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**Global Aluminium Market
Under Pressure**

By

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13 October 2026

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Executive Summary

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Global Aluminium Market

- ✦ Global aluminium supply is tightening despite subdued cyclical demand, while electrification, renewables, grid investment and lightweight transport continue to support long-term consumption. Pasted markdown
- ✦ AI and data-centre investment is creating an additional demand channel through power, cooling and structural systems, with liquid cooling requiring an estimated 20–30kg of aluminium per high-performance server. Pasted markdown
- ✦ Global primary production reached a record ~74mn tonnes in 2025, but limited spare capacity and energy-intensive new supply are constraining further growth, with a potential 1.5-2.0mn-tonne deficit in 2026. Pasted markdown
- ✦ Geopolitical disruptions have intensified supply pressures: GCC output fell 44% y-o-y in July, while LME inventories dropped to a 36-year low of around 250,000 tonnes in August. Aluminium prices are expected to average around \$3,200/t in 2026, roughly 22% above 2025. Pasted markdown

China: Capacity Constraints Drive Overseas Expansion

- ✦ China accounts for around 60% of global aluminium production, but domestic expansion is increasingly constrained by Beijing's 45mn-tonne capacity ceiling. Pasted markdown
- ✦ Strong margins and low alumina costs have pushed smelters close to their limits, with utilisation estimated at 99.7% in August and output reaching a record 3.98mn tonnes. Pasted markdown
- ✦ With limited room to expand at home, Chinese producers are investing in new capacity in Indonesia, Kazakhstan and Angola, extending China's influence across the global supply chain.

US: Tariffs Reshape North American Trade

- ✦ The US remains structurally dependent on imports, with only four operating primary smelters, down from more than 20 at the start of the century, and Canada remaining its largest supplier. Pasted markdown
- ✦ Washington applies a 50% Section 232 tariff on aluminium imports, but companies investing in US smelting capacity can qualify for a reduced 25% rate, highlighting efforts to stimulate domestic production. Pasted markdown
- ✦ Tariffs are also reshaping regional trade: Mexico is seeking lower duties through USMCA negotiations, while some Canadian aluminium products face effective tariffs of up to 100%. Canada has responded with 50% counter-tariffs on US aluminium. Pasted markdown

EU: Aluminium Scrap Becomes Strategic

- ✦ The EU is seeking to retain more secondary aluminium as scrap becomes increasingly important for decarbonisation and supply security. EU scrap exports reached 1.27mn tonnes in 2025, with India emerging as a major buyer. Pasted markdown
- ✦ The Commission considered a 15% aluminium scrap export duty, but dropped the proposal in September after plans to exempt India reduced its expected effectiveness. Pasted markdown

Introduction

The global aluminium market is tightening as constrained supply collides with structurally robust demand. While weak industrial activity, trade uncertainty and geopolitical tensions are weighing on cyclical demand in 2026, longer-term consumption continues to be supported by electrification, renewable energy, grid investment, lightweight transport and the circular economy. Aluminium's use across solar installations, wind turbines, transmission infrastructure and transport is expanding its role in the energy transition, while infrastructure investment is partly offsetting weakness in European construction and parts of the automotive sector.

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AI infrastructure is emerging as an additional source of demand. The expansion of data centres and computing infrastructure is increasing requirements for aluminium in power systems, cooling and structural applications. In particular, liquid-cooling systems for high-performance servers can [require an additional 20-30kg](#) of aluminium per server. Together with grid upgrades, energy storage and advanced manufacturing, the AI build-out is adding another structural demand channel for the metal.

Supply, meanwhile, has become less flexible. Global primary aluminium production reached a record around [74mn tonnes in 2025](#), up roughly 1% from the previous year, but further expansion is becoming more difficult. China, the world's dominant producer, is approaching its production-capacity ceiling, while new smelting capacity requires large amounts of capital, reliable electricity and lengthy development periods. Global smelting capacity is estimated to be operating at above 90% utilisation, while one analysis cited in the supplied material puts the potential global supply deficit at [1.5-2.0mn tonnes in 2026](#), compared with an average of less than 0.5mn tonnes over the previous five years.

Geopolitical disruptions have further tightened physical availability. The US-Iran conflict and disruption around the Strait of Hormuz have affected Gulf production and exports, with GCC aluminium output [reported 44% lower y-o-y in July](#); the region had previously accounted for around 10% of global production. Global primary output fell 1.7% y-o-y to 6.16mn tonnes in July, while LME inventories remained close to a 36-year low. China has partly offset these pressures: production reached a record 3.98mn tonnes in August, up 4.7% y-o-y, while January-August output rose 3.9% to 31.12mn tonnes as strong margins encouraged smelters to maximise production despite the national capacity ceiling.

Low inventories have amplified the market's sensitivity to further disruptions. [LME aluminium stocks fell](#) to around 250,000 tonnes in August 2026, their lowest level in 36 years, leaving less readily available metal to absorb unexpected production or logistical shocks. Against this backdrop, [the World Bank expects](#) aluminium prices to average around \$3,200 per tonne in 2026, about 22% higher than in 2025, according to the supplied source.

The tightening primary market is also increasing the strategic importance of secondary aluminium and scrap. [Recycling aluminium requires up to 95% less energy than primary production](#), making scrap increasingly valuable not only for decarbonisation but also as an alternative source of supply. Scrap premiums reportedly increased 28% during 2026, reflecting stronger demand for recycled material amid constraints in primary supply. This growing importance of secondary metal is, in turn, helping drive governments to reconsider the unrestricted export of aluminium scrap, setting the stage for the EU and other countries' recent policy interventions.

China: Domestic Capacity Nears Its Limit

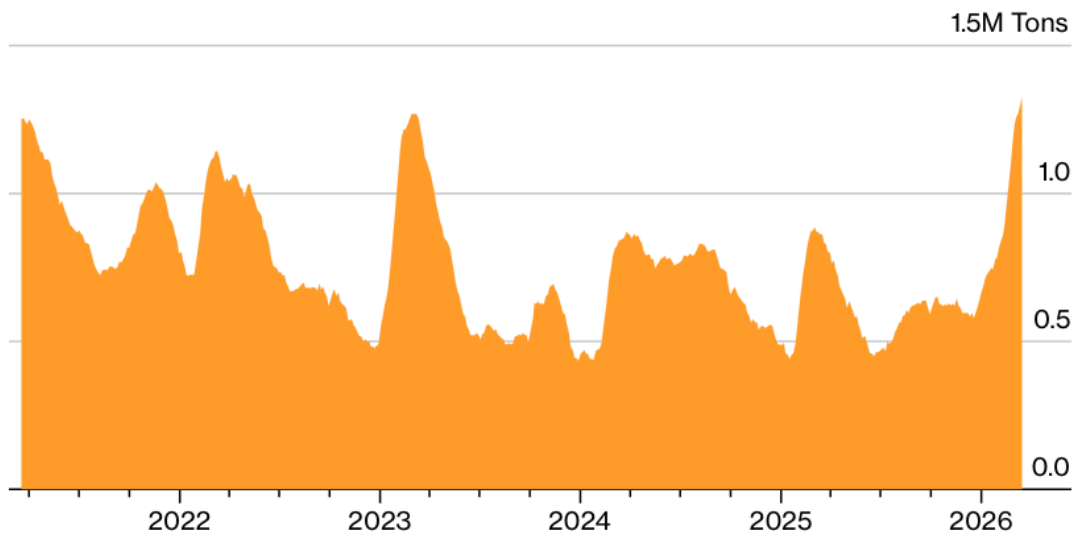
China remains central to the global supply outlook, accounting [for around 60%](#) of global aluminium production, with its share temporarily rising to roughly 63% following the loss of Gulf output. Strong aluminium prices, historically low alumina costs and high margins have encouraged Chinese smelters to maximise production, pushing output above Beijing's 45mn-tonne capacity ceiling in recent months as operational improvements allow plants to produce above their nominal capacity.

[Chinese smelters were estimated to be operating at 99.7% of effective capacity in August](#), leaving little scope for further domestic supply growth. Production nevertheless reached a record 3.98mn tonnes in August, up 4.7% y-o-y, while January-August output increased 3.9% to 31.12mn tonnes.

With Beijing maintaining the capacity ceiling, Chinese producers are increasingly looking abroad for expansion. Investment is flowing particularly into Indonesia, where Chinese-backed smelters can take advantage of existing industrial, power and logistics infrastructure, while major projects are also emerging in Kazakhstan and Angola. The shift allows Chinese companies to expand beyond domestic constraints and could further extend China's influence across the global aluminium supply chain.

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Figure 1: Metal is Piling Up in China (Aluminium Ingot Inventories)

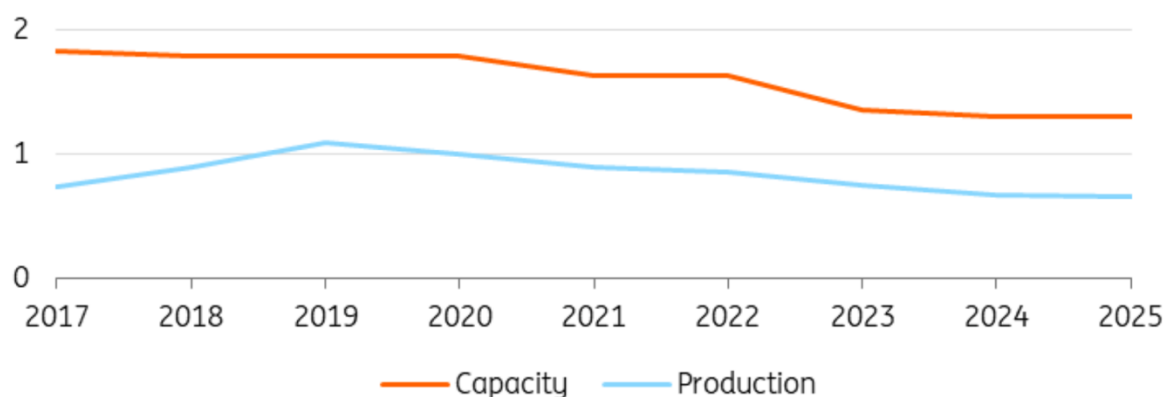


Source: [Bloomberg](#)

US: Tariffs Reshape North American Aluminium Trade

The US remains heavily dependent on imported aluminium, with just four operating smelters, down from more than 20 at the start of the century. Canada remains the largest supplier, while Middle Eastern producers have become increasingly important in filling the US supply gap.

Figure 2: US Primary Aluminium Production Continues To Decline



Source: [ING Think](#)

US trade policy has become a major source of disruption for the aluminium market. Under Section 232, Washington applies a 50% tariff on aluminium imports, with specific exceptions and different treatment for

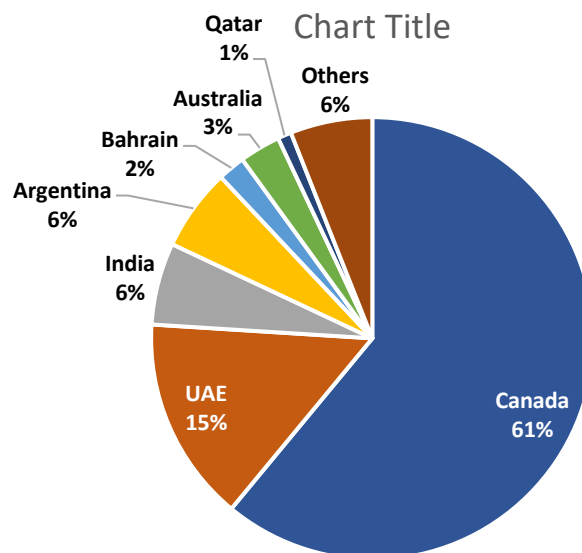
some UK products. Changes introduced in 2026 have also broadened the range of derivative aluminium products subject to tariffs, increasing pressure on downstream manufacturers. Companies that build, expand or refurbish domestic capacity can qualify for a 25% tariff instead of the standard 50% rate, subject to approved investment milestones. The change reflects the limited impact of tariffs alone on rebuilding US primary production.

The measures are becoming an important issue in the USMCA review. Mexico is seeking lower US tariffs on aluminium, steel and automobiles as part of negotiations with Washington, alongside discussions over rules of origin and stronger North American supply chains. The US, meanwhile, is pushing for tighter regional sourcing requirements, particularly for products incorporating inputs from outside North America.

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The impact has been particularly pronounced in Canada, a major supplier to the US market. [New measures have pushed](#) effective duties on some Canadian aluminium products to as much as 100%, putting more than C\$600mn (\$429mn) of annual exports, including bars, pipes and extrusions, under pressure. While Canadian primary producers can benefit from high US prices and limited domestic US supply, fabricators face weaker orders and disruption to long-established cross-border supply chains.

Figure 3: US Demand Remains Heavily Reliant On Imports



Source: [ING Think](#)

[Canada has responded](#) by doubling counter-tariffs on US aluminium products to 50%, while domestic producers are calling for tariff-rate quotas. The result is an increasingly fragmented North American aluminium market, with tariffs reshaping established trade flows and creating sharply different effects across primary producers and downstream manufacturers.

EU: From Scrap Tax to Export Restrictions

The EU is moving to retain more aluminium scrap as secondary metal becomes increasingly important for both decarbonisation and supply security. [EU aluminium scrap exports reached 1.27mn tonnes in 2025](#), nearly double imports and up sharply from 2019, with India, Thailand and China among the main sources of demand. India alone imported around 366,000 tonnes in 2025 and became the EU's largest aluminium scrap buyer in early 2026.

[The European Commission initially considered a 15% export duty on aluminium scrap](#) to curb rising outflows. The proposal was dropped in September, however, after plans to exempt India, following pressure from New Delhi, would have substantially reduced the measure's coverage and effectiveness.

Instead, the EU is moving toward tighter controls under its Waste Shipment Regulation (WSR). From May 2027, non-hazardous waste exports to non-OECD countries will generally be permitted only where recipient countries demonstrate that the material will be processed in an environmentally sound manner.

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A draft list published in September would restrict scrap shipments to several major markets, including India, Egypt, Morocco, Bangladesh and Pakistan. For India, the restrictions could affect both steel and aluminium scrap, although the proposal remains under consultation until October 16 and the final list has yet to be determined.

The shift marks a broader change in EU policy: scrap is increasingly being treated as a strategic secondary raw material rather than simply as waste, as Europe seeks to secure lower-carbon feedstock for domestic industry amid tightening primary aluminium supply.