Iron ore and coking coal prices to post first fall in long time on Chinese woes

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Bloomberg reported that coking coal and iron ore sold by BHP Billiton Ltd and Rio Tinto Group will post the first price decline in three quarters as steelmakers cut orders on weaker demand from automakers and builders in China.

Quarterly prices between steelmakers and iron ore producers are set based on three month index averages on Platts, the Steel Index and Metal Bulletin. Most Chinese customers use Platts.

Mr Hu Kai an analyst at researcher UC361.com citing Platts index prices said contract prices for iron ore are set to fall 11% to USD 129 per tonne in the quarter starting October 1st down from the previous three months.

According to data compiled by the Steel Index which tracks 62% ore arriving at China Tianjin port prices would fall by about 12%. Fourth quarter iron ore prices should be set around USD 132 a ton for ore from Australia.

Japan JFE Holdings Inc and Kobe Steel Ltd said BHP the biggest exporter of coking coal cut prices by 7.1%. Kobe Steel spokesman Mr Hiroyuki Hashimoto said BHP Billiton will charge USD 209 per tonne for coking coal for the three months starting October 1st down from USD 225 a ton in the current quarter.

The Chinese government is seeking to trim credit growth from last year record USD 1.4 trillion and is discouraging multiple home purchases to restrain surging property prices. Economic expansion was 10.3% in the second quarter lower than the 11.9% in the first three months. The China Iron and Steel Association said slowing demand led about 40% of steelmakers in the country to idle plants or put them on maintenance and reducing their need for iron ore. Construction accounts for 70% of China steel consumption.

(Sourced from Bloomberg)