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Come to the Future, You Will Need a Market Intelligence Team to Gauze Credit Risk

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Abstract

Credit risk is the potential for a lender to lose money when a borrower fails to meet their debt obligations. Lenders usually use credit scores and other factors to assess how likely a borrower is to default. In the field of finance, few concepts hold as much significance as credit risk intelligence. At its core, it represents the methodologies and tools employed to assess, monitor, and manage the credit risk associated with a financial transaction. By scrutinizing borrowers' financial histories, credit risk intelligence equips lenders with crucial insights to make informed lending decisions. Credit risk is growing in the minerals, oil and gas sectors. After defaults rose by 80% in 2023, there is an elevated number of defaults to date in 2024, rising at their fastest pace since 2008. But a less obvious underlying trend is the rise in the number of issuers defaulting after the first time. The increase in defaults and repeat defaults is, to some extent, driven by more entities becoming comfortable with high levels of leverage in their capital structure, many of which were set up during (and in anticipation of sustained) low interest rates. A market intelligence team can assess credit risk by gathering and analysing data on a company's financial health, market position, industry trends, competitive landscape, and overall economic conditions to predict the likelihood of a company defaulting on its debt obligations, using tools like financial statement analysis, credit rating reports, and industry-specific metrics to gauge creditworthiness and identify potential red flags.

Keywords: *Coal, Credit Risk, Default, Market Intelligence, Minerals, Oil and Gas*

1.0 Introduction

Essentially, the minerals, oil, gas, sand, and stone industry is a business-to-business (B2B) activity. It is a wholesale business where the commodities change hands to be transformed into various products. Here, the number of transactions is small but huge in value. And almost all the transactions are in credit- some short, some long. In today's market, when credit is for six months or more, there can be a serious cause for concern. This is further aggravated by the financial performance of the world's top 40 mining companies already squeezed by falling commodity prices and rising costs[1].

The oil and gas industry has experienced several major credit payment default events, including:

2020: The oil and gas sector led the world in corporate defaults, with nearly 70% of the companies that defaulted based in the U.S. This was due to the sector's negative bias and the impact of the coronavirus pandemic on oil prices and demand.

2013-2016: US and European energy companies defaulted on hundreds of billions of dollars in debt due to low oil prices and challenging debt loads. This led to a significant increase in financial stress, and Credit Default Spreads (CDSs) of leading energy companies rose more than fourfold in 2015.

2021: The U.S. led the default tally, with 14 out of 22 defaults, followed by Europe with five.

2023-24: After defaults rose by 80% in 2023, there is an elevated number of defaults to date in 2024, rising at their fastest pace since 2008. But a less obvious underlying

trend is the rise in the number of issuers defaulting after the first time. The increase in defaults and repeat defaults is, to some extent, driven by more entities becoming comfortable with high levels of leverage in their capital structure, many of which were set up during (and in anticipation of sustained) low interest rates.

There is no denying the fact that credit risk is growing. Some factors that are contributing to the increase in credit risk include[1]:

i. Technology is making more and more stratification in society, resulting in mass consumerism declining while rich consumerism is growing.
ii. Economic and inflationary environment: The ongoing war in Ukraine, the impact of the COVID-19 pandemic, and multiple geographical conflicts have made it difficult for businesses to assess the risks of doing business with others.
iii. Geopolitical uncertainty: The war between Israel and Hamas, the Russia-Ukraine conflict, and U.S.-China tensions are increasing geopolitical fragmentation.
iv. High interest rates: Still-high interest rates are a credit headwind.
v. Declining savings buffers: Declining savings buffers are a credit headwind.
vi. Increased fiscal burdens: Countries' increased fiscal burdens are a credit headwind.
vii. Challenges in the real estate sector: Challenges in the commercial and residential real estate sectors are a credit headwind.
viii. China's slowing growth: China's slowing growth is a risk to watch.
ix. Market protectionism is growing in various markets, and tit-for-tat actions are the likely outcome.

Credit risk is the potential for a lender to lose money when a borrower fails to meet their debt obligations. Lenders usually use credit scores and other factors to assess how likely a borrower is to default.

2.0 A Typical Case Across the World: Discom and Coal Companies

The cumulative outstanding dues of the power sector to Coal India (CIL) and Singareni Collieries Company (SCCL), which account for over 90 per cent of India's coal production, rose 42 per cent y-o-y to ₹24,392 crore at the end of FY24.The outstanding dues payable by Thermal Power Plants (TPPs) to the mining behemoth CIL rose 13 per cent y-o-y to ₹15,715 crore in March 2024, while those of SCCL more than doubled on an annual basis last month to ₹8,677 crore. However, on a monthly basis, the total outstanding dues of PSU miners fell 14 per cent from the record ₹28,438.1 crore in February 2024. The dues of CIL and SCCL also fell 13 per cent and 16 per cent m-o-m, respectively[2].

Here's some information about coal companies and discom dues in 2024.

i. *Outstanding Dues to Coal PSUs:* At the end of FY24, the Indian power sector's outstanding dues to coal PSUs increased by 42% year-on-year.
ii. *Outstanding Dues to Power Generators:* In October 2024, state power Distribution Companies (DISCOMs) owed power generators ₹623.9 billion (~$7.41 billion) in total dues.
iii. *Dues to Thermal Power Plants (TPPs):* In March 2024, the outstanding dues payable by TPPs to CIL increased by 13% year-on-year to ₹15,715 crore. State power Distribution Companies (DISCOMs) owed power generators ₹623.9 billion (~$ 7.41 billion) in total dues for the monthly billing cycle in October 2024, according to the Ministry of Power's payment ratification and analysis portal PRAAPTI[4].
iv. *Dues to SCCL:* In March 2024, SCCL's dues more than doubled on an annual basis to ₹8,677 crore.
v. *Dues in January and February 2024:* In January 2024, the outstanding dues of TPPs increased by 33% to ₹27,228.18 crore. In February, the dues were even steeper at 40% year-on-year at ₹28,438.10 crore.

3.0 Growth-Demand Mismatch in 2025

According to recent reports, the global energy sector in 2025 is expected to face a significant "growth demand mismatch," meaning that the electricity demand is projected to rise rapidly, particularly driven by developing economies, while the current energy infrastructure might struggle to meet this demand with the necessary speed, potentially leading to supply shortages and price fluctuations, especially if renewable energy deployment is not accelerated sufficiently to meet the growing needs.

Key points about the 2025 energy demand mismatch are:

i. *High Demand Growth*: Global electricity demand is forecast to grow at a rapid pace in 2025, with estimates of around 4% growth, fuelled by robust economic activity, rising electrification of sectors like transportation (electric vehicles), and increased air conditioning usage due to extreme heat waves.
ii. *Renewable Energy Expansion*: While renewable energy sources like solar and wind are expected to expand significantly, their growth might not be enough to fully offset the rising demand in all regions, potentially leading to reliance on fossil fuels in the short term.
iii. *Challenges in Infrastructure Development*: Building new power generation and transmission infrastructure can take considerable time, which could create a bottleneck in meeting the rapidly growing electricity demand.
iv. *Regional Disparities*: Developing countries, especially in Asia, are likely to experience the most significant demand growth, putting pressure on their energy systems to scale up quickly.

4.0 Potential Consequences of the Demand Mismatch

i. *Power Outages and Grid Instability*: Power outages and grid instability could occur in certain regions if generation capacity cannot keep pace with demand.
ii. *Higher Energy Prices*: Increased demand coupled with potential supply constraints could lead to higher energy prices for consumers.
iii. *Increased Reliance on Fossil Fuels*: If renewable energy deployment is not fast enough, some countries might temporarily rely more on fossil fuels to meet immediate demand, impacting climate goals.

5.0 The Oil and Gas Case

"Oil company dues to power company" refers to the outstanding payments that an oil company owes to a power company, usually for the electricity used in their operations, where the oil company is considered a large energy consumer and needs to pay the power company for the electricity supplied to their facilities. When an oil company consumes electricity from the power grid, they are billed for the usage, but sometimes may not pay the bill promptly, leading to a "due" amount owed to the power company. Large outstanding dues from oil companies can create financial strain for power companies, impacting their ability to operate smoothly and invest in new infrastructure. Governments and regulatory bodies often monitor and intervene to ensure timely payments and manage disputes between oil companies and power companies regarding energy bills.

6.0 Outlook for Oil and Gas: UK

The default Risk outlook is stable, but the GB Energy plan will bring opportunities and risks for private energy majors. It seems the conditions in the last 5 years have made both the creditors and the debtors sufficiently mature. A caveat, though, is that current trends are skewed more to increase than decrease.

7.0 Key Projections

Default Risk is a weighted average of S and P long-term observed default rates in each rating category, using the monthly sector credit breakdown as weights derived from contributed bank data. Median forecasts for the UK Oil and Gas sector show no change in default risks over the next 12 months. However, the outlook depends on policies on subsidies, exploration licenses and taxation. There is a 40% chance of a small increase but a 20% chance of a drop of 10% or more. Deteriorations and Improvements are in balance, but expect Deteriorations to dominate over the next 12 months; this suggests high default risks by H2 2025. Credit migrations are mixed. We expect the 'bb'

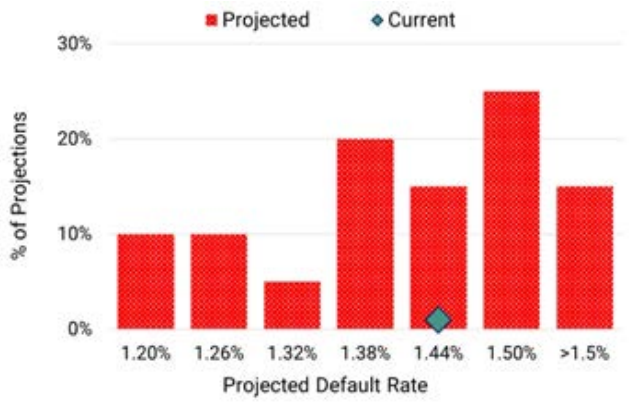


Figure 1. Projected 2024 default rate distribution (The default rate is likely to remain either same or likely to be reduced in 2025).

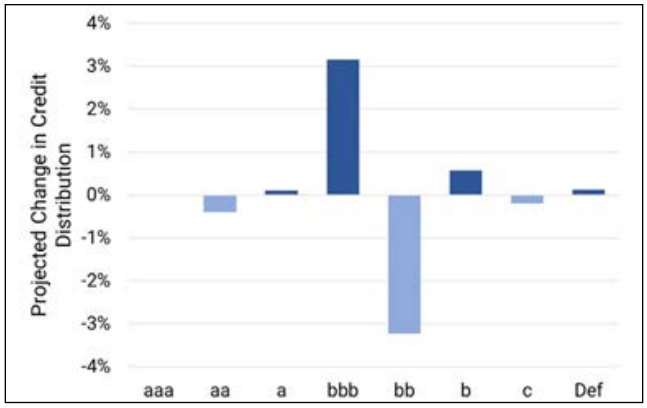


Figure 2. Projected change in credit distribution (%).

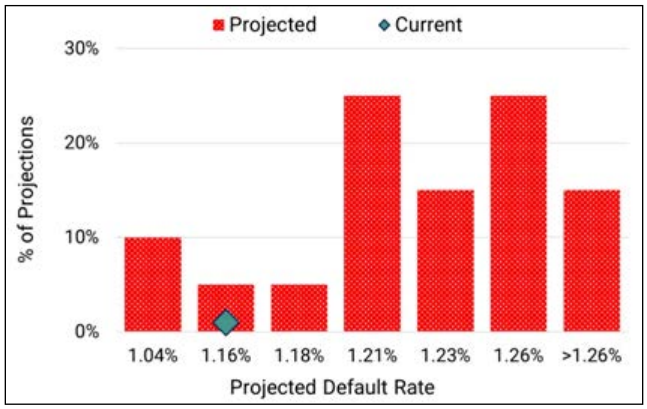


Figure 3. Projected 2024 default rate distribution (The default rate is likely to grow than the current position).

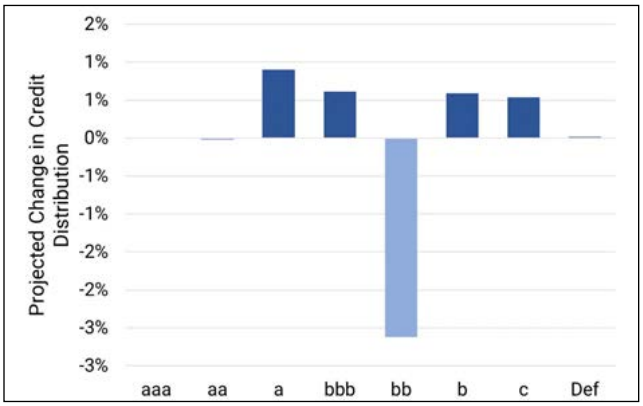


Figure 4. Shows that credit rating "bb" category projects will be rated more negatively than before.

category to shrink, with upgrades to 'bbb' but also a small shift to the 'b' category. Credit Benchmark covers 277 UK Oil and Gas obligors, 94% of which are not rated by a credit rating agency. The Figure shows that credit rating "aa" category projects will be rated more negatively than before, "a" projects will remain more or less as they were in most of 2024, many projects will turn positively "bbb", many projects will turn negatively "bb". (Disclaimer: Credit Benchmark covers 277 UK Oil and Gas obligors, 94% of which are not rated by a credit rating agency)[6-8].

8.0 Outlook for Basic Materials: UK

This category covers the mining industries for aluminum, iron, steel, coal, gold, platinum and precious metals, and non-ferrous metals, as well as forestry and paper products[7].

A significant increase (16%) in default risks is expected by mid-2025 as EIU expects China/US growth to ease while the UK, Japan and EU take up some but not all slack.UK Basic Materials default rates are predicted to increase by 16% over the next 12 months. There is a 10% chance of a small drop but more than 50% chance of an increase in the 15%–20% range.

Deteriorations have risen sharply relative to Improvements. While this may plateau, it will take time for the global cycle to swing to significant net Improvement. However, this industry group has been in net Deterioration for most of the past 5 years. Credit migrations show a modest downgrade shift. We expect the 'bb' category to shrink, with transitions to the 'b' and 'c' categories as well as some upgrades to 'a'. In short, the situation is likely to worsen in 2025.

Disclaimer: Credit Benchmark covers 471 UK Basic Materials obligors, 98% of which are not rated by a credit rating agency.

9.0 The Credit Outlook Will be Dampened in 2025

The said two discussions on DISCOM and power companies in India and the oil, gas, and materials sector in the UK point to the fact that there is a greater likelihood of more or similar defaults, as of 2024, in credit are likely to take place in 2025. The situation could be worse.

10.0 Credit Management

The usual credit management strategies for the mining companies include the following:

i. *Establish Credit Terms and Conditions*: Communicate the terms and conditions of credit to customers, including repayment terms, late fees, and credit limits.
ii. *Tailor Credit Policies*: Customize credit policies for each organization based on their needs and repayment capabilities. For example, a company may offer lenient credit for small purchases or customers with a history of on-time payments.
iii. *Diversify Financial Portfolio*: Use a variety of financing options, including traditional and alternative financing, to maintain a strong balance sheet and long-term investment plans.
iv. *Maintain Low Financial Leverage*: Low financial leverage can protect cash flows and provide financial flexibility.
v. *Use Credit Insurers and Trade Banks*: Banks often have professional credit departments with valuable information.
vi. *Stay Informed*: Join a trade association or professional federation to keep an eye on business partners.
vii. *Assess Risk*: Identify potential hazards, evaluate their likelihood and consequences, and implement controls to mitigate risks.
viii. *Diverse Markets, Diverse Customers*: Multinational companies often deal with numerous customers in diverse markets, making it challenging to manage potential credit risks effectively. Monitoring customers' ability to pay can be extremely time-consuming and technically challenging, often depending on the existing local processes and methodologies. Any surprises can result in material financial losses and business disruption. Facing this exact environment, members of the credit risk team would do rather well to enhance and automate their approach to assessing creditworthiness, recognizing the diversity of counterparties in their portfolios. In particular, they should look for[9]:

    a. To implement a comprehensive, always-on monitoring framework for 200+ customers of varying sizes across different regions.
    b. An objective, quantitative measurement to evaluate the creditworthiness of a wide range of rated and unrated, public and private companies.
    c. An early-warning system to promptly identify any potential deterioration in a customer's credit quality.
    d. To increase efficiencies by streamlining credit management workflows across its global footprint.
    e. Flexible delivery options to easily integrate data with existing internal financial applications.

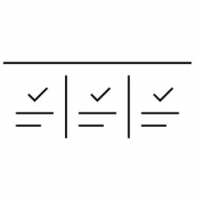
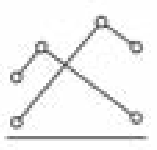
The credit risk team contacted S and P Global Market Intelligence ("Market Intelligence") to discuss the firm's offering.

11.0 The Solution

Let us analyse what a Market Intelligence specialist software, RiskGauge™ Desktop, is, a credit management tool designed to enhance the credit risk team›s efficiency in assessing counterparty credit risk. The tool enables comprehensive credit assessment for millions of companies globally, including Small- and Medium-Sized Enterprises (SMEs) and private companies, utilizing financial, business, and market inputs to create a single view of a counterparty's risk. The tool utilizes RiskGauge, a credit score that enables the evaluation of companies of any size and powers an early-warning system that can accurately detect potential defaults. The tool also provides access to comprehensive RiskGauge reports, enabling quick views and an analysis of the underlying drivers of a counterparty's risk profile (For details, please see: https://www.spglobal.com/market-intelligence/en/solutions/products/riskgauge-desktop).

Market Intelligence credit specialists were utilized to quickly get the team up-to-speed on the tool and to support the elimination of any existing credit assessment backlogs. For companies lacking financial data, the tool can make use of extensive datasets, benchmarks, and statistical methodologies to calculate each company's Probability of Default (PD). Furthermore, the tool evaluates relative company performance by benchmarking against peers across multiple risk dimensions, including business, financial, industry, and country risk.

RiskGauge Desktop can help the credit team in the following ways:

	Efficiently assess counterparty risk of companies around the world	RiskGauge Desktop leverages cutting-edge analytical models and credit scores, robust private company data, company firmographics, relative performance benchmarks and rich, insightful commentary to assess creditworthiness.
	Standardize credit assessment globally through a single, comprehensive, forward-looking credit score.	RiskGauge Scores use a multi-dimensional framework that synthesises both fundamental and market-based metrics into a powerful single credit indicator. RiskGauge Scores generate an overall PD value that is mapped to Market Intelligence's credit scores. PD estimates and credit scores are generated every day for a broad range of private and public companies globally, across a full range of company sizes and industries.
	Use a consistent framework for monitoring a portfolio of companies.	The RiskGauge Desktop tool allows easy assessment of an entire credit portfolio and enables drill down into the portfolio's most significant exposures and stratifies the entire portfolio across multiple categories with daily updated metrics. Watchlists for up to 500,000 companies can be created, with specific tracking for top movers across portfolios and economic and country risk hot spots.
	Streamline workflows across its global footprint.	The S and P Capital IQ platform is a one-stop solution for essential intelligence, offering unrivalled data, tech-forward productivity tools, news and research. An Excel Add-In and suite of office tools seamlessly powers proprietary models and streamlines presentations. Users can access a library of hundreds of ready-to-use models and templates or partner with Market Intelligence's support analysts to build their own. It is possible to integrate data from Excel to PowerPoint or Word with fewer errors and refresh formulas in Excel with just one click.

12.0 Potential Benefits

The credit risk team would leverage a system like RiskGauge Desktop along with Market Intelligence's subject matter expertise in credit risk assessment; it can also take advantage of Market Intelligence's time-tested models, sector-specific experience, and technological innovation to improve the credit risk assessment process. Importantly, the company also automated a monitoring and alerting system, mitigating potentially negative revenue impacts.

Members of the team can benefit from:

i. Flexible product delivery channels supporting automation and the quick integration of credit risk models into their risk management framework.
ii. It is an efficient and easy-to-use approach with broad coverage of companies and geographies, given the exposure to multiple countries and industries.
iii. The ability to assess SMEs with little financial data, as well as unrated entities, to pinpoint areas of potential weakness.
iv. Product training to help support the successful adoption of RiskGauge and provide insight on the model methodology, features, functionality, and how to interpret the results.
v. Additional time for customer-facing activities will be available.

13.0 How Market Intelligence Can Help

A market intelligence team can assess credit risk by gathering and analysing data on a company's financial health, market position, industry trends, competitive landscape, and overall economic conditions to predict the likelihood of a company defaulting on its debt



Figure 5. A screenshot of RiskGauge desktop.



Figure 6. Market intelligence.

obligations, using tools like financial statement analysis, credit rating reports, and industry-specific metrics to gauge creditworthiness and identify potential red flags[5].

Key methods a market intelligence team can use to assess credit risk:

i. *Financial Statement Analysis*:
   a. Reviewing income statements, balance sheets, and cash flow statements to calculate key financial ratios like debt-to-equity ratio, current ratio, and interest coverage ratio, which indicate a company's ability to service debt.
   b. Analysing trends in revenue, profitability, and working capital to identify potential issues.
ii. *Credit Rating Reports*: Utilizing credit ratings provided by agencies like Moody's or S and P to get an objective assessment of a company's creditworthiness and default risk.
iii. *Industry Analysis*: Studying industry trends, growth potential, and cyclicality to understand how broader market factors might impact a company's ability to repay debt.
iv. *Competitive Analysis*: Assessing a company's market share, competitive position, and pricing strategies to understand its vulnerability to market fluctuations.
v. *Economic Data Analysis*: Monitoring macroeconomic indicators like interest rates, GDP growth, and unemployment rates to assess potential systemic risks impacting a company's creditworthiness.
vi. *News and Media Monitoring*: Tracking news articles, press releases, and social media sentiment to identify potential negative events or changes in management that could affect credit risk.
vii. *Data Analytics and Modeling*: Utilizing advanced data analytics tools to develop predictive models based on historical data and identify patterns that could indicate credit risk.

Important factors to consider when assessing credit risk:

i. *Company fundamentals*: Financial performance, profitability, cash flow, debt structure, and asset quality
ii. *Management quality*: Leadership team›s experience, track record, and strategic decision-making
iii. *Industry dynamics*: Competitive landscape, regulatory environment, and technological disruptions
iv. *Market conditions*: Economic outlook, interest rates, and overall investor sentiment

How market intelligence teams can use credit risk assessments:

v. *Investment decision-making*: Identifying potential investment opportunities with low credit risk and avoiding high-risk investments
vi. *Customer credit evaluation*: Assessing the creditworthiness of potential clients before extending credit
vii. *Risk mitigation strategies*: Developing strategies to manage credit risk, such as diversifying investments or setting credit limits
viii. *Early warning signals*: Identifying potential red flags that could indicate a company's creditworthiness is deteriorating

14.0 B2B Market Intelligence

In the modern competitive business environment, understanding what your customers want and knowing your market can significantly benefit any business. It not only allows them to tailor their products and services to suit a specific market but also influences their customers'

buying decisions by offering customized solutions. This makes B2B Market Intelligence such a huge prominence for modern businesses. In its purest form, B2B Market Intelligence is a systematic approach for collecting, analysing, and interpreting data about the Business-To-Business (B2B) marketplace[7-10].

Every modern business gathers valuable insights about customers, industry trends, competitors, and market opportunities; B2B Market Intelligence allows them to put all that data to use and formulate effective strategies. In doing so, they gain a better understanding of their customers and a significant competitive edge over their competitors.

15.0 Types of B2B Market Intelligence Data with Credit Management Focus

B2B Market intelligence can be of different forms for different businesses. Here, we look at some of the most common and valuable B2B market intelligence data[11].

i. *Primary Research Data*: Information gathered directly through surveys, newspaper feeds and interviews is classified as preliminary research data. These direct or indirect data sources or surveys can have B2B customers, suppliers, or industry stakeholders as participants. They can be designed to have a closer insight into the customers' buying behavior, preferences, credit history, and market assessments.

ii. *Secondary Research Data*: This data comes in the form of industry-specific reports, market analyses, and research studies, generally conducted by dedicated market research firms or, at times, by government authorities to gain a better understanding of the potential opportunities that there are and predict any emerging market trends.

iii. *Publicly Available Data*: Information gathered from published sources such as corporate websites, industry-specific publications, or even government databases fall under this category.

iv. *Competitive Intelligence*: Competitive intelligence comes through competitor analysis. It gives an understanding of your competitors' strengths, weaknesses, activities, and strategies. This information benefits businesses looking to gain a competitive advantage over their competitors.

v. *Big Data Analytics and Other Technological Analysis*: This information is gathered using web crawling and scraping, social media monitoring, or big data analytics websites, social media platforms, and online forums. This information helps understand



Figure 7. Types of B2B market intelligence data.

customer sentiments, trends, or any correlation that can help a business make strategic decisions.

vi. *Customer Feedback and Support Data*: Customer support data is a wealth of information that businesses must leverage to understand customer pain points, faulty processes, and any potential areas of improvement for them.

vii. While these are the primary forms of B2B marketing intelligence data, there are several others that you can collect through industry events and associations, supplier data, and partner collaboration.

16.0 Benefits of B2B Market Intelligence

The benefits of B2B market intelligence primarily depend upon where and how you use the insights gathered from B2B market intelligence. However, certain benefits can be availed by any business deploying B2B market intelligence can avail of certain benefits, irrespective of business or industry. So, let's have a look at them.

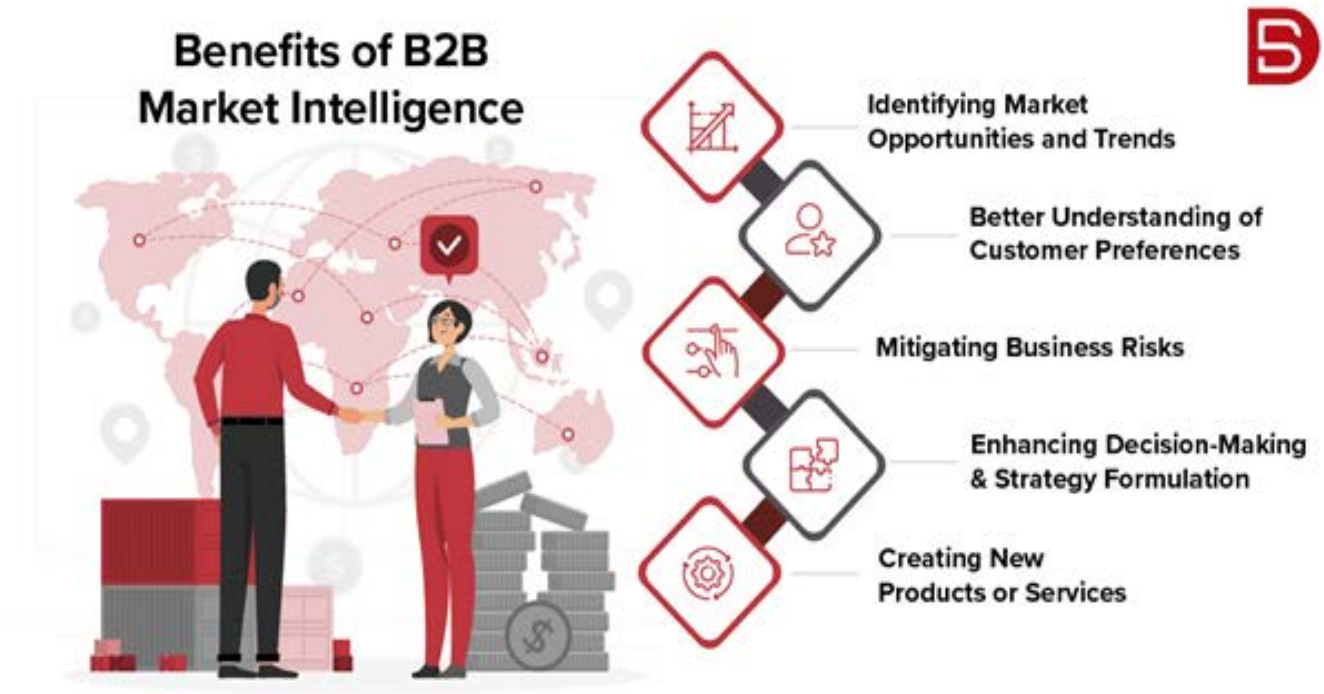
i. *Identifying Market Opportunities and Trends*: B2B Market Intelligence makes it easier for businesses to identify and capitalize on any emerging market trend or opportunity. You can also use data to identify any untapped opportunity for your business or create customized products or services based on customer feedback. This will give you a competitive advantage in your market entry strategy.

ii. *Better Understanding of Customer Preferences*: Analysing customer data through market intelligence gives customers more profound insights into customer needs, preferences, and even pain points. It also allows you to create customized products or services or have special marketing strategies for higher customer satisfaction.

iii. *Mitigating Business Risks*: Insights from market intelligence aid in assessing any potential business risk or challenge in the market. Businesses can quickly identify a possible shift in customer preference, industry disruption, or any change in governing regulations.

iv. *Enhancing Decision-Making and Strategy Formulation*: Access to reliable and relevant insights enables informed decision-making and strategy formulation for any business leveraging the information carefully.

v. *Creating New Products or Services*: Market intelligence makes investing more accessible in developing new products or services, allowing you to validate your ideas through customer feedback or market research.



The validation will enable you to allocate resources accordingly and have higher success potential.

Overall, B2B market intelligence offers a wide gamut of benefits to any business leveraging it to its maximum potential. From identifying market trends to opportunities to knowing customers better, B2B market intelligence is a valuable resource for businesses looking to make informed decisions and convert them into success.

17.0 How to Adopt and Make B2B Market Intelligence Work For You

For any business to have B2B market intelligence work for them, they need a systematic approach. Here, we have listed steps that you can take to make B2B market intelligence work for you.

i. *Set Clear Objectives and Scope*: You must set clear goals and scope for your B2B Market Intelligence efforts. You need to identify the information you need, the areas you want to focus on, and the scope of your market research. This guarantees that the information you gather focuses on your business objective.
ii. *Get Multiple Data Sources*: The information you gather must be a mix of both primary and secondary data sources to yield comprehensive insights. You can use customer surveys, interviews, and focus groups as the source of your preliminary research, while for the secondary source, you can use sources such as market reports, industry publications, or competitor analysis.
iii. *Get the Right Technology and Data Analytics Tools*: Analysing vast amounts of market data will require advanced data analytics, so you need to ensure that you have the right technology and tools available. You must get tools that utilize Artificial Intelligence (AI) or machine learning algorithms for pattern detection, trend identification, or predicting trends.
iv. *Integrate Market Intelligence into Your Decision-Making Processes*: You need B2B market intelligence as an integral part of your business decision-making process. So, ensure that the data and insights you build as part of your market intelligence efforts are shared across the organization.
v. *Be Agile and Adaptable*: The most important thing is to remain agile and adaptable, as the modern business landscape is highlighted as volatile and constantly evolving. You must continuously monitor market trends and customer preferences to stay ahead.
vi. *Monitor Key Performance Indicators (KPIs)*: To make B2B market intelligence work for you, you need to have measurable KPIs attached to it to track the effectiveness of your efforts. These KPIs will allow you to make informed decisions on any potential change or tweak your B2B market intelligence efforts as needed.
vii. *Stay Compliant with Data Privacy Regulations*: Working with any amount of data comes with massive responsibility towards data handling and management. Thus, you need to make sure that you always stay compliant with international and local data privacy and security regulations. You need to take all possible preventive measures you can to safeguard the sensitive information you have on your customers and competitors to protect the privacy of businesses and individuals that are part of your market intelligence gathering exercise.

18.0 Summary View for 2025: Caution is the key

The assumptions for iron ore, aluminum, rhodium, Qinhuangdao thermal coal and nickel are unchanged due to demand concerns, despite price volatility. Iron ore prices had been supported by demand from China in 2024, but greater Chinese steel production cuts from the end of July have started affecting demand[12,13].

The increased 2024 copper assumptions reflect higher prices so far in 2024. Spot prices have been declining in September, after peaking at above USD10,000 a tonne in May, due to concerns about the Chinese and global economies, while supply disruptions have been limited this year. China dominates the copper supply chain, accounting for 55% of global copper consumption and about half of global copper smelter capacity. Longer-term copper demand growth is driven by the energy transition, the pace and scale of which are highly uncertain. Copper consumption will depend on EV adoption rates and copper intensity per vehicle, which has been declining markedly.

The increased medium-term and mid-cycle coking coal assumptions reflect tight, longer-term supply due to the lack of new large projects and higher production costs. Medium-term demand growth for seaborne metallurgical

coal will be covered by incremental increases in output, with markets remaining tightly balanced.

The increased 2025-2027 assumptions for zinc reflect higher demand expectations in the medium term and a gradual reduction in mine supply, primarily due to declining head grades. The increased gold assumptions, including the mid-cycle price, reflect the higher geopolitical premium due to the metal's safe-haven status. Gold prices have been resilient to the higher-for-longer interest rate environment, and we expect mild rate easing to offer further support.

The reduced short-term assumptions for platinum and palladium reflect lower prices this year, affected by destocking. Once destocking is complete, and if some producers cut production, prices should be supported at the levels incorporated in our assumptions. The increased 2024 assumption for the Australian thermal coal benchmark reflects higher actual prices this year so far and low stocks at Indian power plants.

The reduced 2024-2027 lithium price assumptions reflect weaker demand for EVs. Changes in subsidies, consumer preferences, and automakers' decisions will continue to affect demand for EVs in the US and Europe. Lithium inventory levels have been increasing with some lithium supply being deferred, but this has not yet been sufficient for prices to recover before 2027. Large lithium producers have announced mine curtailments and cost-cutting measures, although mining in China and Africa is still increasing. Fitch's reduced 2024-2025 cobalt assumptions reflect slower EV adoption, increasing production at Chinese refineries, and new mine supply coming on stream in 2025. Weak prices are likely to lead to curtailments and deferrals of refining capacity by smaller non-integrated refiners, particularly those outside China, with prices eventually steadying in line with our medium-term assumptions. Weak demand for cobalt from EVs is partly offset by demand from plug-in hybrids, while demand from portable electronics has been recovering.

Fitch expects global oil demand growth to moderate to below 1 million barrels a day (MMbpd) in 2024 and 2025 due to weaker Chinese consumption, concerns about the pace of global economic growth, and efficiency gains. EU gas storage is 93% filled and will reach full capacity before the heating season. Despite the expected halt of Russian pipeline gas flows *via* Ukraine in 2025 following the expiration of the transit contract, we believe that the security of the European gas supply remains strong, owing to increased EU LNG import capacity.

19.0 References

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