

## Metals and Mining - China

# Aluminum expert call: RMB2-3k/t of margin in '24; tight bauxite supply is key to watch

Industry Overview

### Stable aluminum price with reasonable margin in '24

We hosted Mr. Fuliang Shi, Co-founder and Head of Research Institute at Aladdiny, to discuss 2024 China aluminum market outlook. **Overall**, Mr. Shi expected aluminum price to be stable between RMB18.5-19.5k/t with current cost at RMB16.7k/t supported by capacity cap, estimated stable electricity price this winter and reasonable anode price, vs. hiking alumina price due to tight bauxite supply. Current margin is at RMB2.3k/t per Aladdiny and shall be maintained at reasonable levels of RMB2-3k/t in '24. The supply of bauxite and accumulated inventory before CNY are two key things to watch near-term.

### Demand to increase driven by solar PV and EV

**On supply**, current aluminum capacity of 44.81 mnt is approaching 45.43 mnt capacity cap already. Mr. Shi stated there's little chance for the government to loosen capacity cap at least in the next three years. Only 1.05 mnt new aluminum capacity is announced for '24 and most of it is a replaced capacity. Operating capacity is at 42mnt+ which the gap between the constructed capacity is driven by various issues such as suspension in Yunnan. Mr. Shi says it is still uncertain whether Yunnan will cut the capacity for the second round in March amid dry seasons. **On demand**, Mr. Shi expects China total aluminum demand to increase to 52 mnt, +4% yoy in '24 including 43 mnt primary aluminum, +2.4% yoy, and 10 mnt recycled aluminum, +11.5% yoy. By segments, **property sector** keeps dominate aluminum consumption in '24 with 13mnt, +4% yoy, which occupies 24% of total consumption. **Power sector** is estimated to consume 9 mnt, +5% yoy, among which solar PV to contribute 4 mnt, +9% yoy, electrical grid to contribute 4 mnt, +1% yoy. **Transportation** is expected to consume 11 mnt aluminum, +7.7% yoy with traditional vehicles to contribute 4 mnt, +6% yoy, and EV to contribute 2 mnt, +17.5% yoy.

### Tight bauxite LT supply due to Guinea oil depot blast

Guinea oil depot blast in Dec 2023 has raised concerns for bauxite supply as 136 mnt out of 216 mnt bauxite consumed in China in '23 was imported, and '24 bauxite demand should reach 220 mnt with c.145 mnt imported bauxite. Guinea has become main bauxite source country for China since '17 and as of 11M23 over 70% of China's imported bauxite was from Guinea. China held 711 mnt bauxite mine resources by '21 but mine accidents in Shanxi and Henan caused c.12 mnt bauxite mine suspensions from second half '23, which further pushed down domestic bauxite supply.

### Alumina production suspension for bauxite shortage

Alumina is affected by tight bauxite supply in short to mid-term. On supply side, among 103 mnt alumina capacity in China, only 82 mnt is in operation with 3-4 mnt suspended production recently due to shortage of domestic bauxite supply. Growth of alumina demand is limited and thus alumina price will not range overly away from its cost curve, on which Mr. Shi sees current RMB3-3.5k/t alumina price to be in appropriate range.

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