

Materials

Potential supply disruption in the Middle East will support the aluminium price

The Middle East (including the Gulf Cooperation Council and Iran) accounted for roughly ~9% of the world's aluminium output (73.8mt) in 2025. We expect the war in Iran will affect the aluminium output on two fronts. (1) Iran's aluminium output (~620kt) accounted for ~0.8% of the world's output in 2025. The destruction of power infrastructure and logistics system in the country, if any, will hurt the production. (2) The shutdown of the Strait of Hormuz will affect the shipment of alumina and bauxite to the entire Middle East, and the other way round, the shipment of aluminium out from the region. The US President Donald Trump revealed that the air strike will possibly last for four weeks. We expect the supply chain disruption will lend support to the aluminium price. We see **China Hongqiao (1378 HK, BUY)** a beneficiary. For **Chuangxin Industries (2788 HK, BUY)**, its capacity in Saudi Arabia is still in construction stage, and therefore we do not expect much impact.

- **Aluminium capacity in Iran.** There are four major smelters in Iran with an estimated total capacity of 670ktpa. Of this, two smelters (~450ktpa) are located at the coastal region of the Persian Gulf and are near the Strait of Hormuz.



Source: SMM, Tehran Times, Financial Tribune, Iran Alumina, CMBIGM

OUTPERFORM
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