

# Monthly Base Metal Output Forecast

Issue 10 | February 18, 2019

| 000 tonnes        | Jan   | YoY%   | MoM%   | Feb Forecast | Implied MoM% |
|-------------------|-------|--------|--------|--------------|--------------|
| Refined Copper    | 738   | 5.2%   | -3.2%  | 721          | -2.2%        |
| Alumina           | 6,133 | 7.4%   | -0.7%  | 5,613        | -8.5%        |
| Primary Aluminium | 2,969 | -0.5%  | -0.7%  | 2,696        | -9.2%        |
| Primary Lead      | 274   | 8.5%   | 0.0%   | 233          | -14.9%       |
| Refined Zinc      | 434   | -11.4% | -3.2%  | 432          | -0.5%        |
| Refined Nickel    | 12    | 1.4%   | -30.1% | 13           | -9.9%        |
| NPI               | 43    | 15.3%  | 2.7%   | 43           | 3.6%         |
| Refined Tin       | 12    | -8.8%  | 3.5%   | 12           | -3.2%        |
| Mangament         | 122   | 45.1%  | 1.1%   | 113          | -7.4%        |

## Copper

China produced 737,500 mt of copper cathode in January, down 3.16% from December, as some large copper smelters lowered production. Maintenance and environmental factors halved output at Qinghai Copper and Yuguang Gold & Lead, and this also lowered production on the month.

On a yearly basis, copper cathode output in January grew 5.22%. The majority of domestic copper smelters maintained regular operations last month. High spot concentrate treatment charges (TCs) and robust prices of sulphuric acid supported their production enthusiasm. Greater-than-scheduled production at Jinchuan Group and Yunnan Copper lifted China's output of copper cathode above SMM's estimates of 732,600 mt.

Among newly-commissioned and resumed capacities in 2018, only those in Chalco's Ningde smelter and Wuzhou Jinsheng Copper stood below full operation in January. With a capacity utilisation rate of nearly 60% in January, Chalco's Ningde smelter planned to reach full production in April. Utilisation rates at Wuzhou Jinsheng Copper remained under 30%, and it would require time to run a full operation.

SMM forecasts that fewer working days will lower China's output of copper cathode to 721,000 mt in February. This stands 2.24% lower from January but 2.39% higher than February 2018. Production in the first two months of 2019 will increase 3.8% on the year.

## Alumina

In January, China's production of alumina (metallurgical grade) registered 6.13 million mt, up 7.4% from a year

---

ago, with average daily output at 198,000 mt, 1,000 mt lower on the month.

Gas installation issues at Chiping Xinfu, rectifications for ultra-low emission at Chinalco Huaxing, and environmental renovation on furnaces at Shanxi refinery affected daily production. Chinalco Shanxi produced in lower gears last month, and environmental curbs in Henan province affected local output. In Shanxi, Henan, and Inner Mongolia, tight supply of natural gas in heating season also accounted for overall lower production in January.

SMM expects average daily output of alumina in February to rise 2,000 mt from January to 200,000 mt, as some refineries stepped up operation during Chinese New Year after the environmental impact waned. Shandong Xinfu resumed regular production this month and maintenance in the south-west ended by the end of January. This is estimated to generate 5.61 million mt of alumina output in February, up 10.5% from February 2018.

### **Aluminium**

China produced some 2.97 million mt of primary aluminium in January, down 0.5% from January 2018, and down 0.7% from December. By the end of January, domestic primary aluminium capacity under operation stood at an annualised 34.96 million mt, down 270,000 mt/year from December. Despite new capacity in Inner Mongolia's Chuangyuan and Guyang smelters, capacity cuts at Shaanxi Hengkang, Shandong Huayu, Shanxi Huasheng, and Shanxi Huaze continued to lower operating capacity last month.

For February, SMM expects fewer working days to lower China's output of primary aluminium to 2.7 million mt, down 1.1% from a year earlier. By the end of February, domestic primary aluminium capacity under operation is forecasted at an annualised 35.14 million mt. Unfulfilled capacity in 2018, as well as new and replacement capacity in Inner Mongolia, Guangxi, Shaanxi and Yunnan will continue to enter operation in February.

### **Nickel**

China produced 12,100 mt of refined nickel in January, up 1.44% from a year earlier. Compared to December, output of refined nickel in January lost 32.05% as the rush to meet annual production and sales targets boosted December's output and as exiting inventories, the Lunar New Year holiday and a seasonal lull prompted producers to curtail production in January. China's output of refined nickel is expected to rebound by some 10% on the month to stand at 13,300 mt in February.

### **Nickel pig iron (NPI)**

In January, NPI output in China climbed 2.68% from a month earlier to stand at 42,600 mt in Ni content, up 15.33% on a yearly basis. On a month-on-month basis, output of high-grade NPI expanded 2.9% to 39,200 mt in Ni content last month, bolstered by output from the newly-commissioned capacity of a major producer in Shandong. The restart of a northern plant and production recovery from maintenance at plants in the east, south and north also offset the impact from maintenance at some plants in the south and north. For low-grade materials, output barely changed at 3,400 mt in Ni content last month.

Overall output of NPI in China is expected to rise 1.36% to 43,100 mt in Ni content in February, with that of high-grade materials up 1.47% to 39,800 mt in Ni content, in anticipation of output growth from the newly-commissioned capacity of the large producer in Shandong. Output of low-grade NPI is likely to hold stable at 3,400 mt in Ni content.

---

## **Zinc**

Production of refined zinc in China declined 3.31% month on month and 11.46% year on year to stand at 433,600 mt in January. Surveyed capacity shrank 100,000 mt/year to 6.085 million mt/year. Dismantled capacity at Zhuzhou Smelter Group, of 250,000 mt/year, were excluded and 150,000 mt/year of capacity at Wenshan Zinc and Indium Smelting and Sihuan Zinc & Germanium Technology were included.

Even as concentrate treatment charges continued to climb, zinc output fell from December as production cuts at large plants exceeded production recovery or growth. Output at Zhuzhou Smelter Group continued to decline in January as it took time for its new plant to ramp up capacity.

For the same month, Hechi Nanfang cut production for maintenance on power issues while Hanzhong Zinc maintained its output. Chihong Zinc and Germanium recovered from production cuts and Wenshan Zinc and Indium expanded production. While most smelters maintained normal production during the Chinese New Year holidays and Hechi Nanfang's production continues to recover, output of refined zinc in China is likely to decline in the shorter month of February.

Production plans across smelters showed that output is estimated to dip 2,000 mt, or 0.47% from January to 431,600 mt in February, down 6% from a year earlier.

## **Lead**

China's production of primary lead stood at 274,000 mt in January, down 1.2% on the month but up 8.44% on the year. Most primary lead smelters returned to normal production in January after they operated at full, or even overload capacity in December to meet annual production and sales targets. This accounted for the month-on-month decline in production.

Operating rates across primary lead smelters remained high last month as the use of imported crude lead shortened the production cycle of primary lead. Winter production curbs across the northern regions, smog-alert curbs in Hebei, environmental probes in Hunan and Yunnan lowered production of primary lead in January 2018.

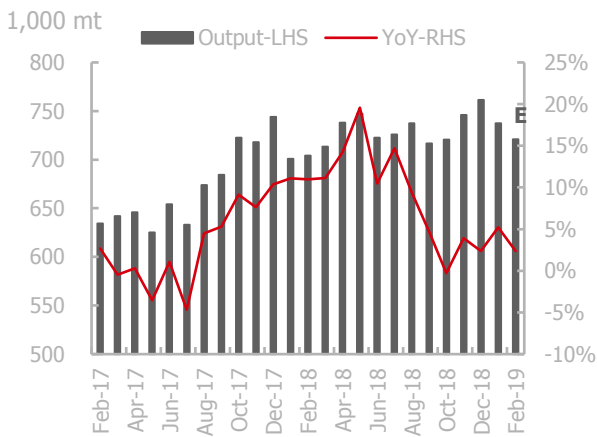
The government scrapped "blanket production cuts" on heavy industries this winter, allowing local authorities to impose measures based on regional emission levels. Primary lead production saw less impact from environmental protection drives in January 2019, resulting substantial growth from a year earlier.

While most large primary lead smelters maintained regular production during the Lunar New Year holiday, output of primary lead in China is expected to fall by over 40,000 mt to 233,000 mt in February as small and medium-sized smelters in Hunan, Yunnan and Henan suspended for the holidays. Maintenance at some smelters including Hunan Yuteng, Silver Star, Henan Qinling and Yunnan Zhenxing would also affect production.

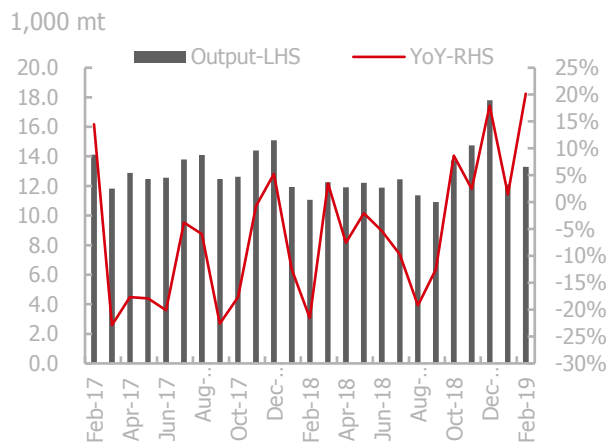
## **Tin**

China's tin output expanded 3.5% from December to 12,443 mt in January, supported by full production recovery at Yunnan Tin Group. The tin giant's recovery also offset the production cuts at some producers who suspended for the Lunar New Year holiday. Affected by the holidays, output of tin in China is expected to fall to 12,000 mt in February.

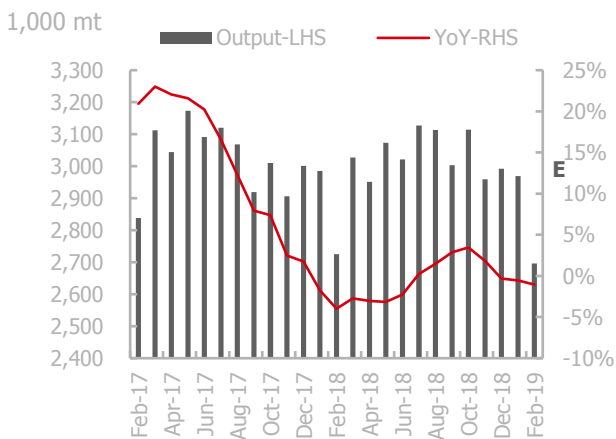
**Chart 1: Refined Copper**



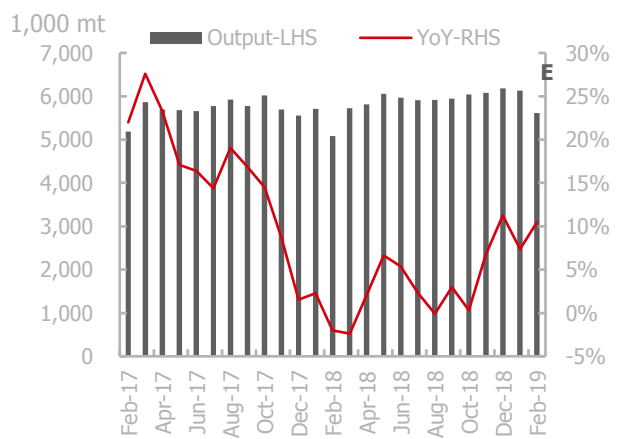
**Chart 2: Refined Nickel**



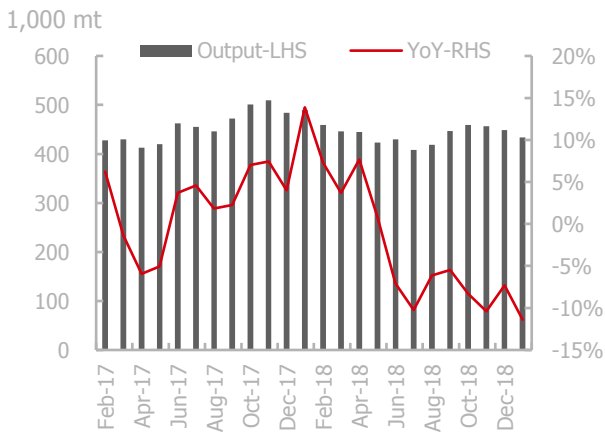
**Chart 3: Primary Aluminium**



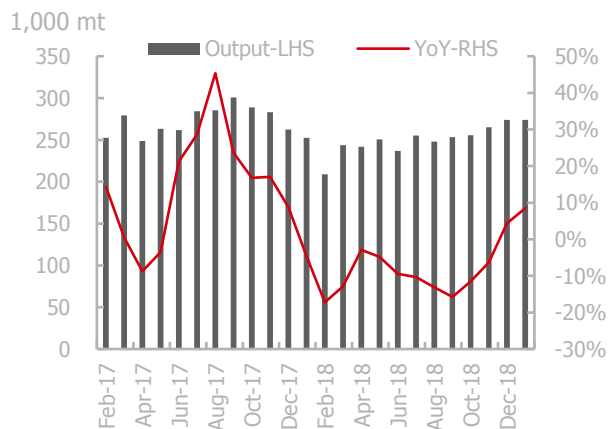
**Chart 4: Alumina**



**Chart 5: Refined Zinc**



**Chart 6: Primary Lead**



Source: SMM

Contact us at +86-21 5166 6821 or [liuxiaolei@smm.cn](mailto:liuxiaolei@smm.cn)

SMM Information & Technology Co.,Ltd.

Hotline: +86-21 3133 0333 Fax: +86-21 5127 5007

Website: [www.metal.com](http://www.metal.com)