

# **Tungsten in line for ‘horrendous’ deficit on Chinese spending and higher demand**

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The tungsten market will see a growing deficit and higher prices in the coming years on stronger Chinese domestic consumption and good demand, market participants said last week.

Growing domestic consumption in China and a lack of new production coming on stream in the next few years will tighten the market and push prices higher, producers and analysts said at Global Capital Forum’s tungsten and molybdenum conference.

“Supply is going to struggle...everything has pointed in the same direction over the last few years...The next five to ten years will be a boom for the tungsten market,” said David Matousek, head of corporate development at Playfair Mining, a prospective tungsten producer based in Canada.

“If you look at other commodities, we take the position that tungsten is really yet to reach where it’s meant to go,” he said in his presentation.

The global tungsten deficit could be as much as 17,500 tonnes by 2010, Matousek suggested.

“There is going to be a pretty horrendous deficit further down the line,” said Jack Marr, director of Geodex Minerals, adding that it will take every tungsten “wannabe” to come into production to fill the gap between the supply and demand that he expects in 2010 and 2011.

The major factor underpinning the market will be falling Chinese exports as a result of lower quotas and growing domestic consumption, delegates said.

The Chinese are “not totally confident” that their reserves will be adequate to meet demand in the future, said CRU Strategies director Christopher Stobart in his presentation.

“Chinese exports will no longer depress the market,” he said, while Marr suggested that exports may dry up in the next few years.

The recent ban on foreign investment in the Chinese tungsten industry in a bid to “protect and conserve” the domestic producers will add to the upward pressure, Stobart said, adding that tungsten has not attracted the same attention as nickel and cobalt despite enjoying the same price rise in percentage terms since 1995.

Supply from the US Defense Logistics Agency of around 2,500 tpy of tungsten concentrate will not put pressure on prices, delegates insisted.

“We don’t see [the DLA] as a big threat to the market,” Stobart commented.

Although prices have soared since 2000, non-Chinese producers have been slow to react by investing in tungsten projects in the rest of the world, Stobart said.

Ammonium paratungstate (APT) has risen to \$255-257 per mtu currently from \$51-55 per mtu at the beginning of 2000, according to MB’s pricing archive.

APT prices could exceed \$300 per mtu “in the medium term not the long term”, Andrew Haslam of Vital Metals said.

Demand for tungsten will stay strong with growth of 3-7% per year even as the global financial markets weaken as a result of the US credit crunch, market participants said.

Although consumption from the light bulb industry may fall, presenters agreed that demand from the tools sector will be robust enough to shrug off concerns over the global economy.

Tungsten demand, which is around 80,000 tpy, could exceed 122,000 tpy by 2010, Haslam said.

The credit crunch may be a “blessing in disguise” for prices and existing producers, as new, non-Chinese producers struggle to find financing from the Western banks, thereby maintaining the market deficit, Matousek said.

But he cautioned that Chinese steelmakers and tungsten producers may use the weakness in Western markets to buy up non-Chinese tungsten operations.

“The credit crunch will open the door for Asian conglomerates...to provide finance for companies outside China,” he said.