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Chinese steel prices are down 5-10% month-on-month

Wuhan Steel Group recently cut production by 15%, other steel mills are contemplating production cuts

Indian iron ore spot prices have fallen to \$60/ton FOB, \$4/ton (-6%) less than last week

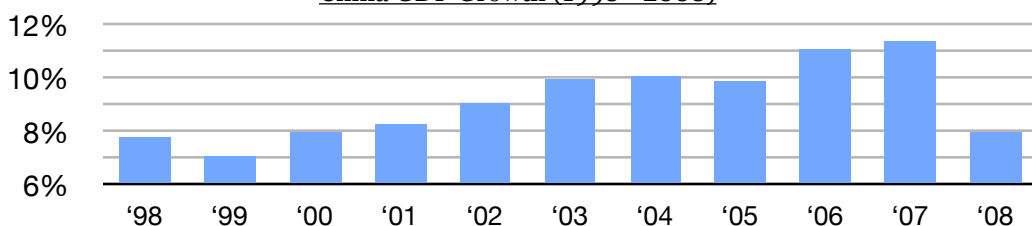
Iron ore stockpiles at Chinese ports total 62.9mt, an increase of 2.3mt (3.6%) from last week

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## World Bank Cuts GDP Forecast

The World Bank now expects China's GDP to grow by only 6.5% in 2009, one percent less than a forecast of 7.5% made in November and almost three percent less than the 9.2% forecast made by the World Bank last June. A 6.5% year-on-year increase in GDP would be China's lowest annual growth since 1990. It would also be below the 7% level which many economists suggest is necessary to ensure domestic stability.

China GDP Growth (1998 - 2008)



## Steel Prices Falling, Mills Cutting Production

The average price of hot rolled coil has fallen to 3620 yuan/ton (\$530/ton), 16 yuan less than a week ago. While this is less than a 0.5% week-on-week decrease, larger steel mills including Hebei Steel Group have cut prices by 5- 10% from last month's levels. Chinese mills are also reducing production. Wuhan Steel Group recently cut production by 15%. Shougang Iron and Steel Group is considering cutting production by 20%. Steel product inventories are also increasing – steel product inventories at China's major cities total 11 million tons, an increase of 5.4mt (95%) from 5.7mt stockpiled in December of last year.

## Iron Ore Prices Falling, Vessel Fixtures Firm

Spot iron ore prices from India have fallen to \$60/ton FOB, a decrease of \$4/ton (-6%) from last week and \$14/ton (-19%) less than early February's 2009 peak of \$74/ton. Spot prices of Indian iron ore peaked at around \$155/ton in July 2008. Although ore prices are decreasing, iron ore fixtures in the dry bulk market have remained surprisingly firm.

## Iron Ore Stockpiles Continue to Rise

As of March 13, iron ore stockpiles at Chinese ports have increased to 62.9 million tons, 2.3mt (3.6%) more than what was at ports a week ago. With as many as 35 to 50 Capesize vessels reportedly moored off the Chinese coast waiting to unload ore, more iron ore is expected to come into China in the coming days.

Iron Ore Stockpiles at Chinese Ports (Nov '08 - Mar '09)

