

Aluminium market outlook

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Abstract

Wood Mackenzie's assessment of aluminium market fundamentals suggests a market that is projected to be in substantial surplus over the medium term. The story over the next few years will be very much about supply rather than demand. We expect the global market to register a surplus of 1.2 Mt in 2015, followed by surpluses in excess of 2 Mt in 2016 and 2017. We continue to maintain divergence in market fundamentals between the Rest of World (ROW) and China. Underlying demand conditions remain solid, if not spectacular. The US economy continues to grow at a healthy rate across key end-use sectors, while European demand remains supported by steady modest expansion. It is the sharp deceleration in Chinese demand, the continued build in capacity and the release of surplus metal into ROW markets that is pushing the global balance into a sizable oversupply position. We expect a production reaction in China from 2018 which should move the market back towards balance by 2020. This will impact demand for alumina and ultimately bauxite. But when, specifically in China, cuts to alumina capacity will occur, this will help shape prospects for the developing seaborne bauxite market.

Keywords: Medium term surplus; supply readjustment; impact to underlying smelter grade alumina and bauxite markets.