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Tin May Surge to \$40,000 on Global Deficit, Malaysia Smelting's Anuar Says

By Glenys Sim - Jan 17, 2011

Tin, the best performer last year of the six principal base metals traded in London, may rally to a record \$40,000 per metric ton as global supply may lag behind demand until at least 2013, according to [Malaysia](#) Smelting Corp.

“You still have upside,” Mohd. Ajib Anuar, group chief executive officer of Malaysia’s largest producer, said in an interview. A price of \$35,000 to \$40,000 in the next five years “is not impossible” as demand climbs, new mines take longer than expected to start output, and ore quality drops, Anuar said.

Tin, used in electronics and packaging, was the first base metal to reach a record last year after the worst global recession since the World War II. The metal rose 59 percent in 2010, touching \$27,500 per ton on Nov. 9, on supply disruptions in [Indonesia](#), China and [Africa](#) and increased demand. [Barclays Capital](#) has forecast a global shortage of 17,000 tons this year.

“In real terms, the peak was over \$40,000 and today it’s \$26,000,” Anuar said on Jan. 14 in [Singapore](#), referring to the price in 1980 adjusted for inflation. According to the [U.S. Geological Survey](#), tin averaged \$8.46 a pound (\$18,646 a ton) that year, equivalent to about \$22.39 a pound last year when adjusted to reflect the change in the value of money.

Tin’s performance on the London Metal Exchange last year beat rallies in nickel, which gained 34 percent; copper, which surged 30 percent; and aluminum, which climbed 11 percent. Zinc fell 4.1 percent and lead gained 4.9 percent last year. Today, three-month tin futures gained 0.2 percent to \$26,890 a ton at 5:37 p.m. in Singapore as the five other metals declined.

Timah’s Outlook

PT Timah, Indonesia’s largest tin exporter, said on Jan. 14 that production may drop in 2011 for a fourth straight year as bad weather disrupts operations. Output may be 37,000 to 40,000 tons this year compared with 40,000 tons last year, Corporate Secretary Abrun Abubakar said. Tin futures recovered from intraday losses of as much as 1.1 percent that day to end level.

A La Nina weather pattern has brought heavier-than-usual rain to parts [Asia](#) this year and last, curbing tin production in Indonesia, the biggest exporter. Power cuts in [China](#), the largest producer, also curbed output. In the Democratic Republic Congo, Africa’s largest tin producer, a

general ban on mining was imposed in September in three eastern provinces.

The global tin deficit may be 21,300 tons this year after an estimated 25,100-ton shortfall in 2010, according to industry group ITRI Ltd. Malaysia Smelting is one of ITRI's board members. There was a deficit of 15,700 tons from January to October last year, according to the World Bureau of Metal Statistics.

Forecast Deficits

ITRI has also forecast deficits in 2012 and in 2013, after which new supplies from Morocco, Russia and [Australia](#) are expected to begin, according to Anuar, who has been in the tin industry for more than 30 years. "I'm not as optimistic," he said. "I think the lead time will be much longer, so maybe the deficit will be longer."

Demand will be underpinned by growth in the electronics and chemical industries, with use in batteries and glass-making having "a very promising outlook," Anuar said. London Metal Exchange inventories of tin shrank 39 percent last year, the largest decrease since 2004.

To be sure, the outlook for demand is also tin's "biggest risk," according to Cui Lin, chief representative of ITRI China. "The demand growth in China faces a slowdown as the government intensifies efforts to cool the economy," Cui said today.

China's central bank told lenders on Jan. 14 to hold more deposits as reserves for the fourth time in two months, lifting required ratios by half a percentage point. The People's Bank of China also raised [interest rates](#) twice last year.

While there are reserves to support tin consumption for the next 20 years, the quality of ore is declining, meaning less metal is extracted from each ton of earth. That's driven up the cost of production, Anuar said.

"Because of the lack of exploration for more than two decades, since the collapse of the tin market in 1985, all the richer deposits and the more-accessible deposits have been mined," said Anuar.

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