

## Latest news in China's magnesium market (Oct.25-29)

There is no market that only rises but not runs downhill. This week, affected by many negative factors, especially the government's control and suppression of coal prices, China's coal and metal market prices, including magnesium, generally plunged. On Oct. 29, factory price of magnesium factories in China was 36000-40000 yuan/t, with some factories offering slightly lower. Some factories tried to reduce the price of orders to achieve capital turnover, and the transactions were chaotic. Since Oct. 22, the price of magnesium has crashed by 12000 yuan/t.



On the supply side, according to Sunlight Metal, the operating rate of all magnesium plants in Fugu County has increased this week. Although different in operation, it is estimated that the overall operating rate should exceed 70%. The production and supply of magnesium have greatly improved. News that the global magnesium supply shortage caused by the shutdown and production restriction in Yulin and Fugu is a topic of media attention. The open letters by both 11 European industrial organizations and IMA to the European Commission have also been reported in China. Magnesium shortage and soaring prices have become big news in society. There are many and influential calls at home and abroad for stabilizing production and supply. Under this background, magnesium plants are willing to resume production and increase output to obtain good benefits. We believe that governments at all levels will also worry about the relevant impact, and may become more cautious when making decisions involving shutdown or production restriction of magnesium plants in the future. At the CMA annual conference in October 19th, officials from Fugu government said that they should try to increase supply while doing a good job in energy consumption saving and environmental protection.

On the raw material side, since this month, northern China will gradually enter the heating season. Ensuring coal supply, reducing coal prices and ensuring power supply are the

main tasks of the NDRC who has issued many relevant policies and instructions requiring state-owned enterprises to comply with them. This week, the domestic coal price has indeed decreased, and the power supply has improved. However, it should be noted that the government pays more attention to the supply of coal for power generation and energy for heating and price control. The industrial energy of raw materials with high energy consumption and emission is still controlled, and there are clear regulations and objectives to reduce energy consumption. Therefore, since this month, the electricity prices of high energy consuming enterprises have begun to increase, and the electricity prices in various regions have risen by 30-100%. This makes the cost and price of ferrosilicon remain high. In addition, the coal used in Yulin magnesium smelter is different from that used in the power plant. Under the situation of very tight supply and transportation in the coal market, it is still difficult for magnesium smelter to purchase coal with higher price.

On the demand side, although the power cut-off in southern China has eased recently, and the operating rate of aluminum processing and die casting plants has increased, there is still an abnormal production caused by insufficient energy supply. At present, the price of magnesium is still high, and the purchase volume of users is generally small. In terms of export, foreign procurement began to recover, new supply channels were being established, and orders to replenish inventory began to increase.

We believe that from the perspective of supply-demand relationship, in view of the current weak downstream demand, few downstream orders and the lack of good news, it is expected that the magnesium market will continue to weaken under pressure in the near future. However, considering that the price of coal and ferrosilicon does not fall much at present, the price of magnesium is close to the factory cost line. Supported by the cost, it is expected that the further reduction of magnesium price will not be large. We will wait and see the demand situation.

Coming winter results in heavy pollution weather. This week, Ministry of Ecology and Environment issued the "comprehensive treatment plan for air pollution in autumn and winter", which puts forward requirements for pollution prevention and control in 65 cities in north China to ensure good air quality, against with 28 cities included last year. Ministry of Ecology and Environment requires some industrial enterprises in these 65 cities to limit production when heavy pollution weather comes. Although Yulin is not included in the list of cities, it includes most areas of Shanxi, Henan, Shaanxi, Hebei, Shandong and all areas of Tianjin and Beijing. So, there are still many uncertainties in the smooth operation of industrial chain related to the magnesium industry, which will also have a further impact on production and supply, needing to pay close attention by magnesium segment.

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