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## China to cuts nickel production due to weak demand

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It is reported that China's nickel output is expected to fall nearly 10% to around 130,000 tonne in 2008.

Major producers, including Jinchuan Group, are cutting output following a slump in nickel prices after steel mills halted and reduced production in China, the world's largest stainless steel producer and nickel consumer.

Mr Wen Xianjun VP of China Nonferrous Metals Industry Association said that "Some production capacity has been shut down as the nickel industry is starting to lose money." He added that growth in China's base metals production was expected to slow down, while lower demand had led to profit declines in the industry and the aluminum sector was also suffering losses.

Research group Antaika had previously forecast that China's nickel output would rise 6% to 228,000 tonne in 2008. Nickel pig iron plants would account for 80,000 tonne and refined metals from smelters, 148,000 tonne. China produced 103,567 tonne of refined nickel in the first nine months up by 12% from the same period in 2007, but output in September 2008 fell 16% from a year earlier to 9,491 tonne.

Lower than expected production in China, which consumes about a fifth of the world's nickel used in the production of stainless steel, may lend support to world prices that have halved since the end of 2007 due to slackening demand from end users and the increasing use of pig iron that contains nickel in China. London Metal Exchange nickel for three month delivery earlier fell to USD 11,600 per tonne, 78% off from an all time high of USD 51,800 struck in May 2007.

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