



Fastmarkets MB

Graphite Spotlight

Outlook: Our price outlook for 2024 remains bearish due to graphite supply outpacing demand. We do not forecast any notable improvement in prices before late in the fourth quarter, 2024. We forecast modest pricing gains in the final weeks of the year, reflecting seasonal demand increases and production outages. Chronic excess synthetic graphite supply will keep both the overall graphite market and the battery-grade graphite market oversupplied through 2025. Amid the synthetic graphite supply overhang, and despite rebalancing in the natural graphite market, we do not expect prices to return to 2022 levels over the 2024-2025 period due to the level of excess supply weighing on the overall market.

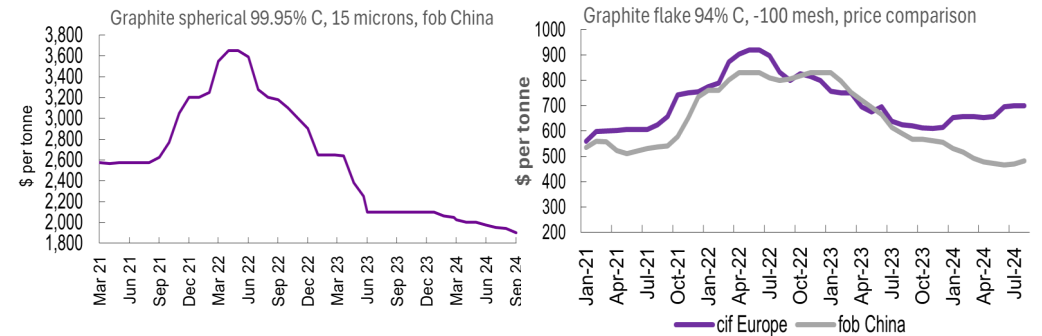
Flake graphite prices reached their bottom in China

- Fine flake graphite (-100 mesh) in China reached their bottom in July, with mid prices falling to \$465 per tonne, fob China. Since then, flake graphite prices have gradually improved, with the industry in wide consensus that current lows are unsustainable for graphite production. But we expect prices to face headwinds due to persistent competition from synthetic anode producers, slow steel demand, competitive supply from state-owned miners in China and graphite supply from new entrants in Africa.

Spherical graphite prices at historic lows

- Uncoated spherical graphite (uSPG) prices in China have plummeted to record low levels since Fastmarkets first began pricing the material back in 2012. Despite anode production recording 30% growth year on year in the first half of 2024, overcapacity in the synthetic sector and severe competition for market share from synthetic anode producers have resulted in lower demand for natural anodes, especially in China. Hence, demand for spherical graphite has slowed and in combination with aggressive cost controls through vertical integration in the anode sector, spherical graphite prices have declined by 49% since June 2022 to \$1,850 per tonne at the start of September 2024. We anticipate any improvement in spherical graphite prices to be limited in the coming months and to be rather driven by seasonal factors.

September 2024 - Georgi Georgiev, analyst



Geopolitics affecting European graphite prices

In sharp contrast to long-term average premiums for European fine flake graphite of around \$30 per tonne, so far in the third quarter, European premiums have averaged \$230 per tonne. Rising premiums not only reflect the Chinese export controls and elevated shipping costs, but also increasing measures by the EU and US governments to enact trade restrictions and implement tariffs against imports of Chinese graphite.

Trade tariffs and IRA to shape US market

Although we understand that battery makers and original equipment manufacturers are resisting paying premiums for Inflation Reduction Act-compliant or ex-China material, the emergence of a strong European graphite price premium is indicative that this trend is beginning. Actions by the US government to end the Section 301 exclusion for imports of Chinese synthetic graphite, with imports subject to a 25% tariff, and the planned extension of the 25% tariffs on imports of Chinese natural graphite in 2026, will prompt a premium pricing structure in the US market as well.

Anticipated anode restocking cycle in Q4

- After a slowdown in anode production in China during the third quarter, market participants anticipate restocking to begin in September and October. Rising petroleum coke prices at the start of September could indicate improving anode production activity in September after declining by 20% month on month in August.