

Materials

Aluminium price to be fuelled by tight supply throughout 2026

Our latest analysis on global aluminium supply and demand suggests that the global deficit will continue in 2026E, due to (1) almost full utilisation rate in China (~99% of the policy capacity cap of 45mt in Dec 2025), and (2) limited new capacity in overseas. We forecast aluminium price to gain 15% YoY in 2026E. While we see more potential commencement of ex-China capacity in 2027E, we expect the aluminium price will continue to stay high as deficit will remain (though narrowed). We initiate coverage of **Chuangxin Industries (2788 HK, TP: HK\$32)** with BUY rating (key themes: volume growth in Saudi Arabia, cost advantage with further cost cut driven by renewable energy power source) ([link](#)). Besides, we maintain **BUY** on **China Hongqiao (1378 HK)** with new TP of HK\$45, after incorporating higher aluminium price assumptions ([link](#)). We believe the recent pullback of share prices offer good buying opportunity.

- **Limited new supply in 2026E.** We forecast the global aluminium production to grow 1.3%/2.6%/1.7% YoY to 74.7mt/76.7mt/78mt in 2026E/27E/28E. Given that China's aluminium industry utilisation rate has already reached ~99% (in Dec) while the production cap of 45mt is still in place, the majority of new supply will come from overseas capacity growth. We estimate the growth in overseas (ex-China) output will increase only 1.6% in 2026E, as the new supply of 1.1mt is expected to be offset by 0.6mt of production disruptions at existing smelters. We estimate the supply growth will accelerate to 5.8% in 2027E due to rising number of capacity commencement (mainly from Indonesia and India).
- **Potentially longer-than-expected project commencement in Indonesia.** Chinese smelters, namely Nanshan, Xinfa, Tsingshan, and Huafeng, have been actively expanding capacity in Indonesia. That said, project construction could take longer-than-expected time due to unstable electricity supply. Captive power plants are therefore needed for aluminium smelters, which could result in slower new supply coming online, versus our base-case assumptions.
- **Global deficit to sustain in 2026-27E.** We expect that transportation (mainly automobile) and electric/ electronic (including solar power) will remain the major drivers of the aluminium demand growth in China. This will more than offset the sluggish demand from construction & infrastructure which is still dragged by the weak property investment. We expect global aluminium deficit in 2026E, equivalent to ~1% of global demand. We expect the deficit to narrow in 2027E due to the commencement of new capacity.

**OUTPERFORM
(Maintain)**

China Materials Sector

Wayne FUNG, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

Jake Zhang

(852) 3900 0849

jakezhang@cmbi.com.hk

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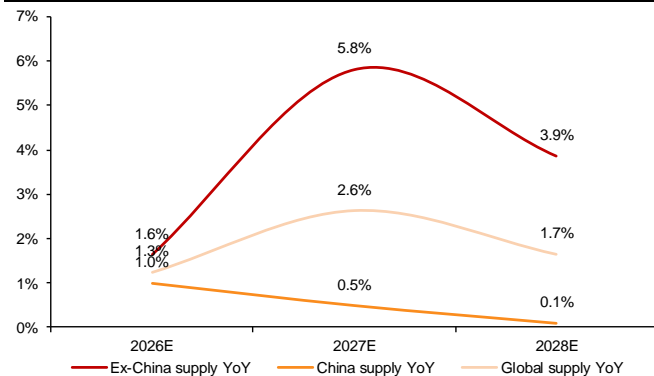
Favourable demand and supply profile

Global aluminium supply to remain tight

■ New supply will come largely from overseas

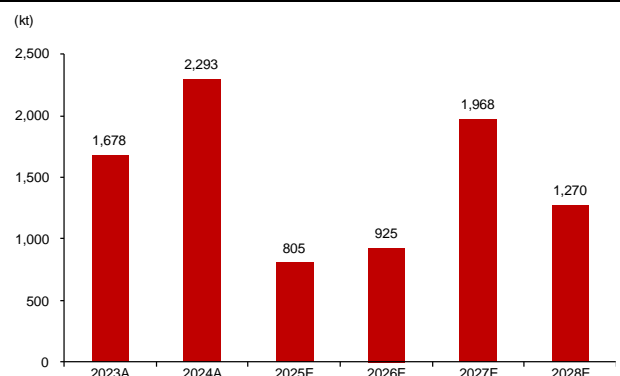
We forecast the global aluminium production to grow by 1.3%/2.6%/1.7% YoY to 74.7mt/76.7mt/78mt in 2026E/27E/28E. Given that China's aluminium industry utilisation rate has already reached ~99% (in Dec) while the production cap of 45mt is still in place, the majority of new supply will come from overseas capacity growth.

Figure 1: Global aluminium supply growth (YoY)



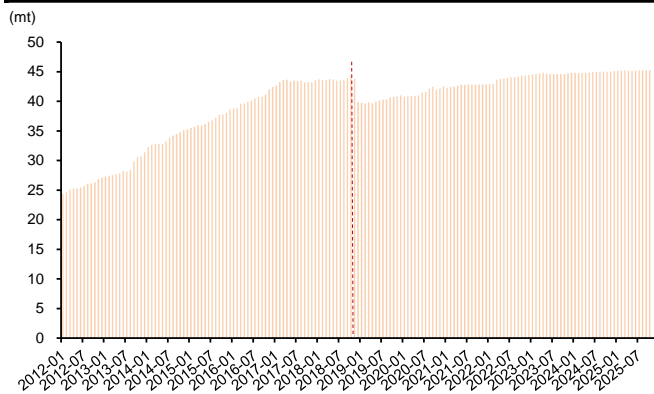
Source: IAI, CMBIGM estimates

Figure 2: Global aluminium new supply



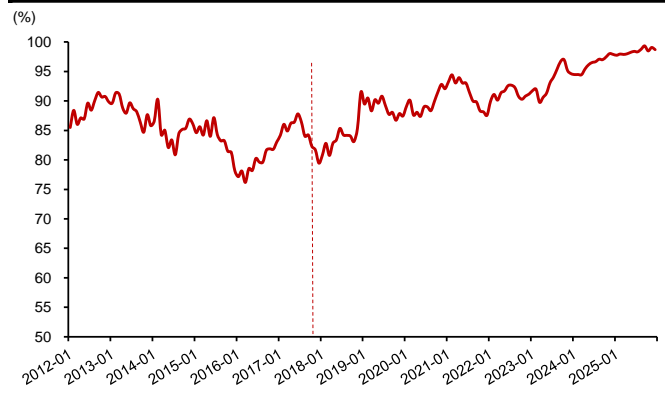
Source: IAI, CMBIGM estimates

Figure 3: China aluminium monthly output



Source: Wind, CMBIGM

Figure 4: China aluminium capacity utilisation rate



Source: Wind, CMBIGM

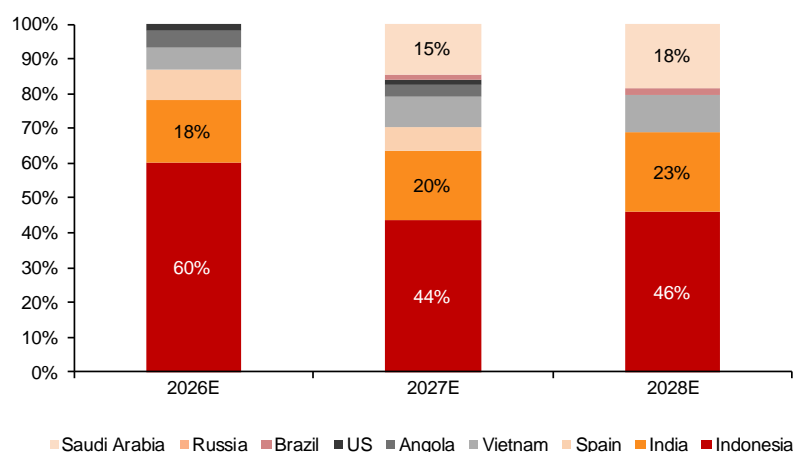
Our supply forecast is on a project-by-project basis, which only incorporates projects with disclosed production capacity and commencement timelines. We assume that new projects to achieve utilisation rate of 45% in the first year of commencement and 90% thereafter.

Our results indicate that the growth in overseas (ex-China) output will increase only 1.6% in 2026E, but will accelerate to 5.8% in 2027E due to relatively large number of capacity commencement. We forecast the overseas supply contribution (as percentage of total new global supply) will increase from 52% in 2026E to 97% in 2028E. Indonesia will account for ~50% of overseas new supply in 2026E–28E, followed by India (~20%) and Saudi Arabia (~11%).

Figure 5: Overseas (ex-China) aluminium new project pipeline

Country	Company	Project	2026E	2027E	2028E
Angola	Huatong Cable	Huatong Angola Aluminum Industry Park - Barra do Dande	54	54	-
Brazil	Companhia Brasileira de Alumínio (CBA)	Furnace Room 1	-	23	23
India	Vedanta	Bharat Aluminium (BALCO)	196	196	-
India	Vedanta	-	-	113	113
India	Hind Alco	Aditya Aluminium Smelter Ph 2	-	-	87
India	Hind Alco	Aditya Aluminium Smelter Ph 1	-	-	81
Indonesia	PT Kalimantan Aluminium Industry (KAI) (subsidiary of Adaro)	Kalimantan Industrial Park Indonesia (KIPI) - North Kalimantan	225	225	-
Indonesia	PT Dharma Inti Bersama (DIB) (subsidiary of Harita Group)	Palau Penebang Industrial Zone (KIPP) - West Kalimantan	-	-	450
Indonesia	Nanshan Group	Galang Batang special economic zone (SEZ) - Bintan	-	-	113
Indonesia	Xinfa-Tsingshan Juwan	Weda Bay	225	225	-
Indonesia	PT Hua Chin Aluminium Indonesia (JV of Huaфон & Tsingshan)	Morowali Industrial Park (IMIP) - Central Sulawesi	225	225	-
Saudi Arabia	Chuangxin	the Saudi Project	-	225	225
Spain	Alcoa Corp	San Ciprian	103	103	-
US	Century Aluminum	Mt. Holly	23	23	-
Vietnam	Tran Hong Quan Metallurgical Company	The Dak Nong Aluminum Electrolysis Plant	68	135	135
Ex-China new supply (kt)			1,117	1,545	1,225

Source: Company data, CMBIGM estimates

Figure 6: New supply by country

Source: Company data, CMBIGM estimates

■ Potentially longer-than-expected project commencement in Indonesia

Indonesia is set to emerge as a major aluminium production hub, supported by abundant low-cost bauxite, favourable geographic location, and favourable tax rate (e.g., tax-free policy in certain cases). Chinese companies, including Nanshan, Xinfa, Tsingshan, and Huafeng, have been actively expanding capacity in Indonesia.

That said, project construction could take longer-than-expected time due to unstable electricity supply. Indonesia's grid remains underdeveloped, and therefore captive power plants are needed for aluminium smelters. This could result in slower new supply coming online, versus our base-case assumptions.

■ Production disruption for certain existing supply

Meanwhile, some existing projects face production disruptions due to slow construction progress and challenges in power access. For instance:

- **Century Aluminum:** Grundartangi (100% owned by Century Aluminum) has a nameplate capacity of 320 kt. In Oct 2025, Grundartangi was forced to shut down one of its two potlines due to an electrical equipment failure, which resulted in a reduction

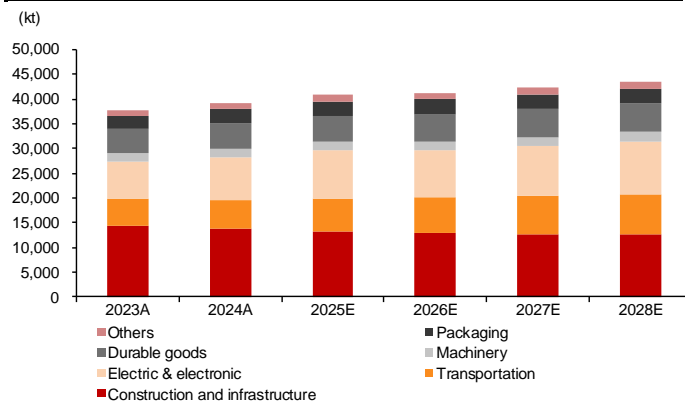
of production capacity by ~200 kt. During the 3Q25 earnings call, management indicated that restart could take 11–12 months.

- **South32:** Mozal Aluminium (63.7% owned by South32), located near Maputo, Mozambique, has a nameplate capacity of 580 kt (100% basis). In Dec 2025, South32 announced that Mozal would be placed on care and maintenance from Mar 2026, as no new electricity supply agreement was reached.

Solid global aluminium demand

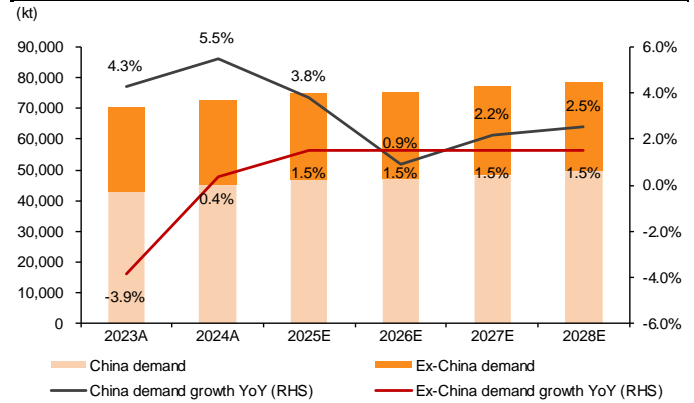
We expect that transportation (mainly automobile) and electric/ electronic (including solar power) remain the major drivers of the aluminium demand growth in China. This will more than offset the sluggish demand from construction & infrastructure which is still dragged by the weak property investment.

Figure 7: China aluminium demand breakdown



Source: Antaike, CMBIGM estimates

Figure 8: Global aluminium demand breakdown



Source: Antaike, CMBIGM estimates

■ Transportation demand - EV

We believe light-weighting and electrification will continue to be the key trends in the auto sector. We expect the unit aluminium consumption in automobiles to increase at 4% YoY through 2028. We project the overall automobile related aluminium demand to increase by 9%/7%/7% in 2026E/27E/28E.

■ Electric demand – solar power

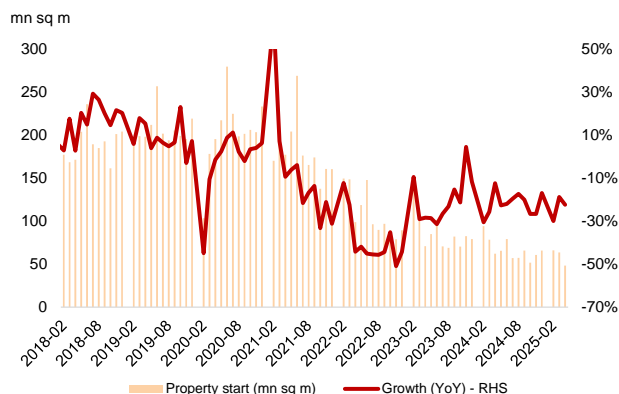
We estimate solar power demand accounts for ~13% of China's total aluminium consumption in 2025E. We separate the solar-related aluminium application into: (1) distributive projects metal support structure in China (for the sake of light-weighting), and (2) aluminium frame for solar modules (China domestic sales + exports).

- **Distributed solar projects metal support structure (China market).** In Feb 2025, government released “136 document”, which requires new energy projects to primarily enter the electricity market at market-determined prices by the end of May 2025. This policy triggered a rush for solar installations. After a one-off installation boost in 2025, we expect overall solar installations to decrease by 30% in 2026E, followed by a 5% increase through 2028.
- **Solar modules.** We forecast solar module demand to drop 1% in 2026E (due to anti-involution campaign) but to rebound 6%/8% in 2027E/28E (driven by sustainable global power demand growth).

■ Construction & infrastructure demand

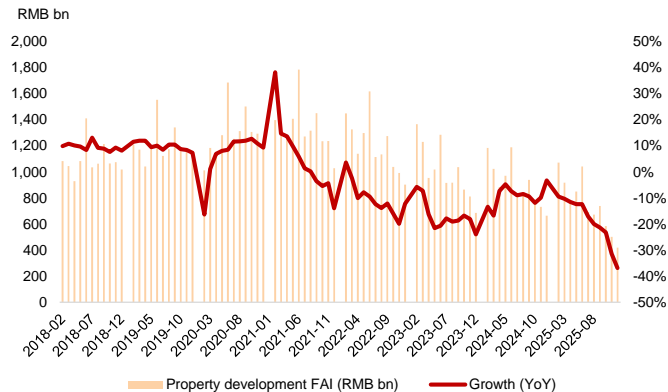
Construction and infrastructure represent the largest downstream segment (31% in 2024). Following a 5% YoY decline in 2024, we expect the demand to continue a downtrend (-3%/-2.5% in 2026E/27E), as we assume no substantial recovery.

Figure 9: China property start



Source: Wind, CMBIGM

Figure 10: China property development FAI

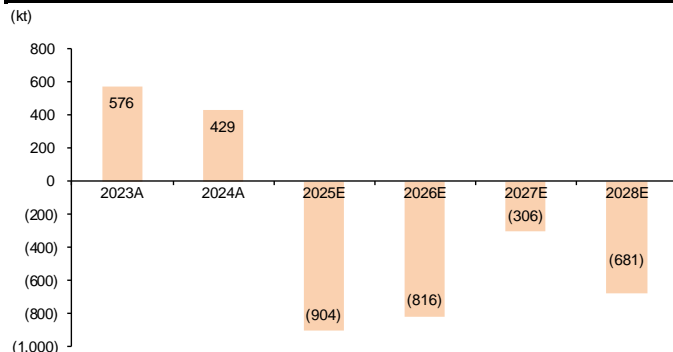


Source: Wind, CMBIGM

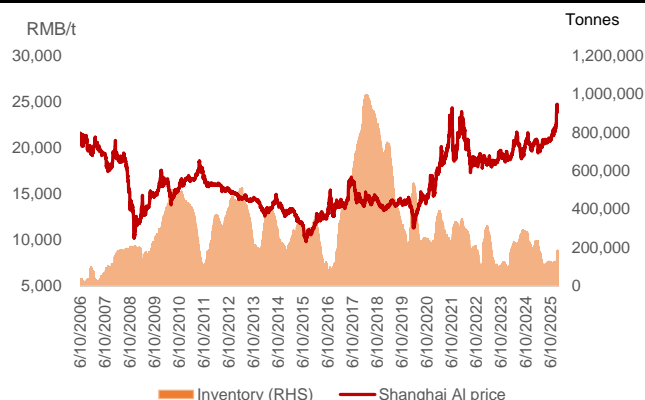
Global deficit to continue in 2026E-27E

We expect global aluminium to remain in a supply deficit in 2026E, equivalent to ~1% of global demand. We forecast the deficit to narrow in 2027E due to the commencement of new capacity.

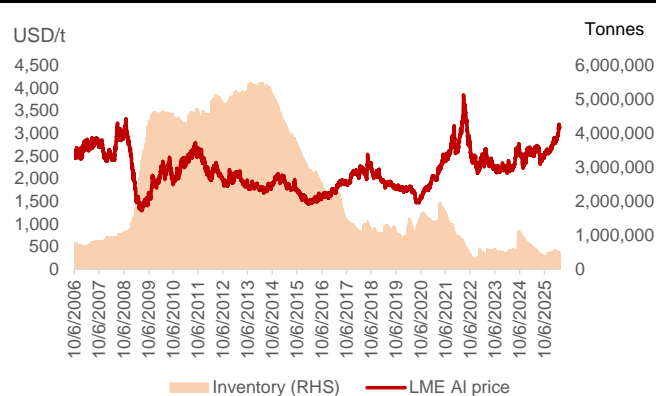
Figure 11: Global aluminium (deficit)/ surplus



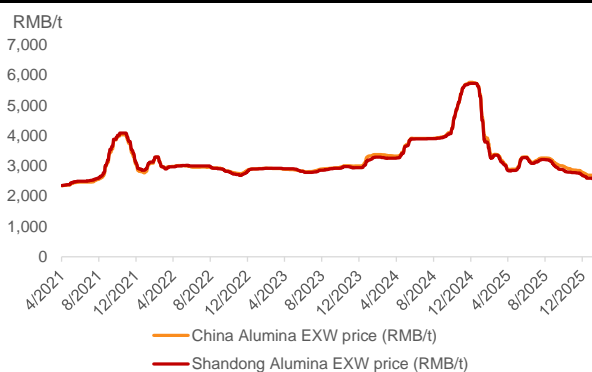
Source: IAI, Antaika, CMBIGM estimates

Figure 12: Shanghai aluminium price and inventory

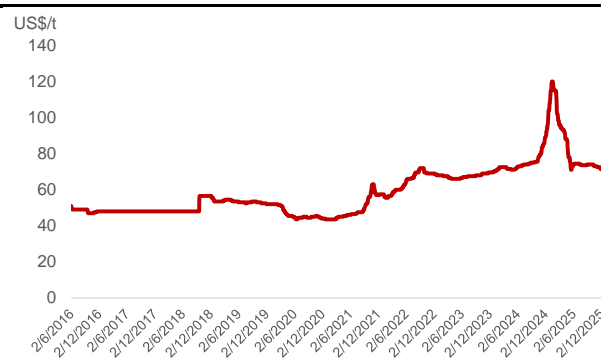
Source: Bloomberg, CMBIGM

Figure 13: LME aluminium price and inventory

Source: Bloomberg, CMBIGM

Figure 14: Alumina EXW price in China

Source: Wind, CMBIGM

Figure 15: Import price of bauxite from Guinea to China (CIF)

Source: Bloomberg, CMBIGM

Sector valuation

There is only a small difference in multiples across the globe. A-share/overseas names are trading at an average of 13x/12x (2026E) P/E. Hong Kong listed names (excluding RUSAL) are trading at an average of 10x, due to the traditional discount to A-share market.

Chuangxin is trading at 10x 2026E P/E, in line with the HK average (ex-RUSAL). That said, we believe Chuangxin deserves a higher multiple due to its strong volume growth potential as well as further room on cost reduction.

China Hongqiao is trading at 8.7x 2026E P/E, representing a discount to the industry average. This is due to our higher-than-consensus earnings forecast, as we have more bullish assumptions on the aluminium price.

Figure 16: Peers valuation table

Ticker	Company	Price	Market cap	PE (x)		PB (x)		Yield (%)
		(local currency)	(US\$ mn)	2025E	2026E	2025E	2026E	2025E
A share								
601600 CH Equity	CHALCO-A	13.14	31,614	15.6	12.3	2.5	2.1	2.3
000807 CH Equity	YUNNAN ALUM-A	32.54	16,245	17.8	15.0	3.0	2.6	1.7
002532 CH Equity	TIANSHAN ALUM-A	18.19	12,120	17.5	12.8	2.5	2.2	2.6
600219 CH Equity	SHANDONG NANSHAN-A	6.83	11,291	16.1	13.7	1.3	1.2	1.8
000933 CH Equity	HENAN SHENHUO-A	31.71	10,266	13.5	11.2	2.5	2.2	3.6
	Average			16.1	13.0	2.4	2.1	2.4
Hong Kong listed								
2600 HK Equity	CHALCO-H	13.14	31,691	13.9	11.0	2.5	2.1	2.6
1378 HK Equity	CHINA HONGQIAO	35.30	45,136	13.1	8.7	2.6	2.2	4.5
2788 HK Equity	CHUANGXIN IND	25.00	6,647	13.7	10.3	6.4	3.9	0.0
486 HK Equity	RUSAL	5.46	10,630	7.9	6.4	0.8	0.7	2.9
2610 HK Equity	NANSHAN ALUMINIUM INT	64.85	5,156	13.2	9.8	2.5	2.1	1.6
	Average			12.3	9.2	3.0	2.2	2.3
Overseas								
HNDL IN Equity	HINDALCO	961.15	23,204	12.9	11.8	1.4	1.2	0.6
VEDL IN Equity	VEDANTA	676.10	28,745	13.5	9.5	5.0	3.9	5.3
NACL IN Equity	NATIONAL ALUMINUM	369.65	7,381	12.3	11.5	2.8	2.3	2.7
AA US Equity	ALCOA CORP	58.21	15,074	13.0	11.2	1.9	1.6	0.7
CENX US Equity	CENTURY ALUMINUM	47.32	4,417	21.2	8.5	n/a	n/a	n/a
Rio AU Equity	RIO TINTO	152.87	159,958	16.1	13.8	3.6	3.3	3.7
S32 AU Equity	SOUTH32	4.51	14,316	17.2	13.9	1.9	1.8	2.4
NHY NO Equity	NORSK HYDRO	88.14	18,256	16.8	12.5	1.5	1.4	3.2
PMAH MK Equity	PRESS METAL	7.72	16,191	29.7	25.8	5.6	4.7	1.2
ALBH BI Equity	ALUMINIUM BAHRAIN	1.09	4,097	7.5	4.0	n/a	n/a	4.3
QAMC QD Equity	QATAR ALUMINUM	1.78	2,720	n/a	n/a	n/a	n/a	n/a
	Average			16.0	12.3	3.0	2.5	2.7

Source: Bloomberg, company data, CMBIGM

Note 1: Data as of 3 Feb 2026. Note 2: Year-end June for South32

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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