Issue: 36-23 | Date: 26 Sep 2023

## 聞 This week:

# Iron ore price outlook remains strong for 2023

BMI, a unit of Fitch Solutions, has maintained its 2023 iron ore price forecast at an annual average of \$110/tonne, with strong risks to the upside.

BMI says in a note that the iron ore price resilience continues from positive sentiment, falling Mainland Chinese port inventories, and strong demand from the country's non-property sectors including machinery, shipping, autos, and infrastructure.

Despite Mainland China's uneven economic growth and a still failing property sector, the note adds that blast furnace steel production and thus iron ore demand have shown defiance, through support from non-property sectors including shipping, machinery, autos and infrastructure.

BMI goes on to say that outside of China, steel production and demand for iron ore are starting to show signs of recovery. On the supply side, major iron ore miners posted strong production growth in FY2022 and announced positive guidance for 2023, which will work to limit the upside for iron ore prices.

It says shipment and production guidance broadly increased for most majors in 2023 compared to 2022, with most maintaining their guidelines.

Over the longer term, iron ore prices are expected to remain on a multi-year downtrend, with prices forecast to decline to \$50/t by 2032, from an average of \$110/t in 2023.

The note maintains the view that iron ore prices will consistently trend downwards, as cooling steel production growth and higher iron ore output from global producers will continue to loosen the market.

Slowing Chinese demand growth will also be the main driver of lower prices, a trend that is now already in its early stages. A structural shift away from industrial, steel intensive sectors towards services and less-steel intensive infrastructure will have a negative impact on iron ore demand.

Also expected is an increased focus on green (low-carbon) steel globally, which requires a shift towards more scrap-based electric arc furnaces.

BMI also anticipates global mine output growth to average 2.25% over 2023-2027 compared to the average 0.9% contraction over the previous five years.

#### **BANK OF AMERICA**

While remaining cautious on iron ore for 2024, Bank of America says the combination of government stimulus and official calls to cut steel production could extend the rally in iron

BofA also stresses that higher steel prices are needed to extend the iron ore recent rally.

"In our view, an improvement in margins is essential, and that needs steel prices to rebound," the research house says.

According to BofA, iron ore forward curves tend to be always backwards, so any tightening in fundamentals is best expressed through a deferred long position.

It notes that iron ore prices climbed 18% to \$123/tonne over the summer. This was influenced by increased purchases from mills, which had been heavily destocking.

Accompanying the drawdown of mill and port stocks, iron ore imports also rose to seasonal highs in August.

"The constructive backdrop comes with significant caveats, though. Indeed, profit margins at China's steel mills remain negative, which usually dampens raw material purchases," BofA says.

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## Global Overview

#### **Americas:**

- US flat products prices decrease OCTG P110 5.5-inch prices remain erratic
- Rebar prices decrease amid UAW strike worries

#### **Europe:**

- Benelux scrap prices under pressure CBAM transitional phase to
- commence 1 October
- Rebar market stable

### Asia:

- Iron ore prices down Oversupply weighs on Chinese
- Rebar in China volatile



#### India:

- India imported scrap bids drop Indian HRC producer eye
- increasing domestic offers Pakistan scrap intake drops amid sluggish market sentiments

#### CIS:

- Russia to implement export duty Russian billet offers withdrawn on export duty news

#### Middle East:

- Turkish scrap stabilises on fresh bookings
- Costs keep up Turkish longs
- prices despite weak demand Chinese HRC price hike in GCC

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## Word of the week

## Bill of Lading

This is a document generated by a shipper that details a shipment of merchandise, giving title to the goods, and requiring the carrier to release the merchandise to a named party at the destination.



## □ Contact

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