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## Europe nickel premiums fall on lower stainless use

*Friday, 14 Nov, 2008*

Reuters reported that physical nickel premiums in Europe have been falling during the second half of this year as demand from stainless steel producers continues to decline.

A physical trader said that "There is no question that stainless is dead and people are wondering what to do. Two thirds of all nickel produced globally finds its way into the stainless steel sector, where it is used in construction and to make products such as sinks and kitchen appliances. The rest of the business is relatively unscathed, although premiums are down a bit."

The three months futures price of nickel has slumped almost 80% from a record high of USD 51,800 per tonne last May 2008 to around USD 10,975 and have traded below USD 20,000 since the start of September 2008.

Global stainless steel output is seen falling to 27.2 million tonnes this year, down 4.6% from 2007 and in 2009 output is forecast to hit 26.3 million. The declining demand can be seen in the amount of metal available in London Metal Exchange warehouses. Nickel stocks have soared to 57,924 tonnes from 4,446 tonnes in May 2007. Physical premiums, the amount paid for metal delivery above the cash price on the London Metal Exchange, were around USD 50 to USD 150 per tonne for uncut nickel cathode, compared with USD 100 to USD 200 at the end of July 2008. Premiums for cut nickel cathodes were around USD 350 to USD 450 a tonne compared with USD 400 to USD 500 at the end of July 2008.

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