China Coal Monthly 中國煤炭報告

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January 2020 | Issue 192

Thermal coal market in China steadies ahead of Lunar New Year

Supply and demand in China's thermal coal market shrank ahead of the Lunar New Year holiday between 24-31 January, though most small mines will suspend operations through mid-January to mid-February.

Spot cargo trades eased significantly at loading ports, and transactions were estimated at RMB561/t ($81.54/t) FOB Qinhuangdao (QHD), basis 5,500 kc NAR, on 21 January, unchanged since 13 January, after rising from RMB548/t ($79.65/t) FOB on 19 December.

The rate for 5,000 kc NAR cargoes was RMB502/t ($72.97/t) FOB, also steady for more than a week, following a rebound from RMB485/t ($70.49/t) FOB on 19 December.

Price rises in mining regions came to a halt, having rallied since China tightened safety controls in November. Small mines in Shaanxi largely suspended work from 12 January, and in Shanxi and Inner Mongolia, small mines began their Lunar New Year holiday on 20 January.

This has had limited impact, as demand from local and small industrial users also weakened, after they had completed stocking for the holiday. Large mines, which are focused on supply under term contracts, have mostly planned for a one-week holiday.

Sentiment in consuming regions was largely steady as well. Ex-stock prices at Guangzhou were RMB625/t ($90.84/t), basis 5,500 kc NAR, on 21

Coal imports (000t)

	Nov. 2019	Nov. 2018	% change	Jan-Nov 2019	Jan-Nov 2018	% change
Steam coal	5,265	4,607	14%	79,398	72,740	9%
Coking coal	6,204	5,334	16%	72,994	60,944	20%
Anthracite	478	882	-46%	7,138	8,737	-18%
Brown coal	6,686	6,050	11%	102,562	91,664	12%
Other coal	2,436	2,860	-15%	35,417	35,859	-1%
Total	**21,068**	**19,733**	**7%**	**297,511**	**269,944**	**10%**

Source: IHS Markit/Xinhua Infolink © 2020 IHS Markit

IHS McCloskey/Xinhua Infolink Chinese markers

Steam coal	06-Dec	13-Dec	20-Dec	27-Dec
QHD FOB markers ($/t)				
5,000kc NAR	69.65	69.54	69.46	69.89
or 4,700kc NAR	65.47	65.37	65.29	65.69
5,500kc NAR	**78.11**	**78.07**	**77.95**	**78.51**
or 5,800kc NAR	84.96	84.74	84.43	85.06
or 6,000kc NAR	87.89	87.67	87.35	87.99
South China CFR markers ($/t)				
4,700kc NAR	55.86	56.44	56.47	56.10
5,500kc NAR	**64.19**	**64.41**	**63.96**	**63.85**
6,000kc NAR	77.42	77.92	77.95	77.90

Note: FOB prices inclusive of domestic taxes

Note: CFR prices exclusive of Chinese taxes

Source: IHS McCloskey/Xinhua Infolink © 2020 IHS Markit

Metallurgical coal and coke markers

Coking coal prices (RMB/t)	16-Dec	23-Dec	30-Dec	06-Jan
in Shanxi, Gujiao FOR[1]*	1,295	1,295	1,295	1,360
in Hebei, Tangshan CIF[2]*	1,585	1,585	1,585	1,585
Coke prices (RMB/t)	**16-Dec**	**23-Dec**	**30-Dec**	**06-Jan**
in Shanxi, Jiexiu[4]	1,650	1,650	1,700	1,700
in Hebei, Tangshan[3]	1,850	1,850	1,900	1,900

* inclusive of domestic taxes

1: ash <8%, volatiles 16~22%, sulphur 1.3%

2: ash <10%, volatiles 23~25%, sulphur<1%

3: ash ≤13%, volatiles ≤1.2%, sulphur≤0.75%

4: ash ≤13, sulphur≤0.75, volatiles≤1.2

Source: IHS Markit/Xinhua Infolink © 2020 IHS Markit

Power generation (billion kWh)

	2019	2018	% change
Hydro power	1,153	1,106	4%
Coal-fired power	5,117	4,913	4%
Other	815	702	16%
Total	**7,085**	**6,720**	**5%**

Source: IHS Markit/Xinhua Infolink © 2020 IHS Markit

Coal stocks (mt)

	Dec. 2019	Dec. 2018	Change
Power plants	81.55	81.41	0.14
Producer	91.58	79.5	12.08
Total	**173.13**	**160.91**	**12.22**

Source: IHS Markit/Xinhua Infolink © 2020 IHS Markit

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January, unchanged since 7 January, and transactions at Ningbo were RMB545/t ($79.22/t), same basis, flat for more than a week.

February supply appears tight

Lower supply is expected to persist in early February, when China returns from holiday and industrial output picks up, but most small mines will remain closed, some market sources say.

It is also likely that this scenario could last into mid-March, with a spate of accidents having forced China to toughen safety measures since November.

However, the mass mine closures seen in Shaanxi since early 2019 appear unlikely, according to analysts, who believe the domestic market will see slight strains before mid-March, when the National Congress meeting concludes.

Power plants and industrial facilities are expected to enter the market to replenish stocks in early February, which could lead to a certain degree of shortage in consuming regions, with domestic availability having slipped since December.

This has brought about a slide in stocks at power plants, with inventories at coastal units at 14.80 mt on 20 January, down from the recent peak of 16.17 mt on 28 December. Stocks at major power plants across China were just 75.28 mt or 15 days on 12 January, slipping from 83.21 mt on 29 December.

Stocks at loading ports were sliding as well, with tonnages at Qinhuangdao (QHD) at 4.34 mt on 21 January, down from 5.55 mt in early January. Stocks at Huanghua decreased to 1.63 mt on 20 January, down from 1.84 mt on 16 January.

In consuming regions, tonnages at Guangzhou dropped to 2.40 mt on 20 January, compared with the recent high of 3.23 mt on 20 December. Stocks at Ningbo fell to 4.76 mt on 16 January, down from 4.94 mt a week earlier and 5.20 mt a month earlier.

Several suppliers expect mild price hikes to continue in February, which has also prompted some traders to increase stocks in recent weeks.

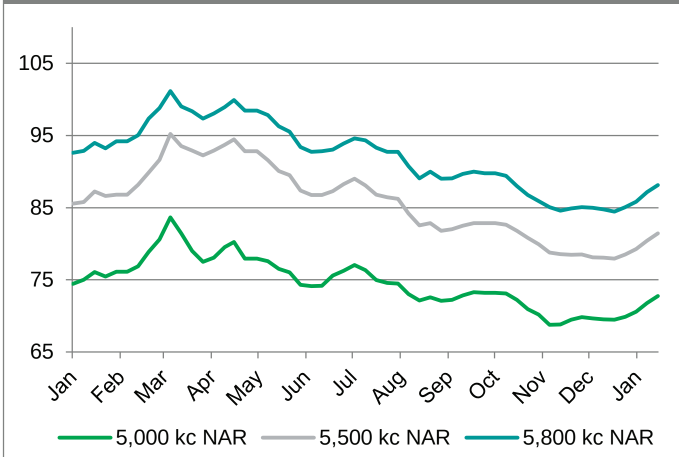
Weakness seen in longer term

China's coal demand is expected to decline in mid-March, when north China stops heating supply.

However, the tightening of safety controls is also likely to be relaxed by then, following the conclusion of the National Congress.

April-June is traditionally a period of low demand for the domestic market, when seasonal coal demand is usually low. By late June, demand will climb when air-conditioning usage starts in northern regions.

FOB prices at Qinhuangdao ($/t)



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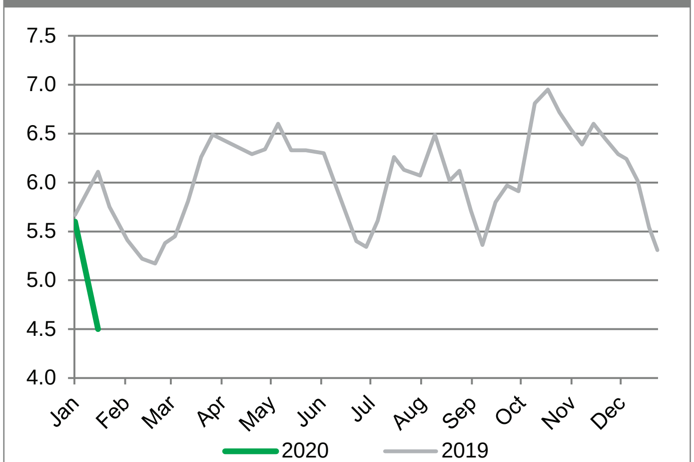
Stocks at Qinhuangdao (mt)



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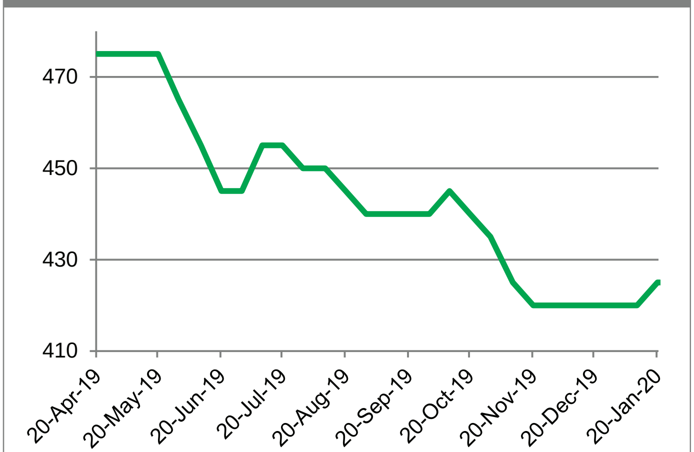
Shanxi FOR prices for 5,500 kc NAR material (RMB/t)



Source: IHS Markit © 2020 IHS Markit

However, production in the second quarter is forecast to be at least equal to the November-December average of 11 mt/d.

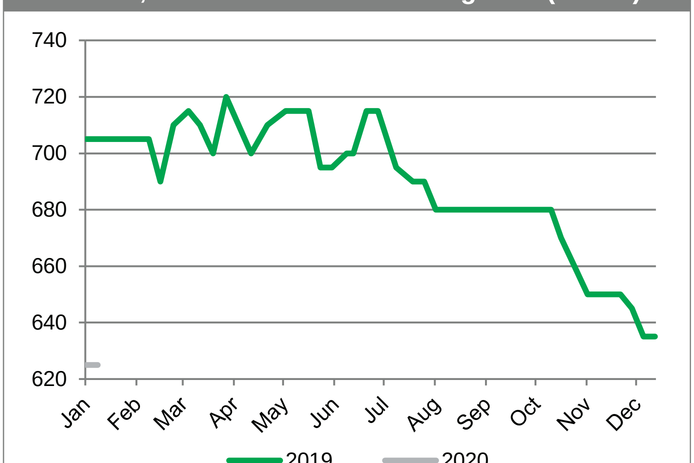
Domestic production is forecast at around 3.90 bnt this year, up 4% from last year, and imports are expected to be capped at last year's level of 300 mt.

Demand is projected at 4.00 bnt, up just 1% from 2019. This results in surplus of 200 mt, according to analysts.

Some of the lowest price points could be seen in the second quarter, pessimistic market watchers said, expecting levels could hit as low as RMB500/t ($72.67/t) FOB, basis 5,500 kc NAR, if smooth imports arrivals continue.

Average prices in the whole year are projected to be RMB530-540/t ($77.03-78.49/t) FOB, down from RMB590/t ($85.76/t) FOB last year.

Price of 5,500 kc NAR coal at Guangzhou (RMB/t)



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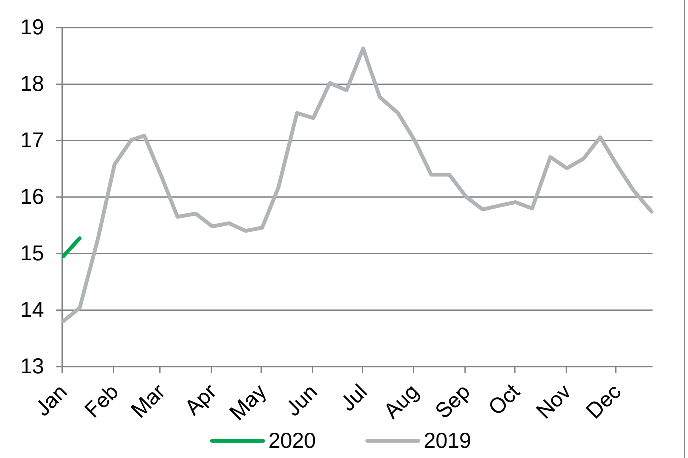
Coal stocks at major coastal power plants (mt)



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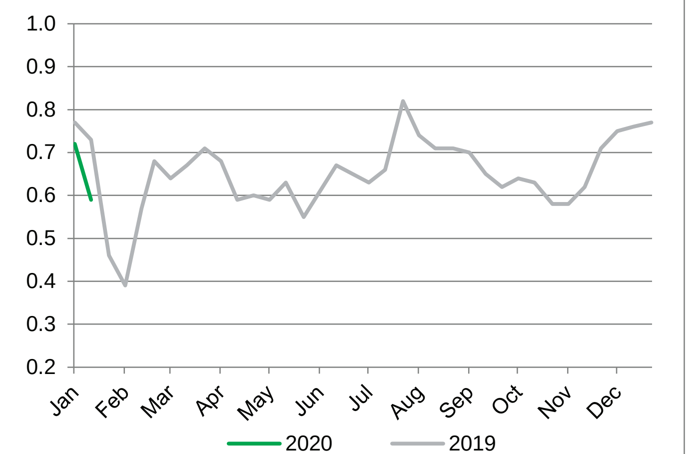
Daily coal consumption of coastal generator (mt)



Source: IHS Markit © 2019 IHS Markit

Seaborne freight from Qinhuangdao to Guangzhou in 50,000-60,000t vessels (RMB/t)

Source: China Shipping Exchange © 2020 IHS Markit

As of late January, major power groups remained reluctant to accept the benchmark pricing for annual contracts at RMB535/t ($77.76/t) FOB, basis 5,500 kc NAR, amid anticipations that on-grid power prices will fall 15% this year.

China's imports up 6% in 2019, strong Q1 expected

China's import appetite is expected to continue to be healthy in the first quarter of this year, after receipts of all types of coal totaled 299.67 mt in 2019, increasing 6.3% from 281.00 mt in 2018, according to customs statistics.

Only 2.77 mt was cleared by customs in December, the lowest level since January 2009, and down 72.9% on the year and 86.7% from November, after customs procedures were virtually suspended at most receiving ports.

However, actual arrivals in December were higher, as some ports - including Guangzhou - allowed power plants to take the majority of their discharged cargoes to ease mounting port stocks, though customs procedures were delayed to January or later.

As much of the port material had been removed in December, while new arrivals were limited, industry sources expect January arrivals will not be as high as previously thought.

Nonetheless, clearance could still run to 30-40 mt, compared with 33.50 mt in January last year, which followed 10.23 mt in December 2018, in the wake of a blanket ban since mid-November.

For this year, industrial sources expect moderate restrictions to continue, to keep whole year tonnages steady at around 300 mt, though Chinese authorities have not specified their stance yet.

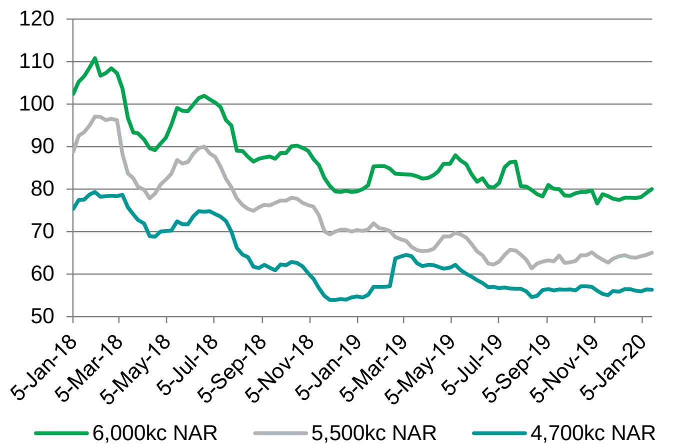
Q1 import appetite strong

Chinese power plants have maintained their buying interest for February-March, with domestic annual contract pricing deadlocked, while supply strains appear likely before mid-March.

Power groups continued to issue import tenders in January, although domestic business activity slowed ahead of the week-long holiday on 24-31 January.

Transactions for low-rank Indonesian material were estimated at $41.20/t CFR, basis 3,800 kc NAR, on 21 January, up from $40.55/t CFR in early January, despite seaborne freights easing nearly

South China CFR Marker for imported materials ($/t)



Source: IHS Markit/Xinhua Infolink © 2020 IHS Markit

$1/t. FOB levels increased to around $35.40/t from $33.50/t early this month.

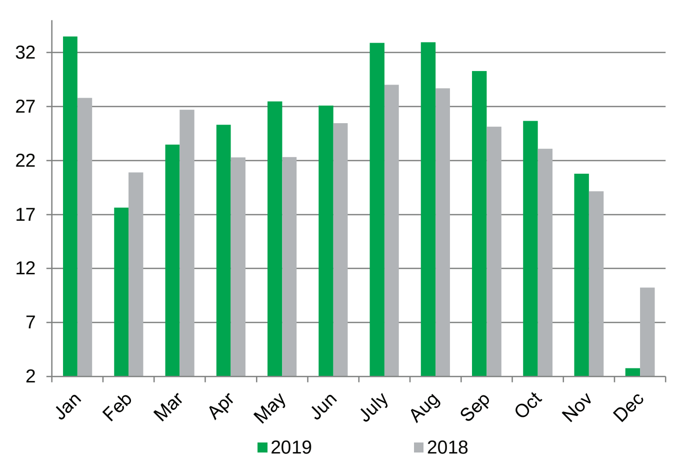
High-ash Australian products were estimated at around $65.20/t CFR, basis 5,500 kc NAR, up from $64.23/t CFR on 3 January, though seaborne freight eased an estimated $2.5/t.

Industry sources project January-March intake to hit 25-30 mt/m, up from the average 24.88 mt/m in the first quarter of last year, considering the delayed clearance and new volumes committed by power plants.

However, sources are conservative about tonnages in the second quarter, as power plants are still uncertain about industrial demand, however higher production but lower seasonal demand are projected for the period.

Further significant import price hikes look unlikely, some sources suggest, adding that domestic price levels will be under mounting pressure in the second quarter, while costs for Australian cargoes have already hit around RMB515/t ($74.85/t) CFR plus domestic tax, basis 5,500 kc NAR. The same quality domestic material is seen fluctuating between RMB500-530/t ($72.67-77.03/t) FOB in the period.

China's coal imports (mt)



Source: Chinese Customs © 2020 IHS Markit

China's coal output up 4% in 2019

China's coal output hit 3.75 bnt last year, rising 4.2% from 3.59 bnt in 2018, which itself expanded 5.2% on the year, the National Bureau of Statistics said.

December volumes came in at 331.74 mt, dipping slightly from 334.06 mt in 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.

Total supply in the year came in at 4.05 bnt including 299.67 mt of imports, rising 5% from 3.87 bnt in 2018. Total consumption was estimated at 3.92 bnt, with January-November tonnage at 3.59 bnt, up 0.8% on the year, according to the China Coal Transport and Distribution Association (CCTD).

Domestic production is forecast at around 3.90 bnt this year, up 4% from last year, while imports are projected to be steady on the year at 300 mt. The forecast supply of 4.20 bnt compares with demand expected at around 4.00 bnt, according to industrial sources.

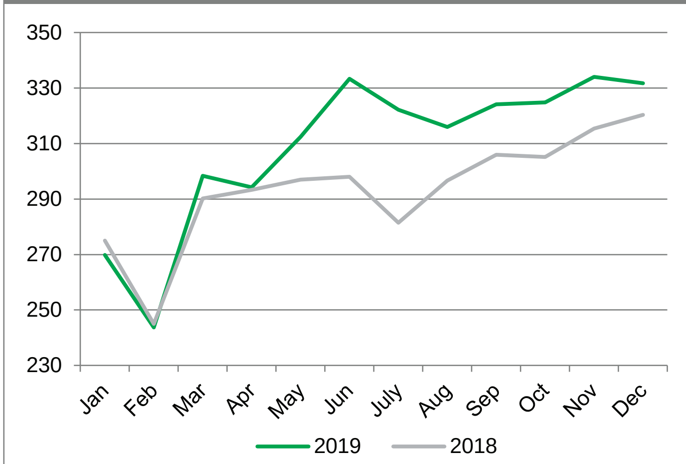
Major regions see market share rise

The top three coal producing regions - Inner Mongolia, Shanxi and Shaanxi - totaled 2.64 bnt last year, rising 147.96 mt or 6% from 2.49 bnt in 2018. This accounted for 70.5% of China's total raw coal output, and the proportion grew 1.1 percentage points from 69.4% in 2018.

Specifically, Inner Mongolia topped all provinces with 1.04 bnt last year, rising 8.5% on the year, but December output dropped to 89.39 mt due to tighter safety controls, dropping 1.3% from 90.55 mt in November, and falling 2.5% on the year.

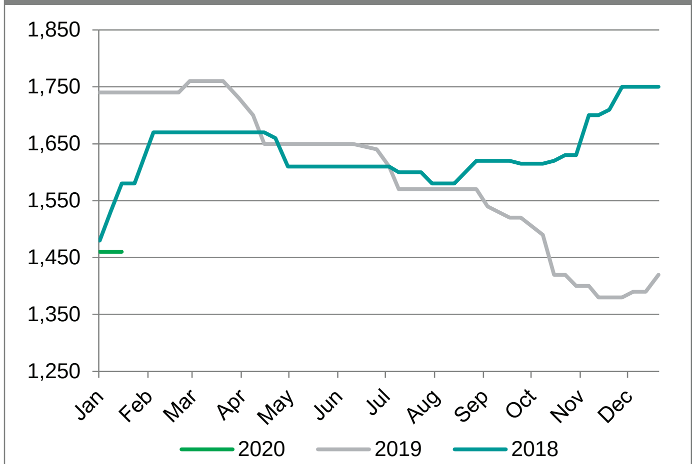
Shanxi produced 971 mt last year, expanding 6.1% from 2018, and December tonnage came in at 78.28 mt, sliding 5.8% from 83.08 mt in November, while edging up 0.4% on the year.

China's total coal output (mt)



Source: National Bureau of Statistics © 2020 IHS Markit

FOR price of Liulin No.4 (RMB/t)



Source: IHS Markit © 2020 IHS Markit

Shaanxi mined 634 mt last year, climbing 1.7% on the year. Output in December grew to 64.30 mt, expanding 6.0% from 60.68 mt in November, and jumping 15.2% on the year.

Xinjiang produced 237.73 mt in the past year, increasing 14.2% from 2018, and December production climbed to 26.10 mt, growing 11.8% from the previous month and expanding 13.3% from a year earlier.

Output of Guizhou totaled 129.70 mt last year, rising 9.4% on the year. The December tonnage came in at 11.50 mt, slipping 7.7% from November, but growing 5.7% on the year.

Shandong mined 118.76 mt last year, falling 2.8% from 2018 due to capacity cuts after the rock burst accident in October 2018. December production fell to 9.65 mt, down 2.9% on the month, and dipping 0.9% on the year.

Anhui produced 109.90 mt last year, dropping 2.5% on the year, with December output falling to 9.08 mt, down 1.3% on the month and 3.7% on the year.

Production in Henan totaled 108.73 mt last year, shrinking 5.6% on the year, and the December figure dropped to 8.59 mt, down 6.5% on the month and 7.6% on the year.

Met coal prices in China edge up in January

Domestic coking coal prices firmed further in January, after tighter safety controls curbed supply, while steel production increased.

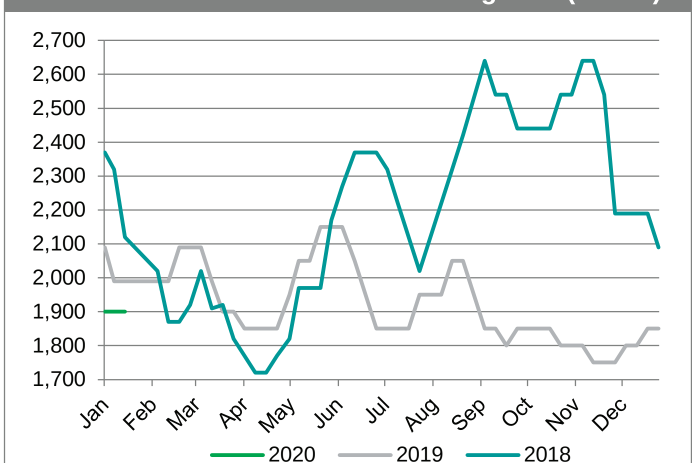
In the top producing region, Shanxi, transactions for the higher quality Liulin No.4 were estimated at RMB1,460/t ($212.61/t) FOR Luliang on 20 January, up RMB40/t ($5.81/t) from RMB1,420/t ($206.79/t) FOR at end-December, which increased RMB40/t ($5.81/t) from RMB1,380/t ($200.58/t) FOR a month earlier.

Similar material in Linfen traded at RMB1,485/t ($215.84/t) FOR, growing RMB20/t ($2.91/t) from RMB1,465/t ($212.94/t) FOR at end-December, which rose RMB40/t ($5.81/t) from RMB1,425/t ($207.12/t) FOR.

Prices for high volatile material in Linfen grew to RMB1,475/t ($214.39/t) FOR from RMB1,455/t ($211.48/t) at end-December, following growth of RMB40/t ($5.81/t) in December.

At the coking coal handling port of Jingtang, ex-stock prices of lower volatile material produced in Shanxi increased RMB50/t ($7.27/t) from end-December to RMB1,580/t ($229.65/t) after increasing RMB70/t ($10.17/t) in December.

Price of 13.5% coke delivered to Tangshan (RMB/t)



Source: IHS Markit © 2020 IHS Markit

December production is thought to have slipped further, with the mine operating rate in the coking coal hub of Luliang dropping 14% as of 16 December from end-November, which affected coking coal capacity of 6-7 mt/y. In Taiyuan, another coking coal hub also in Shanxi, closures were estimated at 2 mt/y, local sources said.

Ex-stock prices for imported cargoes firmed as well, amid tight domestic supply and prolonged customs clearance of 40-60 days for Australian material. Low volatile material from Australia traded at RMB1,360/t ($197.67/t) at Jingtang on 20 January, up RMB50/t ($7.27/t) from RMB1,310/t ($190.41/t) at end-December.

Cargoes from Russia traded at RMB1,120/t ($162.79/t), rising from RMB1,100/t ($159.88/t) at late December. However, Mongolian cargoes eased RMB10/t ($1.45/t) at the border crossing of Ganqmod, to RMB1,030/t ($149.71/t).

The strong sentiment also spread to the coke market, with prices rising an additional RMB50/t ($7.27/t) in January, after a combined RMB100/t ($14.53/t) increase in December. Prices of products with 13.5% ash grew to RMB1,700/t ($247.09/t) in Shanxi's Luliang on 17 January, up from RMB1,650/t ($239.83/t) in late December and RMB1,550/t ($225.29/t) a month earlier.

Coal shipments in China down 1% last year

Coal shipments from major north China loading ports to southern consuming regions totaled 782.47 mt last year, dropping 1.0% from 790.38 mt in 2018, with the downward rate narrowing from 1.3% in January-November, according to the China Coal Transport and Distribution Association (CCTD).

The lower yearly figure was mainly the result of strong import arrivals, which totaled 299.67 mt last year, increasing 6.3% on the year, based on customs figures.

Shipments in December came in at 68.16 mt, growing 2.3% from 66.63 mt a year earlier, and increasing 7.0% from 63.42 mt in November on the back of strong heating demand.

Huanghua port shipped 199.73 mt last year, falling 1.8% from 203.39 mt in 2018. December shipments totaled 17.02 mt, up from 16.23 mt in November, and rising 1.1% from a year earlier.

Qinhuangdao delivered 193.16 mt, dropping 4.9% from 203.11 mt in the previous year, and the December tonnage climbed to 15.80 mt, from 15.66 mt in November, and increased 10.8% from 14.26 mt a year earlier.

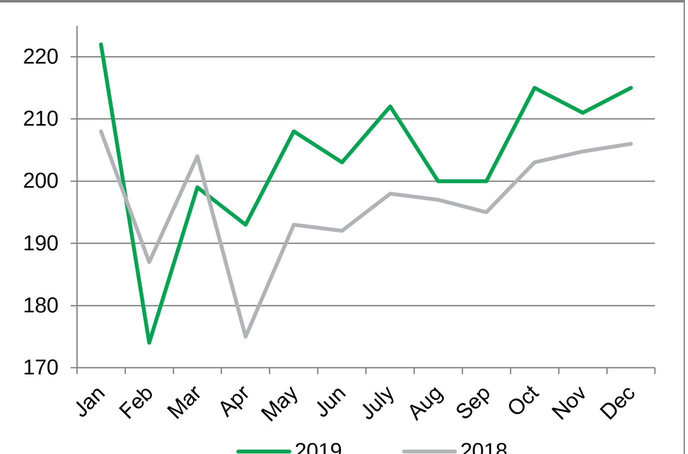
Jingtang handled 123.79 mt last year, dipping 1.2% from 125.30 mt in the previous year, and shipments in December hit 12.78 mt, increasing from 9.60 mt in November and growing 9.9% from the last month of 2018.

Shipments from Caofeidian were 132.47 mt last year, jumping 19.5% from 110.85 mt in 2018. The December tonnage came in at 11.92 mt, rising from 11.05 mt in the previous month, but decreasing 14.9% from December 2018.

Coal railings up 3% on year

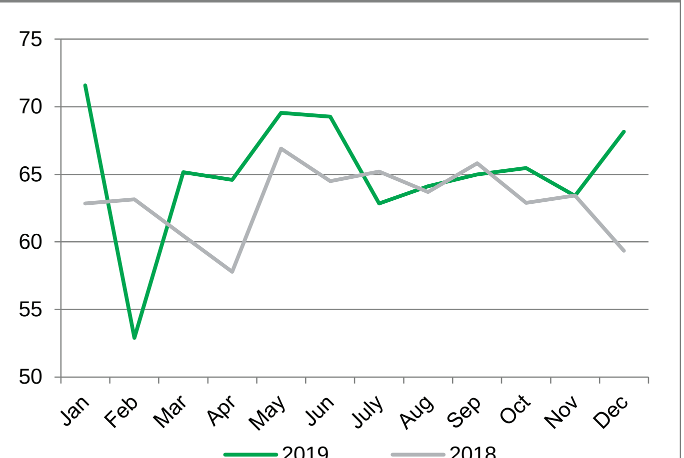
Coal railings were 2.46 bnt last year, rising 3.2% from 2.38 bnt in 2018. Deliveries in December hit 215 mt,

China's coal railings (mt)



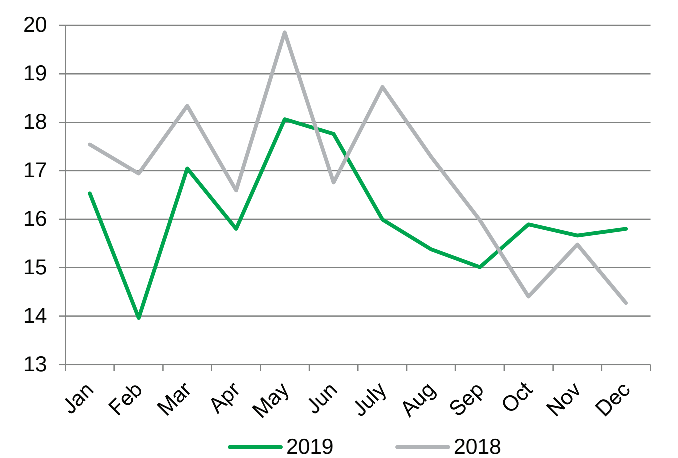
Source: CCTD © 2020 IHS Markit

China's coal shipments (mt)



Source: CCTD © 2020 IHS Markit

Qinhuangdao shipments (mt)



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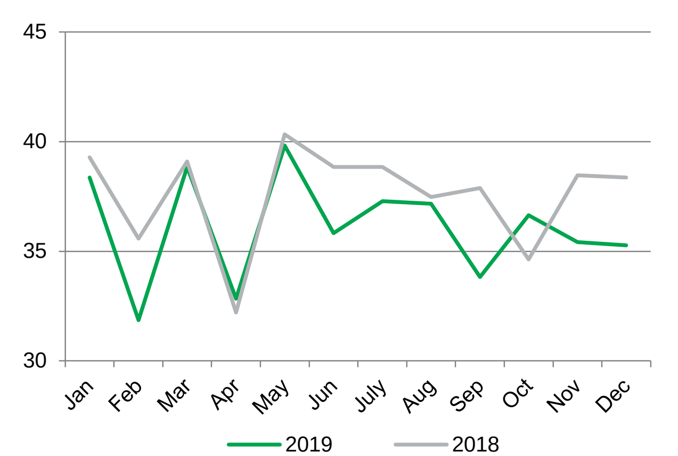
Power output and demand growth rates in China slip in 2019

China's power production and consumption growth slowed in 2019, in the wake of GDP growth easing to 6.1%, from 6.6% in 2018, while industrial output growth narrowed to 5.7% from 6.2% in 2018.

Power consumption totaled 7,225.5 TWh in 2019, climbing 4.5% from the previous year, with the growth rate down from 8.5% in 2018, the National Energy Administration (NEA) said.

Based on the figure, December consumption was estimated at 711.1 TWh or 22.94 TWh/d, increasing 16.4% from 19.71 TWh/d in November and up 13.8% on the year, as uncounted volumes in previous months were added into the December number after amendments.

Daqin monthly deliveries (mt)



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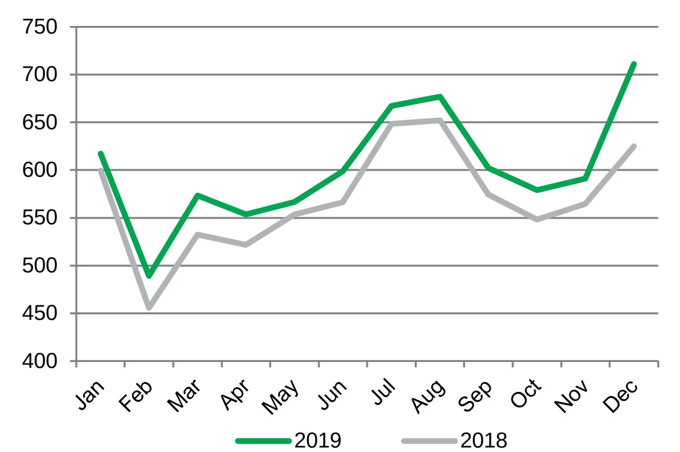
China's power demand (TWh)



Source: National Energy Administration © 2020 IHS Markit

up from 211 mt in November and 208 mt a year earlier.

Deliveries on the Daqin line dropped to 430.80 mt last year, down 4.5% from 451.00 mt in 2018, which had increased 4.3% from 432.39 mt in 2017. The railway had planned to deliver 455 mt last year, but failed to meet the target due to lower demand for domestic spot cargoes, amid sufficient term cargo supply and strong import arrivals.

The railway delivered 35.27 mt in December, dipping from 35.41 mt in the previous month, and decreasing 8.1% from 38.36 mt delivered in December last year.

China's total cargo railings came in at 4.32 bnt last year, rising 7.2% from 4.03 bnt the previous year, and coal transport accounted for 57% of the total. December railings rose to 392 mt, from 383 mt in November, and increased 13.1% from a year earlier.

Industrial consumption accounted for 4,847.3 TWh last year, gaining 2.9% from the previous year, with the growth rate down from 7.1% in 2018.

The service sector used 1,186.3 TWh, increasing 9.5% year on year, versus the growth rate of 12.7% in 2018, and residential demand was up 5.7% to 1,025 TWh, also narrowing from the 10.4% rise in the previous year. Power used by the agricultural sector hit 78 TWh, climbing 4.5% year on year, but cooling from the increase of 9.8% last year.

Power production from all types of units amounted to 7,142.2 TWh in 2019, which was up 3.5% from the previous year, but the growth narrowed from the 6.8% increase seen in 2018.

December power output hit 654.4 TWh, or 21.11 TWh/d, growing 7.5% from 19.63 TWh/d in the

China's power capacity (GW)

Type	Capacity	Change %
Thermal	1,190.55	4.1
Hydro	356.40	1.1
Nuclear	48.47	9.1
Wind	210.05	14.0
Solar	204.68	17.4
Total	**2,010.66**	**5.8**

Source: National Energy Administration © 2020 IHS Markit

China's power production (TWh)

	Dec	y-o-y %	2019	y-o-y %
Thermal	508.2	4.0	5,165.4	1.9
Hydro	68.7	-4.4	1,153.4	4.8
Nuclear	33.2	14.0	348.4	18.3
Wind	35.9	0.7	357.7	7.0
Solar	8.5	15.2	117.2	13.3
Total	**654.4**	**3.5**	**7,142.2**	**3.5**

Source: National Bureau of Statistics © 2020 IHS Markit

China's power demand (TWh)

Sector	2019	y-o-y %
Industrial and construction	4,936.2	3.1
Extractive, agriculture and forestry	78.0	4.5
Services	1,186.3	9.5
Household	1,025.0	5.7
Total	**7,225.5**	**4.5**

Source: National Energy Administration © 2020 IHS Markit

previous month, largely as a result of seasonal demand increases. The figure increased 3.5% year on year, compared with growth rates of 4.0% in November and October, and 4.7% in September.

Thermal power accounted for 5,165.4 TWh last year, 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. The December volume was 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 production was 1,153.4 TWh, up 4.8% year on year, and compared with the growth rate of 4.8% in 2018. Production in December slipped to 68.7 TWh, down 16.2% from 82.0 TWh in the previous month, and dropping 4.4% year on year.

Nuclear power output went up 18.3% to 348.4 TWh in 2019, slowing from the 18.7% rise in 2018, with output reaching 33.2 TWh in December, growing 2.2% from 32.5 TWh in November, and rising 14.0% year on year.

Wind power output reached 357.7 TWh last year, an increase of 7.0% year on year, though cooling from the 16.6% rise in the previous year. Wind power output in December reached 35.9 TWh, up 7.5% from 33.4 TWh in November, and up 0.7% on the year.

Solar power output gained 13.3% to 117.2 TWh in 2019, also down from the increase of 19.6% in 2018. Output came in at 8.5 TWh in December, expanding 15.2% from a year earlier, though steady on the month.

Combined output of hydro, nuclear, wind and solar power accounted for 27.7% of China's total power production in 2019, with the proportion rising from 26.7% in the previous year.

The decline of new unit launches accelerated in 2019, with 101.73 GW commissioned, falling 20.4% year on year, and compared with the drop of 4.6% in 2018.

Commissioning of thermal units hit 40.92 GW, a decline of 6.6% year on year, but narrowing from the drop of 7.5% in the previous year. However, hydro units slipped 51.4% to 4.17 GW, widening from the fall of 33.7% in 2018.

This brought the capacity of all types of power units to 2,010.66 GW at the end of 2019, an increase of 5.8% from a year earlier. Capacity of thermal units rose 4.1% to 1,190.55 GW, and hydro units climbed 1.1% to 356.4 GW. Nuclear capacity hit 48.47 GW, growing 9.1%, and wind power capacity rose 14% to 210.05 GW. Solar power capacity came in at 204.68 GW, adding 17.4%.

Steel market in China cools in January

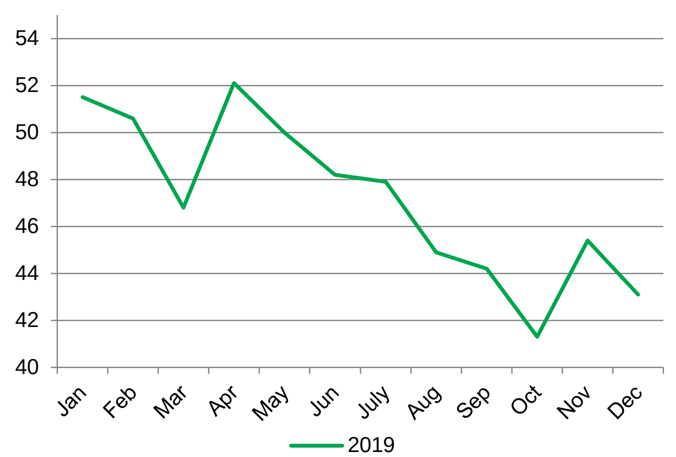
Domestic steel prices softened further in January, after trades stalled towards the middle of the month, and ahead of the Lunar New Year holiday.

Spot HRB400 rebar traded at RMB3,670/t ($534.45/t) on 17 January in Shanghai, down RMB40/t ($5.83/t) from RMB3,710/t ($540.27/t) on 31 December, which had slipped RMB420/t ($61.16/t) from the recent high of RMB4,130/t ($601.44/t) on 26 November.

In north China, the same quality traded at RMB3,610/t ($525.71/t) in Beijing, down RMB40/t ($5.83/t) from RMB3,650/t ($531.54/t) on 31 December, which had decreased RMB230/t ($33.49) from RMB3,880/t ($565.03/t) on 26 November.

Construction activity came to a halt in most regions ahead of the holiday, after demand in north China demand slumped because of the colder weather, at a time that consumption by other industrial sectors was also weakening.

PMI for China's steel industry (%)



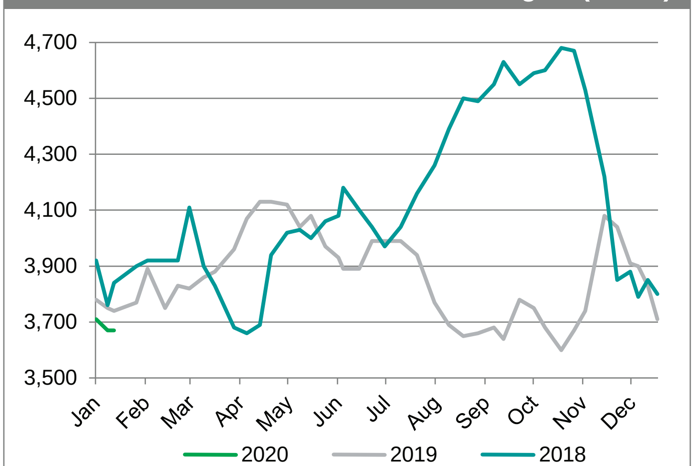
Source: National Bureau of Statistics © 2020 IHS Markit

However, crude steel production hit 2.72 mt/d in December, climbing from 2.68 mt/d in November and 2.63 mt/d in October. The operating rate of blast furnaces across China grew to 86.43% on 10 January from 85.16% at end-December, according to industrial surveys.

This led to expanding inventories in major consuming regions, which hit 9.02 mt on 10 January, up from 8.25 mt a week earlier and 7.48 mt on 20 December. Rebar inventories were 4.12 mt, up from 3.56 mt a week earlier, and 2.90 mt on 16 December.

However, a new round of stockpiling is likely to start in early February, when the Lunar New Year holiday ends, a number of analysts said, expecting demand increases from infrastructure and real estate sectors to add momentum.

Price of 16-25mm HRB400 rebars in Shanghai (RMB/t)



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Looking ahead, domestic consumption of finished steel products is expected to rise by 2% this year to 889.90 mt, from an estimated 875.30 mt last year, slowing from 6% year on year growth in 2019, the China Iron and Steel Association (CISA) forecast. Growth in 2020 will be mainly led by construction sector demand, which is projected at 498 mt, up 2% from 486 mt last year, which increased 8% on the year. Of this, infrastructure construction is expected to expand further, but real estate development is seen slowing.

The CISA warned that China will see a crude steel capacity surplus in 2020, after output hit 996.34 mt in 2019, expanding 8.3% from the previous year. China is forecast to add 150 mt/y of crude steel capacity by 2021, of which 30 mt/y has already completed construction, and 120 mt/y is in progress, according to industrial surveys.

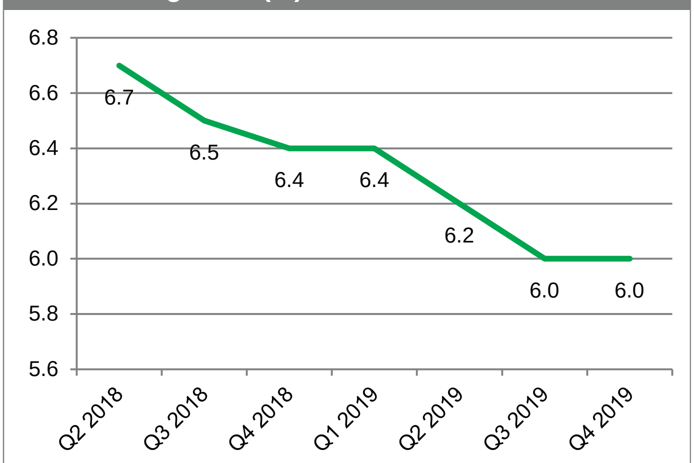
GDP growth in China slows to 6.1% in 2019

China's GDP growth was 6.1% in 2019, slowing from 6.6% in 2018, but was still within the government's target of 6.0-6.5%, the National Bureau of Statistics (NBS) said.

Fourth quarter growth was 6.0%, steady from the third quarter, but lower than 6.2% in the second quarter and 6.4% in the first quarter.

An easing of trade tensions between China and the United States helped stabilise the longer term outlook among market participants, which was indicated by stronger industrial growth in the last two months of 2019. The Chinese government is

China GDP growth (%)



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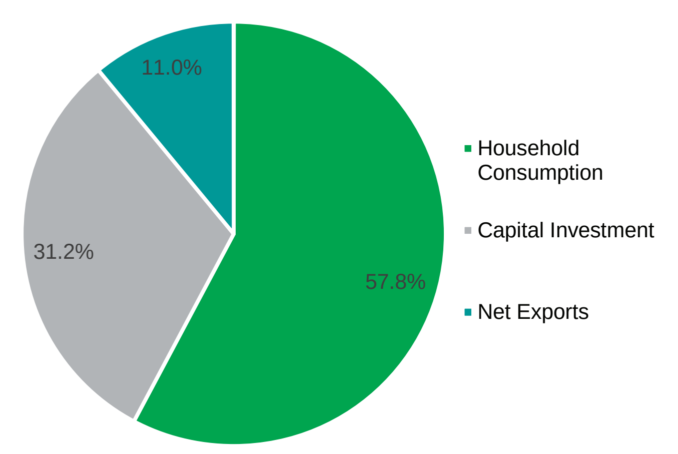
Contributors to GDP growth 2019



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expected to target a growth rate of 6.0% for 2020.

Consumption contributed 57.8% to the overall growth last year, and was the top contributor for the sixth consecutive year. Capital investment contributed 31.2% last year, while contribution from net exports was 11.0%.

Industrial production expanded by 5.7% year on year in 2019, accelerating from the 5.6% rise in January-November.

The growth rate in the fourth quarter accelerated to 6.0%, from 5.0% in the third quarter, after December growth hit 6.9% year on year, enlarging from the 6.2% growth rate in November and from the 4.7% rise in October.

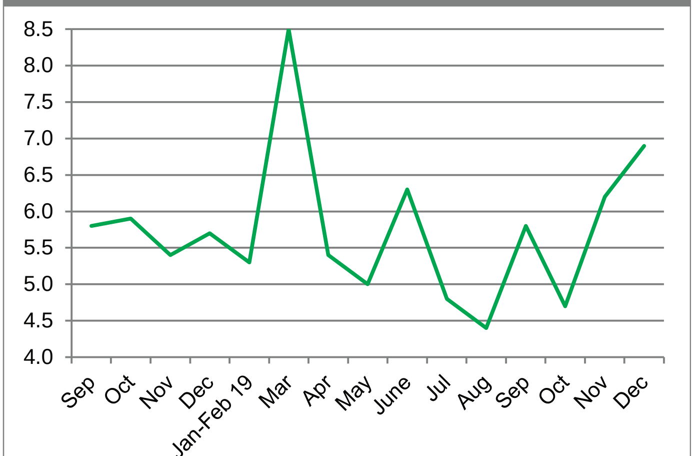
The manufacturing sector, which weighed nearly 90% to the overall industrial production, increased 6.0% in 2019, widening from the 5.9% increase in January-November. The growth rate of the mining sector was 5.0% year on year, also enlarging from 4.9% in January-November, although for the sector of power, heat, gas and water supply, the growth rate was 7.0%, flat to January-November.

The Purchasing Managers' Index (PMI) for the manufacturing sector was 50.2% in December, stable to November, and standing above the boom-or-bust line for a second consecutive month.

The production sub-index was 53.2% in December, expanding from 52.6% in November. The new orders sub-index also stood in the expansion zone, at 51.2%, though cooled from 51.3% in the previous month.

Retail sales were up 8.0% year on year in 2019, flat to the growth rate in January-November, but lower than the 9.0% growth rate in 2018.

Industrial output (%)



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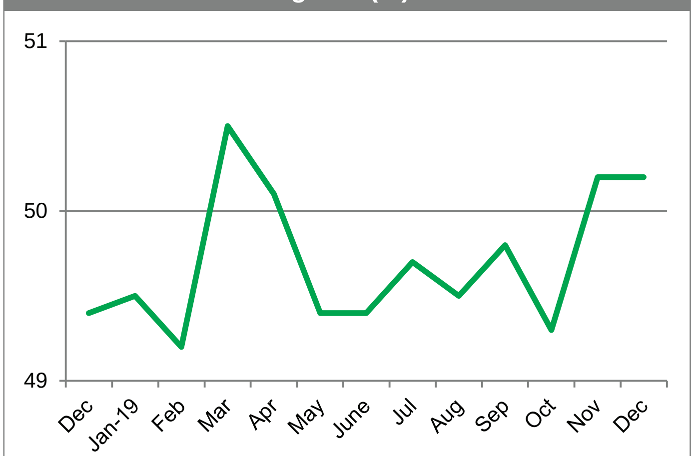
China's manufacturing PMI (%)



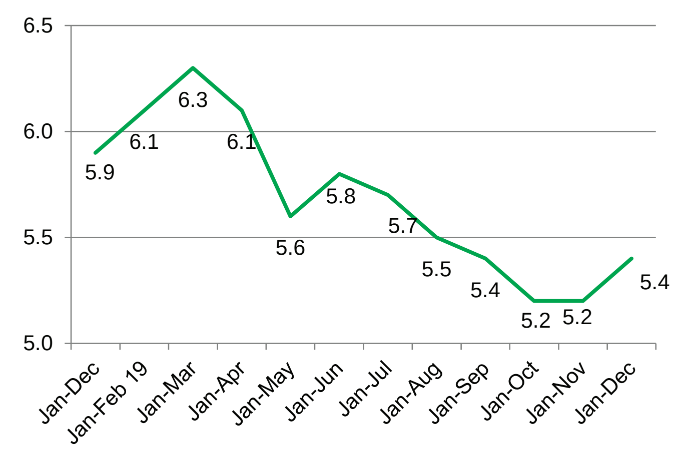
Source: National Bureau of Statistics © 2020 IHS Markit

The growth rate of fixed-asset investment increased 5.4% year on year in 2019, accelerating 0.2 percentage points from January-November, though cooling 0.5 percentage points from 2018.

Spending in the infrastructure construction sector was up 3.8% on the year, flat to 2018, though cooling from 4.0% in January-November. A continued increase in spending in the sector is forecast in 2020, considering the government's efforts to boost funds for infrastructure construction in the past few months, according to analysts.

Investment in manufacturing sector was 3.1% year on year in 2019, expanding from the rise of 2.5% in January – November. Spending in the hi-tech sector rose 17.3% year on year, compared with growth of 14.1% in January-November, and versus 14.9% in 2018.

Fixed-assets investment growth (%)



Source: National Bureau of Statistics © 2020 IHS Markit

Investment growth in the real estate sector, however, slowed to 9.9% in 2019, from 10.2% in January-November, but was up 0.4 percentage points from the increase in 2018.

China's total exports in 2019 reached $2.5 trillion, edging up 0.5% from the previous year, although imports dropped 2.8% to $2.08 trillion. The total trade volume came in at $4.58 trillion last year, which was 1% lower than 2018, but the downward rate narrowed from the drop of 2.1% in January-November, according to customs statistics.

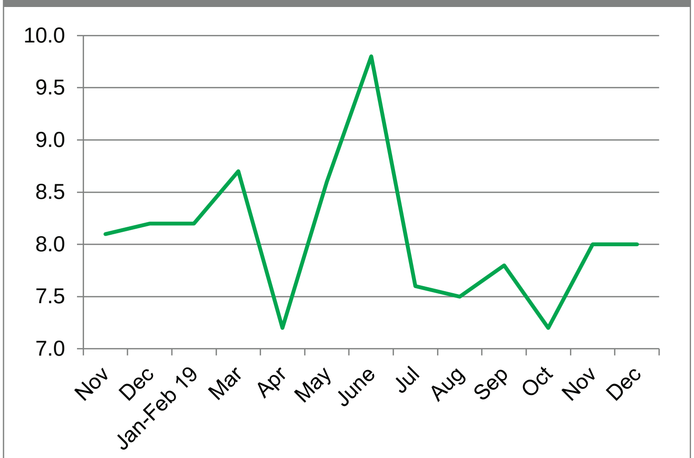
The performance improved in December, with the foreign trade volume hitting a new high of $428.50bn in December, up 11.3% on the year, and reversing declines since May last year. Exports were $237.65bn, rising 7.6% from a year earlier, and in contrast with a drop of 1.3% in November, while imports were $190.85bn, jumping 16.3% on the year, and widening from 0.8% growth in November.

Trade with the US totaled $541.22bn in the full year, dropping 14.6% from 2018, but the downward rate narrowed from 15.2% in January-November. Imports from the country came in at $122.71bn, falling 20.9% on the year, versus the year on year decrease of 23.3% in January-November. Exports totaled $418.51bn, down 12.5% on the year, flat from the fall in January-November.

China's imports and exports ($bn)

Source: General Administration of Customs © 2020 IHS Markit

Retail sales growth (%)



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McCloskey Coal Report:
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Fax:
Weekly digest of global prices and news in bite-sized form. All your weekly pricing data and market moving information in one place.

Newswire:
Real-time breaking coal market news and pricing wherever you are, delivered 24 hours a day.

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Coal & Energy Price Report
Coal & Energy Price Report is the go-to daily publication for industry professionals. It features Commentary by Jim Thompson, critical news and insight about the U.S. domestic markets, and analysis of the U.S.' participation in international markets. The publication is included in IHS Markit's Energy's North American Coal suite.

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APAC and African Coal Market News and Analysis

Australian Coal Report
In-depth weekly coverage of Australian coal markets focusing on market moving events. Infrastructure is a key focus and includes port performance, vessel queues and freight. Australian coal statistics and published monthly in Excel covering exports and other data.

Indian Coal Report
Monthly update on developments in the Indian coal, power and steel markets, including coal production and prices. Key shipping routes to India (Cape, Mini Cape, Supermax) are assessed and priced. Data includes monthly coal imports.

Coalfax
Weekly summary of events impacting international coal markets focusing on Australia and wider Asia. Includes prices, tenders, stocks, shipping and the NEX Index, a key indicator of the spot price of thermal coal ex-Newcastle.

South African Coal Report
The interplay between domestic power demand and exports is a focus. Covers corporate news and wider African coal markets and includes an infrastructure focus on Richards Bay coal terminal, loading rates, rail, capacity, vessel queues, and freight.

Metallurgical Coal Market Insight, News and Analysis

The Metallurgical Coal Quarterly
forecasts metallurgical coal fundamentals and price out ten years. It is the critical decision making tool for metallurgical coal market players, and those in its related commodities.

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