

# Zinc prices likely to come under pressure on excess supplies, say analysts

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Zinc prices on the London Metal Exchange (LME) are currently ruling at a one-year high but slow global economic growth and excess supplies will likely drag the metal's prices, analysts say.

The outlook for zinc demand remains subdued due to slowing global growth and ongoing weakness in China's property market, the Australian Office of the Chief Economist (AOCE) said in its "Resources and energy quarterly".

Research agency BMI, a unit of Fitch Solutions, said refined zinc production growth will continue to rebound in 2024 following strong growth in 2023. This followed widening annual production deficits in 2021 and 2022, carried by

significant growth in leading producer China.

The research agency has forecast an annual surplus of 1,92,000 tonnes in 2024 following a surplus of 1,96,000 tonnes in 2023. The *Trading Economics* website said currently, a firm dollar is overshadowing the supply threats.

## PRICE FORECAST

The AOCE forecast zinc price to rise gradually (in real terms) over its outlook period to 2029, from around \$2,400 a tonne to around \$2,700.

BMI said it was maintaining its zinc price forecast for 2024 at \$2,500, dropping from an annual average of \$2,651/tonne in 2023 as excess market supply drags prices.

At the same time, despite earlier expectations of strong Chinese demand throughout 2024, an uncer-

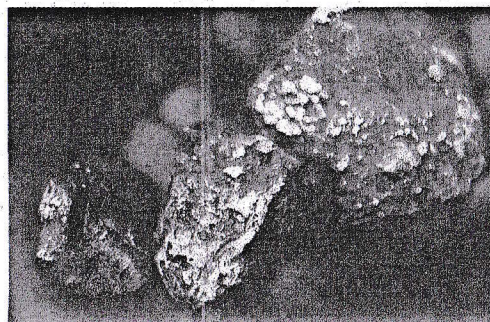
tain growth outlook for China and a subdued growth outlook across major markets will limit price growth, it said.

"Beyond 2024, our longer-term view on zinc prices remains below 2022 levels. We forecast zinc prices to average \$2,560/tonne over 2024-2028," the agency said.

## SLUMP

Early on Friday, the zinc 3-month contract on the LME was quoted at \$2,804.94 a tonne. The metal, which is used in galvanising steel and iron and to produce alloys, has gained about 10 per cent in 2024 and over 13 per cent this month. LME zinc spot prices were \$2,802.

The Australian Office of the Chief Economist said the LME (spot) price is forecast to stay relatively low through 2024, due to



**UPBEAT.** Research agency BMI said refined zinc output growth will continue to rebound in 2024 following strong growth in 2023

the soft demand outlook. This will put mine margins under pressure and raise the prospect of further price-induced mine closures.

The Trading Economics website said higher US inflation data prompted investors to scale back their expectations of Fed in-

terest rate cuts. This raised the appeal of greenback, which is used in pricing zinc futures, and reduced the purchasing power.

Furthermore, the continued slump in the property sector of top consumer China has dented the demand for zinc as a building material, it said.

ING Think, the economic and financial analysis wing of Dutch multinational financial services firm ING, said China's refined zinc output fell 5.6 per cent month-on-month to 5,25,500 tonnes, while primary lead production was down 9 per cent month-on-month to 2,93,700 tonnes last month.

However, BMI said refined zinc production growth will continue to rebound in 2024, following strong growth in 2023. Global production growth in 2024 will be carried by the world's leading producer, China, with production set to increase by 4.5 per cent in 2024, following growth of 7.5 per cent in 2023.

## GROWTH TO SLOW

At the same time, the anticipated resumption of Glencore's Nordenham

smelter in Germany and the completion of Norway's Odda mine expansion later in the year is set to bolster global zinc production. BMI forecast global refined zinc production to increase by 2.8 per cent in 2024.

However, the pace of refined zinc production growth will slow significantly after 2024. "Globally, we expect a surplus of zinc to depress prices, which will reduce the incentive to invest in new zinc smelter capacity," the research agency said.

Global zinc consumption will likely rise by 2.6 per cent in 2024 but it will be outweighed by sluggish growth in the world economy.

Disappointing growth in the Chinese property sector is one of the reasons that has pegged zinc back, BMI said.