

Nickel prices may ease by year-end on improved supplies

Moderation in rates could increase from Q2 next year

SUBRAMANI RA MANCOMBU
Chennai, September 21

Nickel prices will likely weaken towards the year-end as the demand-supply situation could ease, two rating agencies have said.

"Refined nickel prices should weaken over the latter part of 2021 and in Q122 (first quarter next year) as the acute market tightness that developed during recent quarters eases," said US rating agency Fitch Solutions Country Risk and Industry Research (FSCRIR) in commentary on price revision for the metal.

"High nickel prices witnessed during the first half of 2021 are likely to moderate somewhat over the next 12 months or so. The rate of moderation is likely to increase from the second quarter of 2022 as supply is projected to outpace demand, turning the year into a surplus as against a marginal deficit this year," said Kaushik Das, Vice-Presid-

ent and Sector Head, Corporate Sector Ratings, ICRA Limited.

Average price forecast

Fitch Solutions has raised the average price forecast for nickel this year from \$16,500 a tonne to \$17,500, which implies the price during September-December could average \$16,672/tonne.

However, UK-based business intelligence firm CRU group sees prices ruling firm until the year-end. "CRU expects the nickel price to remain firm until the end of 2021 as the fundamentals of the market are forecast to support the price," said Nikhil Shah, Principal Analyst, editor of nickel related Services at CRU.

Nickel has gained 15 per cent so far this year. On Monday, three-month nickel contract on the London Metal Exchange ended at \$19,056 a tonne, while it was available at \$19,070-80 for cash.

Steel demand

"Steel demand in China expanded rapidly over the first nine-



Nickel has gained 15 per cent so far this year

months of 2021," FSCRIR said — an indication of the firm price trend. "While Chinese stainless steel production is reported to have increased by 25 per cent in the first half of this year, restrictions on production to curb pollution before the winter Olympics early next year is likely to result in much muted growth for the full year," said ICRA's Das.

China accounted for almost 60 per cent of global stainless steel production last year, he pointed out.

Fitch Solutions said high-frequency indicators such as manufacturing PMI's and industrial production figures (from China) suggest an incipient slowdown in demand

from steel end-users. "An ongoing outbreak of the Delta variant of Covid-19 in China should further slow stainless steel production growth in Q421," it said.

Chinese offtake weakening

It also said demand from China's stainless steel sector, the main driver of global demand in the year-to-date, should begin to weaken.

CRU's Shah said China's nickel demand is expected to ease this year as demand from the stainless industry eases, but demand from the electric vehicles (EV) sector will be strong.

Das concurred with the view saying, "sales of EVs in

China, during the first half of 2021, was almost 3.5 times the levels witnessed a year ago thus supporting overall nickel demand in the nation."

Production disruptions

CRU's Shah said the pandemic affected production, particularly in Indonesia. "But there have been a number of disruptions outside of Indonesia and most of these have been resolved so production should start to improve," he said.

Fitch Solutions said production of refined nickel should improve in the last quarter this year and first quarter next year. "In Indonesia, a gradual rollback of Covid-19 lockdown restrictions imposed in mid-2021 will reduce disruption to both nickel refining and construction of additional nickel refineries," the rating agency said.

ICRA's Das said nickel production has largely recovered to pre-Covid levels. "Most of the growth, over 2021 and 2022, in production is expected to come via the low-grade nickel pig iron route from Indonesia," he said.