



## [Mining giants BHP, Rio and Fortescue to watch China as they post results](#)

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**Highlight:** The health of China's economy will be a key focus for investors when big miners BHP, Rio Tinto and **Fortescue** report their results this week.

### **Body**

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Investors will this week be seeking reassurance from Australia's largest miners that there are no shocks in store from China's economy as it kicks back into gear following a week-long holiday for the Lunar New Year.

These issues will come under intense scrutiny when BHP reports its half-year results on Tuesday, followed by Rio Tinto on Wednesday and then **Fortescue**.

The share prices of all three miners started 2024 at record highs, with iron ore prices soaring through the \$US140-mark on the promise of fresh stimulus measures in China. But these stocks retreated over the past month as worries returned about China's economic malaise and its impact on iron ore demand.

It is a significant issue for [BHP and Rio, which both count on China](#) for more than half of their revenue. [For Fortescue](#), the figure is closer to 90 per cent.

And it will be of significance in Canberra as well, with [iron ore accounting for around 60 per cent of the value of Australian exports to China](#) in recent years.

"The first dark cloud is growing concerns about the Chinese property markets and Chinese economy," investment banking group Jefferies said in a recent report.

Jeffries also flagged concerns about non-residential construction outside China, including the US commercial real estate market, which is buckling under significant debt and low valuations.

"The problem, in each case, is that things are more likely to get worse before they get better," the banking group's analysts said.

One bright spot for China's economy is that travel and spending patterns during China's most important holiday break indicate that domestic consumption has rebounded, despite the economic struggle with deflation and a property crisis. It has primed China's sharemarkets for a strong opening this week.

ANZ senior commodity strategist Daniel Hynes doubted even a potential stimulus package from the Chinese government - something that investors have been discussing for months - would cure the country's economic woes.

## Mining giants BHP , Rio and Fortescue to watch China as they post results

"I think the stimulus will help stem the fall that we've seen in property investment and construction activity, but that won't ignite another rally like we've seen in the past," he said.

This is crucial for Australian miners, as property and construction account for half of the 1 billion tonnes of steel China produces annually. But Hynes said iron ore miners were helping their own cause by recognising that growth in steel demand is reaching its limits.

"They're now talking about peak steel demand and that did instigate a bit of a review of their projects," he said.

Hynes said he expected this to pay off over the medium term as miners balance supply and demand.

"We actually have the iron ore market, remaining relatively tight over the next two to three years. On the back of that lower growth in supply."

According to Macquarie Equities, consensus estimates expected a \$US6.5 billion (\$10 billion) underlying profit from BHP for the half year, a full-year profit of \$US11.6 billion from Rio for the year ending December 31, and \$US3.3 billion from **Fortescue**'s half year.

While BHP is a diversified miner, iron ore dwarfs the contribution of the other businesses.

Macquarie forecasts that iron ore earnings before interest, tax, depreciation and amortisation will reach \$US9.8 billion, followed by copper with \$US3.1 billion and coal at \$US1.1 billion.

BHP confirmed last week that [its nickel business](#) would make no contribution to earnings, after writing down the value of the loss-making business to zero.

The Albanese government subsequently added nickel to its critical minerals list, which opens access to potentially billions of dollars in government funding, and the West Australian government has also offered royalty relief for the nickel industry.

"The nickel industry supported almost 10,000 jobs, and generated sales of more than \$5 billion last financial year," WA Premier Roger Cook said on Saturday while announcing the package.

"It is also an essential component of the state's vision of becoming a global hub for the downstream processing of battery metals."

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