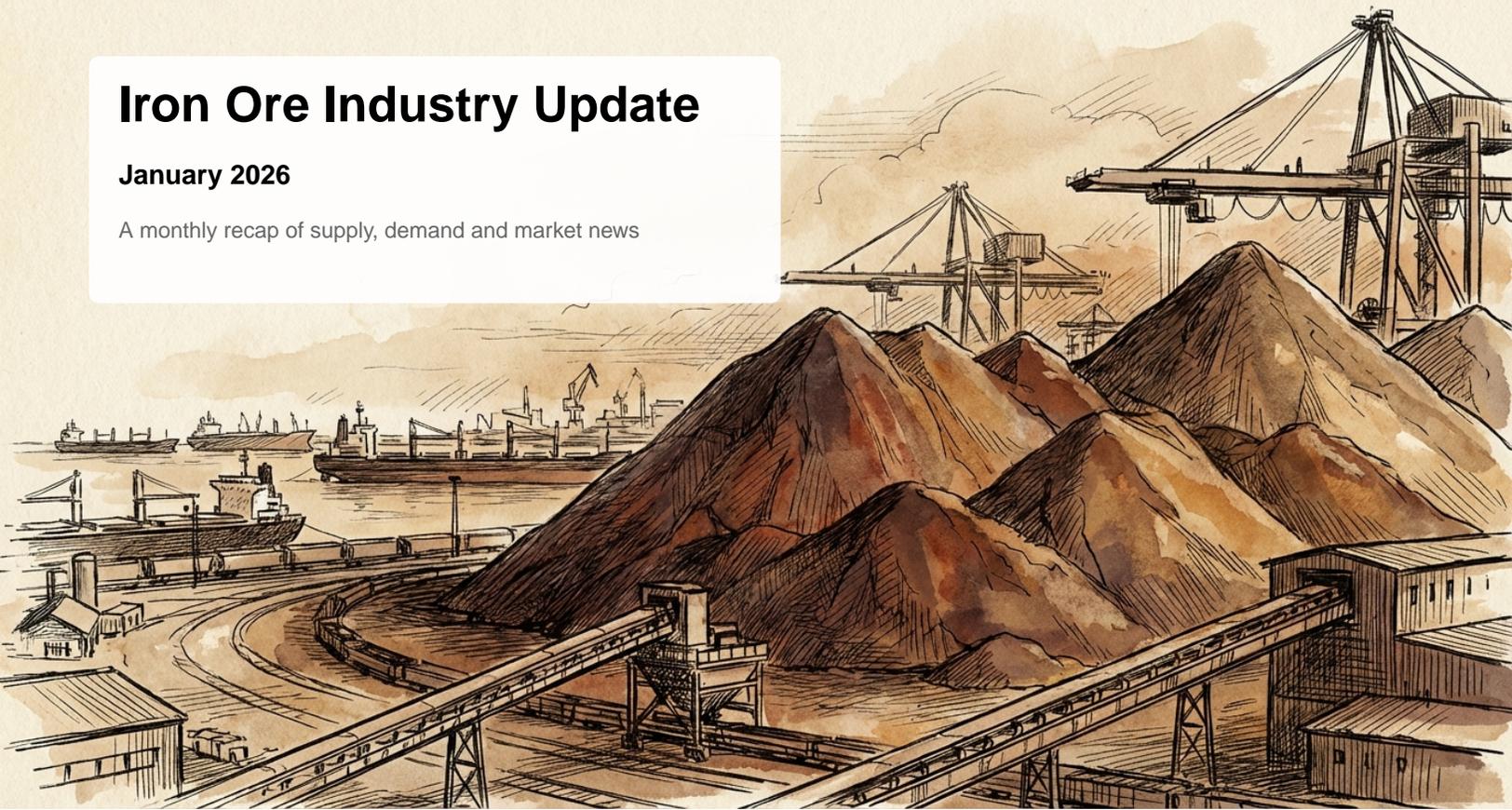


# Iron Ore Industry Update

January 2026

A monthly recap of supply, demand and market news



## Flash Update

- 1 China Record Imports:** China's iron ore imports hit a record 1.26 billion tonnes in 2025, up 1.8% year-on-year, with December alone reaching 119.6 million tonnes—a new monthly high and 8.2% above November. Port stockpiles at 45 tracked terminals rose to 154.3 million tonnes, the highest since March 2022.
- 2 Simandou First Cargo:** Guinea's \$24 billion Simandou project shipped its first commercial cargo—200,000 tonnes of high-grade ore—from Morebaya port to Ningbo on December 2, ending decades of delays. The milestone followed the first rail movement on November 11 via the new approximately 650-kilometre Trans-Guinean line. The project targets 120 million tonnes per year at full capacity.
- 3 China Steel Curbs:** Beijing pledged to continue controlling crude steel output and crack down on illegal new capacity through 2030, with production down 4% in the first 11 months of 2025. Full-year output is on track to fall below one billion tonnes for the first time in six years. Hot metal output dropped to 2.29 million tonnes per day in early December, a three-month low.
- 4 BHP-CMRG Standoff:** China Mineral Resources Group escalated pressure on BHP and Rio Tinto via proposed port rules to curb hoarding and raise storage costs, part of Beijing's push for pricing leverage. The contract dispute with BHP disrupted specific Pilbara blend flows and tightened substitute-grade availability at Chinese ports. The standoff remains unresolved, contributing to short-term price resilience despite weak fundamentals.
- 5 Vale Output Guidance:** Vale guided 2026 iron ore production at 335–345 million tonnes, up to 3% above 2025 levels, and expects to hit the upper end of its 2025 range of 325–335 million tonnes. The Brazilian miner cited confidence in S11D ramp-up and Northern System reliability. November exports fell 14.7% month-on-month to 34.5 million tonnes due to rainy-season constraints.
- 6 Rio Tinto Index Switch:** Rio Tinto notified Chinese customers it will use Fastmarkets MB indices instead of Platts for settling January–February 2026 iron ore shipments. Long-term settlement arrangements remain under negotiation. The shift reflects ongoing benchmark competition among price reporting agencies.
- 7 Prices Defy Forecasts:** Iron ore rose approximately 4% in 2025 to around \$105 per tonne, defying consensus expectations of a decline, as Chinese inventory building offset weaker steel fundamentals. Dalian futures fell to 757–759 yuan per tonne in mid-December while SGX 62% Fe slipped to \$101.35 per tonne. Analysts at ING and Westpac forecast prices to correct to \$83–95 per tonne by end-2026 as Simandou ramps up.
- 8 Capesize Freight Slump:** Capesize freight rates dropped sharply in December, with the Baltic Capesize Index 5TC average falling from \$41,600 per day to \$30,700 per day over the week ending December 12. The Brazil/West Africa–China C3 route slid from mid-\$25s to high-\$21s per tonne. Lower freight improves delivered economics for Atlantic ore but signals broader dry bulk weakness.
- 9 Simandou Layoffs:** Construction demobilisation at Simandou triggered mass layoffs, with employment falling from a peak of over 60,000 to fewer than 15,000 expected for steady-state operations. A Reuters investigation highlighted social and safety risks along the approximately 650-kilometre rail corridor as workers disperse. Guinea's government is promoting a 'Simandou 2040' development narrative to manage expectations.
- 10 Australia Export Outlook:** Australia's Department of Industry forecast iron ore export earnings to fall from A\$116 billion in 2024–25 to A\$114 billion in 2025–26 and A\$107 billion by 2026–27, citing rising global supply and softening Chinese demand. Iron ore remains Australia's largest export earner at roughly 25% of resources and energy revenue. Port Hedland shipments fell 3.6% month-on-month to 47.72 million tonnes in November.

# China's Iron Ore Paradox

*Record imports and swelling port stockpiles mask weakening steel consumption, setting up a precarious balance for 2026.*

China imported a record 119.6 million tonnes of iron ore in December 2025, capping a year in which total imports reached 1.26 billion tonnes—up 1.8% year-on-year and an all-time high.[1] Yet this headline strength obscures a more troubling dynamic: port inventories climbed to 154.3 million tonnes by mid-December, the highest level since March 2022, while apparent consumption of major steel products fell for a third consecutive week.[2] The disconnect between surging inbound volumes and softening downstream demand defines the iron ore market's central tension heading into 2026.

The paradox matters because it signals a market in transition. China's crude steel output fell 4% in the first eleven months of 2025 and is on track to drop below one billion tonnes for the first time in six years.[3] Beijing has pledged to continue controlling steel production through 2030, cracking down on illegal capacity additions.[3] For iron ore suppliers—and the executives who procure from them—the question is whether record imports represent genuine restocking ahead of stimulus-driven demand, or simply the accumulation of material that will weigh on prices once seasonal construction activity resumes.

## Inventory Build Meets Demand Weakness

The mechanics of China's December import surge reflect a combination of opportunistic buying and supply-side timing. Dalian iron ore futures traded around 757–760 yuan per tonne in mid-December, while the Singapore benchmark hovered near \$101–102 per tonne.[4] Prices remained more resilient than many analysts expected, partly because a standoff between China Mineral Resources Group (CMRG) and major miners disrupted specific Pilbara blend flows, tightening availability of substitute grades at Chinese ports.[5]

Yet the underlying consumption picture deteriorated. Mysteel data showed hot metal output falling to approximately 2.29 million tonnes per day by mid-December—a three-month low.[2] Apparent consumption of five major steel products declined 2.8% week-on-week for the third straight week.[4] The Central Economic Work Conference in December offered policy pledges to stabilise the property sector, but these were insufficient to reverse the structural decline in construction-related steel demand.[4]

The Australian government's December Resources and Energy Quarterly captured the consensus view: iron ore prices had proven more resilient than expected due to inventory building, but fundamentals pointed to declines as rising supply from Africa, Brazil, and Australia met weakening Chinese demand.[6] Westpac forecast iron ore falling approximately 20% to around \$83 per tonne by end-2026, while ING projected a 2026 average of roughly \$95 per tonne.[7] [8]

## Supply Expansion Accelerates

The supply side of the equation is tightening the vice. Guinea's Simandou project—decades in development—shipped its first commercial cargo of approximately 200,000 tonnes to China's Ningbo port on December 2, marking a watershed moment for global iron ore supply.[9] The \$24 billion integrated mine-rail-port development is designed to eventually produce up to 120 million tonnes per year of high-grade ore, fundamentally altering the seaborne market's cost curve and quality mix.[10]

The project's ramp-up comes with social complications. A Reuters investigation found that construction demobilisation has driven steep layoffs, with employment falling from a peak of over 60,000 to fewer than 15,000 expected for steady-state operations.[11] Safety and social risks along the approximately 650-kilometre rail corridor remain elevated. Nevertheless, the ore is now flowing, and Guinea's military government has framed Simandou as the centrepiece of a "Simandou 2040" national development strategy. [11]

Meanwhile, traditional suppliers are maintaining or expanding output. Vale guided 2026 iron ore production at 335–345 million tonnes, up to 3% higher than 2025, and indicated it expected to hit the upper end of its 2025 guidance.[12] Rio Tinto, by contrast, signalled that Pilbara iron ore sales would come in at the lower end of guidance for 2025, reflecting operational disruptions earlier in the year.[13] Port Hedland exports in November totalled 47.72 million tonnes, down 3.6% month-on-month, though shipments to China remained flat and were up 5.5% year-on-year.[14]

Brazil's exports retreated in November, falling approximately 14.7% month-on-month to around 34.5 million tonnes due to rainy-season seasonality, though volumes remained 2.5% higher year-on-year.[15] Freight rates on the Tubarão–Qingdao route dropped sharply to approximately \$21.35 per tonne from \$24.85 per tonne in a single week, reflecting a lack of fresh cargoes and bearish sentiment.[16]

## Pricing Mechanics Under Pressure

Beyond physical supply and demand, the market's pricing architecture is evolving. Rio Tinto notified Chinese clients in late December that it would switch settlement indices for January–February 2026 shipments from Platts to Fastmarkets MB indices, though long-term settlement arrangements remain under negotiation.[17] The move reflects ongoing jockeying for benchmark influence in a market where China's state-backed CMRG is seeking greater pricing leverage.

CMRG's tactics have extended to proposed port rules designed to curb hoarding and increase storage costs for miners' inventory at Chinese ports.[5] The standoff with BHP over contract terms disrupted specific product flows in late 2025, contributing to short-term price resilience even as underlying demand weakened.[5] China's steel association has also urged faster development of domestic iron ore projects to reduce reliance on imported ore from the majors.[18]

The tension between China's desire for supply security and the majors' pricing power will shape contract negotiations throughout 2026. Simandou's ramp-up offers Beijing a new source of high-grade ore outside the traditional Australia-Brazil duopoly, potentially strengthening its negotiating position over time.

### **What This Changes**

The record import figures mask a market approaching inflection. With port inventories at multi-year highs, steel output in structural decline, and new supply from Simandou beginning to flow, the balance of power is shifting. The Australian government projects iron ore export earnings falling from \$116 billion in 2024–25 to \$107 billion by 2026–27.[6] Prices may hold in the near term due to contract disputes and seasonal restocking, but the medium-term trajectory points lower.

### **Executive Implications**

Procurement teams should anticipate a buyer's market emerging through 2026, with rising inventories and new supply sources providing leverage in contract negotiations. Hedging strategies warrant review: the gap between spot resilience and bearish forward curves creates opportunities for locking in favourable terms, but also risks if stimulus measures prove more effective than expected. Contract design may need to accommodate shifting benchmark preferences, as the Rio Tinto index switch illustrates the fluidity of pricing mechanisms. For steel producers and traders, the key variable is whether Beijing's property stabilisation pledges translate into genuine demand recovery—or whether the inventory overhang simply delays an inevitable price correction.

# Iron Ore Monthly: Simandou Ships First Cargo as China Demand Softens and Port Stocks Hit Multi-Year Highs

## Supply

### Australia

- **Export Outlook:** Australia's Department of Industry forecast iron ore export earnings to fall from A\$116 billion in 2024–25 to A\$114 billion in 2025–26 and A\$107 billion by 2026–27, citing rising global supply from Africa and Brazil alongside softening Chinese demand.[1] Iron ore remains Australia's largest export earner, accounting for roughly 25% of total resources and energy export revenue.[2] Prices proved more resilient than expected in 2025 due to Chinese inventory building, but the government expects this support to fade.[1]
- **Port Hedland Shipments:** Iron ore exports through Port Hedland fell 3.6% month-on-month to 47.72 million tonnes in November, according to Pilbara Ports Authority data.[3] China received 42.15 million tonnes, flat on October but up 5.5% year-on-year.[3]
- **Rio Tinto Guidance:** Rio Tinto advised that 2025 Pilbara iron ore sales would come in at the lower end of its guidance range, following operational disruptions earlier in the year.[4] The miner did not revise its full-year target but flagged tighter margins for the final quarter.[4]

### Brazil

- **November Exports:** Brazil's iron ore exports fell 14.7% month-on-month to approximately 34.5 million tonnes in November, according to Comex Stat data, as the rainy season curtailed shipments from northern terminals.[5] Year-on-year volumes were still up 2.5%, reflecting Vale's steady ramp-up at S11D.[5] First-half December loadings ran at roughly 1.3 million tonnes per day, historically elevated but expected to ease seasonally.[6]
- **Freight Rates:** The Tubarão–Qingdao Capesize freight rate dropped to \$21.35 per tonne in mid-December from \$24.85 per tonne a week earlier, according to Banchero Costa data, as a lack of fresh cargoes weighed on the Atlantic market.[6] The decline improved delivered-cost competitiveness for Brazilian ore into China relative to Australian fines.[6]

### Guinea

- **Simandou First Shipment:** The Simandou project shipped its first commercial cargo—approximately 200,000 tonnes—from Morebaya port to Ningbo, China, on December 2, marking a milestone for the \$24 billion mine-rail-port development.[7] The shipment followed the first ore movement by rail on November 11.[8] The project targets 120 million tonnes per year of high-grade ore at full capacity.[9]
- **Layoff Concerns:** Construction demobilisation at Simandou triggered mass layoffs, with employment falling from a peak of over 60,000 to fewer than 15,000 expected for steady-state operations, according to a Reuters investigation.[10] Social and safety risks along the approximately 650-kilometre rail corridor have intensified as workers disperse. The Guinean government is promoting a 'Simandou 2040' development narrative to manage expectations.[10]
- **Ownership Structure:** Simandou's northern blocks are controlled by Winning Consortium Simandou (WCS), a Chinese-backed group, while Rio Tinto leads the SimFer joint venture on the southern blocks.[9] Both consortia share the integrated Trans-Guinean rail and Morebaya port infrastructure under a co-development agreement brokered by Guinea's military government.[8] The structure reflects China's 'mine-rail-port-shipping' model for securing long-term supply.[11]

## Other

- **India Export Controls:** India's export controls continued to suppress outbound iron ore shipments, with Mysteel noting that Indian price indices were not being published due to limited trade activity.[12] Domestic steel mills absorbed more local supply, reducing exportable surplus. The government has not signalled any near-term relaxation of duties or quotas.[12]

## Demand

### China

- **Record Imports:** China's iron ore imports reached a record 1.26 billion tonnes in 2025, up 1.8% year-on-year, according to General Administration of Customs data.[13] December imports alone hit 119.6 million tonnes, a new monthly record and 8.2% above November.[13]
- **Port Inventories:** Iron ore stockpiles at 45 Chinese ports rose to 154.3 million tonnes in mid-December, the highest level since March 2022, according to Mysteel.[14] The build-up occurred despite weakening steel consumption, as mills restocked ahead of winter maintenance shutdowns. Elevated inventories are expected to cap spot price upside into Q1 2026.[14]
- **Steel Output Decline:** China's crude steel output fell 4% year-on-year in the first 11 months of 2025, putting full-year production on track to drop below one billion tonnes for the first time in six years.[15] The government pledged to continue controlling output and cracking down on illegal new capacity through 2030.[15] Hot metal output fell to 2.29 million tonnes per day in early December, a three-month low.[16]
- **Consumption Weakness:** Apparent consumption of five major steel products declined 2.8% week-on-week in early December, the third consecutive weekly drop, according to Mysteel data.[17] Seasonally weaker construction activity and property sector headwinds drove the decline. The Central Economic Work Conference pledged property stabilisation measures but offered no immediate demand catalyst.[17]
- **Price Pressure:** Dalian iron ore futures fell to 757–759 yuan per tonne in mid-December, while the SGX 62% Fe benchmark slipped to around \$101.35 per tonne.[17] Prices posted a second consecutive weekly loss as softening demand and rising inventories weighed on sentiment.[16]
- **Domestic Supply Push:** China's steel association urged domestic iron ore producers to accelerate project development to reduce reliance on imports from majors such as BHP and Rio Tinto.[18] The call signals policy support for import substitution and supply-side reforms. Domestic ore remains higher-cost and lower-grade than seaborne alternatives, limiting near-term impact.[18]
- **CMRG Pressure:** China Mineral Resources Group (CMRG), the state-backed iron ore buyer, escalated pressure on miners including BHP and Rio Tinto via proposed port rules to curb hoarding and increase storage costs.[19] The measures aim to shift pricing leverage toward Chinese buyers. The standoff with BHP over contract terms disrupted specific Pilbara blend flows and tightened availability of substitute grades at Chinese ports.[20]

### Rest of World

- **Global Demand Outlook:** ING forecast iron ore prices to average around \$95 per tonne in 2026, down from approximately \$105 per tonne at end-2025, citing weakening Chinese steel consumption and rising seaborne supply from Australia, Brazil, and Simandou.[21] Westpac projected a steeper decline to \$83 per tonne by end-2026, a roughly 20% drop from current levels.[22] Both banks noted that 2025 price resilience exceeded expectations due to Chinese inventory building.[21]
- **DR-Grade Tightness:** Direct-reduction-grade iron ore and pellets remain less than 5% of seaborne supply, but demand could rise five- to tenfold by 2050 as steelmakers decarbonise, according to Fastmarkets.[23] DR pellet premiums have collapsed from \$95 per tonne to \$38 per tonne over three years, deterring beneficiation and pelletising investment.[23] Project delays, including at ArcelorMittal's European and Canadian facilities, add to potential future tightness.[24]

## Industry

### Market Dynamics

- **Price Resilience:** Iron ore prices rose approximately 4% in 2025 to around \$105 per tonne, defying consensus expectations of a decline, as Chinese inventory building offset weaker steel fundamentals.[22] Analysts attribute the resilience to restocking and supply disruptions from the BHP–CMRG contract standoff.[21] Most forecasters expect prices to correct in 2026 as Simandou ramps up and Chinese demand softens further.[22]
- **Freight Softness:** Capesize freight rates weakened sharply in December, with the Baltic Capesize Index 5TC average dropping from \$41,600 per day to \$30,700 per day over the week ending December 12.[25] The Brazil/West Africa–China C3 route slid from the mid-\$25s to the high-\$21s per tonne.[25] Lower freight costs improve delivered economics for Atlantic ore but signal broader weakness in dry bulk demand.[25]
- **Benchmark Shift:** Rio Tinto notified Chinese clients it will switch settlement indices for January–February 2026 shipments from Platts to Fastmarkets MB indices, according to a client notice reported by Reuters.[26] Long-term settlement indices remain under negotiation. The move reflects ongoing competition among price reporting agencies for benchmark dominance in iron ore trade.[26]
- **Capex Paradox:** Fastmarkets highlighted an 'iron ore paradox' whereby volatility in the 62% Fe benchmark and DR pellet premiums deters capital investment in beneficiation and pelletising capacity needed for green steel.[23] The mismatch between long-term decarbonisation demand and short-term price signals risks future supply shortfalls in high-grade feedstock.[23] Midrex Technologies modelled potential merchant DR pellet tightness depending on project execution through 2034.[24]

## Companies

### BHP

- **CMRG Standoff:** BHP's contract dispute with China Mineral Resources Group (CMRG) tightened supplies of specific Pilbara blends at Chinese ports, contributing to short-term price resilience despite weak steel fundamentals.[20] CMRG proposed port rules to increase storage costs and curb hoarding as part of its broader push for pricing leverage.[19] The standoff remains unresolved, with both parties holding firm on contract terms.[20]

### Rio Tinto

- **Pilbara Guidance:** Rio Tinto flagged that 2025 Pilbara iron ore sales would land at the lower end of guidance, citing operational disruptions earlier in the year.[4] The miner did not revise its full-year target but acknowledged tighter margins heading into Q4.[4]
- **Index Switch:** Rio Tinto informed Chinese customers it will use Fastmarkets MB indices instead of Platts for settling January–February 2026 iron ore shipments.[26] The change applies to near-term cargoes; long-term settlement arrangements remain under negotiation. The shift reflects ongoing benchmark competition and Rio Tinto's efforts to optimise pricing mechanisms.[26]
- **Simandou Progress:** Rio Tinto's SimFer joint venture on Simandou's southern blocks is progressing toward first ore, with shared rail and port infrastructure now operational following the WCS-led northern blocks' December shipment.[8] The project remains central to Rio Tinto's long-term volume growth strategy.[9]

### Vale

- **2026 Guidance:** Vale guided 2026 iron ore output at 335–345 million tonnes, up to 3% above 2025 levels, and indicated it expects to hit the upper end of its 2025 guidance range of 325–335 million tonnes.[27] The Brazilian miner also updated copper and nickel guidance and noted cooperation with Glencore on a Canadian copper project through its Vale Base Metals unit.[27] The outlook reflects confidence in S11D ramp-up and Northern System reliability.[27]
- **Production Revision:** The Financial Times reported Vale revised production expectations amid weaker demand and incoming supply from competitors, though the miner maintained its stated guidance range.[28] The revision reflects caution around Chinese steel consumption and the impact of Simandou's ramp-up on seaborne market share.[28] Vale's high-grade Carajás ore remains well-positioned for green steel premiums.[28]
- **Seasonal Shipments:** Vale's Brazilian exports declined in November due to rainy-season constraints at northern terminals, with volumes down 14.7% month-on-month to approximately 34.5 million tonnes. [5] Year-on-year shipments remained positive at 2.5% growth.[5]

### Other

- **WCS Milestone:** Winning Consortium Simandou (WCS), the Chinese-backed operator of Simandou's northern blocks, shipped the project's first commercial cargo on December 2, beating Rio Tinto's SimFer joint venture to market.[7] The 200,000-tonne shipment departed Morebaya for Ningbo's Majishan terminal.[7] WCS is targeting rapid ramp-up to capture first-mover advantage in high-grade Guinean ore.[8]