

## Chinese steel consumption to slow in 2015 - BHP Billiton

Iron ore giant BHP Billiton expects Chinese steel consumption growth to slow next year and has already adjusted its strategy to cope with a supply glut that has caused global prices to collapse

CEO Mr Andrew Mackenzie told reporters, "We anticipated the change towards current market conditions and the rebalancing of supply and demand after a period of massive expansion and a time when supply struggled with demand, we saw these changes coming a long way off."

Mr Mackenzie added that BHP had stopped approving new investment in major iron ore production growth as early as 2011.

BHP Billiton said while Chinese production growth was likely to remain at about 3-3.5 percent until 2020, a slowdown in consumption was now anticipated. An official said "Consumption growth is about 1.5 percent this year and slowing to between 0.5-1.5 percent next year -- we see modest to



marginal steel consumption growth."

It is a sign that one of the iron ore majors is scaling back expectations after years of bullishness about Chinese demand. BHP Billiton and other big miners had embarked on a rapid production capacity expansion program, banking on sustained demand growth in top buyer China. But though imports into China have surged, prices have fallen by nearly half with Chinese steel output growth slowing to around 3 percent.

## China's Hebei shifts steel mills to coast in restructuring plan

Reuters reported that Northern China's Hebei province, the country's dominant steel producing region, is set to move 16 million tonnes of output capacity to the coast in a step aimed at upgrading the sector.

According to a document posted on the official local government website ([www.hebei.gov.cn](http://www.hebei.gov.cn)), steel enterprises signed an agreement with banks and local governments at the weekend aimed at shifting operations to new port zones.

Moving facilities to the coast has been a major part of a strategy aimed at consolidating China's bloated and fragmented sector. The Shougang Group China's fifth biggest steel mill formerly based in Beijing has already shifted all its production facilities to Hebei's Caofeidian port.

The central government approved a steel industry restructuring plan submitted by Hebei in June, with Hebei vowing to shut, consolidate, upgrade and relocate a sector that had as much as 286 million tonnes of capacity by the end of last year, more than the entire European Union.

Shijiazhuang Iron and Steel, owned by China's biggest steel firm Hebei Iron and Steel Group, has already begun its move to the coast and others are set to follow. Seven enterprises in Handan, one of China's biggest steel producing cities, have teamed up to form the Jinan (Hebei South) Steel Group, which will begin its move to the coast soon.

Industrial Hebei has been under pressure to look for alternative sources of growth as the central government fights a war on pollution and the province is planning to shed at least 60 million tonnes of capacity over 2013 to 2017.

Mr Yang Chongyong the vice governor of the province said at a forum last month that there was no reason why Hebei couldn't produce pollution free steel in the near future. Hebei's steel currently has capacity approaching 300 million tonnes, and the direction of our development should be towards Japan not a single one of Japan's more than 100 steel mills is a source of pollution and their returns are also great.

## China issues iron ore import licenses for 91.94 million tonnes in Nov



The China Iron and Steel Association announced recently that in November this year China's Ministry of Commerce issued iron ore import licenses for a total of 91.94 million tonnes up 2.23% MoM valued at USD 7.143 billion.

In the first 11 months of the year, iron ore import licenses were issued for a total of 1.1198954 billion tonnes valued at USD 112.216 billion.

In November this year, the iron ore import licenses issued by China for Australian and Brazilian iron ore amounted to 55.6072 million tonnes and 17.7071 million tonnes respectively, down 1.08% and up by 12.76% MoM.

In the January to November period, the iron ore import licenses issued by China for Australian and Brazilian iron ore totaled 646.5156 million tonnes and 207.0700 million tonnes respectively.

Licenses issued for imports of South African iron ore in the given month amounted to 3.8251 million tonnes up 2.23%, valued at USD 312 million while licenses issued for iron ore from other countries amounted to 3.6273 million tonnes valued at USD 257 million. In the January to November period, the import licenses issued by China for iron ore from South Africa and other countries amounted to 49.7301 million tonnes and 71.9005 million tonnes respectively.