

Aluminium prices likely to rise on supply woes

POLICY SHIFT. China ending export rebates may cut supplies

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Aluminium prices in the global markets hit a five-month high this month on economic growth and increasing concerns over supply. Prices will likely increase from the current levels, say analysts.

"We are revising our 2024 aluminium price forecast from \$2,400/tonne to \$2,450, 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," said research agency BMI, a unit of Fitch Solutions.

On November 7, aluminium three-month futures on the London Metal Exchange (LME) hit a five-month high of \$2,710 a tonne.

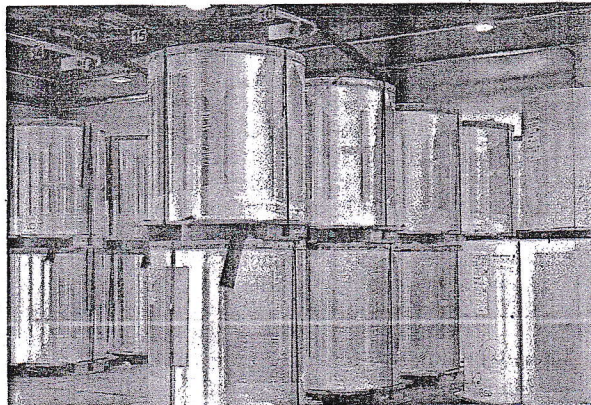
They are currently ruling at \$2,625. Aluminium prices are up over 10 per cent year-to-date and 18 per cent year-on-year.

RENEWED OPTIMISM

BMI said in recent weeks, bullish sentiment in aluminium has witnessed a resurgence. "This renewed optimism stems from two key factors: growing supply concerns in the raw material market and broader economic developments," it said.

The *Trading Economics* website, quoting market players' estimates, said recently China announced it will end tax rebates on exports of semi-manufactured aluminium products from December 1, removing around five million tonnes of supply from the international market.

"China's cancellation of its export tax rebate policy is



DEMAND SURGE. The World Bank projects resilient global aluminium demand, driven by renewable energy technologies, EVs and expanded power-grid infrastructure

expected to make Chinese aluminium more expensive on the international market," said ING Think, the economic and financial analysis wing of Dutch multinational services firm ING.

It said the EU recently decided to impose significant tariffs on Chinese-made electric vehicles (EVs), citing unfair state subsidies that allowed Chinese manufacturers to undercut European competitors.

HIGH BAUXITE PRICES

"This pressure might have led China to eliminate subsidies considered unfair by its trade partners," ING Think said.

The Chinese move had resulted in bauxite prices nearing a record high as Guinea blocked Emirates Global Aluminium's exports from the country.

The stoppage from the world's top miner added to lower bauxite output from Australia and Jamaica, squeezing Chinese smelters out of their supply and reducing ore inventory to its lowest since 2015.

"...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 \$2,768/tonne," said BMI.

ING Think said China's decision could lead to a shift in trade dynamics; countries that rely heavily on Chinese aluminium might have to look for alternative supplies to fill the gap left by reduced Chinese exports.

The World Bank, in its commodity outlook, said global aluminium demand is expected to remain resilient over the forecast horizon, driven by the expanding use of renewable energy technologies, such as solar panels and electric vehicles, and increased power-grid infrastructure needs.

The Australian Office of the Chief Economist (AOCE) said monetary policy easing and growing global demand for new, energy-efficient cars and technologies will lift aluminium usage and keep stocks relatively low.

"The FOB (free-on-board) Western Australia alumina price is forecast to decrease in 2025 and 2026 due to an expected rise in Chinese production and the supply recovery in Australia," it said.