

# Ni OUTLOOK

## APRIL 2006



**S. CHORLET**



**ERAMET**

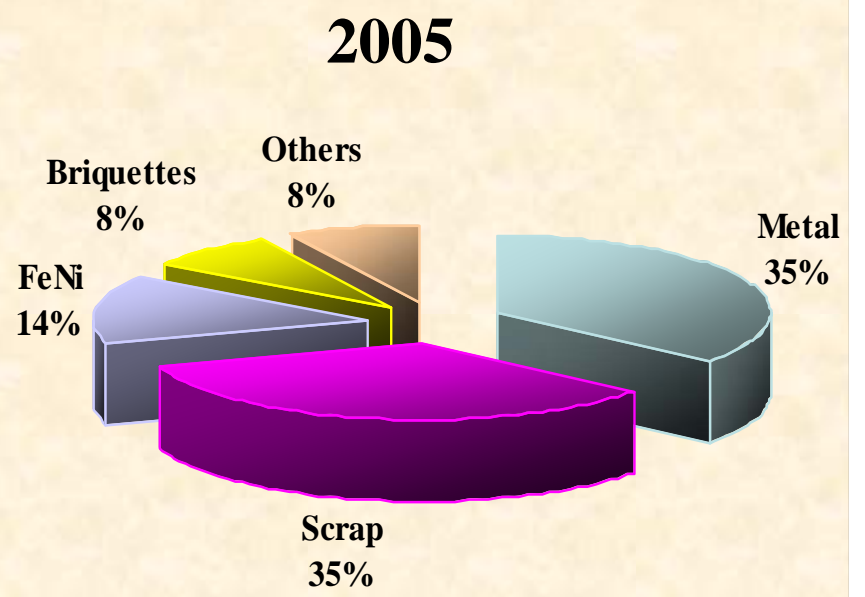
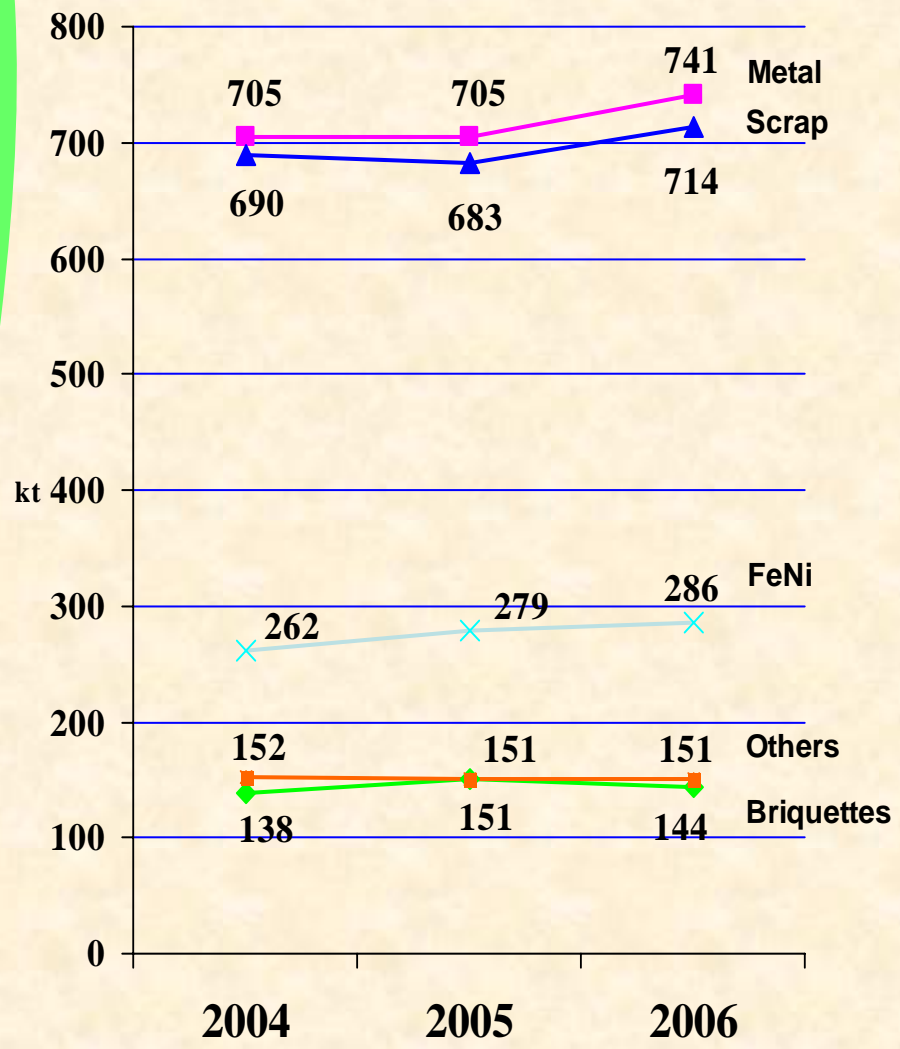
Nickel



**-I-**

# **NICKEL SUPPLY**

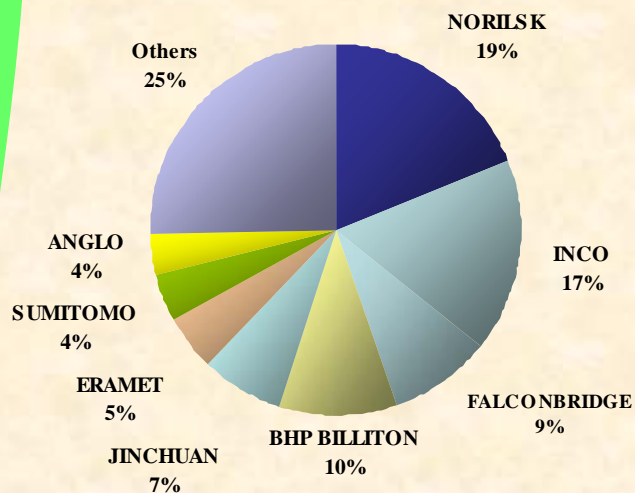
# WORLD NICKEL SUPPLY



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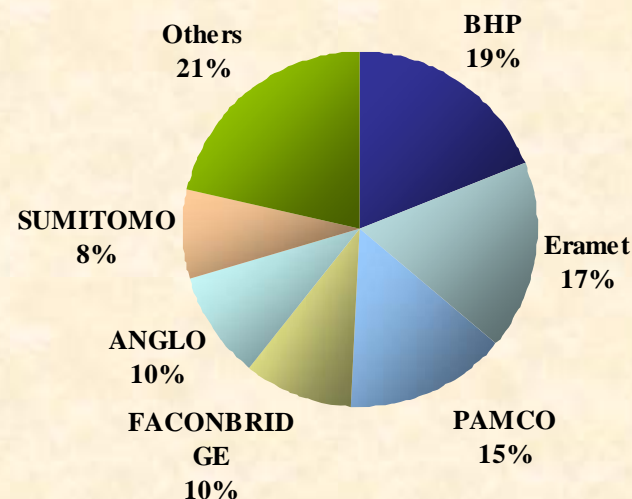
## Worldwide Ni producers in 2005

1279 kt



## Worldwide FeNi producers in 2005

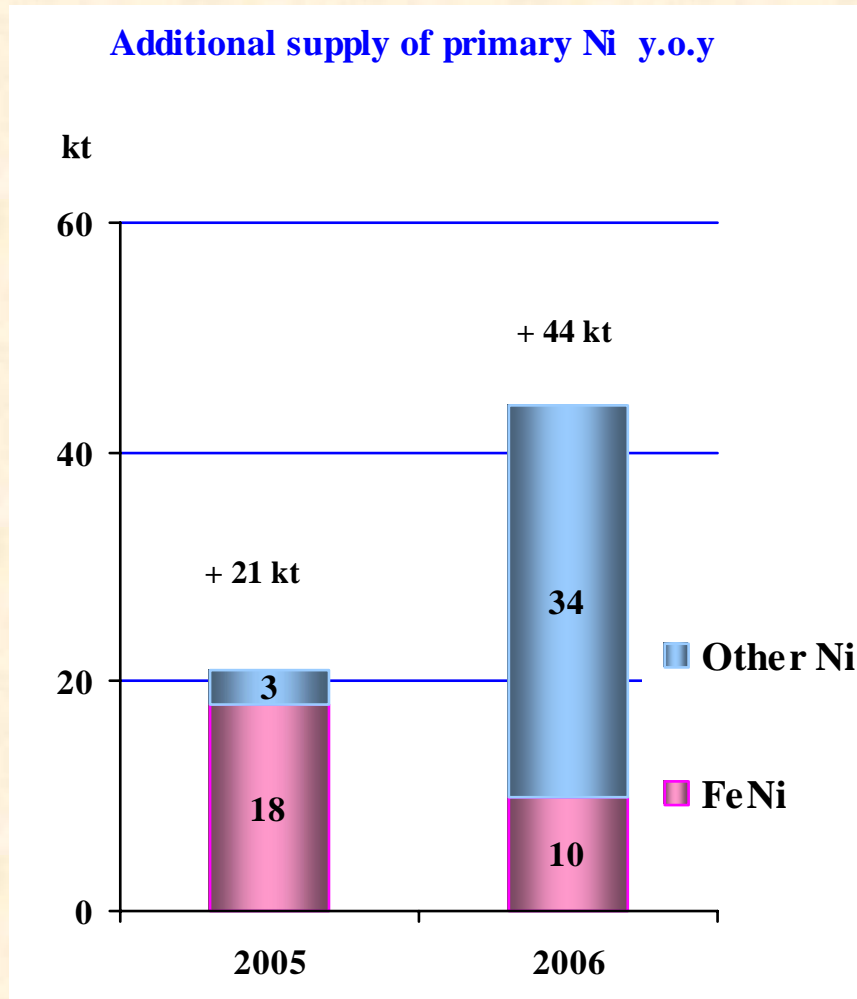
280 kt



The 10 largest producers control 82% of the market, compared with 43% in Copper and 47% in Zinc. However mergers/ acquisitions are still ongoing (BHP with WMC in Q1 2005 ; now Inco & Falconbridge ...).

Eramet, BHP & Pamco represent 50% of the market

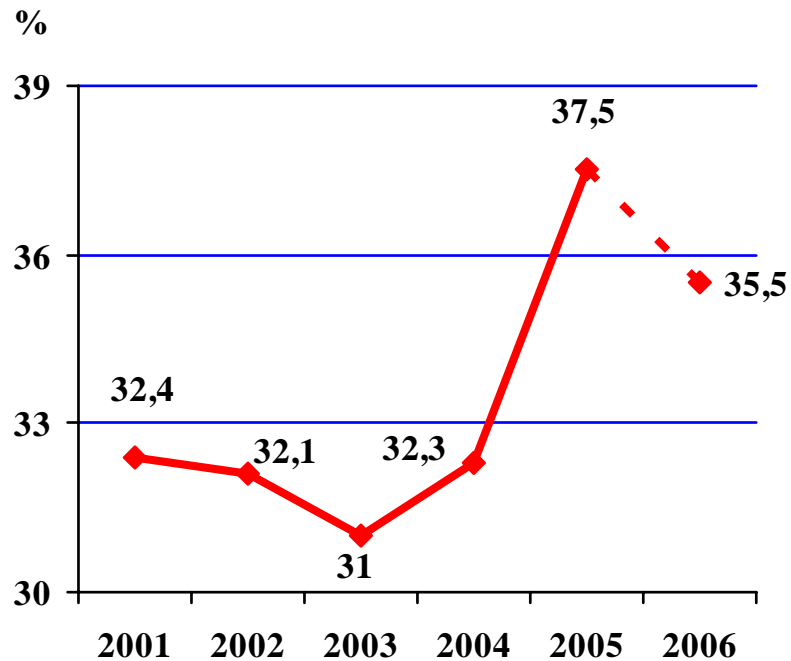
# WORLD NICKEL SUPPLY



- ✓ 2005 was a year with producers running at full capacity: this created a supply disruption > 2,5%.
- ✓ With still a high Ni price, 2006 would see producers running at full capacity, with a **risk of a significant supply disruption**, due to :
  - ✓ *Strikes, labor unrest,*
  - ✓ *Extended maintenance,*
  - ✓ *Ramp up delays,*
  - ✓ *Inclement weather,*
  - ✓ *Technical problems,...*

# WORLD NICKEL SUPPLY

## FeNi market share of primary nickel used in S.S.



- ✓ In 2005, the decrease in Ni consumption was mainly in cathodes and briquettes. In other words, priority was given to scrap and FeNi.
- ✓ In 2006, the increase in FeNi production will just be sufficient to keep pace with the growth in stainless steel production : the market share of FeNi in S.S should remain at around 35%.



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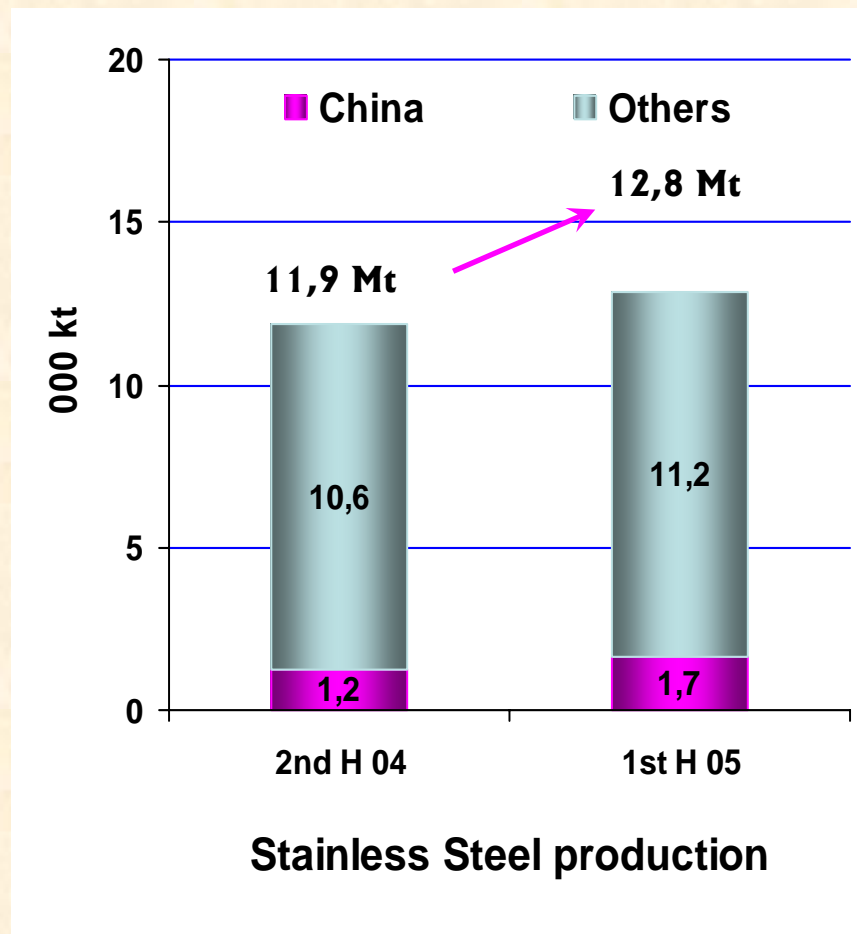
**THE STAINLESS STEEL  
MARKET:**

**Apparent & Real consumption**



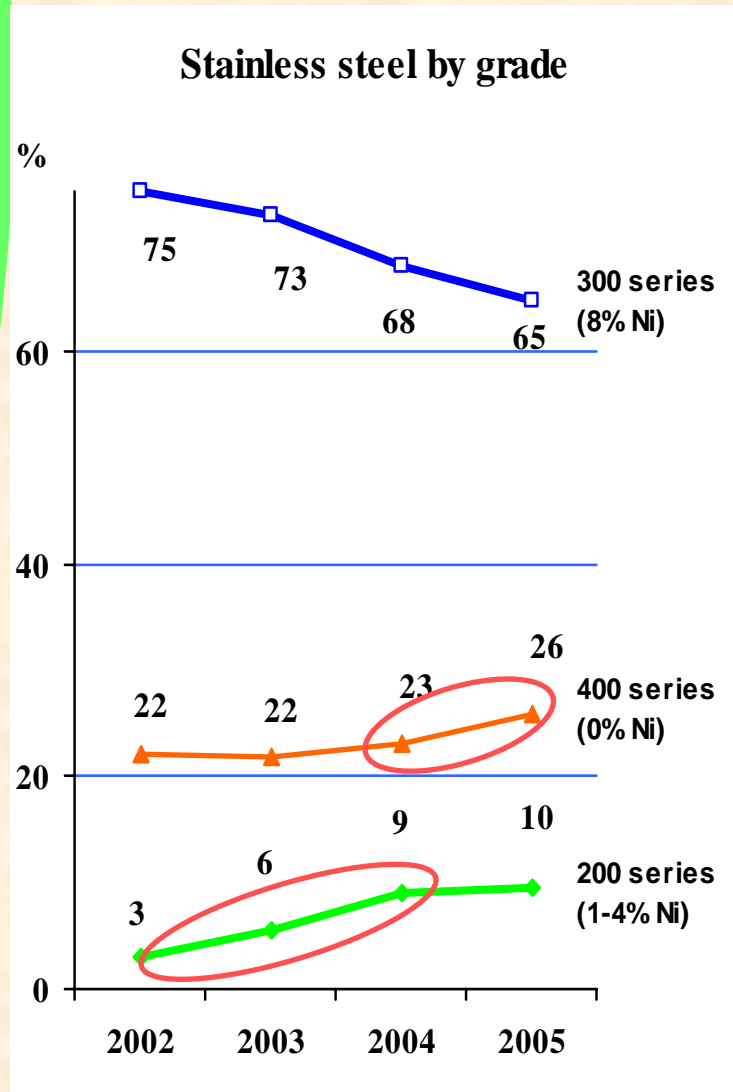
- At the beginning of 2005, **the consensus forecast was considering a recovery in the demand for 2005,**
- and just enough additional Ni quantity produced. In other words, we were still forecasting **a tight market...**

During the first half of 2005, Stainless Steel producers maintained their production level at a high level.



- *But the Ni price stayed at a high level during all the first semester of 2005...*

## Once again, the market reacted to the high Ni price



✓ From 2003 to 2004, substitution took place mainly towards 200 series (1-4% Ni):

➤ Development made on the Chinese market,

➤ In 2005, the growth seems more limited.

✓ In 2005, substitution on Ferritic grades (0% Ni) accelerated:

➤ Traditional ferritic producers tried to develop their market share,

➤ But, at the same time, we saw new comers on that market (Korea, China with “local” grades).

✓ For the moment, Substitution on non stainless steel products seems more limited...

## The market reacted to the high Ni price, essentially from the end of the second quarter of 2005...

	2005	05 vs 04
<b>Stainless Steel Apparent Consumption</b>		
China	4 852	+7,8%
Rest of the world	14 483	+0,4%
<b>TOTAL</b>	<b>19 335</b>	<b>+2,3%</b>
<b>Stainless Steel Real Consumption</b>		
China	5 152	+10,8%
Rest of the world	14 538	+1,5%
<b>TOTAL</b>	<b>19 690</b>	<b>+3,9%</b>

### CONSEQUENCES ON STAINLESS STEEL:

✓ **De stocking** (distributors, final consumers):

➤ Impact on the apparent consumption : (only +2,3% vs 04, the lowest pace since the last 4 years... )

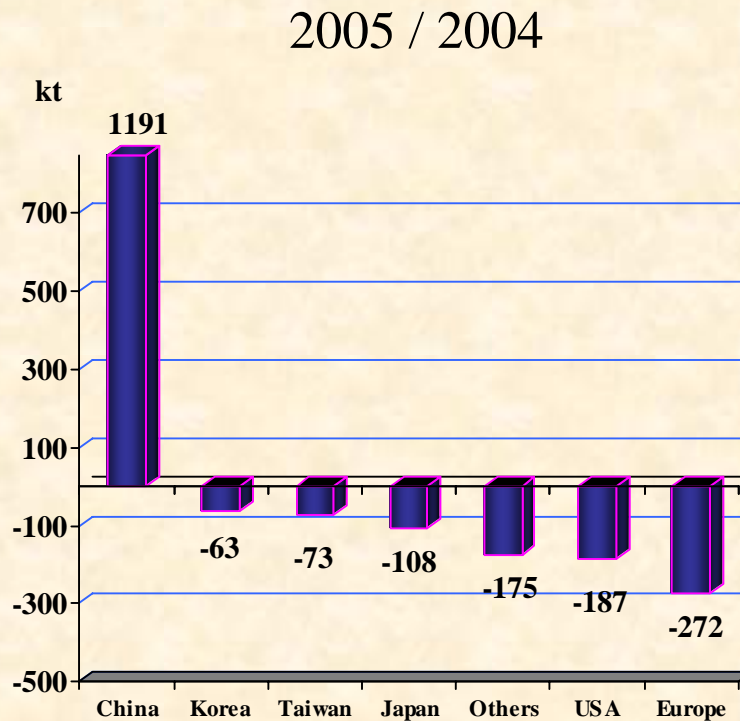
✓ **Decision of buying postponed:**

➤ Impact on the real consumption : (only +3,9% vs 04)

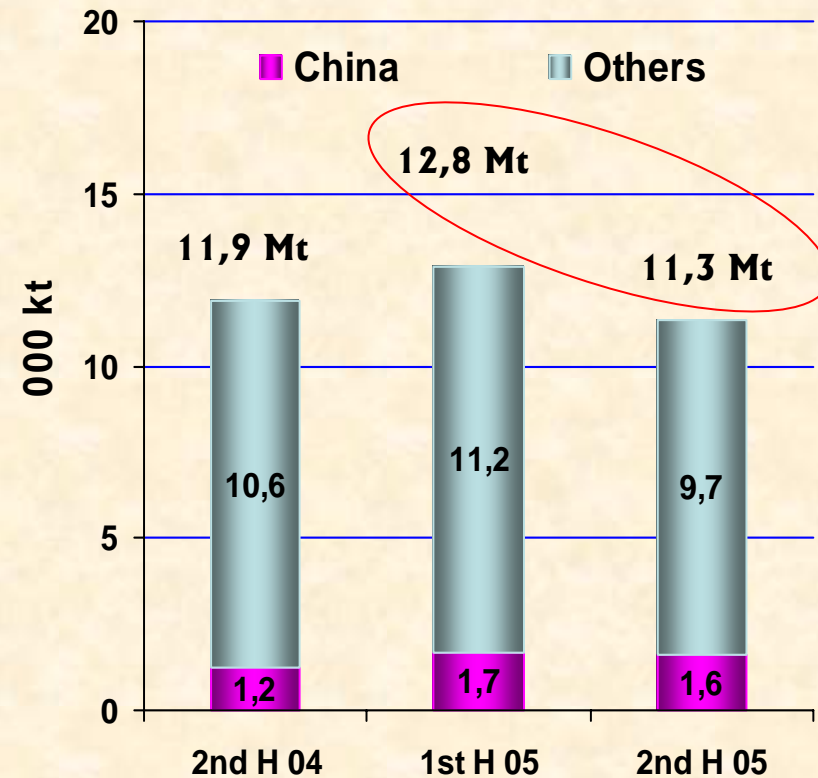
**Moreover, the growth of stainless steel market took place mainly in China...**

As a consequence , stainless steel producers cut their production, in order to preserve their conversion margin and control their own stock level :

*ADDITIONAL S.S. PRODUCTION y.o.y*



*Stainless Steel production*



*Except in China ...*



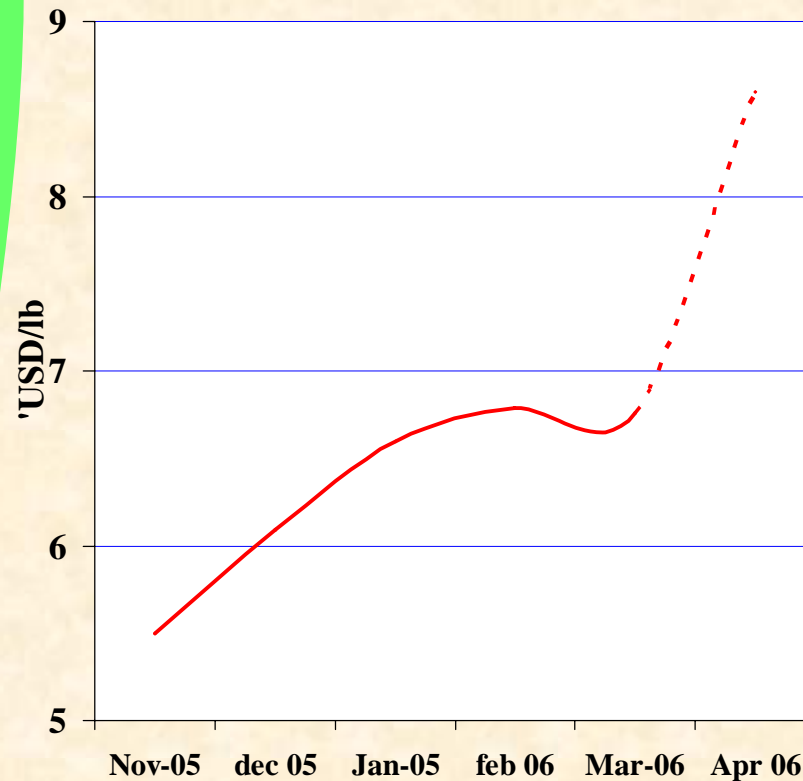
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Nickel

# trend for 2006

## trend for 2006

### Ni price



- One priority for funds, CTA,...

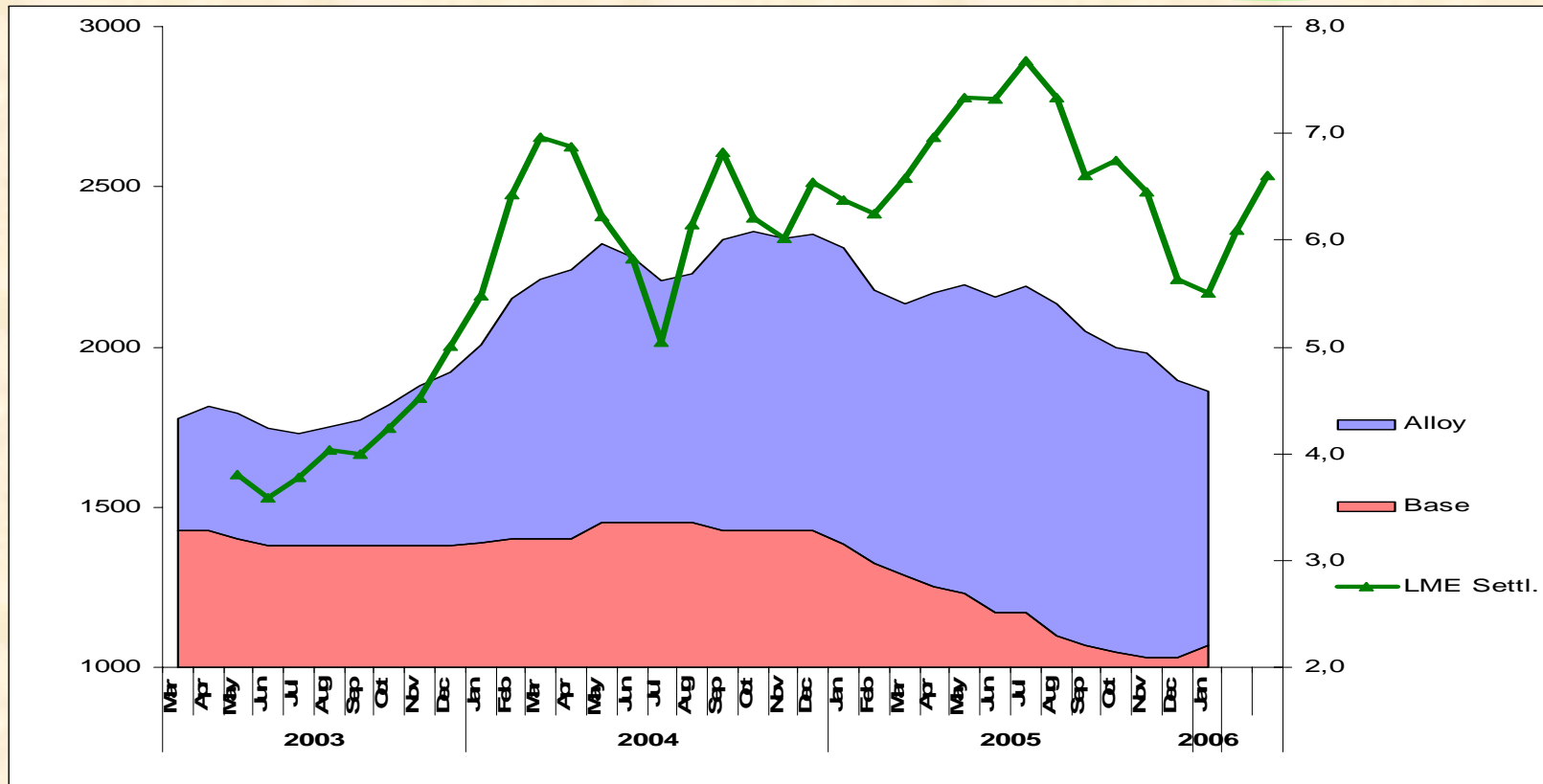
#### ➤ INVEST IN COMMODITIES

- For the moment, Ni price is not anymore linked to the physical market.

- Ni increase was not so high since early 2006 vs other base metals:

#### ➤ Do we see a new trend for the future? And where is the limit?

## trend for 2006: Stainless steel price in Europe



- Stainless steel was relatively « not so expensive » at the beginning of the year:

- Re stocking phase began during the first quarter.

## trend for 2006: Stainless steel price in Europe

- Due to the high demand:
  - Producers increased their delays in order to answer to the high demand: order book now full, at least, until July.
  - Base price increase + alloys surcharge increase since the beginning of the year.
- Where is the limit and what will be the reaction ?

## trend for 2006: Stainless steel price outside Europe

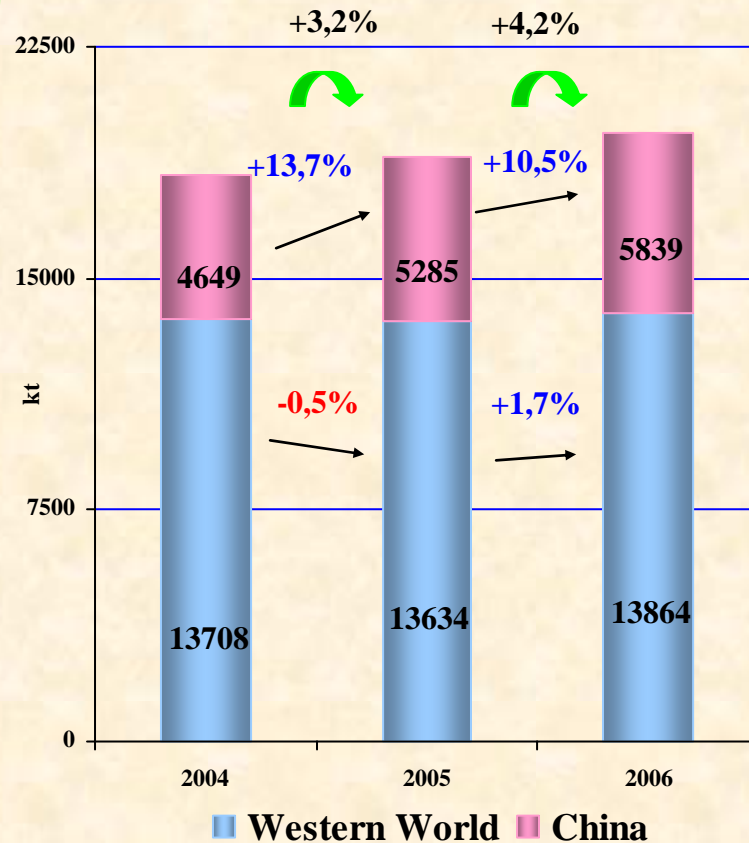
- **USA: same trend as in Europe.**
- **Asia: no formula with the base price & Alloys surcharge**
  - first quarter at a very good level.
  - First signs of decrease in demand in some countries: end of restocking?

### **CONCLUSIONS**

- **Two scenarios today for 2006:**
  - **Still a strong demand during Q3: in these conditions, 2006 would be a record year.**
  - **2006 like 2005: reaction during the second half of the year...**

## Trend for 2006: real consumption in Stainless Steel

### Real growth in consumption



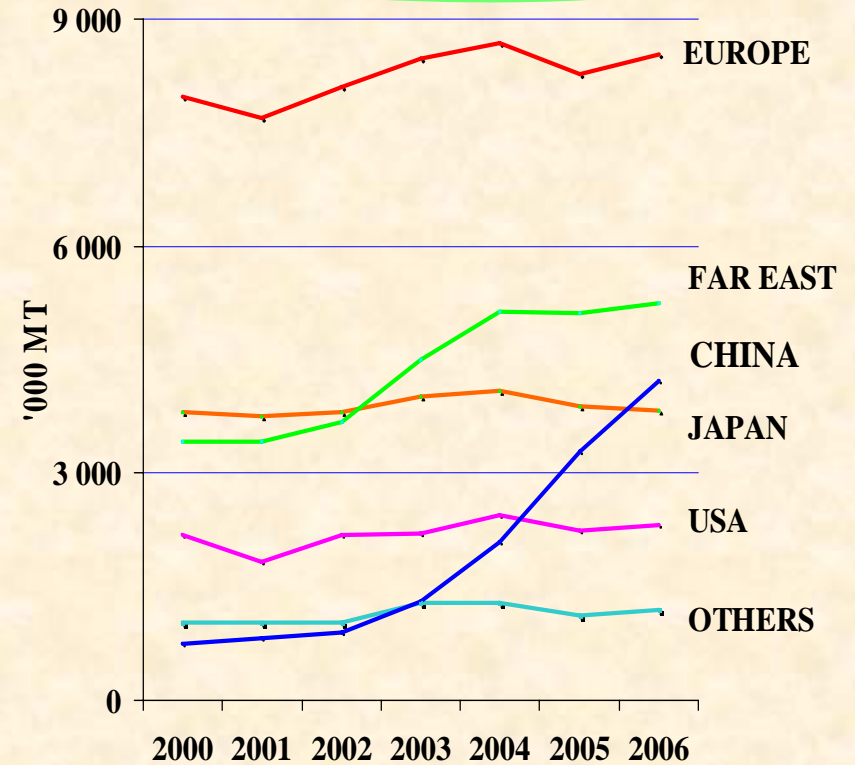
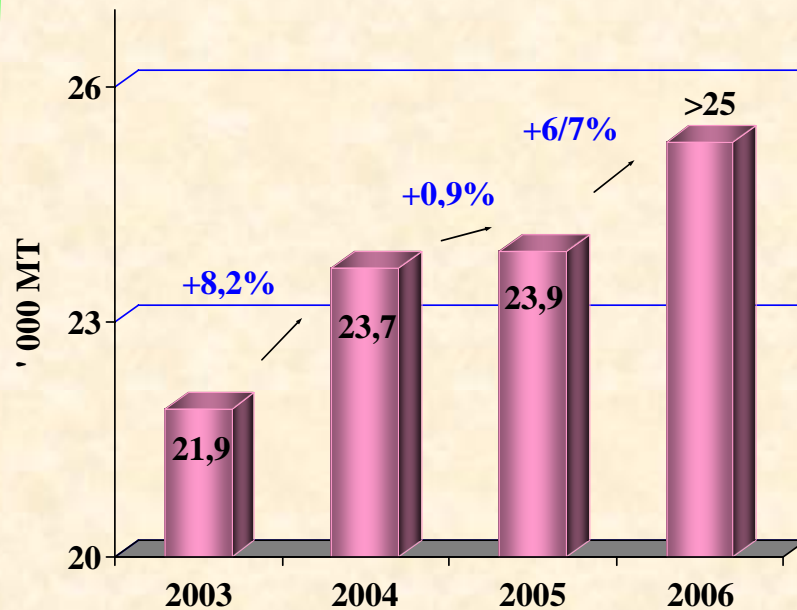
✓ For 2006, with a scenario like 2005, we forecast an increase of 4.2% vs 2005.

✓ *For 2005 & 2006, growth in real consumption is not linked to the local macro economic indicators in certain countries.*

# Trend for 2006: STAINLESS STEEL PRODUCTION



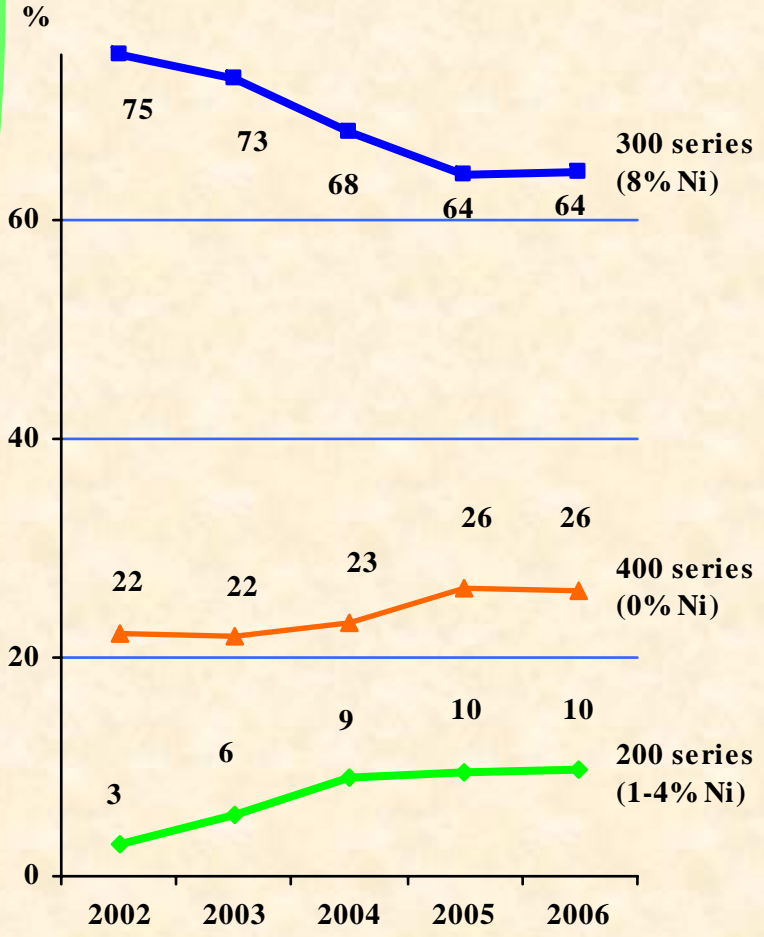
Total Stainless steel production



**Chinese growth will be the most significant in 2005 & 2006...**

# Trend for 2006: Substitutions?

Stainless steel production by grade

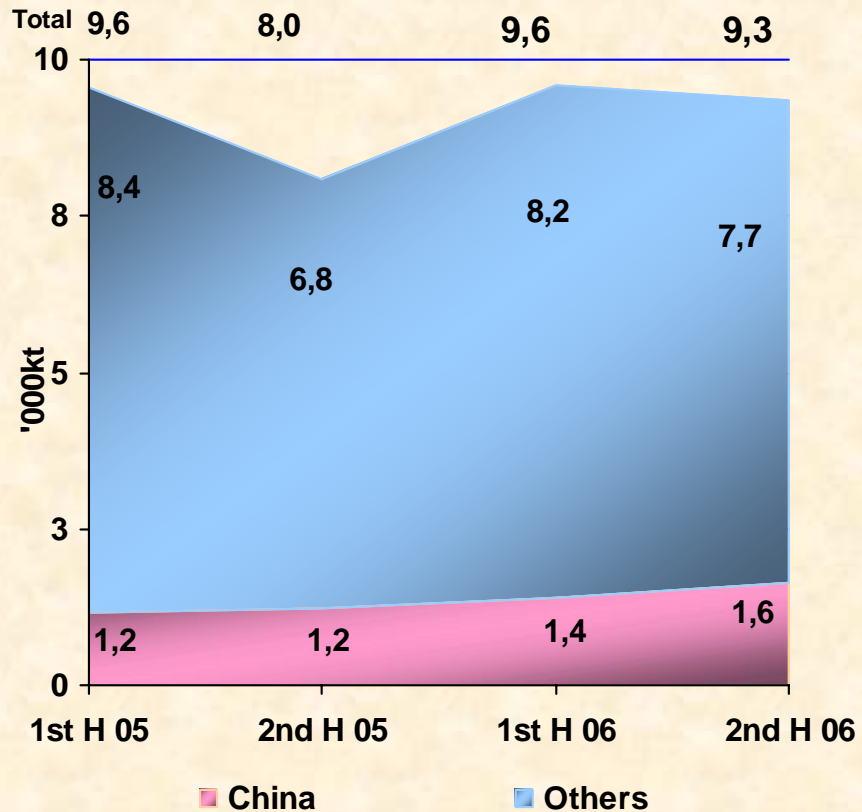


✓ For 2006, expansion for ferritics grades (mainly in Asia) seems to be much more limited.

✓ For 2006, respective market shares likely to be maintained at the same level.

# Trend for 2006 : AUSTENITIC PRODUCTION

## Austenitic production (half yearly)



### • For 2005:

• Total austenitic production decreased by 15% between the first and second halves of the year.

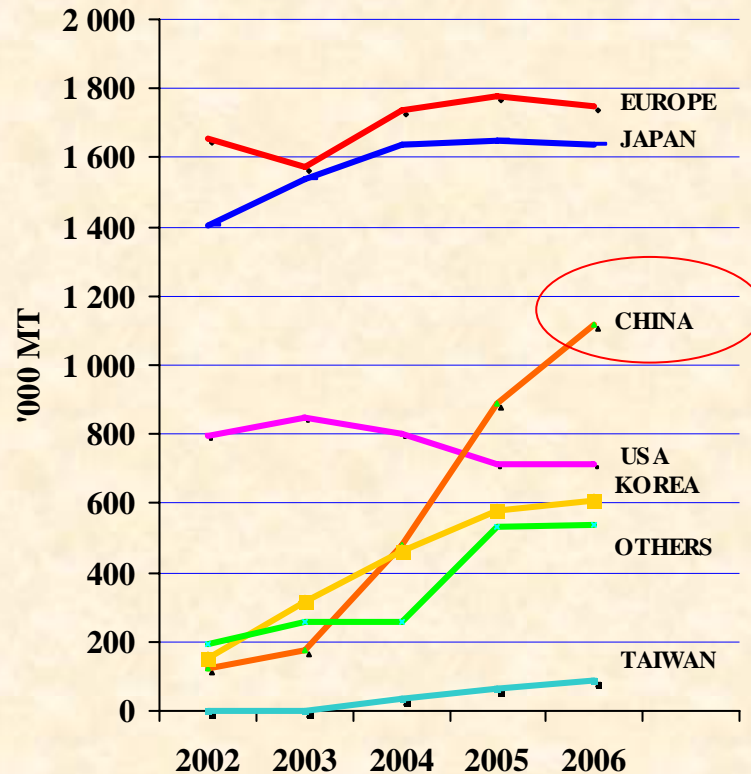
• Austenitic production in China remained stable: the growth during the two halves was only in ferritics.

### • For 2006:

• We should see a recovery in austenitic production, with China increasing its market share during the second half of the year.

# Trend for 2006 : FERRITIC PRODUCTION

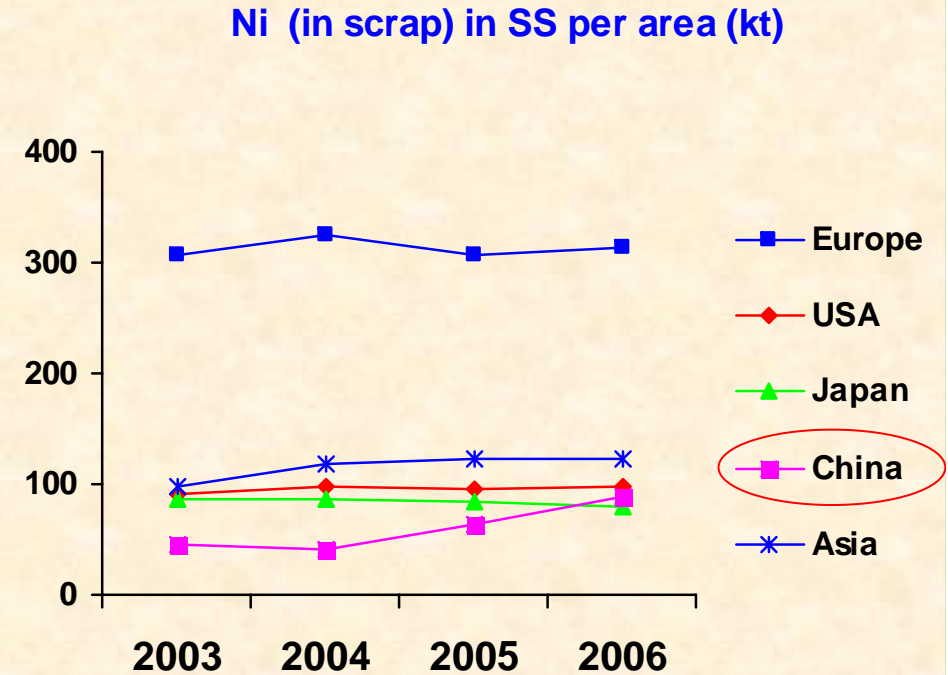
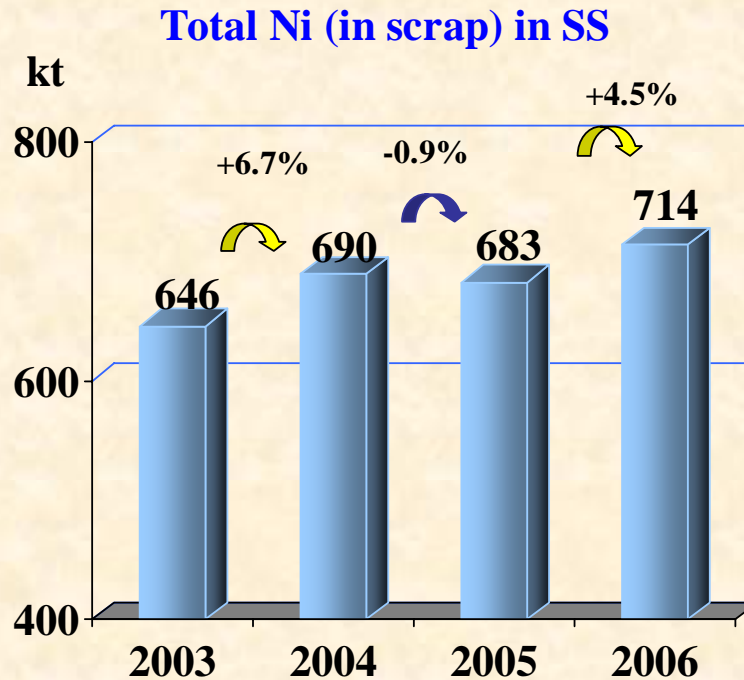
Ferritic production per area



China became the third largest producer in the world in 2005 (increase in ferritic production of 85% in 2005 vs 2004!).

In 2006, growth in ferritic production should take place mainly in China, Korea and Taiwan...

# Trend for 2006: STAINLESS STEEL SCRAP



*In 2006, the scrap used should increased by 4.5% .*

*We confirm the trend of 2005: more & more scrap goes in China: as a consequence, we see tightness in some areas.*

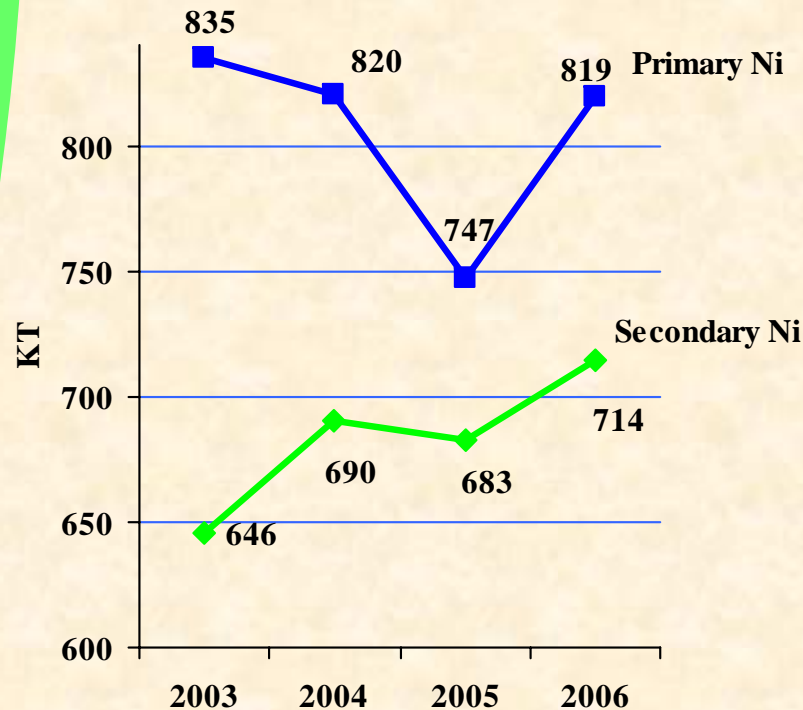


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Nickel

# STAINLESS STEEL : REAL NICKEL CONSUMPTION

Real Ni consumption



- More & more Ni (in scrap) is now being used in stainless steel today. 2006 should confirm this trend, but **scrap ratio should decrease** of at least 1%...

- In 2006, primary Ni consumption in stainless steel should revert minimum to the level of 2004.

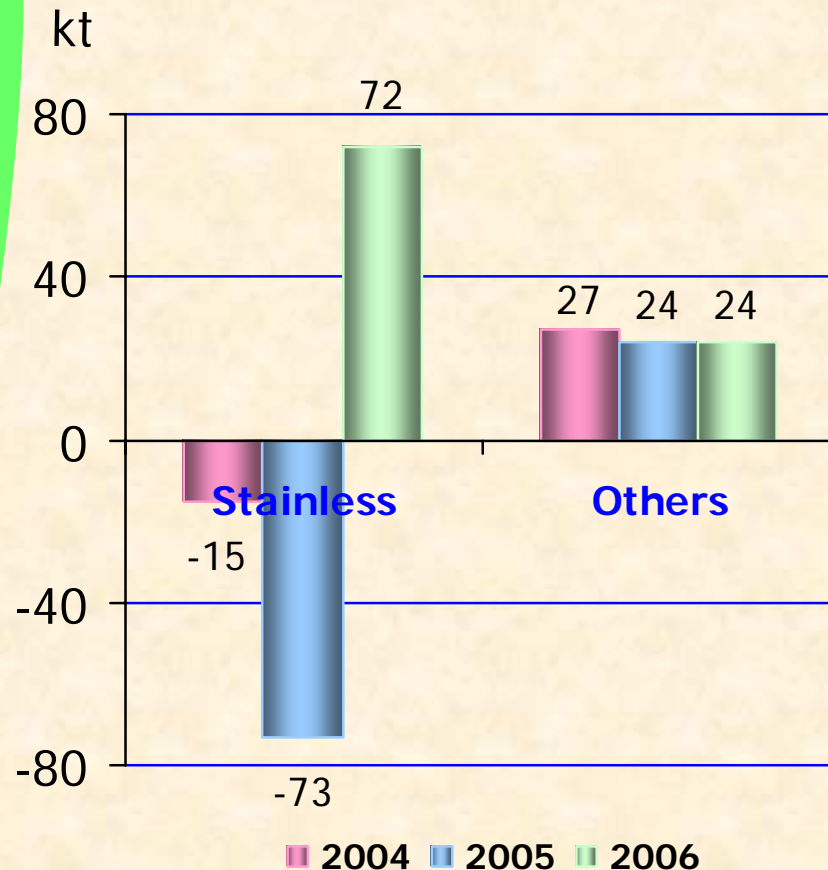


**-III-**  
**GLOBAL NICKEL  
DEMAND**

# TOTAL REAL CONSUMPTION OF PRIMARY NICKEL



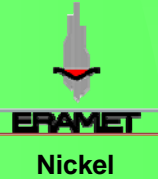
## Total real consumption by market



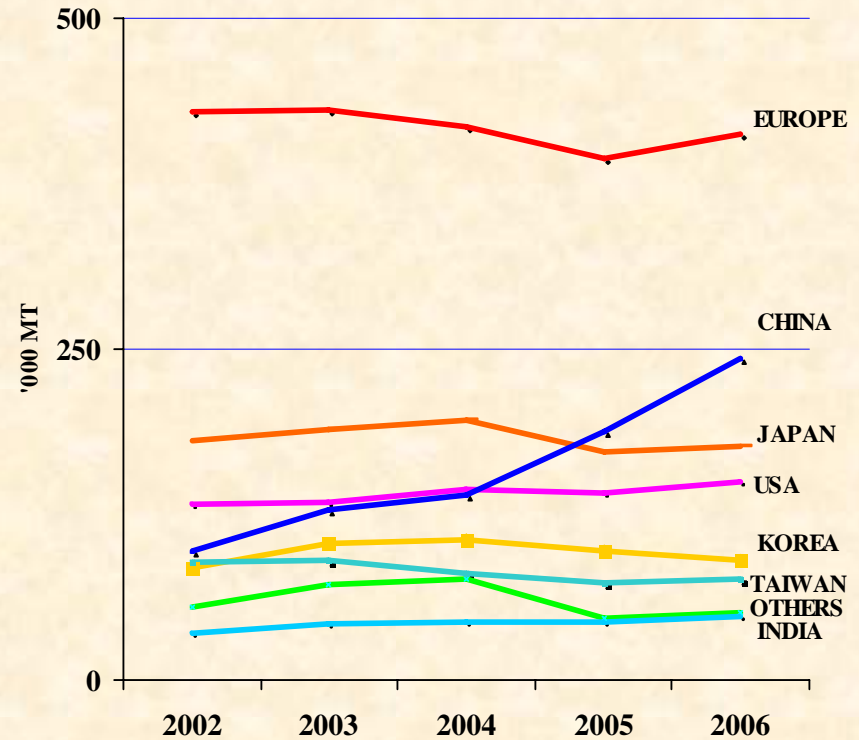
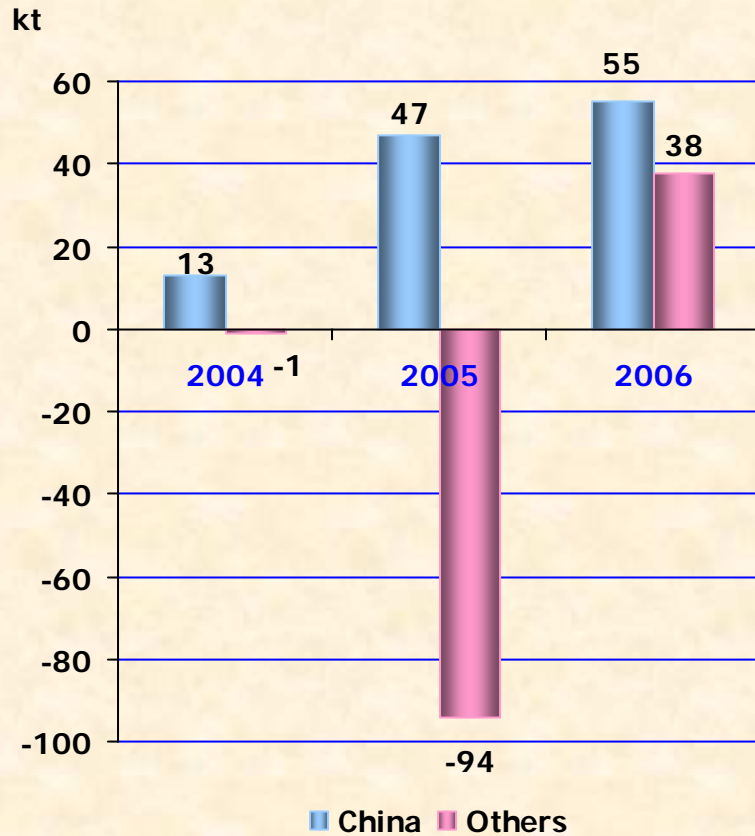
### •For 2006:

- *Stainless: we should see a slight recovery in austenitic production, with China increasing its market share during the second half of the year.*
- *Still a high demand for non stainless steel applications.*

# TOTAL REAL CONSUMPTION OF PRIMARY NICKEL



## Total real consumption by area



*In 2005, China became the second Ni consumer in the world.*



- V -

# NICKEL SUPPLY/DEMAND BALANCE

# NICKEL : THE SUPPLY/DEMAND BALANCE

A market globally in surplus in 2005 and probably during the first half of 2006.  
 Second half of 2006 remains uncertain, depending on the reaction in Stainless Steel market.

