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 scalability 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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