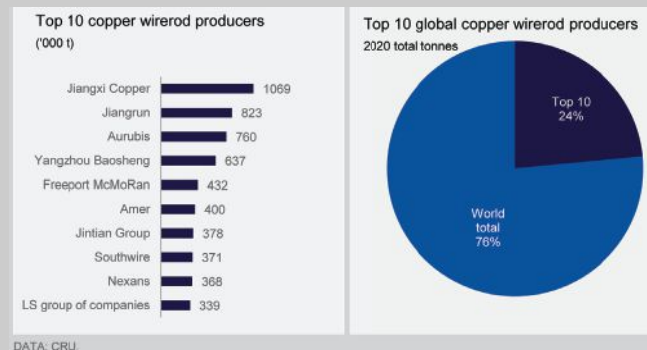
The top ten copper wire rod producers hold around 24% of the global market, with most of these comprising Chinese companies like **Jiangxi Copper**, **Jiangrun**, **Yangzhou Baosheng**, **Amer** and **Jintian Group**, which hold a 59% share of the top 10 and an 18% share of the global market. Germany's **Aurubis** is Europe's largest copper wire rod producer, while **Southwire** is North America's



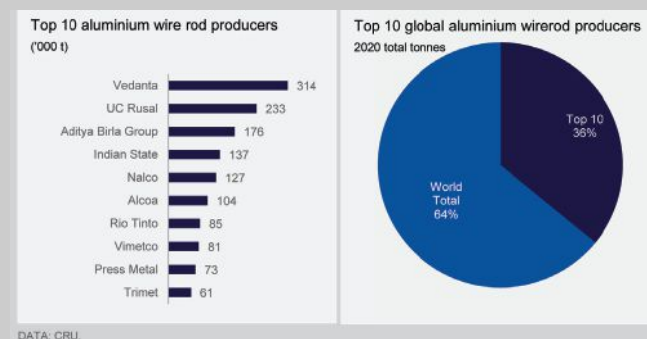
**Fig. 1 — Russia's production share of global aluminum wire rod (left) and copper wire rod (right).**

# Russia Sanctions More Likely to Affect AI Wire Rod than Cu Wire Rod

largest producer. There are no Russian companies in the global top 10. **Figure 2** shows the top 10 copper wire rod producers by capacity and by production share. For aluminum the top 10 producers have a 36% share of global wire rod production. The Indian Government and India-headquartered companies like **Vedanta**, **Aditya Birla Group** and **Nalco**, dominate the top 10 producer list for aluminum wire rod, with a 54% share of production of the top 10. Russia's **Rusal** is the second largest producer in the top ten list. **Figure 3** shows the top 10 aluminum wire rod producers by capacity and by production share.



**Fig. 2 — Top 10 copper wire rod producers by capacity (left) and by production share (right).**



**Fig. 3 — Top 10 aluminum wire rod producers by capacity (left) and by production share (right).**

## Rusal Suffers Setbacks in Australia

Rusal's smelters produce several types of aluminum wire rod for various applications. These include electrical wire rod for the cable industry with diameters of 9, 9.5, 12, 15 and 19 mm, electrical wire rod from alloys for the cable industry with a diameter of 9.5 mm. Aluminum

wire rod is produced by the Bratsk, Kandalaksha, and Irkutsk Aluminum Smelters. Wire rod is part of Rusal's value added products (VAP) products.

The company has had a few setbacks in regard to its operations due to the sanctions and war in Ukraine. On March 20, the Australian government imposed an immediate ban on exports of alumina and aluminum ores including bauxite, to Russia. This action will affect, among other things, the alumina export from Australia that is almost 20% of Rusal's demand and therefore Rusal's ability to produce aluminum products like wire rod.

To not breach the Australian sanctions, **Rio Tinto** took control of **Queensland Alumina Ltd.**, an 80:20 JV in Australia it had with Rusal. But in June 2022, Rusal applied to the Federal Court to grab back control of its 20% stake in Queensland Alumina. Rusal claims Rio Tinto breached its obligations. Rusal is asking the Australian Federal Court to restore its ownership rights and demanding ending sanctions on alumina and bauxite exports to Russia.

### ... and in the USA

Russian aluminum products were also targeted by the **Biden** administration in the latest round of tariffs: bars and rods (7604.29.30 and .50), aluminum wire (7605.11), clad and unclad alloyed plate, sheet and strip (7606.12.30 and .60), and aluminum containers for compressed or liquefied gas (7613.00) and they will receive the same increase up to 35%. These all account for under 5000 tons of imports a year each, apart from wire, which was over 28,642 tons last year. The new 35% tariff will come into effect July 27, 2022, which is 30 days from when it was first announced on June 27.

### High Energy Prices Affect European Al Wire Rod Output

In Europe, Al wire rod demand is strong, but supply is limited. The market continues to be heavily impacted by the closure at **Alro** in Romania, while Russia also has a sizeable market share in Europe. The prospect of higher energy prices won't help ease supply as it was high electricity prices that curtailed some of Alro's production, with no restart seen until at least Q1 2023. Our view is for wire rod premiums to remain well supported above US\$1000/ton for the rest 2022. It is also the VAP shape for which we see the biggest upside potential.

"There is no official ban on Russian aluminum in any form, but a lot of companies are 'self-sanctioning' themselves by not buying Russian," said **Guillaume Osouf**, Head of Aluminum Prices Development, Aluminum at **CRU**.

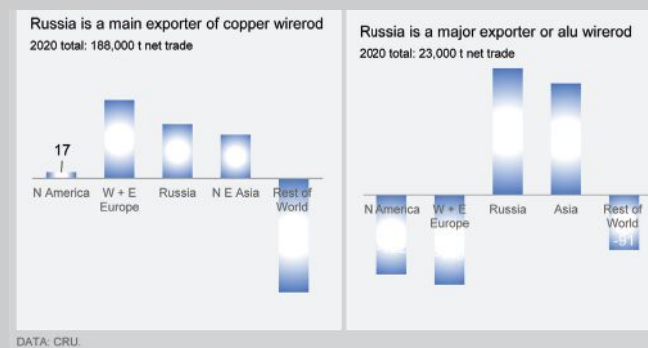
### Russia is a Major Global Exporter of Al and Cu Wire Rod

Russia is the world's largest exporter of aluminum wire

rod. Over the past few years, the main importers of Russian wire rod are Poland, Belarus, USA, Turkey and Ukraine. Despite no sanctions on Russian aluminum wire rod, anecdotal evidence seems to show that the sanctions on Russia have benefitted wire rod producers in the Middle East, particularly with exports to the USA and Europe. The increased tariffs on Russian aluminum wire rod into the USA that came into effect July 27, might also focus buyers' interest on lower cost imports from other sources. Russia is also an important exporter of copper wire rod, but the impact on the European or USA markets, which might self-sanction, are negligent.

**Robert Edwards**, Principal Analyst, Copper, **CRU**, said, "In terms of copper wire rod, we have to note that virtually none of the Russian copper wire rod goes to Europe. Although it might go via European ports, it mainly is exported to China, Middle East, North Africa, other CIS countries."

Edwards said that attendees at the recent Düsseldorf *wire and tube* fair were reported to be upbeat on the prospects for future European copper consumption, despite some obvious short-term headwinds. That sentiment largely mirrors feedback from semi-fabricators. The demand for wire rod and flat-rolled products remains strong across all sectors, but particularly those related to the green energy transition and other energy infrastructure. **Figure 4** shows the global trade balance for copper wire rod and aluminum wire rod.



**Fig. 4 — Global trade balance for copper wire rod (left) and aluminum wire rod (right).**

Some southern European wire rod mills are facing disruptions to production caused by use of imported cathode with unusually high impurities. Also, the flat-rolled sector is not quite back to normal operating rates, even after almost a year since the floods in Stolberg, Germany.

### USA Copper Wire Rod Mills See Strong Demand from Wire and Cable

In the USA, despite negative macroeconomic headlines, USA copper semi-fabricators are, to quote one contact, "still nicely busy" going into Q3 2022. Wire rod mills have production backlogs extending from several months to

## Wire & Cable Economics...Continued

a year. This in part though is supply related: there are several scheduled maintenance shutdowns in July and longer-term capacity constraints. **Freeport McMoRan** closed its Norwich, CT, USA operation in mid-2020 and **Asarco's** Amarillo, TX, USA mill continues to operate at reduced rates—production in 2021 was 94,800 tons compared to levels closer to 150,000 tons/year when the refinery and associated Hayden smelter were operating.

At least partially offsetting this, **SDI La Farga's** cathode-fed wire rod line in Fort Wayne, IN, USA, which started in late 2020, should increase production by around 40% in 2022 to just over 100,000 tons. **Southwire** is constructing a new mill at Carrolton, GA, USA, to replace the existing 40-year-old line, which will add around 10% to its capacity of 400,000 tons/year. However, the latter will not be complete until the end of the year. Wire rod imports, which average around 200,000 tons/year, appear to be an obvious safety valve. However, 90% come from the Montreal mill in Canada belonging to **Nexans**, which uses some of the material to satisfy demand from its own wire and cable operations in the USA. Mexico typically sends 10,000 tons/year of wire rod to the USA. Imports from the rest of the world are a similar level, but with the obvious disadvantages of higher transport costs and longer shipping times.

## Conclusion

One can argue that despite there being no ban on Russian Al and Cu wire rod, the supply of Al wire rod in Europe and USA will likely be affected by the sanctions on Russia and the war in Ukraine. This is because unlike for copper wire rod, Russia is a major exporter to Europe and the USA, which both have direct sanctions or conduct self-sanctioning on Russian products and services. In the USA, to escalate pressure on President **Vladimir Putin** for the country's invasion of Ukraine, the Biden Administration raised tariffs to 35% on aluminum wire rod, which came into effect on July 27, 2022. The effects of this on imports into the USA will only become apparent over the next few months. Also, European Al wire rod production has been curtailed by the rise in energy prices. These prices and unattractive netbacks and premiums on Al wire rod in comparison to other VAPs could lower European makers' interest in producing wire rod, particularly if/when energy prices rise further during the upcoming winter months. [www.crugroup.com](http://www.crugroup.com) **WCTI**

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