

## Iron ore set to struggle amid subdued steel demand

Iron ore has been the worst-performing industrial metal this year, with prices down more than 20% year-to-date in November. We believe downside risks are likely to prevail in 2025 amid subdued steel demand



Work at a steel company in Liyangang, China. The country's property market constitutes the bulk of total steel demand

### China slowdown weighs on iron ore

Iron ore is among the most vulnerable to China's slowdown risks, as the country's property market constitutes the bulk of steel demand.

China, the world's biggest consumer of iron ore, has continued to act as a drag on demand this year. A broad economic slowdown and, in particular, the crisis in the property sector have weighed on iron ore and other industrial metals. The property sector accounts for about 40% of demand for iron ore. We've seen plenty of property support measures this year but so far, they have failed to provide any meaningful impact on metals demand.

In September, Beijing released a slew of stimulus measures – its largest stimulus package since the Covid-19 pandemic, including interest rate cuts and targeted support for the property sector.

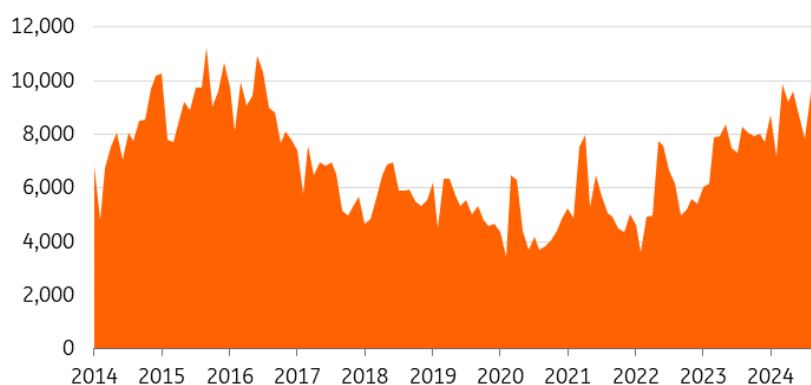
China's new home starts – the biggest steel demand driver – have continued to fall, now down more than 20% year-to-date. This should continue to suppress steel demand in 2025. The country's recent stimulus policies have focused on clearing property inventories rather than boosting new starts, and this will limit the impact on steel demand as it requires new construction rather than clearing unsold stock.

A subdued domestic market has spurred exports this year. China's steel exports have hit their highest level since 2016, with volumes up more than 20% so far this year. This is, however, likely to slow down moving forward, with more countries globally imposing restrictions or conducting anti-dumping investigations against Chinese steel products. This would prove a further drag on iron ore demand.

The increase in exports has also been fuelled by a slump in domestic prices. Rebar and hot rolled coil collapsed to the lowest level seen since 2017.

## China steel exports highest since 2016

(kt)



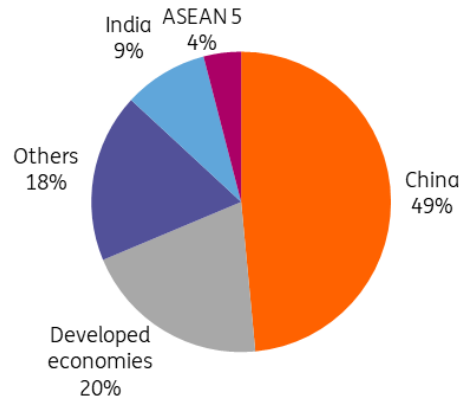
Source: China's General Administration of Customs, ING Research

China's domestic steel demand is expected to fall 3% this year to about 869 million tonnes – a fourth year of declines, even as the rest of the world posts growth of 1.2% to 882 million tonnes (according to the World Steel Association). China's share of global steel demand will account for less than half of global steel consumption for the first time in six years (World Steel Association). That share will shrink further in 2025, according to the Association, as the end of China's decades-long infrastructure and property boom reshapes the country's steel consumption. Instead, Beijing is focusing on high-tech manufacturing and green technologies to power the economy.

## China's share of global steel demand will fall below half

Projection for 2025 from World Steel Association

Note: ASEAN 5 comprises Indonesia, Malaysia, Philippines, Thailand, Vietnam

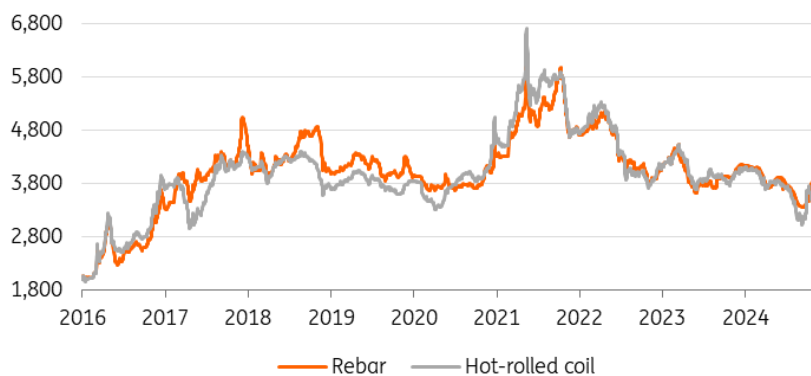


Source: worldsteel, ING Research

China's steel industry has raised alarm about how tough conditions can become. Baowu Steel Group, the world's largest steelmaker, warned that the steel sector was facing a long, cold winter that could be worse than previous steel crises of 2008 and 2015.

## China steel prices slump

Yuan per tonne



Source: Shanghai Steelhome E-Commerce, ING Research

The continued weakness in the property sector in China remains the main downside risk to our outlook for iron ore.

We believe iron ore remains dependent on economic stimulus from China. With the recovery path for China still bumpy, the market will remain sensitive to Chinese policies and prices are likely to remain volatile. Until the market sees signs of a sustainable recovery and economic growth in China, we think we'll struggle to see a long-term move higher for iron ore prices.

## Supply from majors increases

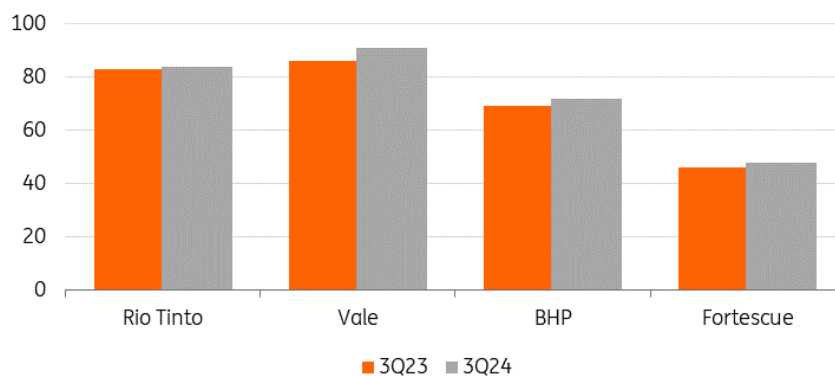
Healthy production from the four iron ore majors compared to a year ago has pressured prices lower and also helped to keep port stocks in China at high levels.

Total iron ore production from the top four iron ore producers – Vale, Rio Tinto, BHP and Fortescue – reached 259 million tons in the first half of the year, up 1.4% from the first half of the year in 2023. Production in the third quarter also saw an increase compared to the same period a year ago. Heading into 2025, major producers are looking to maintain their production levels.

We believe that with the supply side largely stable, it will be demand in China that continues driving iron ore prices going forward.

## All majors report higher Q3 production

(Mt)



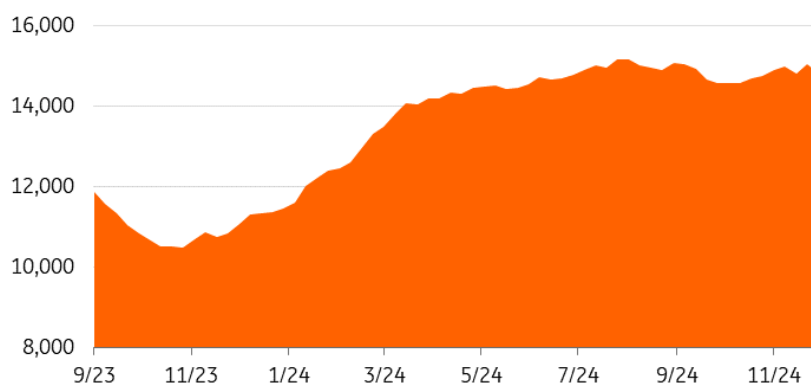
Source: Company reports, ING Research

## High iron ore stocks pressure prices

Iron ore port holdings in China have continued to rise, back above 150 million tonnes and standing at their highest ever for this time of year in a sign of abundant seaborne supplies. China's iron ore port inventory is a key indicator that reflects the supply and demand balance, as well as the safety net and imbalance between the iron ore supply and the steel mill demand.

## China iron ore inventories remain elevated

(kt)



Source: Steelhome, ING Research

Iron ore imports have also been increasing, up 6% in the first half of the year compared to the first half of 2023. In October, China imported 103.8MMt, staying above the 100MMt per month level for eight of the 10 months to date this year. However, Chinese demand growth may be insufficient to absorb the extra imports. We believe high iron ore availability in China will continue to put pressure on prices.

### Risks skewed to the downside

We expect iron ore prices to remain under pressure in 2025 amid a combination of a bearish demand outlook for steel, ongoing strong shipments and elevated port inventories of iron ore.

We believe China will continue to drive iron ore prices going forward, and the supply and demand balance will largely depend on the country's steel demand outlook. A further boost for China's property sector will be crucial in supporting demand.

We see stronger prices in the first quarter, supported by restocking ahead of the Lunar New Year holiday in late January – although the support might be limited given the already high existing inventories in China.

Prices will trend down from there to average \$90 in the fourth quarter. We see a 2025 average of \$95/t.

### ING forecast

	1Q25	2Q25	3Q25	4Q25	2025
Iron ore 62% (US\$/t)	100	95	95	90	95

Source: ING Research

## Author

**Ewa Manthey**

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

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