Goldman Sachs Research

Commodities Research
11 May 2026 | 11:26AM BST

BATTERY METALS ANALYST

Nickel: Indonesia Supply Downgrades Lift Prices, But Inventories Cap Upside

Lavinia Forcellese
+44(20)7774-9243 |
lavinia.forcellese@gs.com
Goldman Sachs International

Samantha Dart
+1(212)357-9428 |
samantha.dart@gs.com
Goldman Sachs & Co. LLC

Daan Struyven
+1(212)357-4172 |
daan.struyven@gs.com
Goldman Sachs & Co. LLC

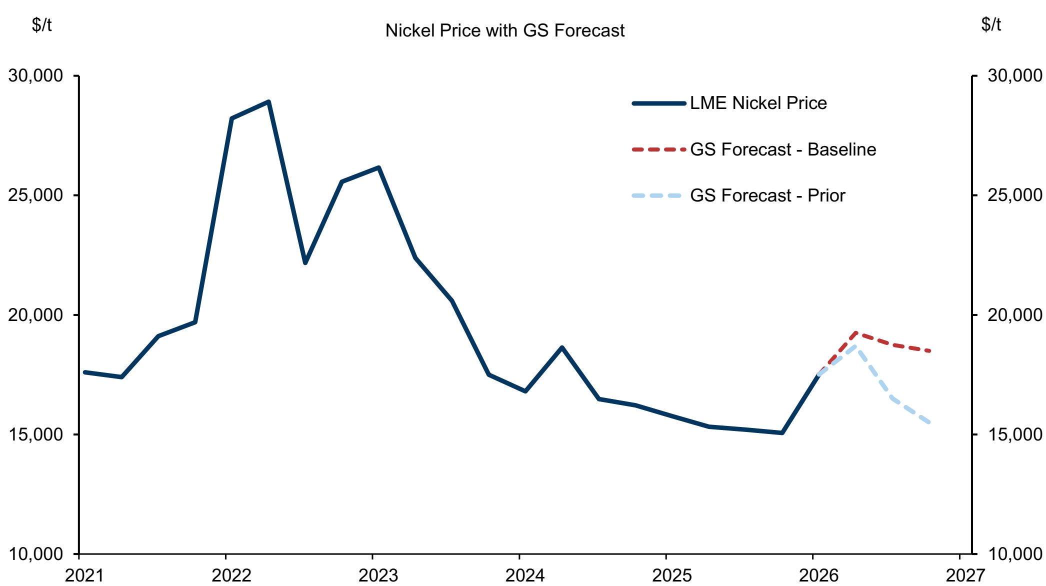
- **Supply losses extend the rally.** The nickel price has rallied from $18,200/t in mid-April to touch $20,000/t, before easing back to $19,190/t currently, extending the move that followed Indonesia's ore quota cuts earlier this year in response to weak prices caused by rapid Indonesian supply growth. The latest leg reflects a further reduction in Indonesia's supply outlook, beyond that included in our balances in February. While we had incorporated the headline 260 Mt quota reduction on a top-down basis, company level allocations have since emerged as more uneven than we had assumed, with Weda Bay (10% of global supply) receiving a sharply lower quota than implied by the aggregate cut. On top of this, sulfur shortages stemming from Middle East supply disruptions are now also curbing output at Indonesia's HPAL (High Pressure Acid Leach) operations (10% of global supply), which use sulfuric acid to produce battery-grade nickel intermediates.
- **Raising our 2026 price forecast.** We raise our 2026 average nickel price forecast to $18,500/t (from $17,200/t previously), as tighter supply supports higher prices consistent with our rule of thumb linking nickel prices to the balance in days of consumption. We expect prices to average $19,250/t in Q2, above forwards at $19,000/t. Later in the year, we expect supplementary ore quota approvals, typically granted in Q3, to soften the market, pushing prices back toward $18,500/t by Q4.
- **Indonesia supply growth turns negative...**Net, we expect Indonesian refined nickel supply to decline (by 1% yoy) in 2026, the first decline in a decade (Exhibit 2), marking a clear break from the country's rapid supply expansion that has defined the market since the mid-2010s.
- **... driving most of the 2026E balance tightening.** These supply losses narrow our 2026E refined nickel surplus to 48 kt, from 191 kt previously (Exhibit 3). The tightening reflects a 218 kt downgrade to refined production, led by Indonesia, partly offset by a 76 kt demand downgrade on softer stainless steel consumption. Within Indonesia, we incorporate 34 kt of sulfur-driven HPAL curtailments, including Huayou's confirmed 50% cut at PT Huafei from May 1, alongside ~10% trims across other operations. We also incorporate operational disruptions (-89 kt) at QMB, which remains largely offline following a landslide in February, and Gunbuster, which has shut most production lines following its parent's bankruptcy. Additionally, we reflect lower ore allocations at the Weda

Bay mine, which exhausts its sharply reduced 2026 nickel ore quota of 12 Mt versus 42 Mt in 2025.

- **The cost floor has moved up, limiting H2 downside**. Indonesia's revised HPM ore pricing formula[1], effective April 15, lifts the minimum price for limonite ore — the lower grade ore typically used by HPAL operations to produce battery grade nickel — adding roughly $4,500/t (a 38% increase) to costs for HPAL operators previously paying through the old formula. Combined with rising sulfur costs (adding a further ~$2,000/t), the changes raise the cost base across Indonesia's nickel sector, reinforcing a $17-18,000/t price floor.

- **Risks to our price forecast are skewed to the upside.** Our base case still assumes supplementary ore quota approvals to be announced in Q3 and some H2 supply normalisation. However, if sulfur shortages persist beyond June, broader HPAL curtailments could remove a further 50 kt of supply, leaving the market broadly balanced and keeping prices supported in the low $19,000s/t on average this year, we believe. That said, elevated visible nickel inventories should limit the need for a sustained move above $20,000/t, absent further supply losses (Exhibit 4).

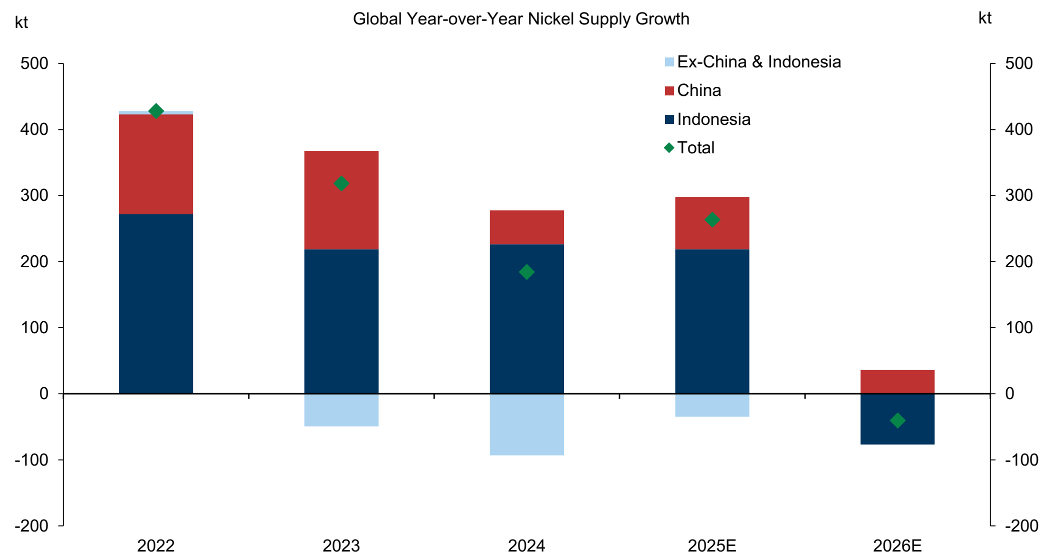
Exhibit 1: We Raise Our 2026 Nickel Price Forecast to $18,500/t as Indonesia's Supply Tightens Further



Source: Bloomberg, Goldman Sachs Global Investment Research

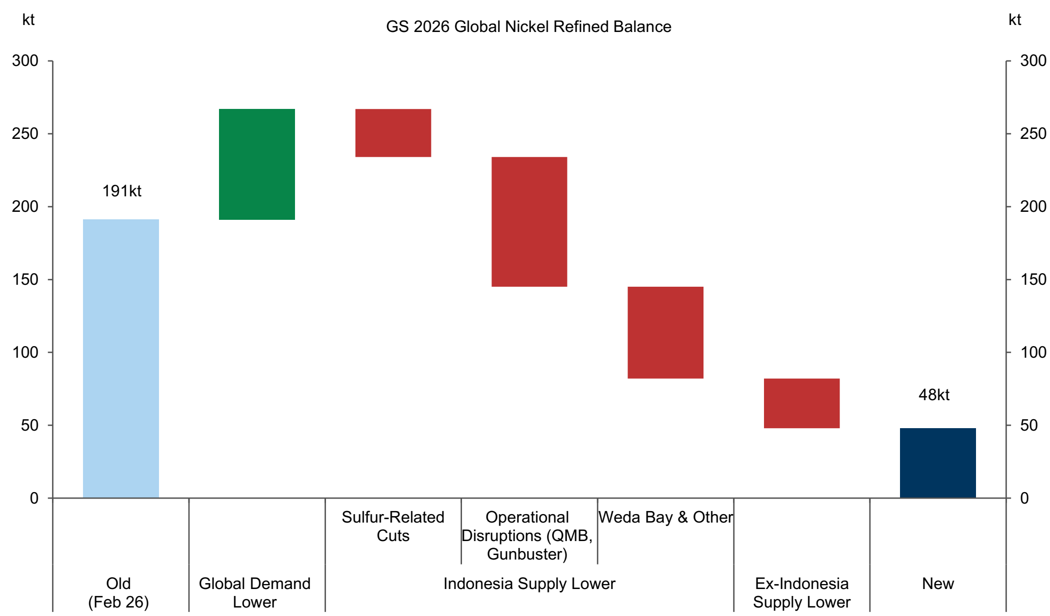
[1] The HPM (Harga Patokan Mineral) is the Indonesian government's minimum reference price for nickel ore, used as the basis for royalty calculations and as a price floor for domestic ore transactions between miners and smelters.

Exhibit 2: We Expect Indonesian Nickel Supply to Decline in 2026 for the First Time in a Decade



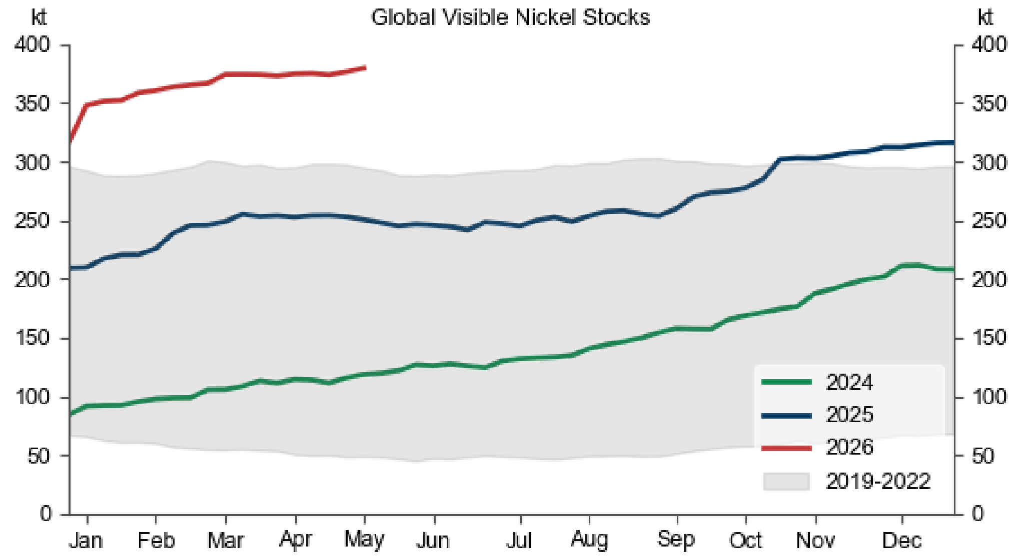
Source: Wood Mackenzie, Goldman Sachs Global Investment Research

Exhibit 3: We Lower Our 2026 Nickel Surplus to 48 kt as Indonesia Supply Cuts More Than Offset Softer Demand



Source: Wood Mackenzie, Goldman Sachs Global Investment Research

Exhibit 4: Elevated Inventories Limit the Upside From a Tighter Refined Balance



Source: SMM, Wind, Bloomberg, Goldman Sachs Global Investment Research