The Iron Ore Market 2016


This comprehensive report concludes that the world iron ore market will be characterized by potential or actual oversupply for a few years to come. The report expects global steel use and production to increase at an annual rate of 0.5-1.0%. The report notes a fall in capital investment in China, and so in steel demand, but steel consumption is picking up in the United States, Japan and the Euro zone.

- **Iron Ore Production**

Following an increase of 0.9% in 2014, world iron ore production declined 2.5% in 2015, from 2,067 to 2,015 million metric tonnes (Mt). Output increased in the main producing regions, but fell elsewhere. In Asia, the output particularly declined in China and India.

- **Steel Production**

Although economic growth strengthened, world crude steel production fell 2.9% in 2015. There was a particularly severe decline in North America and, for the first time in decades, there was a fall in China’s output of crude steel, which is expected to continue in the long-term.

- **Steel Capacity**

Excess capacity in the global steel industry has risen from 460 Mt in 2010 to 748 Mt in 2015, a growth of almost 63% over the 2010–2015 period. This follows an increase in steel-making capacity from 1,893 Mt to 2,371 Mt over the same period, while production rose from 1,433 Mt to only 1,623 Mt.

- **Iron Ore Project Pipeline**

An estimated 109 Mt/y of iron ore capacity was added in 2015, and the report identifies 115-236 Mt of new mining capacity coming on stream by end-2018. Some closures will take place but UNCTAD expects a net addition to iron ore mining capacity over the three-year period.
Iron Ore Trade
The growth in global iron ore trade in recent years reflects the changed composition of production, with a considerable increase in Chinese imports as a result of the closure of domestic mines. Total iron ore exports have almost doubled since 2005 but increased by only 1.3% in 2015 to 1,438 Mt.

Seaborne Iron Ore Trade
Seaborne iron ore trade increased 1.0% to 1,360 Mt in 2015. As in earlier years, the growth was entirely due to higher Chinese imports. For the past decade, iron ore and coal have each accounted for over 30% of the total dry bulk trade.

Corporate Concentration
Corporate concentration in the iron ore industry increased again in 2015, with the ten biggest producers accounting for almost 62% of total production. The “Big 3” iron ore mining companies (Vale, BHP Billiton and Rio Tinto) have increased their share of total iron ore production from 36% in 2013 to almost 44% in 2015, leaving them with control of almost 63% of the iron ore seaborne trade.

Iron Ore Prices
Iron ore prices reached a peak of US$180/t (62% Fe, CFR north China) in early 2008 before collapsing during the global financial crisis. Prices had recovered to almost pre-crisis levels by mid-2011 but have since been in a five-year bear market. This report finds that the main factor behind the fall in prices was a faster-than-expected increase in the supply of mined iron ore.

Steel Market Outlook
The report projects that Chinese steel demand will fall 2% in 2016 and 2017, and expects zero growth in 2018. For the rest of the world, UNCTAD forecasts a demand increase of 2.5% in 2016, and 3.0% in both 2017 and 2018. The scenario would lead to a growth in global steel demand of 0.5% in 2016, 0.8% in 2017 and 1.7% in 2018.

Iron Ore Market Outlook
Under potential or actual oversupply for a few years to come, the “Big 3” market positions will continue to strengthen. In China, the volume of iron ore from domestic mines has continued to decline, while the share of imports in total iron ore use is on a rising trend. Iron ore use in the Chinese steel industry will decline over the next three years. The price ceiling is unlikely to be above US$50/t (CFR China), and may in fact be closer to US$40/t.