

Australia Metals & Mining and Steel

Takeaways with TZMI: mineral sands market continues to be in surplus

Industry Overview

Price decline to continue driven by market surplus

We hosted a conference call with TZMI today on the outlook for global mineral sands, i.e. titanium (TiO₂) feedstock and Zircon. TZMI is a global, independent consulting and publishing company which specializes in all aspects of the opaque mineral sands, titanium dioxide and coatings industries. Our guest speakers are TZMI's Executive Chairman David McCoy and Head of marketing, strategic services, and publication Galvin Lim. Overall, TZMI expects TiO₂ feedstock and zircon market continue to be in surplus in 2024 and the next few years driven by weak demand and increasing supply from new projects and undisciplined production from China. The speakers expect the prices of Zircon and TiO₂ to continue to decline caused by surplus.

Zircon demand recovery not sufficient to support price

TZMI estimates 2023 global zircon demand at 1.09mt, down 8.4% YoY caused by challenging demand for ceramic tiles and sanitaryware from weak property market (late-stage completions and renovations) in China and Europe. TZMI expects zircon demand to recover to 4.0% in 2024 and LT demand growth at 2.8% GAGR driven by decarbonization and renovation growth from India, US and other APAC countries. Despite better demand outlook, zircon supply is expected to increase by 4.0% in 2024 and peak at 1.36mt in 2026 owing to depleting resources from 2027. The increase in supply is expected to come from 30 different mineral sands projects between now and 2028 annualized at 178ktpa of combined zircon on weighted basis. TZMI forecasts 80kt of zircon surplus in 2023 and 2024. Inventory for zircon at the end of 2023 is also at around 5.0% of total supply which will continue to build up in 2024.

TiO₂ feedstock: Rutile price to recover from 2025

Weak pigment market led to -5.0% decline in TiO₂ feedstock demand in 2023 at 8.05mt of TiO₂ units. Thanks to supply responses (e.g. ILU shut down SR1 kiln production) to weaker demand TiO₂ supply has decreased by -1.2% YoY in 2023. TZMI started to see a build-up of inventory in the supply chain. Despite their forecast of demand recovery of 7.0% in 2024, the speakers expect continuous surplus in 2024. Increasing supply will result in surpluses for all the TiO₂ feedstock except rutile whose price is expected to recover from 2025 caused by supply depletion. Pigment demand is ~55% of rutile's demand vs. 90% for other TiO₂ feedstock. Demand from titanium metal and welding are expected to support rutile demand to change the market to a deficit from 2025.

Meaningful supply responses required to support price

In our view, demand recovery from 2023's low level will take time for industrial minerals like mineral sands. If demand is not sufficient to balance the market for the new supply and inventories overhang, a "meaningful" supply response is required. However, prices are still above incentive prices with healthy operating margins and further price decline required for a material supply response/discipline to change the market dynamics.

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GAGR: Compound Annual Growth Rate

TiO₂: Titanium Dioxide

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