



Nickel pig iron in China

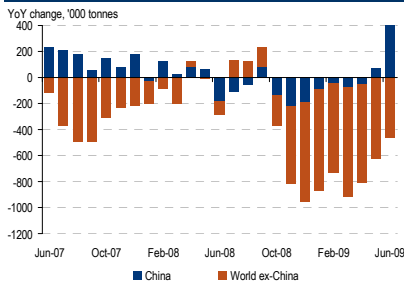
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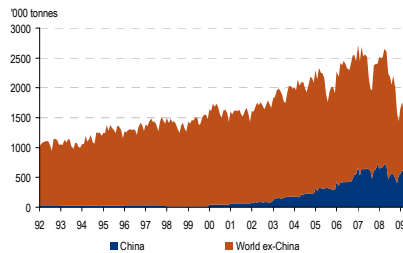
Nickel demand declined because stainless steel producers curtailed output as the global economy slowed

Stainless steel production has collapsed



Source: CRU, BofA ML Commodity Research

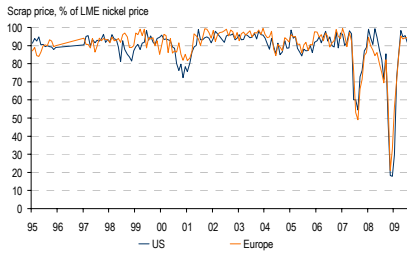
China is also an important driver of the stainless steel market



Source: CRU, BofA ML Commodity Research

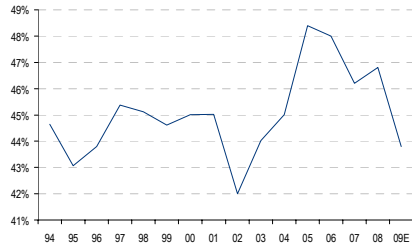
## A tight scrap market has boosted refined nickel offtake

### The scrap market is tight



Source: CRU, BofA ML Commodity Research

### Stainless steel mills have reduced their scrap intake

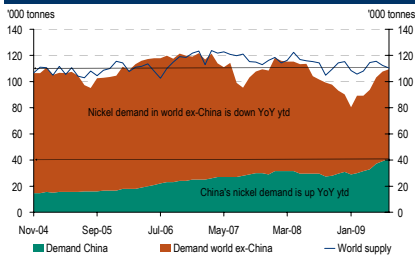


Source: Industry sources, Woodmac, BofA ML Commodity Research

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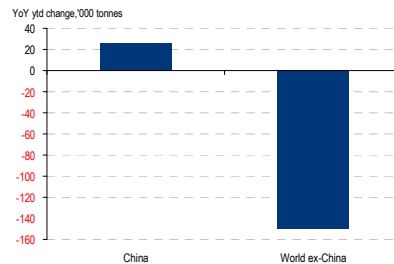
## China's nickel requirements have increased

### The increase in stainless steel production also boosted China's nickel demand



Source: INSG, BofA ML Commodity Research

### Nickel demand in world ex-China has underperformed

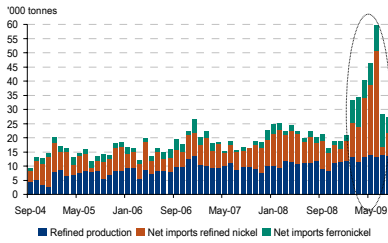


Source: INSG, BofA ML Commodity Research

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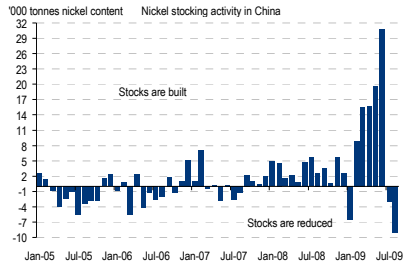
# China has been building nickel stocks

## China's nickel imports rose sharply...



Source: Woodmac, CRU, company reports, Bloomberg, Reuters, Metal Bulletin, BofA ML Commodity Research

## ... though not all of the material has been used



Note: nickel content includes refined nickel and ferronickel  
Source: Antaike, INSG, BofA ML Commodity Research

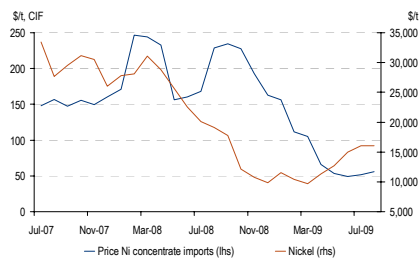
# Ore imports have risen and concentrates prices are down

## Imports of nickel ores into China have risen



Source: Antaike, Bloomberg, BofA ML Commodity Research

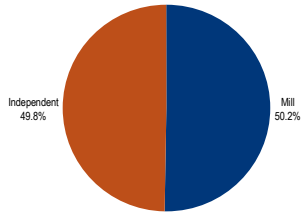
## The price of nickel ores has declined



Source: Antaike, Bloomberg, BofA ML Commodity Research

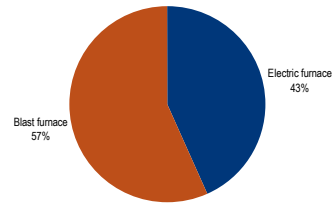
## Blast furnaces are still important

Many NPI facilities are owned by mills



Source: CRU, BofA ML Commodity Research

Higher cost blast furnaces still the lion's share of the market



Source: CRU, BofA ML Commodity Research

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## Nickel: The cost structure of NPI producers differs

### Key characteristics of nickel pig iron production in blast and electric furnaces

#### Blast furnaces

Main cost items: nickel ores, coke; other cost items include: inland transportation, electricity

Tend to be higher cost

Tend to produce NPI with nickel grades of between 2% and 6%

#### Electric furnaces

Main cost items: nickel ores, electricity; other cost items can include: inland transportation, coal, calcium lime

Tend to be lower costs; new generation electric furnaces have lowest production costs among NPI producers

Tend to produce higher grade nickel pig iron, i.e. material with nickel grades of 10%, though facilities can by now produce pig iron with nickel grades of up to 20%.

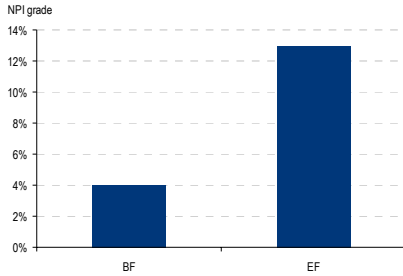
Existing EAF: no rotary kiln, so higher electricity consumption; shorter life-time of refractory lining;  
New EAF: with rotary kilns, so lower electricity consumption, dedicated to NPI production and close to seaports, so lower transportation costs

Source: Tsingshan, CRU, industry sources, BofA ML Commodity Research

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## Many NPI producers can operate profitably

Average NPI grade at blast furnaces and electric arc furnaces



Source: Industry sources, BofA ML Commodity Research

NPI production costs are low relative to current prices

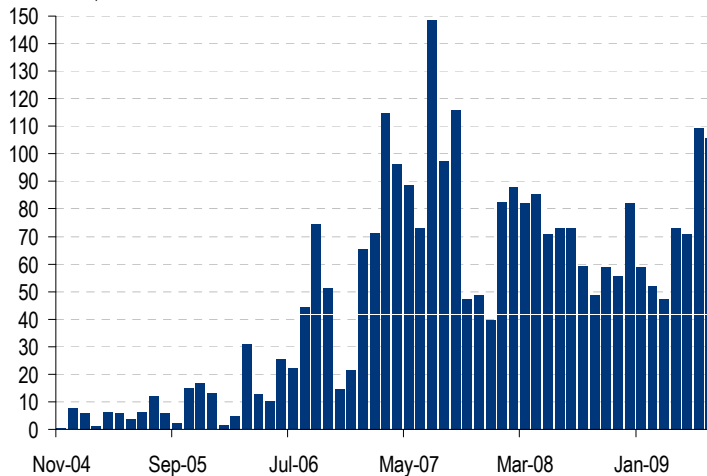
NPI grade	Type	Production cost, \$/t
Low grade	BF	14,500
Medium grade	EF	9,200
High grade	EF	7,300

Source: BofA ML Commodity Research

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## NPI production has rebounded

'000 tonnes, annualised

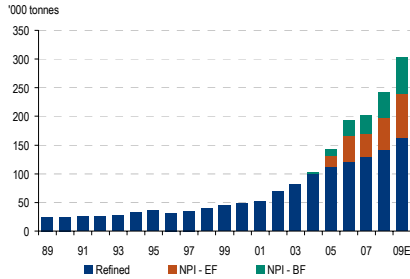


Source: INSG, Antaike, BofA ML Commodity Research

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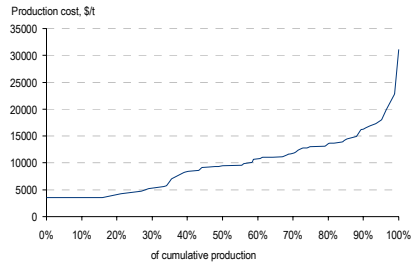
## NPI likely to remain important

Pig iron production is a significant raw material source for China's stainless steel producers



Source: Woodmac, company reports, Reuters, Bloomberg, Metal Bulletin, BofA ML Commodity Research

Many facilities could operate profitably, but higher cost operations have been cautious in boosting output



Source: Woodmac, BofA ML Commodity Research

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