

# Nickel prices may decline despite drop in inventories

**BEAR GRIP.** Rising global output and weak demand seen dragging the metal

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The outlook for nickel prices is bearish despite its stocks on the London Metal Exchange (LME) dropping by over 40 per cent year-on-year to 43,000 tonnes as of April 4. Nickel prices have declined over 20 per cent year-to-date. Currently, the silvery-white lustrous metal is quoted at \$24,132 a tonne on the LME from around \$30,000 at the beginning of 2023.

## 8-YEAR HIGH SURPLUS

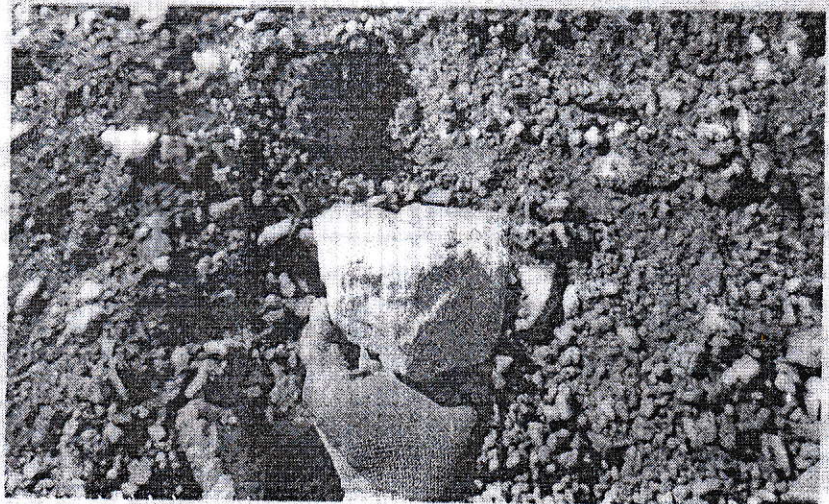
According to analysts, nickel, a key metal in the electric vehicles (EVs) sector, particularly the battery, is under pressure on rising global production and concerns over weak demand. The International Nickel Study Group said the metal's production exceeded demand by 1,12,000 tonnes in 2022. The surplus is the highest in eight years.

Developments in the nickel sector have led to Fitch Solutions Country Risk and Industry Research, a Fitch Group unit, to lower its price outlook for the metal.

"We are revising down our nickel price forecast for 2023 to \$26,500/tonne from \$30,000 as global production volumes rise, keeping the market in surplus," the research agency said.

## IT MEANS DEMAND

After being driven up to record highs following the Russian invasion of Ukraine in late February 2022, over fears of reduced exports from Russia, prices fell back but are elevated compared to pre-pandemic levels. Manav Modi, commodities fundamental analyst at Motilal Oswal Financial Services Ltd, said nickel inventory is low



**PROBLEM OF PLENTY.** The International Nickel Study Group said the metal's production exceeded demand by 1,12,000 tonnes in 2022. The surplus is the highest in eight years

since demand is high. "Its usage is not only in steel but in other segments such as 5G technology or battery circuits. If we are witnessing an outflow means there is demand. However, there are some signs of caution for the physical market," he told *businessline*.

ING Think, the economic and financial analysis wing of Dutch multinational financial services firm ING, however, said Chinese refined nickel net imports have slumped to near a record low after domestic producers ramped up production levels.

## JUSTIFYING OUTLOOK

"Data from Chinese Customs shows that net imports of refined nickel fell 85 per cent month-on-month - lowest since October 2019 - in February. The latest forecast from Mysteel shows that domestic refined nickel output may rise 39 per cent year-on-year to 2,45,900 tonnes in 2023 as smelters process Indonesian intermediate products and recycled material," it said. Jus-

tifying its lower outlook for nickel, Fitch Solutions said global nickel production will increase significantly in 2023 on the back of a ramp-up in Indonesia's and Mainland China's output.

"We forecast a surplus in the market in 2023 of 2.83,100 tonnes, expanding from the surplus of 1,12,800 tonnes seen in 2022, as production rises alongside a comparatively weaker demand outlook," it said.

The main driver for the oversupply in the global market is the ramp-up in Indonesia's output due to greater investment in the country's downstream nickel industry after Jakarta's ban on nickel ore exports in January 2020.

Indonesian nickel production will likely rise by 20 per cent in 2023 with output volumes reaching 5,18,000 tonnes, after a sharp rise in output of 31 per cent in 2022. This will put pressures on prices to head lower, it said, adding that China's production will increase 16 per cent in 2023.