

# Outlook for the Aluminium Market: The Shape of Things to Come

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## Abstract

The aluminium market has experienced significant volatility of the past 12 months. The easing of Covid restrictions in China and a soft economic landing for European economies in early 2023 has given way to investor pessimism surrounding the near-term outlook for the aluminium price. The physical market remains weak with lower order intake across the supply chain. Global benchmark premia have gradually drifted lower with little to suggest any uptick any time soon. While the global primary aluminium market balance still looks tight, macroeconomic headwinds and weak demand are very much front of mind for investors. This poses a number of challenges for the market over the next few years.

Having recovered better than expected in early 2023, aluminium demand growth has slowed rapidly in during the year. In developed markets rising inflation has triggered unprecedented hikes in interest rates which are feeding through to lower economic activity across a range of key end-use sectors such as construction, automotive and machinery. In China, the much hoped for return to an acceleration in demand has failed to materialise with consumer spending and weak construction activity depressing aluminium offtake. Indeed, weak external demand is also impacting semis exports, which hit an all-time high in 2022.

On the supply side of the market equation, Chinese output is once again resuming its growth path following a period of intermittent cutbacks on lower power availability. However, we expect seasonal variations in output to remain a feature of the market moving forward. In the world ex-China, we expect most of the European output cuts to remain in place despite a reduction in energy prices from the 2022 peak. Reactivation of closed capacity will be driven by a sustained pick-up in demand rather than falling costs. Indeed, without the maintenance of supply cuts, the global market balance would look altogether different.

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