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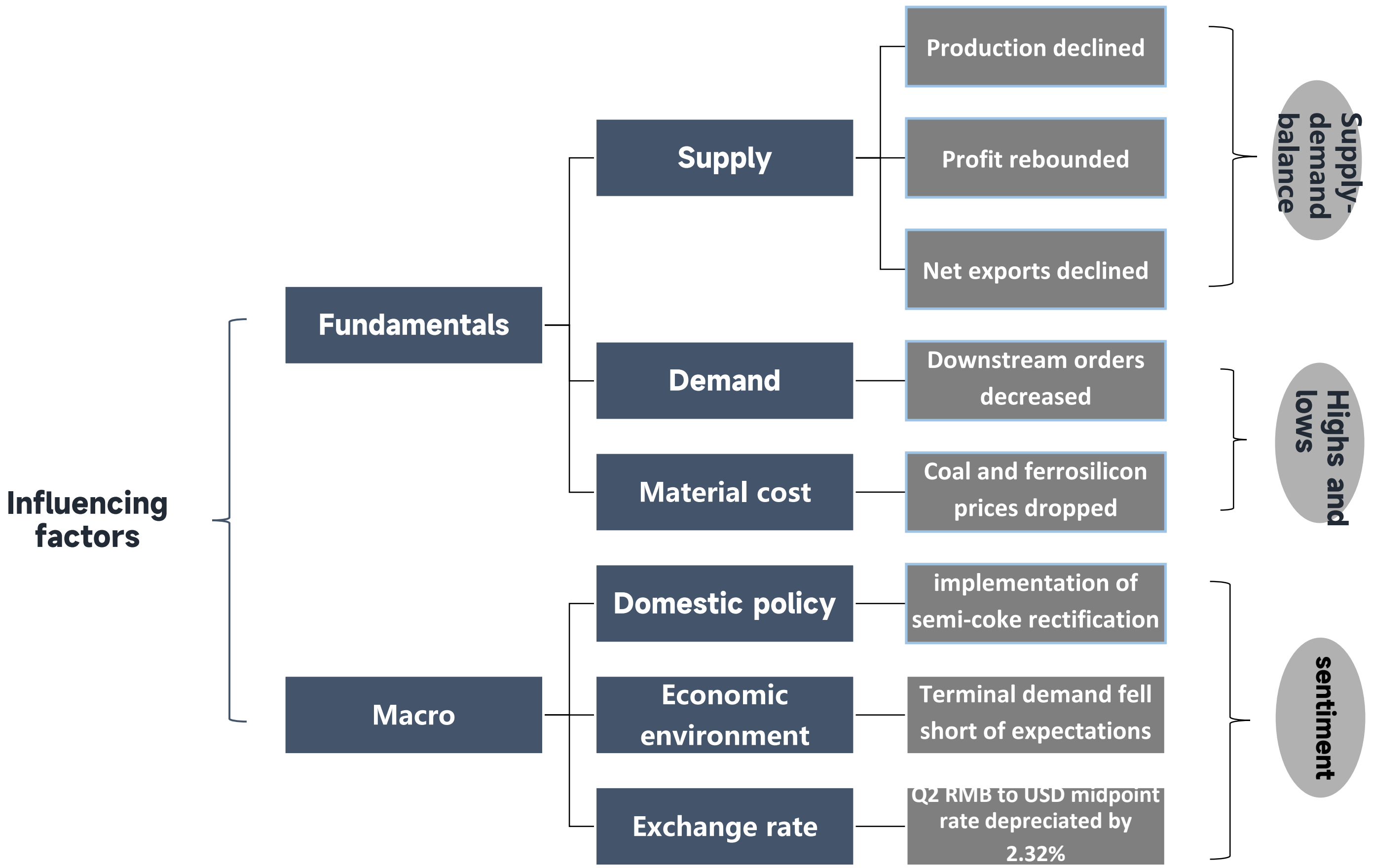
Shanghai Metals Market

Quarterly review of Chinese magnesium market

2023Q2

SMM magnesium price model



- **Supply:** In April, the detailed regulations for semi-coke rectification were released by magnesium plants in the main magnesium-producing regions, leading to a significant jump in magnesium prices to 28,000 yuan/mt, reaching the highest level in Q2. Some magnesium plants in the main magnesium-producing regions increased production of magnesium ingots to build up their finished product inventory. Subsequently, the main magnesium-producing regions entered the rectification phase, which helped alleviate the oversupply situation in the magnesium ingot market. The domestic magnesium ingot production in Q2 was 180,000 mt, representing a 9.6% decrease compared to the previous quarter. Currently, due to the impact of coal mine rectification in the main producing regions, the number of affected magnesium plants has reached 14. There are reports suggesting that some magnesium plants may prematurely end their ongoing rectification work due to policy adjustments. As a result, some plants remain idle and yet to be dismantled, as market participants await further implementation of subsequent policies.

- **Demand:** The overall domestic demand in the downstream sector remains weak, and in terms of foreign trade, the exports of magnesium products, mainly including magnesium ingots, magnesium alloys, and magnesium powder, have experienced a significant decline. According to customs data from April to June, the cumulative export volume of magnesium ingots decreased by 25% compared to the same period last year, the cumulative export volume of magnesium alloys decreased by 30%, and the cumulative export volume of magnesium powder decreased by 3%. The magnesium market faced the difficult situation of declining domestic and foreign demand simultaneously in Q2.

Policy: The "Catalogue for the Guidance of Industrial Structure Adjustment (exposure draft, 2023 edition)" continues to include "new and expanded magnesium smelting projects (excluding comprehensive utilization projects)" in the restricted category, as compared to the current 2019 version. "semi-coke production units with single-furnace capacity below 75,000 mt/year" remains in the elimination category but is still "exempted for magnesium smelting gas distribution units having single-furnace capacity ≥ 50,000 mt/year and using low-grade coal and high-temperature pyrolysis process."

Demand and cost: Both domestic and foreign demand declined in Q1, leading to a strong bearish sentiment in the market. By the end of June, the price of coal had dropped to 6,000 yuan/mt, the price of natural block ferrosilicon had fallen to 7,100 yuan/mt, and the price of small-sized semi-coke had declined to 860 yuan/mt. The weak cost support has put pressure on magnesium prices.

- Overall, the rectification work of magnesium plants in the main producing regions progressed smoothly in Q2, effectively alleviating the oversupply situation in the magnesium ingot market. However, due to weak downstream demand and declining costs, the insufficient support for magnesium prices after a significant surge has resulted in a return to lower levels. Taking into account the depreciation of the renminbi and the continued sluggishness of overseas summer holiday foreign trade markets, it is expected that magnesium prices will face significant downward pressure in Q3.

bullish　　bearish

The detailed rectification regulations for semi-coke in the main production areas have caused significant volatility in magnesium prices, price differential up to 7,950 yuan/mt in Q2

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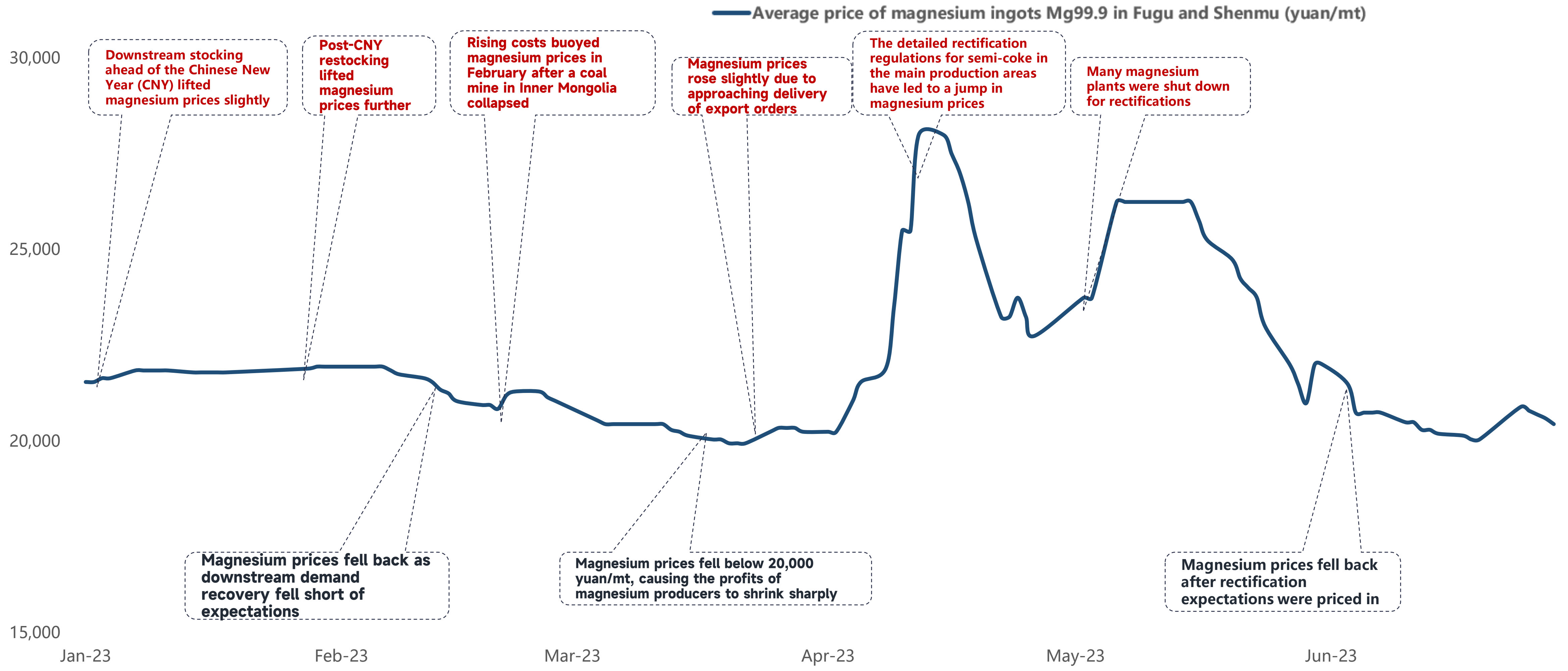
Magnesium ingot price trend in China in Q2 2023



Data source:: SMM

The magnesium ingot industry achieved an average profit margin of 22% in Q2, the production cuts in the main production areas have provided significant support to magnesium prices

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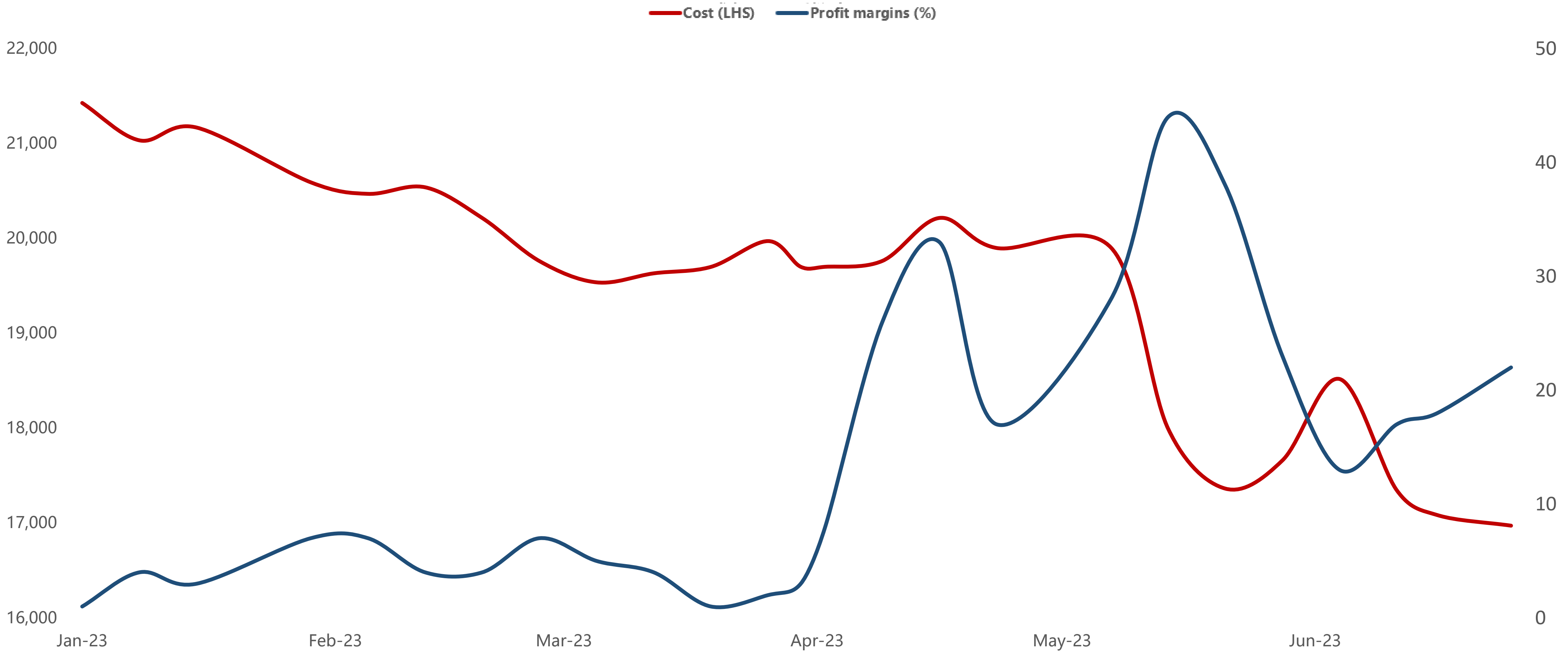
The cost and profit trend in Chinese magnesium ingot industry in H1 2023



Data source:: SMM

In Q2 2023, China's cumulative magnesium ingot production reached 180,000 mt, decreasing 28% YoY

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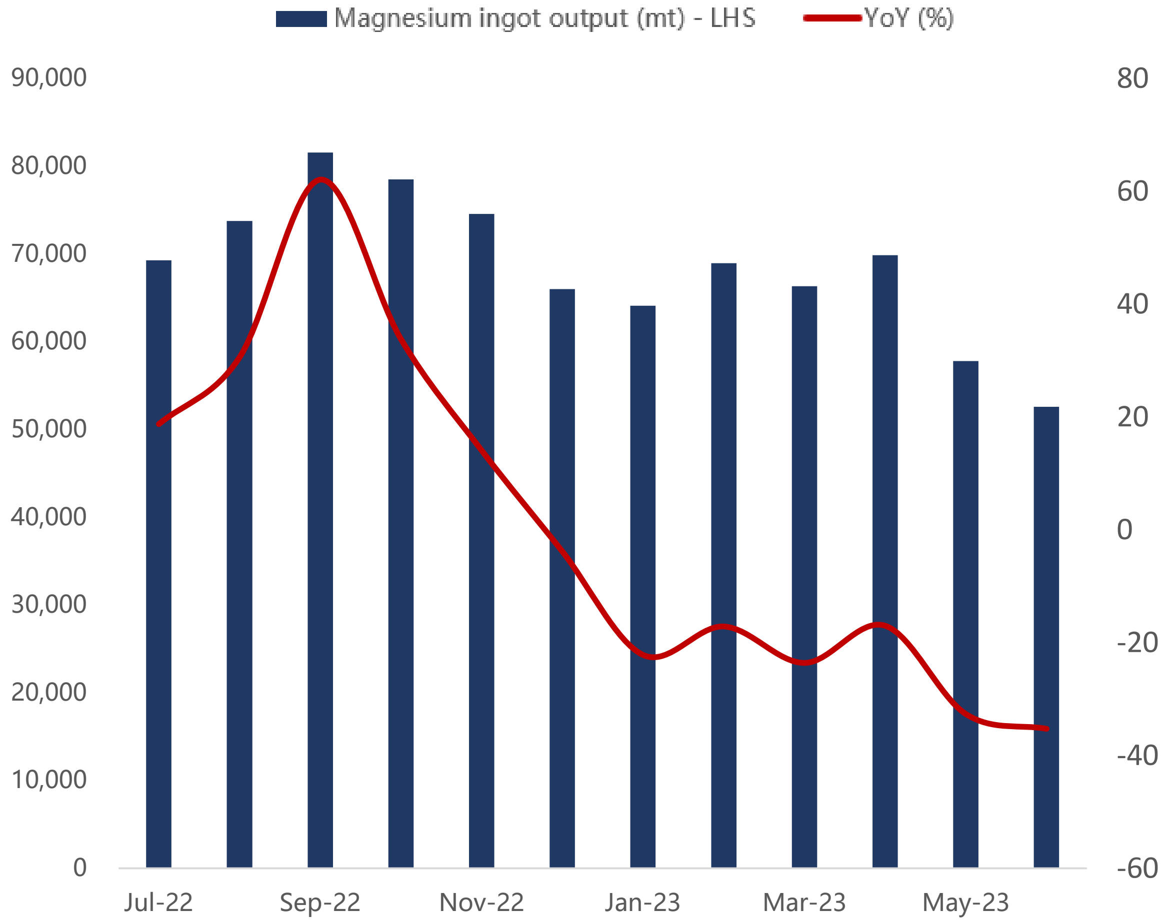
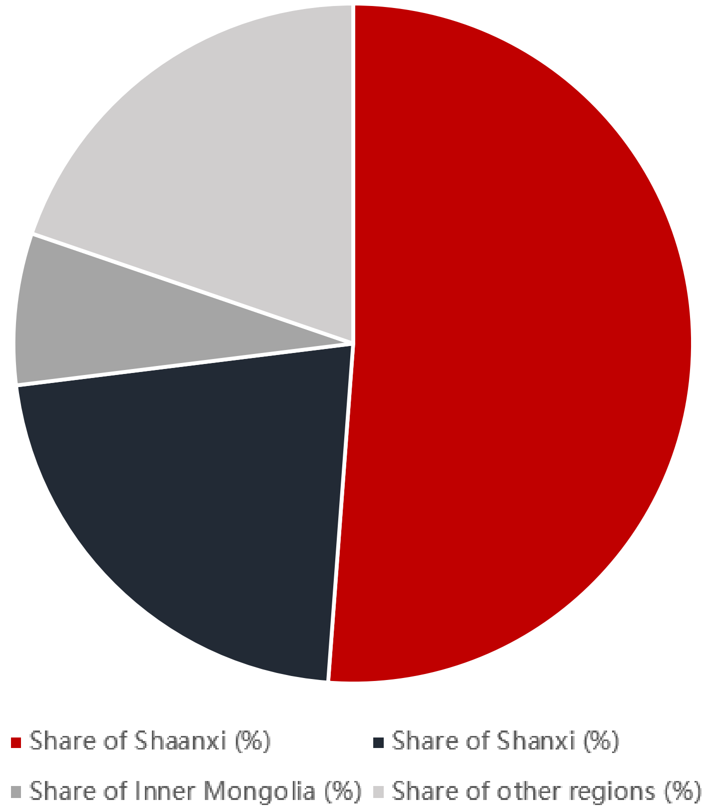
China’s magnesium ingot output stood at 53,000 mt in March, 2023, down 9 % MoM, but down 35 % YoY



Output of primary magnesium in Shaanxi accounted for 51% of China’ total output in April-June 2023, down 5 percentage points from March



Data source::
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In Q2 2023, China's cumulative magnesium alloy production reached 78,000 mt, decreasing 4% YoY

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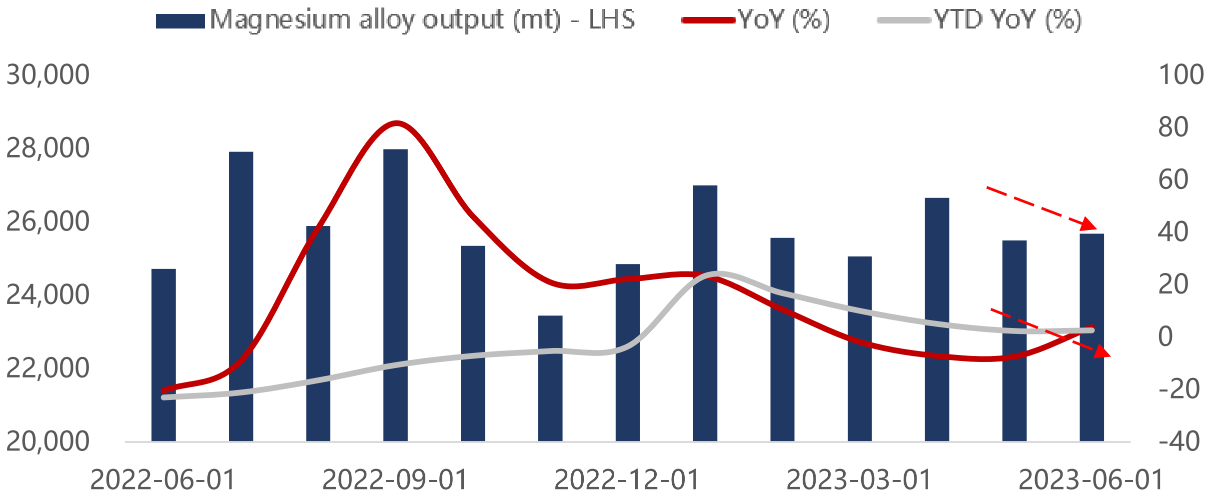
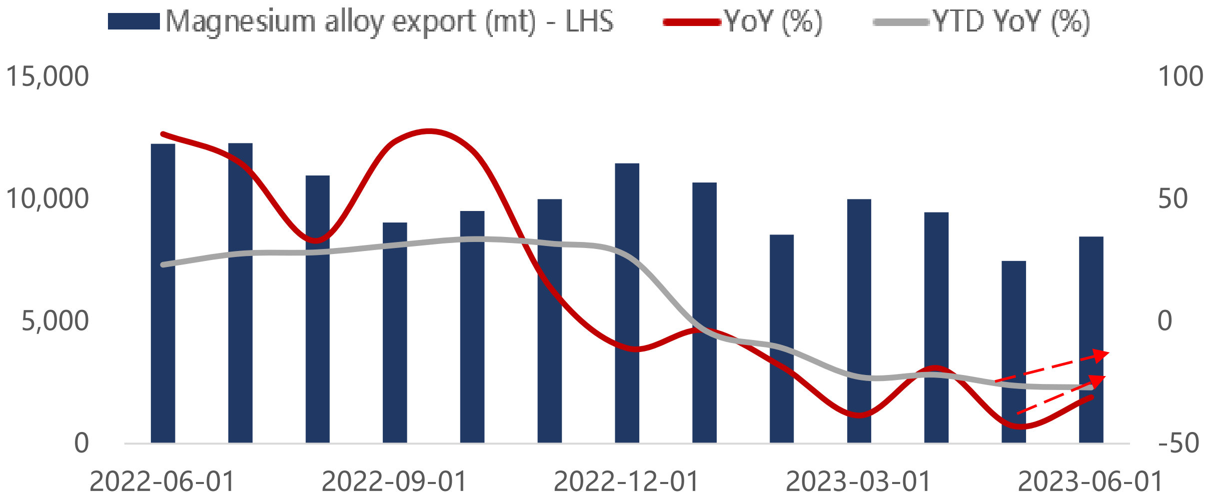
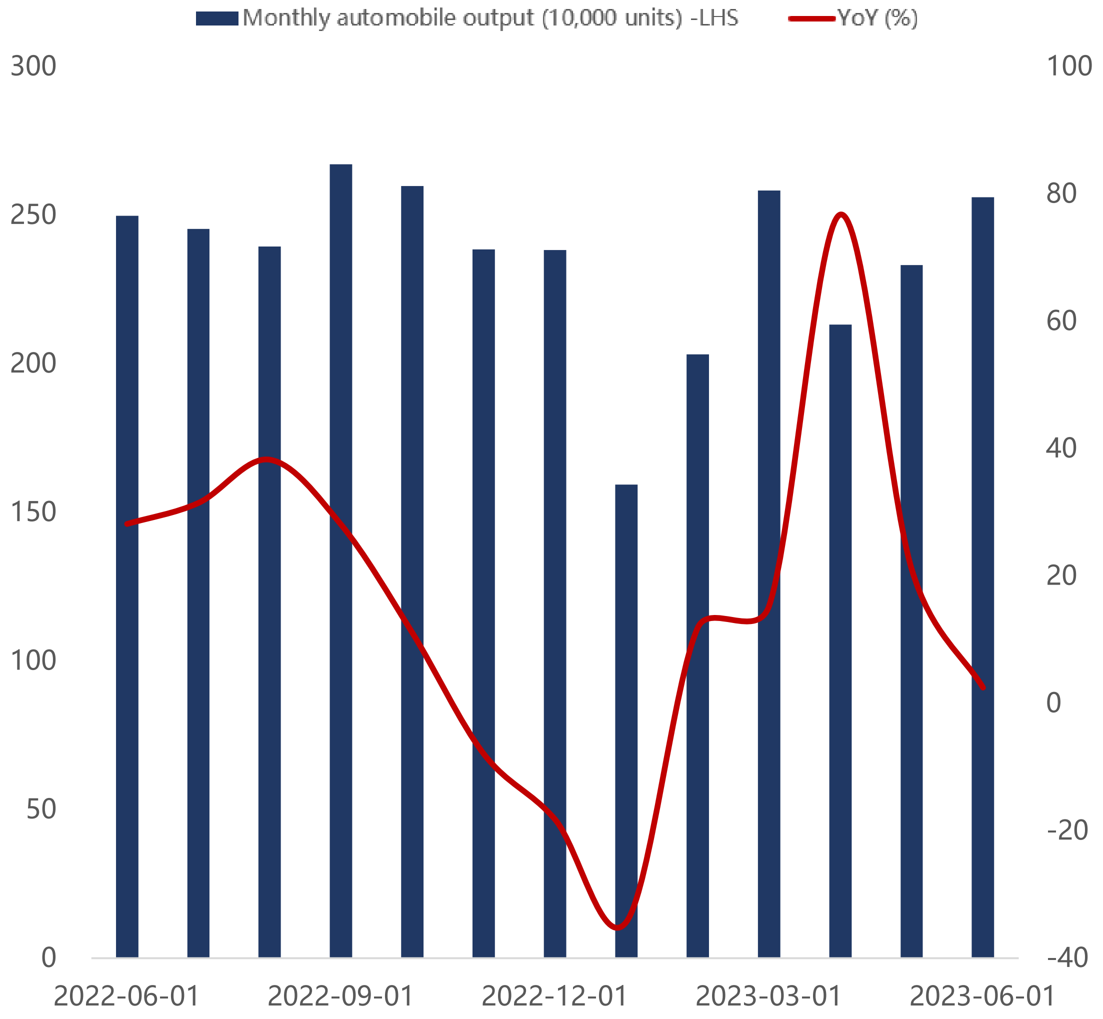
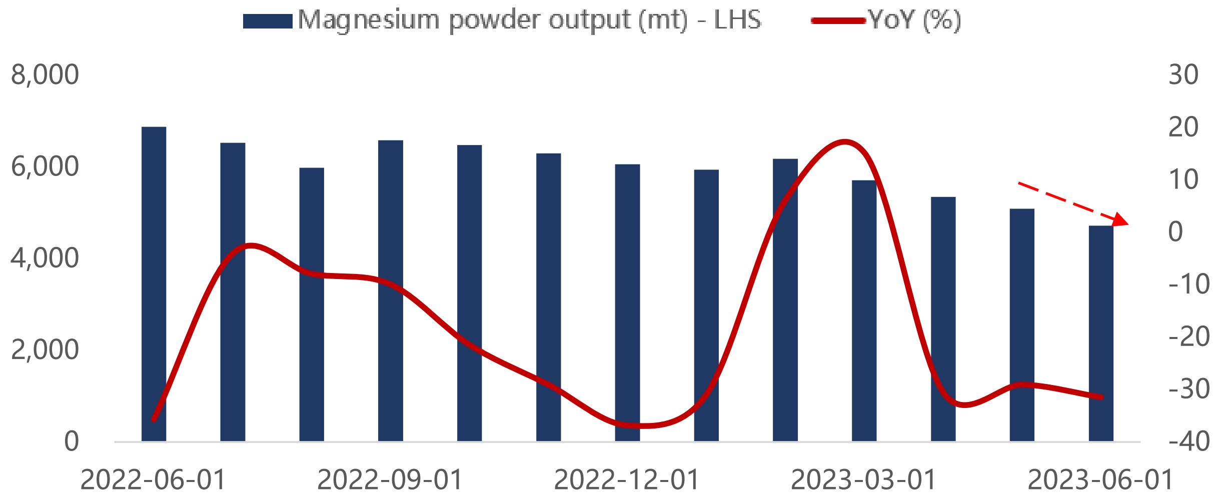
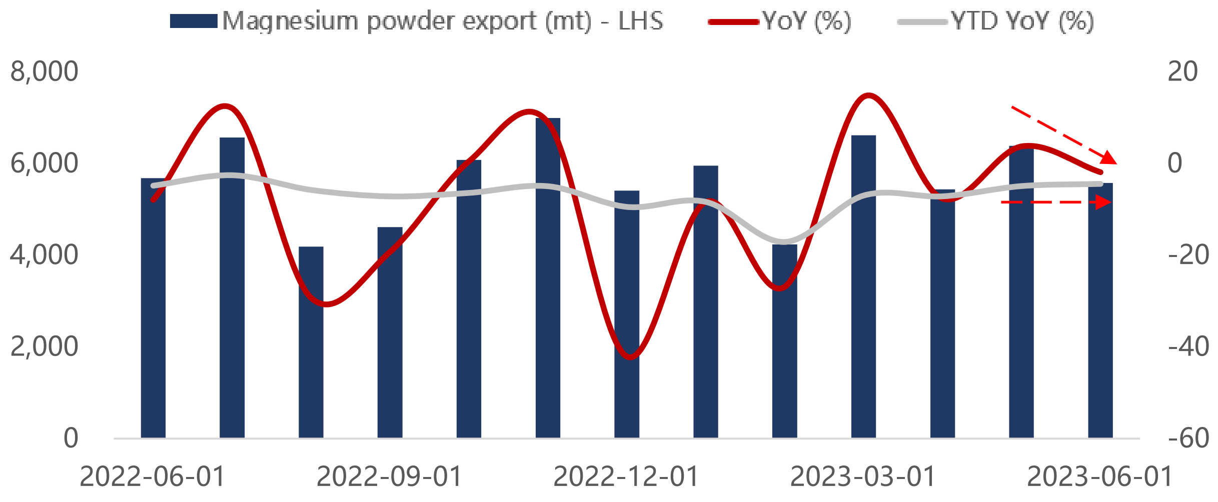


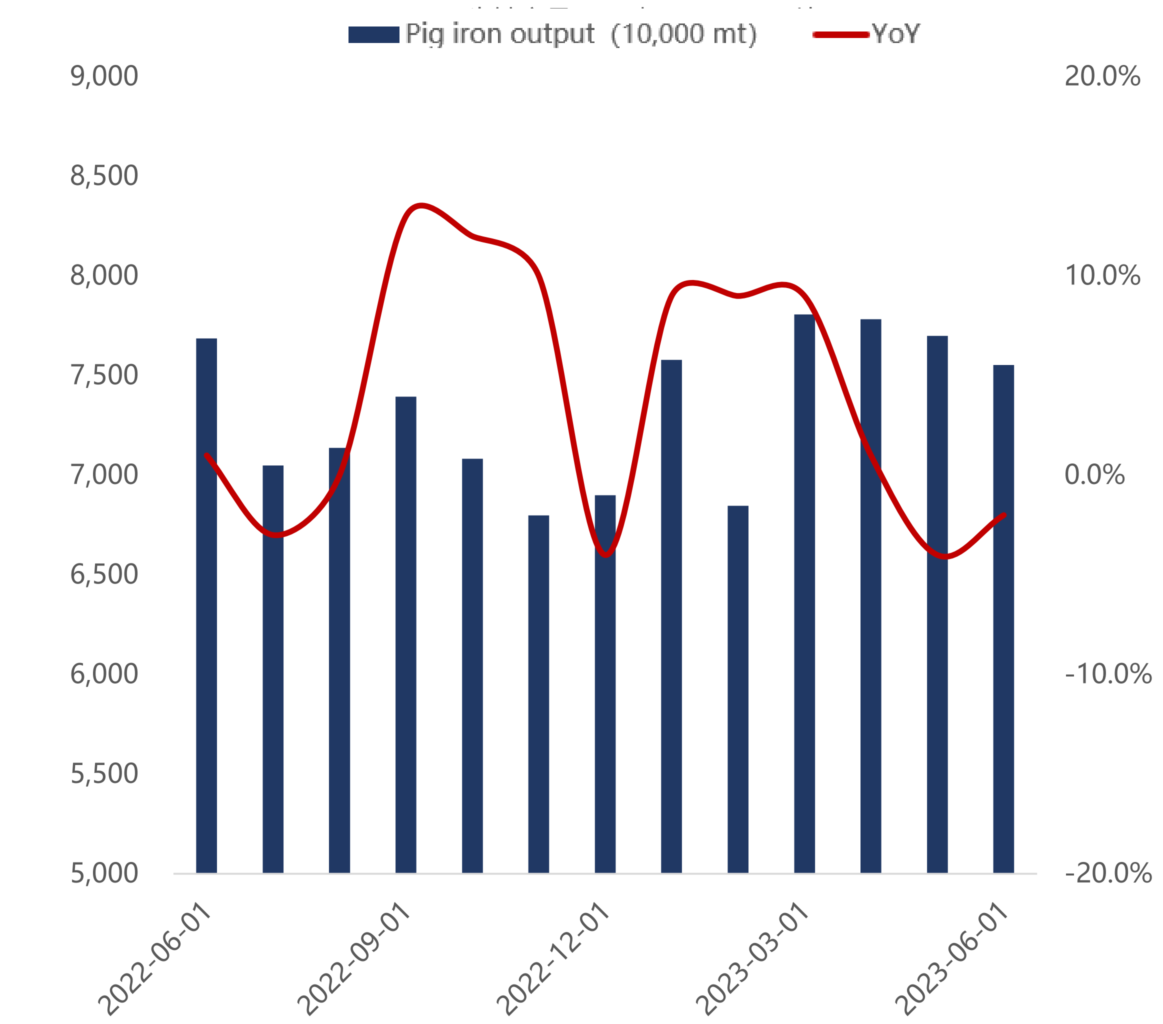




In Q2 2023, China's cumulative magnesium powder production reached 18,000 mt, decreasing 30% YoY







Data source:: SMM

In H1 2023, China's magnesium industry faced overall pressure in its foreign trade operations

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Import and export data of China's magnesium industry chain in 2023 (kg)

Import and export	Product	2021	2022	Mar 2022	Feb 2023	Mar 2023	MoM	YoY	Jan-Mar 2022	YoY
Export	Magnesium ingot	280,298,054	267,145,755	24,665,793	16,512,951	23,594,370	42.88%	-4.34%	106,186,438	-22%
	Magnesium alloy	108,641,177	136,744,636	11,935,676	7,473,980	8,468,913	13.31%	-29.05%	54,617,035	-26%
	Magnesium powder	76,861,333	64,519,307	5,618,686	6,392,856	5,581,844	-12.69%	-0.66%	33,729,250	4%
	Magnesium semis	5,171,548	3,995,298	760,904	144,164	336,449	133.38%	-55.78%	1,264,375	-49%
	Magnesium products	2,603,861	7,049,687	773,083	235,192	299,100	27.17%	-61.31%	1,717,045	-53%
	Shredded magnesium scrap	3,408,468	8,737,838	853,000	693,708	254,295	-63.34%	-70.19%	3,898,443	25%
Import	Magnesium ingot	414	480280	1007	11	37	236.36%	-96.33%	29,090	2547%
	Magnesium alloy	244,802	39,360	178	0	700	-	293.26%	73,614	98%
	Magnesium powder	2,276	1,037	272	0	10	-	-96.32%	146	-70%
	Magnesium processing products	93,169	37,635	1,877	18	14	-22.22%	-99.25%	2,663	-93%
	Magnesium products	83,352	260,565	5,245	12322	8507	-30.96%	62.19%	67,409	-66%
	Shredded magnesium scrap	-	-	-	-	-	-	-	-	-

Data source:: SMM, Bloomberg

In Q3 2023, the magnesium industry was experiencing the traditional off-season, which has put significant pressure on magnesium prices

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	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	July 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023
Low	21713	21443	20309	23905	24425	20580	20500	20500	21000	22000	21900	22200
High	21850	21543	20413	24279	24850	20820	21000	21500	22000	23000	22900	23200
AVG.	21781	21493	20361	24092	24638	20700	20750	21000	21500	22500	22400	22700

Data source::
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About us

Shanghai Metals Market

Shanghai Metals Market (SMM) is China's leading integrated platform in the field of nonferrous and ferrous metals, with services ranging from benchmark prices, analysis, news, consulting and conferences of the metals & mining industry.

Incorporated in 1999, SMM has established extensive network and trustworthy relationships in China's nonferrous, ferrous and EV metal industries, through our headquarter in Shanghai as well as strategic positioning in other six cities in China and global footprint in Singapore and London.

At SMM, we are committed to introducing the "REAL China" to the world from a global perspective, and serving the diversified clientele in the global metal ecosystem.

SMM is your first choice whenever you wish to inquire prices, collect information, trade spots or marketing your own product portfolio.

History

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1999 SMM established

2005 SMM Zinc & Lead price adopted by Western Mining as settlement price

2007 The SMMI index was quoted by Bloomberg, Reuters, Xinhua News

2009 English website is online (www.smm.cn).
SMM Tin, nickel price as benchmark used in domestic trading

2011 SMM website clicks ranked first in the metals Info area, Consulting service started

2016 The "National Material Reserve Mediation Center" adopts SMM copper spot price for trading and inventory valuation

2018 Singapore overseas subsidiary established-
SMM SG PTE.LTD.

2019 SMM open offices in Yantai, Foshan and Beijing

2021 UK overseas subsidiary established-
SMM GLOBAL UK LTD

2022 SMM open offices in Shenzhen, Hangzhou and Chengdu

Global Office

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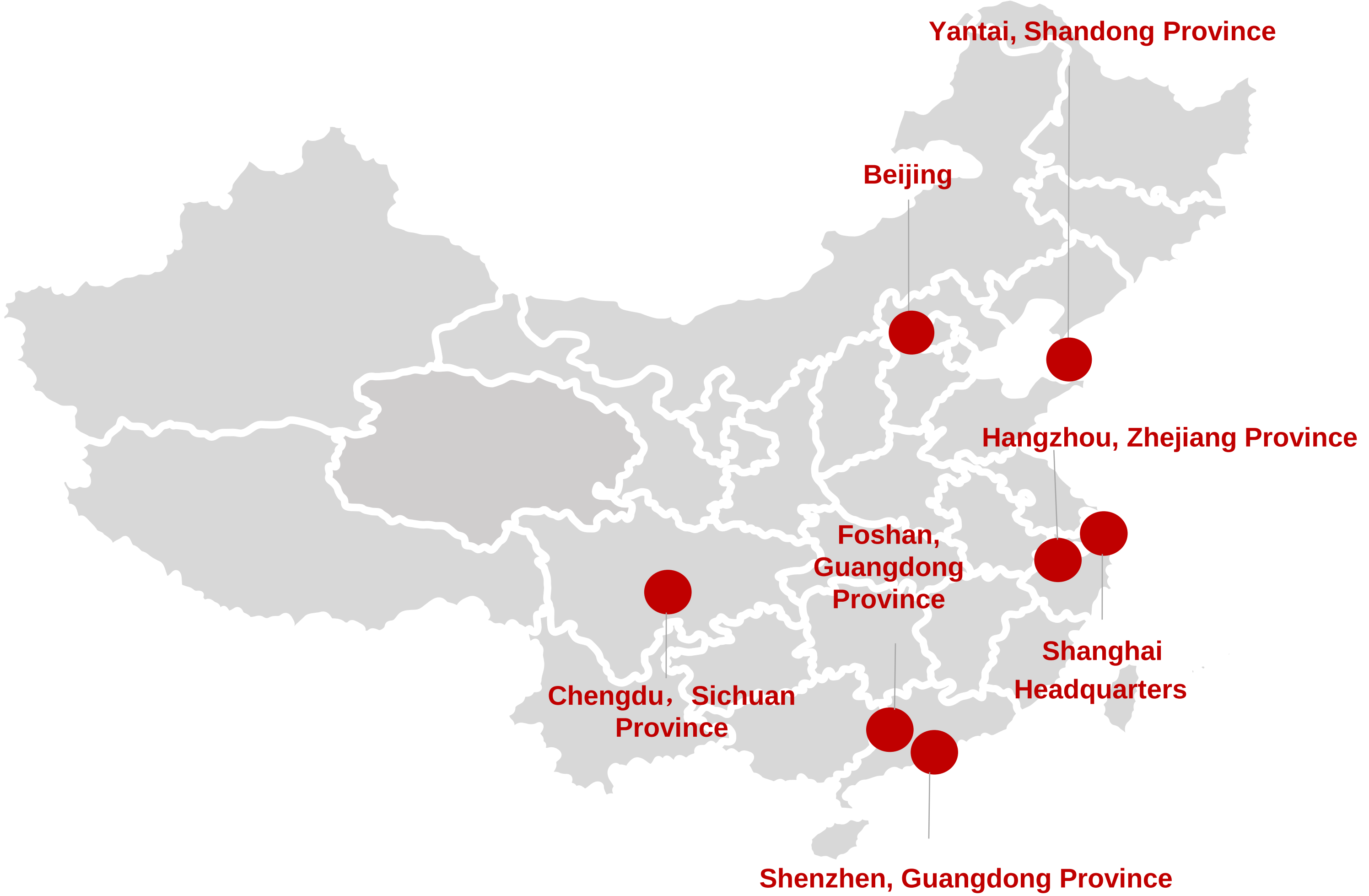
SMM Domestic Offices



SMM Overseas Offices

- Singapore
- London

Events

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Industry conference and events

With 19 years of industry participation and 14 years of conferences/events organization experience, SMM organizes copper, aluminium, zinc, lead, nickel, tin and minor metals summits on a regular basis. We welcome over 50,000 industry delegates to our conferences every year, where we gather and share valuable insights of the non-ferrous and ferrous metals markets. Conference video replays will be available after the conference.

Webinars

Shanghai Metals Market(SMM) regularly plan and organize various metals online webinars, like copper, aluminum, nickel, etc. SMM will hold annual, quarterly and monthly webinars for financial customers, third parties and industry chain customers.

Consulting

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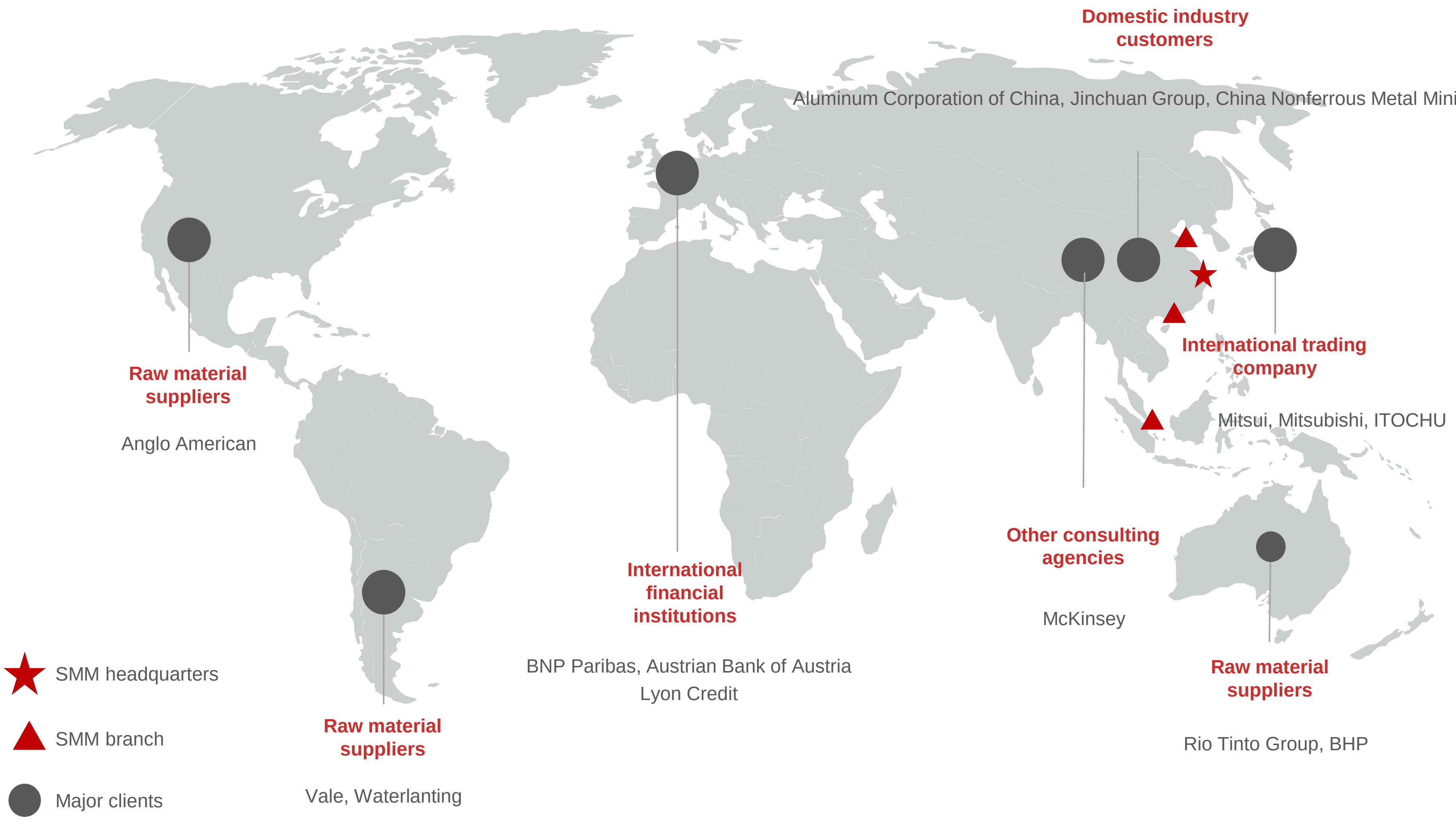
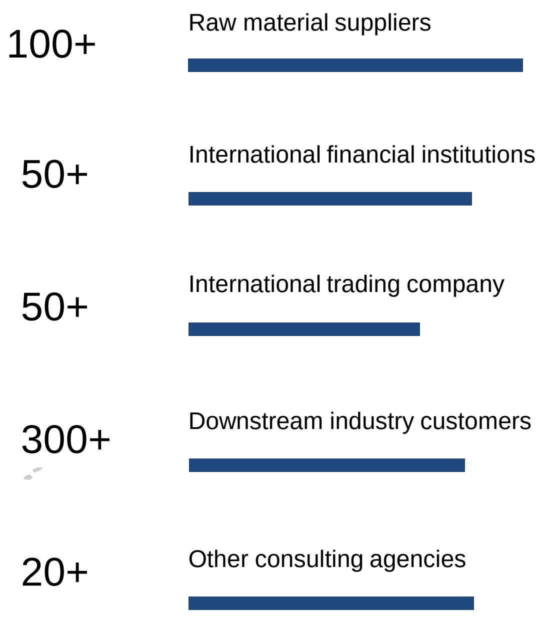
SMM provides consulting services covering the upstream, midstream and downstream customers of the industry chain and international financial institution customers.





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Know the REAL China

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