NORNICKEL PRESENTS METALS MARKET REVIEW

Moscow, December 15th, 2025 - Nornickel, the world's largest producer of palladium and a major producer of nickel, copper and platinum, presents the sixteenth review of the nickel, copper and platinum group metals (PGM) markets.

Full reports are available on Nornickel's website.

Nickel

The global nickel market has remained in structural oversupply for the fourth consecutive year. The main reason for this persistent imbalance is unsustainably rising supply with the continued rapid growth of Indonesian capacity (global nickel output is expected to reach 3.86 Mt (+6%) in 2025 and 4.10 Mt (+6%) in 2026, with Indonesia accounting for more than 66% of this volume) rather than the demand weakness: on the contrary, the demand has been growing steadily and strongly (3.62 Mt (+6%) in 2025 and +6% to 3.83 Mt in 2026).

This supply overhang has kept prices effectively anchored. The LME nickel has been trading in a relatively narrow band around the marginal cost of converting Indonesian ore into Class 1 cathodes at about $15,000/t meaning that the market still manages to absorb the ever-rising Indonesian supply, although trough growing inventories. Apart from strong demand, one of the few factors supporting the price over the last 18 months has been large-scale, strategic stockpiling in Asia, which absorbs the surplus that could have put additional pressure on prices otherwise.

The global nickel market is expected to remain in a surplus of over 200 kt Ni in both 2025 and 2026. For 2026, our base-case scenario already incorporates a disruption allowance to reflect potential operational challenges and policy-related curtailments in Indonesia. In the absence of such disruptions, the surplus may rise to significantly higher levels.

Since August, the Indonesian government has been introducing measures to curb excess supply and improve sector governance, which includes tighter licence oversight and adjustments to mining quotas. These measures send positive signals in the medium and long term but have had a limited impact on the near-term supply so far. Looking ahead, stainless steel is expected to remain the primary driver of the nickel demand growth, supported by further gains in other sectors. However, this underlying strength in demand will not be sufficient to absorb the ever-rising tide of the Indonesia-led supply expansion. In practical terms, only Indonesia – through strategic moderation of output and a more value-focused policy framework – can bring the nickel market closer to balance.

Copper

Copper prices continue to reflect the structural imbalance between constrained supply and an uneven demand landscape. The LME copper steadily rose from about $9,195/t in early May to above $10,300/t after the Grasberg disruption. Finally, by early December, it exceeded $11,500/t. Apart from the fundamental supply and demand factors, a significant role in this rally was played by lingering expectations of new Section 232 import duties on cathode copper that may be introduced from 2027 onwards. This resulted in widened COMEX-LME arbitrage, which drew metal in from other regions and led to stock-building in the United States. As a result, reduced metal availability globally outside the US created upward pressure on the global price benchmarks, especially at the LME.

Among the fundamental reasons driving a copper price rally this year, the persistent lack of primary supply stands out. In Q2-Q3 2025, the concentrate market moved deeper into deficit as disruptions at several mines tightened its availability. Mined copper production is now expected to reach around 23.4 Mt (+0.4%) in 2025 and 23.8 Mt (+1.9%) in 2026, implying only a modest growth. This is largely driven by setbacks at Grasberg in Indonesia and Kamoa-Kakula in the Congo, which removed several hundred thousand tonnes of potential supply from the earlier

forecasts. Structural issues at El Teniente in Chile and delays at other projects in Africa and the Americas also add to these challenges and foretell a prolonged period of tight concentrate availability. Alongside the continued expansion of smelter capacities, it moved benchmark TC/RCs to multi-decade lows, while spot TCs turned clearly negative in a range of roughly minus $40/t, meaning that smelters effectively transferred the value back to miners to secure feed.

At the same time, copper demand shows mixed regional and sectoral trends. In China, transport electrification, renewable generation growth and grid enhancements help keep the overall copper use broadly solid, but persistent weakness in the property sector continues to depress construction demand. Emerging economies in Southeast and South Asia, the Middle East, Africa and Latin America remain important markets for the Chinese industrial equipment and electrical goods. At the same time, slower growth and rising trade barriers weigh on Chinese manufacturing, which is focused on exports to the US and other developed countries.

In Europe, high energy costs and low consumer confidence restrict industrial activity, even as spending on grids and renewables remains relatively resilient. In the US, manufacturing investments still are in the positive territory predominantly due to the expansion of AI-related datacentres.

This two-speed pattern – stronger electrification and IT infrastructure demand but weaker growth or even contraction in other applications – continues to characterise the global use profile while geopolitical uncertainty adds to market volatility. Trade wars and rapidly evolving tariff measures weigh on manufacturing sentiment. Much of the apparent market strength earlier in 2025 was based on transient factors, such as front-loaded trade flows and inventory rebuilding ahead of the tariff changes. It makes us cautious about the future stability of the copper demand growth. Growing total refined copper inventories are also indicating that underlying demand is not the only driver of the recent price trend.

Overall, the refined copper market is expected to remain very close to balance in 2025, with supply at about 27.7 Mt (+3%) and demand at roughly 27.6 Mt (+4%), implying a negligible surplus. Both are expected to rise further in 2026, to around 28.3 Mt (+2%) and 28.4 Mt (+3%) respectively, resulting in a small deficit and a gradual move towards tighter refined market fundamentals. Persistent production underperformance and new launch delays, as well as limited investment in new mines, keep structural supply risks high against the backdrop of the steady growth of the electricity use per capita, transport electrification, energy transition and AI-driven digitalisation, which are powerful long-term catalysts for copper demand.

PGMs

Since our latest issue in early July, when prices were at $1135/oz for palladium and $1396/oz for platinum, both metals have strengthened strongly - by 20% to $1,650/oz for platinum and by 38% $1,550/oz for palladium. This was predominantly driven by a surge in investment interest in PGMs following the record-breaking gold price rally. The investors' attention to platinum landed on a supportive fundamental backdrop, marked by supply disruptions in South Africa, strengthening jewellery demand in China and rising ICE-equipped vehicles' output. Though not to the same degree, palladium also attracted some investor demand in the wake of their strong interest in gold and platinum. It was further supported by failing supply from North America, solid demand by the automotive industry and the risks of a possible market turmoil as the outcome of the antidumping investigation in the US is still pending.

The PGM price rally was further reinforced by the growing expectations of the Fed's monetary easing. After two cuts in September and October, more dovish signals of turning from quantitative tightening to quantitative easing emerged. Furthermore, the fear of an overheated stock market and uncertainty around the US government shutdown incentivised the investors to raise the share of investments in safe-haven assets, including PGMs. Additional support also came from lease rates rising above 20% for platinum and 12% for palladium, which pushed chemical and some

glass companies to switch from leasing contracts to direct purchases, further increasing market tightness and providing additional support to prices.

Automotive demand has remained resilient, supported by strong total vehicle production and the rising output of ICE-equipped vehicles in particular. The impact of the US tariffs has proved to be softer than expected, thanks to front-loaded purchases, a shift towards domestic brands and lower financing costs. As a result, we maintain our forecast of a 6% global auto market growth to 95 million units in 2025. ICE-equipped vehicle production is expected to increase by 2%, reflecting a consumer shift to hybrids, as infrastructure limitations slow BEV adoption. Automakers are increasingly adopting hybrid-focused strategies in response to revised phase-out timelines in the EU, UK, and US, while China continues its NEV expansion without setting fixed deadlines. The PGM use per ICE vehicle remains broadly stable, though the upcoming China 7 and Euro 7 standards may require higher PGM loadings. We expect the 2025 automotive palladium demand to rise by 1% and platinum to decline by 2%. In 2026, the global vehicle production is expected to grow by 3% to 99 million units, with palladium demand increasing by 2% and platinum demand falling by 4%. The opposing trends in palladium and platinum uses in the automotive industry are caused by the changes in the powertrain structure as palladium-rich hybrid vehicles substitute platinum-based diesels.

Other key industrial applications continued to expand by 2% for palladium and 3% for platinum in 2025, supported by the ongoing AI-driven data-centre expansion and the emerging palladium use in glass manufacturing. In 2026, we expect a 5% increase for both metals due to the new PTA and PX production capacities' launches in China following a slowdown in 2025.

Primary supply is expected to fall by 6% for palladium and by 3% for platinum in 2025, with some smaller declines to follow in 2026. South Africa remains the main area of weakness due to the persistent technical issues and years of underinvestment. North American supply is also contracting, with a 50% drop in production at Stillwater mine and a planned closure of Impala Canada mine in the next two years. Nornickel's output remains stable, while Russian supply in general is expected to rise in 2026–2027 after the Chernogorskoye mine launch. Secondary supply is recovering as higher prices encourage recyclers to release more metal, rising by 3% for both metals in 2025. Lower US interest rates also created favourable conditions for increased scrappage, while China's trade-in program supported recycling. In 2026, secondary supply may accelerate further, with recycled palladium potentially increasing by more than 10%, though this segment has routinely failed to meet growth expectations so far.

Overall, the palladium market is expected to remain broadly balanced in 2025, excluding investment. If investment demand is taken into account, the market flips into a 0.2 Moz deficit. The platinum market, excluding investment, shows a deficit of roughly 0.3 Moz in 2025, which expands to 0.4 Moz if investment demand is added. As for 2026, a lot will depend on the investment demand dynamics. If the latter is disregarded, the palladium market deficit is expected to reach 0.1 Moz, while platinum is likely to remain at the 2025 levels.