

Global Research

Zinc & Lead Outlook

LME Asia Metals Seminar – 21 May 2025

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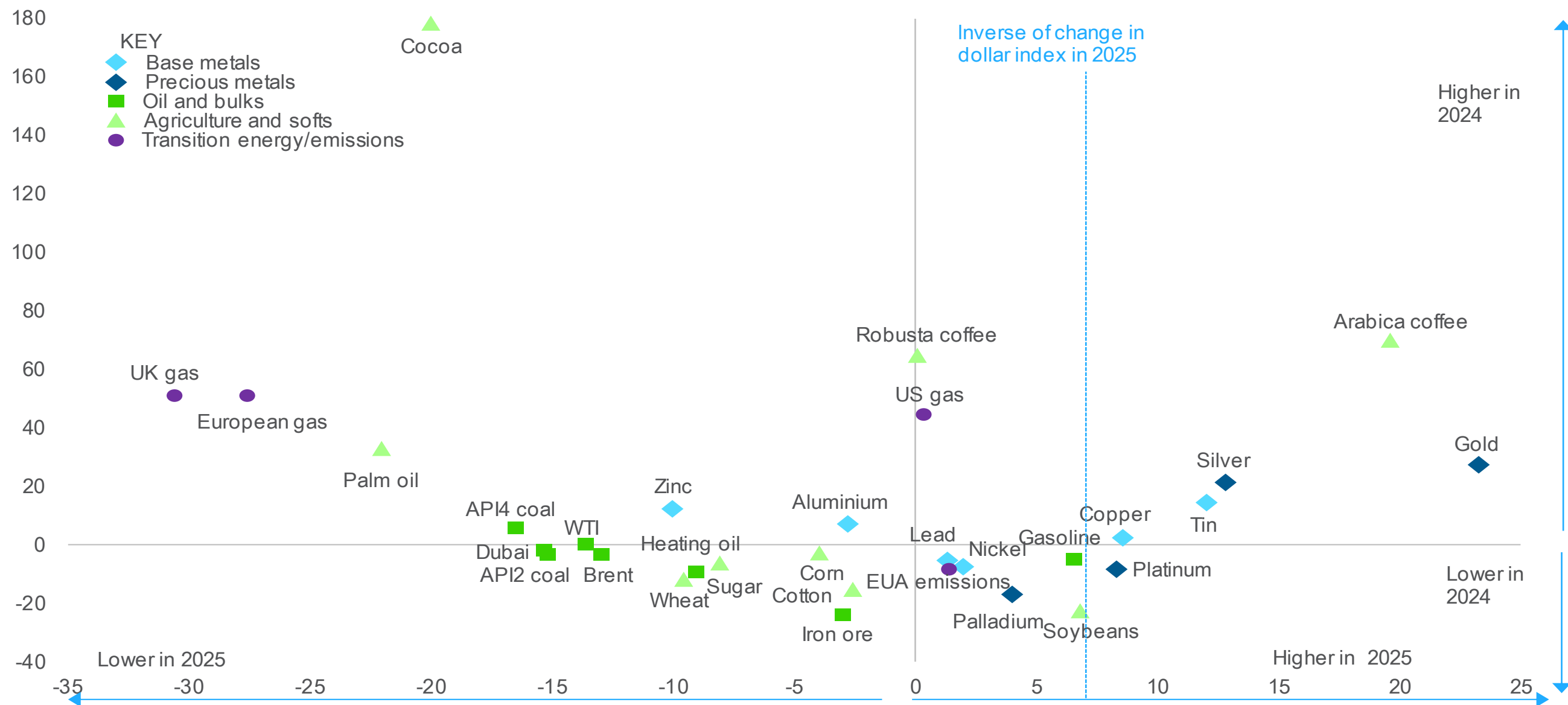
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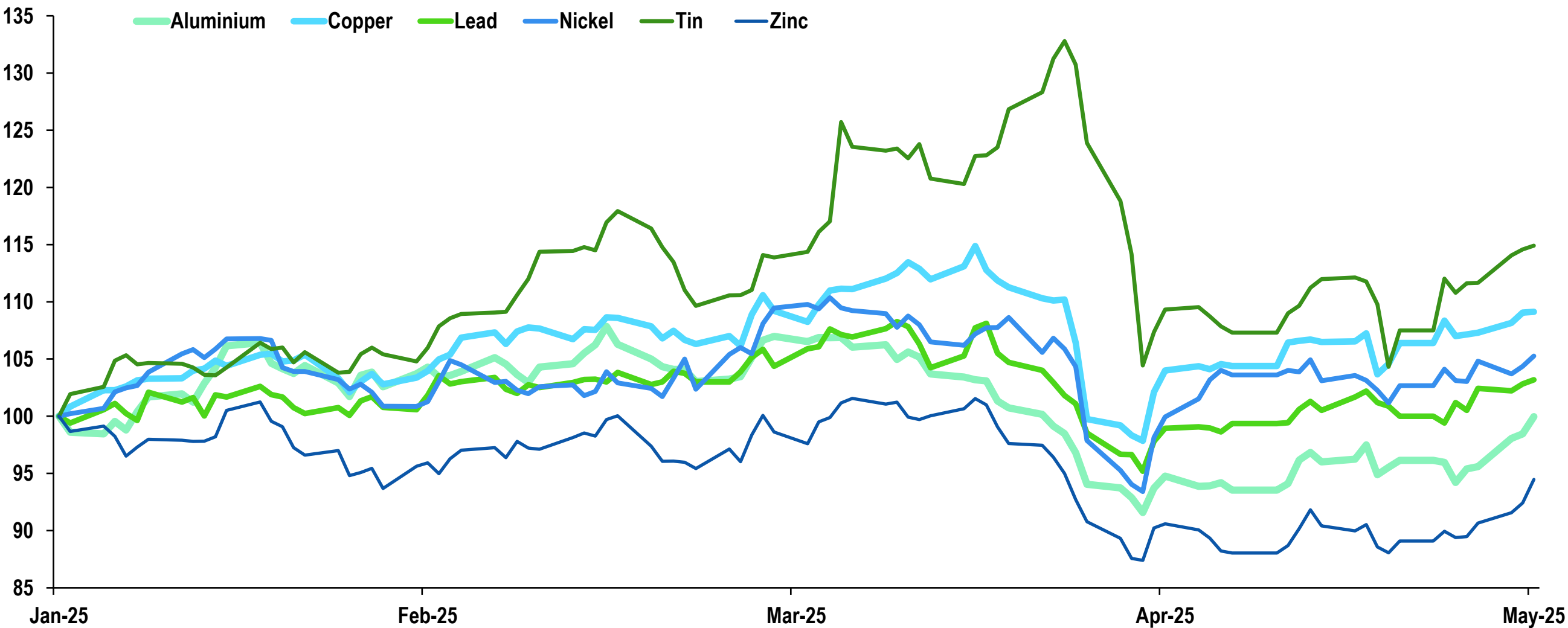
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Changes in commodity prices in 2025 and 2024, %



Zinc: The poorest performer YTD across base metals

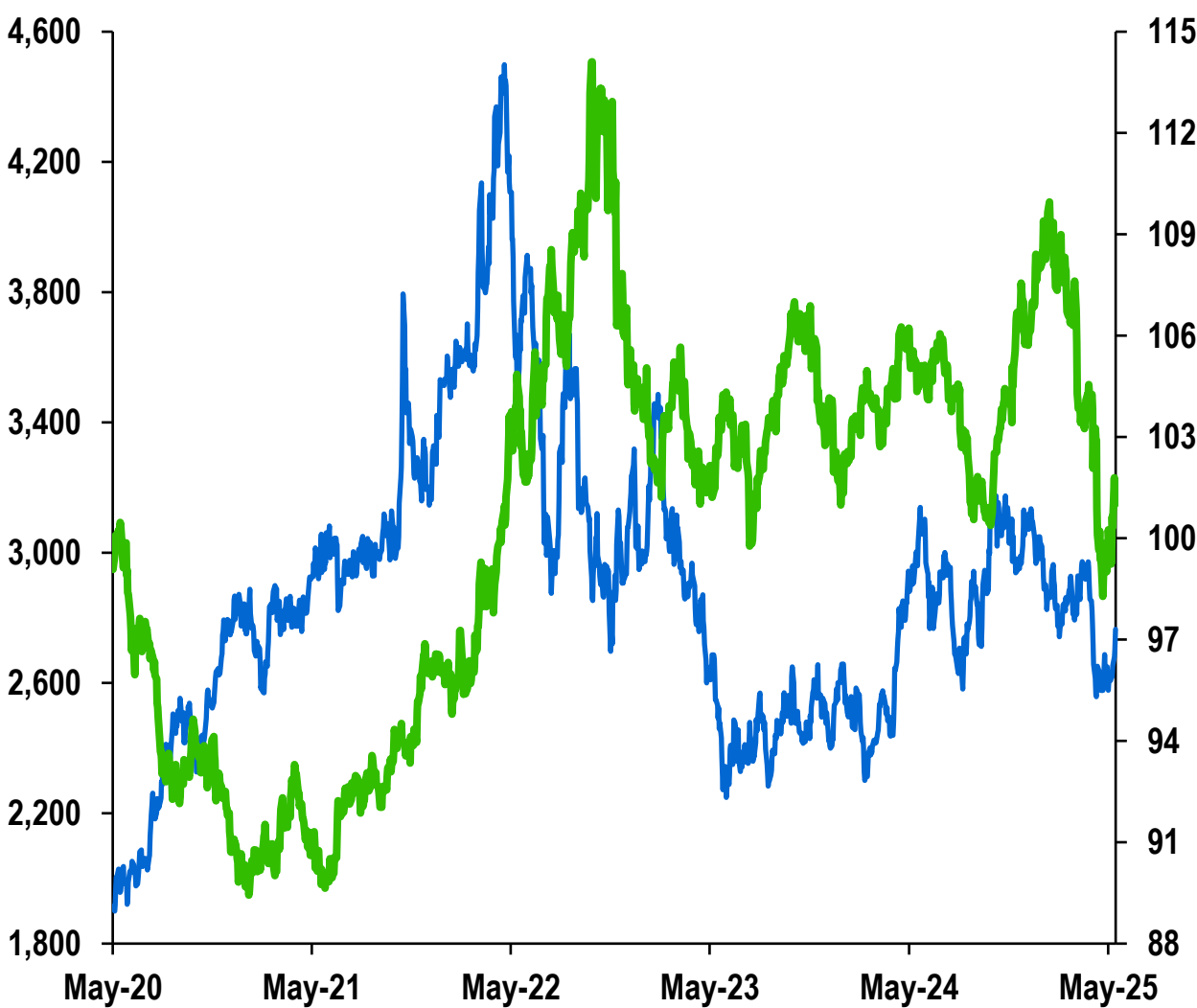
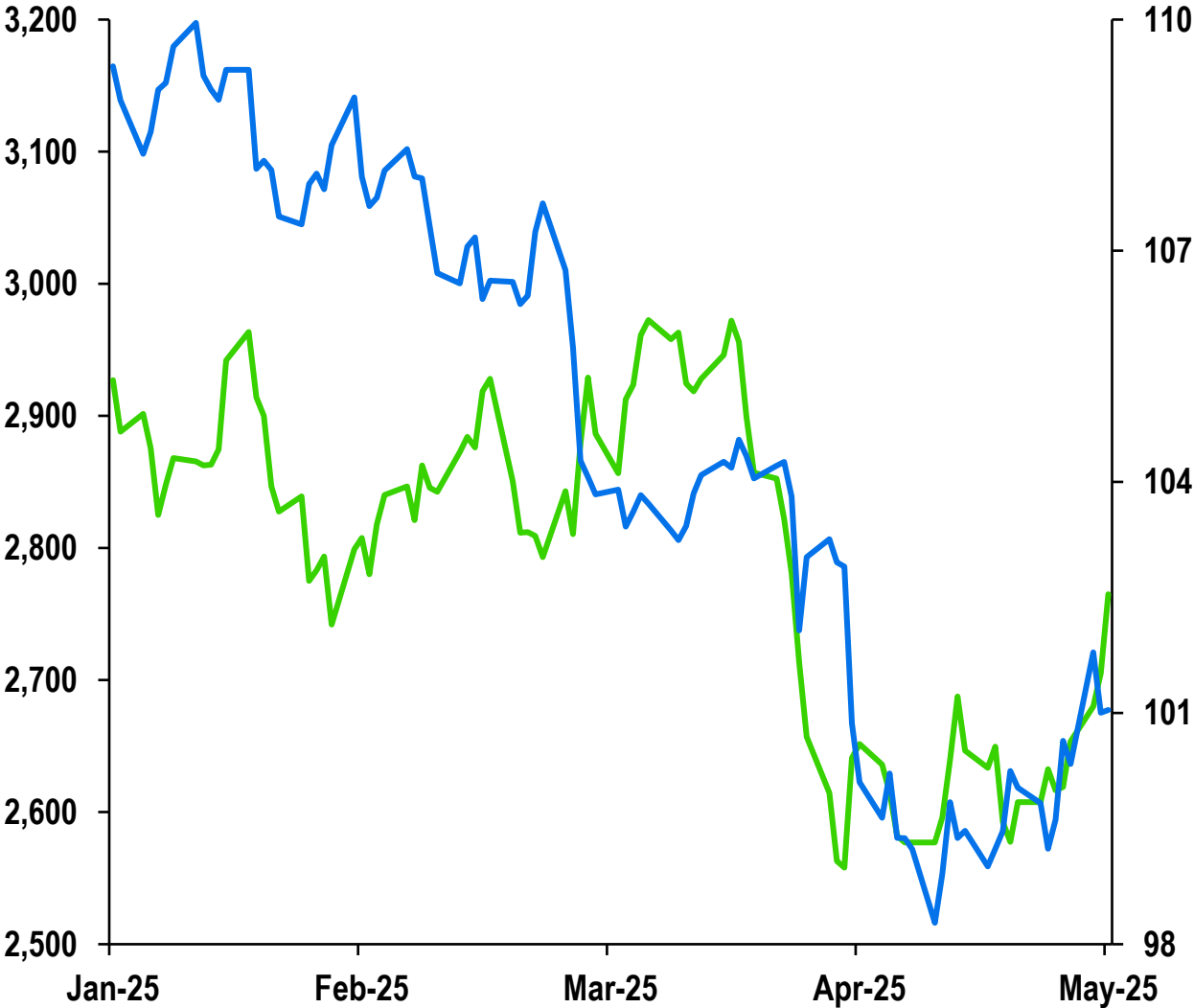
LME base metals indexed price performance
Prices indexed to 2 January 2025



Tariff headlines muddle the typically inverse relationship between the USD and zinc prices

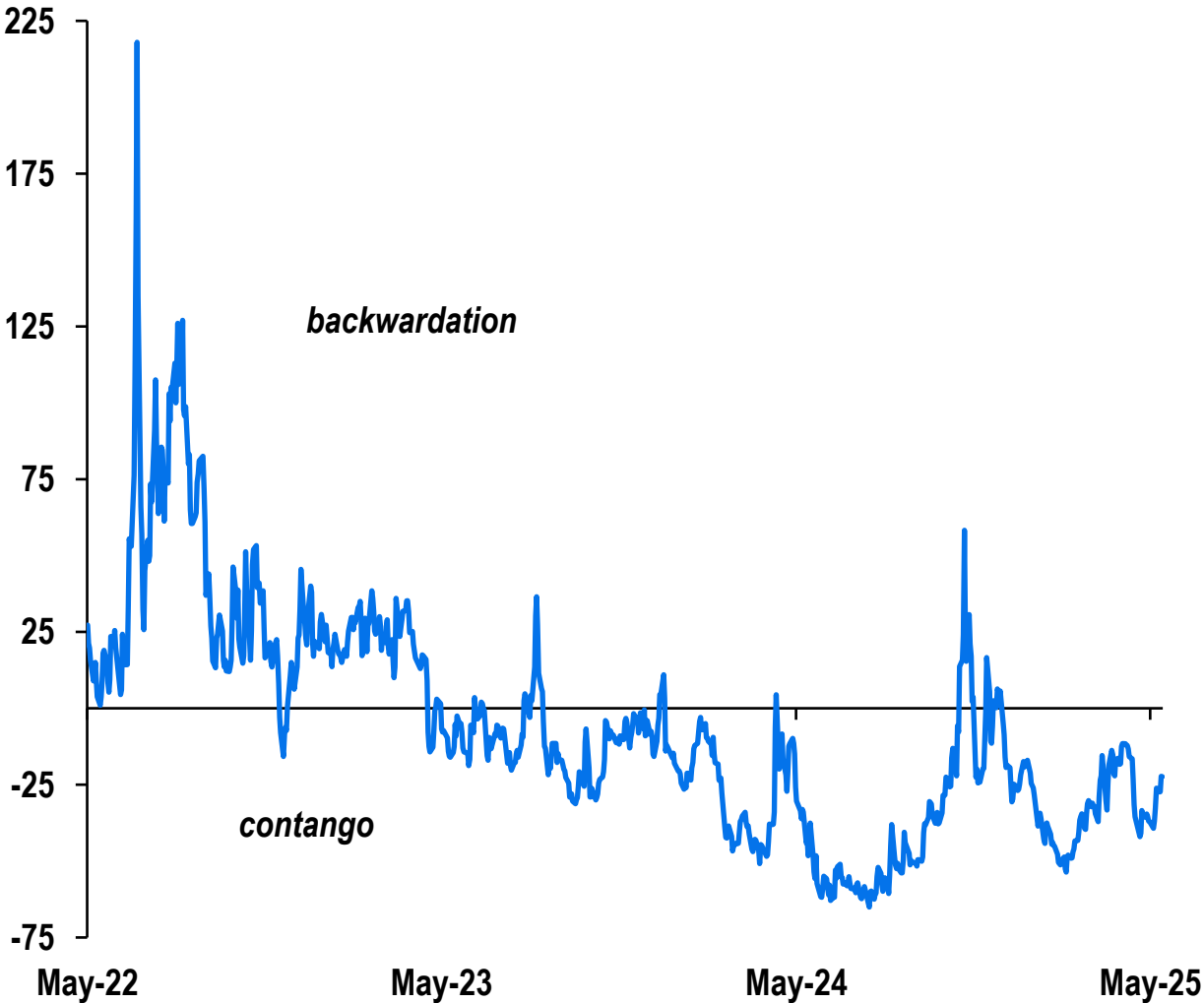
Both the LME zinc price and the USD dropped on tariff imposition, before the tariff pause offered some respite

LME zinc price (LHS) vs DXY Index (RHS)

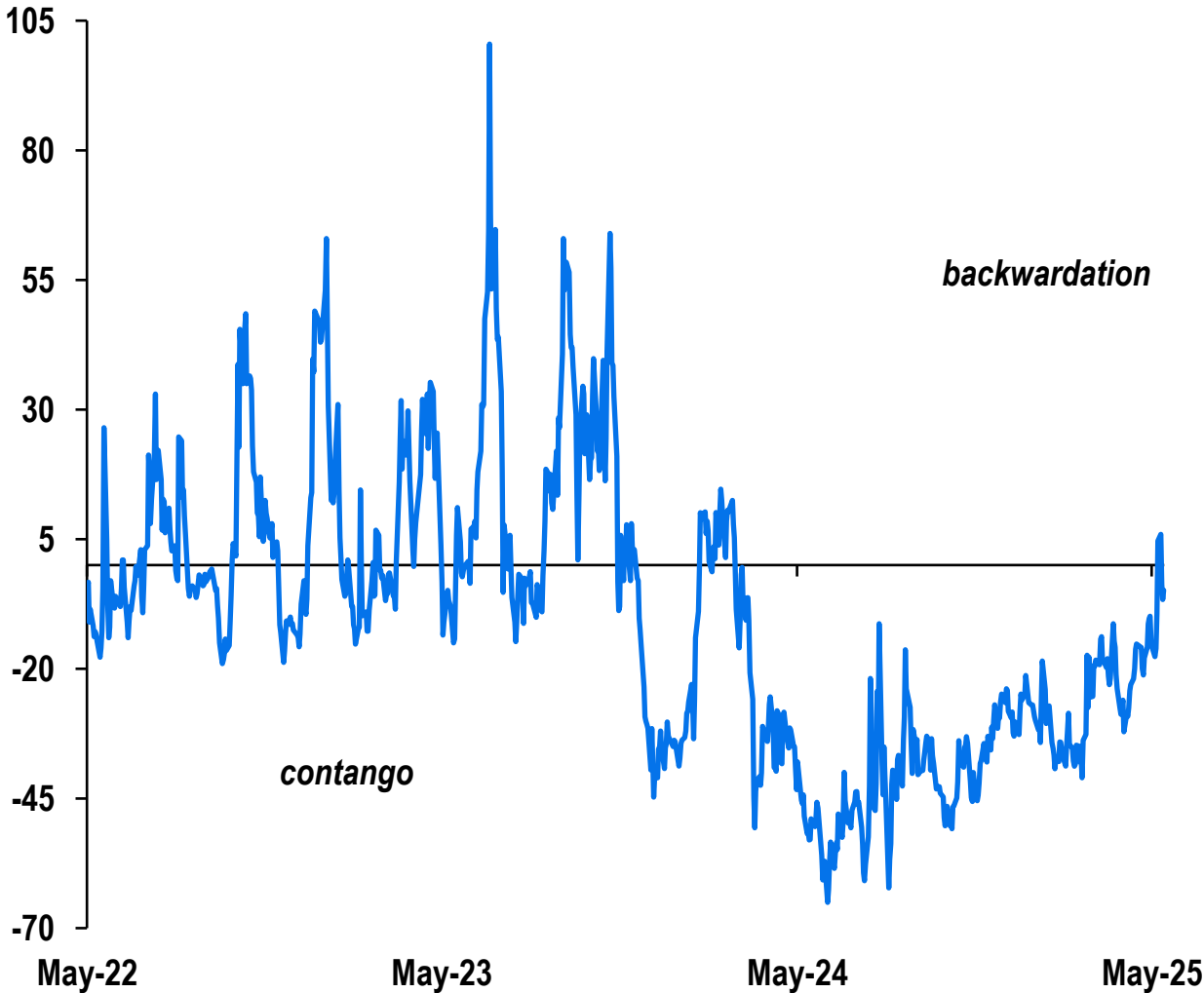


Nearby time spreads reflect no imminent tightness

The nearby contango persists
LME zinc cash-3M spread, USD/t



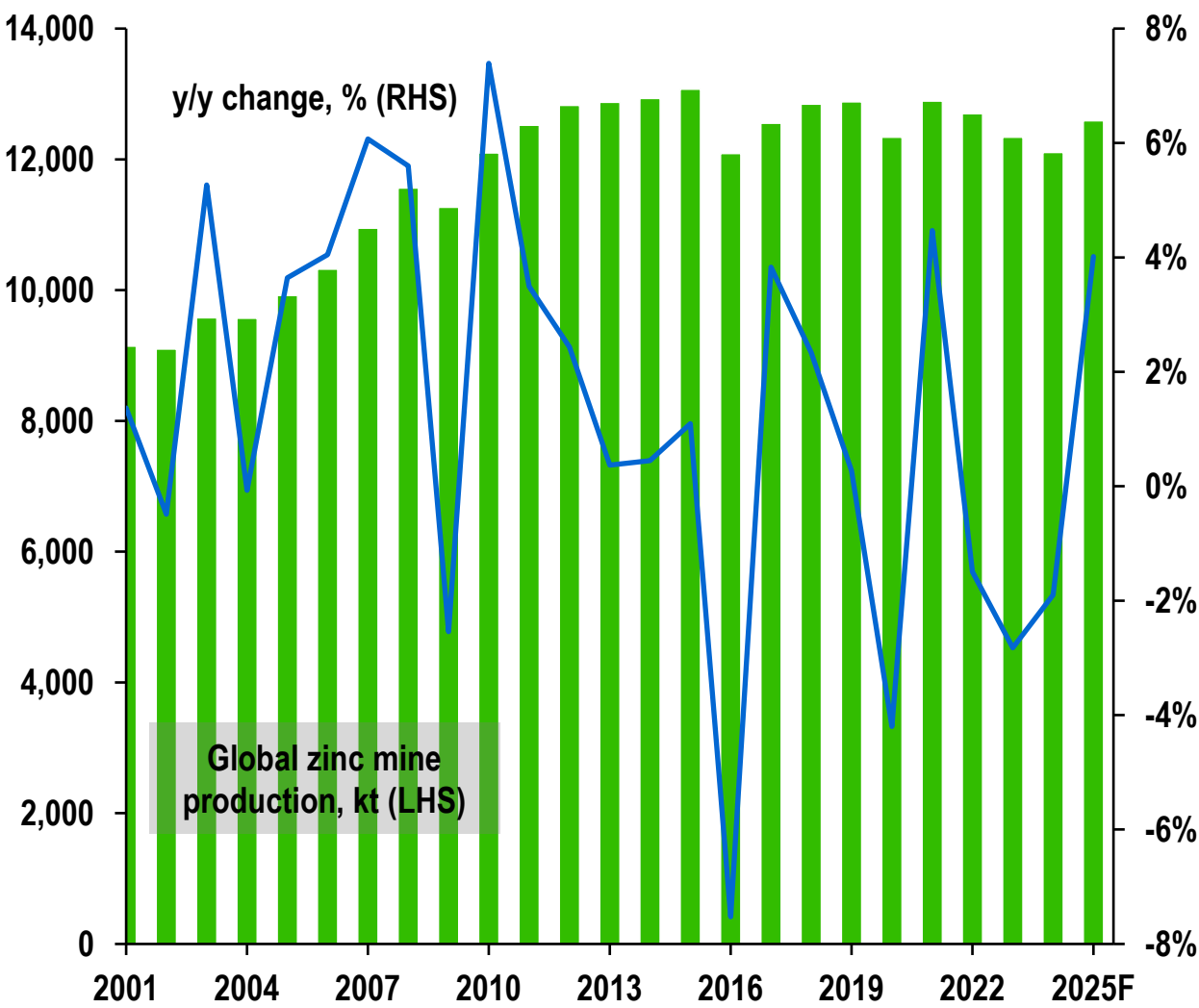
A very short-lived foray into backwardation
LME lead cash-3M spread, USD/t



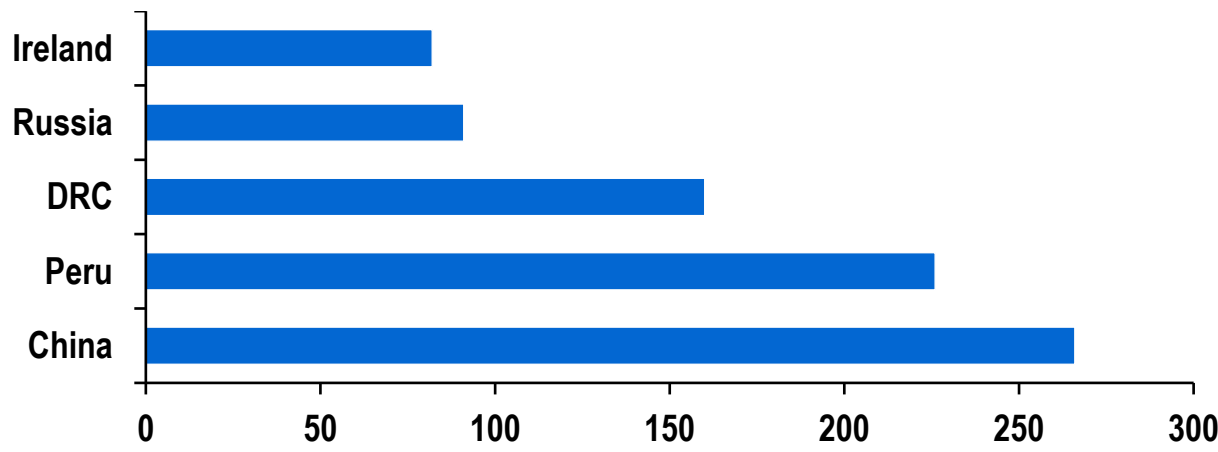
Zinc mine supply optimism after recent years of decline, but risks remain

Zinc mine output slated to rise after three y/y declines

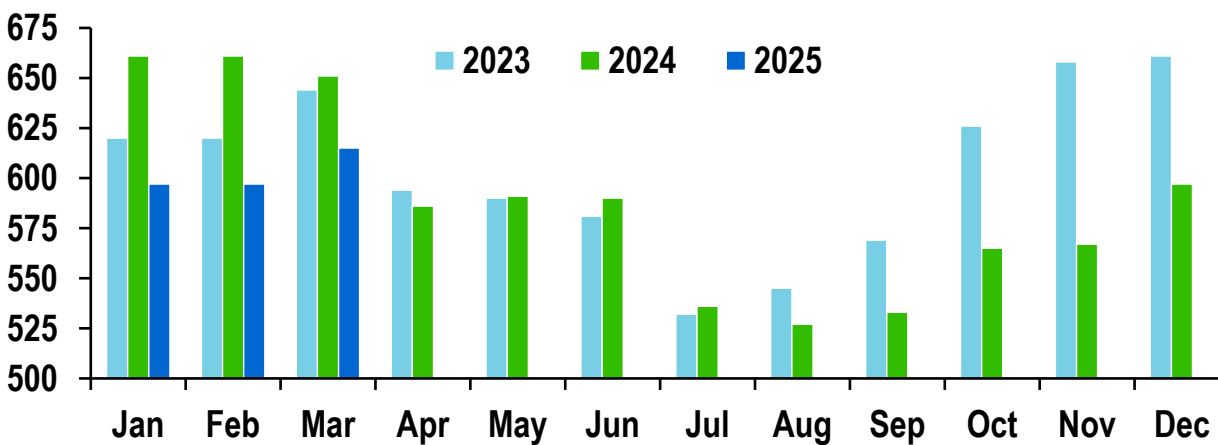
Global zinc mine production, kt (LHS) vs y/y change, % (RHS)



Expected key contributors to 2025 mine supply growth (kt)

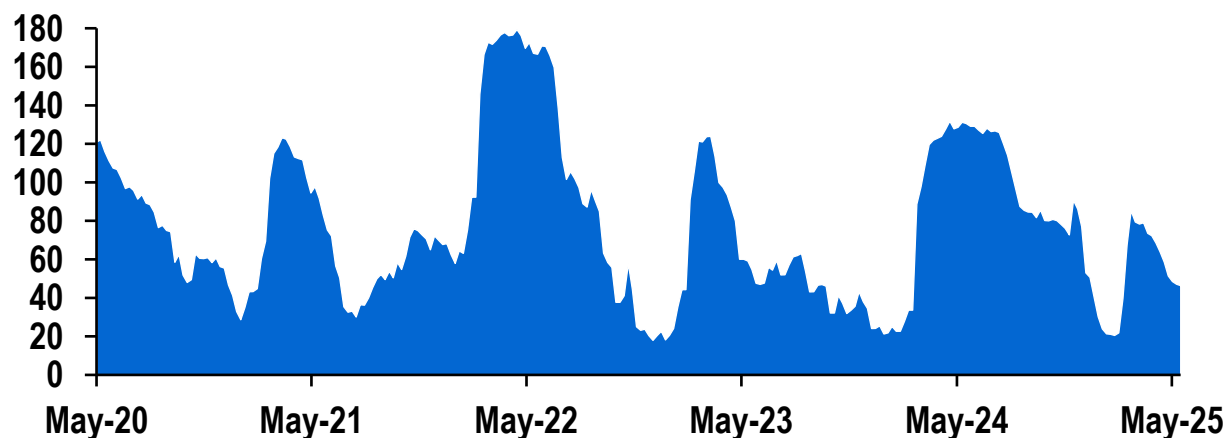


A subdued start to China's 2025 refined zinc output, kt

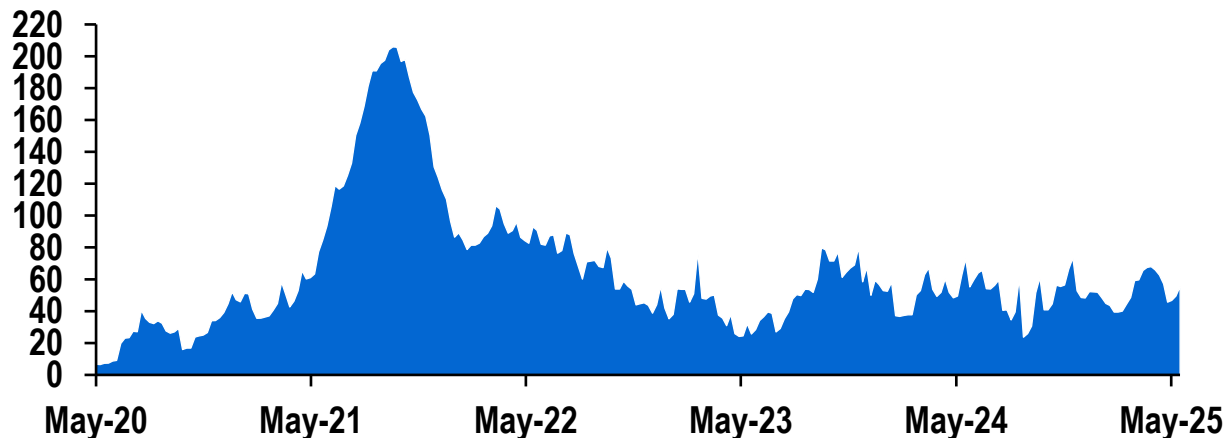


Zinc exchange inventories trend lower, particularly on SHFE

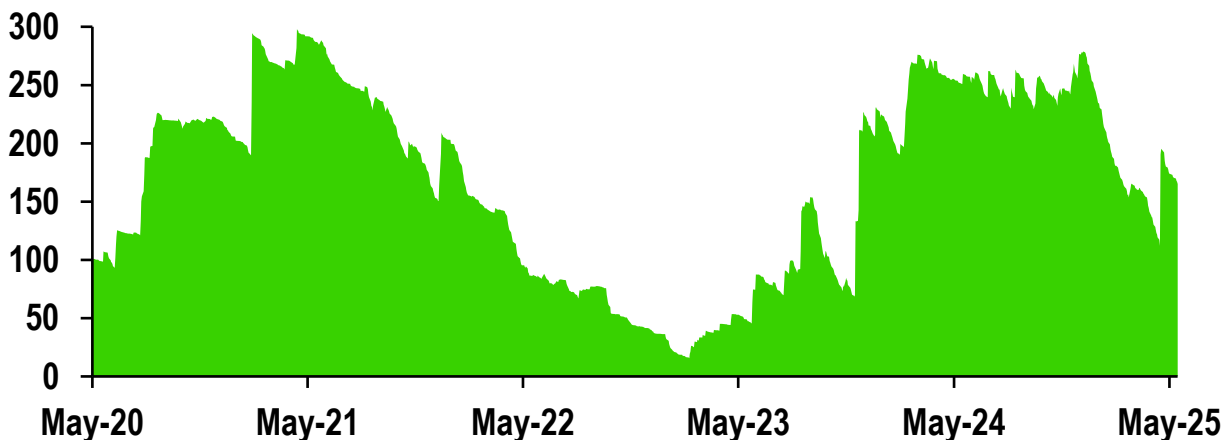
SHFE zinc inventories, kt



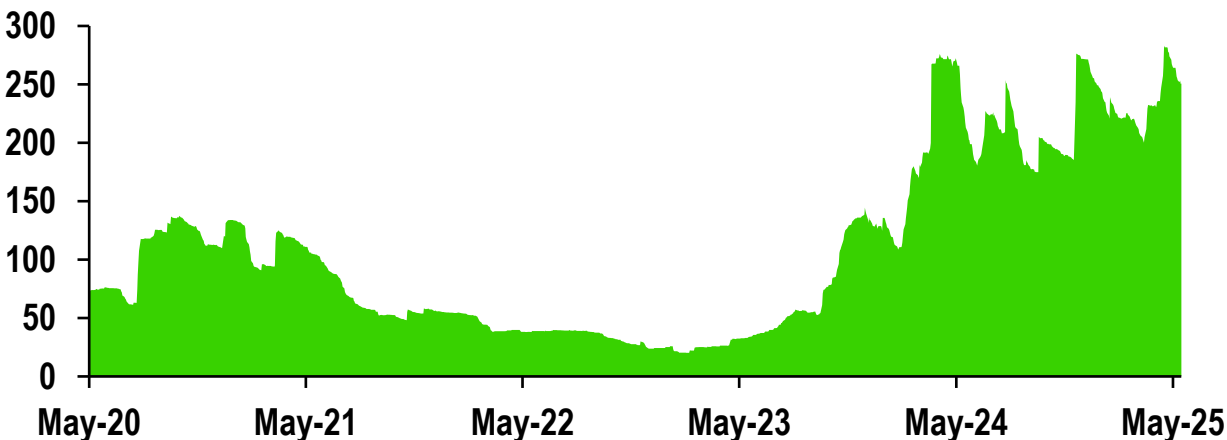
SHFE lead inventories, kt



LME zinc inventories, kt



LME lead inventories, kt



In conclusion

Key upside risks:

- *Macro risks dissipate and tariff risk de-escalates, leading to a more positive risk environment for base metals and better global growth prospects*
- *China's manufacturing and industrial activity rebounds; stimulus measures support domestic consumption, and the real-estate and property sector shows signs of recovery (key to galvanised zinc demand)*
- *Supply disappoints, with expected supply growth from new zinc mines underperforming; zinc smelter growth falls on low TCs*
- *Bullish longer-term demand environment boosted by EV, clean energy and renewables demand*

Key downside risks:

- *Macro fears dominate market sentiment and risk appetite worsens*
- *Deterioration in broader economic indicators reflecting increased macroeconomic weakness, impact of tariffs on global growth*
- *China's real-estate and property sector flails, weighing on zinc demand*
- *Supply gains coupled with weak demand lead to surpluses in lead and zinc*
- *Growth in EVs weighs on longer-term lead demand*



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