



The Market Situation for Nickel Report

Environmental and Economics Committee
Item 4
Lisbon
23 April 2009



Report Overview

“The Market for Nickel: The Fundamentals Driving Change” was completed in 2008 and now being revised. Report includes analysis of:

- Developments in nickel supply
- Demand and principal end use sectors
- International trade
- Price and stock movements
- Environmental regulation
- The market outlook for nickel



Nickel Demand

- World nickel demand increased by 3% p.a. between 2002 and 2006, then declined sharply falling 9.5% from 2006 to 2008
- Asia, and especially China, continue to grow in importance
- Stainless steel now accounts for 66% of total nickel usage compared with 47% in 1980

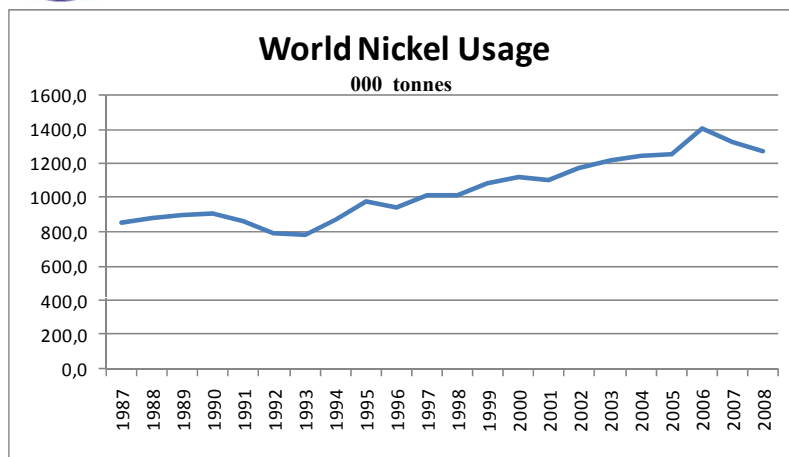
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Trends in Nickel Usage



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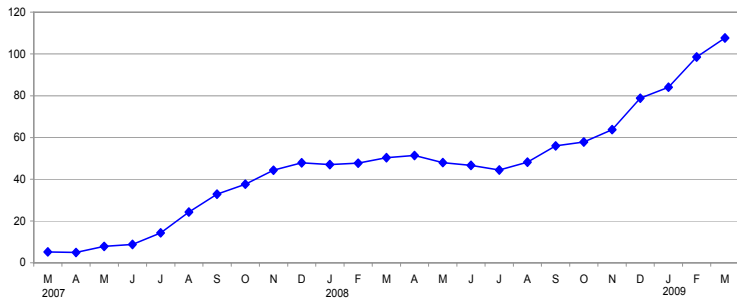
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Trends in Nickel Usage LME Stocks

'000 tonnes



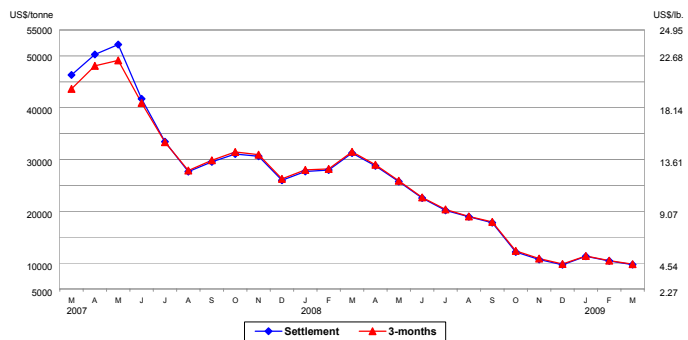
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Nickel Prices on LME



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Nickel Supply

World mine production of nickel dropped 8.1% from 2007 to 2008

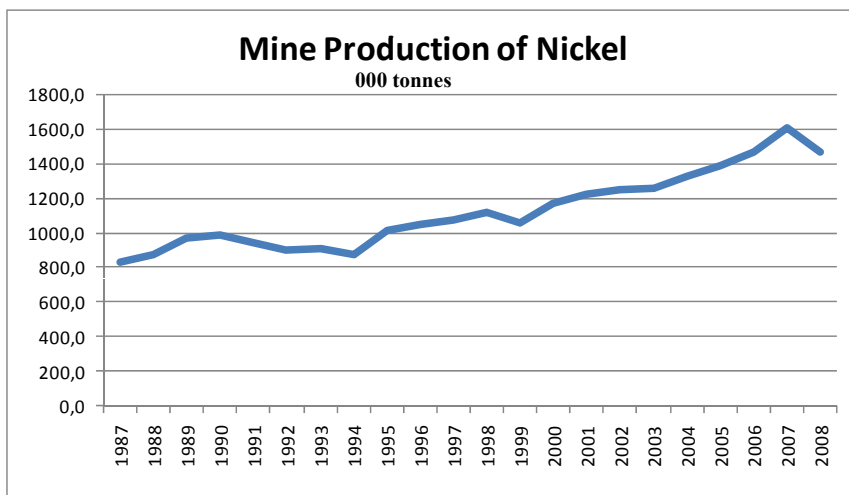
- Russia is the largest nickel mining nation supplying 18.2% of the market in 2008

World primary nickel production has averaged growth of 3% p.a. over 20 years to 2007, then declined 2.8% in 2008

- Russia accounts for 18.5% of metal supply followed by China 14.3%, Canada with 12.6%

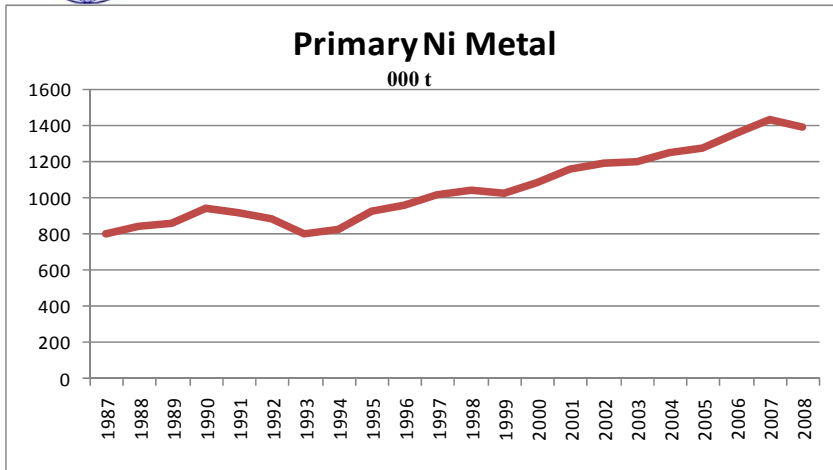


Trends in Nickel Production





Trends in Nickel Production



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Stainless Steel

ISSF data show global stainless crude steel production fell 7.5% from 2007 to 2008, following a decline of 1.8 % from 2006 to 2007

- The market had averaged annual growth of 8% from 2001 to 2006
- The Asian region had seen rapid growth

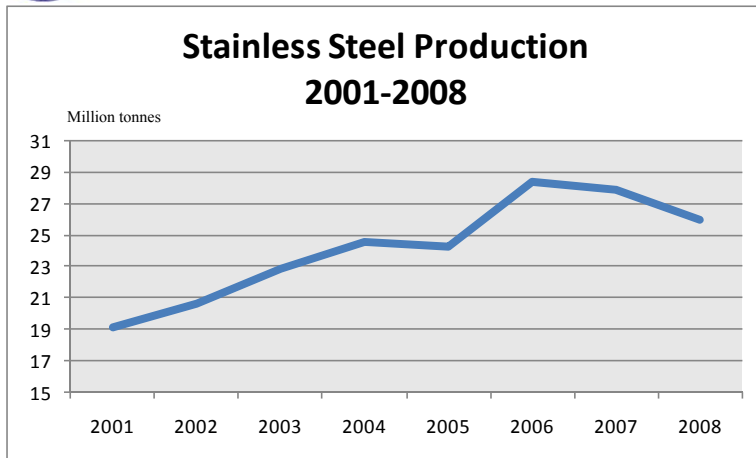
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Stainless Steel



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The Market Outlook (1)

- Immediate prospects for demand are uncertain
- Short term oversupply and high stocks
- Large number of cutbacks reported
- The economic crisis may encourage consolidation or other changes, *however*,
- The nickel industry is already the most concentrated among the non-ferrous metals. Further mergers will have to pass strict regulatory scrutiny

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The Market Outlook (2)

- Asia's continued industrialisation and investment in infrastructure will drive demand for stainless steel over the long term
- New uses for nickel will have some impact

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