An overview of market developments in the global iron ore industry

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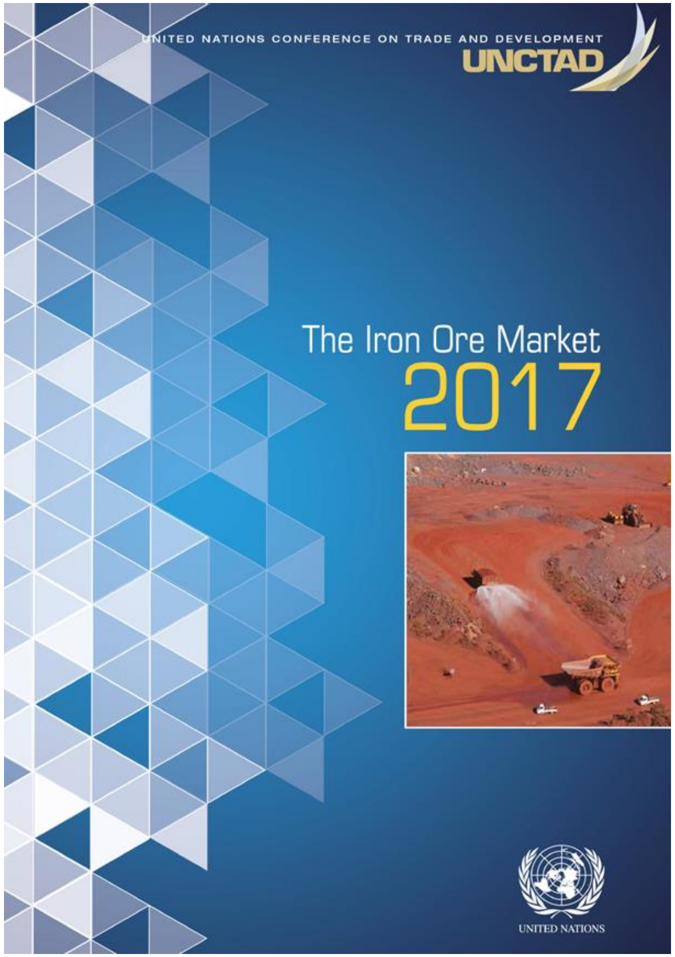
Summary

- UNCTAD and FeO market report
- FeO market (demand, production, exports);
- Price movements of iron (65%,62% and 58%) and factors driving changes;
- Other raw materials used in steel production - Pig iron, Direct Reduced Iron (DRI) - sponge iron;
- UNCTAD and Iron ore statistical database.

Iron ore market report -2017

Topics covered include:

- Steel production;
- Supply of iron ore;
- Trade;
- Prices;
- Mine operating costs;
- Exploration;
- Production pipeline.



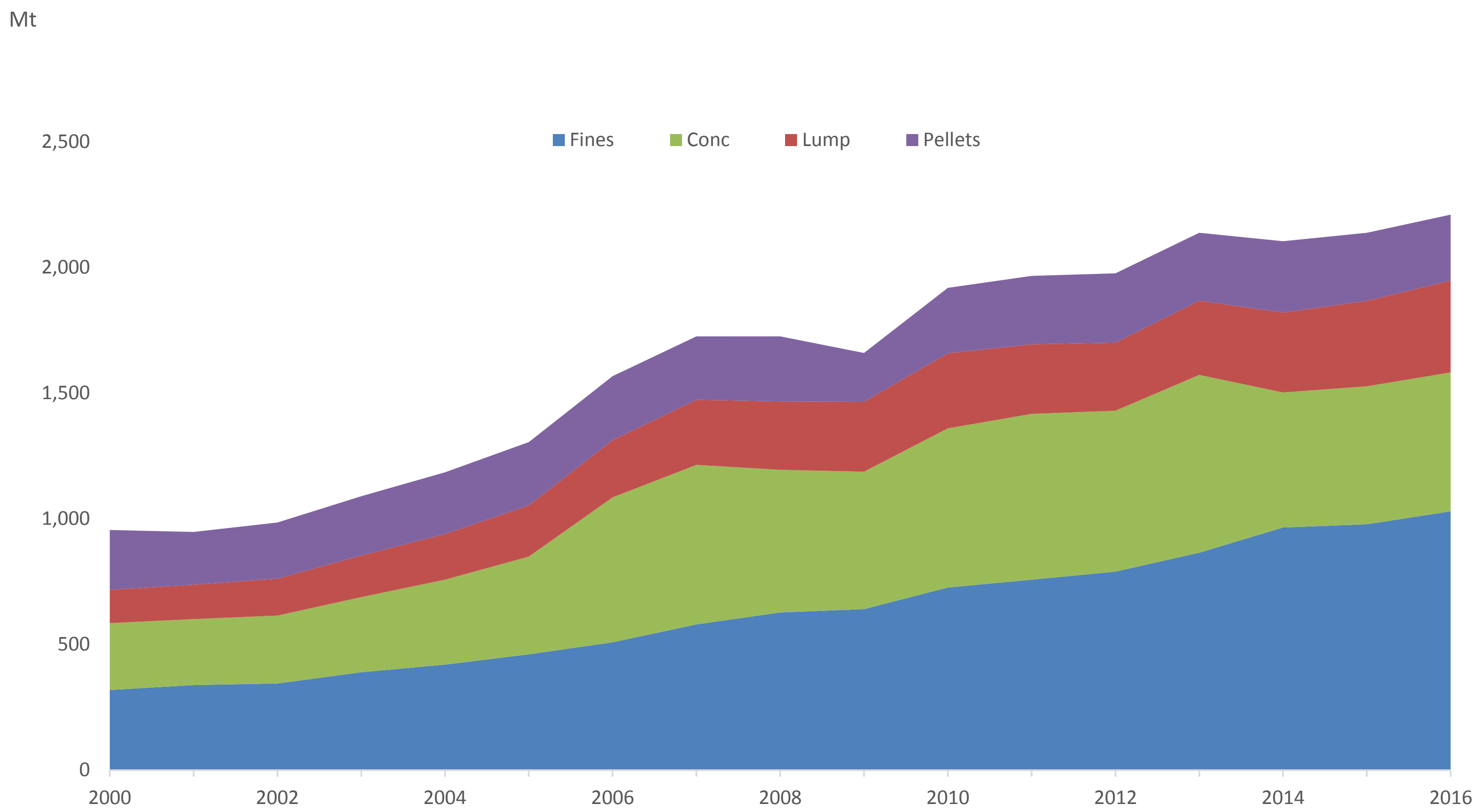
Demand for iron ore (2016)

- Global imports increased from 1427Mt in 2015 to 1487Mt in 2016;
- Chinese imports reached 1024Mt in 2016
- Japan, Republic of Korea and Taiwan Province of China (JKT) imports declined by 5.4% to 225Mt - 2nd largest steel making community;
- European Union imports fell by 9Mt;
- Africa imports rose by 2Mt.

Iron ore production (2016)

- Global production grew by 5% year on year to reach 2106Mt in 2016;
- 52 Mt of fines product tonnages added to direct shipping ore market with most delivered to Chinese import market;
- Lump production increased by 26 Mt year on year ie. approx. 15% of global production;
- Concentrate production remained unchanged - estimated at almost 25% of global production despite a 10Mt net reduction in production from China (measured as 62% Fe equivalent);
- World pellet production fell from 443.9 Mt in 2015 to 398.3Mt in 2016.

Global iron ore production (2000 - 2016)

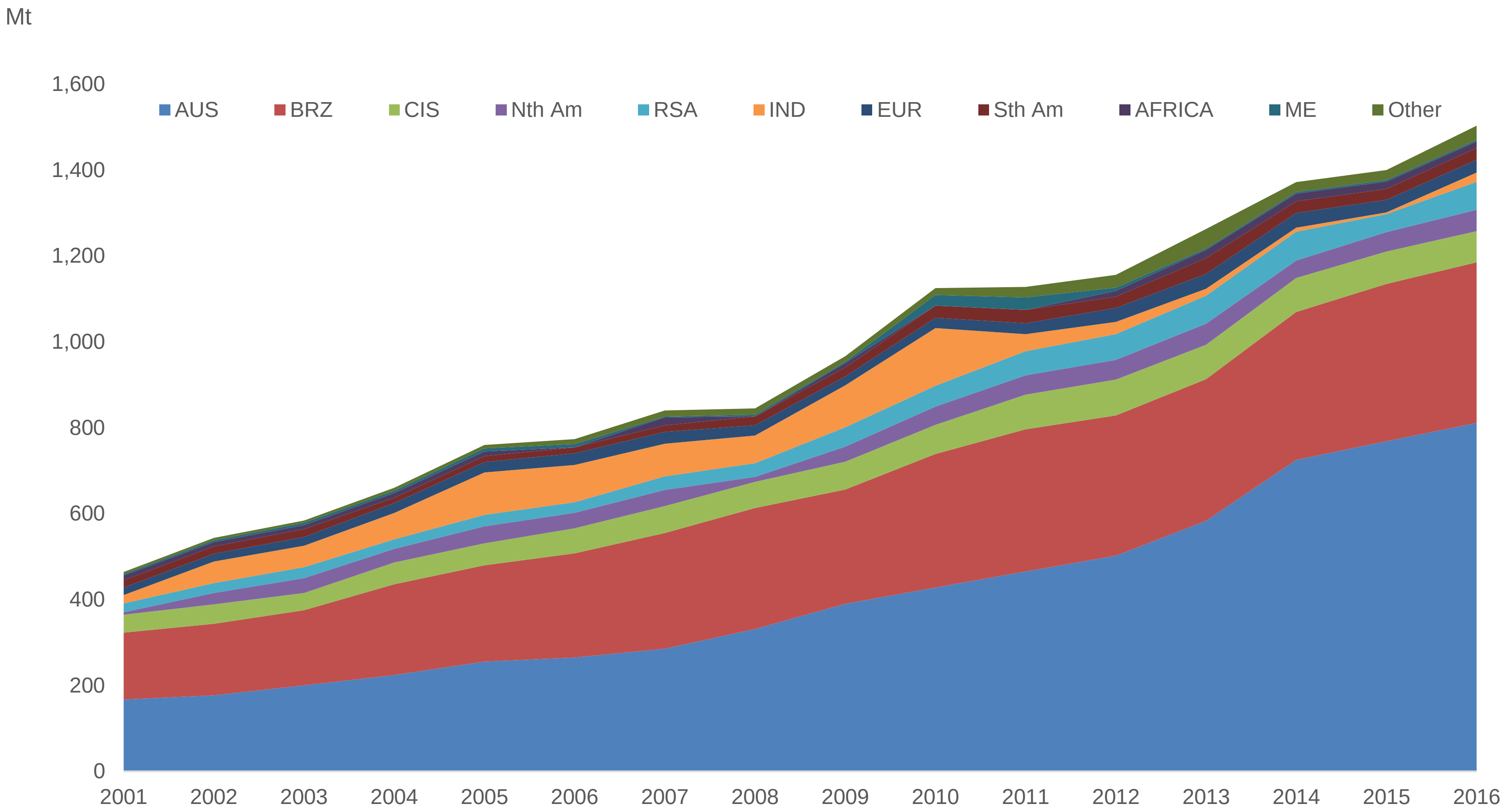


Source: UNCTAD Iron Ore Report 2017

Iron ore exports (2016)

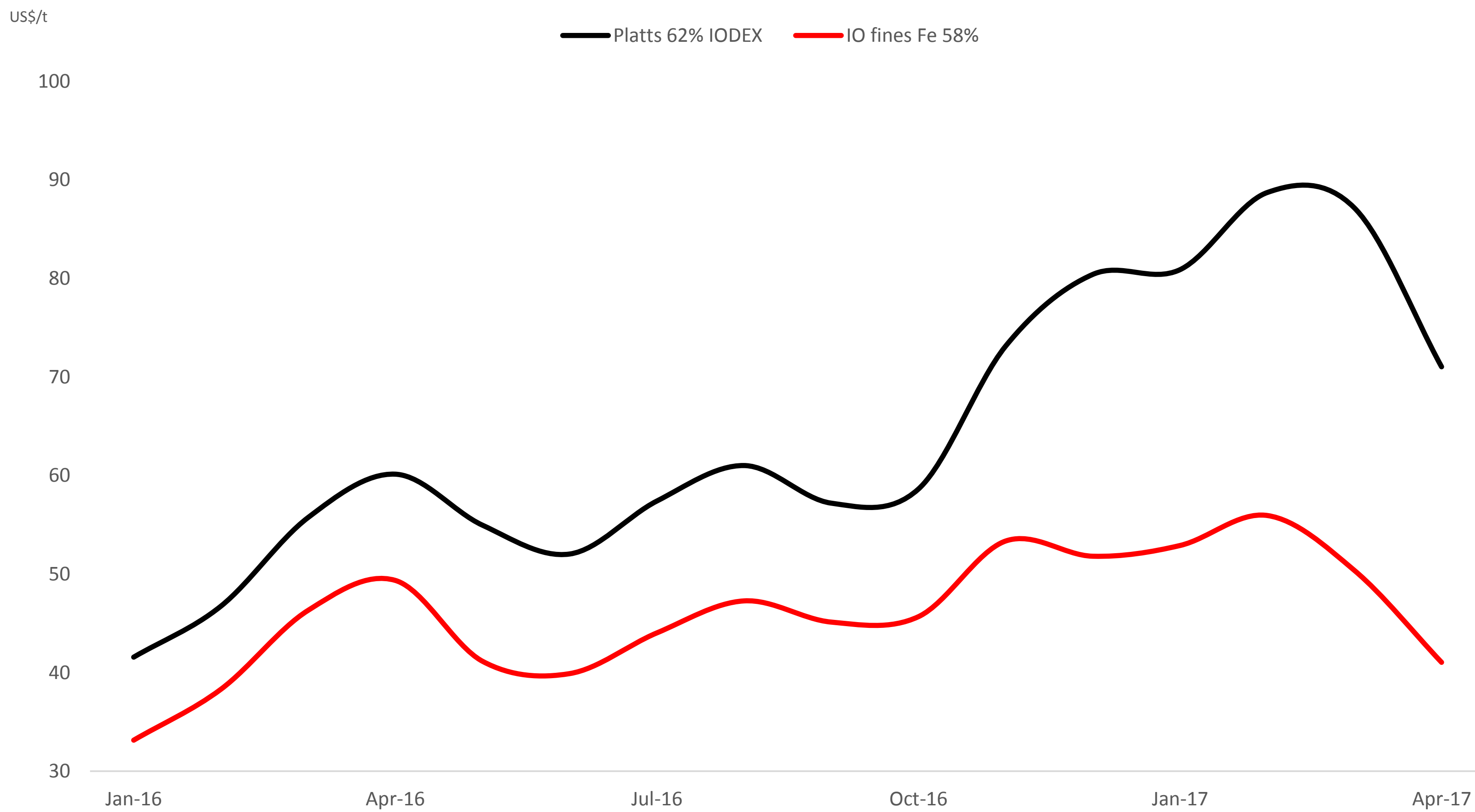
- Australia exported up by 35Mt in 2016 from 766.9 Mt in the previous year;
- Brazil exports increased by approx 8Mt to 373.8 Mt - despite loss of 10Mt Vale production from Samarco mines;
- India exports rose by 4Mt to 21Mt in 2016;
- CIS region exports fell marginally from 75Mt in 2015 to 72Mt in 2016;
- South Africa exports also fell marginally from 65.3 Mt to 65 Mt during the same period.

Iron ore exports (2001 - 2016)



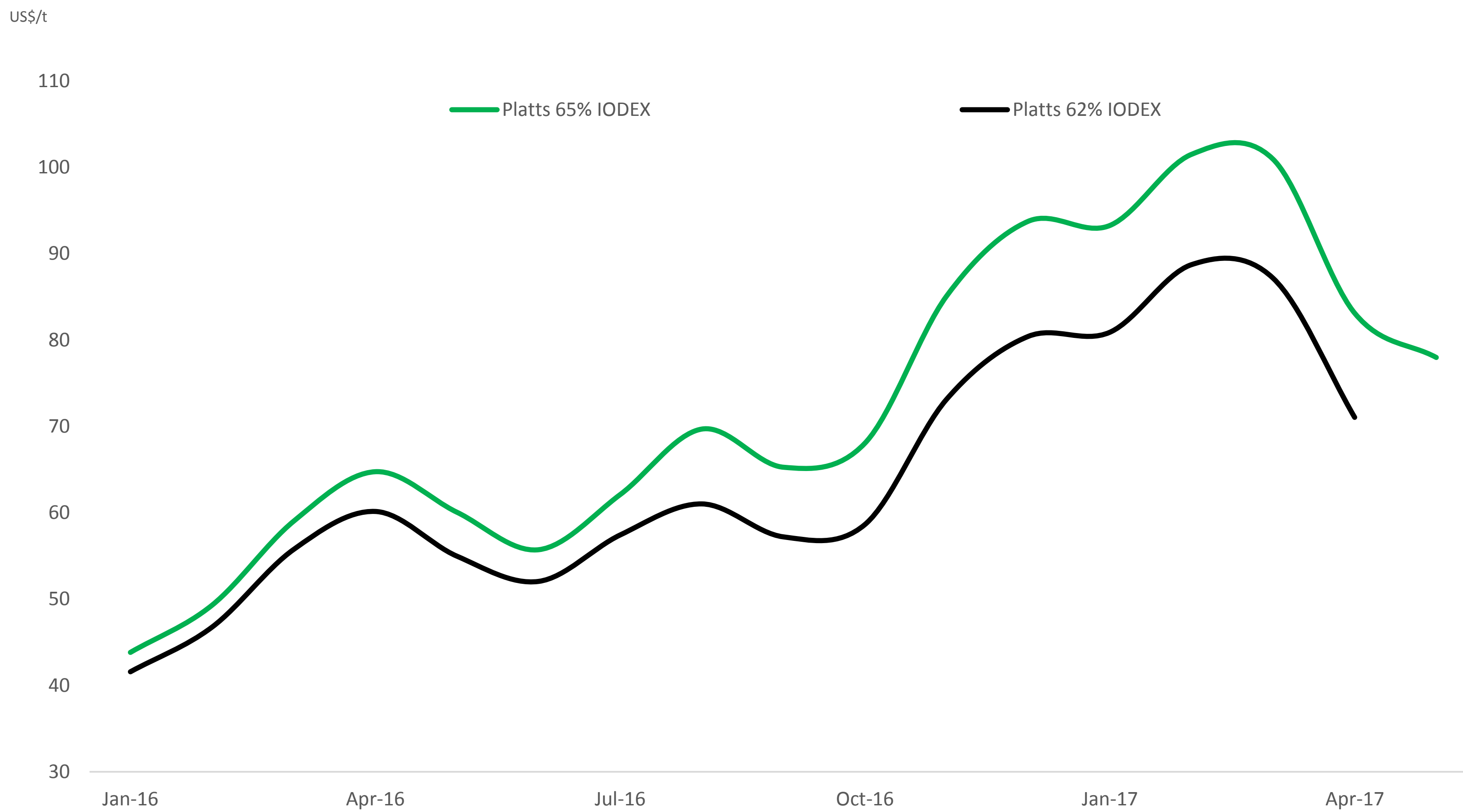
Source: UNCTAD Iron Ore Report 2017

Platts monthly average FeO prices (62%, 58% Iodex Jan 2016 -Apr 2017)



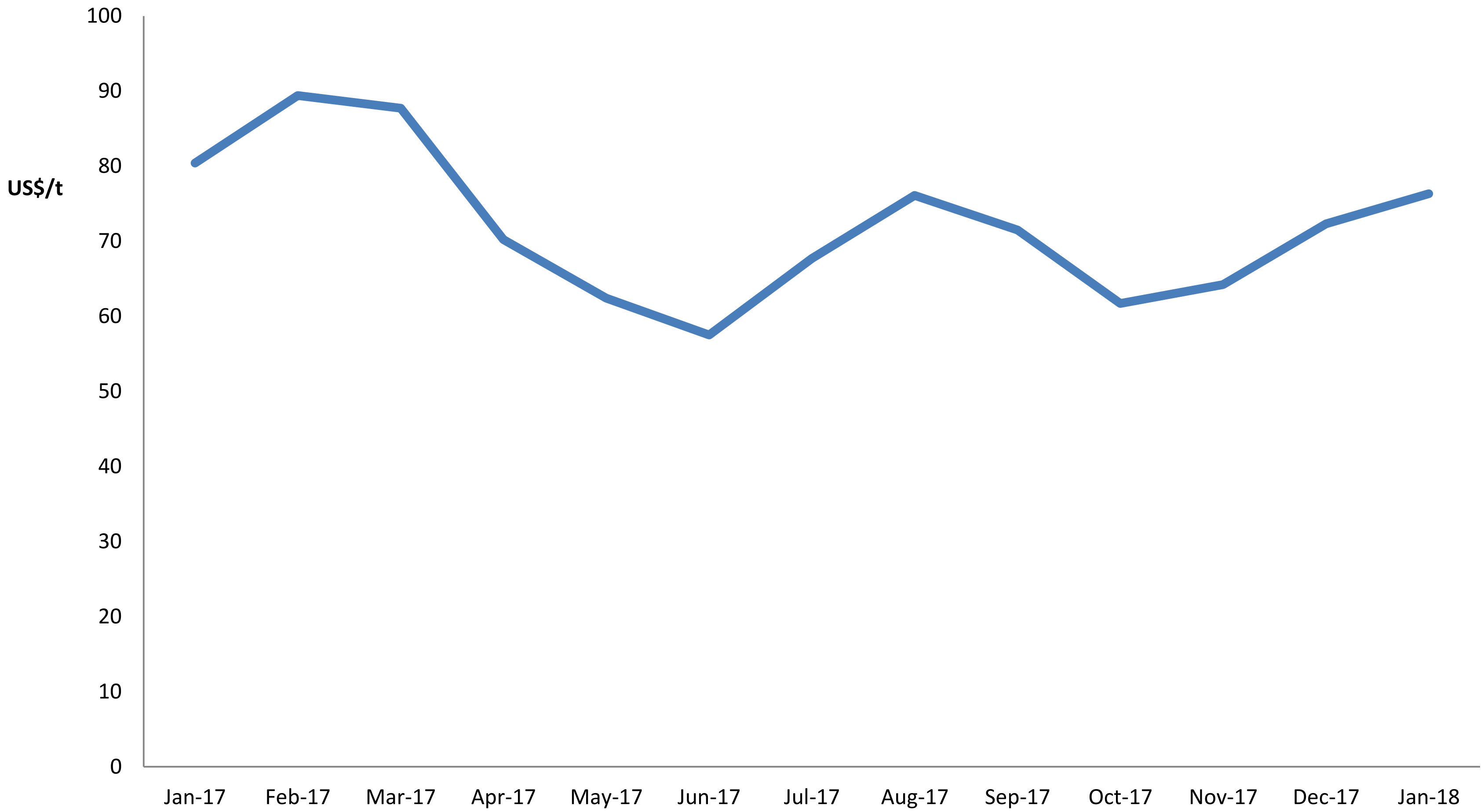
Source: UNCTAD Iron Ore Report 2017

Platts 65% & 62% Iodex (Jan 2016 - Apr 2017)



Source: UNCTAD Iron Ore Report 2017

Platts monthly average FeO prices 2017 (62% Fe)

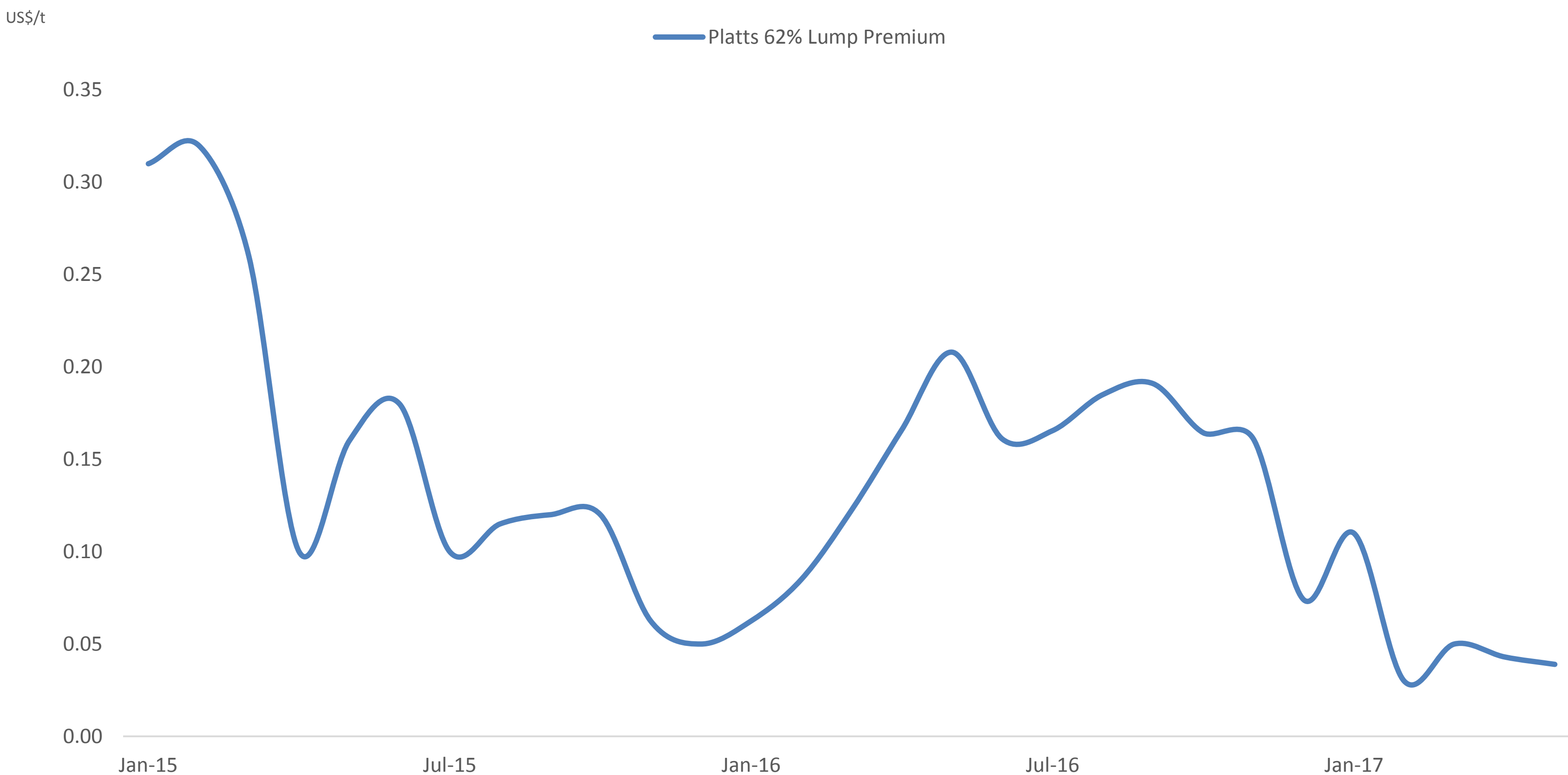


Source: UNCTAD Iron Ore Report 2017

Drivers of iron ore prices

- Accelerated year on year demand pushes steel mills to demand quality raw materials in order to maximise pig iron returns;
- Crackdown on zombie industries in China;
- Concentrate production from China exits market due to deteriorating grades and cost pressures; substituted with higher grades;
- China’s bid to fight pollution by cutting mills’ output buoyed proces of higher quality ores that are more efficient
- Soaring energy costs;
- Speculative activity;

Platts Monthly Average Prices (62% lump - Jan 2015 - Apr 2017)



Source: UNCTAD Iron Ore Report 2017

Drivers of lump prices

- Demand from Chinese steelmakers (medium and small size mills) low because of elevated prices of metallurgical coal - MC) - producers change burden mix in favour of fines as lump requires more MC;
- Abundant supplies - New supplies of lump entering market - eg. Roy hill mine in Australia.

Pig Iron, Direct reduced iron (DRI) - production (2016)

- **Pig iron -** Global pig iron production relatively flat in 2016 compared to 2015 – net additions estimated at only 2.1 Mt;
- Net reductions in 2016 from EU, America and Africa estimated at 8Mt
- 10 Mt added to global production from India 6 Mt and China 4 Mt
- Trend likely to continue although output capabilities from India (63 Mt) is lower than China's (695 Mt)
- **DRI**- Iran and India produced 16Mt and 14 Mt resp. They account for almost half of world production (65Mt)
- DRI not expected to make significant contribution to global crude steel makers due to difficulties in scalablity and cost.

UNCTAD and FeO Statistics

- **Iron ore statistics database** – data coverage from 1970 to end of 2016; includes all non iron ore producing countries;
- The database provides 150 ready-to-use analytical country groupings;
- A navigation browser allows table or graphic presentations, easy selection and reorganization of data, personalized functionalities and several straightforward extraction options;
- Data is provided on production by country: iron ore, pig iron , crude steel, DRI, pellet capacity, production and exports, exports and imports of iron ore, iron ore prices in Europe and japan , freight rates for iron ore ion main shipping routes.

Thank you for your attention.

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