



A new normal? Introduction to the chrome discussion session

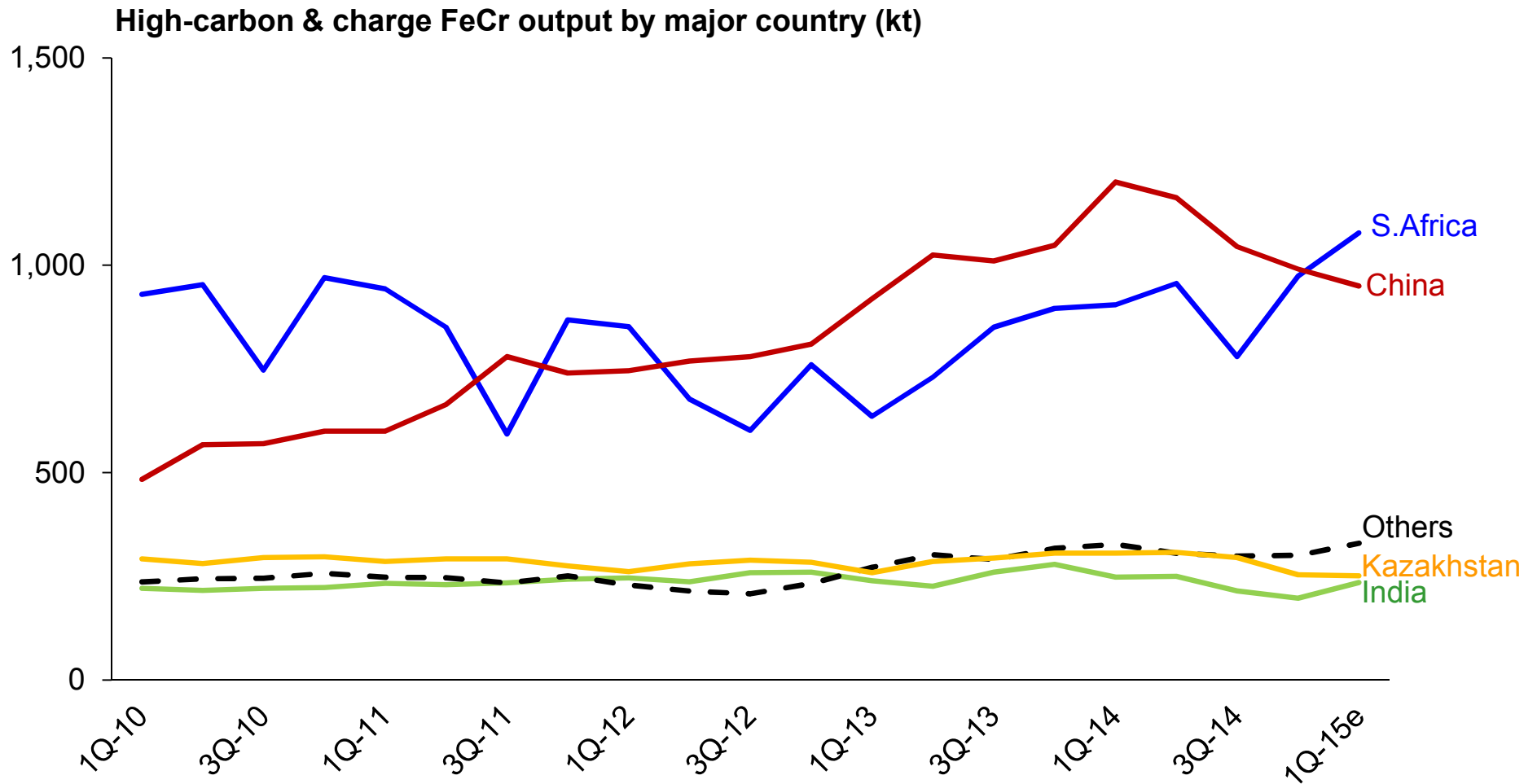
Kevin Fowkes
Managing Consultant

Metal Bulletin 16th Asian Ferroalloys Conference
Singapore, 2nd April 2015

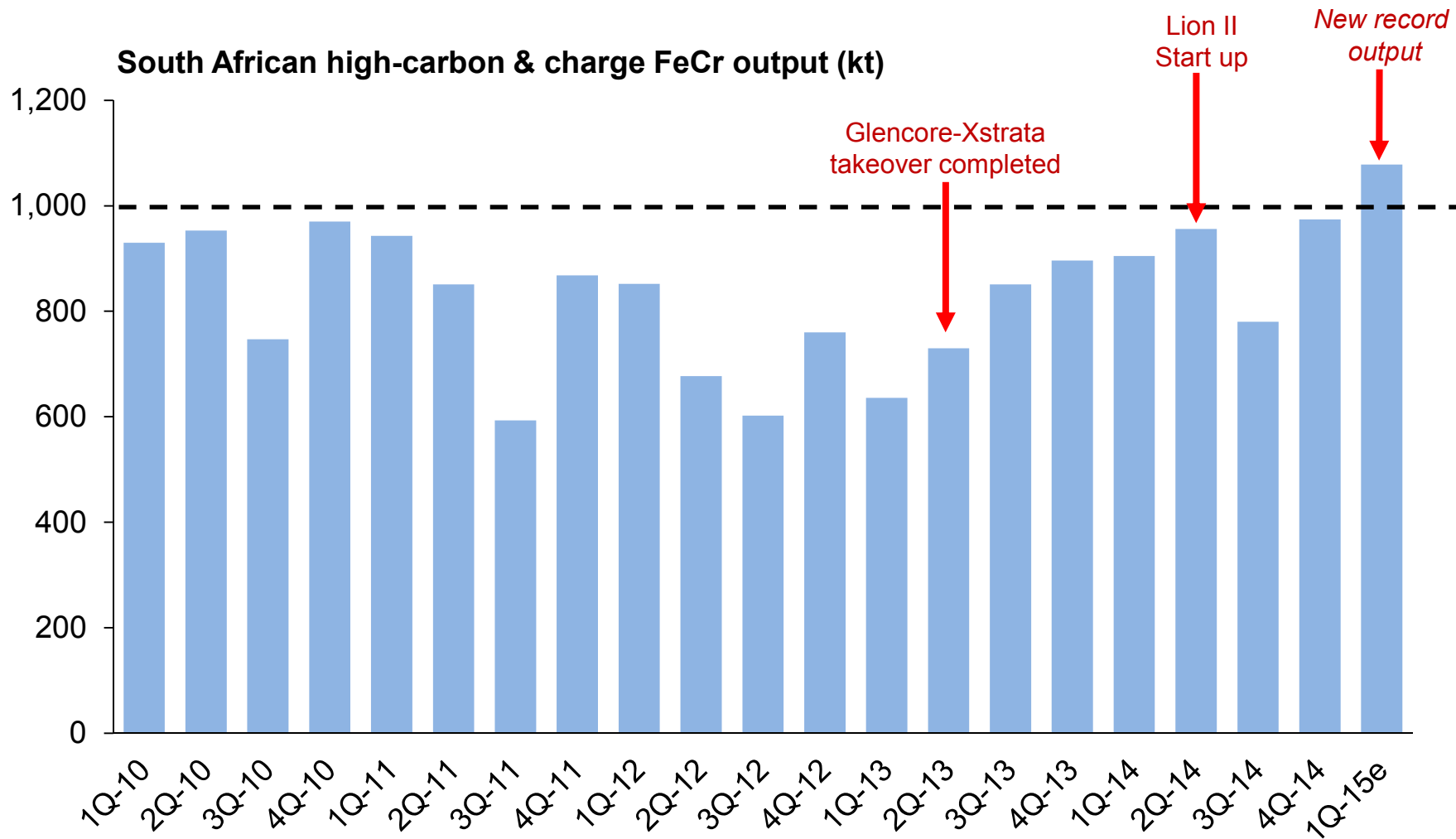


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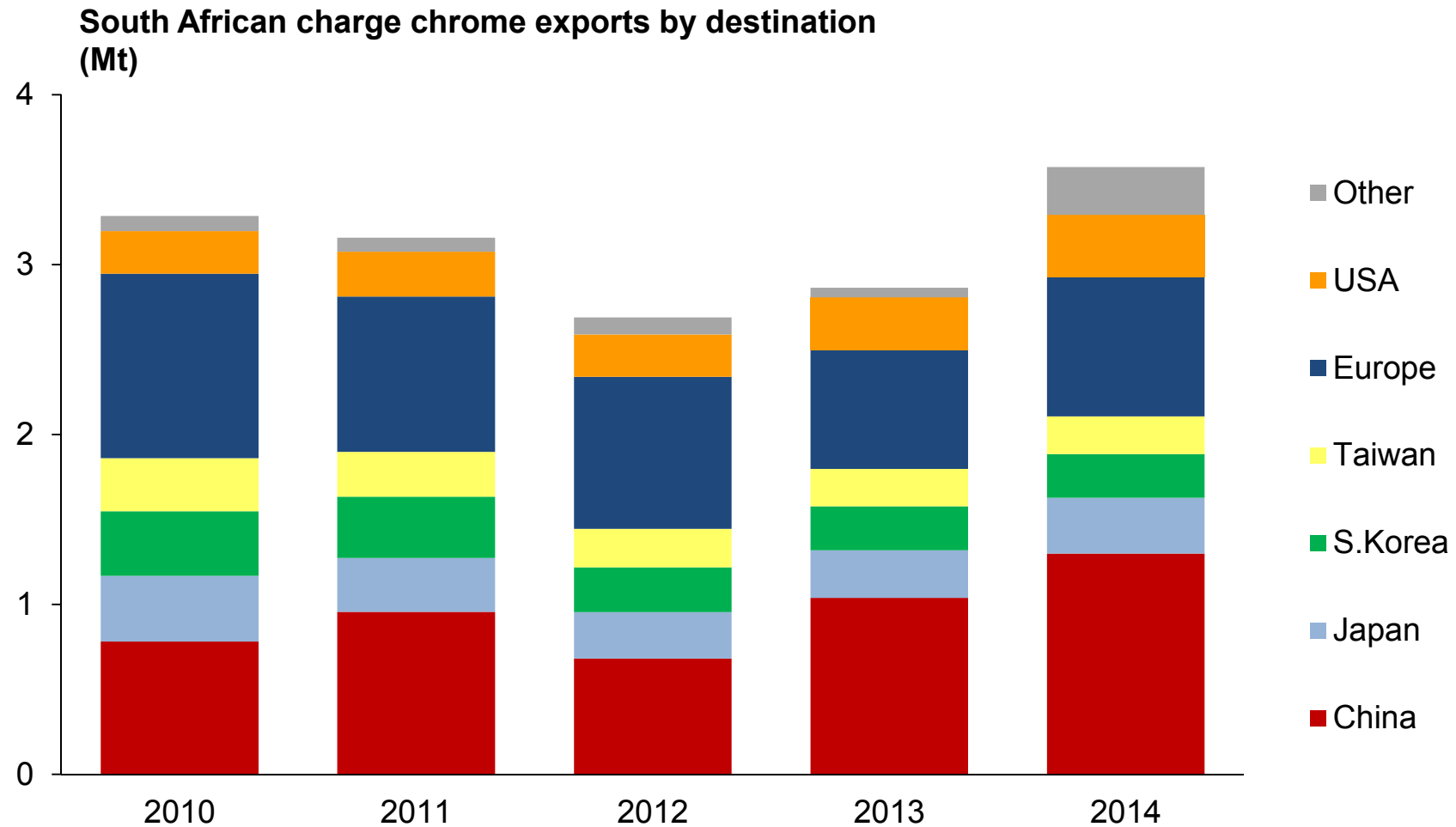
South African FeCr output has rebounded strongly and is once more the largest in the world – Chinese production has fallen significantly



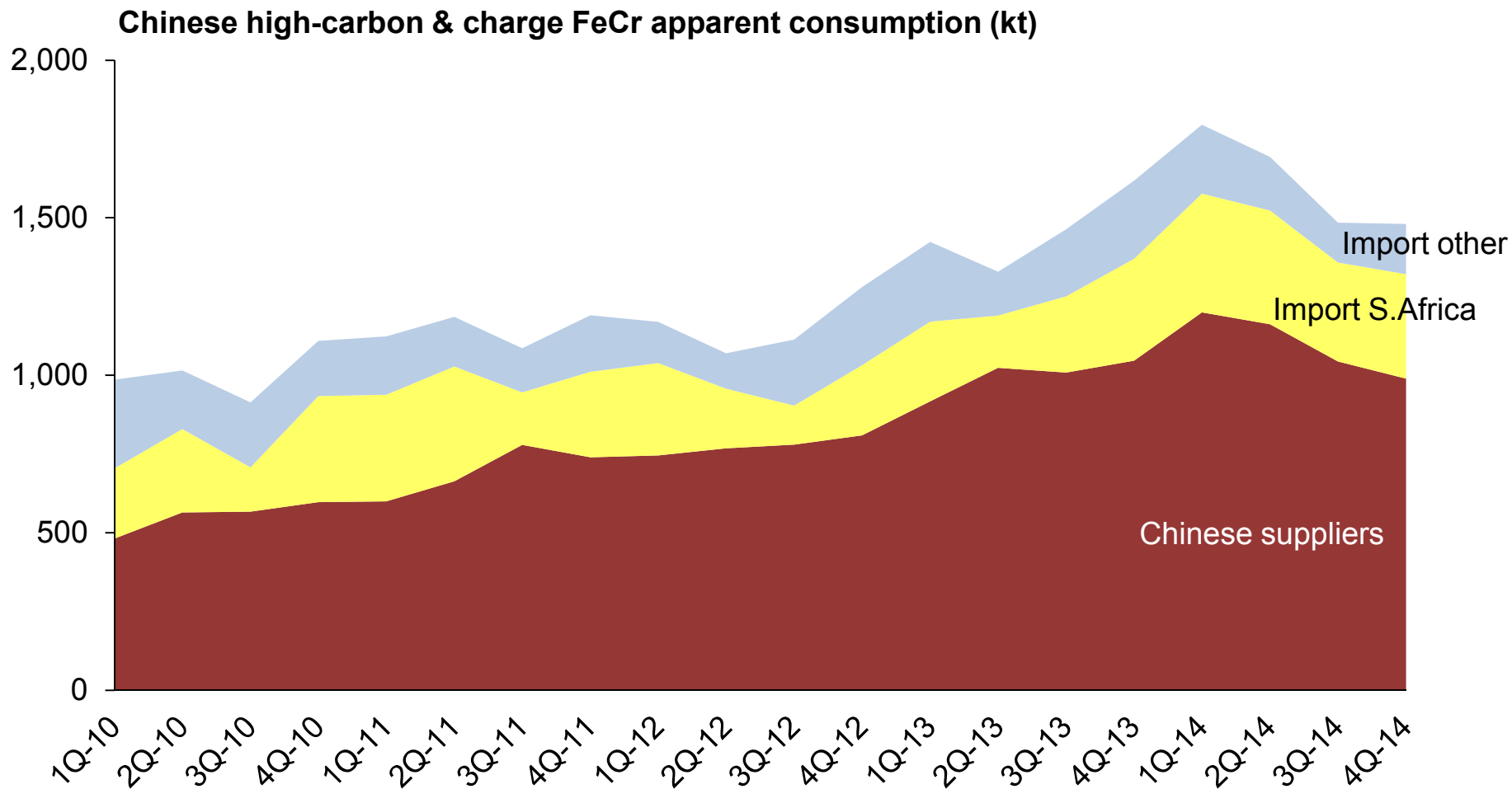
The recovery of South African FeCr output coincides with the Glencore-Xstrata takeover, and the commissioning of Lion Phase II



Much of the extra South African FeCr output has been exported to China

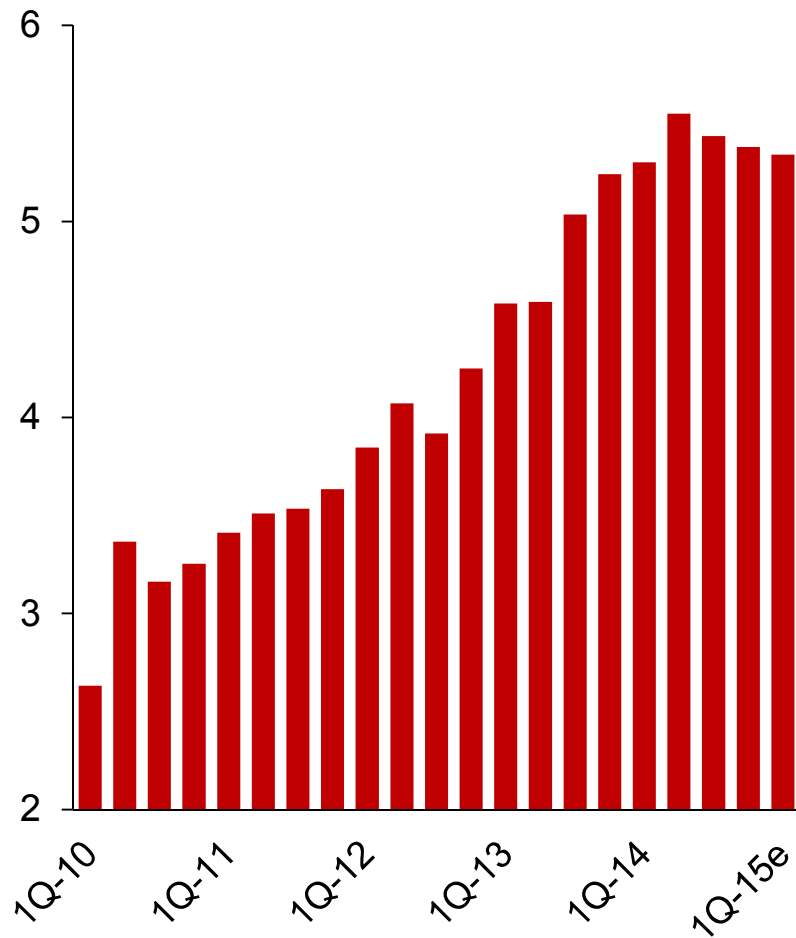


Increased imports from South Africa have pushed out some domestic Chinese supply, within a softening overall demand environment

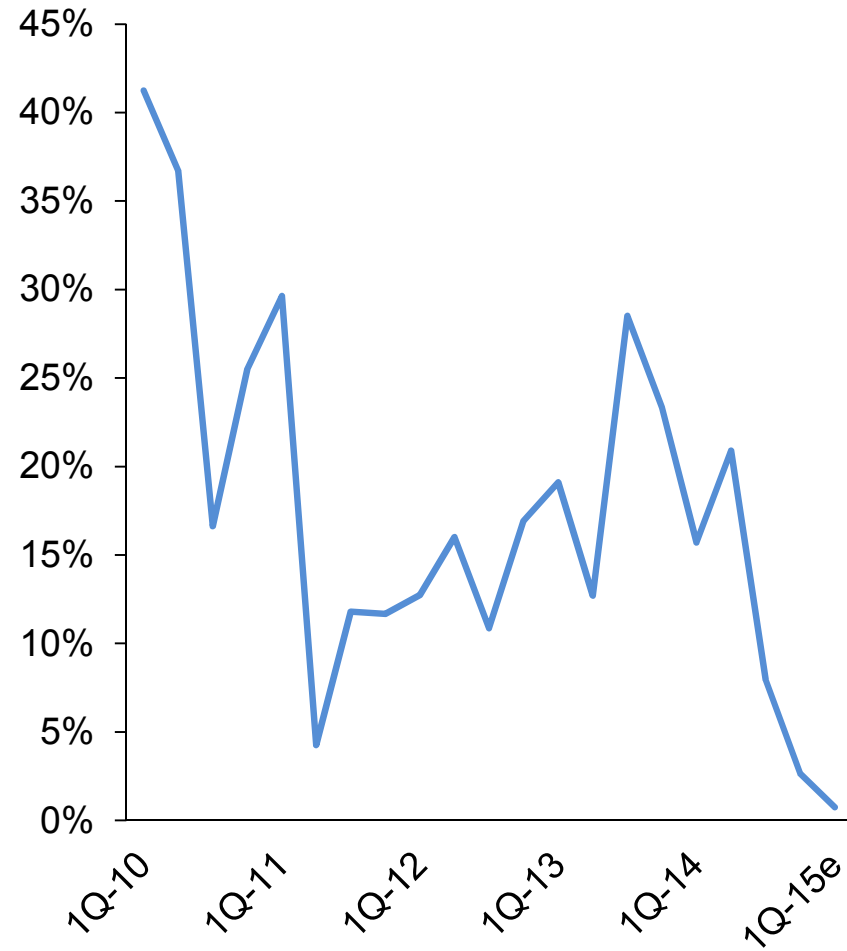


Growth in Chinese stainless steel output has collapsed from double digits to zero since mid-2014

China stainless steel output, quarterly (Mt)



Year-on-year % change



Is the sudden slowdown of Chinese stainless output a temporary blip, or a sign of something more fundamental?

- Opinions among analysts vary quite widely
- Highly likely that recent output made worse by destocking
- Output growth should improve when stock cycle turns – but when?
- Return of double-digit stainless production growth seems unlikely in foreseeable future

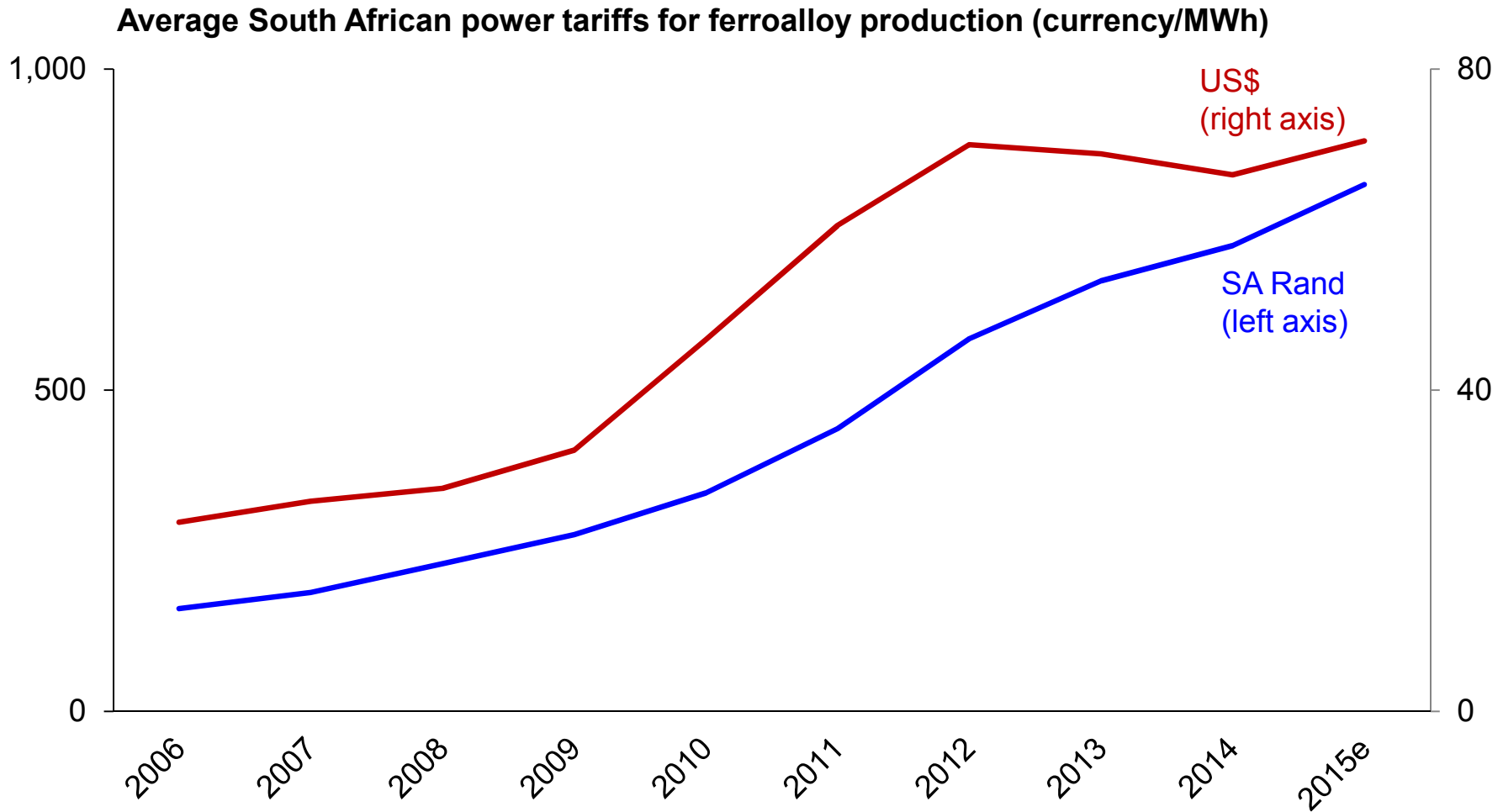
Will Chinese FeCr output recover in 2015?

- Most likely, recovery will be gradual, and will depend upon price levels
- Will also depend on extent of demand recovery, and level of import from South Africa
- Production cutbacks have held prices more steady than in Europe, but at a very low level

What about the 2.9Mt of new FeCr capacity expected in China for 2014/15?

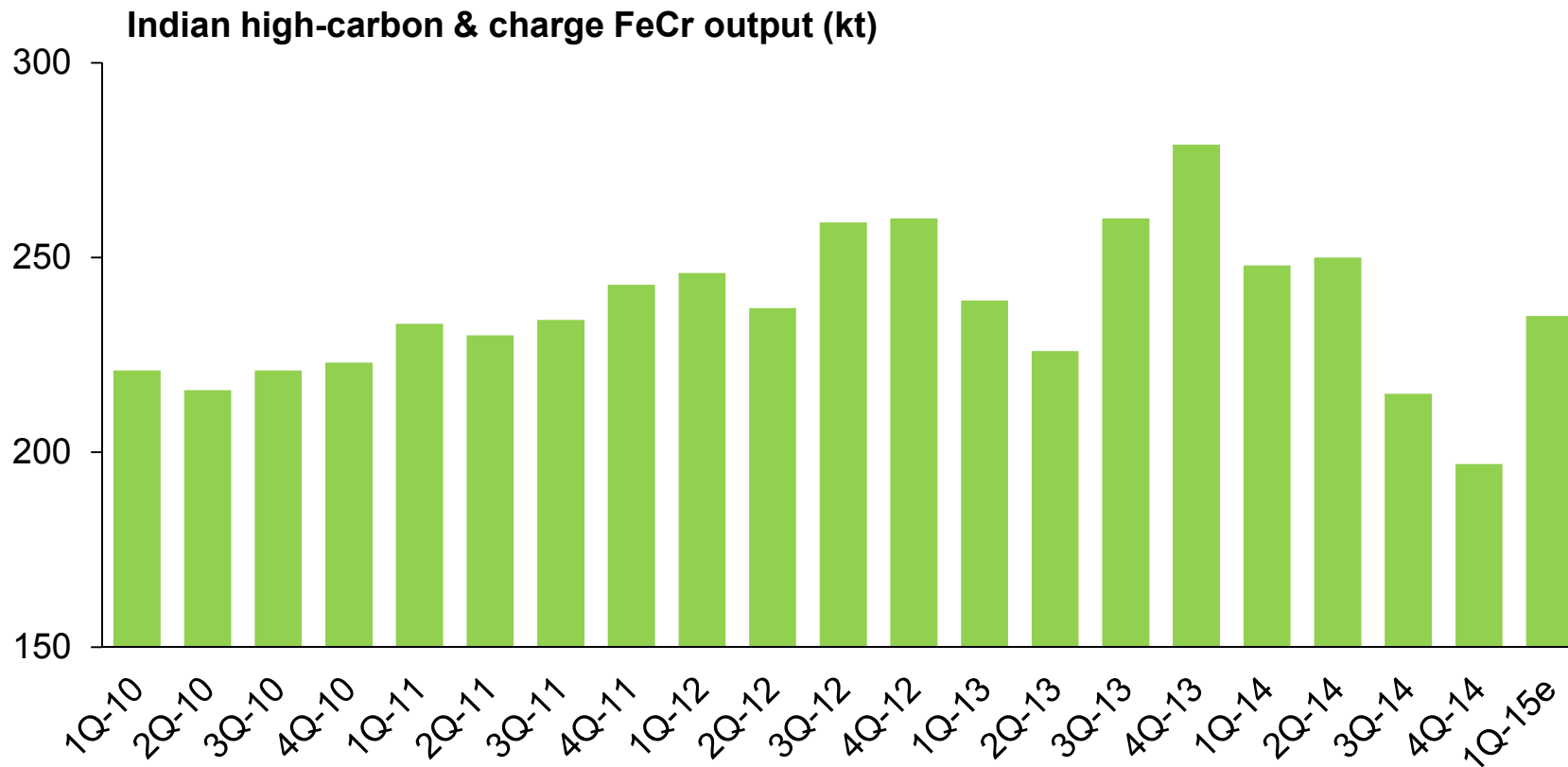
<u>Province</u>	<u>Company</u>	<u>Extra capacity (ktpy)</u>	<u>Planned start-up</u>
Inner Mongolia	Mintal	830	2014/15
Inner Mongolia	Xinganglian	420	2014/15
Inner Mongolia	Kehan	300	2014/15
Inner Mongolia	Yellow River	120	2014/15
Inner Mongolia	Rongzeng	100	2014/15
Shanxi	Wanbang	1,000	2014/15
Guizhou	Jinhua	100	2014/15
Total		2,870	

The 13% (local currency) increase in power prices from Q2 onwards is likely to moderate South African FeCr output in the second half of 2015

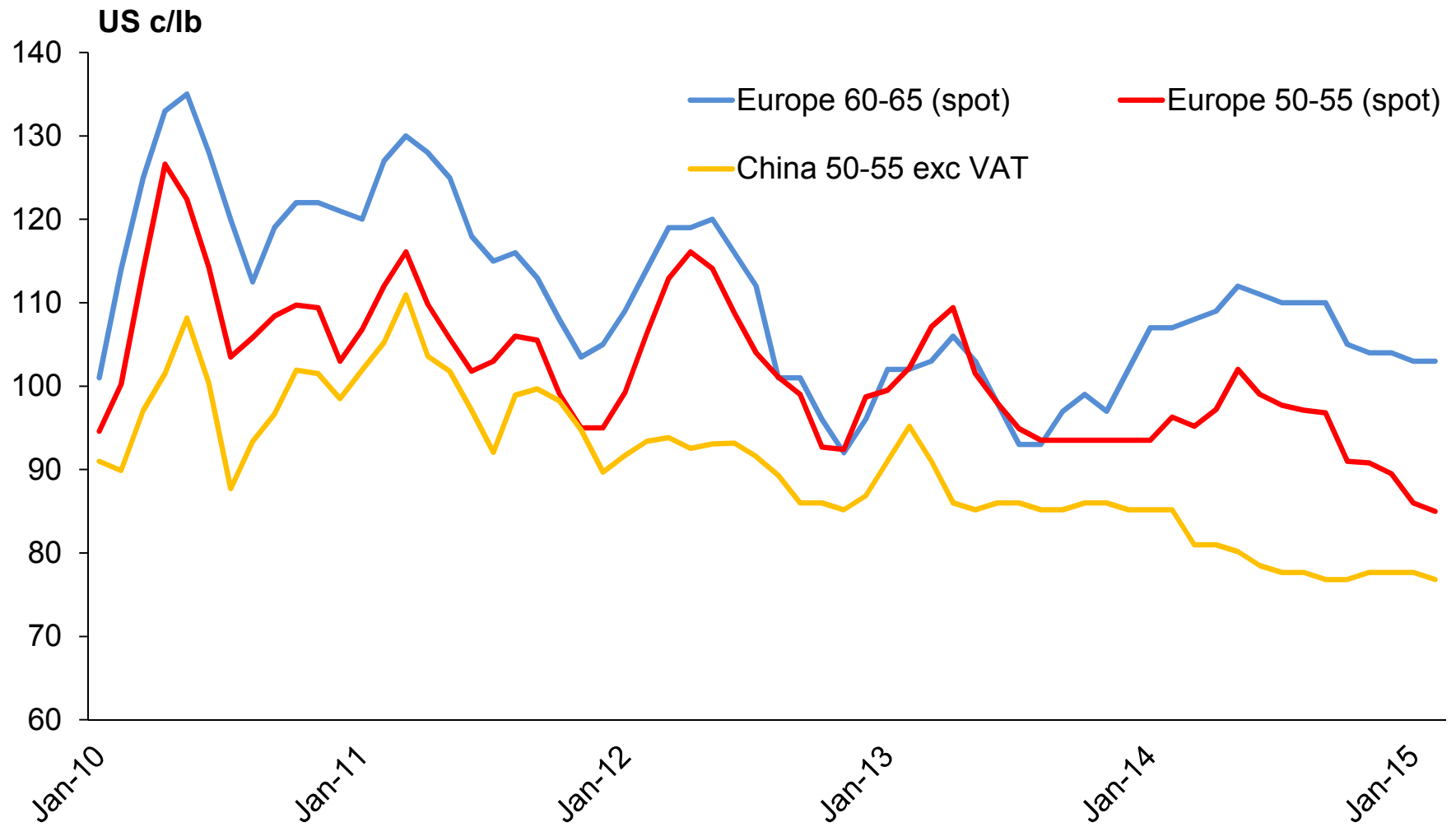


Indian FeCr output has also fallen moderately over the past year

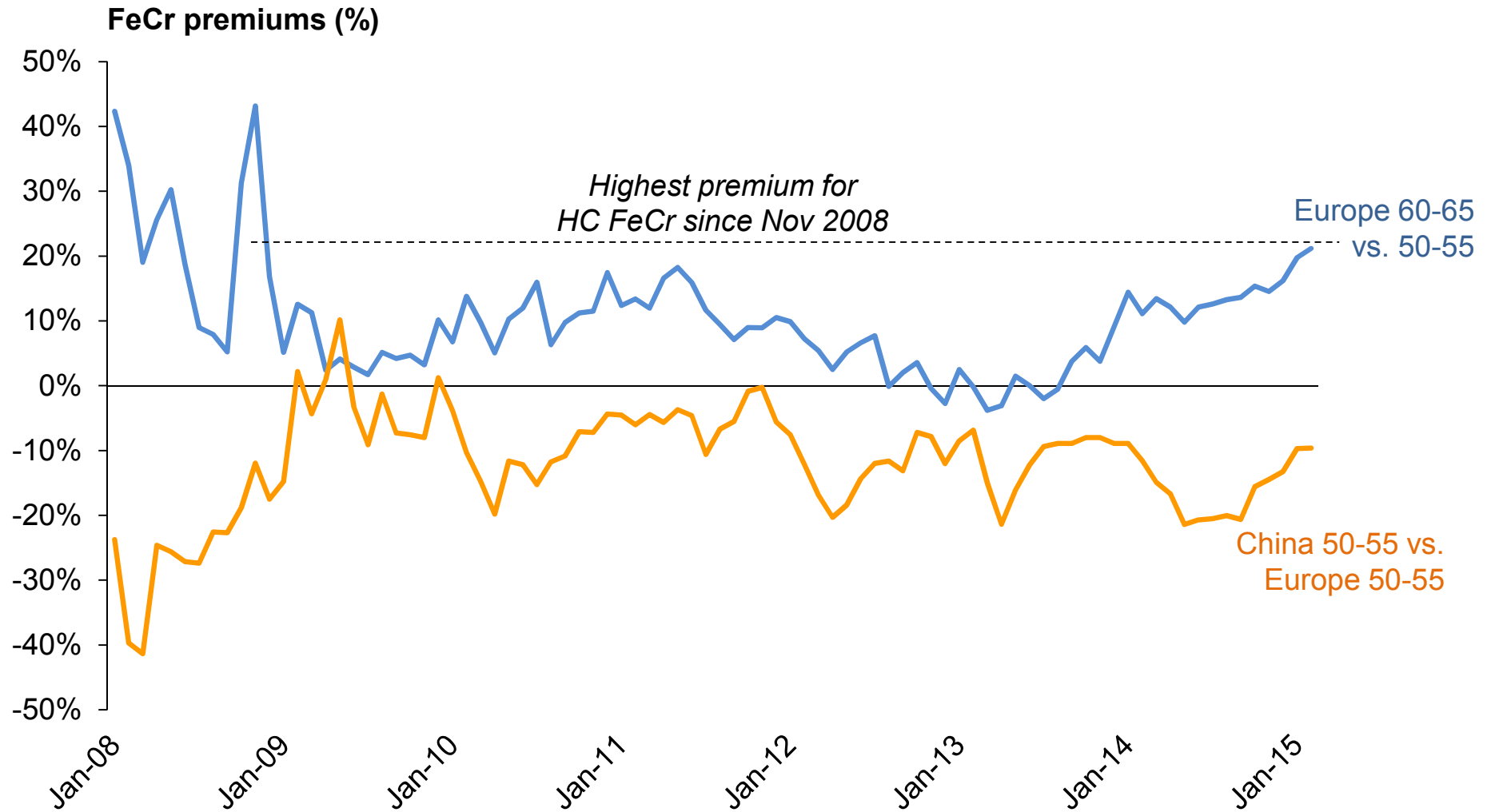
- Much of the reason is related to chrome ore mining permit issues
- Widely reported that output expected to return to normal by mid-2015



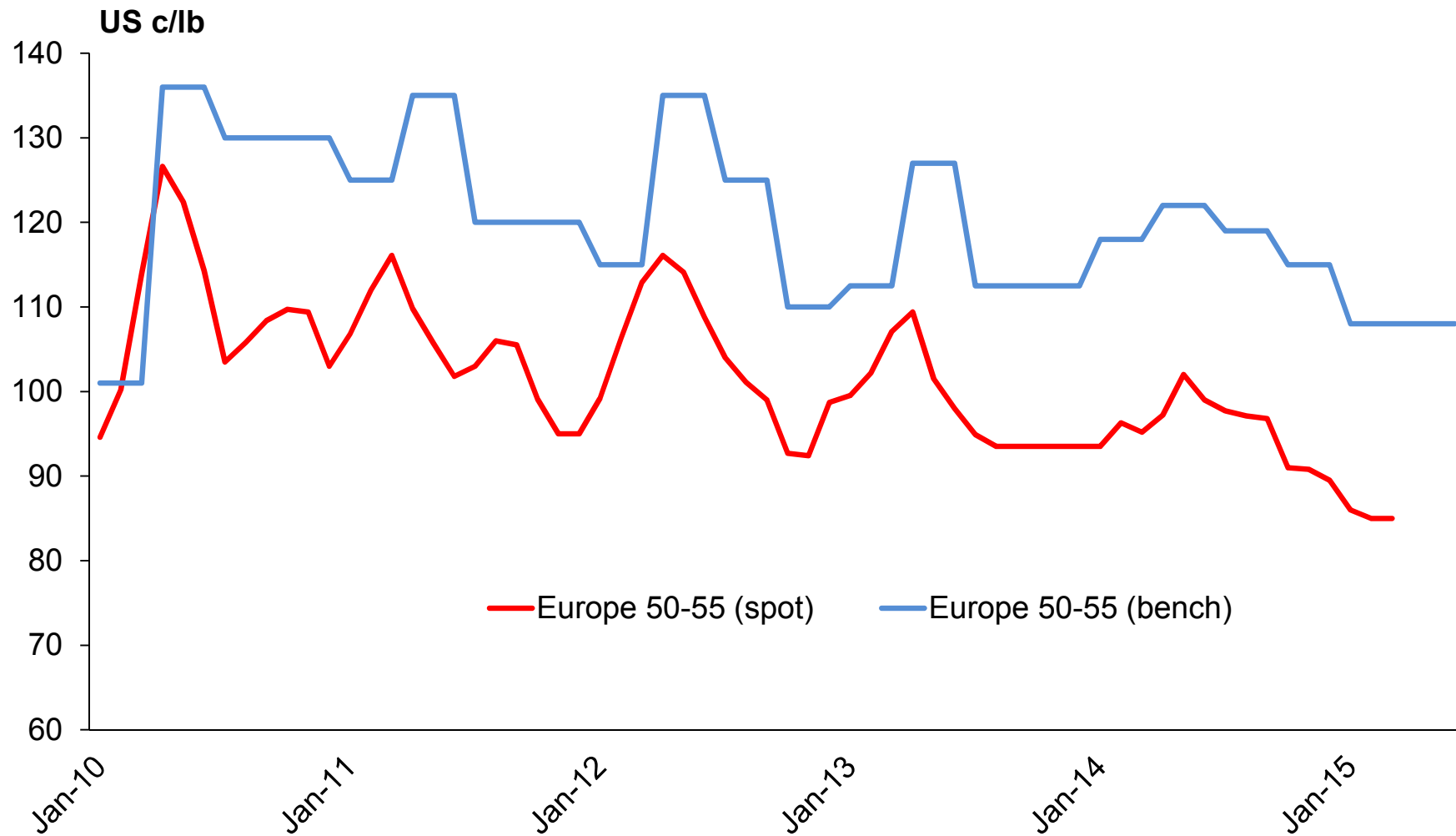
FeCr spot prices since 2010



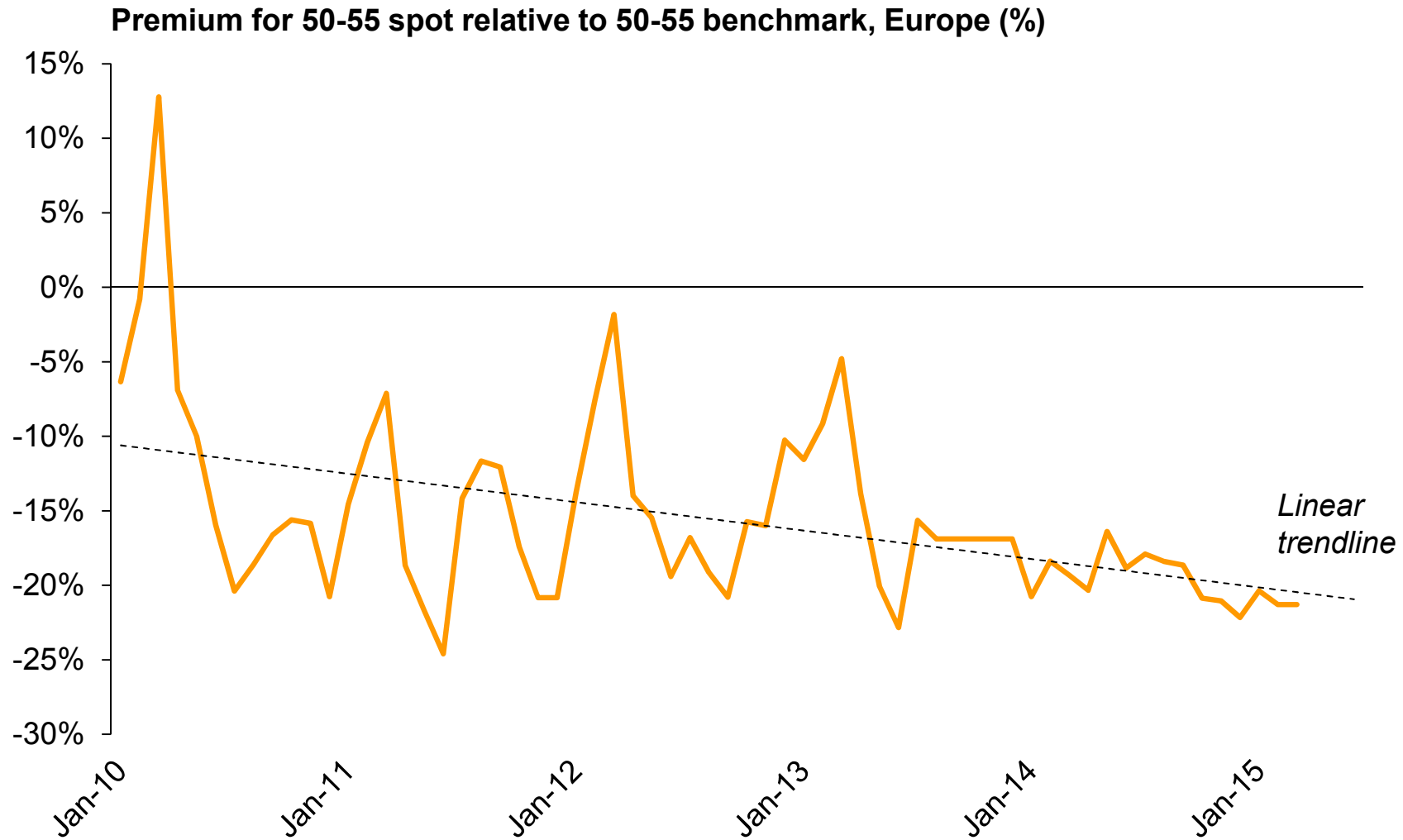
FeCr premiums since 2008



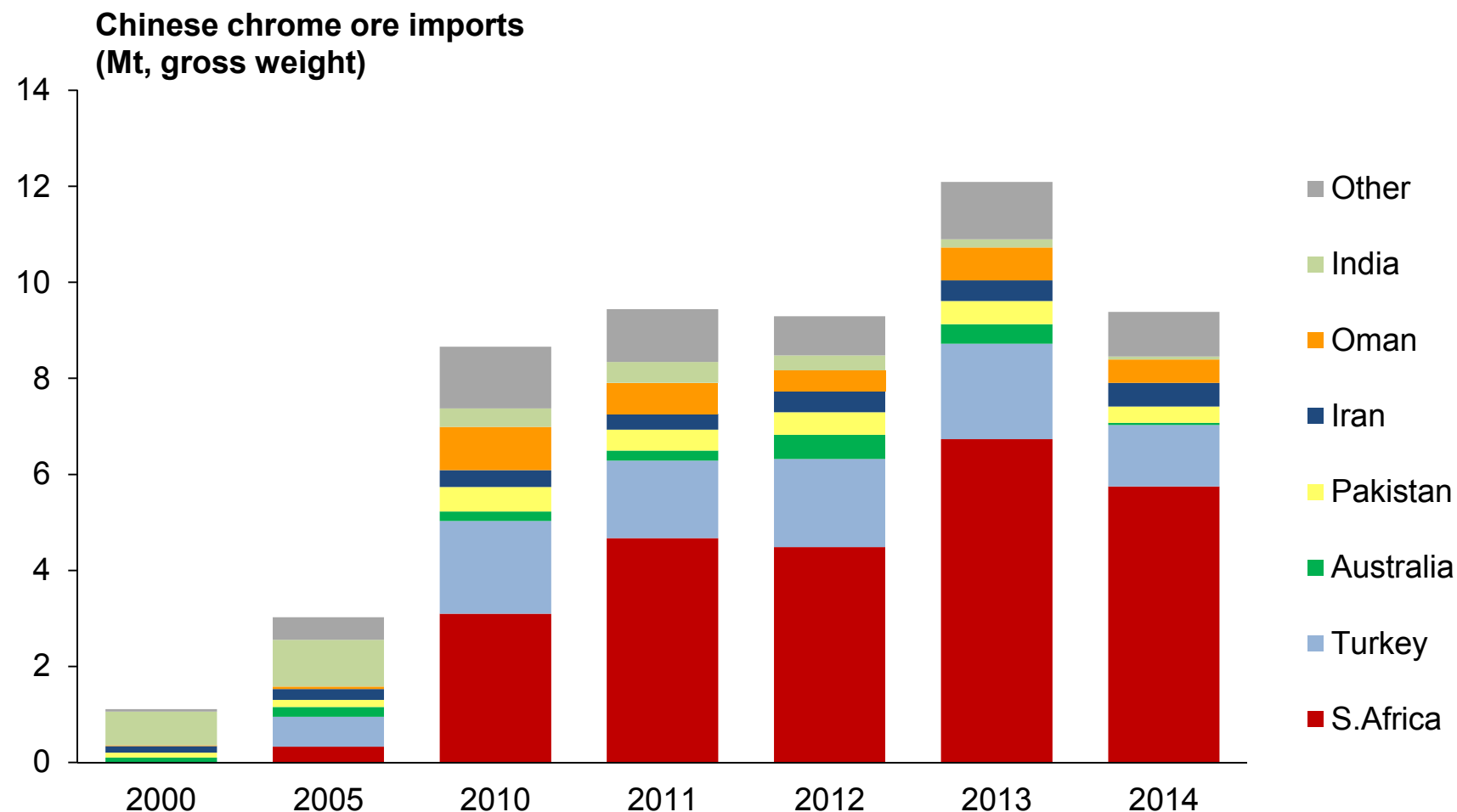
European charge chrome prices since 2010 – spot vs benchmark



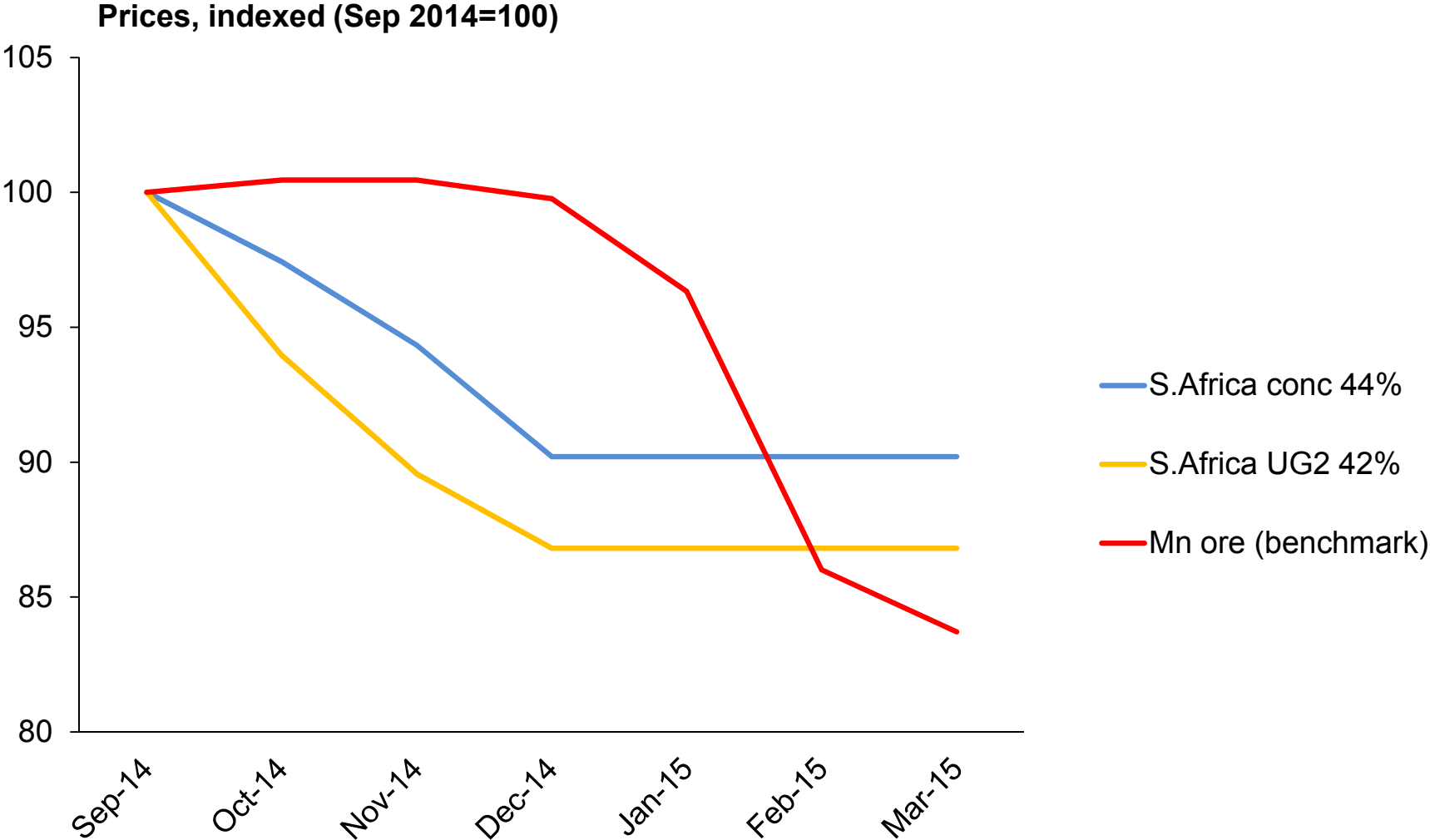
FeCr European charge chrome discounts to benchmark – discounts have doubled since 2010



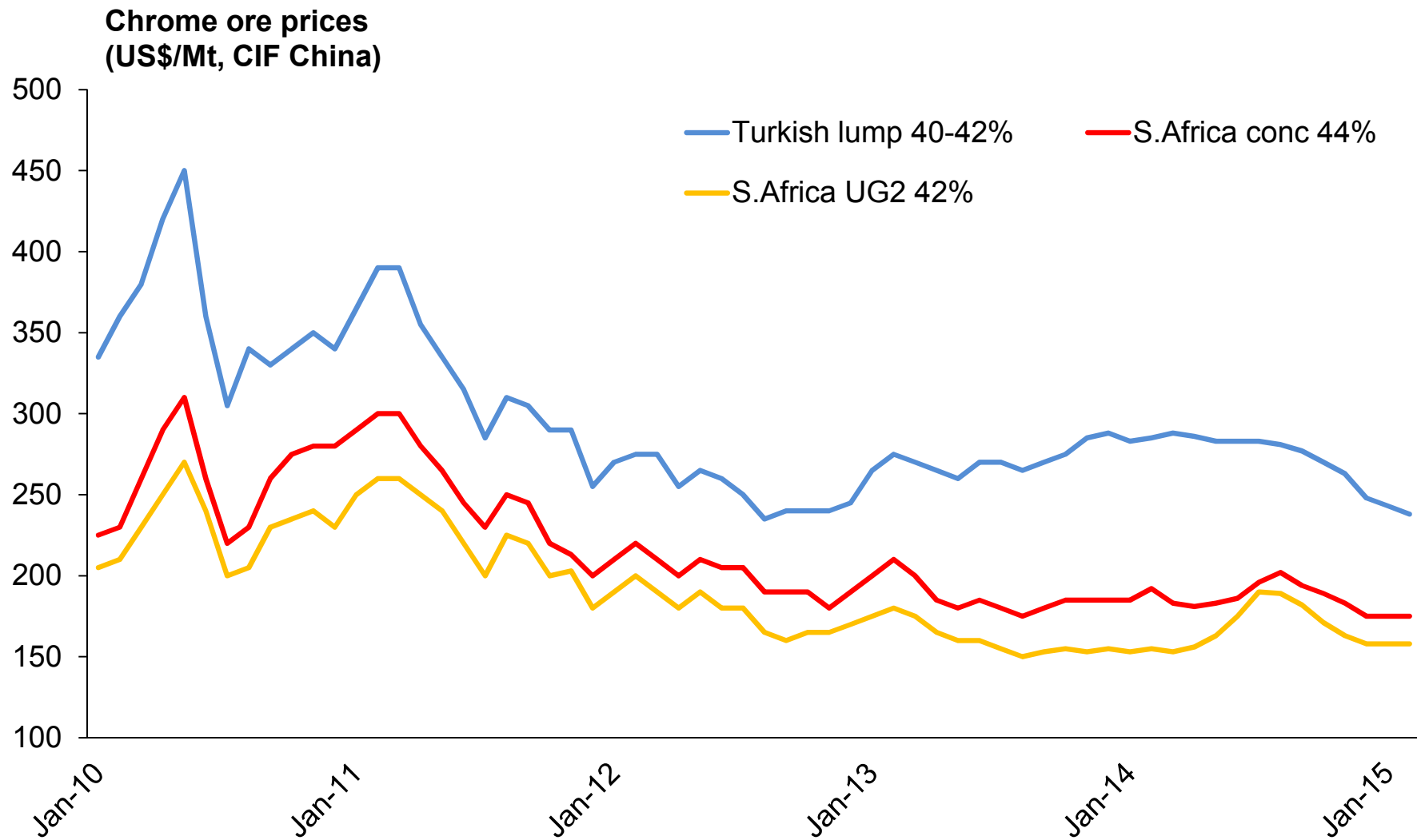
Chinese chrome ore imports have declined substantially since 2013 – tighter ore supply is another constraint on Chinese FeCr output



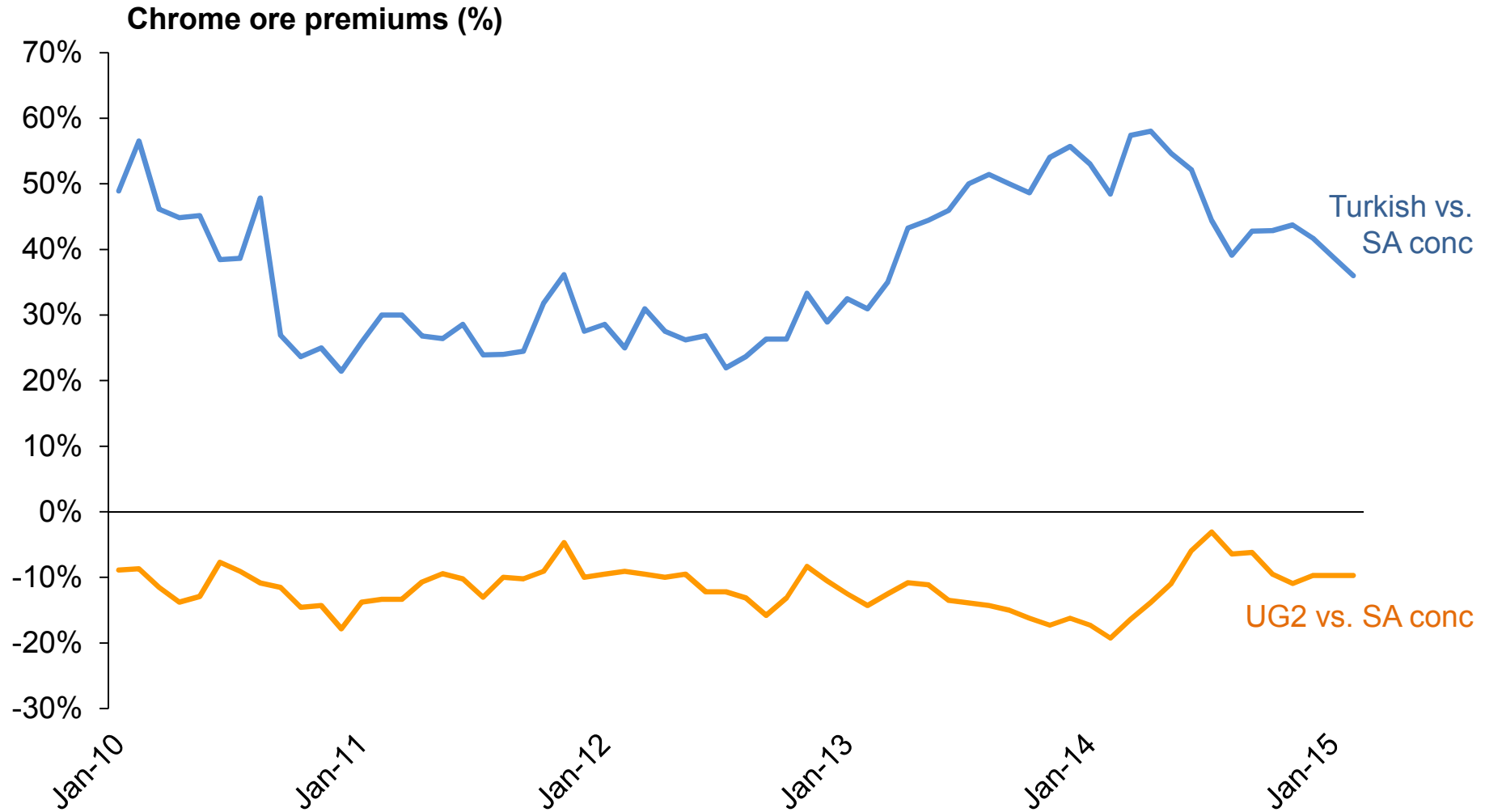
Chrome ore prices have remained stable in recent months, unlike many related products (eg. manganese ore)



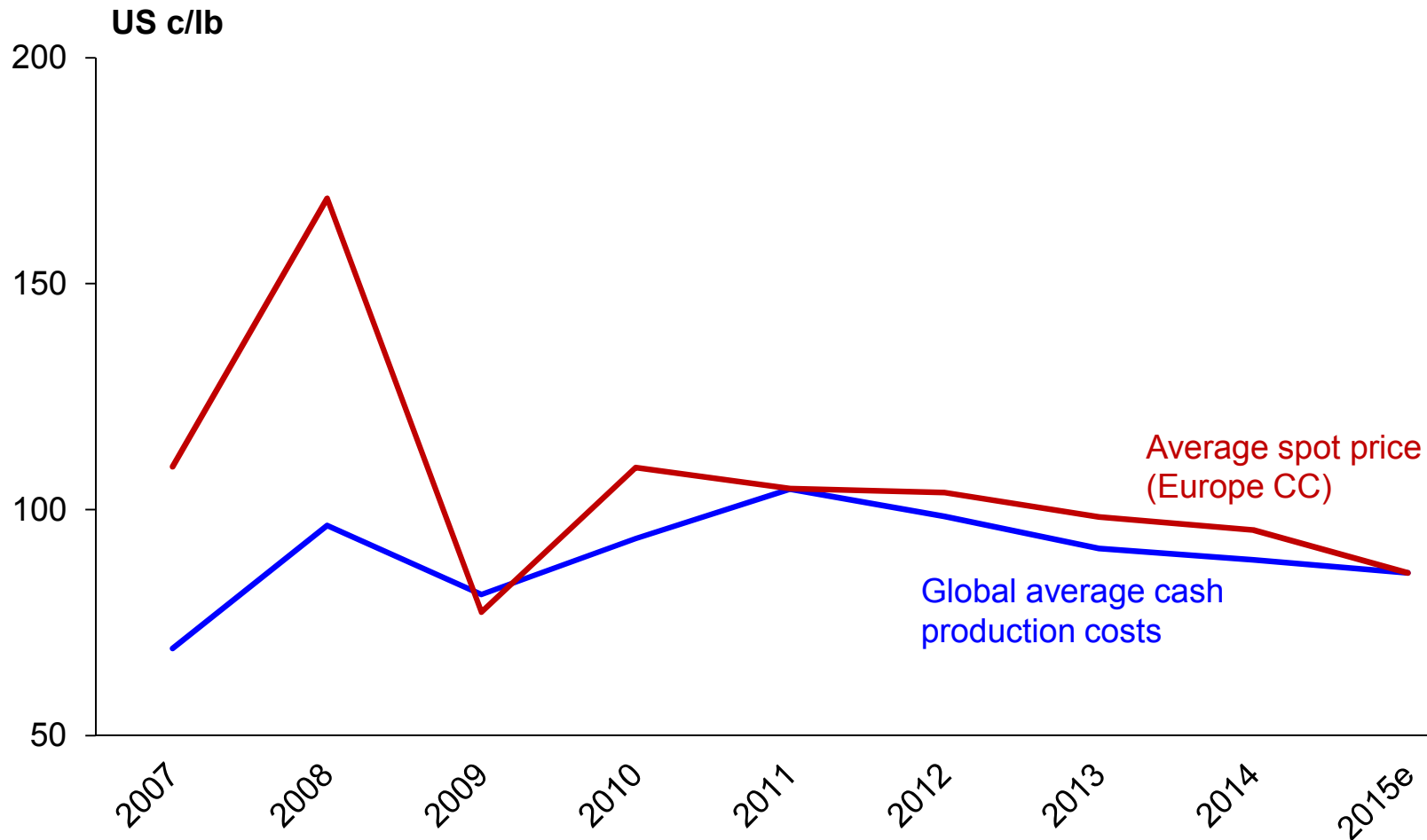
Chrome ore prices since 2010



Chrome ore premiums since 2010



The relationship between prices and average production costs is strong – average cash costs have been declining since 2011





Thank you for your attention



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