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Easing aluminium supply risk prompts lower forecasts

Aluminium prices have retreated from their recent highs despite renewed tensions in the Middle East. While geopolitical risks remain elevated, recent operational updates and improving supply expectations have prompted the market to reassess the likelihood of a prolonged disruption to aluminium supply

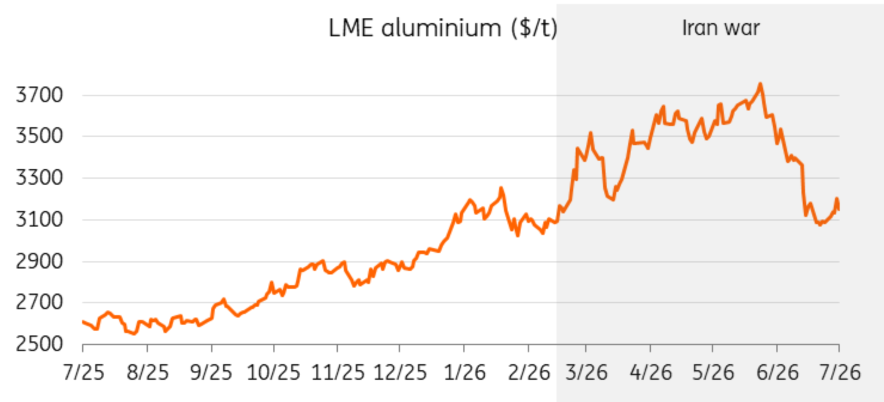
The most notable change since our previous forecast has been the improving outlook for Middle Eastern aluminium production

Supply risks are easing

This week's price action illustrates how market expectations have shifted. Renewed tensions in the Middle East initially supported aluminium prices. However, prices moved lower after Emirates Global Aluminium (EGA) announced further progress in restoring operations at its Al Taweelah complex, reinforcing expectations that supply disruptions are likely to prove less severe than previously feared.

This shift in market expectations is reflected in our revised supply assumptions.

Middle East rally unwinds



Source: LME, ING Research

Middle East recovery gathers pace

The biggest change since our previous forecast has been the improving outlook for Middle Eastern aluminium production.

Recent operational updates from EGA have consistently pointed to a faster-than-expected recovery. The company has already restarted aluminium production at its Al Taweelah smelter, with around 7% of pots back online, and has since indicated that it is accelerating the restart process.

In its latest update, EGA said alumina production at the Al Taweelah refinery is expected to reach 50% of capacity within days and return to full production by the end of the year. Importantly, EGA has also indicated that the restart of aluminium production at the adjacent smelter does not depend on the refinery reaching full output, suggesting the recovery in aluminium production could proceed more smoothly than previously assumed.

We also now expect a gradual improvement in operating rates at Alba and Qatalum through the second half of the year as regional conditions continue to stabilise.

Together, these changes add around 0.3Mt of aluminium production during the second half of 2026 relative to our previous assumptions.

China boosts exports

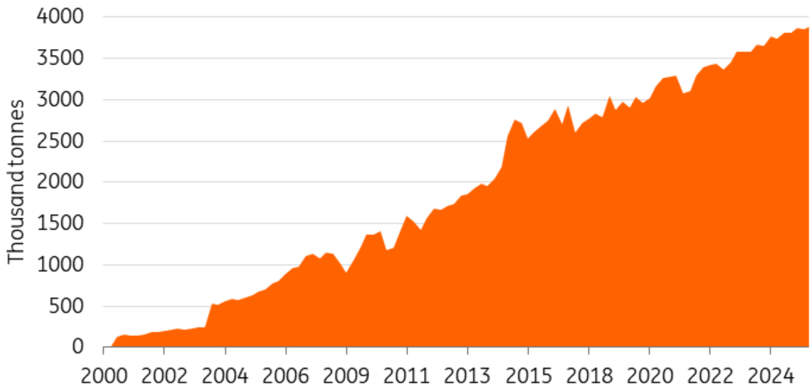
China has also played a role in easing supply concerns. Chinese aluminium exports surged in May, climbing 16% year-on-year to 630kt (China Customs), improving physical availability outside China and helping alleviate some of the tightness in overseas markets.

At the same time, Chinese primary aluminium production continued to rise, with May output reaching a record 3.89 Mt (NBS), taking annualised production slightly above the country's

45Mt capacity cap. This suggests smelters are already operating at exceptionally high utilisation rates and have limited scope to increase output materially from current levels.

While stronger exports have improved metal availability and helped ease physical tightness, China's ability to deliver further supply growth appears increasingly constrained. As a result, we do not expect China to be able to fully offset supply disruptions elsewhere, leaving the global aluminium market in deficit.

Chinese aluminium output continues to rise



Source: NBS, ING Research

Market balance revised

Reflecting both the improved Middle East supply outlook and higher Chinese production, we're now revising our 2026 aluminium market deficit to around 1.2Mt, compared with 1.8Mt previously.

The revision reflects approximately 0.3Mt of additional Middle Eastern production during 2H26 relative to our previous assumptions, together with a higher Chinese production forecast.

While the market remains in deficit this year, improving supply conditions suggest a further loosening in 2027. As Middle Eastern production continues to recover and additional capacity returns to the market, we now expect the aluminium market to move into a modest surplus in 2027.

Forecasts revised lower

The improved supply outlook has prompted us to revise our aluminium price forecasts lower.

Revised ING forecasts

Forecast (avg)	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
LME Aluminium ($/t)	3,200	3,100	3,000	2,900	2,850	2,800

Source: ING Research

Although geopolitical risks remain elevated, recent operational developments suggest aluminium production is recovering more quickly than previously expected. Our revised forecasts assume this operational recovery continues. Any renewed disruption to Middle Eastern smelting operations or regional logistics would represent an upside risk to both our balance and price forecasts.

What has changed?

Our previous forecasts were built around the risk of a prolonged disruption to Middle Eastern aluminium production. Recent operational updates suggest that outcome is becoming less likely.

As a result, we have revised our 2026 market deficit to 1.2Mt and lowered our price forecasts. We now expect the market to remain in deficit this year before moving to a modest surplus in 2027 as Middle Eastern production recovers and additional capacity returns.

Still, we continue to expect aluminium prices to remain well-supported by historical standards, even if the extreme upside scenario we considered earlier this year has become less likely.

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