



# Pricing Trend Mechanics of Manganese Alloys and Ores

*Prepared for:*

IFAPA Conference 2018

6 September 2018

Arshiya Sibia

CRU Analyst, Steel RM



# Contents

---

- Recent developments
- Short-term outlook
- Medium-term outlook
- Impact from Malaysian supply



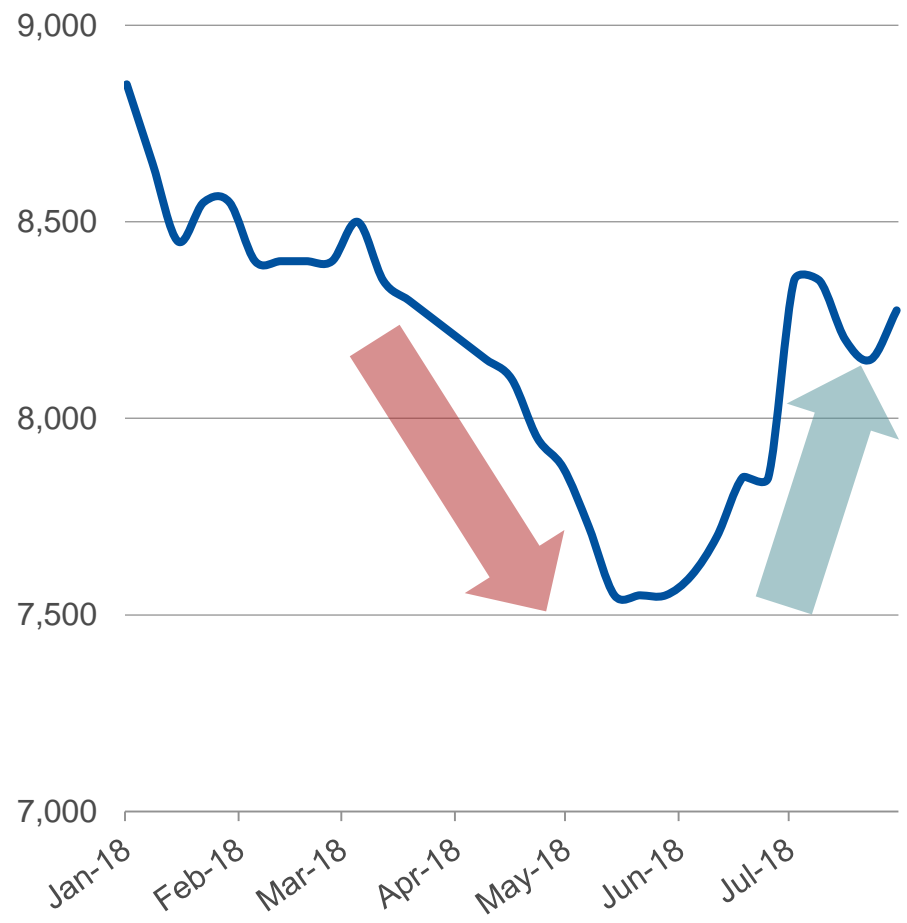
## Recent developments

- New round of environmental checks in China drives ferroalloy prices sharply up
- Manganese ore prices also move higher, but to a much smaller extent
- Ferroalloy prices fall elsewhere in the world, severely squeezing profit margins



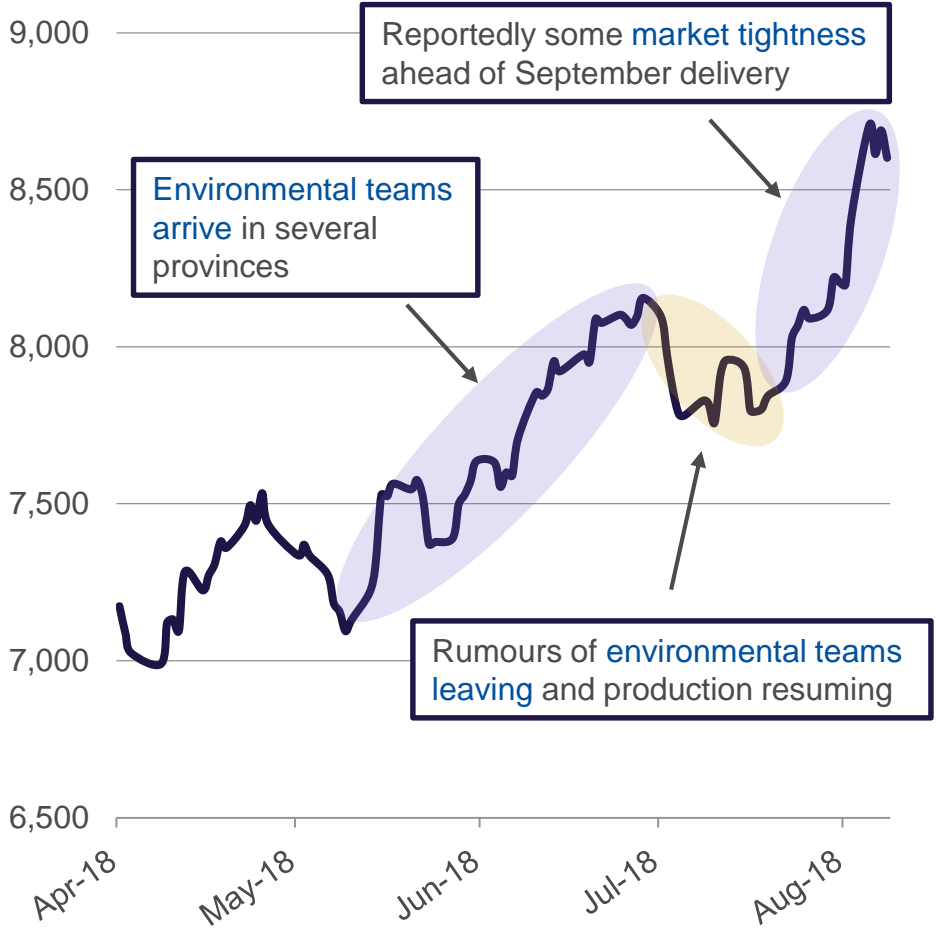
# After sharp falls, Chinese SiMn prices increased again

Chinese SiMn price, 65% Mn, DDP, RMB/t,



Data: CRU.

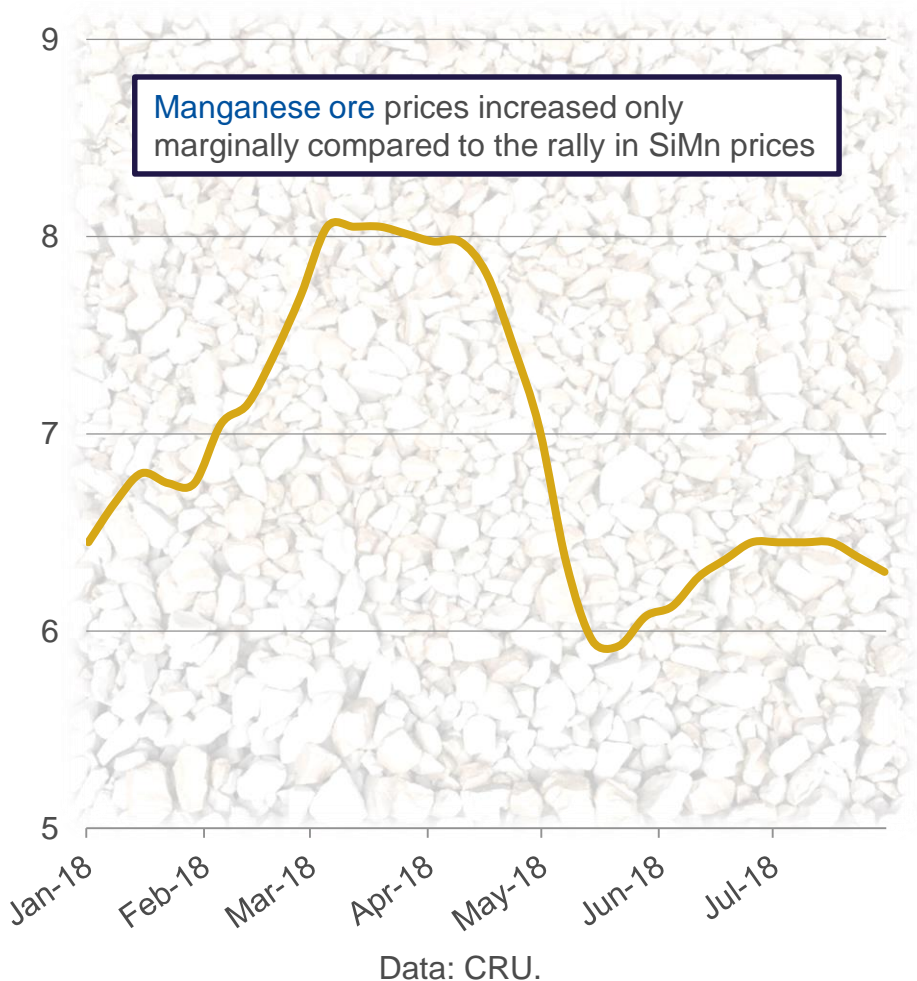
SiMn Sep 2018 futures price, RMB/t



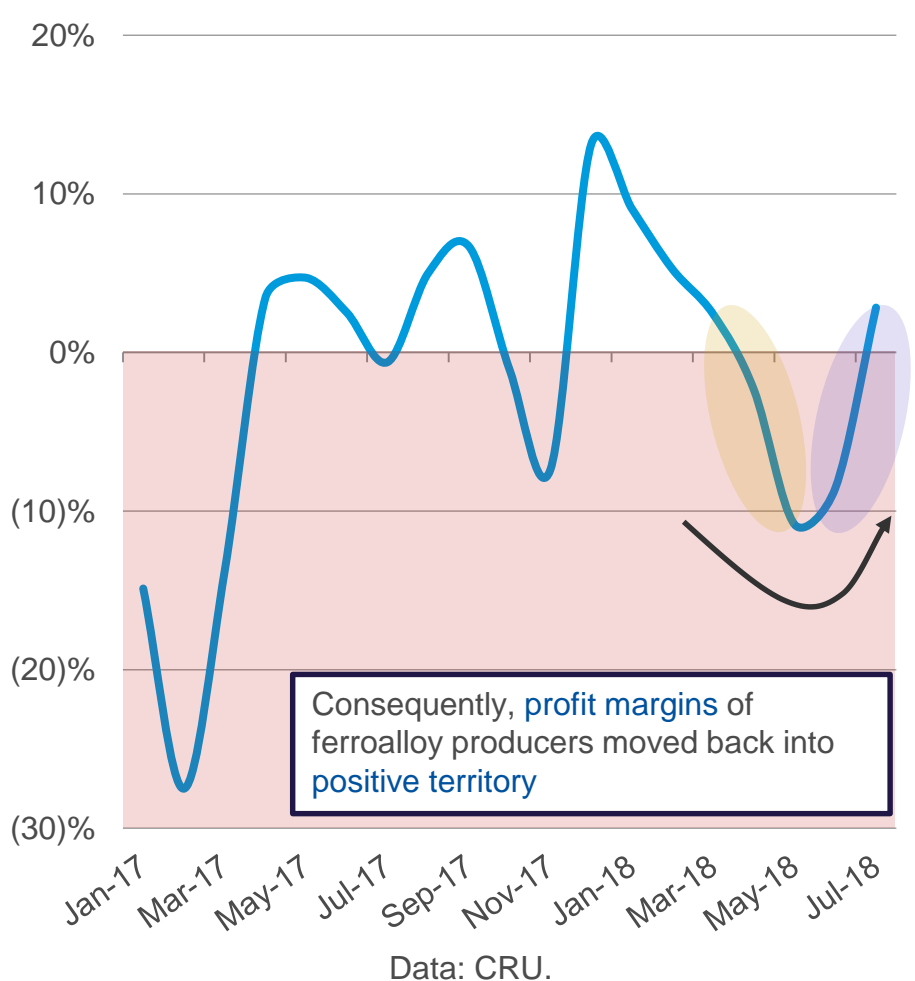
Data: Zhengzhou Commodity Exchange.

# Chinese profit margins improved sharply in July

Mn ore price, 36-39% Mn, CIF China, \$/dmtu

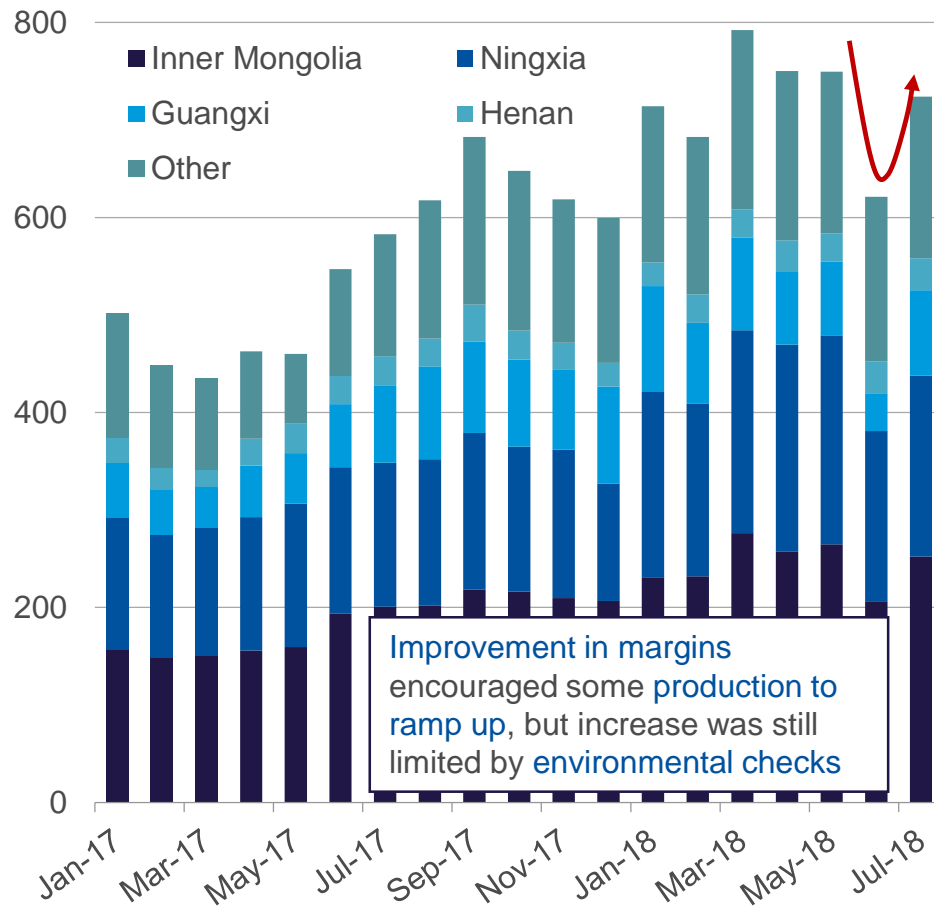


Notional profit margins of Chinese SiMn producers, %



# Chinese ore port stocks continued to climb through July

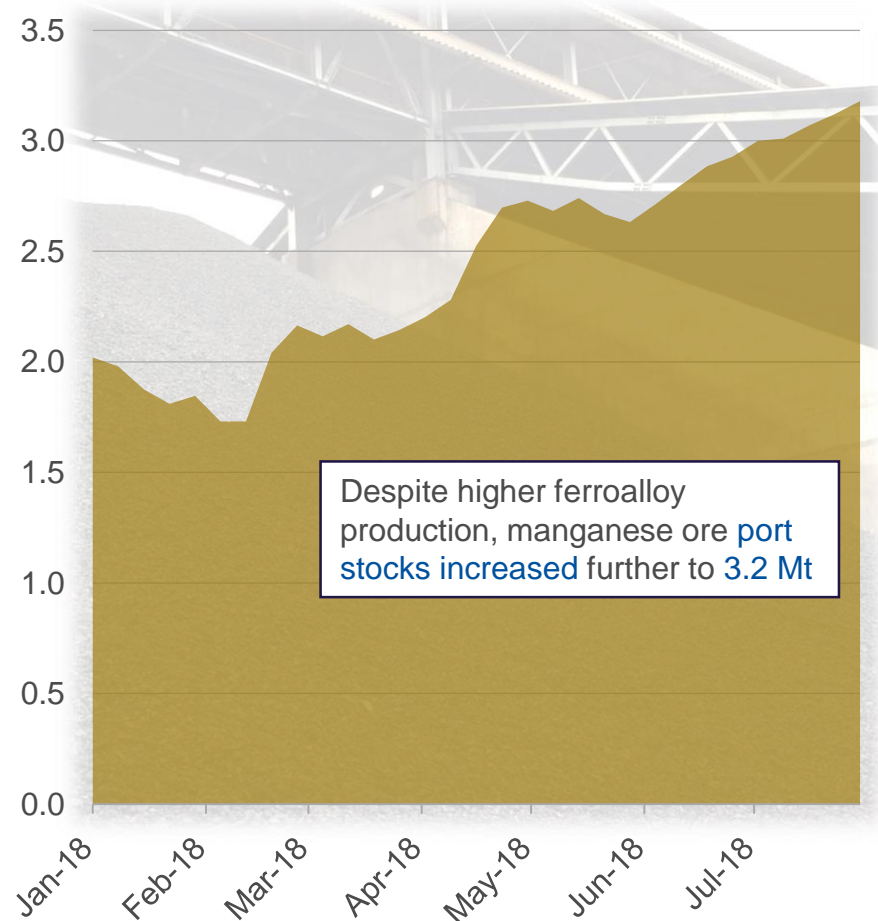
SiMn production in China, '000 t



Improvement in margins encouraged some production to ramp up, but increase was still limited by environmental checks

Data: CNFEOL.

Manganese ore stocks at Chinese ports, Mt

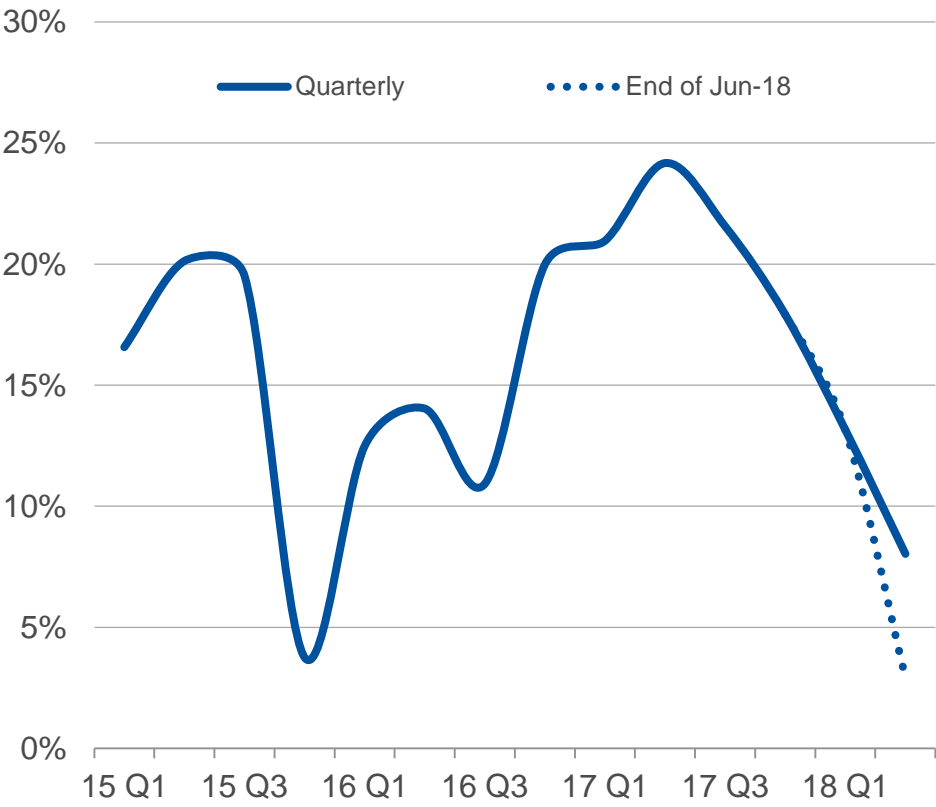


Despite higher ferroalloy production, manganese ore port stocks increased further to 3.2 Mt

Data: Mysteel.

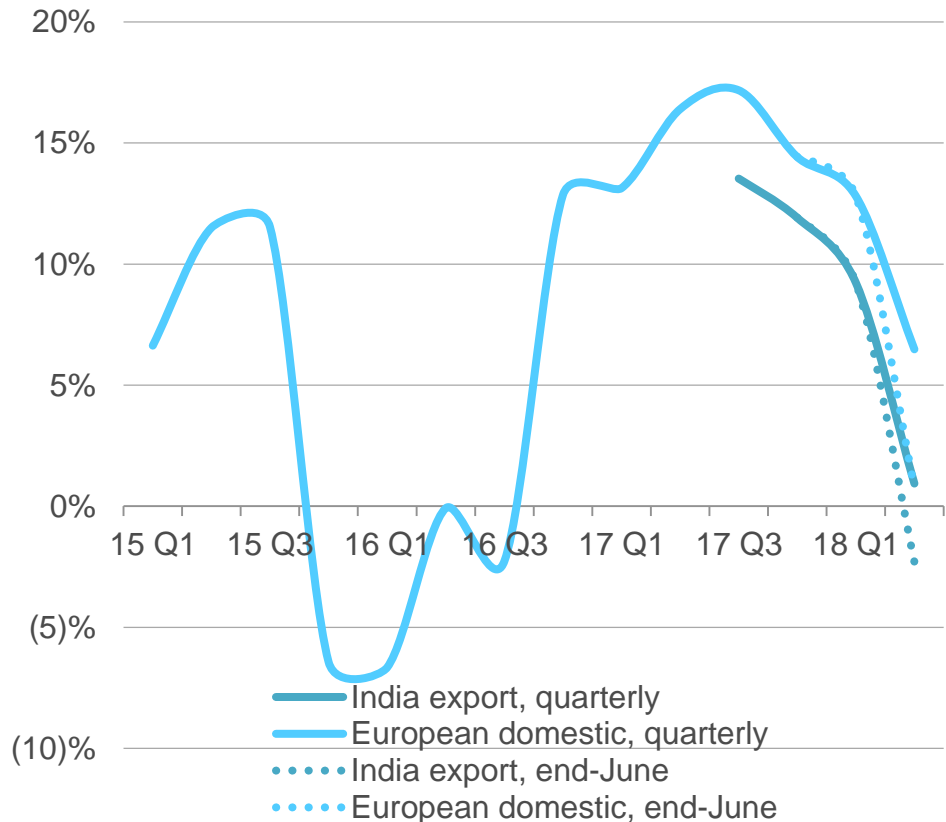
# Margins of ferroalloy producers got squeezed by end-Q2

Notional profit margins for European SiMn producers, %



Data: CRU.

Notional profit margins of Indian SiMn producers based on Indian export price and on European domestic price, %



Data: CRU.

## Short term outlook

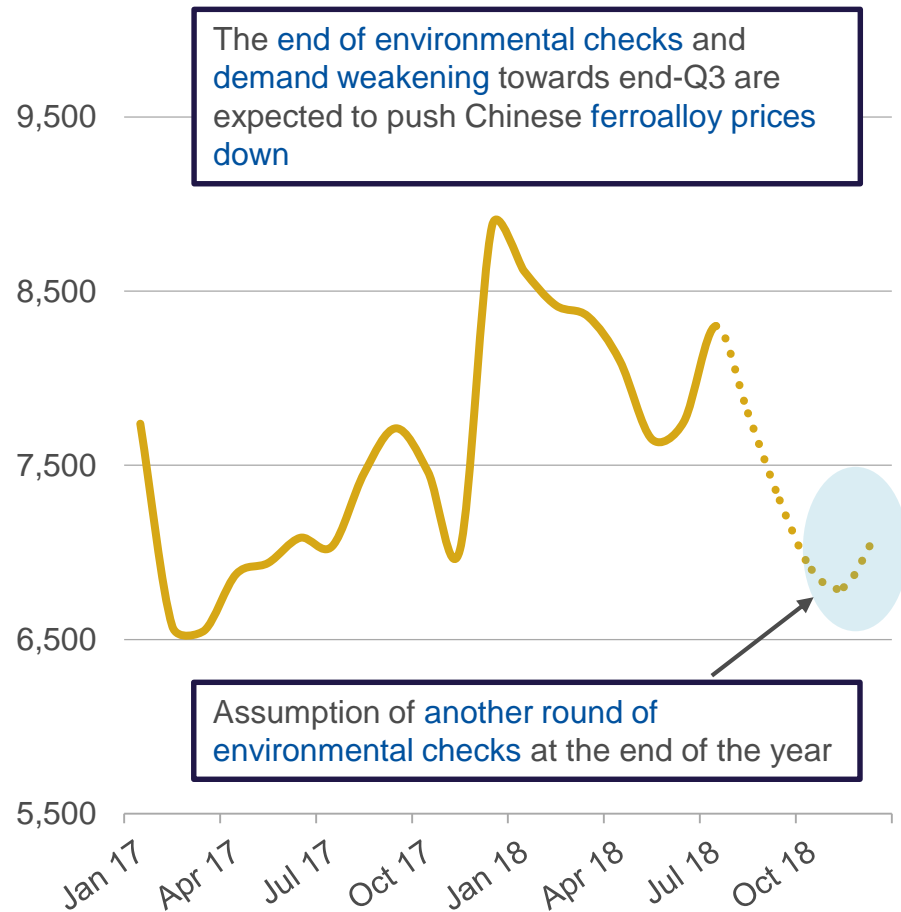
- Now a prominent Ferroalloy prices in China expected to fall back through H2
- In the base case, we now assume there will be environmental checks at end-2018
- The manganese ore market is oversupplied and prices will fall
- There will be downward pressure on ferroalloy prices elsewhere in the world from excessive supply





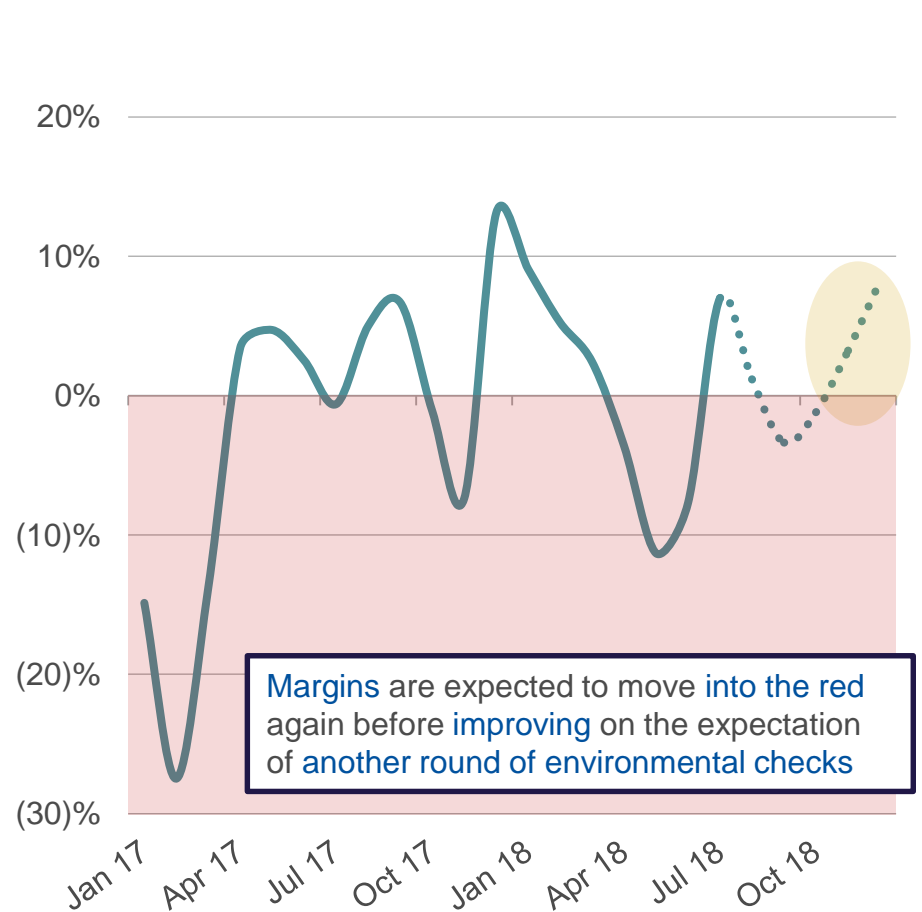
# We expect Chinese ferroalloy prices to fall in H2

Chinese SiMn domestic prices, 65% Mn DDP, RMB/t



Data: CRU.

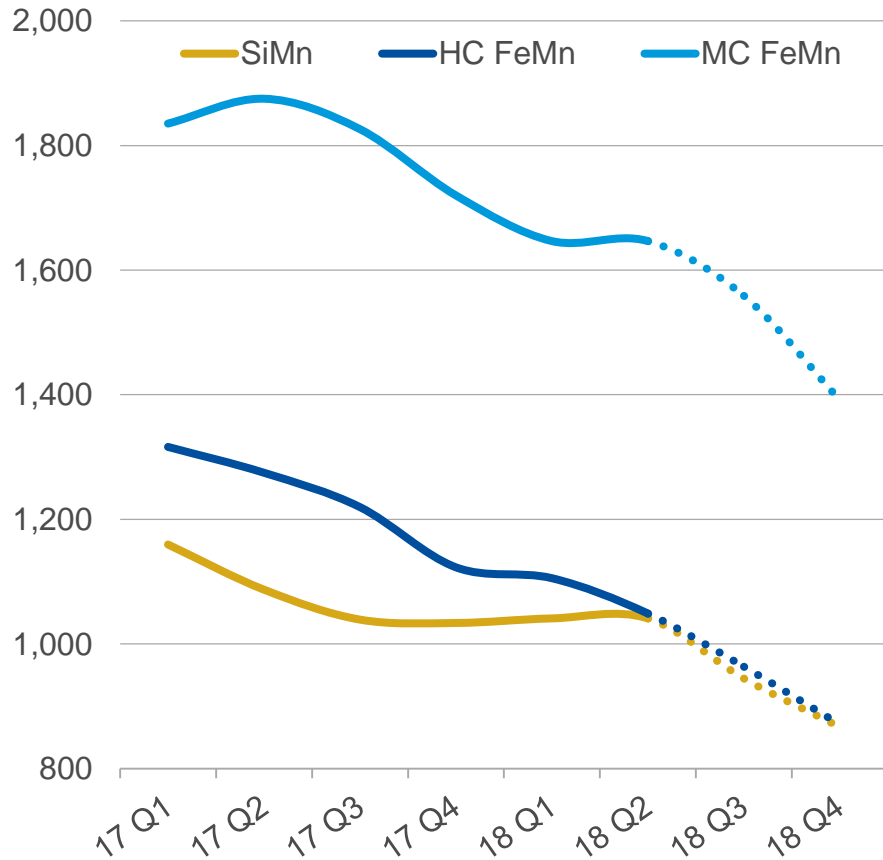
Notional margins of Chinese SiMn producers, %



Data: CRU.

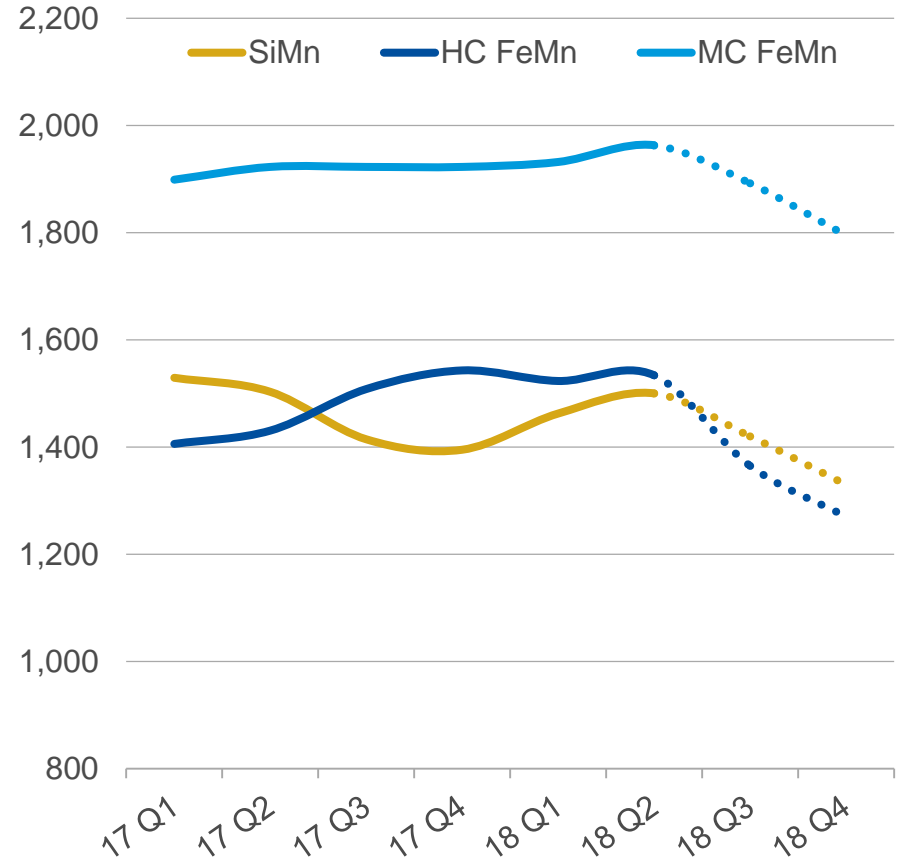
# In the rest of the world, prices are also expected to fall

Ferroalloy prices in Europe, DPP, €/t



Data: CRU.

Ferroalloy prices in USA, EXW, \$/t

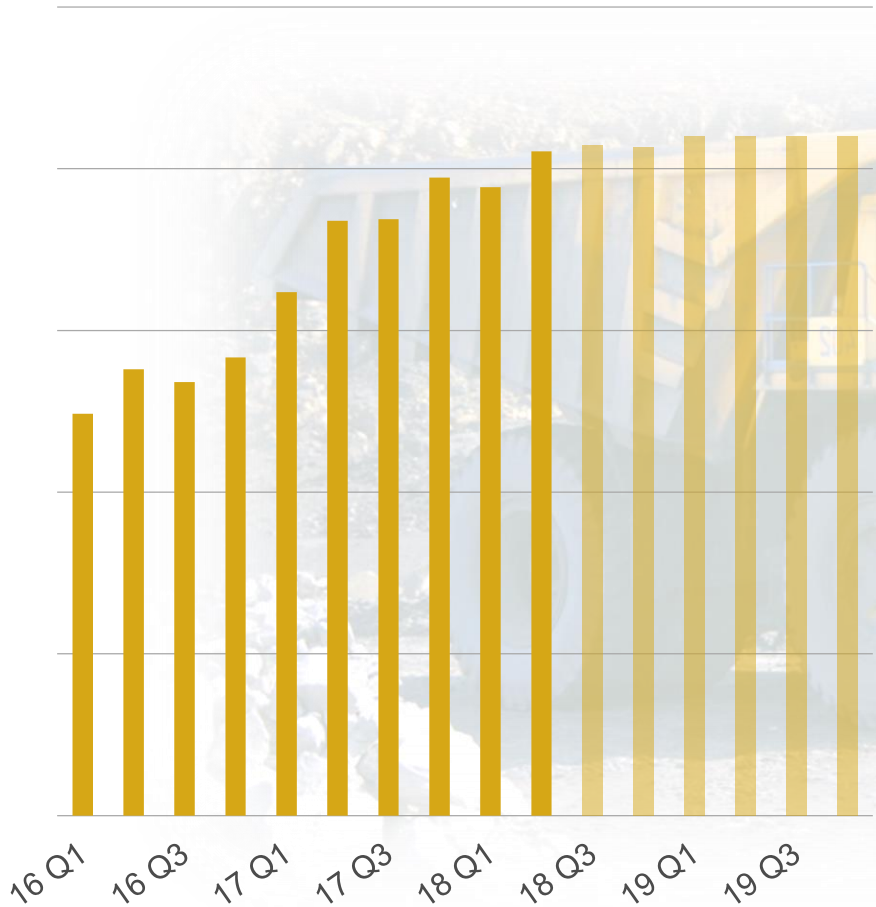


Data: CRU.

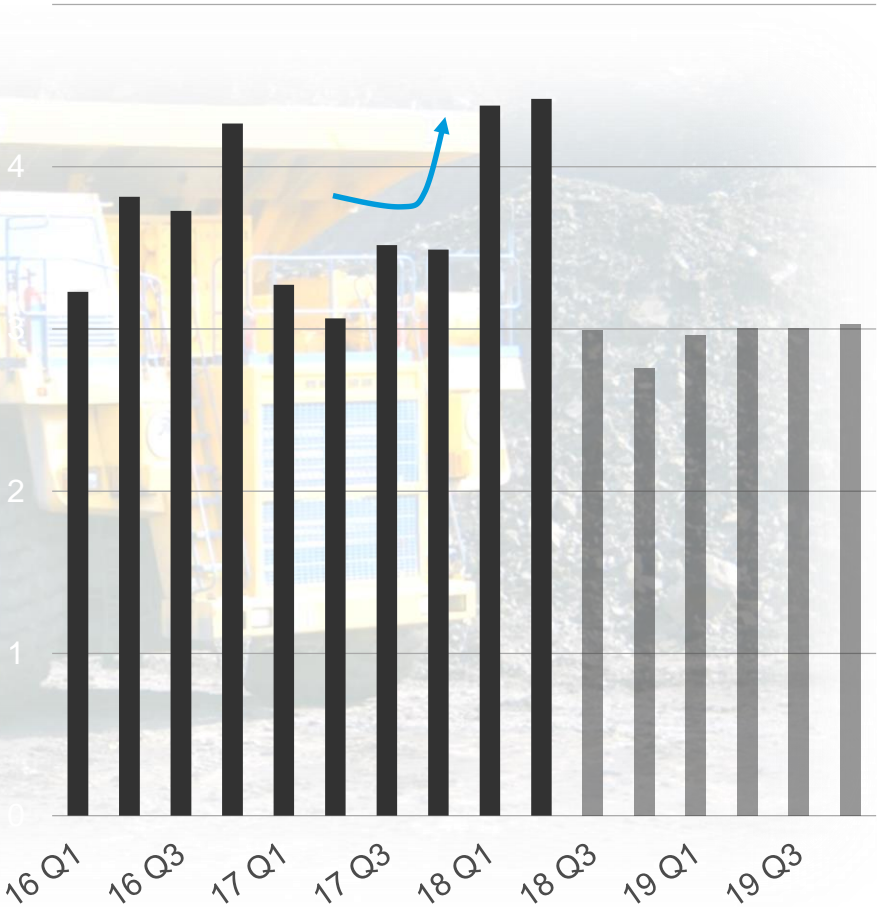
# Supply of manganese ore has been running high

South African manganese ore production, Mt

Chinese manganese ore production, Mt



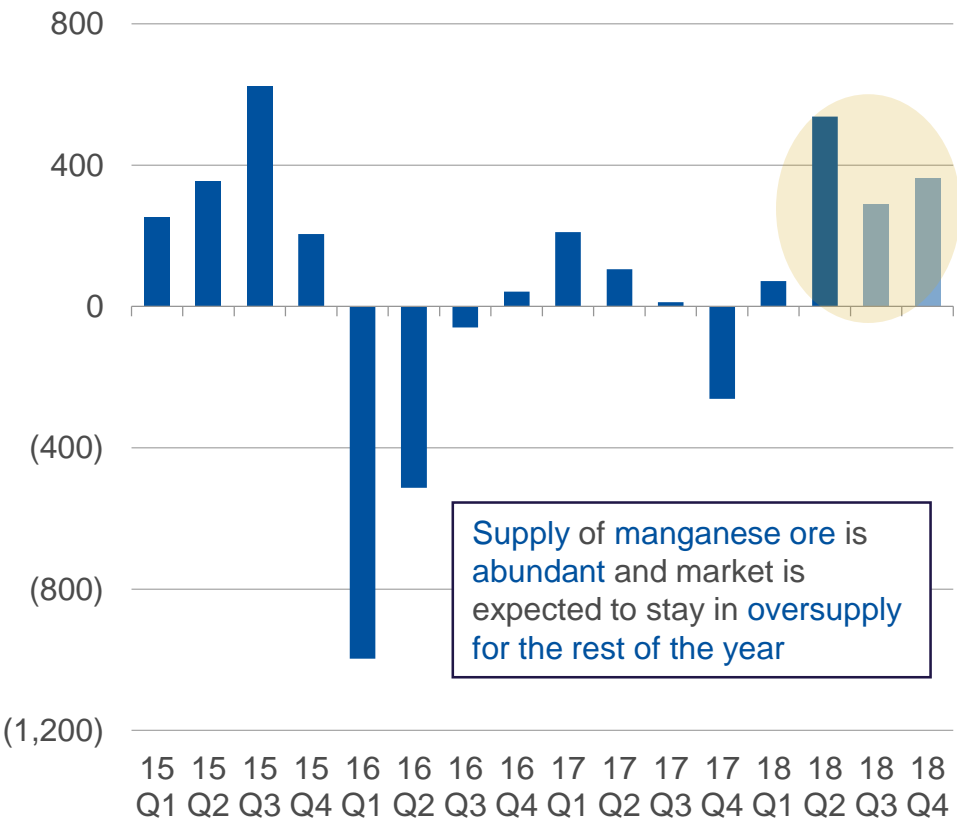
Data: CRU.



Data: CRU.

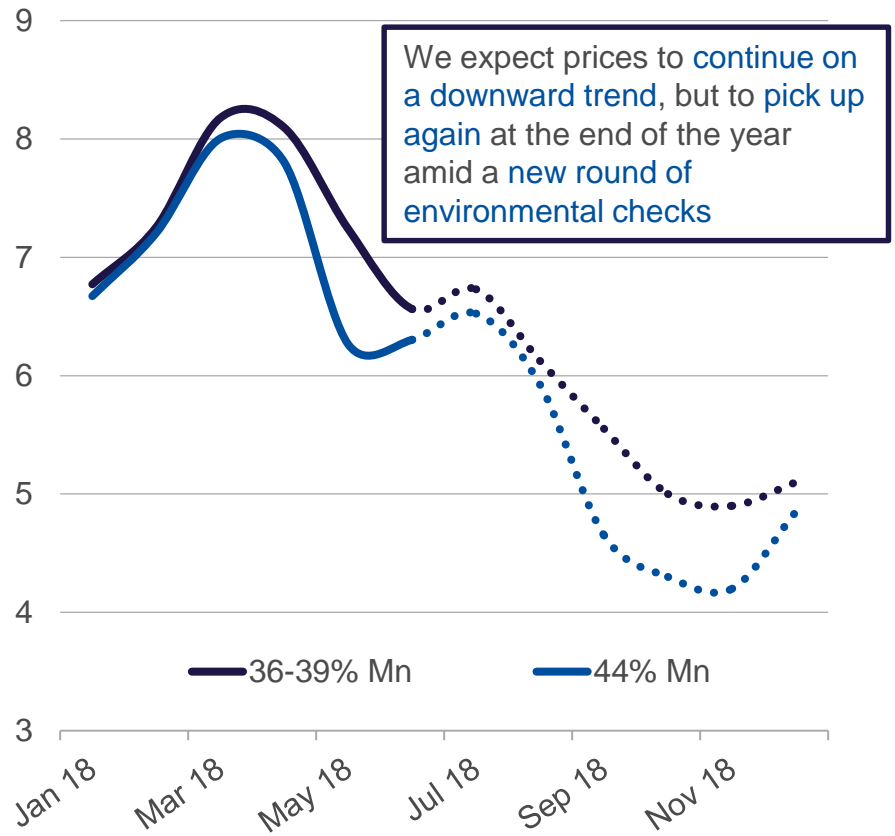
# Ore prices to fall on oversupply and lower alloy prices

Manganese ore market balance including exports from South African stocks and Chinese port stocks, Mn contained basis, '000 t



Data: CRU.

Manganese ore prices, CIF China, \$/dmtu



Data: CRU.

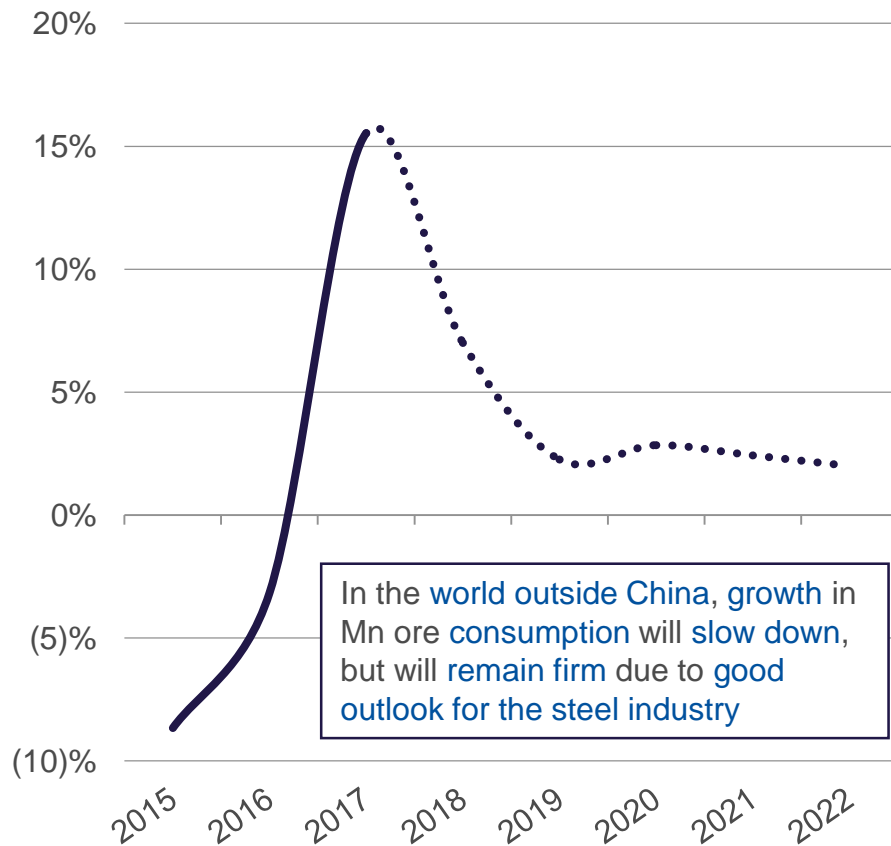
## Medium term outlook

- Medium-term picture still positive, despite anticipated lower price levels
- Ferroalloy and manganese ore demand will continue growing across the world
- Chinese manganese ore imports will keep rising
- Increasing ferroalloy capacity utilisation will drive prices higher through 2022



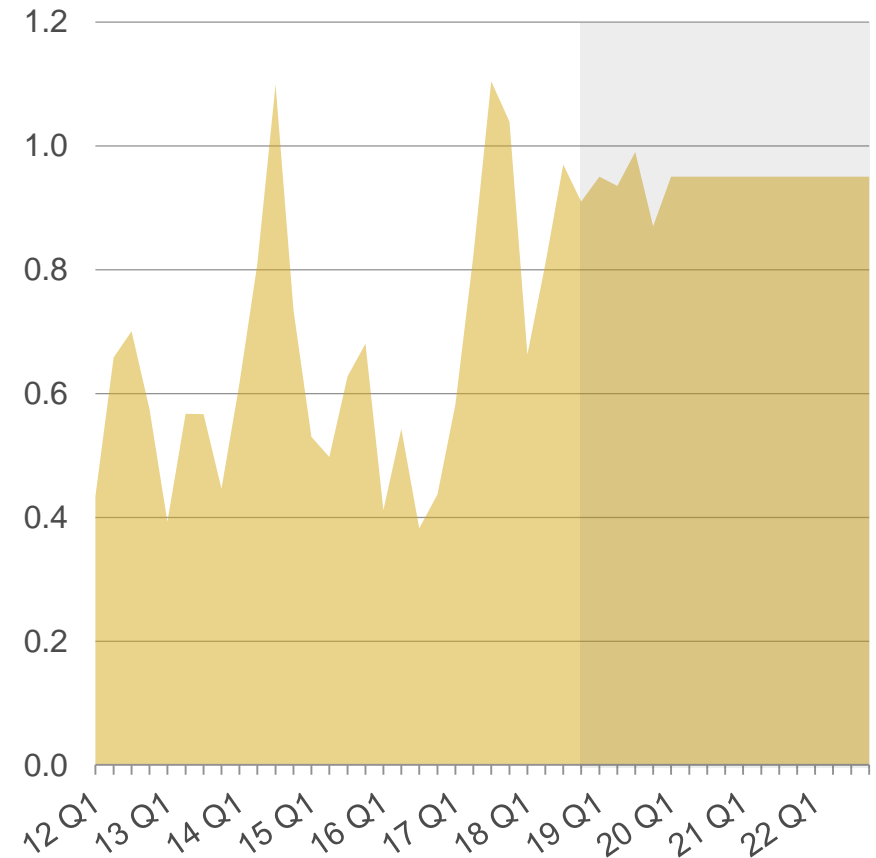
# Mn ore demand outside China will keep rising

Manganese ore consumption growth in the world outside China, y/y, %



Data: CRU.

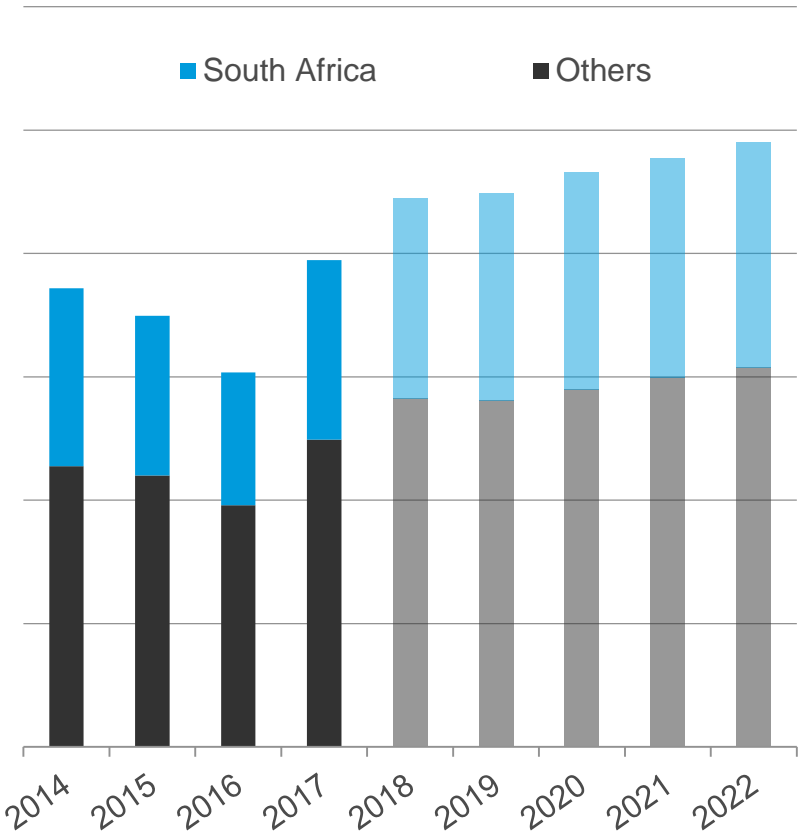
Indian manganese ore imports, gross tonne basis, Mt



Data: CRU, IHS GTIS.

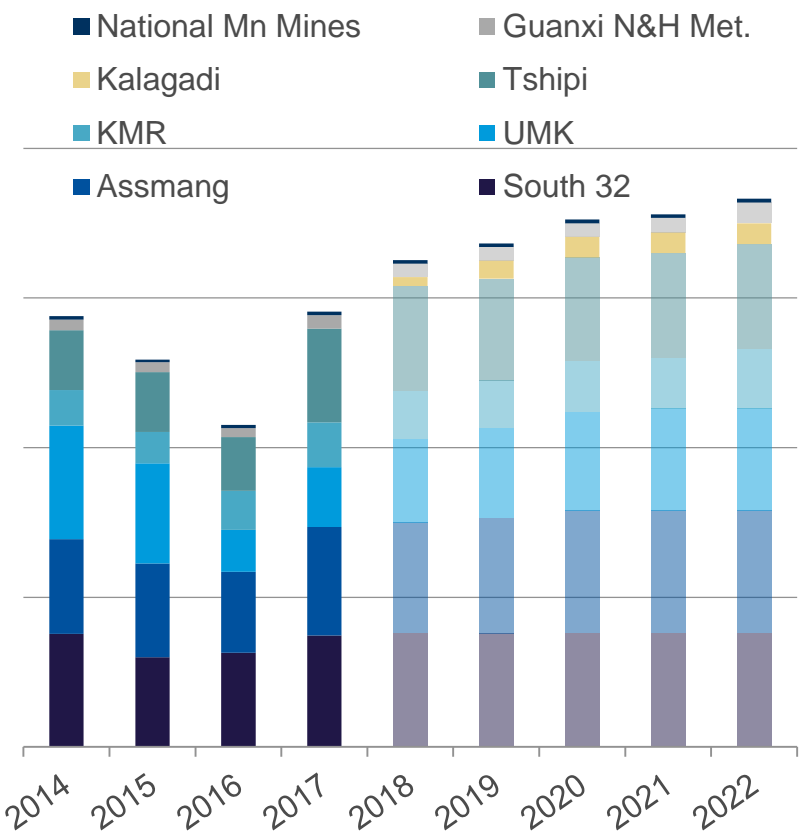
# Supply of Mn ore will keep growing with rising demand

Mn ore production in the world outside China, Mt



Data: CRU.

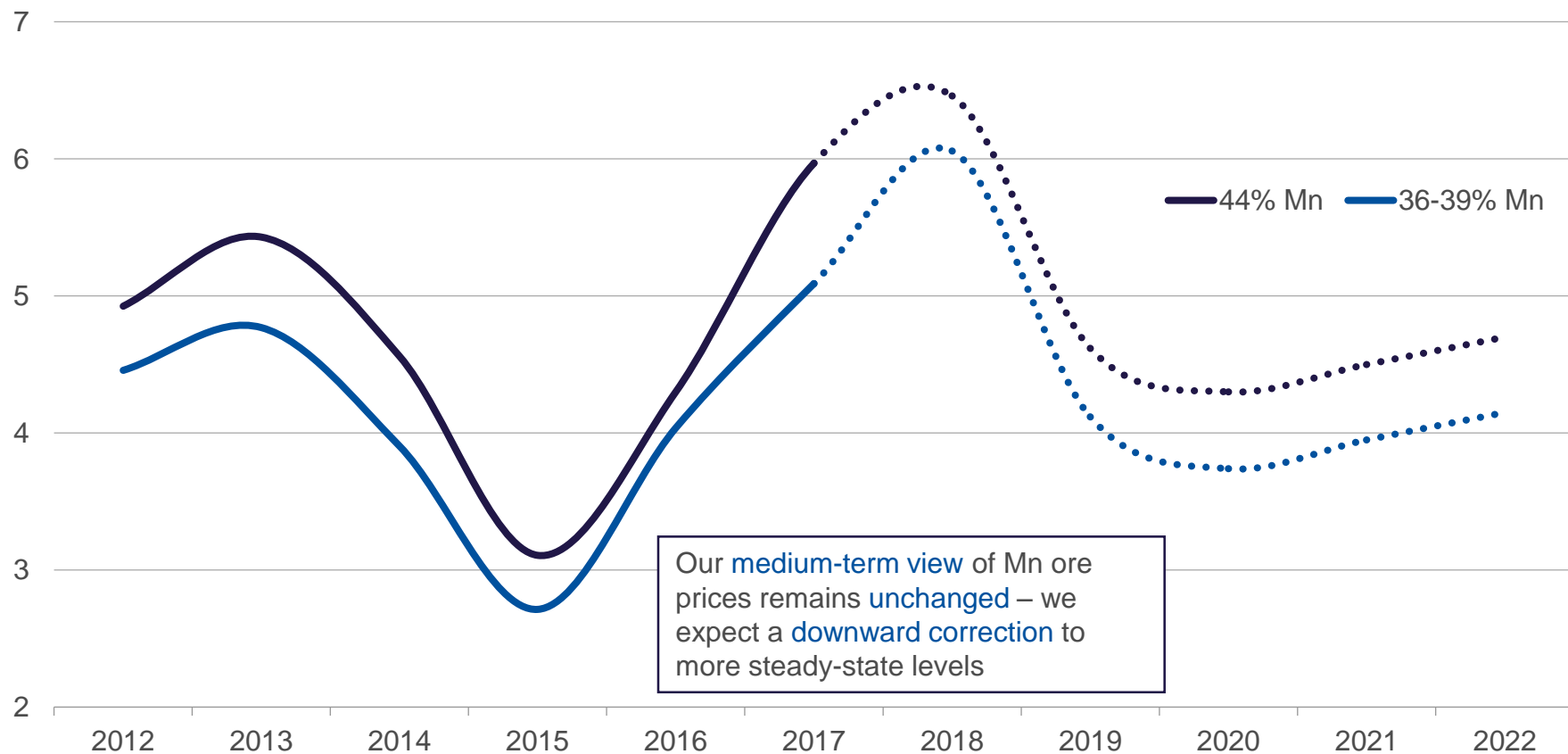
Mn ore production in South Africa, Mt



Data: CRU.

# Prices will return to slow growth after a sharp correction

Manganese ore prices, CIF China, \$/dmtu

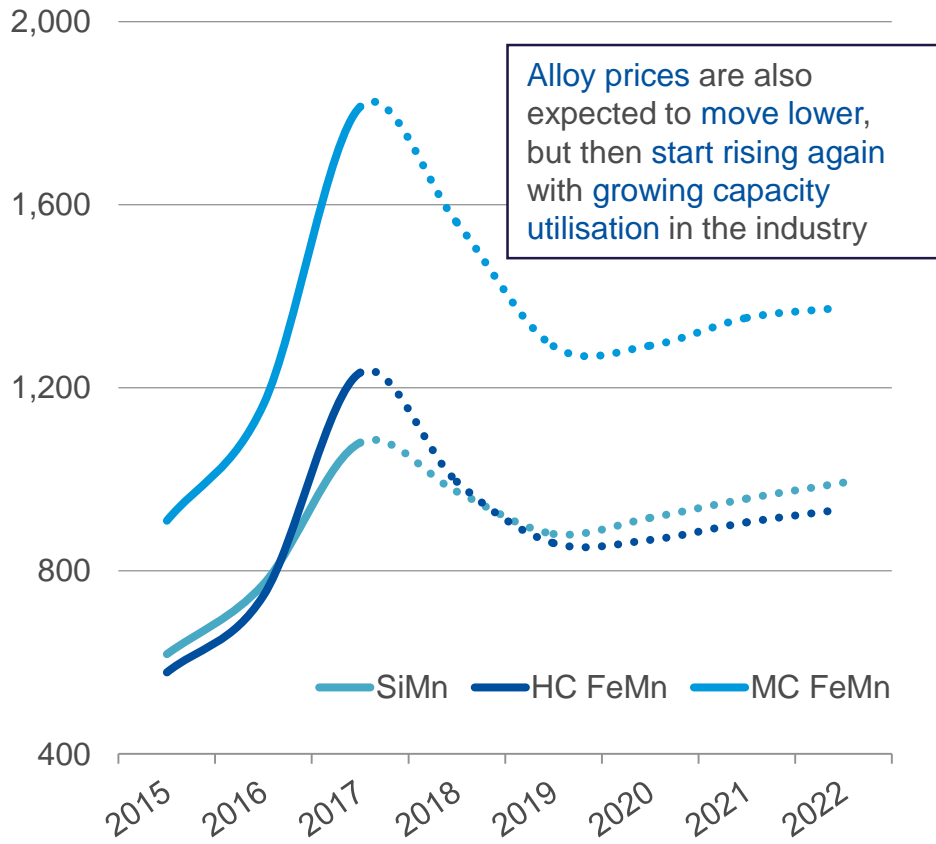


Data: CRU.



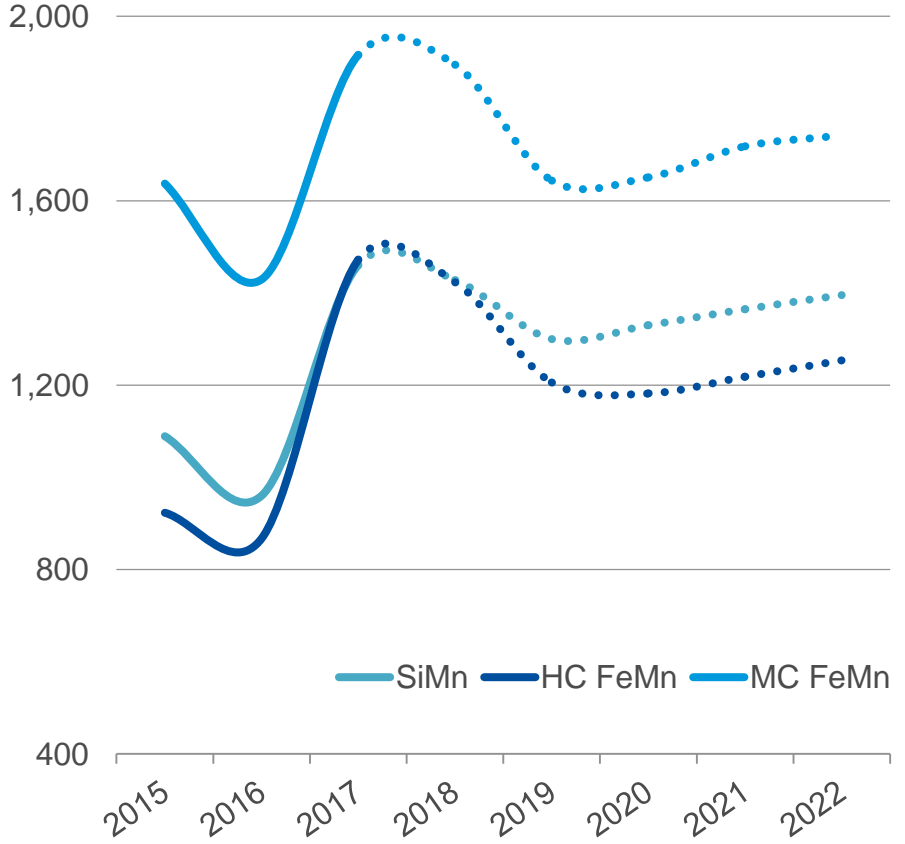
# Ferroalloy prices will bottom out in 2019 on annual basis

European ferroalloy prices, DDP, €/t



Data: CRU.

US ferroalloy prices, EXW, \$/t



Data: CRU.

## Impact from Malaysian supply

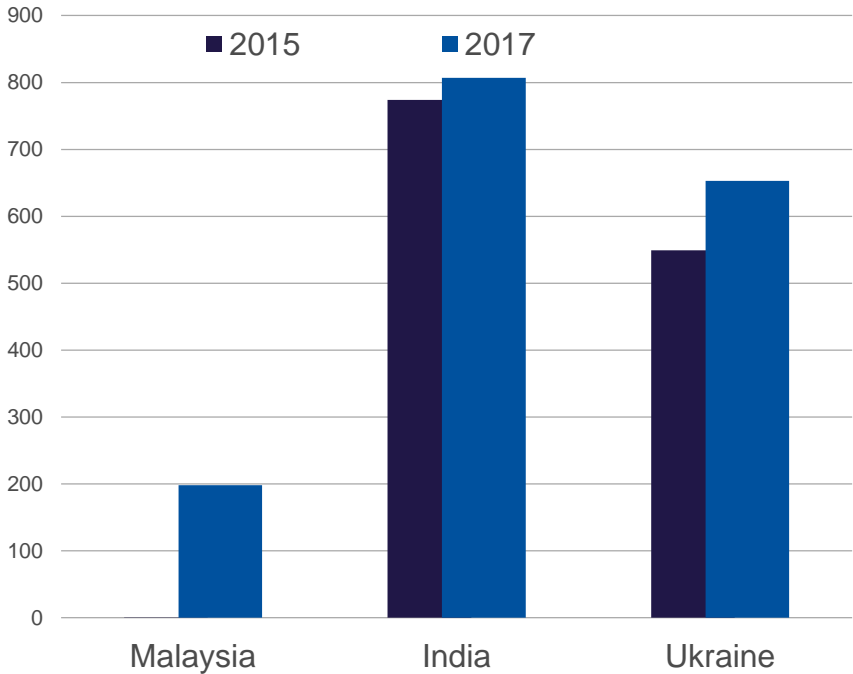
- Now a prominent exporter to JKT
- Prices driven by marginal producers like India



# Malaysian presence has grown significantly in Asian market

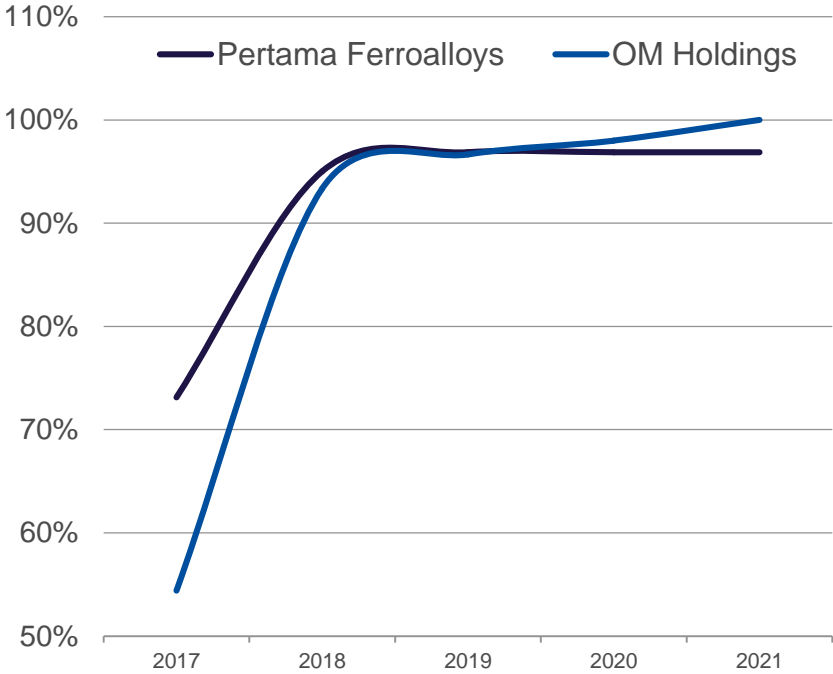
Malaysia ranked the **5th largest** SiMn exporter in the world in 2017

annual silico-manganese exports by country, kt



Data: CRU, IHS

Malaysian plants are rapidly maximizing production annual capacity utilisation, %

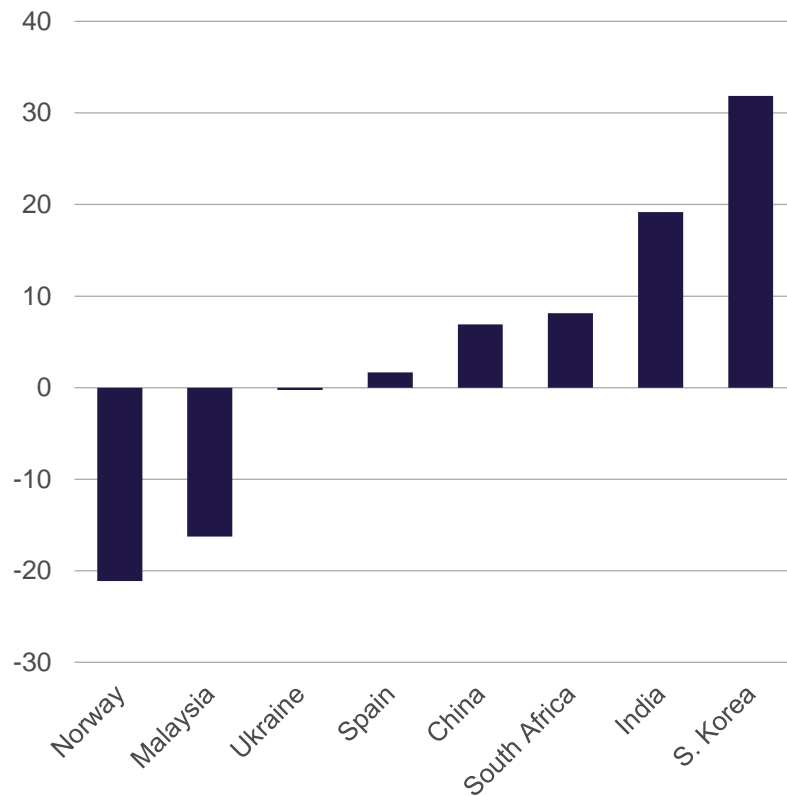


Data: CRU.

# Low-cost Malaysian supply wont drive prices in the long term

Outside of Malaysia, Asian electricity prices remain high

SiMn power rate in 2018 relative to inustry average, \$/MWh

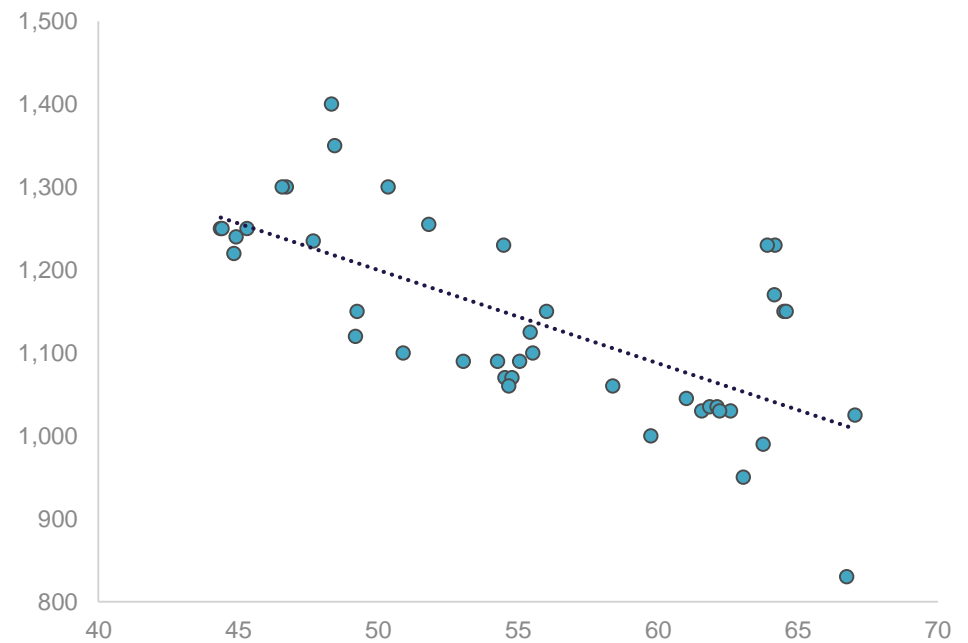


Data: CRU, IHS

Prices of Indian SiMn exports are sensitive to USD/INR exchange rate

x axis: USD/INR exchange rate

y axis: Silicomanganese Japan 65% Mn CIF (IO)



Data: CRU.



**Thank you**



For further questions, please contact:

**Arshiya Sibia**

Analyst – Steel RM

+91 2245045 713

[arshiya.sibia@crugroup.com](mailto:arshiya.sibia@crugroup.com)

**CRU International Limited**

London | Sydney | Tokyo | Beijing | Shanghai | Singapore | Mumbai | New York | Pittsburgh | Sao Paulo | Santiago

Registered in England No.940750. Registered office: Charles House, 108-110 Finchley Road, London NW3 5JJ