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## Stainless steel restocking to buoy nickel by 2009 end

*Tuesday, 30 Jun, 2009*

Reuters reported that robust demand for good quality stainless steel should sustain nickel prices towards the end of the year as consumer stocks will need to be replenished even if the global recession limps on. Prices of nickel fell to 5 year lows below USD 10,000 a tonne in October 2008 after the collapse of Lehman Brothers raised the specter of global recession and slumping demand.

Stainless steel producers, accounting for two thirds of nickel demand, have been using stocks or producing lower quality material ever since prices hit record highs above USD 50,000 a tonne in May 2007.

Mr Joel Crane analyst at Deutsche Bank said that "Extreme prices scared people away from high quality steel. Our house view is that global economic recovery is a 2010 story the restocking phase will begin a few months prior to that."

Mr Gayle Berry analyst at Barclays Capital said that "We see an improvement by the fourth quarter in line with an expected improvement in underlying demand and also the beginnings of restocking by stainless mills."

According to the International Stainless Steel Forum, first quarter global output of 4.832 million tonnes was the lowest quarterly number since 2000. Even this figure was flattered by a rebound in China, the world's largest stainless producer, where output increased almost 24% from the depressed levels of Q4 2008.

Deutsche Bank in a recent note said that "The global nickel market surplus is falling rapidly as a result of the 18 month campaign from producers to cut output in response to the collapse in global demand."

The International Nickel Study Group expects the global nickel market will record a surplus of 80,000 tonnes this year from a 110,000 tonne surplus previously.

(Sourced from [www.guardian.co.uk](http://www.guardian.co.uk))

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