

China Coal Daily

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China thermal coal import costs rise further

Fresh tenders from China's power plants for February-March delivery, and expectations of continued strong Chinese demand in later months lifted thermal coal import prices further this week, despite generally slowing activity ahead of the week-long holiday from late next week.

China's industrial power demand is understood to be recovering, following the China-United States trade war truce in November and signing of a "phase one" trade deal this week.

However, participants are concerned that domestic supply is likely to be impacted by continued heightened mine safety controls through to mid-March before the annual National Congress meeting concludes.

Transactions of low-rank Indonesian material were estimated at \$41.10/t CFR, basis 3,800 kc NAR, up from \$40.84/t CFR a week ago, as local availability was hampered by heavy rains, and despite seaborne freights easing around \$0.3/t. FOB levels increased to around \$35.10/t from \$34.30/t.

High-ash Australian products were estimated at around \$65.10/t CFR, basis 5,500 kc NAR, up from \$64.50/t CFR last week, though seaborne freight also eased about \$0.3/t.

The yuan's appreciation favoured import booking, with the RMB benchmark exchange rate against the US dollar rising 2% to 6.88 yesterday from 7.01 on 25 December. Some market sources expect the rate to reach 6.70 at the end of this year, up an additional 3% from the current level.

Inquiries from Chinese power plants slowed this week, but their interest is likely to resume after the holiday, said a number of market participants, who explained that generators are faced with mounting cost pressures this year, given on-grid power prices are almost certain to fall 15% this year across the country.

On the domestic spot market, sentiment remained steady, with 5,500 kc NAR cargoes at Qinhuangdao (QHD) estimated at RMB561/t (\$81.42/t) FOB, and 5,000 kc NAR cargoes at RMB502/t (\$72.86/t) FOB, both unchanged since Tuesday.

In mining regions, several mines in Shaanxi lowered prices by RMB10-20/t (\$1.45-2.90/t) today, after stocks increased following snowfall this week, but prices were steady in Inner Mongolia and Shanxi.

Stocks at QHD slid to 4.48 mt today from 4.50 mt yesterday and 4.78 mt last Friday, and vessels scheduled to arrive dropped to five

Steam coal prices			
Week ending	3-Jan	10-Jan	17-Jan
QHD FOB markers (\$/t)			
5,000kc NAR	70.58	71.77	72.74
or 4,700kc NAR	66.35	67.46	68.37
5,500kc NAR	79.25	80.43	81.44
5,800kc NAR	85.81	87.17	88.13
or 6,000kc NAR	88.77	90.17	91.17
QHD FOB markers (RMB/t)			
5,000kc NAR	492	498	501
or 4,700kc NAR	462	468	471
5,500kc NAR	552	558	561
5,800kc NAR	598	605	607
or 6,000kc NAR	619	625	628
South China CFR markers (\$/t)			
3,800kc NAR	40.55	40.84	40.87
4,700kc NAR	55.90	56.35	56.30
5,500kc NAR	64.23	64.50	64.99
6,000kc NAR	78.10	79.06	80.00

Note: FOB prices include domestic taxes

Note: CFR prices are exclusive of Chinese taxes

Source: IHS Markit, Xinhua Infolink

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Other regional key FOB prices (\$/t)				
	Jan-19	Dec-19	10-Jan	17-Jan
Steam coal				
Indonesian low rank (3,800kc NAR)*	31.97	34.11	34.07	34.82
Indonesian Sub-Bit (4,700kc NAR)*	49.81	49.47	49.79	50.45
Indonesian Bituminous (5,500kc NAR)	66.89	59.37	59.20	60.40
Australian High Ash (5,500kc NAR)	61.23	51.32	53.39	54.89
Coking coal				
Premium Australian	199.62	135.16	146.61	153.30

*IHS McCloskey Indonesian Sub-Bituminous FOB marker

Note: The Indonesian Sub-Bituminous FOB marker and corresponding South China CFR marker changed to a 4,700 kc NAR basis as of 6 May 2016.

Source: IHS Markit

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Domestic coke (\$/t)				
	Year ago	Month ago	Week ago	17-Jan
Hebei Steel (CIF)	309.86	288.33	301.98	304.89

Note: Coke with 12% ash

Source: IHS Markit/Xinhua Infolink

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from 14 yesterday. Inventories at Huaneng's Caofeidian terminal dipped to 3.66 mt from 3.67 mt yesterday.

Inventories edged lower at coastal power plants to 14.87 mt today from 14.98 mt yesterday, and still enough for 22 days of consumption. Coal burn was 0.67 mt yesterday, down from 0.68 mt/d in the previous two days.

Stocks at major power plants across China were 75.28 mt on 12 January, down from 78.40 mt a week earlier. This was enough for just 15 days of consumption, compared with 21 days a month earlier. Consumption shrank to 4.62 mt from 4.73 mt a week earlier.

Domestic seaborne freights remained weak. Costs on the QHD to Guangzhou route in 50,000-60,000 t vessels dropped RMB0.5/t (\$0.07/t) to RMB25.8/t (\$3.74/t) yesterday, bringing the total reduction to RMB24/t (\$3.48/t) from the recent high of RMB49.8/t (\$7.23/t) on 18 December. This marked the lowest since early February last year.

Costs for QHD to Shanghai in 40,000-50,000 t vessels fell the same amount to RMB18.9/t (\$2.74/t). The rate has more than halved from RMB40.1/t (\$5.82/t) on 18 December and is the lowest level since July last year.

China's 2019 coal output up 4%, December up 2%

China's coal output hit 3.75 bnt last year, rising 4.2% from 3.59 bnt in 2018, the National Bureau of Statistics said.

December volumes came in at 331.74 mt, dipping slightly from 334.06 mt the previous month, though still 2.4% above 324.96 mt a year earlier. Daily tonnages dropped 4% to 10.70 mt/d from November, due to stricter safety measures.

The higher yearly production was supported by new mine commissions estimated at 100 mt/y last year, following 194 mt/y in 2018, according to China National Coal Association.

Domestic production is forecast at around 3.90 bnt this year, up 4% from last year, and imports are expected to be capped at last year's level of 300 mt, according to Ping An Securities, which projected demand in 2020 at 4.0 bnt, up just 1% from 2019. Thermal coal demand is forecast at 2.17 bnt, up 1.4%.

Earlier estimates by the China Coal Transport and Distribution Association (CCTD) show China consumed 3.59 bnt of all types of coal in January-November 2019, which increased 0.8% from the same period of 2018. The power sector consumed 1.91 bnt, rising 0.6% from a year earlier.

China met coal market steadies ahead of holiday

Domestic coking coal prices steadied this week, having risen for nearly six consecutive weeks, with total gains for major products up to RMB74/t (\$10.74/t).

Premium products with lower sulphur content traded in Shanxi's Liulin at RMB1,443/t (\$165.89/t) ex-washery on 14 January, and products with higher sulphur content hit RMB1,104/t (\$160.23/t) in the region. Both were unchanged from a week earlier.

The coke market also saw prices unchanged from last week, with 12% ash material traded at RMB1,900/t (\$275.76/t) ex-cokery in Luliang, Shanxi on 14 January, and products with 13.5% ash at RMB1,750/t (\$253.99/t).

Coal stocks at ports (mt)

	Last Year ave	Last Month	Previous day	17-Jan
QHD	6.04	5.72	4.50	4.48
Guangzhou	2.35	2.88	2.50	2.38
				17-Jan
Fangcheng	5.70	5.00	5.40	5.40

Source: IHS Markit

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Freight (\$/t)

	Year ago	Month ago	Week ago	17-Jan
Domestic				
QHD to Guangzhou	4.91	5.96	3.91	3.30
QHD to Shanghai	4.06	5.15	3.29	2.71
Freights into China				
Indonesia	6.31	5.99	5.25	4.91
Russia	9.00	9.00	9.00	9.00
Australia	11.39	13.27	11.46	11.18

Note: QHD to Shanghai 40-50kt, QHD to GZ 60-70kt

Source: IHS Markit

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Mine-mouth coal stocks (mt)

	Last Year	Last Month	Week ago	13-Jan
Major mines	14.51	14.78	14.67	14.82

Note: Major Chinese mines, with production sharing around 33% of China's total

Source: China National Coal Association

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Nationwide major power plants (mt)

	Last Year	Last Month	12-Jan-20
Major power plants	83.01	91.77	75.28
Daily coal consumption	3.83	4.44	5.02
Days of burn	22	21	15

Note: Key power plants refer to those monitored by the State Grid

Source: IHS Markit/Xinhua Infoclink

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Six major coastal power groups (mt)

	Last Year	Last Month	Last week	16-Jan	Daily Change
Inventory	16.36	16.35	15.01	14.87	(0.10)
Daily coal consumption	0.65	0.74	0.72	0.67	(0.01)
Days of burn	25	22	21	22	0

Note: Six coastal power groups include Zhejiang Electric Power, Yudean, Shanghai Electric Power, Huaneng, Guodian and Datang Source: IHS Markit/Xinhua Infoclink

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North China ports (mt and number of vessels)

17-Jan	QHD	Huanghua	Caofeidian	Tangshan	Tot. N.China ports	Daily Change
Stocks	4.48	1.77	3.66	1.44	11.34	(0.05)
Inbound	0.44	0.55	0.17	0.17	1.32	0.02
Outbound	0.45	0.46	0.20	0.19	1.30	(0.06)
Vessel Queue	23	37	4	-	64	3
Vessels Planned*	5	-	8	2	15	(9)

*Planned refers to vessels expected over the next 5 days

Source: Chinese port groups

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In consuming regions, 12.5% ash products were priced at RMB1,960/t (\$284.47/t) CIF in Hebei's Tangshan, while the same quality reached RMB2,150/t (\$312.05/t) in Shandong's Rizhao.

Prior to this, cokeries had raised prices by a combined RMB200/t (\$29.03/t) since the end of November.

Many of Shanxi's small coking coal mines suspended production today for the Lunar New Year holiday, with re-opening around early February. Major mines mostly have planned for one week of suspension.

Meanwhile, independent cokeries and steel companies have completed stocking, at a time that some coke producers are reducing production due to pollution concerns.

The operating rate of 230 major independent cokeries was 72.33% on 17 January, up 0.26 percentage points from a week ago, and their coking coal stocks at 16.7 mt were enough for 19.51 days, up from 19.25 days a week ago.

The operating rate of blast furnaces at 247 steel mills was steady week on week at 77.58%.

China Dec power output increases 8% on month, 4% on year

China's power production from all types of units hit 654.4 TWh in December, which averaged 21.11 TWh/d, growing 7.5% from 19.63 TWh/d the previous month, largely as a result of seasonal demand increases.

The figure increased 3.5% year on year, compared to growth rates of 4.0% in November and October, and 4.7% in September, according to the National Bureau of Statistics (NBS).

Thermal power output hit 508.2 TWh or 16.39 TWh/d, which was 13.7% higher than 14.42 TWh/d in November, and climbed 4.0% from a year earlier. The year on year growth was lower than the 4.4% increase in November.

Hydro power output was 68.7 TWh, off 16.2% from 82.0 TWh the previous month, and off 4.4% year on year.

Nuclear power output was 33.2 TWh in December, growing 2.2% from 32.5 TWh in November, and growing 14.0% year on year. Wind power output was 35.9 TWh, up 7.5% from 33.4 TWh in November, and up 0.7% on the year. Solar power output reached 8.5 TWh, expanding 15.2% from a year earlier, though steady on the month.

Whole year power production was 7,142.2 TWh in 2019, which was up 3.5% from the previous year, narrowing from the 6.8% increase seen in 2018, as industrial growth was overshadowed by trade disputes.

Thermal power accounted for 5,165.4 TWh, growing 1.9% year on year, which accelerated from the 1.6% rise in January-November, but was well below the 6.0% rise in 2018.

Hydro production was 1,153.4 TWh, up 4.8% year on year, and nuclear power output went up 18.3% to 348.4 TWh. Wind power output reached 357.7 TWh, an increase of 7.0% year on year, and solar power output gained 13.3% to 117.2 TWh.

China 2019 GDP growth slows to 6.1%

China's GDP grew by 6.1% in 2019, easing from 6.6% in 2018, though still within the government's target of 6.0-6.5%, the National Bureau of Statistics (NBS) said.

Growth in the fourth quarter was 6.0% year on year, flat from the third quarter, but down from 6.2% in the second quarter, and 6.4% in the first quarter.

China is expected to target 6% growth for this year, which will be announced during the National Congress meeting in March, according to analysts.

The NBS reported industrial production grew 5.7% in 2019, which accelerated from the 5.6% rise in January-November. December growth was 6.9% year on year, widening from the 6.2% growth rate in November, and representing the second highest level in 2019.

Crude steel output totaled 996.34 mt in 2019, expanding 8.3% from the previous year. Tonnage in December hit 84.27 mt, or 2.72 mt/d, higher than November's 2.68 mt/d, and growing 11.6% from a year earlier.

Pig iron output came in at 809.37 mt in 2019, rising 5.3% year on year, after 67.06 mt, or 2.16 mt/d was produced in December, which increased 6.0% year on year, though was steady month on month.

Production of finished steel products reached 1.20 bnt last year, rising 9.8% from 2018. December output went up to 104.33 mt, or 3.37 mt/d, up 11.3% year on year, but off from 3.47 mt/d in November.

Coke output in 2019 was 471.26 mt, which climbed 5.2% from the previous year. Tonnage in December was 38.88 mt, or 1.25 mt/d, lower than November's 1.29 mt/d, but up 1.8% year on year.

Cement output was 2.33 bnt, rising 6.1% from the previous year, with 199.35 mt produced in December, up 6.9% on the year, though easing from November's 224.87 mt.

Retail sales in 2019 expanded by 8.0% year on year, flat from the rise seen in January-November.

Fixed asset investment expanded by 5.4% year on year in 2019, widening from the 5.2% growth in January-November. Spending in the real estate sector was up 9.9%, with the upward rate cooling from the 10.2% rise in January-November.

Daily domestic price estimates

		Last Year	Last Month	Last week	17-Jan	Daily Change
Mine-mouth prices RMB/t						
	NAR					
Shanxi Datong	5,500Kcal/30Vda/15Ad/1.0St	449	420	421	425	0
Inner Mongolia Dongsheng	5,200Kcal/35Vda/20Ad/0.6St	360	316	318	319	0
Inner Mongolia Ordos	4,500Kcal/29Vda/15Ad/1.2St	216	209	207	207	0
Shaanxi Shenmu	6,000Kcal/30Vda/15Ad/1.0St	435	383	386	387	0
Prices at ports (RMB/t)						
	NAR					
QHD (FOB)	5,500Kcal/25Vda/20Ad/1.0St	587	545	553	556	0
QHD (FOB)	5,000Kcal/25Vda/20Ad/1.0St	508	483	491	496	0
QHD (FOB)	4,500Kcal/25Vda/24Ad/0.8St	450	438	446	451	0
Huanghua (FOB)	5,500Kcal/25Vda/16Ad/0.5St	597	555	563	566	0
Huanghua (FOB)	5,000Kcal/25Vda/17Ad/0.5St	520	495	503	508	0
Huanghua (FOB)	4,500Kcal/25Vda/18Ad/0.6St	456	444	452	457	0
Caofeidian	5,500Kcal/25Vda/22Ad/0.8St	592	550	558	561	0
Caofeidian	5,000Kcal/25Vda/24Ad/0.8St	514	489	497	502	0
Caofeidian	4,500Kcal/25Vda/24Ad/0.8St	450	438	446	451	0
Guangzhou	5,500Kcal/28Vda/14Ad/0.6St	683	641	629	625	0
Guangzhou	5,000Kcal/27Vda/21Ad/0.8St	590	566	557	555	0

Note: Inclusive of domestic taxes

Vda = Volatile matter

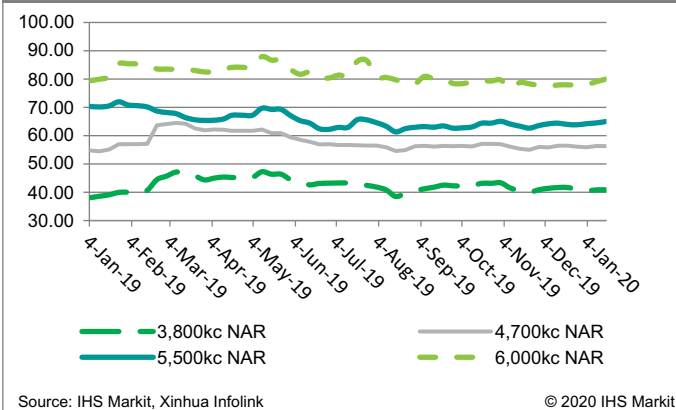
Ad = ash

St = sulphur

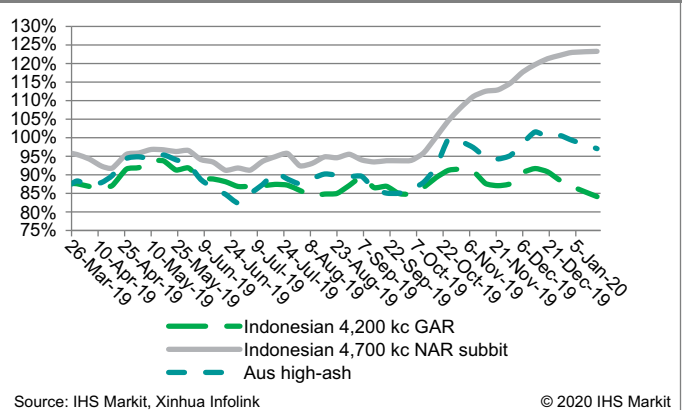
Source: IHS Markit/Xinhua Infolink

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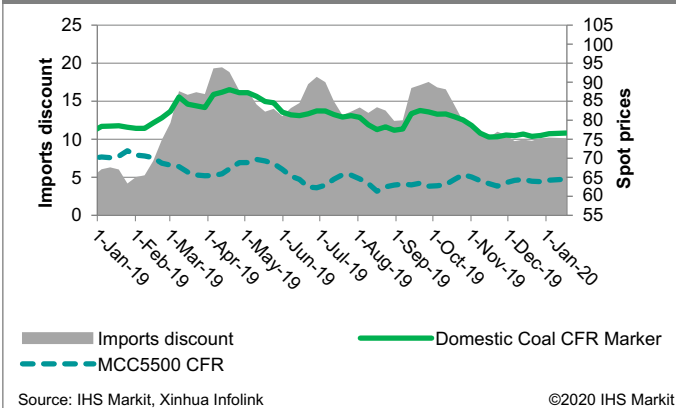
Import prices into South China (\$/t)



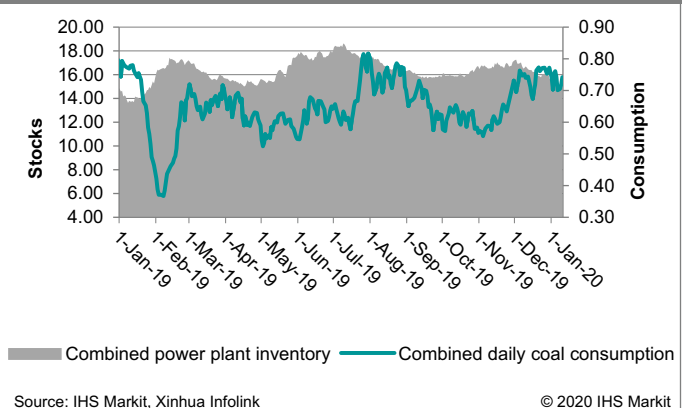
Relative strength of indices vs domestic (CV adjusted)



Imports discount to domestic coal (\$/t)



Power station coal stocks vs consumption (mt)





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