

Nickel crashes on 2.5x rise in Indonesian output

NEAR 3-YEAR LOWS. Chinese investors behind the metal flooding global market following Jakarta ban on ore exports from 2020

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Four years ago, Indonesia decided to permanently ban exports of nickel ore to attract foreign investments so that domestic processing can be encouraged and the raw materials can be used for further downstream industries.

The ban enticed foreign investors, mainly from China, to construct smelters and increase exports so much so that Indonesia's nickel production has increased 250 per cent since 2021. As a result, nickel prices are currently ruling near three-year lows.

On Tuesday, the three-month nickel contract was quoted at \$17,670 a tonne. Prices are, however, 8 per cent higher since the beginning of the year.

Nickel, used in electric

vehicle batteries, alloys, coins and rocket engines, was the worst performer on the LME in 2023 with prices falling 47 per cent. 2023 was the second worst year for price growth after 2008, said ING Think, the economic and financial analysis wing of Dutch multinational financial services firm ING.

According to Australia's Office of the Chief Economist, from a peak of over \$30,000 a tonne in January 2023, the LME nickel price continued to fall during 2023. "After averaging just over \$20,000 a tonne in the September quarter 2023, nickel prices declined further in the December quarter 2023, to average around \$17,600/t," it said in its quarterly review.

According to ING Think, one of the key drivers of the nickel price has been the supply surge from Indonesia.



PROBLEM OF PLENTY. The supply surge has forced research agency BMI to cut its price forecast for 2024 to \$18,000 from \$20,000 a tonne

The supply surge has forced research agency BMI, a unit of Fitch Solutions, to cut its price forecast for 2024 to \$18,000/tonne from \$20,000 "as global nickel production surges, driving up the market surplus".

"We anticipate that a sig-

nificant increase in supply in 2024 (as seen in 2023), fed by heightened production in Indonesia and China, will be the core driver of price losses," the research agency said.

The supply surge in Indonesia has resulted in a

slew of shut downs or production cuts by corporates across the world. On Monday, Australian BHP Group said its nickel division could be "put on ice" due to a severe price slump. The Australian major mining company's officials issued fresh warnings about the difficulties in the nickel sector.

ECONOMIC OUTLOOK

BMI said the decline in nickel price was attributable to an oversaturated market coupled with lacklustre demand. "We expect similar dynamics to cap price growth in 2024 as production in key producers China and Indonesia surges ahead. At the same time, a subdued global economic outlook across major economies will keep demand tepid, which will contribute to the expanding global surplus," it said.

ING Think said despite the recent mine supply cuts, rising primary nickel output from Indonesia will keep the market in surplus this year, marking the third consecutive year of excess supply.

The Australian Office of the Chief Economist said in addition to softening world industrial production and manufacturing activity, the nickel market is watching the surge in output in Indonesian — both current and prospective — for a rise in inventories.

BMI estimates a significant increase in supply in 2024 (as seen in 2023), fed by heightened production in Indonesia and China, will be the core driver of price losses. "We project a surplus of 263,000 tonnes in the global nickel market in 2024, up slightly from a surplus of 209,000 tonnes in 2023," it said.