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COMMODITIES, FOOD & AGRI

Middle East escalation pushes aluminium into a structural deficit

Escalating supply disruptions across Gulf smelters have shifted the aluminium market from a logistics shock into a significant deficit, with limited near-term recovery and risks skewed to the upside



The aluminium market has moved into a significant deficit following further escalation in the Middle East

Supply shock deepens as Gulf smelters cut output

The aluminium market has moved into a significant deficit following further escalation in the Middle East. What initially appeared as a disruption to shipping and logistics has now evolved into a material supply shock, with multiple Gulf smelters operating well below capacity.

Recent developments include the halt of operations at Emirates Global Aluminium's Al Taweelah smelter, a sharp reduction in output at Aluminium Bahrain (Alba), and continued reduced operating rates at Qatalum.

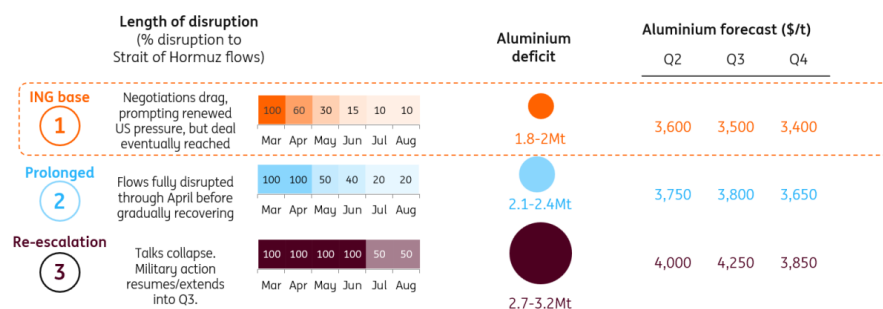
While the Middle East accounts for roughly 9% of global aluminium production, it represents a much larger share of seaborne supply. As a result, disruptions in the region have a significant impact on market availability and pricing.

Disruptions have intensified significantly since [our previous note](#). In mid-March, we estimated that around 560kt of annual capacity was affected, including roughly 300kt at Alba and 260kt

at Qatalum. With Alba now operating at around 30% of capacity and Qatalum at roughly 60%, the implied affected capacity has risen to around 3Mt – nearly half of the region's production.

Based on current operating rates, the aluminium market would be in a deficit of close to 2.9Mt if disruptions persisted through the remainder of the year. However, at elevated prices, we expect demand destruction, destocking and a partial supply response from China to offset part of the supply shock, resulting in a base case deficit of around 2Mt.

Revised aluminium balance and price scenarios



Source: ING Research estimates

Prolonged disruption could push aluminium towards \$4,000/t



Source: Refinitiv, ING Research

Note: Price forecasts are period averages

Base case: disruption largely priced

In our base case, disruption peaks early and gradually eases through the year, in line with our [energy market outlook](#). While supply remains constrained, a combination of demand destruction, inventory drawdowns and increased Chinese supply is expected to limit further upside.

As a result, aluminium prices remain elevated but do not extend materially higher from current levels.

Risks skewed to the upside

If disruption persists or intensifies, supply recovery is likely to remain limited. Additional smelter curtailments could emerge, particularly as existing constraints on alumina supply deepen and logistics disruptions continue.

Under these conditions, aluminium prices could move above \$4,000/t, although demand destruction would likely lead to some retracement in the second half of the year, even as the market remains structurally tight.

Structural deficit in place

The aluminium market has already shifted into a significant deficit following recent supply disruptions. While some recovery is expected in our base case, the balance remains tight, with limited downside and clear upside risks under prolonged or severe disruption scenarios.

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