



BIR CONVENTION - Nickel market to be close to balance in 2011, ETFs to act as stabiliser - Norilsk

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Singapore 23/05/2011 - The nickel market will be close to balance this year compared with a large shortage in 2010 as additional capacities will be absorbed by modest stainless steel demand and stocking for exchange-traded funds (ETFs), Dmitry Kuznetsov, chief analyst at Norilsk Nickel, said here on Monday.

Nickel supply is expected to rise by more than 10 percent year-on-year in 2011 as new projects come onstream and Vale restarts operations in Canada following a stoppage caused by a strike, he told delegates at the BIR convention.

Meanwhile, primary nickel consumption is set to rise by over 5 percent on year amid modest growth in the global stainless steel sector, he added.

Stainless steel production, which accounts for two-third of nickel demand, should increase by seven percent in 2011, driven by a 10-percent rise in China and modest growth in the rest of Asia, while Europe and the US should see almost no growth, Kuznetsov said.

Another key stabilisation factor will be the "probable appearance of physical nickel demand for stocking by ETFs," he said, adding that both ETF and LME stocks would help to reduce the market surpluses that Norilsk Nickel predicts for 2012-2015.

"The increase in transparent stocks is a stabilising factor for the market as it helps to maintain market balance, decrease the probability of sharp price changes and alleviate the risk of nickel substitution by other materials by its end-users," he said.

Similarly, LME stocks and ETFs should help to compensate the market shortages that Norilsk Nickel anticipates for the period 2016-2020.

(Editing by Martin Hayes)