# Long-term downtrend for iron ore prices

**Since the beginning of April, iron ore prices have been declining. As of July 5, 2022, iron ore price (Fe 62%, CFR China) is $118/ton. In the second half of 2022, the price may fall to $100-110/t, making supplies from Ukrainian iron ore producers unprofitable. By 2025, iron ore could lose up to 35% of its current price, and even more in the long term.**

## Forecasts of iron ore price (Fe 62%, CFR China), $/ton

| Company | 2022 | 2023 | 2024 | long-term |
|---|---|---|---|---|
| Commonwealth Bank of Australia | 120 | 80 | 80 | 80 |
| Fitch | 130 | 110 | 85 | 50 |
| ING | 138 | 105 | 90 | - |
| World Bank | 140 | 105 | 90 | - |
| Department of Industry, Science, Energy and Resources of Australia | 115 | 85 | 70 | 55 |
| **Consensus forecast (average)** | **129** | **97** | **83** | **62** |

## Company's comments

We maintain our view that iron ore prices will consistently trend downwards, as cooling Chinese steel production growth and higher output from global producers will continue to loosen the market".

Fitch Solutions forecast global iron ore mine output growth to average 2.8% over 2022-2026 compared to the average 0.9% contraction over the previous five years. The growth would raise annual production by 367.1 million tons in 2026 compared to 2022 levels, slightly more than India, Russia and South Africa's combined output in 2022.

"More sluggish demand from China, combined with supply growth, suggests that prices should trend lower in the medium to longer term. China will continue to cap crude steel output while also looking to replace older steel capacity with electric arc furnace capacity to meet decarbonization goals. Growth in EAF capacity at the expense of basic oxygen furnace capacity will be a concern for the medium-to-long-term outlook for Chinese iron ore demand.

Iron ore prices are forecast to decline to lower long-run levels. This follows more modest growth in blast furnace steelmaking (compared with the past decade) from major producers such as the EU, US and China, as the world undergoes a transition to a low emissions environment. This softer demand will also take place alongside growing supply from Australia and Brazil.

Goldman Sachs lowered its forecast for iron ore for the second half of this year to **$100/ton**, with the three-month forecast at **$90/t**. The company expects there might be a supply surplus of 35 million tons because of the slowdown in demand in China in the following six months.