



Moscow, November 18, 2019 — Nornickel, the world's largest producer of palladium and high-grade nickel and a major producer of platinum and copper presents the fourth review of the nickel and platinum group metals (PGM) markets prepared in alliance with ICBC Standard Bank on the basis of a fundamental analysis of world economic and industry data.

«We register growing demand for high grade nickel from Europe, where steelmakers have been changing their feedstock mix,» said Anton Berlin, Head of Marketing at Nornickel. «Automotive battery manufacturers are also buying more, meaning that in the long term we still expect a global structural deficit in the nickel market after 2020».

Metals Market Review

Nickel

A major focus of our research was on the stainless steel market, which accounts for more than 70% of the global nickel consumption. This year was marked by extensive trade wars affecting local and external markets likewise.

Asia-Pacific was a key market in terms of nickel production and consumption, with a tide wave in Indonesia's stainless steel output prompting China to introduce a protective duty on its imports. This step forced Indonesian companies to look at other markets in the region and focus on making nickel pig iron (NPI) to trade with China.

Price dumping by Asian steel manufacturers and protectionist moves by the US administration are forcing local players to adopt defensive strategies against stainless steel imports, triggering full-blown rebalancing on the local market. For example, a decline in scrap prices in Europe came as an additional incentive for crude ferronickel replacement. A rise in scrap processing, in its turn, had a positive impact on Nornickel, the largest global producer of high grade nickel exporting some 50% of its non-ferrous and precious metals to Europe.

Nornickel experts emphasise persistent growth in demand from car battery manufacturers, while also expressing doubts that the announced new crude ferronickel production capacities in Indonesia will be enough to meet the increasing demand in the long term. The Indonesian decision to introduce a ban on nickel ore exports ahead of the schedule is yet another factor fuelling general uncertainty and market volatility.

Nornickel's expert team believes that 2020 will become a transitional year for the industry. The current market situation is not expected to change materially any time soon, with the status-quo supported by ongoing increases in NPI production volumes in Indonesia, and growing supplies of nickel ore from the Philippines, New Caledonia and Guatemala. After 2020, however, the market is most likely to face structural deficit.

Palladium

Nornickel experts expect palladium consumption volumes to outstrip production up until 2025 primarily due to the growing demand for the metal used in the catalysts of internal combustion engine cars, including the hybrid ones. Regulatory restrictions on exhaust gas pollution get harsher every year, especially in such densely populated countries as China, India, the USA and the EU. This year, palladium shortages were somewhat offset by supplies of refined metal coming from the work-in-progress inventories accumulated by South African producers last year.

Next year, palladium shortage will worsen as car production gradually recovers on the back of anticipated government support for car sales in China and the automotive industry's efforts to ensure compliance with new regulations.

Over the long run, considerable additional demand for palladium is projected to build up, potentially covered by the construction of new projects by key producers and recycling.

Platinum

This year, the supply of platinum in the market has recovered from its sharp fall last year, supported by stronger production in South Africa. Most of the mines are now profitable as the local currency is depreciating and strike actions have no meaningful impact on output. Industrial demand faltered in response to the shrinking diesel car market in Europe and India and the overall slump in car sales worldwide. Platinum in the jewellery segment also performed weaker this year, mostly after demand slipped in China amid changes in investor preferences and shaky growth of the Chinese economy.

Surplus in the platinum market, i.e. the difference between production and consumption, came in at 741 koz. However, as investment demand went up to reach 1.4 mln oz and ETFs saw an inflow of more than 1 mln oz compared to a net outflow of 2018, the market moved into a deficit for the first time since 2016, with total market balance standing at minus 543 koz.

Next year, overproduction of platinum is expected to shrink, with surplus going down to 543 koz. If demand from investors remains strong, the market may be well on track to be balanced or even shift towards a deficit. Surplus reduction will also be driven by efforts of diesel car producers to ensure compliance with new environmental regulations.

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ABOUT THE COMPANY

PJSC «MMC «NORILSK NICKEL» is a diversified mining and metallurgical company, the world's largest producer of palladium and high-grade metal nickel and a major producer of platinum and copper. The company also produces cobalt, rhodium, silver, gold, iridium, ruthenium, selenium, tellurium, sulphur and other products.

The production units of «NORILSK NICKEL» Group are located at the Norilsk Industrial District, on the Kola Peninsula and Zabaykalsky Krai in Russia as well as in Finland and South Africa.

PJSC «MMC «NORILSK NICKEL» shares are listed on the Moscow and on the Saint-Petersburg Stock Exchanges. PJSC «MMC «NORILSK NICKEL» ADRs are traded over the counter in the US and on the London, Berlin and Frankfurt Stock Exchanges.

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