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## Highlights

### Antaika Metals Market Forecast for 2012: Nickel

Antaika held the metals forecast press conference on March 29 in Beijing, nickel analyst Mr. Fan Runze gave a presentation about the NPI market.

He reported Chinese nickel pig iron industry has been developing rapidly for more than 5 years, while more problems and restrictions emerged as well. The small scale blast furnaces and electric furnaces could no longer meet domestic demand. The RKEF technology has been accepted by producers gradually after few years practice. Most new projects are adopting such smelting technology. The total capacity is expected to reach 470ktpy in the future 2-3 years.

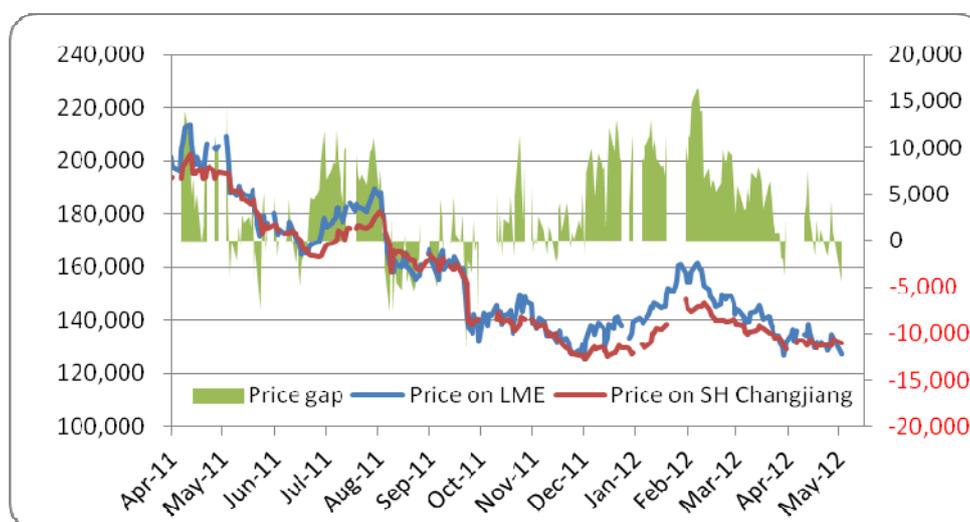
Antaika forecasts LME nickel price will wave in a narrow range in 2012, with yearly average price at USD 200,000-210,000/t. Domestic nickel price will be CNY 155,000/t.

## Nickel Market Comment

### Refined Nickel market

LME nickel price vibrated down in April. At the same time, Chinese domestic nickel price maintained stable relatively. In early April, transaction was flat due to the holidays. The price gap between Jinchuang nickel and Russian nickel product was enlarged to 1,500 yuan/t. Market participants considered nickel price owns strong support at 130,000 yuan/t. A trader said transaction was better in April, and Russian nickel sales were active. But the high season of consumption is coming to an end, the demand is still a big concern.

### Nickel Prices on LME and SHFE and Price Gap Between the markets in 2011-2012



Source: Antaiko

In April 2012, the highest nickel price on Shanghai Changjiang spot market was 134,000 yuan/t and the lowest was 128,500 yuan/t. The average price was RMB 131,121 yuan/t, down by 3.0% m/m.

JNMC's offer of nickel ex-factory price since March 2012:

Date	Mar. 6	Mar. 14	Mar. 19	Mar. 23	Apr. 13	Apr. 19	Apr. 27
JNMC Nickel Cathode (yuan/t)	135,000	138,000	135,000	132,000	134,000	130,000	133,000
LME Nickel (USD/t)	18,651	18,493	18,967	18,105	18,246	17,526	18,022

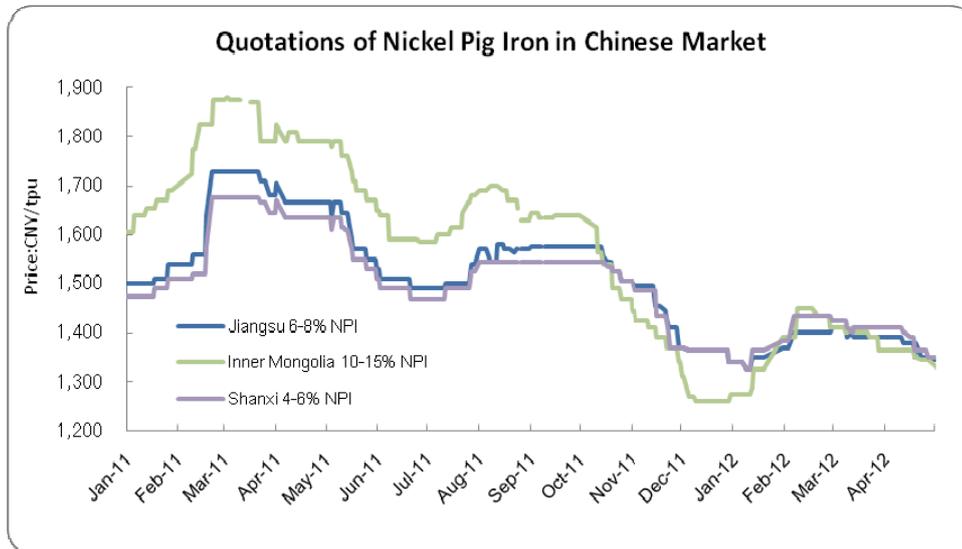
Sources: JNMC

### Indonesia export ban affects domestic NPI market

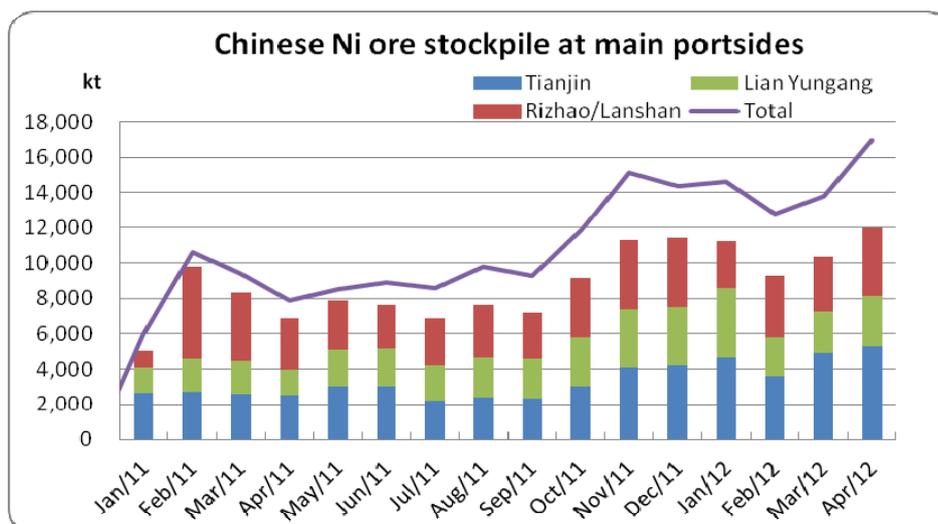
Indonesia government plans to impose 20% tax on raw material resources exports. Antaiko estimates Chinese NPI production in 2012 will be 10% less than earlier expectation. The 2013 NPI output may drop by 20% compared with 2011 data. China produced 250kt of nickel pig iron in 2011. The ore import was 48.2mlnt and 25.7mlnt was imported from Indonesia. The 14 related

commodities are copper, gold, silver, tin, lead, chromium, molybdenum, platinum, bauxite, iron ore, iron sand, nickel, manganese and antimony.

NPI prices lingered at low level in April. Medium and high grade NPI prices edged down, while low grade NPI was relatively strong. The market said many small NPI producers in Hebei province switched to steel production. The operation rate in Shanxi province was also low. Antaiko understood Chinese NPI capacity utilization rate was around 60%. Many plants are having a big stockpile. In late April, domestic major steel makers released NPI purchasing price: Tisco 1,340 yuan/mtu, Jisco 1,370 yuan/mtu, Lisco 1,340 yuan/mtu and ZPSS 1,330-1,350 yuan/mtu. The purchasing prices were adjusted down, indicating steel plants were not looking good into May market.



Nickel ore with low nickel and high iron content was short in supply due to Philippines government's control. The price was raised up again. Middle and high grade ore went down slightly. Downstream consumption was weak. The ocean freight expenses rose, thus the ore import cost increased. Affected by Indonesian export policy, the ore import in 2012 was still huge, though slightly down. The stockpile at ports was more than 1.60 million tonnes in late April.



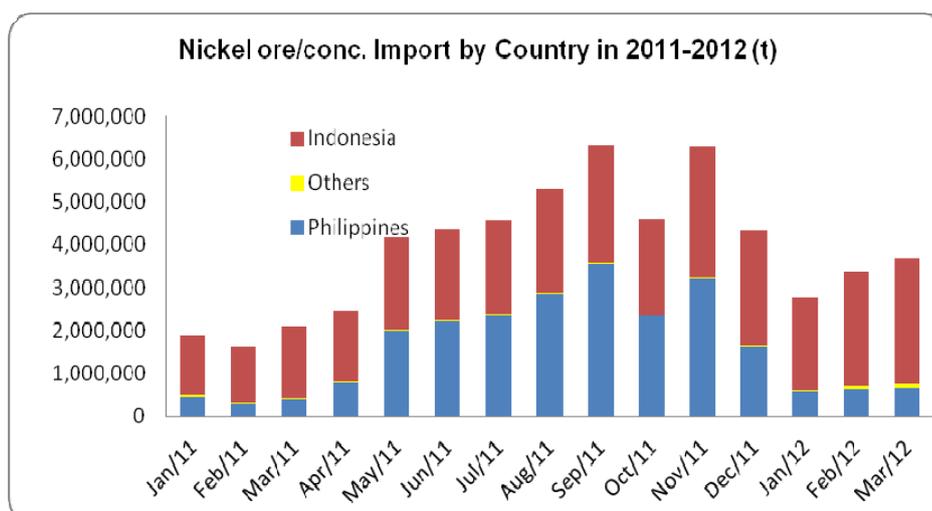
### Growth of Chinese NPI production slows down

LME nickel price fell by 5% in Q1 this year, which owns the largest fall among base metals. However, the upstream ore traders were still trying to raise ore prices. Stainless steel plants pressed down raw material purchasing prices at the same time. It made NPI producers even hard to make profit. As a result, Chinese NPI production slowed down the development pace. Chinese NPI output was nearly 69kt in Q1 2012, up by 3% y/y. Low grade NPI production maintained stable during this period, representing 15% of the total output.

### Nickel ore import down in Q1

China imported 9.8mlnt of nickel ore in Q1 this year, down by 36% against Q4 last year. China imported 3.67mlnt of nickel ore in March this year, up by 73% y/y. 2.90mlnt was imported from Indonesia and 680kt was imported from Philippines. China also imported 50kt from New Caledonia, which was the second straight month for China to import ores from the county in recent 3 years.

The key factor for the falling ore import is the decreasing import volume from Philippines. Chinese nickel ore import from Philippines kept at around 2.0Mt each month in Q4 2011. But the monthly import this year was merely 700kt. China has been importing more ores from Indonesia. Ore traders had been trying to ship more resources back China before Indonesia carries out the export ban. It is estimated that most vessels were sent to Indonesia and import from Philippines dropped.



Source: China Customs

### Chinese Nickel Ore/Conc. Import by Origin in 2012, tonne

Country	Jan.	Feb.	Mar.
Total	2,770,762	3,371,880	3,667,760
Indonesia	2,142,875	2,641,662	2,901,773
Philippines	596,024	654,246	682,415

Source: Customs

### Chinese nickel apparent consumption 161kt in Q1 2012

Chinese nickel apparent consumption was 161kt in Q1 2012, up by 8.3% y/y. Refined nickel output was 41kt, up by 11.5% y/y. Nickel pig iron output is estimated to be 69kt during the same period. The total primary nickel output was 106kt in Q1 2012, up by 5.6% y/y.

China imported 39,253t of refined nickel in Q1, down by 16% y/y. According to market data, there was 50-70kt of refined nickel stockpile in bonded warehouse. Chinese nickel import reduced in Q1 while export was still large. At the same time, domestic nickel supply maintained stable, indicating domestic demand shrank in Q1.

### Chinese apparent consumption of nickel in 2011-2012 Unit: tonne

	2011	Jan 2012	Feb 2012	Mar 2012	Q1,2012
Output of Electrolytic Ni	182,750	13,861	13,818	13,650	41,329
Output of Jilin Ni Salts	9,000	750	750	750	2,250
Output of NPI	254,300	21,000	21,000	21,000	63,000
Output of Primary Nickel	446,050	35,611	35,568	35,400	106,579
<b>Imports</b>	277,666	22,992	22,621	22,800	68,413
Unwrought Nickel	199,065	12,736	12,107	14,000	38,843
Nickel Anode	1,692	105	141	140	386

	2011	Jan 2012	Feb 2012	Mar 2012	Q1,2012
Nickel Powder	3,888	374	294	300	968
Sintered Nickel Oxide (Physical weight)	9,365	626	233	300	1,159
Sintered Nickel Oxide (Nickel Content)	8,060	538	200	200	938
Intermediate in Hydrometallurgy (Physical weight)	27,068	2,404	2,678	2,500	7,582
Intermediate in Hydrometallurgy (Nickel Content)	24,361	2,067	2,303	2,150	6,520
NPI (Physical weight)	135,335	23,903	25,252	25,000	51,655
NPI (Nickel Content)	40,601	7,171	7,576	7,576	22,323
<b>Apparent Supply</b>	<b>723,716</b>	<b>56,535</b>	<b>55,886</b>	<b>57,616</b>	<b>170,037</b>
<b>Exports</b>	<b>33,184</b>	<b>545</b>	<b>4,799</b>	<b>3,000</b>	<b>8,344</b>
<b>Apparent Consumption</b>	<b>690,532</b>	<b>55,990</b>	<b>51,087</b>	<b>54,616</b>	<b>161,694</b>

Source: Antaiko

## Outlook

The bulk commodity prices fell in April on slow economy growth of USA, worse of European debt crisis. LME nickel price was even weaker than other bulk commodity. Nickel market seemed to emerge a recover sign in early April, but over supply was still a big pressure. The price touched a high of USD 18,700/t and then declined below USD 18,000/t. Many institute predicted the world nickel supply will be surplus in 2012, which affected the price. However, some speculating funds will cushion the price above USD 17,000/t. It is expected nickel price will rebound in May, running at USD 17,050-18,600/t.

As more nickel project being developed in the future 3 years, the HPAL smelting technology will be crucial to lateritic nickel ore usage. Some analysts said the price trend would be depending on the development and utility rate of HPAL technology. It is predicted the world stainless steel output will grow 11% in 2012. But the expected 46kt of surplus in 2013 will be a strong pressure to nickel price.

## Market News

### **Indonesia rainy weather affects ore shipments**

Indonesia has been under rainy weather for up to a week. The watercourse in Pomalaa Port was jammed, so as to delay of some vessels. It is said about 16 vessels were postponed at Pomalaa port. As a result, the current loading of other ore products is very slow. It is estimated traders may adjust ore price to lower the stock in the near future.

### **Philippines expects more nickel ore sales in 2012**

Nickel-ore production and exports from the Philippines are set to increase in 2012 as the nation benefits from Indonesian plan to halt shipments of unprocessed material since May, the Mines and Geosciences Bureau said.

Ore from Indonesia and the Philippines accounted for 26% of global refined output in 2011, making them the joint second-largest origins, according to the US Geological Survey. Stock in Nickel Asia Corp. gained to record, rising 59% this year, as the biggest Philippine ore producer may benefit from the Indonesian curb on exports.

### **Indonesia accelerates export ban for raw minerals**

Indonesia government has finally decided to impose export duty for raw minerals like nickel ore, bauxite ore, copper concentrate, etc. But the duty level is not clear yet. This move is seen for Indonesia to accelerate its export ban for ore resources. Fiscal Policy Board of Ministry of Finance also planning to utilize the funds collected from the export duty to use to build smelters.

Miners could still export unprocessed mineral ores until 12 January 2014, but they will be charged with export duty until a full-fledge ban on unprocessed mineral ore export.

It is said that the Pomalaa port cannot receive ships since May 6, and all the loaded ships should leave before May 6. Chinese ore traders said they had no longer sent shipment to Indonesia.

Indonesia is an important ore trader of China. It is also Chinese largest bauxite trading partner. The export ban is expected to push up prices of lateritic ore and bauxite.

**Chinese nickel ore import to rise 45% in 2012**

Chinese largest ore importer Dunfeng Holdings vice president Mr. Wang Ruyan predicted that Chinese nickel ore import will rise 45% in 2012. The volume might reach 65-70 million tonnes. China imported 48 million tonnes of nickel ore in 2011.

Chinese importers were keen to import nickel ore from Indonesia. The ocean freight increased by USD 3/t. Chinese port stock is at high level. Some traders doubt whether China could consume such large volume ore stockpile.

**Steel makers in Hebei increased nickel ore import in 2011**

Data shows the import volume of Tangshan port increased sharply in 2011, accounting for 1/4 of Chinese total. Many steel producers used low price nickel ore to smelt steel instead of using iron ore.

The total import volume of Tangshan port reached 6.36 million tonnes in 2011. Indonesia was under rain weather in Q1 this year. However, the import through Tangshan port was 500kt. The highest low grade price was 410 yuan/t in 2011, while the iron ore price was as high as 800 yuan/t.

**Shuofeng project to start operation in August**

Inner Mongolia Shuofeng Industry has been proceeding its 200ktpy Ni & Cr alloy project in Fengzhen County, Inner Mongolia. The project with CNY 1.0 billion investment was launched in October 2011.

The stage 1 project is designed to build 2 furnaces. The company said it will finish stage 1 construction and start trial production in August this year.

**CNR, PT.JM sets up joint venture**

China Nickel Resources (HK. 02889) announced on April 11 that the company will set up joint venture with Indonesia based PT. JM Mutu Utama company. The latter agreed to purchase 39% stock of the joint venture at cost of USD 8.95 million.

The joint venture will mainly engage ore processing operation in Indonesia, and iron & steel production. PT.JM will offer 169 hectares ground to build plant, and will also help cooperation partner to obtain convenience to use local facilities.

PT.JM, established in December 1999, is a leading Indonesia trader and manufacture engaged mainly in chemical s of Oil Drilling like Drilling Mud, Cementing, Production, Water-Treatment, Stimulation, Fracturing, Industrial Steel, Etc.

**Jien Nickel net profit down in Q1 2012**

Jilin Jien Nickel Industry Co., Ltd. (Jien Nickel, SH. 600432) released its Q1 report on April 27, which said the company lost CNY 176 million in the first quarter of 2012 due to the weak nickel price.

Jien Nickel produced 325 tonnes of nickel in concentrate during the same period.

**Fujian Haihe NPI project comes on stream**

Fujian Haihe Industry Company put its 600ktpy nickel pig iron project stage 1 into test production on April 23. The company started up two 30,000KVA furnaces. It is expected to yield first batch of product in May. The designed output is 5,000t each month.

The project was invested by Shanghai Tianyuan Investment Co., Ltd. The overall project is designed to own 600ktpy of NPI capacity and 1.0 mln tpy stainless steel capacity. The project adopts advanced Rotary Kiln Electric Furnace (RKEF) processing technology. The stage 2 project will construct four sets of 60,000KVA furnaces.

**Chaoyang Lixin to commission its NPI project in mid-May**

Chaoyang Lixin Nonferrous Metals Co., Ltd has completed construction of its stage 3 nickel pig iron project, and planned to start test production in the middle of this month. Construction of the two 36,000KVA furnaces was started in September 2011.

Chaoyang Lixin Company was co-invested by Jien Nickel and Chaoyang Tianma Group, each holding 50%. Raw material of the project will be imported from Indonesia and Philippines. And the major output will be sold to metallurgy, light industry, mechanical and electronics industry.

**Changhong 50ktpy NPI project rolls on line**

Changhong High Quality Steel Material Co., Ltd. put its 50ktpy nickel pig iron project into production in Pinglu County, Shanxi province. The total investment was CNY 88 million. Two 250,000KVA furnaces were built. The local government offered full support and it is said the project

could provide employment opportunities for more than 250 people.

The project will realize water recycling in production line. The automatic technology can also save much labor workforce. Pinlu County also invested a matching project-500ktpy sintering project.

### **Chinese stainless steel capacity to reach 2.6mln tpy in 2015**

Mr Hu Mingyang, adviser of the Special Steel Enterprises Association, said on March 25th, 2012 at a molybdenum conference that China's stainless steel production capacity would reach 26 million tonnes per year by 2015, supporting the development of alloying metals.

However, China's actual stainless steel output by 2015 might be at 16 million tonnes, rising by 27% Y/Y from 2011. In addition, the country's apparent stainless consumption growth rate is expected to slow down to 23.7% in the next five years from 58% growth rate during 2006-2010.

Mr Hu pointed out that as a result, the Chinese stainless steel industry will pay more attention to improve quality from the expansion in volume, aiming to enhance the ferritic stainless steel output to 50% by 2015 from the current 25%.

### **Stainless steel makers curtail production in April**

Many stainless steel producers chose to continue curtail production in April on the weak demand and low price. Chinese largest private stainless maker Tsingshan Group would reduce 30kt of 300 series product output in April. The company has reduced 26kt of production in March this year.

Zhangjiagang Pohang Stainless Steel Co., Ltd (ZPSS) said it would lower 30% production to 304 type product, and the output hurt will be 20kt in April. Baosteel said it would reduce 25kt output this month. Tisco also announced to cut 304 type product, but it will raise product shares of 316 type and 310 type to 60% in April from 50% in March. Lisco will also reduce 10kt of 300 series product.

**Chinese stainless steel makers plans to further curtail production in May**

Chinese domestic key stainless steel producers decided to further reduce production in May on low demand. Tisco planned to conducted maintenance for its middle and thick sized steel plate production line as well as hot rolling line, and the output loss might be 30-40kt in May. Southwest Steel, Baosteel and Lisco will maintain the production level of last month this month.

Tisco lowered its 304 steel price to CNY 18,500-18,700/t on April 20, which is more or less the same with the level of June 2009. It is said Tisco would reduce supply of 304 cold rolled coil by 60-70% this month to support market price. A trader said the stockpile of 304 coil at Wuxi market fell to a fairly low level, while the stock of 400 series product increased in late April.

**Wugang City launched 500ktpy SS project**

Union of Nine C.C. held foundation laying ceremony for its 500ktpy stainless steel composite plate and deep fabrication project on March 31. Many officials from local government took part in the ceremony. Construction was started on the same day.

The project will be constructed in New Material High-tech Industry Garden. Union of Nine C.C. will invest CNY 12 billion in the new material project. Union of Nine C.C. is consisted of 9 Chamber of Commerce in Henan province. The union aims to gather funds and boost economy development of Henan province.

**Wuzhou to commission three large projects before July**

Wuzhou Stainless Steel Product Industry Zone three large projects with more than 1.0 bln investment respectively will start operation before July this year.

Jinhai 1.0mtpy stainless steel project will start trial production on April 20. Total investment amounts to CNY 1.08 billion, and it will be constructed by two phases.

Dongpeng Special Steel 1.2mtpy stainless steel product project is expected to commission in late June. Yongda project was launched in September 2011. The designed capacity is 600ktpy of plate and 300ktpy of deformed steel.

**Henan launches large scale SS composite material project**

Henan province launched a largest scale stainless steel composite material project, which is capable of producing 500kt of stainless steel composite plate and deep processing products.

The project will use high quality steel plate material produced by Wuyang Iron & Steel Company, subsidiary of Hebei Steel Group. Total investment is around CNY 12 billion. The major products could be used in the field of Marine oil platforms, chemical industry and Salt and alkali manufacturing industry.

Wuyang Iron & Steel Company is an important production and R & D base of steel plate. The company now is able to produce 5.0 mlnt of steel and 3.0 milt of plate each year.

**Taiwan Tangrong lowers April stainless steel price**

Taiwan Tangrong Stainless Steel Company lowered its April price for 300 series products. The domestic price was decreased by 5,000 yuan/t and export price was decreased by USD 170/t.

Tangrong keeps its capacity utilization rate at 70-80%. It said the Gaoxiong plant produces 28-30kt output each month.

**Tisco develops bell type furnace**

Chinese leading stainless steel producer Tisco has successfully researched and developed the hydrogen bell type annealing furnace, and put it into trial production in 2250mm hot rolling production line.

Tisco planned to commission 30 hydrogen bell type annealing furnaces in April this year, aiming to lift its 400 series output. Tisco said the project would create opportunities for R&D of other steel types.

**Tisco joins hands with German BSE**

Chinese leading steel maker Taiyuan Iron & Steel Co., Ltd (Tisco) entered into a technical cooperation contract with Germany based Badische Stahl Engineering (BSE) on April 18. Mr. Hohannes Greinacher, president of BSE, and Mr. Zhang Zhifang, deputy general manager of Tisco signed the contract on behalf of both parties.

The main aim is to optimize current human resources and production equipment, and further enhance competitiveness of Tisco.

BSE shared a great reputation among the worldwide steel industry. It owned enriched metallurgical experiences and skills, as well as excellent management knowledge and experience in raising efficiency

of short flow factory.

**Taiyuan City to  
Build Stainless  
Steel Trade Center**

Taiyuan City of Shanxi province is to held foundation laying ceremony for its steel & stainless steel transaction centre. The investor is Shanxi Dingtai Logistics Co., Ltd., and total investment is CNY 1.2 billion.

Mr. Li Weijun, manager of the project, said it will introduce advanced logistics management system. The transaction center will integrate storage & logistics, trade, exhibitions and commercial office.

**Chinese SS daily  
products see rapid  
growth in 2012**

Chinese stainless steel end products post rising trend in 2012. China produced 251.7kt of stainless steel daily products in March this year, up by 32.38% y/y. The output reached 718.8kt in Q1 2012, up by 24.37% y/y.

Guangdong province is a major production base of the SS daily products. The output there was 341.7kt in Jan-Mar this year, representing for 47.53% of the Chinese total, up by 3.48% y/y. The other producing bases are Henan province, Shandong province and Zhejiang province etc.

Statistics

**Imports and Exports of Ni Products in March 2012**

Commodity	Quantity in Mar 2012	Quantity in Jan- Mar 2012	Y-o-Y Jan-Mar %	Value in Mar 2012	Value in Jan-Mar 2012	Y-o-Y Jan-Mar
<b>Import</b>	<b>t</b>	<b>t</b>	<b>%</b>	<b>USD</b>	<b>USD</b>	<b>%</b>
Nickel mattes	10,874	30,631	-18.2%	117,339,199	321,807,593	-42.5%
Refined Nickel	14,410	39,253	-16.0%	288,446,758	764,311,398	-37.4%
Ni semis	1,448	4,200	29.6%	68,069,883	176,501,611	38.4%
Other products	211	562	-0.1%	14,356,364	34,608,042	3.0%
<b>Export</b>	<b>t</b>	<b>t</b>	<b>%</b>	<b>USD</b>	<b>USD</b>	<b>%</b>
Nickel mattes	0	0	-	0	0	-
Refined Nickel	2,870	8,214	-11.3%	60,369,183	180,202,260	-26.5%
Ni semis	397	969	26.9%	14,094,562	37,552,846	34.1%
Other products	62	163	-29.1%	3,330,641	8,251,006	-20.7%

Note: 1. Figures are provided by China Customs.

2. All Imports/exports of commodity are in physical weight.

**Chinese Refined Nickel Output by Region in March 2012 (tonne)**

Region (Unit: tonne)	Mar 2012	Jan-Mar 2012	% Jan-Mar 12/11
<b>Chinese Total</b>	<b>16,446</b>	<b>44,911</b>	<b>12.99</b>
Jiangxi	4,266	8,581	268.13
Henan	121	309	34.93
Guangxi	630	1,669	-27.15
Chongqing	143	143	
Sichuan	232	466	38.28
Yunnan	103	269	-63.65
Shaanxi	384	1,168	40.72
Gansu	10,000	30,470	-6.00
Xinjiang	567	1,836	218.75

Source: CNIA

### Chinese Import of Nickel Ores and Concentrates (tonne)

	Nov 2011	Dec 2011	2011	Jan 2012	Feb 2012	Mar 2012
Import of nickel ores and concentrates	6,289,869	4,337,379	48,055,678	2,770,762	3,371,880	3,667,760

Source: China Customs

### Chinese Import of Nickel Mattes (tonne)

	Nov 2011	Dec 2011	2011	Jan 2012	Feb 2012	Mar 2012
Import of nickel mattes	8,809	8,371	109,308	9,685	10,071	10,874

Source: China Customs

### Chinese Import and Export of Refined Nickel (tonne)

	Nov 2011	Dec 2011	2011	Jan 2012	Feb 2012	Mar 2012
Import	18,527	19,000	212,479	12,736	12,107	14,410
Export	2,416	494	32,288	546	4,799	2,870

Source: China Customs

### Chinese Nickel Ore Stockpile at Main Portsides, kt

	Tianjin	Rizhao&Lanshan	Lianyungang	Total
Jan 2012		4,650	2,700	14,650
Feb 2012		3,600	3,500	12,800
Mar 2012		4,900	3,110	13,800
Apr 2012		5,300	2,800	16,970