Base Metals Comment: Aluminium: Lowering Our 2027 Price Forecast to $2,700/t on a Faster Mideast Supply Recovery

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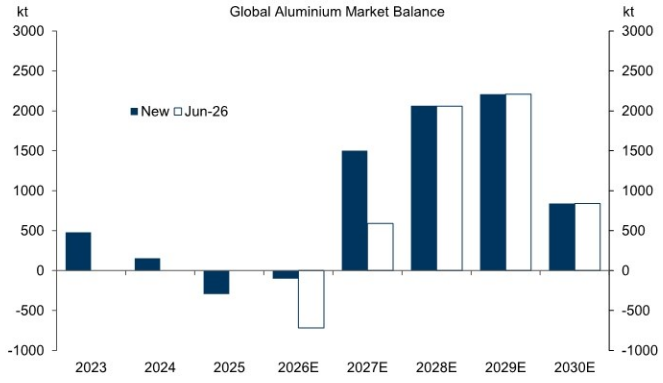
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- Following news that restoration at the Al Taweelah aluminium smelter is running ahead of schedule, with hot metal production resumed and around 7% of cells back online, we pull forward our recovery assumption, with full production restored by end-Q1 2027 versus end-2027 previously. To be clear, EGA maintained that returning to pre-incident levels could take up to a year, and only around 20% of cells have had frozen metal removed – a necessary step before restart after metal solidified inside the cells when power was lost. However, the company is working to accelerate the timeline and market feedback points to scope for a faster ramp.
- Beyond Al Taweelah, the latest industry feedback also points toward a faster Middle East supply recovery more broadly. Together, the faster Al Taweelah ramp and broader regional recovery add 620kt to our 2026 supply forecast and 920kt to 2027 versus our prior base case, reducing our 2026 deficit to 100kt, from 720kt, and lifting the 2027 surplus to around 1.5Mt, from 590kt (Exhibit 1). Accordingly, we lower our Q4 2026 LME aluminium forecast to $2,950/t, from $3,200/t, and our 2027 average forecast to $2,700/t, from $2,950/t, below forwards at $3,056/t (Exhibit 2). We expect inventories to rebuild into 2027, driving smelter margins to normalise from recent high levels (Exhibit 3).
- Aluminium has already sold off sharply, falling from around $3,400/t on the initial war de-escalation news to $3,100/t, reflecting a lower Middle East disruption premium as the market prices a faster supply recovery, alongside a broader macro risk off move triggered by a tech/AI-led sell off and a Fed repricing.
- Risks around the Middle East supply ramp remain two-sided. A faster regional recovery, with Al Taweelah back at full capacity by end-2026 and additional Middle East capacity returning, would lift the 2027 surplus toward 1.7Mt and point to 2027 average prices closer to $2,600/t. A slower ramp, with Al Taweelah taking 12 months to return to full capacity and the broader regional recovery closer to our prior assumptions, would leave the 2027 surplus around 1.1Mt and point to prices around $2,800/t.
- The earlier restart strengthens our bearish price view for next year, which mostly reflects our view that Indonesia supply will add 1.5% (or 1.2Mt YoY) to global supply in 2027 (Exhibit 4). We therefore reiterate our short Dec-27 LME aluminium recommendation and our long Dec-27 copper vs. short Dec-27 aluminium recommendation. The key risk to both trades remains a re-escalation of the conflict or a slower recovery ramp than assumed.

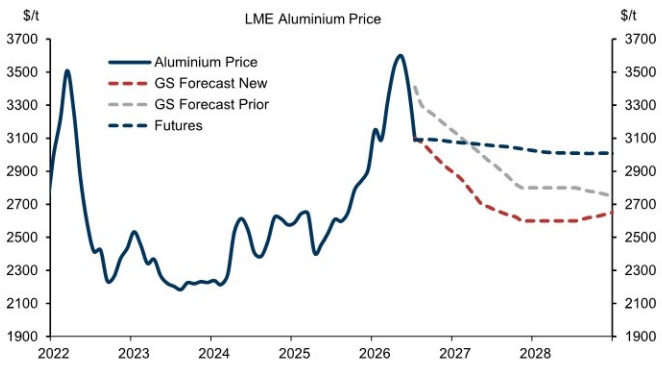
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Exhibit 1: We Expect a Near-Balanced Market in 2026 and a 1.5Mt Surplus in 2027



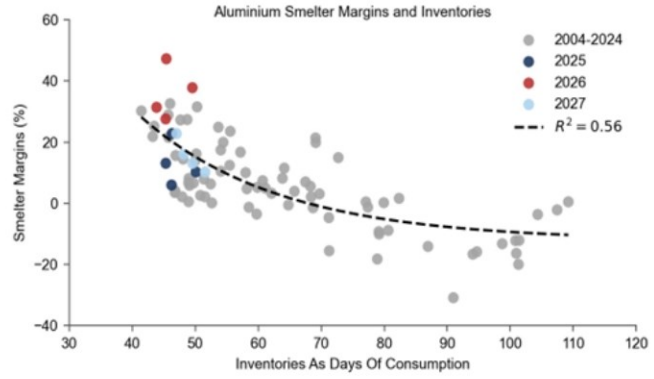
Source: CRU, Wood Mackenzie, SMM, Goldman Sachs Global Investment Research

Exhibit 2: We Lower our 2027 Price Forecast to $2,700 on a Faster Mideast Supply Recovery



Source: Bloomberg, Goldman Sachs Global Investment Research

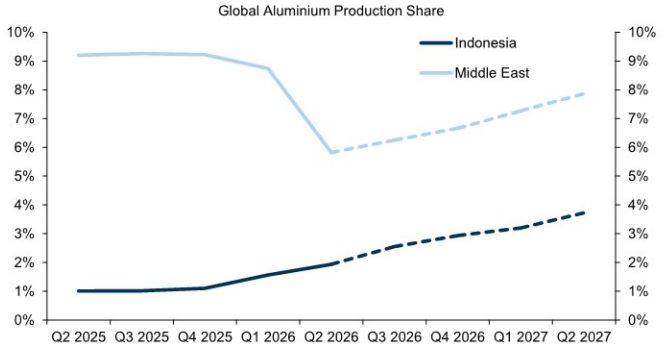
Exhibit 3: We Expect Aluminium Smelter Margins to Normalise as Inventories Rebuild into Next Year



Margins are calculated as LME aluminium prices relative to the estimated 90th-percentile smelter cost. Inventories include visible liquid inventories, including LME, SHFE, CME, Japan port stocks and China social inventories, as well as producer inventories, government stockpiles and estimated unreported inventories. Observations are quarterly. Data from 2004–2024, excluding Q4 2009–Q4 2011 when LME warehouse queues impacted prices.

Source: CRU, Bloomberg, SMM, Goldman Sachs Global Investment Research

Exhibit 4: Indonesia Supply Growth and Middle East Recovery Drive the 2027 Surplus



Source: CRU, SMM, Wood Mackenzie, Goldman Sachs Global Investment Research

Appendix

Exhibit 5: We Expect the Aluminium Market to Shift into Surplus Next Year

World Aluminium Market Balance								
'000 tonnes	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Market balance								
Primary Production	70,689	73,247	74,703	75,065	78,905	81,044	83,168	84,032
Primary Consumption	70,210	73,091	74,997	75,165	77,405	78,979	80,958	83,192
Market balance	**479**	**156**	**-294**	**-100**	**1500**	**2064**	**2210**	**840**
Total Inventories	9,559	9,715	9,421	9,322	10,821	12,886	15,096	15,936
As days of consumption	50	49	46	45	51	60	68	70
Reported Inventories	3,671	3,796	3,631	3,518	5,018	7,078	9,289	10,129
y/y change	*264*	*125*	*-164*	*-114*	*1500*	*2060*	*2211*	*840*
Production								
Primary Production	70,689	73,247	74,703	75,065	78,905	81,044	83,168	84,032
y/y change	*2.7%*	*3.6%*	*2.0%*	*0.5%*	*5.1%*	*2.7%*	*2.6%*	*1.0%*
China	41,584	43,547	44,523	45,600	46,270	46,200	46,000	46,000
World Ex-China	29,105	29,700	30,179	29,465	32,635	34,844	37,168	38,032
Consumption								
Total Aluminium Consumption	98,175	100,982	103,442	104,149	106,993	109,174	111,834	114,887
y/y change	*2.3%*	*2.9%*	*2.4%*	*0.7%*	*2.7%*	*2.0%*	*2.4%*	*2.7%*
of which								
Grid & Power Infrastructure	11,479	12,490	13,344	14,418	15,224	15,946	16,855	17,868
EVs & Renewables	7,734	9,298	10,804	10,943	11,696	12,297	13,658	15,253
Electrification share of demand	*20%*	*22%*	*23%*	*24%*	*25%*	*26%*	*27%*	*29%*
China building	10,038	9,435	8,055	7,068	6,680	6,425	6,232	6,045
Rest of World	68,924	69,758	71,238	71,720	73,393	74,505	75,089	75,721
Primary Aluminium Consumption	**70,210**	**73,091**	**74,997**	**75,165**	**77,405**	**78,979**	**80,958**	**83,192**
y/y change	*1.4%*	*4.1%*	*2.6%*	*0.2%*	*3.0%*	*2.0%*	*2.5%*	*2.8%*
China	42,888	45,471	46,815	47,090	48,404	49,573	51,132	52,777
World Ex-China	27,322	27,620	28,182	28,075	29,001	29,406	29,826	30,415
Total Scrap Consumption	**29,928**	**29,911**	**30,514**	**31,067**	**31,728**	**32,378**	**33,113**	**33,994**
y/y change	*4.5%*	*-0.1%*	*2.0%*	*1.8%*	*2.1%*	*2.0%*	*2.3%*	*2.7%*
Scrap share of Consumption	30%	29%	29%	29%	29%	29%	29%	29%
Aluminium price forecast, $/t	**2,285**	**2,457**	**2,640**	**3,200**	**2,700**	**2,600**	**2,700**	**2,800**
Regional Aluminium Market Balance								
Before Primary Aluminium Net Trade								
China	(1,304)	(1,924)	(2,291)	(1,490)	(2,134)	(3,373)	(5,132)	(6,777)
World Ex-China	1,783	2,080	1,997	1,390	3,634	5,437	7,343	7,617
China Primary Aluminium Net Imports	*1,458*	*2,097*	*2,479*	*2,700*	*3,000*	*3,900*	*5,400*	*6,600*
After Primary Aluminium Net Trade								
China	154	173	188	1,210	866	527	268	(177)
World Ex-China	325	(17)	(482)	(1,310)	634	1,537	1,943	1,017

Source: CRU, Wood Mackenzie, SMM, Bloomberg, Goldman Sachs Global Investment Research

Exhibit 6: We Expect the LME Aluminium Price to Decline Through 2027 as Surplus Builds

	GS Forecast ($/mt)		
	LME Aluminium New	LME Aluminium Prior	LME Aluminium Futures
2026	3,200	3,300	3,089
2027	2,700	2,950	3,056
2028	2,600	2,800	3,012
3Q26	3,075	3,300	3,091
4Q26	2,950	3,200	3,086
1Q27	2,850	3,100	3,073
2Q27	2,700	3,000	3,062
3Q27	2,650	2,900	3,051
4Q27	2,600	2,800	3,036
Jul-26	3,100	3,410	3,089
Aug-26	3,075	3,300	3,091
Sep-26	3,035	3,265	3,093
Oct-26	2,990	3,235	3,091
Nov-26	2,950	3,200	3,087
Dec-26	2,915	3,165	3,082

Source: Bloomberg, Goldman Sachs Global Investment Research

Disclosure Appendix

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