

## **China's Iron Ore Imports Remain Headwind**

Last year saw this decade's first-ever year-on-year contraction in Chinese iron ore imports, even as China's crude steel output set another new record. Chinese crude steel output totaled a record 927.5 million tons, which marked year-on-year growth of 82.3 million tons (10%), but iron ore imports still fell to 1.064 billion tons. This marked a year-on-year decline in imports of 11 million tons (-1%). Also of note is that in January this year, China's iron ore imports totaled 91.3 million tons, which marked a much larger year-on-year decline (in percentage terms) of 9 million tons (-9%). This decline was entirely unrelated from the recent Vale disruptions, and the Vale disruptions are only another factor that has increased the likelihood that both Chinese and overall global iron ore imports will contract this year.

Ongoing weakness in the global steel market outside of China remains concerning along with the structural change being seen in Chinese iron ore imports. Returning back to China, remaining of note is that in 2015 when China's crude steel output fell year-on-year by 12.8 million tons (-2%), Chinese iron ore imports still increased that year by 20.5 million tons (2%). Throughout this decade, China was routinely showing the world that it was happy to purchase as much iron ore that miners wanted to export to China. This remained a fact even when Chinese steel output was contracting. 2018, though, showed a sudden contraction in iron ore imports (the first contraction seen this decade) -- due in part to China ramping up the consumption of domestic steel scrap. Going forward, we are not bullish for Chinese or overall global iron ore trade prospects for this year, and we continue to expect that a year-on-year contraction will occur.

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