

SE Supplements
HD **Mining** still solid despite slowdown
BY Karen Jackman
WC 698 words
PD 7 March 2014
SN South China Morning Post
SC SCMP
ED 1
PG 01
LA English
CY (c) 2014 South China Morning Post Publishers Limited, Hong Kong. All rights reserved.
LP

The slowdown in **Chinese** growth - to a still-impressive and better-than-expected 7.7 per cent - has certainly hurt Australia's economy. The country expanded its **mining** capacity as **Chinese** growth rocketed. Now, as **China's** expansion slows, global commodity prices have fallen and Australia's economy is growing at a slower pace as **mining** investment crumples.

But that doesn't mean that Australian exports to **China** have fallen, according to news reports. **China's** economy is much larger than it was just a few years ago, and it continues to require massive amounts of commodities for its infrastructure projects and to build houses. **China's** biggest **iron ore** investor in Australia, Citic Pacific, says it expects **Chinese** steel production to remain in the range of 700 **million** to 800 **million** tonnes a year for the next few years.

TD

Fiducian Group funds manager Conrad Burge is still positive about the outlook for **Chinese** demand for Australia's resource exports. "**China's** economy is still expected to grow above 7 per cent," he told the Sydney Morning Herald. "Many analysts have forecast plans to shift the economy from being infrastructure-led to consumer services-led will mean less demand for **iron ore** and **coal**. But we expect **China** to have strong demand for Australia's commodities for some time even."

Amid the dire predictions, Australia posted an A\$468 **million** (HK\$3.25 **billion**) trade surplus for December. That built on a surplus in November of A\$83 **million**, the first trade surplus in two years.

Analysts have warned that **China's** appetite for imported **ore** would wane in the months ahead as industrial growth cools and the demand for steel weakens. But the value of exports rose 4 per cent on-month in December, thanks to solid gains in the **sale of coal** and **iron ore**, largely to **China**.

China's demand for commodities is still increasing, albeit at a slower pace. The country's **iron ore** imports hit a record in November, up a fifth from the start of last year. And Australian producers also have benefited from a weaker Australian dollar, which has fallen as much as 15 per cent from its peak last year, boosting export values in local currency terms.

Nev Power, chief executive of Fortescue Minerals, says recent **Chinese** economic data is quite strong and the demand for Australian **iron ore** will remain solid. "I think we've got to be careful not to react to 0.1 per cent changes in the manufacturing index or the PMI or GDP," he says. "The big picture is it's continuing to grow very strongly, and whether it's 7.6 or 7.7 [per cent], it's very strong GDP growth."

However, BlueScope Steel (BSL), Australia's biggest steelmaker with 32 offices on the mainland, says demand for industrial buildings and construction products is slumping in the world's second-largest economy.

"We didn't expect the **Chinese** slowdown to be quite as dramatic," CEO Paul O'Malley told Bloomberg News. "In building activity, in our space in particular, we are seeing negative growth at the moment."

Exports to **China**, Australia's largest trading partner, totalled a record A\$95 **billion** last year, up sharply from A\$73 **billion** in 2012. **China** took almost 40 per cent of Australia's goods exports in December and supplied 18 per cent of its imports, according to available statistics.

As more Australian **mining** projects near completion and begin production, the export volumes are likely to rise, analysts say. Still, the export surge will only go part of the way towards offsetting the **mining** investment drop in the medium term, economists warn.

Resources investment peaked at about 8 per cent of GDP last year and is expected to fall by around 3 percentage points over the next 30 months, according to forecasts by the Reserve Bank of Australia.

"I think as long as **China** is holding up OK, the overall demand for Australian commodities will still do alright," Kieran Davies, Barclays' chief economist for Australia, told the Sydney Morning Herald.

ART Demand for Australian **iron ore** remains strong. Photo: Bloomberg

CO skfdev : CITIC Pacific Limited

IN i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | imet : Mining/Quarrying | ibasicm : Basic Materials/Resources | i8396 : Diversified Holding Companies | ibcs : Business/Consumer Services

NS e1101 : Economic Growth | reqrmm : Suggested Reading Metals/Mining | e11 : Economic Performance/Indicators | ecat : Economic News | redit : Selection of Top Stories/Trends/Analysis | reqr : Suggested Reading Industry News

RE austr : Australia | china : China | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

PUB South China Morning Post Publishers Limited

AN Document SCMP000020140308ea3700009