



BHP Iron Ore Output Reaches Record on Higher Demand (Update2)

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By Rebecca Keenan



Oct. 21 (Bloomberg) -- **BHP Billiton Ltd.**, the world's largest mining company, said first-quarter iron ore production rose to a record, driven by a rebound in global steel demand.

Output of the ore was 30.1 million metric tons in the three months ended Sept. 30, compared with 29.8 million tons a year earlier, the Melbourne-based company said today in a statement. **Rio Tinto Group** also had record ore output in the same period.

Steel companies are resuming output at mills in China, the largest consumer of iron ore, Europe and the U.S. to supply auto and appliance makers on signs of a global recovery in industrial demand.

There's been increasingly positive news across most economies over the past three months, BHP said today.

"I have no doubt metal demand improvement is underway," said **Tim Schroeders**, who helps manage \$1.2 billion at Pengana Capital Ltd. in Melbourne. "Both Rio and BHP have stepped up their output, which gives you an increased confidence that things are well in steelmaking raw materials."

BHP, which gets 30 percent of its earnings from iron ore, fell 0.8 percent to A\$39.58 at 10:10 a.m. Sydney time on the Australian stock exchange. It has **gained** 30 percent this year.

The global steel market is forecast to grow 9.2 percent next year as demand rebounds U.S., Europe and Japan, the World Steel Association said this month. China may report tomorrow that its economic growth accelerated to 8.9 percent in the third quarter, a Bloomberg News survey of economists shows.

Chinese Growth

"Chinese economic growth continues to be robust on the back of strong domestic-focused consumption and infrastructure-based stimulus spending," BHP said today in a quarterly production report. There are signs of stabilization in developed economies, though there's little evidence yet of sustainable metals demand emerging, it said.

BHP's output of petroleum, its second-biggest earner, rose 18 percent to a record 41.2 million barrels of oil equivalent, the company said. It's targeting 10 percent annual growth in the unit, it said today.

Production increased for 13 major commodities, including nickel and zinc, the company said. Coking coal, also used to make steel, gained 2 percent.

Output from its Olympic Dam copper, uranium and gold mine in South Australia may be affected by a damaged shaft, BHP said today. Ore hoisting at the mine will be restricted to 25 percent until the end of March after a mechanical failure. Yesterday, the company declared force majeure on some supply contracts.

Force majeure is a legal clause that allows a company to miss deliveries because of circumstances beyond its control.

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