

Aluminium Market Outlook: A Tectonic Shift or a Temporary Blip

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Abstract

The short to medium-term outlook for the aluminium market has been dramatically transformed by the fallout from the global pandemic. The fall in 2020 demand was less than expected while the 2021 recovery has been much better than expected. Big government is back in vogue with large stimulus policies introduced across all major markets. Aluminium's key role as an enabler of energy transition has also ignited investor interest in the metal, driving prices to multi-year highs during 2021.

The rebound in global aluminium demand in 2021 has been nothing short of spectacular, driven by large-scale stimulus measures together with base effects. Indeed, metal availability appears to be very tight as evidenced by premia at all-time highs in the major benchmark markets. Power restrictions in China is adding to concerns over the medium term outlook for production growth while in the rest of the world the shift to greater usage of low-carbon metal is also creating tightness in availability. Is the aluminium industry heading for a supply crunch over the next 10 years? In this presentation we assess the impact of these factors in the aluminium market.

Keywords: Aluminium market, Stimulus policies, Energy transition, Premia, Low carbon aluminium.