The Iron Ore Market 2017

UNCTAD Trust Fund Project in Iron Ore Information

Last year saw a marked improvement for the iron ore industry after the slower growth, lower ore prices and squeezed profit margins suffered in 2015. Although Chinese consumption remained relatively low, and prices did not improve for much of 2016, the market started to improve late in the year, with prices exceeding US$80/dmt CFR China in December 2016.

THE IRON ORE MARKET REPORT

Steel Production
Lackluster global industrial production in 2016 left the output of crude steel up less than 1% over 2015, according to the World Steel Association, reaching 1,630 Mt. Exports of iron ore edged higher, with much of the increase due to larger tonnages shipped to China, which imported over 1,000 Mt in 2016 (worth a reported US$93 billion). Of this amount, fully 640 Mt came from Australia and a further 215 Mt from Brazil.

Supply of Iron Ore
Global iron ore production grew 5% year-on-year in 2016, to a total of 2,106 Mt. This was primarily driven by an additional 30 Mt of direct shipping ore from Australia, which was the major source of new fine-products entering the Chinese market. Lump production increased 26 Mt to constitute 15% of global production, but concentrate output was broadly flat at one quarter of world production. The latter total was despite a net reduction of 10 Mt in China (when measured as a 62% Fe equivalent material).

Iron Ore Trade
Iron ore exports exceeded 1,513 Mt in 2016, compared with under 1,439 Mt in 2015, and the seaborne market was more or less balanced for 62% Fe material. Technically, there was a small deficit in iron units due to relatively low inventories in the final two quarters, but any price effect was dwarfed by coking coal components. This tightness in the 62% Fe market, compounded by other pricing factors and financial speculation, contributed to considerable price volatility. The net increase in global trade was led by Australia, which contributed 44 Mt of incremental seaborne supply. The predominant products that entered the market were increases to Pilbara blend tonnages and Carajas fines.

Iron Ore Prices
Iron ore prices improved markedly in the second half of 2016, having reached a low in mid-January last year when 62% Fe prices fell below US$40/dmt CFR for only the second time since the inception of the S&P Global Platts’ index in 2008 (the other instance was in December 2015). Prices reached a peak of US$84/dmt in early December 2016, averaging US$58/dmt for the year, but lump premiums were at historic lows by year end.

Mine Operating Costs (NEW IN THIS YEAR’S REPORT)
Iron ore producers have been able to reduce mining costs substantially over the past four years, and the mining industry as a whole now spends US$22/dmt less than it did in 2013 due to tightened capital controls, renegotiated contracts and the exit of high-cost supply. The production-weighted average cost for the seaborne market was only US$34/dmt in 2016, and the lowest cost producer achieved US$23/dmt.

Exploration & Project Pipeline
Iron ore exploration budgets fell in 2016 for the fourth consecutive year, with the estimated US$685 million expenditure representing a decline of US$460 million from 2015. Most of the fall can be attributed to Australia and China, which together accounted for almost half of the global decline. The annual exploration budget for iron ore is now down 83% from the peak of US$3.98 billion in 2012. Overall, about 91 Mt/y of new global iron ore production was added in 2016. The lower iron ore prices led to some site-specific cut-backs, but permanent closures were led by the 10 Mt (62% Fe production equivalent) shut in China, with very little elsewhere.

IRON ORE STATISTICS DATABASE
Data coverage from 1970 to end-2016, covering all of the iron ore producing companies and countries. Statistics include data on:
- Production by country:
  - Iron ore
  - Pig iron
  - Crude steel
  - Direct Reduced Iron
- Pellet capacity, production and exports
- Exports and imports of iron ore
- Iron ore prices in Europe and Japan
- Freight rates for iron ore on main shipping routes

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