

Metals and Mining - China

Rare Earth expert call: RMB400-600k/t price in '24; declining ore import

Industry Overview

RMB400-600k/t Pr-Nd price in '24

We hosted Ms. Jiawen Yang from SMM to discuss 2024 China rare earth market outlook.

Overall, rare earth product price is in downcycle. Price of Pr-Nd oxides dropped from RMB755k/t in beginning of '23 to RMB433k/t. Mr. Yang estimates Pr-Nd price to fluctuate between RMB400-600k/t in '24 due to rare earth ore supply limitation. Ore imported from Southeast Asia will decrease in '24 given Malaysia recently released policy to prohibit rare earth ore export and US is planning to produce rare earth product domestically, which will squeeze ore exports. Meanwhile, China government still controls rare earth mining on resource protection and ESG. Though quota of rare earth ore exploitation in '23 was 255kt, +21% yoy, Ms. Yang estimates quota in '24 will only increase by +10% yoy. On the other hand, price of Dysprosium oxide rebounded in 2H23 after price drop in 1H23 driven by industry M&A and lock down of Myanmar.

Tight supply-demand in '24; oversupply in '25/26

On supply, China produced 72kt Pr-Nd oxides in '23, vs. 63kt in '22, +14% yoy. Dysprosium oxide production was 2362t in '23, +63% yoy, and Terbium oxide production was 480t, +48%yoy. **On demand**, 82,782t Pr-Nd metal was consumed in China in '23, +3% yoy, among which EV sector took 14% with 11,788t, +40% yoy, followed by inverter air conditioner, which consumed 7% with 5,483t, +25% yoy. Pr-Nd metal consumption from wind power increased dramatically by +98% yoy in '23 to 3,829t, vs. -2% yoy in consumer electronics with 1,610t. Looking forward, Ms. Yang estimates Pr-Nd metal demand from EV to continue grow by +33% yoy to 15,719t in '24, followed by 6,400t demand from inverter air conditioner, +17% yoy. Demand growth rate of wind power is expected to drop to +20% yoy with 4,578t in '24, while demand from consumer electronics to increase +3% yoy to 1,656t. Generally, a tight Pr-Nd supply-demand is expected in '24 with 93,465t demand and 103,332t supply, while supply will soon improve in '25/26 with +c.5% yoy production growth.

Declining ore import; profit pressure for small players

China exported c.52kt rare earth product in '23, +7% yoy, while rare earth ore imported was 3 times over exported. By source countries, China imported 66,414t rare earth metal ore in '23, -14% yoy, among which over 99% was imported from US MP Mine. Since MP Mine is in full capacity now, metal ore supply will not change much in near future. Imported amount of rare-earth oxides other than of cerium, nes. was 43,856t, +206% yoy, but the number is decreasing since September '23. Imported mixture of rare-earth carbonate was 15,109t, +882% yoy, which is driven by low base in '22, while it may squeeze after Malaysia's export control. Declining rare earth ore import will push up cost of rare earth separation. However, per Ms. Yang, there will be little loss making for large-scale rare-earth separation company as they have LT contracts with mines while small-scale separation companies may suffer from increasing rare earth ore price.

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