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Norilsk Expects Metals Prices to Fall

By The Moscow Times

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Norilsk Nickel is planning for a decline of about 17 percent in nickel prices and 13 percent in copper from last year's average in London, according to two people with knowledge of the matter.

Norilsk has used an average price of about $19,000 a ton for nickel and $7,700 a ton for copper in its 2012 budget, the people said Friday, declining to be identified because the information is confidential. The board approved the budget at the end of December, they said.

Nickel, used in stainless steel, accounts for about 50 percent of Norilsk's revenue, and copper, prized for its conductivity, contributes 25 percent. Earnings before interest, taxes, depreciation and amortization may slump 25 percent this year to $4.4 billion, Deutsche Bank estimated on Jan. 5.

Prices aren't "critically" low for Norilsk, chief executive Vladimir Strzhalkovsky said on Rossia 24 state television Thursday. "Rational conservatism is always better than

immoderate optimism and fantasy-building."

The company expects a "slight" reduction in output in Russia this year, Strzhalkovsky said. Norilsk's nickel and copper output have fallen as its mines age, while the company seeks to build new facilities.

Alisa Fialko, a Norilsk spokeswoman, declined to comment on the company's forecasts.

Nickel may average $20,500 a ton this year, and copper may fall to $8,465, according to median estimates of analysts surveyed by Bloomberg. Last year, prices averaged $22,865 and $8,826, respectively, on the London Metal Exchange. Nickel has slumped by more than 30 percent from last year's peak in February, and copper prices have dropped 18 percent.

"Current prices still allow the majority of nickel and copper producers to turn a profit," Kirill Chuyko, an analyst for UBS, said Friday.

Norilsk sees nickel prices advancing to $30,000 by 2025, with copper, the second-biggest contributor to the company's revenue, surging to $11,300, according to the October strategy.

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