
Chinese zinc industries to undergo consolidation

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Interfax China reported that China's fragmented lead and zinc industries are expected to undergo consolidation within the next five years as small-sized miners and smelters are increasingly being forced out of business due to plummeting product prices.

Mr Feng Juncong a senior analyst with Beijing Antaike Information said "Booming lead and zinc prices in the last few years led to investment frenzy in the metal mining and smelting sectors. However, China's ongoing industrial structure optimization, coupled with the current global economic downturn, will likely induce a cool down in investments and accelerate consolidation."

He said that "In particular, since the beginning of October, lead and zinc prices have tumbled by more than 30% causing almost all zinc miners and smelters to rack up losses, while lead smelters are earning just fractional profits. China's lead and zinc industries will likely consolidate within the next five years under the current climate."

Mr Feng said that ideally, large-scale lead and zinc miners and smelters should account for 50% to 60% of the country's lead and zinc output. He said that even though China is among the richest in the world in lead and zinc resources, ore supplies are relatively tight because mining facility expansion is lagging behind smelting capacity expansion.

Mr Feng said, China's zinc concentrate output is likely to decline by 4.6% YoY to 3.09 million tonnes in 2008, due to interruptions by snowstorms in February and the May 12 Sichuan earthquake. He said that China's refined zinc consumption will increase by 4% YoY in 2008, much lower than the average growth of 14.5% in the past eight years. Also, production output from China's automobile manufacturers, which are major refined zinc consumers, is expected to grow at a slower pace of 15% YoY.

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