

Article | 6 March 2026

COMMODITIES, FOOD & AGRI

Middle East escalation could push aluminium above \$4,000/t

We have revised our aluminium price forecasts higher as rising conflict in the Middle East introduces fresh upside risks to an already tightening market



Disruptions to Gulf exports could tighten an aluminium market already in deficit

Escalating geopolitical risks could have far-reaching implications for global commodity markets beyond oil and gas, with aluminium particularly exposed given the concentration of export-oriented smelting capacity in the Gulf and the reliance on shipping routes through the Strait of Hormuz.

Key takeaways:

- Rising tensions in the Middle East have introduced fresh upside risks to aluminium markets, which were already expected to remain in deficit this year, prompting us to revise our aluminium price forecasts higher.
- While oil and LNG markets are most directly exposed to disruptions in the Strait of Hormuz, aluminium is likely to be one of the most affected industrial commodities due to the concentration of export-oriented smelting capacity in the Gulf.
- In a severe disruption scenario, aluminium prices could briefly move above \$4,000/t,

although demand destruction would likely limit further upside.

Middle East conflict raises aluminium supply risks

Rising conflict in the Middle East is introducing new upside risks to aluminium markets, which were already structurally tight. We had previously expected the market to tighten this year with China's capacity cap, trade dislocations and the imminent shutdown of South 32's Mozal already tightening supply. The potential for escalation now introduces further upside risks to this outlook, prompting us to revise our aluminium price forecasts higher.

The Strait of Hormuz is a critical shipping route not only for global oil and LNG flows but also for industrial metals, with a large share of Gulf aluminium exports passing through the corridor. Any disruption to regional shipping would tighten global aluminium availability quickly in a market that is already in deficit.

While oil and LNG markets are the most directly exposed to disruptions in the Strait of Hormuz, aluminium is likely to be among the most affected industrial commodities. The Gulf accounts for roughly 9% of global aluminium production and an even larger share of internationally traded metal. Yet the region produces only around 3% of global alumina and around 1% of bauxite, leaving smelters heavily reliant on imported raw materials. Alumina's limited storability further reduces resilience. While smelters typically hold around three to four weeks of alumina inventories – allowing them to absorb short disruptions – prolonged constraints would quickly translate into production risk.

Extended disruption in the Strait would simultaneously choke alumina inflows and aluminium exports for Middle Eastern smelters. That would tighten global supply meaningfully.

Iran itself produces roughly 0.55-0.60Mt of aluminium annually, but its direct impact on global supply is limited as much of this production is consumed domestically and sanctions restrict international trade flows. The greater market risk stems from potential disruptions to Gulf aluminium exports, and alumina and bauxite imports, passing through the Strait of Hormuz.

Regional exposure to Gulf aluminium exports

Gulf producers are among the largest suppliers of primary aluminium to the global seaborne market, accounting for a significant share of internationally traded metal.

The Gulf produces around 6-6.5Mt of primary aluminium per year, with roughly 5-5.5Mt of exports reliant on shipping routes through the Strait of Hormuz, highlighting the potential impact that disruptions to regional trade flows could have on global aluminium markets.

Not all aluminium exports transit Hormuz – most notably Oman, which ships directly to the Indian Ocean – but a large share of Gulf aluminium trade still depends on the strait or nearby

regional routes. Alternative logistics options are limited. Ma'aden could, in theory, truck material to Red Sea ports, but this would be significantly more time-consuming and costly.

Aluminium production in the Gulf

Producer	Country	Share of Gulf capacity (%)	Hormuz exposure
EGA	UAE	c.44	Very high
Alba	Bahrain	c.27	Very high
Ma'aden Aluminium	Saudi Arabia	c.12	High
Qatalum	Qatar	c.10	Very high
Sohar Aluminium	Oman	c.6	Low

Source: Company reports, ING Research estimates

Europe is particularly exposed, relying heavily on imports following the decline of domestic smelting capacity. The Middle East accounts for around 30% of its aluminium imports, dominated by the UAE, leaving European premiums especially sensitive given already tight primary availability. Europe's exposure has increased further since the sharp reduction in Russian aluminium flows to Western markets after the invasion of Ukraine.

The US is also exposed, with the region supplying over 20% of imports, though tariff-inflated Midwest premiums limit immediate upside.

[Recent developments](#) are already affecting aluminium supply chains. Qatalum has begun a controlled shutdown of production following regional tensions, representing a direct loss of supply to the market. At the same time, Alba has declared force majeure on deliveries due to logistics disruptions.

Our three scenarios for aluminium supply disruptions

While the evolution of the Middle East conflict remains highly uncertain, we outline three scenarios assessing how disruptions to Gulf aluminium supply could affect the global market, in line with [our energy flows scenarios](#). Based on these scenarios, we revise our aluminium price outlook higher and assess the resulting market balances and price outcomes under varying degrees of disruption.

In **Scenario 1**, which we consider our base case, we assume a relatively short disruption to regional shipping lasting around four weeks. Exports from Gulf producers are temporarily delayed and some metal accumulates on site, particularly at Alba where deliveries have already been affected. At the same time, the disruption at Qatalum represents a genuine supply shock as production recovers only gradually following a controlled shutdown.

In **Scenario 2**, disruptions persist for longer, with shipping constraints lasting several months. This would further tighten the seaborne aluminium market as export flows from the Gulf remain constrained. In this scenario, we also assume the risk of minor production curtailments

across Gulf smelters if logistics disruptions persist and raw material deliveries begin to tighten.

Scenario 3 represents a more severe disruption to shipping through the Strait of Hormuz lasting around three months. In this case, a combination of lost production, stranded metal and broader logistics disruptions could significantly tighten global aluminium availability. At these levels of tightening, prices could briefly move above \$4,000/t before demand destruction begins to limit further upside. Prices therefore retrace from peak levels later in the year, although the underlying deficit keeps aluminium well above pre-conflict baseline levels.

Aluminium market balance and price scenarios

Scenario	Structural market balance	Q1 (\$/t)	Q2 (\$/t)	Q3 (\$/t)	Q4 (\$/t)
Forecasts prior to attacks	c.600kt deficit	3,150	3,200	3,200	3,250
Scenario 1 (base case): Short disruption	c.900kt deficit	3,200	3,400	3,350	3,400
Scenario 2: Prolonged disruption	c.900-950kt deficit	3,250	3,650	3,700	3,650
Scenario 3: Severe disruption	c.1.2-1.35Mt deficit	3,300	4,200	4,050	3,900

Source: ING Research estimates

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