Bloomberg.com

Goldman Raises Iron Ore, Coking Coal Price Forecasts (Update1)

Share | Email | Print | A A A

By Jason Scott and Rebecca Keenan

Oct. 7 (Bloomberg) -- Goldman Sachs JBWere Pty increased its forecast for iron ore by 9 percent and metallurgical coal by 16 percent as China's demand rises amid tighter domestic supply.

"A key driver of our more bullish view is our belief that global crude steel production will rise by 12 percent in 2010 to a record 1.4 billion tons," analysts led by **Malcolm Southwood** wrote in a report dated yesterday. "Raw materials constraints will become more acute in 2010, putting suppliers in a strong position to negotiate higher prices."

Iron ore fines may reach $72 a metric ton in 2010/2011, up from an earlier forecast of $66 a ton, the analysts said. Hard coking coal may climb to $180 a ton, up from an earlier forecast of $155 a ton, according to Goldman Sachs.

Demand for the steel-making ingredients is being driven by China as a 4 trillion-yuan ($586 billion) stimulus package boosts manufacturing and building. The government commodity forecaster in Australia, the world's biggest shipper of iron ore, last month said China may buy 20 percent more of the material next year than forecast in June.

"This year's record growth in Chinese imports will more than offset the collapse in demand elsewhere," Goldman said in the report. Next year, continued strength in China coincides with a recovery in Organization for Economic Co-operation and Development nations and tightening supply chains, it said.

Risks to Chinese steel output include the prospect that production has run ahead of underlying demand and falling prices, the report said.

To contact the reporters on this story: **Jason Scott** in Perth at **Jscott14@bloomberg.net**; **Rebecca Keenan** in Melbourne at **rkeenan5@bloomberg.net**

Last Updated: October 6, 2009 21:18 EDT