China's easing of property curbs boosts iron ore prices

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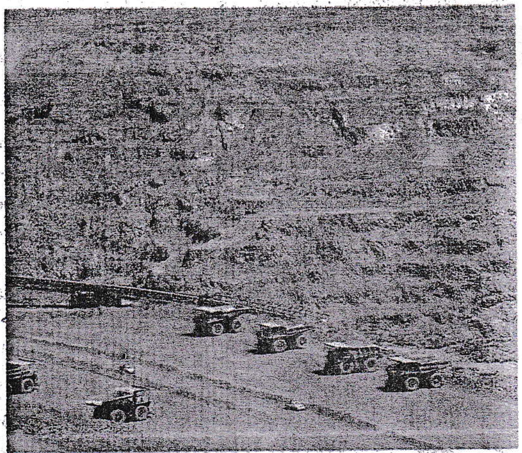

KEY MARKET. China continues to be the biggest buyer of iron ore REUTERS

Iron ore — one of the worst performing commodities this year and a key steel-making ingredient — witnessed a major spike in its prices after three of China's largest cities eased curbs on home-buying. Expected to bolster demand outlook and its embattled property market, the move is also aimed at cushioning the country's steel-makers struggling with a glut of the metal.

Metal stocks in India, including shares of the largest merchant iron-ore miner, NMDC Ltd witnessed a jump.

In India, the Nifty metal index closed 1.33 per cent up on Monday with NMDC witnessing a near 4 per cent jump, followed by others such as MOIL, Hindalco and JSW Steel.

Iron ore futures surged in Singapore to hit the highest since July. Iron ore prices in Singapore were trading at around $109, up 7 per cent.

DEMAND REVIVAL

Three of China's biggest cities, Shanghai, Guangzhou and Shenzhen, have loosened property ownership rules.

Guangzhou removed restrictions on homebuyers; Shanghai, the country's financial hub, and tech-city Shenzhen, announced lowering of minimum down payment ratios for first and second homes. China's central bank also announced on Sunday that it would allow refinancing of mortgages.

China continues to be the biggest buyer of iron-ore.

In fact, India – one of the larger exporters of iron ore to the Asian nation – saw a 27 per cent y-o-y decline in shipments to 13.04 million tonnes (mt), as per consultancy firm BigMint.

From 95 per cent, Chinese buying to total exports in India is down to 77 per cent.

The slowdown in the property market has been a major challenge for China's steelmakers, given that it's traditionally been a mainstay of demand.

The glut there has led to flooding across global markets, including in India, where imports of steel from China are up to a five-year high (for the five-month period) of 1.14 mt for April-August period. Imports were up 32 per cent Y-o-Y, versus 0.86 mt in the year-ago period.

Five categories – stainless steel at 0.43 mt, galvanised pipes at 0.16 mt; plates at 0.15, HRCs at 0.18 mt and pipes at 0.08 mt - make up 90 per cent of the imports, as per a report of the Steel Ministry, reviewed by *businessline.*

EXPORTS DOWN

India's HRC export offer price to Europe is around $600-605 /tonne (CFR Antwerp), while mills have continued to hold its HRC export offers to the Middle East (ME) and South East Asia amid competitive Chinese prices, BigMint said in a recent report. Chinese prices to the ME are around $510-515/tonne (CFR UAE)

Steel mills here are already grappling with a slowdown in exports – primarily because of competition from China and a slowdown in demand from Europe. Exports for 5MFY25 was 1.92 mt, down nearly 40 per cent y-o-y. In the year ago period, it was around 3.2 mt.

Exports to three large European markets – Italy, Belgium and Spain – were down 48 per cent, 26 per cent and 52 per cent, respectively for the period under review.

Shipments to Nepal fell nearly 44 per cent y-o-y while Indian steel mills lost out to Chinese competition (on price) in the Middle East region too.

TRADE DEFICIT

Trade deficit swelled by 65 per cent over FY24 close, when it was ₹9,036 crore, according to an internal report of the Steel Ministry.

A year ago, April-August 2023, India was a net exporter of steel with a trade surplus of ₹2,084 crore (exports stood at ₹25,735 crore whereas imports were valued at ₹23,651 crore).