

Global Aluminium: Prices Climb On Stronger Market Fundamentals

13 Nov 2024

This commentary is published by BMI – A Fitch Solutions Company, and is not a comment on Fitch Ratings' Credit Ratings. Any comments or data included in the report are solely derived from BMI and independent sources. Fitch Ratings analysts do not share data or information with BMI.

Key View

- We are revising up our 2024 aluminum price forecast from USD2,400/tonne to USD2,450/tonne, reflecting our expectation that prices will rise from the current average, driven by a combination of more robust individual market dynamics and broader market fundamentals.
- While we do not expect prices to reach the highs seen earlier this year, when supply woes fuelled a short-lived rally driving prices to a year-to-date high of USD2,768/tonne, recent weeks have witnessed a resurgence in bullish sentiment. This renewed optimism stems from two key factors: growing supply concerns in the raw material market and broader economic developments.
- We maintain our view of a tightening market balance in 2024, with demand growth outpacing supply and creating an environment that could support higher prices.
- Looking at demand, we remain optimistic that global aluminium demand will see growth in 2024, rising by 3.2% y-o-y, to 70.35mnt.
- In the longer term, we expect aluminium prices to remain elevated, as demand is supported by the accelerating shift to a green economy.

Aluminium Supply, Demand And Price Forecasts (Global 2021-2033)

Indicator	2021	2022	2023	2024f	2025f	2026f	2027f	2028f	2029f	2030f	2031f	2032f	2033f
Aluminium Price, Three-month, USD/tonne, ave	2,485	2,711	2,288	2,450	2,500	2,600	2,600	2,800	2,900	2,900	2,900	2,800	2,700
Aluminium Production, thousand tonnes	66,380	68,092	69,224	70,565	72,257	73,517	75,524	77,377	79,417	81,632	83,897	86,285	88,865
Aluminium Consumption, thousand tonnes	65,402	66,322	68,191	70,348	72,098	73,020	75,014	77,073	79,220	81,373	83,647	85,928	88,395
Aluminium production balance, thousand tonnes	978	1,769	1,032	216	159	496	510	304	196	258	250	356	470

f = BMI forecast. Source: USGS, BMI

Latest Developments And Structural Trends

Price Forecast

We are revising up our 2024 aluminum price forecast from USD2,400/tonne to USD2,450/tonne, reflecting our expectation that prices will rise from the current average, driven by a combination of more robust individual market dynamics and broader market fundamentals. While we do not expect prices to reach the highs seen earlier this year, when supply woes fuelled a short-lived rally driving prices to a year-to-date high of USD2,768/tonne, recent weeks have witnessed a resurgence in bullish sentiment. Prices have averaged USD2,426/tonne in 2024 thus far, closing at USD2,650/tonne on October 24 2024, up by 13.5% in the year to date.

We anticipate a 6.0% increase in average price levels in 2024, a notable turnaround from 2023's performance, where weaker factors drove prices down by 15.6% compared to 2022 levels. Looking ahead to 2025, we expect this upward trend to persist, as market conditions continue to improve.

Global Production Balance

The primary global aluminium market will remain in surplus in 2024, as absolute production remains higher than consumption. In 2024, we now expect a narrower surplus of 96kt, down significantly from 2023 levels of 384kt as supply tightens. In

the long term, the aluminium market balance is set for a steep decline over our forecast period, as demand rises. We expect the surplus to drop to its lowest level in 2031 before production picks up and pushes the market back into surplus.

Production

In the eight months of 2024, global aluminium production rose by 3.2% y-o-y. We expect global aluminium production to grow by 1.9% in 2024, totalling 70.6mnt.

Supply disruptions present downside to our forecasts, but we are more optimistic than previously on behalf of solid growth between January and August 2024 across key aluminium producing regions including North America and Mainland China. In China, an improvement in weather conditions in hydro-powered Yunnan (a key aluminium producing region) is set to boost production capacity. That said, we flag risks following recent disruptions in the raw material market, which has the potential to constrain aluminium output growth, particularly in Mainland China.

We expect global aluminium production to grow steadily in the long term, primarily as a result of rising demand from the renewables, autos and construction sectors. A strong medium-to-long term price outlook will act as an incentive for producers to increase output. Growth will continue to be concentrated in major players in the aluminium market, such as Canada and Australia. We expect average annual output growth of 2.5% through to 2033.

Consumption

In 2024, we expect to see demand grow by 3.2%, propped up by less traditional sectors. Specifically, China's clean energy sector is witnessing notable growth. Aluminium is a crucial component in both the EV and renewable energy sectors. These clean energy technologies demand significantly more aluminium than traditional carbon-fuelled alternatives and have experienced notable growth in 2024 which is projected to continue in the coming years, resulting in a significant increase in aluminium demand. That said, demand-side risks remain with the demand outlook for more traditional aluminium-consuming (construction, transport, manufacturing and equipment) sectors less certain. China is the largest consumer

of aluminium by far and is expected to take up 63.5% of global aluminium demand in 2024. Accordingly, prices are heavily influenced by Mainland Chinese demand fluctuations. Uncertainty over Chinese demand growth presents a risk to demand.

Our long-term outlook is positive, as we see steady demand growth over our forecast period, driven by the growing application in industries such as autos, construction, renewables and packaging amid the acceleration of the green energy transition. Aluminium is classified as a critical mineral by the US, EU and Canada - highlighting growing concerns over supply in the longer term, which is set to drive growth as major economics introduce measures to boost aluminium production growth. We forecast global aluminium consumption to increase from 70.5mnt in 2024 to 88.2mnt by 2033. We expect average annual output growth of 2.5% between 2024 and 2033.

This report from BMI Country Risk & Industry Research is a product of Fitch Solutions Group Ltd, UK Company registration number 08789939 ('FSG'). FSG is an affiliate of Fitch Ratings Inc. ('Fitch Ratings'). FSG is solely responsible for the content of this report, without any input from Fitch Ratings. Copyright © 2024 Fitch Solutions Group Limited. © Fitch Solutions Group Limited All rights reserved.