



Steel Demand in China May Rise 12%, Spur Ore Prices, CICC Says

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By Bloomberg News

Nov. 17 (Bloomberg) -- Steel demand in China, the largest metal consumer, may rise 12 percent next year on booming property and auto demand, fueling gains in prices of iron ore, China International Capital Corp. said.

Domestic crude steel consumption may increase to 606 million metric tons in 2010, following a 14 percent gain this year to 541.4 million tons, **Luo Wei**, Shanghai-based analyst with CICC, said in a report. Benchmark contract **prices** for iron ore, used in steelmaking, may rise 15 percent to 20 percent, he said.

CICC's forecast exceeds the 5 percent gain the World Steel Association predicted in October for China demand next year. Steel prices in the country have risen 10 percent from this year's Oct. 15 low as manufacturers and traders deplete stockpiles and mills raise prices because of rising costs.

"Property would be the biggest engine to drive up steel demand in 2010, followed by infrastructure and auto sectors," Luo said in the report. Demand is gaining as "traders' inventories start to fall from their record high in mid- October," he said.

Plant capacity utilization rates at Chinese steelmakers, the biggest in the world, may rebound to 90 percent next year, as demand growth outpaces production, the report said.

Chinese auto demand will have "high growth rates" next year and there's "good prospects" for home appliance demand as the Chinese government boosted rural sales with its stimulus spending, **Baoshan Iron & Steel Co.**, the largest steelmaker in China, said Nov. 2.

The steel price revival will hamper China's ability to bargain contract iron ore prices paid to **Rio Tinto Group**, **BHP Billiton Ltd.** and Vale SA. Prices may jump 14 percent in 2010 to the second-highest on record, according to a Bloomberg News survey of analysts last month.

Cash prices for Indian iron ore exported to China rose above \$100 a metric ton last week after the Orissa state government suspended work on some iron ore mines.

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