
Chinese iron ore demand makes BDI misleading

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Reuters report highlighted that the Baltic Exchange's main sea freight index, which hit a fresh 2009 high this week, should no longer be seen as an accurate gauge of the world economy, but rather a measure of reviving Chinese industrial activity.

Lately, the Baltic index BDI, which gauges the cost of shipping resources, including iron ore, cement, grain, coal and fertiliser, has been climbing and hit a new 2009 high this week.

But analysts and shipping industry officials said the rise in the index was driven by Chinese demand for iron ore, coal and grains, as well as rising port congestion in Australia and China, and did not necessarily bode for a broader world recovery.

Mr Martin Sommereth Jaer, analyst with Arctic Securities, said that "It is not really Japan, European or other Asian demand that is driving this rally. It continues to be China."

The main index, which was launched in 1985, has remained volatile this year due to swings in demand by China for iron ore.

The Baltic Exchange said it had never set out to provide economic insight and analysis through the main index, but an independent and accurate view' of the cost of moving dry bulk commodities such as iron ore and coal by sea. It said "With so many factors coming into play and driving freight rates, what these figures mean for the wider economy is for economists to decide."

(Sourced from Reuters)

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