

Cobalt Spotlight

September 16, 2024. [Rob Searle](#), analyst

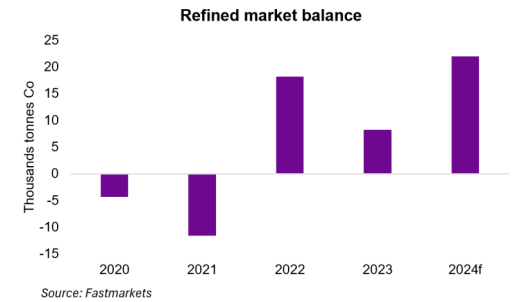
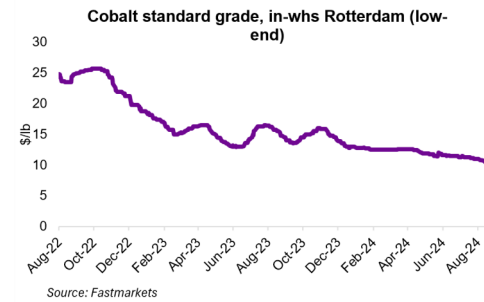
Outlook: Cobalt prices have continued to weaken through the summer months with limited downstream spot buying and an oversupply of cobalt intermediates weighing on the market. Positive sentiment is waning as we move through the final month of the third quarter with ongoing slow demand from the NMC pCAM sector. Cobalt chloride and tetroxide demand has seen an improvement in the past month with expectations of continuing growth through to year-end. The launch of new smartphone models has seen demand from LCO precursor makers strengthen. Levels remain below 2022. Slow chemical demand is expected to persist with further gains in refined metal production in China. This increased volume is likely to find its way into the export market, further pressuring standard grade prices in Rotterdam.

Cobalt standard grade prices fell further in August

- The cobalt standard grade, in-whs Rotterdam low-end price fell over 5% in August after availability of material outstripped slow spot buying during the summer lull period. Imported Chinese material pressured the low end of the price range once again. Cobalt standard grade prices remain 31% down year on year, predominantly as a result of bearish demand fundamentals in China and ongoing refined expansions.

China's refiners favored metal production, export market

- Amid slow cobalt chemical demand from the NCM pCAM market, refiners have favored producing cobalt metal. Utilization rates at cobalt metal lines in China averaged 92% in the first half of 2024. The announcement by China's State Reserve Bureau for a record 15,000 tonnes of strategic stockpiling in second half of 2024 has taken some slack out of the market but did little to support prices. Real monthly demand from metal applications in China is down by around 10-20% while the country struggles with contracting manufacturing activity and slow consumer spending. Chinese refiners have looked to the export market, with volumes rising significantly in January-July. Metal exports fell 34% month on month in July when delivery to China's SRB kickstarted. Despite this fall, export volumes in January-July were up 181% year on year. Rotterdam has become the major destination for Chinese exported cobalt metal. Chinese exports to the Netherlands rose by 287% in the year to date with the country accounting for 77% of China's total metal exports in July.



Bearish sentiment remains in cobalt sulfate market

- Operating rates at Chinese cobalt sulfate refiners averaged 35% in the first half of 2024. Cobalt sulfate production was 28,000 tonnes in the period, down 21% year on year. Slowing BEV sales in Western markets combined continued through the summer period due to high interest rates and a preference for PHEVs. The fall in the cobalt sulfate 20.5% Co min, exw China price slowed in August with refiners halting production or favoring cobalt chloride as demand strengthened in the consumer electronics sector.

Mined supply growth weighs on prices

- Production results from major copper-cobalt miners in the DRC saw significant growth in the first half of 2024. Bullish copper prices in the first six months of 2024 led Chinese miners in the DRC to ramp up production. CMOC reported cobalt production of 54,000 tonnes in the period, up 178% year on year. This production achieved 83% of the company's guidance for the year. Glencore's mined production in the DRC was down 29% year on year in the first half, but this was offset by gains at CMOC's assets.
- Lower nickel prices have pressured cobalt by-production in Australia with cutbacks. Indonesia, however, continues to see strong cobalt production growth, forecast to rise 55% year on year in 2024. HPAL operations have been the major growth driver in cobalt mined supply but changes in laterite ores being diverted from NPI to matte could see further increases in cobalt production in the coming years.

Fundamentals

- The cobalt market saw a surplus of 8,200 tonnes in 2023 because demand lagged expectations through much of the year. Mined supply growth in the DRC and Indonesia lengthened availability of cobalt intermediates in the market. The DRC's mined supply grew 18% while Indonesia's supply grew 68%. This cemented the southeast Asian country as the second largest supplier of cobalt intermediates. Refined cobalt production grew 4% in China. Expectations for 2024 are for a larger surplus of 22,000 tonnes on rapidly expanding refined metal production in China.