

Supply concerns dominate industry

TiO₂ pigment

Supply concerns have dominated the pigment industry during the past few months in the usual high period of demand – the Northern Hemisphere ‘coatings’ season.

Supply disruptions continued to affect the industry during the second quarter, with inventories already low and most global producers operating at full capacity to keep up with demand.

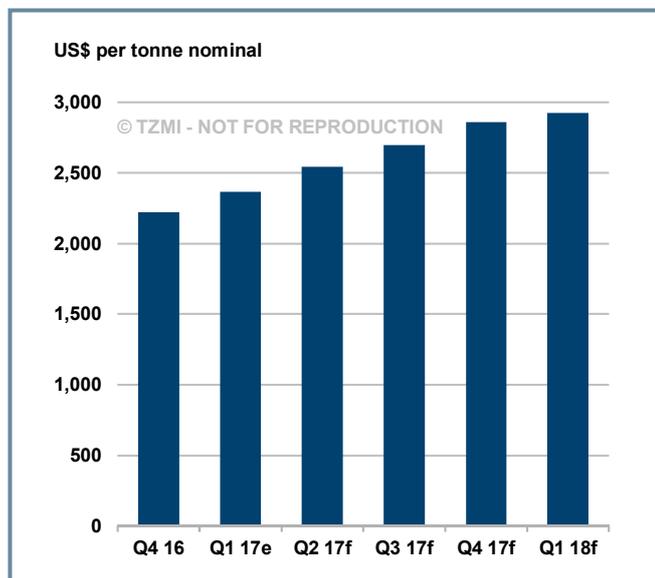
TZMI is keeping a close watch on the ongoing environmental inspections in China to assess the impact of any shut downs or suspensions on the overall industry and pigment supplies.

Pigment price increases announced by global producers for 1 June or 1 July are believed to be largely successful particularly in Europe where tight supply conditions prevail.

Exports out of China continue to rise, however, TZMI has seen some evidence that prices are coming down in recent weeks.

In its most recent supply/demand update, TZMI maintains its view that the cycle will peak in 2018, with the TiO₂ market continuing to remain tight throughout the rest of 2017.

GLOBAL TIO₂ PIGMENT PRICES: Q4 2016 – Q1 2018



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There is no further capacity expected to come onstream in the near term apart from the ramp up of production at Chemours’ Mexican operations and some extra capacity in China. In this environment, prices have continued their upward trajectory.

TZMI believes prices will continue to increase in North America and Europe before hitting their peak in Q1 2018. In China, however, prices have started to flatten (after nearly 18 months of continuous increases) and decrease for producers with excess inventory; TZMI anticipates prices will come down sooner than the other major regions.

Titanium feedstocks

Titanium feedstocks continued to experience strong demand correlated to the current strong growth in the TiO₂ pigment market.

TZMI anticipates demand growth to outpace that of supply during the next few years unless new supply becomes available from new projects. New projects will need to be brought onstream from 2019 if supply deficits are to be avoided.

Sulfate ilmenite continued to dominate demand growth out of all the titanium feedstock products. Global quarterly imports of sulfate ilmenite reached 1 million tonnes in Q1 2017 and Q2 imports are expected to be at a similar level. Monthly imports into China in May 2017 were at an all-time high.

TZMI has noted prices of domestic ilmenite in China appeared to have reached a peak in April 2017 and the trend has been one of decline since then. Ongoing environmental inspections in China could result in some supply disruptions due to shut downs or suspensions and this could provide some short-term or temporary pricing support.

Pricing for high-grade chloride feedstocks have been fairly steady as most offtake contracts are negotiated on a bi-annual or annual basis.

TZMI’s current estimate is that inventory in the value chain will be fully depleted by the end of 2017. An increase in global titanium feedstock supply can be expected in 2017 and 2018, which will provide some relief but the overall market will remain tight.

Supply disruptions continue with the situation in India still unresolved at the time of writing. The aforementioned environmental regulation enforcement in China is ongoing and this has the potential to affect domestic miners as well as ilmenite processors.

The new mining charter recently introduced in South Africa has the potential to impact producers with operations there – namely Tronox, Rio Tinto and Mineral Commodities. The new charter aims to increase black ownership from the current 26% to 30%. The charter also has miners passing 1% of revenue to local communities (with immediate effect) and a requirement to procure 70% of goods and 80% of services from black-owned companies.

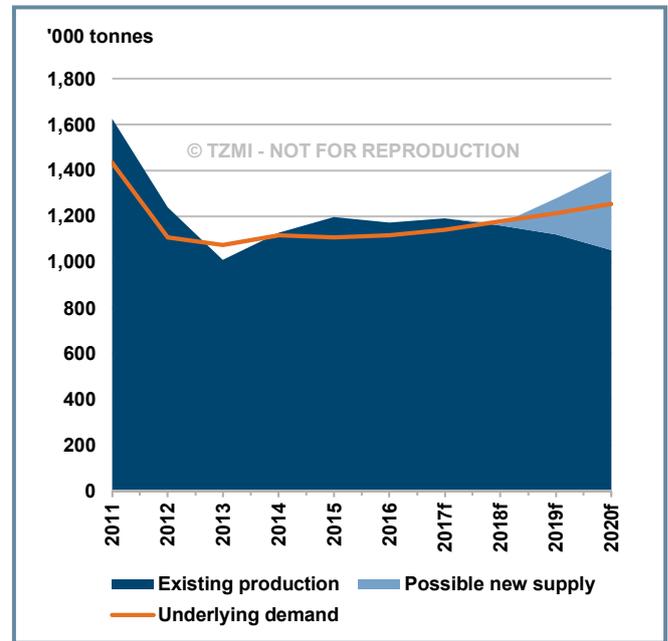
TZMI expects the global weighted average prices of titanium feedstock to continue to strengthen in line with increased demand and declining supply, with prices expected to reach inducement price levels by 2019/2020 to enable new projects to come onstream.

Zircon

TZMI maintains its forecast that overall zircon supply will decline after 2017. Initially, existing excess inventory will meet expected demand in 2018 but new projects will need to be developed by 2019 to avoid deficits and to meet expected demand.

Zircon sands shipments into China in Q1 2017 were the strongest seen in a first quarter for many years. TZMI does not believe this is a result of an increase in underlying demand, rather pre-buying or re-stocking activity based on perceptions of rising prices.

GLOBAL ZIRCON SUPPLY/DEMAND: 2011 – 2020



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Major producers have recently announced price increases for Q3 2017 and some have foreshadowed significant price rises in Q4 2017. Price increases vary depending upon the market and quality of the product but are understood to fall in the range US\$80-150 per tonne.

TZMI expects price movements to be stronger for standard and intermediate zircon products compared to premium products during 2017.