

## **BHP raises annual iron ore estimate after quarterly gain**

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**By Elisabeth Behrmann, Bloomberg**

BHP Billiton Ltd, the world's biggest mining company, raised its full-year iron ore production guidance after third-quarter output gained 23% to beat analyst expectations.

Production was 49.6 million metric tons in the three months ended March 31, 2014, from 40.2 million tons a year earlier, Melbourne-based BHP said today in a statement. That compares with the 48.3 million ton median estimate of four analysts surveyed by Bloomberg.

BHP reiterated today it's studying a simplification of its portfolio of assets to focus on its more profitable operations including iron ore and copper after a decade-long boom in metal prices waned. Iron ore plunged into a bear market during the quarter as inventories rose to the highest ever in China.

"BHP is not too concerned about short-term supply or short-term pricing in the iron ore market," Peter Esho, chief market analyst at Invest Securities Co, said by phone. "They are a globally dominant supplier of iron ore and they can withstand pricing pressure because their cost of production is a lot stronger than peers."

BHP was unchanged at A\$37.78 at 12:39pm in Sydney trading. The benchmark S&P/ASX 200 Index gained 0.5%.

The company, the world's third-largest iron ore exporter, raised its full-year iron production estimate by 2.4% to 217 million tons. It reported record production for four commodities and 10 operations in the nine months to March 31, 2014.

### **'On Track'**

"Group capital and exploration expenditure remains on track to decline by 25% in the 2014 financial year, before declining again next year," chief executive officer Andrew Mackenzie said in the statement.

Rio Tinto Group, the world's second-largest mining company, yesterday reported first-quarter iron ore production rose to a record, swelling global supply that's forecast to head into surplus this year.

Slowing steel production growth in China will hurt demand for iron ore and there's potential for "further large downside price reactions," Goldman Sachs Group Inc said in an April 13, 2014 report, in which it said it was "bearish" on iron ore.

Growth in China, the biggest iron ore buyer, slowed to 7.4% in the first three months of the year, the weakest pace in six quarters and missing the 7.5% annual growth target after the government reined in a credit boom and toughened regulation to combat pollution. This compares with the 7.3 percent median estimate in a Bloomberg News survey of analysts.

BHP cut expected output of petroleum products to 245 million barrels of oil equivalent after the sale of assets in the UK. Petroleum production gained 3% to 60.9 million barrels, missing a median forecast of 63.5 million barrels.

### **Escondida Resource**

Copper output rose 2% to 413,900 tons as the company announced a 28% rise in the mineral resource at Chile's Escondida mine, the world's largest.

Full-year spending on the Jansen potash project in Canada will be cut by about 25% below earlier guidance of US\$800 million (RM2.5 billion) during fiscal 2014, the company said.

"We will continue to modulate the pace of development as we see to time our entrance to meet market demand," the company said.

BHP is considering spinning off its aluminum, nickel and bauxite assets in a A\$20 billion (RM61 billion) deal, the Australian Financial Review reported last month.

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