
CISA warns steel makers of excessive iron ore imports

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According to China Iron & Steel Association, China's iron ore supply has overtaken the demand recently due to slower steel output growth but hectic domestic iron ore production expansion. Therefore, steel mills should be alert for possible loss brought by excessive ore imports.

According to the statistics, domestic crude steel production rises 9.44% YoY to 216.11 million tonnes in the first five months of 2008 down by 10.53 % YoY from the growth rate of same time of 2007. And BF pig iron output increases 8.11% to 202.99 million tonnes down by 9.42% YoY from the output growth of last year.

The incremental BF pig iron output of 15.23 million tonnes per month would require 24.06 million tonnes of iron ore. However, domestic crude ore output expands 25.67% YoY to 31.09 million tonnes from medium and large mines in the first five months. That is to say the increased iron ore production has reached 30.24 million tonnes, 6.18 million tonnes more than the demand growth tonnage.

Customs data reveals that China's imported iron ore up by 19.55% YoY to 192.35 million tonnes in the first five months, sending the annualized ore import volume to 462 million tonnes, 79 million tonnes more than the year before.

CISA warns that the import tonnage has far exceeded the real iron ore consumption. In particular, imported iron ore has jumped 40.98% to 38.91 million tonnes in May alone which is against the status quo of market fundamentals. Meanwhile, landed price of imported iron ore has stayed high in 2008 reached USD 127.36 per tonne in January USD 129.5 per tonne in February, USD 125.97 per tonne in March, USD 133.85 per tonne in April and USD 130.9 per tonne in May.

CISA predicts that imported iron ore price has limited scope for further increase. China's incremental imported iron ore demand is estimated at 60m tons throughout this year, however, the increased ore imports already reach 31.45 million tonnes in the first five months, representing 52.42% of the forecasted full year demand addition. And steel mills could face considerable loss once they continue to import hefty amount of iron ore to exaggerate the port congestion and drive up the ore stock at seaports even higher.

(Sourced from MySteel.net)

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