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Regulators working to rein in iron ore prices

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China's top economic regulator announced for the second time this year it will take effective measures to keep iron ore prices stable, pledging to crack down on market violations such as spreading false information and price gouging.

Analysts said the recent rally in iron ore prices involved market speculation.

The announcement will help stabilize the industrial chain and maintain market stability.

The National Development and Reform Commission and the State Administration for Market Regulation recently talked with iron ore information providers, cautioning them to ensure accuracy of published information instead of spreading false content, the NDRC said in a statement on Feb 9.

The NDRC and the administration will study and adopt effective measures to ensure stable iron ore prices. They will also closely monitor price changes, strengthen market regulation and crack down on violations such as the spread of false information and price gouging in the market.

The most traded iron ore contract on the Dalian Commodity Exchange, for delivery in May, ended on Feb 9 trading 5.9 percent lower at 781 yuan (\$123) per metric ton.

Zheng Lei, chief economist at Glory Sun Financial Group, said the rising iron ore prices are in line with the rally in other mineral resources amid the global economic recovery seen since last year.

"The slowing economic recovery in some countries has led to supply chain disruptions, which helped drive up prices of mineral products and triggered hoarding and market speculation," Zheng said. "A rising number of countries are expected to reopen their economies or spur economic recovery this year, which means demand for iron ore will also increase. If we cannot ensure the stable operation of the supply chain, we may see wild swings in iron ore prices."

Zheng warned of potential risks of worsening inflation, as the unreasonable rise in iron ore prices may increase costs for midstream and downstream firms. He expects that the government will take more steps to curb rising prices, saying iron ore prices may continue to remain high for some time.

The new announcement came after the NDRC said in late January that the rapid increase in iron ore prices involved market speculation, as domestic inventories have remained at high levels for years.

Zhou Maohua, an analyst at China Everbright Bank, said the rally in iron ore prices is mainly due to market expectations that the resumption of production and work after the Spring Festival holiday will drive up demand for iron ore as well as the export disruptions from heavy rainfall in southern Brazil in January.

However, Zhou said the price rise will not last long. "The continued rise in iron ore and energy prices will put a squeeze on profits of downstream steel firms, which will

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depress demand for iron ore. Under the goals of carbon peak and neutrality, the reduction in crude steel production will also cut iron ore demand."

He said the recent announcements made by the NDRC demonstrate the government's firm determination to stabilize the iron ore market, which will help maintain market order and prevent enterprises from being hit badly by the wild price swings.

Zhou's views were echoed by Yang Jinghao, chief economist at Concat Data Technology (Hangzhou) Co Ltd, who said the NDRC's warning came as the rally in iron ore prices increased the pressure of rising costs on manufacturers.

Looking ahead, Yang said the price rise will face strong resistance amid the government's ongoing efforts to stabilize the overall economy and ensure stable supplies and prices of commodities.

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