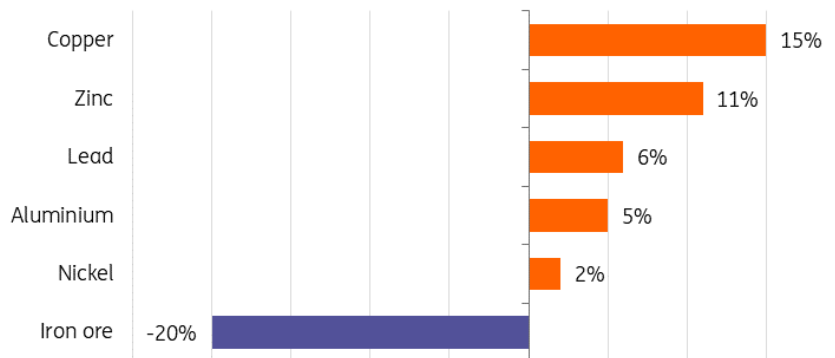


Industrial Metals Monthly: Subdued demand to pressure iron ore prices

Our monthly report looks at the performance of iron ore, copper, aluminium, and other industrial metals. In this month’s edition, we take a closer look at iron ore, the worst performer in the complex and discuss where we see prices heading in the second half of 2024



YTD metals performance %



Source: LME, SGX, ING Research

Iron ore is one of the worst performing commodities so far this year. Prices are down about 20% year-to-date as demand by the biggest consumer, China, continues to face headwinds from the property sector while the global seaborne market remains in a surplus.

Subdued demand the key driver

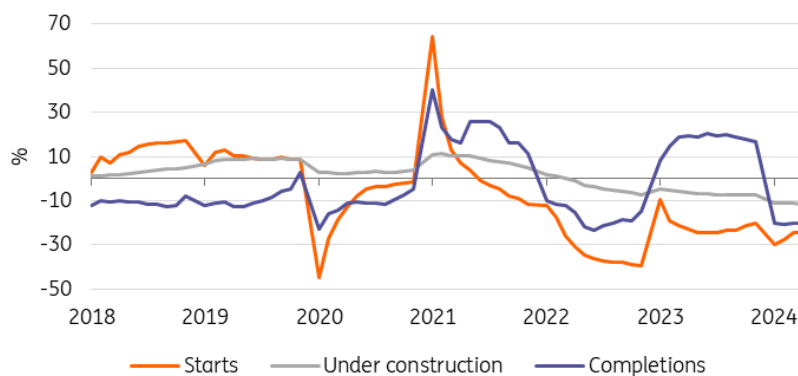
Looking ahead to the third quarter, fundamentals are still pointing to downside risks – Chinese steel demand is still muted on slowing construction and infrastructure activity amid the summer slowdown. The property sector constitutes the bulk of steel demand.

Although all major Chinese cities have rolled out measures to revive the property market, Beijing’s stimulus measures have not yet materialised into higher demand for iron ore.

Unsold housing inventories remain high, and sales have been slow. As long as inventories remain elevated, new investment and building activity will remain depressed, and the drag on growth will persist, [our China economist believes](#).

May’s newly started residential floor space under construction and real estate investment was down 25% and 10.1% year-over-year. New property projects are the key drivers of iron ore and steel demand. We believe this should continue to suppress steel demand in the second half of the year.

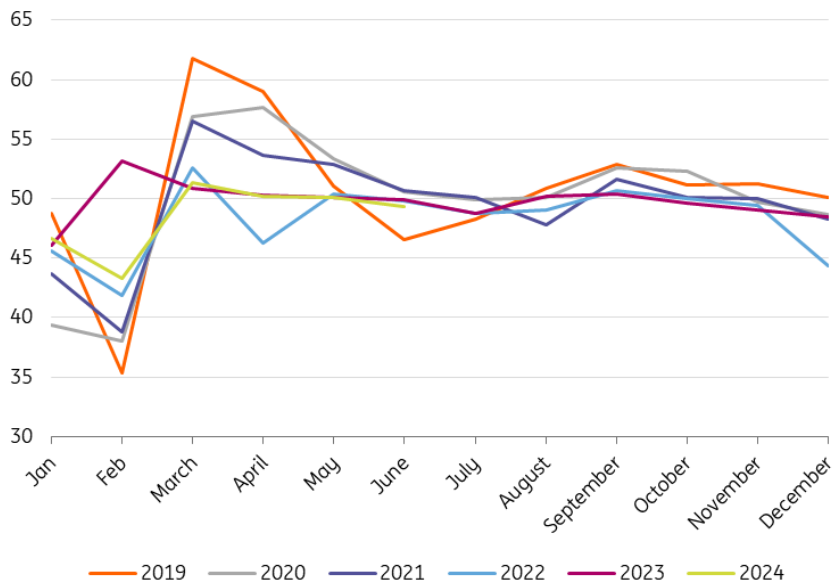
China’s property concerns keep weighing on iron ore



Source: NBS, ING Research

There is also little expectation for China’s Third Plenum meeting, which starts on 15 July, to provide any relief to iron ore prices. Beijing’s focus will likely be on property completions and lowering the inventories, while new construction activity, which iron ore and steel rely on, should be low on the priority list, our China economist believes.

China's steel industry PMI slips back into contraction territory



Source: NBS, ING Research

Chinese steel exports are at an eight-year high amid weak domestic demand

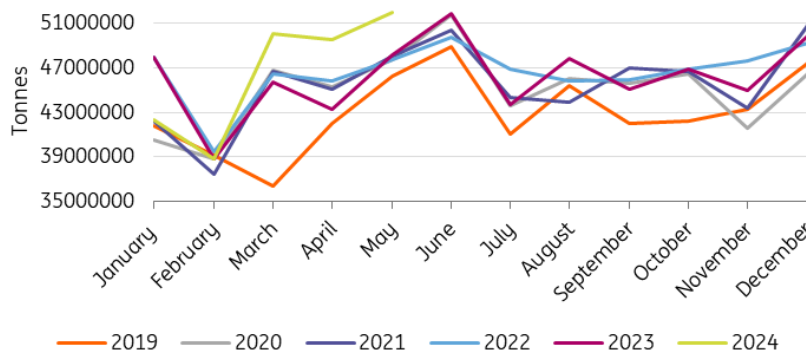


Source: General Administration of Customs, ING Research

Australia mine shipments jump

On the supply side, iron ore shipments have been particularly strong from Australia. Exports from Australia's Port Hedland hit a record of almost 52 million tonnes in May. June is also a seasonally strong month for flows.

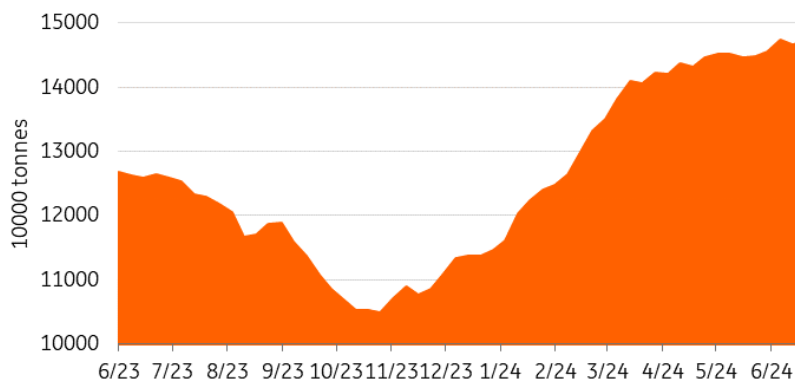
Iron ore exports from Australia’s Port Hedland hit a record in May



Source: Port Hedland Port Authority, ING Research

In a sign of abundant seaborne supplies, iron ore port stocks in China jumped to the highest in two years. 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. We believe high iron ore availability in China will continue to put pressure on prices.

China iron ore port inventories keep piling up



Source: Steelhome, ING Research

Downside risks likely to prevail

We expect iron ore prices to fall further in the third quarter amid subdued demand and sufficient supply before recovering towards the end of the year. Downside risks are likely to prevail in the near term amid subdued steel demand. We believe China will continue to drive iron ore prices going forward, and the supply and demand balance will largely depend on China’s steel demand outlook.

With the recovery path for China still bumpy, we believe iron ore will remain sensitive to Chinese policies. Prices are therefore likely to remain volatile, at least in the short term. A further boost for China’s property sector will be crucial in supporting demand. We see prices averaging \$105/t in the third quarter with a 2024 average of \$110/t.

ING forecast

| | 3Q24 | 4Q24 | 2024 | 1Q25 | 2025 |
|-----------------------|------|------|------------|------|------------|
| Iron ore 62% (US\$/t) | 105 | 110 | 110 | 105 | 105 |

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