

Australia Metals & Mining and Steel

Alumina market outlook takeaways: market balanced in 2024

Industry Overview

A balanced alumina market in 2024

We hosted a conference call with Alumina Ltd (AWC AU) on the alumina and bauxite market outlook. Our guest speakers from AWC were head of strategy and market Liping Li and senior strategy analyst Gerald Chan. Overall AWC expects a balanced alumina market in 2024 after a few years of surpluses. China's alumina demand is capped by its 45 Mtpa Aluminium production limit while China's alumina price is largely influenced by alumina and bauxite supply disruptions as well as bauxite prices as raw materials. Ex-China alumina demand is driven by Ex-China Aluminium production and China's alumina net import is the lever to balance the alumina market RoW. Ex-China alumina price is more sensitive to alumina supply disruptions including curtailment.

Arbitrage window is open for China's alumina imports

China produced 85mt of alumina in 2023 accounting for 60% of the 145mt of alumina produced globally. China's alumina production is sufficient to meet its domestic aluminum production demand, with less than 1% of alumina consumed from seaborne market (0.56Mt net imports in 2023). China can switch on and off alumina production easily under a capacity of 100Mtpa. Price arbitrage is the primary driver for Chinese smelters to increase or reduce imports. Spot Australian API of US\$370/t sits below China's import parity price of US\$388/t which opens the window for China to import from the seaborne market.

Guinea bauxite matters for global alumina price

China's alumina production is heavily dependent on imported bauxite which accounts for 2/3 of the bauxite consumed in China due to the depletion in domestic bauxite reserves. 70% of China's imported bauxite is from Guinea in 2023 followed by Australia. Any bauxite supply disruptions from Guinea will impact China's alumina production and price materially. Consequently, affecting Ex-China alumina market and price if China increases import from the seaborne market.

Different cost drivers RoW vs. China

Different to China's dependence on one country's bauxite supply, most of the Ex-China's alumina refineries are integrated with bauxite operations close to the refineries which are sensitive to caustic soda and energy cost. The average of Alumina cost Ex-China declined by 10% in 2023 because of declining caustic soda and energy costs. In contrast, China's refineries are sensitive to bauxite prices which have been rising steadily from US\$45/t to >US\$70/t CIF China over the last few years. As a result, the average Alumina cost in China at US\$320/t is higher than the average Alumina cost Ex-China of US\$270/t. China has a flat Alumina cost curve while RoW has a steep alumina cost curve driven by different energy costs in each country and caustic soda costs.

02 February 2024

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RoW: Rest of World

API: Alumina price index

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Timestamp: 02 February 2024 01:46AM EST

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