

Understanding Price Pressure in Today's Aluminium Market

FOR IMMEDIATE RELEASE

Australian manufacturers are feeling the shift. After several years of relative stability, the global aluminium market has entered a new and more volatile phase, one defined not by collapsing demand or booming domestic production, but by tightening supply, and global trade disruptions that are pushing costs higher across the board.

It is a challenging moment for the sector, and Capral CEO **Tony Dragicevich** says it is more important than ever to clearly explain why pricing pressure is building and what it means for businesses that rely on aluminium every day. As Tony puts it, ***"Aluminium isn't expensive because suppliers are inflating prices. It's expensive because the world that makes aluminium has fundamentally changed."***

Worldwide availability of primary aluminium has decreased significantly. LME inventories have fallen from more than 3 million tonnes just a few years ago to around 700,000 tonnes by mid-2025, one of the lowest levels recorded in more than a decade. This shift signals a move away from the surplus conditions many manufacturers have relied on and toward a prolonged global deficit. China, the world's largest aluminium producer, has reached its government-mandated smelting cap of 45 million tonnes, while energy shortages in hydropower-reliant regions such as Yunnan and environmental policy constraints continue to restrict meaningful production growth.

Why Aluminium Prices Are Rising

The primary contributor to rising aluminium costs for Australian Manufacturers is the London Metal Exchange (LME), the global benchmark for pricing. Tony explains, ***"When we refer to aluminium prices being 'up,' it usually means the LME price per tonne has risen. The LME reflects the balance of global supply and demand, so even if local conditions in Australia are stable, global events can still cause price shifts here. For Australian manufacturers, the LME price is a key component of the raw material cost for any aluminium product."***

Throughout 2025 the LME aluminium price has held between US\$2,500 and US\$2,900 per tonne, supported by low inventories, geopolitical uncertainty and constrained global supply. In its most recent outlook, HARBOR Aluminium Intelligence noted that prices are now approaching the US\$3,000 to US\$3,300 per tonne range, with the potential to reach that zone as early as this quarter. HARBOR anticipates an average of around US\$3,225 per tonne in 2026 if current supply and demand conditions persist.

These increases matter in Australia because the aluminium market is globally connected; when major economies pay more, metal is redirected to the regions willing to pay the highest premiums. This reduces availability for Australian buyers, even when domestic demand is steady. Higher smelter energy costs, reduced Chinese exports, and the diversion of Russian material into alternative markets have only intensified the supply squeeze. As Tony notes, ***"We're no longer operating in a market where billet is abundant and easily sourced, every tonne now has to fight its way through competing global pressures."***

Energy Costs and Policy are Reshaping Smelting Economics

Energy remains the single largest input cost in aluminium production, and volatility in global energy markets is reshaping smelting operations worldwide. In Europe, the energy crisis has led to major smelter curtailments, removing significant capacity from the market. In China, output has been limited not only by low hydropower availability but also by national capacity caps, stricter environmental rules and requirements to shift older coal-based smelters to cleaner regions, all of which have slowed primary production growth. These policies support China's long-term decarbonisation goals but constrain its ability to lift supply quickly. In Australia, rising electricity costs continue to place pressure on local smelters, with increasing uncertainty around the long-term operational viability of the Tomago smelter in New South Wales. Together, these factors mean less primary aluminium entering the global system and reduced billet availability for downstream manufacturers.

Geopolitics Has Redrawn the Supply Map

Geopolitical tensions have further altered aluminium supply chains. Sanctions imposed by Western nations and voluntary buyer decisions have disrupted traditional trade flows. The United States and United Kingdom banned new Russian aluminium deliveries to LME warehouses in 2024, while many European buyers continue to avoid Russian metal altogether. In contrast, China has absorbed a substantial share of Russia's redirected supply, with imports rising by 48 per cent year-on-year in early 2025. With Russian material effectively removed from many Western markets, availability has tightened

What This Means for Australian Manufacturers

For Australian manufacturers, the combined effect of these global pressures is substantial. Higher input costs are placing strain on margins, increasing the complexity of quotations and adding difficulty to long-term project planning. Capral continues to invest in local capacity, operational efficiency and diversified international sourcing to maintain supply reliability. At the same time, Tony stresses that these conditions reflect a structurally altered global market rather than a temporary disruption. Tony is clear about Capral's role in this environment, saying, ***"Our job is to stay reliable, be upfront with our customers, and keep them informed as these global pressures play out. The manufacturing sector here is resilient, and aluminium is a critical part of that. If we stay focused, keep investing, and work closely with our customers, we'll get through this period and come out stronger."***

Looking Ahead

Most major analysts now expect aluminium prices to remain elevated through 2026, with the market moving closer to a structural deficit as early as next year. Supply constraints, weak global inventories and ongoing geopolitical disruptions are likely to continue shaping pricing throughout 2026, even if demand growth remains uneven across regions. While forecasts differ in their detail, the direction is consistent: supply will stay tight, premiums will likely rise, and volatility will continue to influence purchasing patterns and project planning. In this environment, strong and transparent partnerships between manufacturers and suppliers will be essential.

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Imagery to accompany this Release



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Any questions or to request additional imagery or quotes please contact

Kellie Moore

Corporate Marketing Communications Manager | **Capral Limited**

m +61 416 154 943

e kellie.moore@capral.com.au