Pacific Investment Management Company sees little growth potential for steel demand in China as the housing market slows, hurting the outlook for the global industry and iron ore prices. Goldman Sachs Group Inc said that output will drop. Mr Raja Mukherji, head of Asian credit research said that “The years of huge growth in China's housing development market are over, spelling tough times over the long-term horizon for global steel making. At best, steel demand in the country may expand in the low single digits this year.” China grew at the weakest pace since 1990 last year and is set to slow further in 2015. Asia's largest economy accounts for about half of global steel output and is the biggest buyer of seaborne iron ore, which fell to the lowest price since 2008 amid a global glut.

Goldman Sachs forecast that China's steel production will contract this year, repeating its outlook, while UBS Group AG predicted earlier the first drop since the early 1980s. Mr Andy Ji, an economist at Commonwealth Bank of Australia in Singapore said that “The outlook for China's steel demand is not expected to improve this year. Given the persistent oversupply in housing, a strong recovery is unlikely.” The analysts said that we expect downside risks to steel demand to continue to materialize as past housing construction growth rates are unsustainable. While there are other end users of steel including machinery, autos and white goods they are unlikely to propel China's steel demand.

Mr Jimmy Wilson, head of BHP's iron ore business said that among those expecting China's steel production to keep on rising are the largest iron ore miners, including BHP Billiton Limited and Rio Tinto Group. Output will reach 1 billion to 1.1 billion tons by 2025.