China Coal Monthly 中國煤炭報告

The definitive monthly publication on the Chinese coal industry

October 2019 | Issue 189

Thermal coal prices in China slip in October

Strong domestic output and imports at a time of lacklustre consumption due to seasonal factors resulted in China's domestic thermal coal market weakening throughout October.

Significant price fluctuations look unlikely in the fourth quarter, though demand is seen rising from November, according to analysts.

Spot prices at Qinhuangdao (QHD) eased to RMB574/t ($81.19/t) FOB, basis 5,500 kc NAR, on 23 October, down RMB13/t ($1.84/t) compared with RMB587/t ($83.03/t) FOB on 8 October, when this round of price weakness began, following relative steadiness in September.

The price of 5,000 kc NAR cargoes hit RMB503/t ($71.15/t) FOB, down RMB15/t ($2.12/t) from RMB518/t ($73.27/t) FOB on 8 October.

The price levels have declined RMB96 ($13.58/t) and RMB105/t ($14.85/t) respectively from a year ago, when 5,500 kc NAR cargoes traded at RMB670/t ($94.77/t) FOB, and 5,000 kc NAR material at RMB608/t ($86.00/t) FOB.

Prices in mining regions retreated as well, as local authorities in Shaanxi eased sales controls in October, with local consumers having almost completed stockpiling for the winter by late in October. Miners in Shaanxi have cut prices by as much as RMB30-40/t ($4.24-5.66/t) since early October, and price

Coal imports (000t)

	Aug. 2019	Aug. 2018	% change	Jan-Aug 2019	Jan-Aug 2018	% change
Steam coal	9,849	8,283	19%	57,097	54,991	4%
Coking coal	9,067	6,850	32%	53,135	42,919	24%
Anthracite	354	671	-47%	5,941	6,192	-4%
Brown coal	9,250	8,920	4%	79,391	69,854	14%
Other coal	4,430	3,160	40%	24,804	27,999	-11%
Total	**32,950**	**27,884**	**18%**	**220,367**	**201,955**	**9%**

Source: IHS Markit/Xinhua Infolink © 2019 IHS Markit

IHS McCloskey/Xinhua Infolink Chinese markers

Steam coal	13-Sep	20-Sep	27-Sep	04-Oct
QHD FOB markers ($/t)				
5,000kc NAR	72.84	73.27	73.19	73.19
or 4,700kc NAR	68.47	68.87	68.79	68.79
5,500kc NAR	**82.50**	**82.86**	**82.85**	**82.85**
or 5,800kc NAR	89.68	90.00	89.78	89.78
or 6,000kc NAR	92.77	93.11	92.87	92.87
South China CFR markers ($/t)				
4,700kc NAR	56.14	56.37	56.28	56.38
5,500kc NAR	**63.00**	**63.44**	**62.65**	**62.77**
6,000kc NAR	80.09	79.95	78.47	78.38

Note: FOB prices inclusive of domestic taxes

Note: CFR prices exclusive of Chinese taxes

Source: IHS McCloskey/Xinhua Infolink © 2019 IHS Markit

Metallurgical coal and coke markers

Coking coal prices (RMB/t)	16-Sep	23-Sep	30-Sep	14-Oct
in Shanxi, Gujiao FOR[1]*	1,435	1,415	1,415	1,380
in Hebei, Tangshan CIF[2]*	1,615	1,615	1,615	1,585
Coke prices (RMB/t)	**16-Sep**	**23-Sep**	**30-Sep**	**14-Oct**
in Shanxi, Jiexiu[4]	1,615	1,615	1,615	1,585
in Hebei, Tangshan[3]	1,850	1,850	1,850	1,850

* 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 © 2019 IHS Markit

Power generation (billion kWh)

	Jan-Sep 2019	Jan-Sep 2018	% change
Hydro power	895	834	7%
Coal-fired power	3,780	3,668	3%
Other	596	512	17%
Total	**5,271**	**5,013**	**5%**

Source: IHS Markit/Xinhua Infolink © 2019 IHS Markit

Coal stocks (mt)

	Sep-19	Sep-18	Change
Power plants	85.98	75.64	10.34
Producer	57.5	56.5	1.00
Total	**143.48**	**132.14**	**11.34**

Source: IHS Markit/Xinhua Infolink © 2019 IHS Markit

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Contacts

John Howland, Publisher & Managing Editor
john.howland@ihsmarkit.com, +44 (0) 7580 751119

Yu Ge, Editor
ge.yu@chinamonitors.com

Wang Haibin, Data Content Manager
hbwang@xinhuainfolink@ihs.com

Scott Dendy, Asian Business Development Manager
scott.dendy@ihsmarkit.com, + 65 97219006

All editorial enquiries
+86(0) 10 8479 7036/37/38

Sam Shoro, Product Manager
sam.shoro@ihsmarkit.com

Sales

EMEA
Tel: +44 (0) 1344 328155
CoalEMEA2@ihs.com

APAC
Tel: +65 6439 6000
CoalAPAC@ihs.com

Americas
Tel: +65 6439 6000
US/Canada Toll-free: +1 888 645 3282
CoalAmericas@ihs.com

Subscriptions
Tel: +44 (0) 1344 328 300, customer.support@ihs.com

Design and layout
David Maragh
Tel: +44 (0) 203 253 2129, david.maragh@ihsmarkit.com

Editorial address
Room 610, Tower A, Pacific Century
Place, No.2, Gongtibei Road,
Chaoyang District,
Beijing, China, 100027
Tel: +86(0) 10 6539 3746/3475
Fax: +86(0) 10 6539 3016

Published monthly

Published by
Xinhua InfoLink
Development Co. Ltd.
in association with
IHS Global Limited,
Willoughby Road,
Bracknell, Berkshire, RG12 8FB, UK.
Tel: +44 (0) 1344 328000

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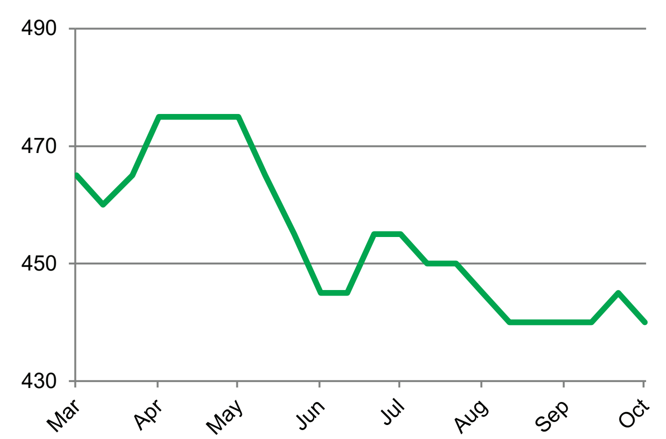
reductions in Inner Mongolia were around RMB20/t ($2.83/t), though mild cuts of approximately RMB5-10/t ($0.71-1.41/t) were heard in Shanxi.

In consuming regions, ex-stock prices in Ningbo were RMB620/t ($87.69/t/t), basis 5,500 kc NAR, on 23 October, down RMB13/t ($1.84/t) from RMB633/t ($89.53/t) on 9 October, and prices in Shanghai fell RMB10/t ($1.41/t) to RMB600/t ($84.87/t), same basis. Prices for similar products in Guangzhou have been almost steady at approximately RMB680/t ($96.18/t) since mid-August.

In the paper market, the mainstream January 2020 contract hit a year low of RMB554.60/t ($78.44/t), basis 5,500 kc NAR, on 15 October, with trades in the following week mostly ranging between RMB556-560 ($78.64-79.21/t). A number of traders anticipate trades to dip further to below RMB554/t ($78.36/t), which reflects major coal groups' annual contract prices for October.

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



Source: IHS Markit © 2019 IHS Markit

Supply surplus seen growing

Market sources blame strong domestic output and import arrivals for the apparent oversupply in October, and the scenario is projected to continue for some time.

Domestic output hit 10.80 mt/d in September, up 6% from August and rising 4.4% on the year, despite the closure of numerous small mines prior to the National Day celebrations in early October. The strong production is understood to have continued in October, after safety checks eased in Shaanxi and Inner Mongolia.

October-December output is forecast at around 331 mt/month, up 4.4% from 317 mt/month in the same period of last year, which could bring the whole year tonnage to 3.73 bnt, up 5% from 3.55 bnt last year, according to forecasts by market sources.

Meanwhile, total imports in the third quarter hit 32.03 mt/month, up 24% from 25.75 mt/month in the first half, and increasing 17% on the year. This was despite the long waiting times at customs of 40-60 days for Australian material, while various ports banned customs clearance by non-local users in July.

In contrast, China's January-September power demand grew just 4.4% on the year to 5,344.2 TWh, with the September figure at 602.0 TWh, up 4.4% on the year, the National Energy Administration (NEA) said.

As demand appears to have stagnated, inventories at ports and power plants were on the increase in October, with the tonnage at QHD hitting 7.20 mt on 15 October, the highest level in the past one year, though falling to 6.83 mt on 22 October after railing arrivals decreased.

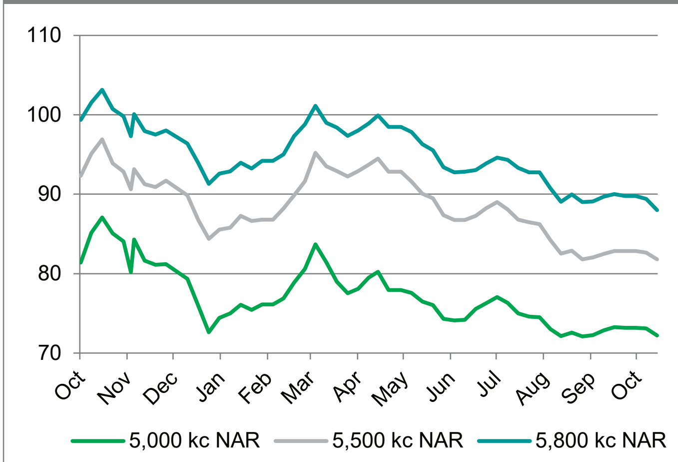
Tonnage at Huanghua jumped to 2.51 mt on 15 October, also the highest since August last year, and stocks at Huaneng's Caofeidian terminal reached 4.71 mt on 21 October, up from 3.97 mt on 1 October.

In consuming regions, inventories at Guangzhou hit a five-year high of 2.97 mt on 18 October. The tonnage at Xinsha terminal, which mainly handles imported material, reached 2.38 mt on 18 October, compared with 1.58 mt a year earlier.

Inventories at China's major generators hit 89.80 mt on 15 October, up 8.81 mt or 11% from 80.99 mt a week earlier. This was enough for 27 days of consumption, up from 20 days on 15 September. Their appetite for further significant stock increases is seen limited, analysts said.

Stocks at coastal units were 16.05 mt or 27 days on 22 October, with coal burn at 0.59 mt/d. The

FOB prices at Qinhuangdao ($/t)



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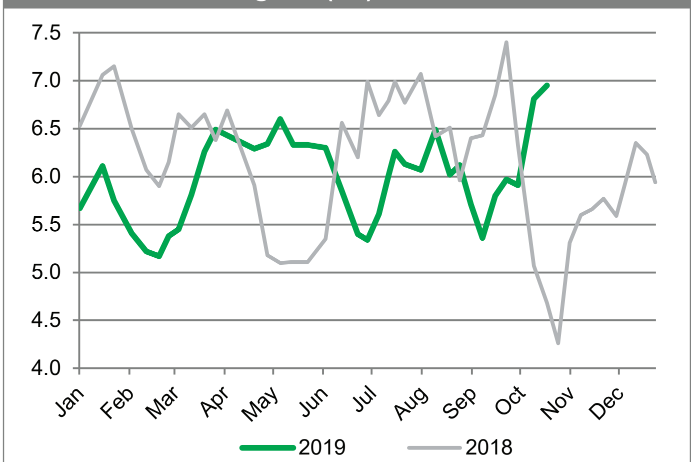
Stocks at Qinhuangdao (mt)



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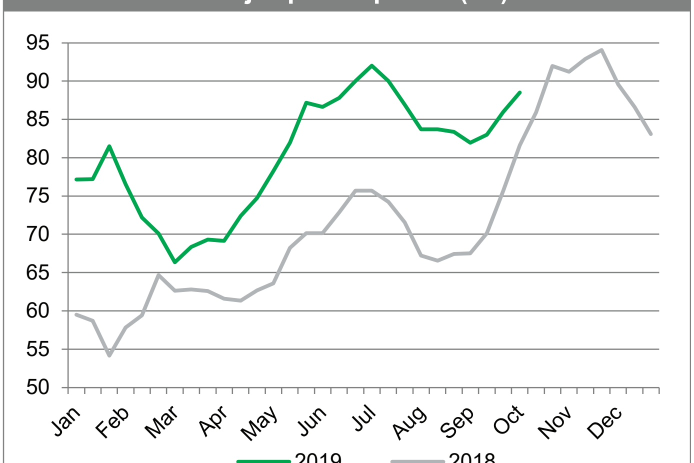
Coal stocks at major power plants (mt)



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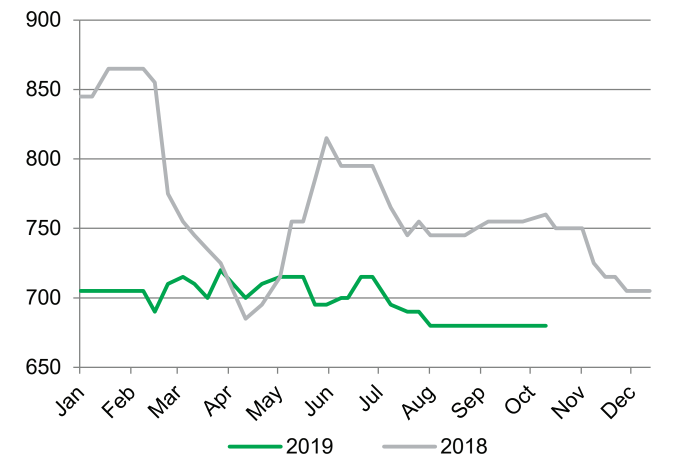
Price of 5,500 kc NAR coal at Guangzhou (RMB/t)



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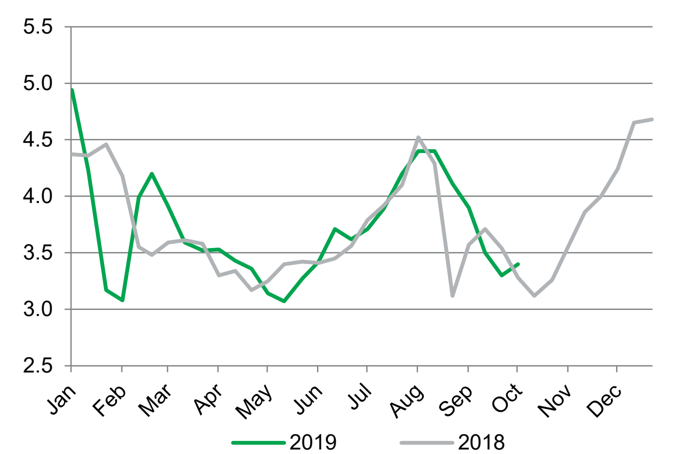
Daily coal consumption by major power plants (mt)



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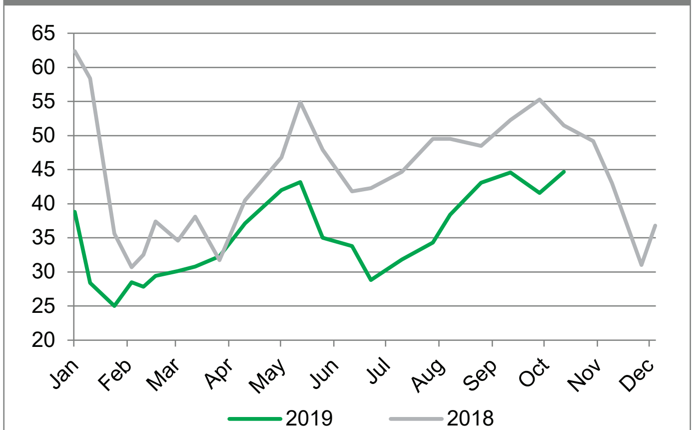
Seaborne freight from Qinhuangdao to Guangzhou in 50,000-60,000t vessels (RMB/t)



Source: China Shipping Exchange © 2019 IHS Markit

fact that the facilities depend heavily on imports means that their intake for domestic material for stock replenishment would remain mediocre, market sources said.

Q4 domestic market seen stable

Most Chinese regions will start winter heating supply in mid-November, which is expected to add some momentum to the current weak scenario.

However, most players do not project large-scale price hikes in the fourth quarter, as increases in demand will be offset by healthy supply from the domestic and import markets.

Consumption at generators across China is projected to increase by more than 40% from October to peak levels in early January, while hydro power output will decrease about 30-40% from October to December. At coastal units, consumption could increase to around 0.80 mt/d in January from about 0.60 mt/d at present.

On the supply side, China has commissioned at least 100 mt/y of new capacity so far this year, while existing mines are expected to keep high operation levels. Import arrivals between October-December are forecast at around 30 mt/month, which contrasts with domestic seaborne supply volumes of 65.45 mt/m in January-September, according to market participants.

China's thermal coal import interest remains strong

China's thermal coal import appetite ticked up in October, bolstered by growing expectations that the government will not introduce further import controls in the remainder of this year, in the wake of two rounds of 10% power price cuts in 2018-19.

Chinese authorities are thought to be in the process of reducing direct intervention as they are eyeing further market oriented reforms in the power sector early next year, after the thermal power sector incurred losses in the previous two years.

Chinese authorities have not commented on coal imports for about three months, and any tightening of controls at ports in this time has been relatively subtle and gradual, with receiving ports mostly maintaining a stance of rejecting customs clearance by users from other regions or traders whose cargoes have not been endorsed by end-users.

At least 24 of China's 72 coal importing ports had exceeded import volumes seen in the same period of 2018, and seven ports had exhausted the previous suggested import quotas by end-September, according to market sources.

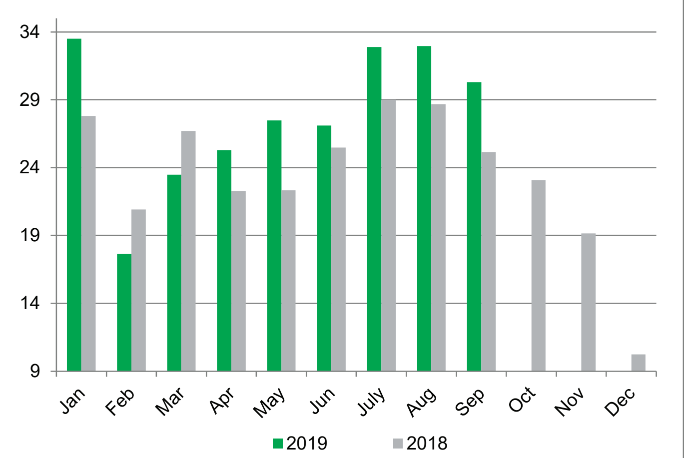
Imports in the third quarter hit 32.04 mt/month, up 24% from 25.75 mt/month in the first half. Guangzhou port in south China even ramped up customs clearance slightly in order to relieve port congestion, after port stocks hit a five-year high of 2.97 mt on 18 October.

One reason China has refrained from further import controls is because such restrictions in the past few years have invariably brought sharp rises in domestic prices, which runs against government efforts to bring FOB levels to below RMB600/t ($84.87/t) FOB, basis 5,500 kc NAR.

It is estimated that average prices for domestic products were approximately RMB600/t ($84.87/t) FOB, basis 5,500 kc NAR, in the first nine months, down from RMB661/t ($93.49/t) FOB in the same period of last year, which itself increased from RMB627/t ($88.68/t) FOB in January-October 2017.

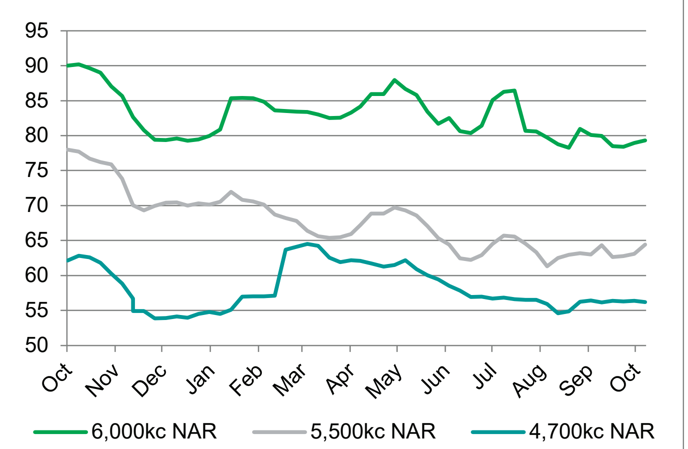
However, the level was still well above the "green zone" of RMB500-570/t ($70.72-80.62/t) FOB, basis 5,500 kc NAR, set by the National Development and Reform Commission. It is believed that the higher coal costs and power price cuts were largely responsible for the thermal power losses in recent years.

China's coal imports (mt)



Source: Chinese Customs © 2019 IHS Markit

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

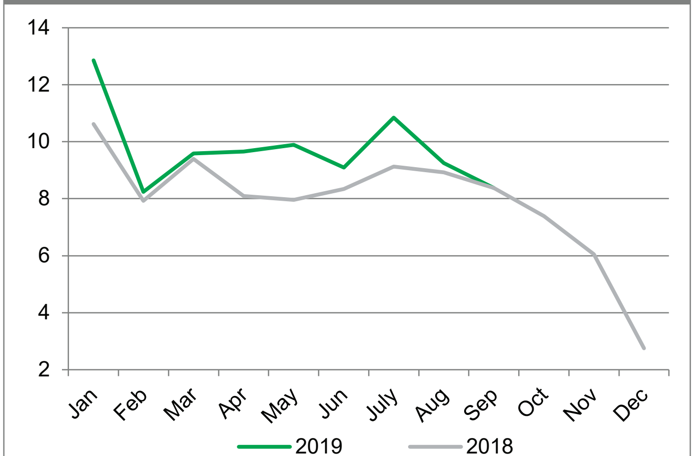


Source: IHS Markit/Xinhua Infolink © 2019 IHS Markit

Significant price gap remains

The rising Chinese import interest has pushed up prices of imported cargoes, but some competitiveness by imports persisted in October.

China's imports of lignite (mt)



Source: Chinese Customs © 2019 IHS Markit

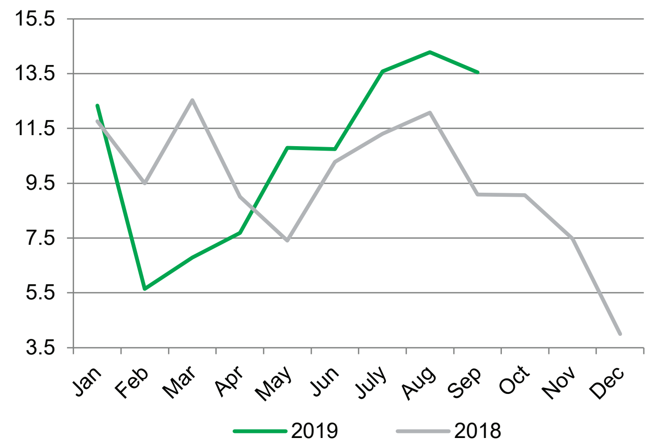
The rate of Australian high-ash material was estimated at approximately $65.60/t CFR, basis 5,500 kc NAR, on 23 October, up $2.83/t from $62.77/t CFR on 4 October. FOB rates were seen up to $52.00/t FOB, compared with around $49.00/t FOB in early October.

The cost of low-rank Indonesian cargoes was estimated at $44.00/t CFR, basis 3,800 kc NAR, up from $42.23/t CFR on 4 October. FOB rates were seen rising to $35.00/t FOB from $32.80/t FOB in early October.

The increases contrasted the downward trend in the domestic market, which had seen prices fall RMB15/t ($2.12/t) to RMB572/t ($80.91/t) FOB, basis 5,500 kc NAR, on 24 October from RMB587/t ($83.03/t) FOB on 8 October.

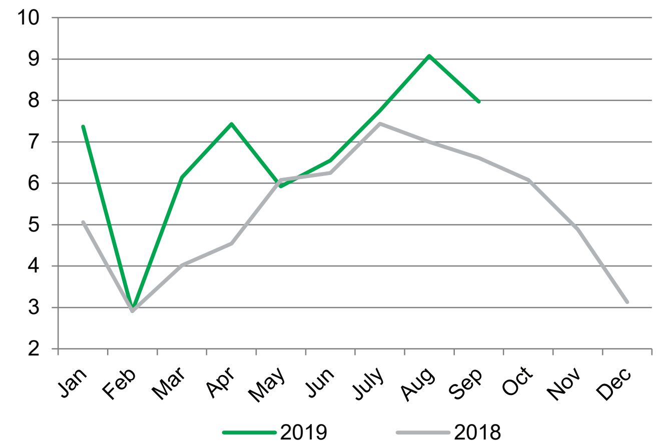
This has narrowed the differential between imports and domestic coal to RMB94/t ($13.30/t), which is

China's imports of steam coal (mt)



Source: Chinese Customs © 2019 IHS Markit

China's imports of coking coal (mt)



Source: Chinese Customs © 2019 IHS Markit

down RMB32/t ($4.53/t) from RMB126/t ($17.82/t) in early October, with costs of Australian coal standing at RMB524/t ($74.12/t) inclusive of domestic tax, basis 5,500 kc NAR, with domestic material arriving at Guangzhou at RMB618/t ($87.41/t) inclusive of freight, same basis.

However, the gap is not expected to be closed soon, given domestic sources expect import settlements to slow in the next few weeks, after power plants have locked in sufficient material for their winter demand, according to market participants.

Market participants generally expect total imports to hit 320-340 mt this year, sharply higher than 281.23 mt imported last year, as they project no further controls are imposed, and arrivals will be around 30 mt/month between October-December, compared with 27.9 mt/m between January-September.

September imports up 21% on year

China imported 30.29 mt of all types of coal in September, increasing 20.5% from 25.14 mt in the same month last year, though easing 8.1% from 32.95 mt in August, according to customs statistics.

Imports in the first nine months came in at 250.57 mt, growing 9.5% from 228.88 mt in the same period last year, with the rate of growth widening from 8.1% in January-August.

The increased tonnage in September mainly came from steam coal, which hit 13.55 mt and rose 51% from 8.98 mt a year earlier, though decreasing from 14.28 mt in August, when the country's demand was strong due to hot weather.

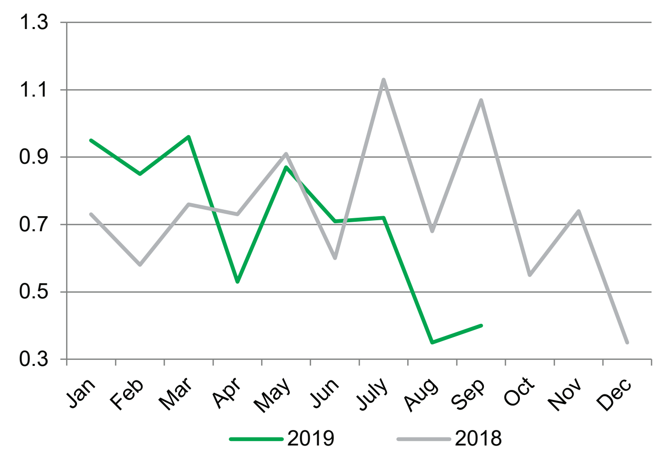
Most of the cargoes are understood to come from Australia, given the huge price differential at above RMB120/t ($16.95/t) compared with China's domestic material and the digestion of the negative impact of prolonged customs clearance up to 60 days.

Receipts of lignite, mainly supplied by Indonesia, however, dropped to 8.37 mt from 9.25 mt in August, and declined 1.6% from 8.51 mt a year earlier.

Total arrivals of thermal coal, which included lignite and steam coal, were 21.92 mt in the month, falling from 23.52 mt in August, but increasing 25% from 17.49 mt in September last year.

However, the country's intakes of coking coal decreased in September, due to lower domestic demand. The tonnage fell to 7.97 mt from 9.07 mt in August, though still grew 20.8% from 6.60 mt a year

China's imports of anthracite (mt)



Source: Chinese Customs © 2019 IHS Markit earlier. Total receipts in January-September came in at 60.95 mt, increasing 19.9% on the year from 50.83 mt.

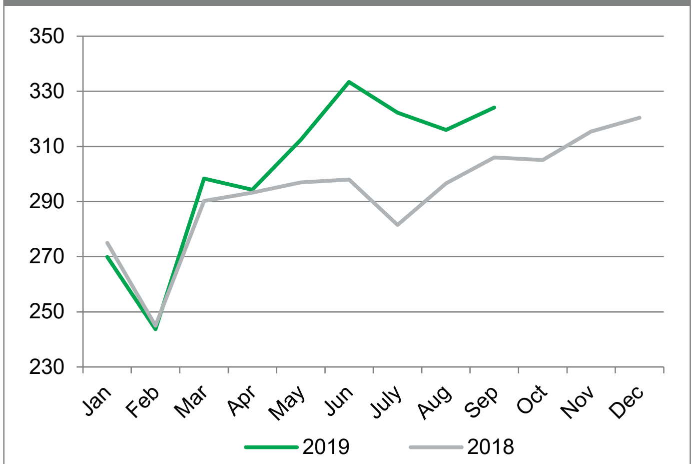
In addition to this, China also imported 0.40 mt of anthracite, climbing from 0.35 mt in August, but plunging from 1.03 mt imported in September last year. Total arrivals in January-September were 6.31 mt, slipping 12.8% from 7.24 mt in the same period of last year.

China's raw coal output up 6% on month in September

China's daily raw coal output averaged 10.80 mt/d in September, up 6% from 10.19 mt/d in August, with the weather more favorable for mine operations and after major miners were urged to ensure supply during the National Day celebrations in early October, according to the National Bureau of Statistics.

Total tonnage came in at 324.14 mt in the month, rising 8.12 mt or 2.6% from 316 mt in August, and increasing 4.4% from 310.48 mt a year earlier, but the year on year growth rate slowed 0.6 percentage points from August.

China's total coal output (mt)



Source: National Bureau of Statistics © 2019 IHS Markit

This brought January-September output to 2.74 bnt or 304.05 mt/month, up 4.5% from the same period of last year, with the growth rate steady to January-August.

October-December is normally a period of strong production in China, as demand tends to be robust, while there is limited impact on operations from bad weather, in addition to new mines being commissioned in previous months.

Output is forecast at 331 mt/m in the last quarter, up from 317 mt/m in the same period of last year, with the full-year tonnage expected to be 3.73 bnt, up 5% from 3.55 bnt last year, according to forecasts by industrial sources.

Major regions gain pace

Combined output from the eight leading producing regions was 291.64 mt in the month, up from 284.35 mt in August, with daily tonnage climbing 6% to 9.72 mt/d from 9.17 mt/d in the previous month, according to data from the National Bureau of Statistics. The regions accounted for 90% of China's total output in September.

Specifically, Inner Mongolia mined 83.81 mt, down slightly from 86.17 mt in the previous month, as sales and environmental controls continued, but the tonnage still grew 2.4% from a year earlier. This brought total production in January-September to 757.00 mt, increasing 10.4% on the year.

Shanxi produced 81.82 mt in September, also dipping slightly from 82.55 mt in August, but daily output grew to 2.73 mt/d from 2.66 mt/d in the previous month. The tonnage was 5.3% higher than September last year, bringing output in January-September to 719.81 mt, expanding 8.3% from the same period last year.

Output in Shaanxi jumped to 65.47 mt, from 56.76 mt in August, and up 11.7% on the year. January-September output was 447.91 mt, still lagging 1.7% behind the same period of last year, but the downward rate narrowed from 4.1% in January-August.

The top three producers mined a total of 231.10 mt in September, climbing from 225.47 mt in August. In January-September, their combined output was 1.92 bnt, expanding 6% from 1.81 bnt in the same period of last year, and accounting for 70.3% of China's total.

Production in Xinjiang remained strong, reaching 22.47 mt in September, a rise of 8.6% from 20.70 mt in August, and 29.1% on the year. Its output in the first nine months jumped 16.7% on the year to 167.51 mt.

Guizhou produced 10.64 mt, growing 7.9% from 9.87 mt the previous month, and expanding 6.3% on the year. January-September production totaled 94.91 mt, up 9.7% on the year.

Output in Shandong climbed to 10.03 mt from 9.86 mt in August, but was still down 3.4% from September last year due to capacity reductions of coal mines at risk of rock bursts. Production in the first three quarters was 89.17 mt, dropping 5.2% from the same period of last year.

Output in Anhui was 8.89 mt in September, falling 3% from 9.16 mt in the previous month, and decreasing 6.2% on the year. Total tonnage in January-September was 82.49 mt, falling 2.9% year on year.

Henan mined 8.51 mt, slipping 8.5% from 9.29 mt in August, and decreasing 12.8% from a year earlier. Output in January-September came in at 81.04 mt, declining 6.8% on the year.

Met coal market in China sees larger price cuts

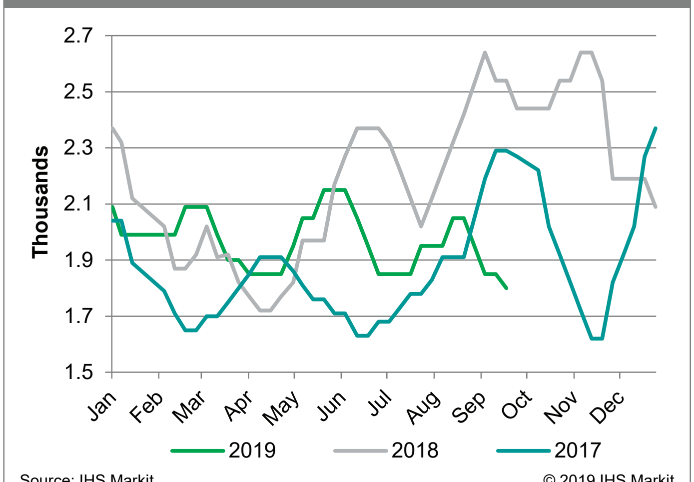
Coking coal price cuts enlarged in China's domestic market in October, as demand from the coke and steel sectors remained low, while environmental controls and weak industrial production continued.

In the top producing region of Shanxi, transactions for the higher quality Liulin No.4 were estimated at around RMB1,420/t ($200.85/t) FOR Luliang on 21 October, down RMB100/t ($14.14/t) from RMB1,520/t ($214.99/t) at end-September, which dropped RMB50/t ($7.07/t) from end-August.

The price of Gujiao No.2 was RMB1,460/t ($206.51/t) FOR on the same day in Taiyuan, Shanxi, decreasing RMB80/t ($11.32/t) from late September, after a reduction of RMB60/t ($8.49/t) in September. Rates of higher volatile material in Linfen fell to RMB1,480/t ($209.34/t) FOR, down RMB50/t ($7.07/t) from late September, following a cut of RMB20/t ($2.83/t) from end-August.

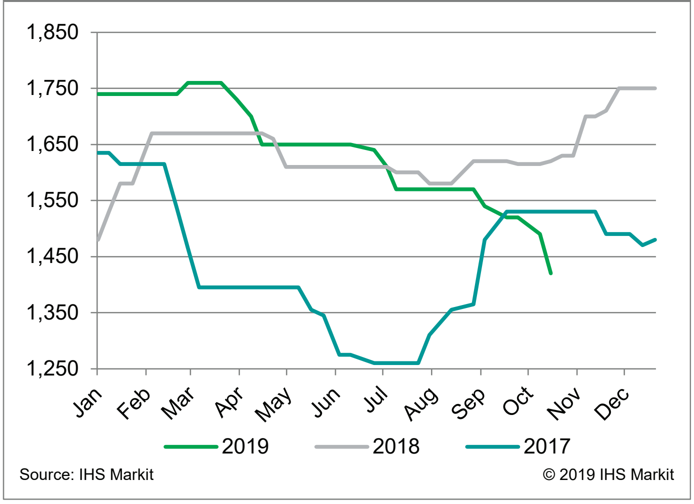
At the coking coal port of Jingtang, ex-stock prices of lower volatile material produced in Shanxi dropped

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



Source: IHS Markit © 2019 IHS Markit

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



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to RMB1,550/t ($219.24/t) on 21 October, slipping RMB100/t ($14.14/t) from RMB1,650/t ($233.38/t) on 30 September, which already fell RMB50/t ($7.07/t) from end-August.

Coking coal production was thought to be lower for a couple of weeks ahead of the National Day celebrations in early October, but operations recovered rapidly afterwards, however, demand has been pressured since mid-October by a new round of winter production cuts, which will run from October through to March next year.

The market is expected to remain weak for a considerably long period of time, as demand from the steel sector will shrink after construction work slows due to expected cold weather in north China and downward pressure has also increased after extensive coke price cuts on 21 October.

The price of coke products with 13.5% ash fell to RMB1,600/t ($226.31/t) in Luliang on 21 October, and the rate of products of the same quality dropped to RMB1,800/t ($254.60/t) in Tangshan, both down RMB50/t ($7.07/t).

The scenario also impacted ex-stock prices for imports, with lower volatile Australian material traded at RMB1,430/t ($202.26/t) at Jingtang on 21 October, down RMB20/t ($2.83/t) from RMB1,450/t ($205.29/t) in late September. Prices of cargoes from Russia decreased to RMB1,270/t ($179.23/t), also falling RMB20/t ($2.83/t) from the end of September.

Mongolian cargoes eased RMB30/t ($4.24/t) to RMB1,390/t ($196.61/t) at Jingtang, and dropped RMB80/t ($11.32/t) to RMB1,050/t ($148.51/t) at the Ganqmod border crossing. The price cuts were despite lower arrivals at 660 truckloads/d in the first three weeks of October, down from around 1,016 truckloads/d a month earlier.

Daily coal shipments in China up 5% on month in September

Coal shipments from major north China loading ports to southern consuming regions averaged 2.17 mt/d in September, rising 5% from 2.07 mt/d in the previous month, according to statistics from the China Coal Transport and Distribution Association (CCTD).

The growth was understood to have been fueled by higher stocking demand ahead of the National Day celebrations in early October. Industrial users including cement and chemical plants also increased shipments to prepare for a rise in output in October, when environmental controls were expected to ease.

Total shipments came in at 64.99 mt in the whole month, up from 64.13 mt in August, but still falling 6.3% from 65.82 mt in September last year. January-September tonnage was 589.01 mt, climbing 0.3% from the same period last year, with the growth rate slowed from 1.2% in January-August.

Huanghua shipped 16.71 mt in September, rising from 16.18 mt in August, but still declining 2.9% from 17.21 mt in the same month of last year. January-September deliveries amounted to 150.32 mt, down 0.5% from 151.07 mt a year earlier.

Shipments from Qinhuangdao dropped to 15.01 mt or 0.51 mt/d in September from 15.38 mt in the previous month. October tonnage could be even lower, as deliveries between 1-21 October were just 0.48 mt/d. Total deliveries in January-September were 145.81 mt, falling 8.3% from 159.01 mt a year earlier.

Jingtang handled 8.86 mt, falling 5% from 9.33 mt in August, and slipping 25.6% on the year, with the downward rate enlarging from 11.0% in August. Total shipments in January-September were 92.03 mt, similar to 91.96 mt in the same period of last year.

Shipments from Caofeidian grew to 11.79 mt in September, rising from 11.51 mt in the previous month, and increasing 9.7% on the year. Deliveries in January-September totaled 98.30 mt, up 37% from the same period of last year.

Daily coal railings up 3% on month

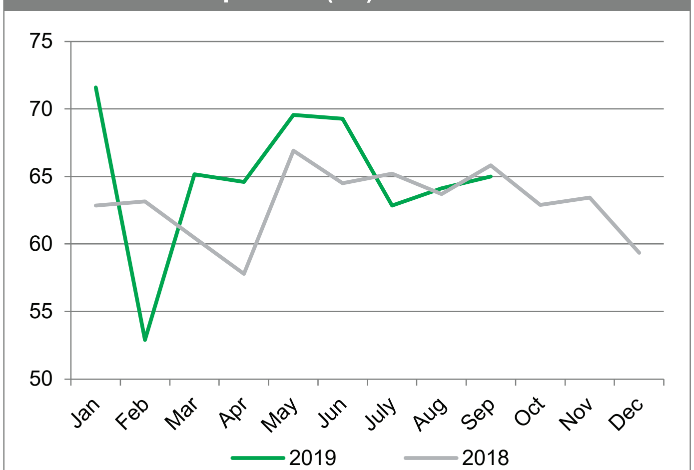
The country's coal railings also accelerated in September, with the tonnage hitting 6.67 mt/d, up 3.4% from 6.45 mt/d in August, although the figure for the whole month was unchanged on the month at 200 mt, which gained 2.49 mt or 1.8% from a year earlier.

January-September railings were at 1.82 bnt, increasing 48.98 mt or 2.8% from the first three quarters of last year, and the growth rate was the same as January-August.

Deliveries on the Daqin line fell to 33.83 mt, down 9% from 37.17 mt in August, and slipping 10.7% from a year earlier, due to the maintenance kicking off on 15 September. The overhaul ended on 7 October and performance stood at 1.20-1.25 mt/d in mid-October, lower than the normal level of about 1.30 mt/d.

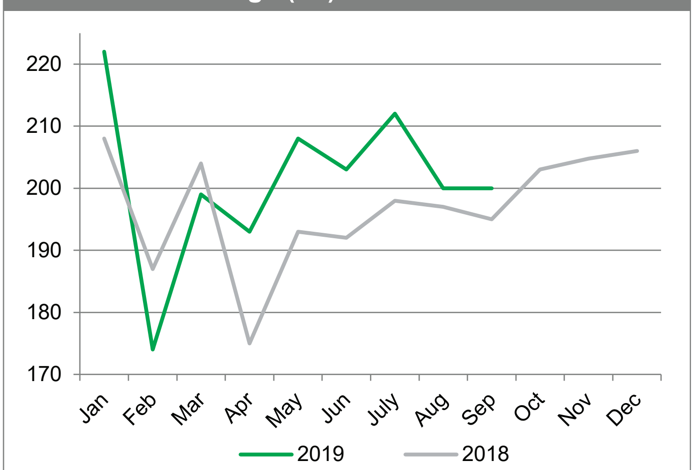
Total railings in January-September came in at 323.48 mt, falling 4.7% from 339.54 mt delivered in the same period of last year. Industrial sources

China's coal shipments (mt)



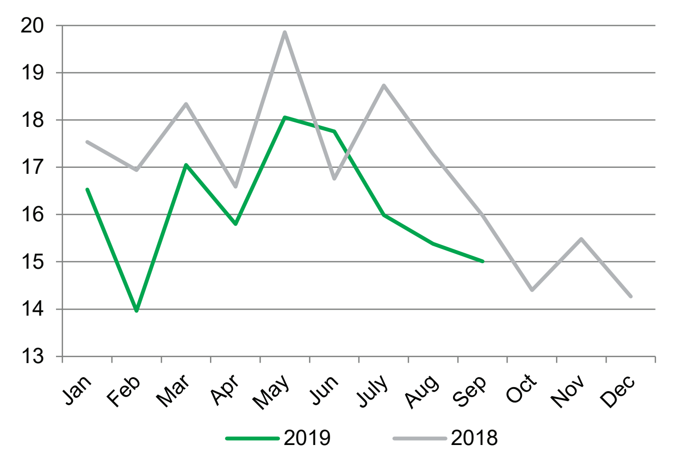
Source: CCTD © 2019 IHS Markit

China's coal railings (mt)



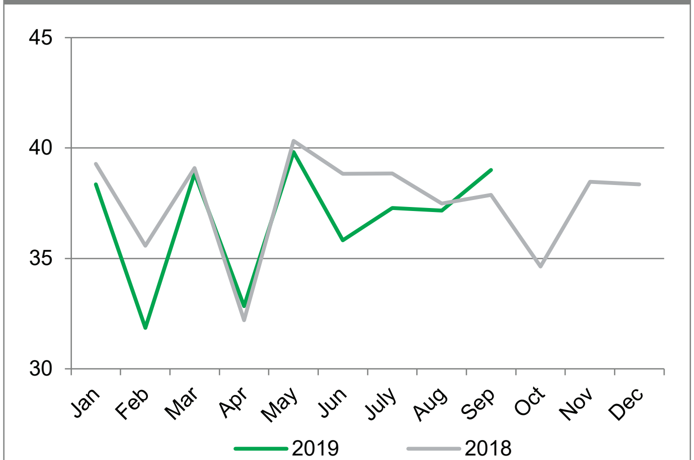
Source: CCTD © 2019 IHS Markit

Qinhuangdao shipments (mt)



Source: CCTD © 2019 IHS Markit

Daqin monthly deliveries (mt)



Source: CCTD © 2019 IHS Markit

predicted Daqin's whole year performance at approximately 435 mt, falling 16 mt or 3.5% from 451 mt last year, which increased 19 mt from 2017. Lower demand and strong import arrivals are mainly responsible for the expected decline.

Daqin's deliveries are forecast to shrink to below 430 mt next year, in the wake of the commissioning of the Haoji railway at end-September this year. The new railway connects Inner Mongolia and Shaanxi with central China and aims to reach 30 mt of deliveries next year.

China's total cargo railings were 360 mt in September, edging up slightly from 358 mt in August, and growing 5.4% from 341.70 mt a year earlier. January-September deliveries stood at 3.15 bnt, rising 6% from a year earlier. Coal transport accounted for 58% of the total, with the proportion up from 56% in January-August, the CCTD added.

Power output and demand in China accelerates in September

China's power production and consumption growth rates enlarged in September, after the country's industrial output growth accelerated to 5.8% year on year in the month, from 4.4% in August.

Power consumption was 602.0 TWh, up 4.4% year on year, widening from the 3.6% rise in August, and from the increase of 2.7% in July, according to data released by the National Energy Administration (NEA).

Daily consumption averaged 20.07 TWh/d in September, declining 8.1% from 21.84 TWh/d in the previous month, and down 6.7% from 21.52 TWh/d in July, as a result of seasonal factors.

The industrial and construction sector consumed 377.4 TWh, or 12.58 TWh/d in September, which declined 10.7% from 14.09 TWh/d in August, but was up 3.6% from the same month of last year. The year on year rise compared with the growth rate of 4.3% in August, and 1.2% in July.

The service sector consumed 110.6 TWh in September, slipping 9.4% from 122.1 TWh in August, but growing 8.5% on the year. The year on year rise quickened from the 6.5% growth rate in August.

Consumption by households hit 106.3 TWh, lower than 109.6 TWh in August, but 3.3% higher than a year earlier. This has reversed the year on year drop of 1.8% in August, as the average temperature across the country was 17.7˚C in September, which was 1.1 higher than 16.6 ˚C in the same period of normal years, and hit the third highest for September since 1961.

The agricultural sector used 7.7 TWh in September, down 8.3% month on month, but up 5.8% year on year, widening from August's year on year rise of 1.6%.

January-September power demand amounted to 5,344.2 TWh, which increased 4.4% from the same period of last year, and with the upward rate steady from January-August.

Demand in the industrial and construction sectors accounted for 3,585.7 TWh in the nine months, growing 3.0% on the year, and also flat from the rise in January-August.

The service sector consumed 899.4 TWh in January-September, which was up 8.7% year on year, and residential consumption was up 6.3% to 801.0 TWh. Agricultural sector demand was 58.1 TWh, a rise of 4.7% on the year.

By province, power demand in 27 domestic provinces increased in the first nine months, with growth rates in Inner Mongolia, Guangxi, Hainan and Tibet topping 10%.

The growth rate of power production also quickened in September, with combined output from all types of power units at 590.8 TWh, growing 4.7% from the same month last year, and versus the growth rate of 1.7% in August, and merely 0.6% in July, according to the National Bureau of Statistics (NBS).

Daily production averaged 19.69 TWh/d, which slipped 8.6% from 21.55 TWh/d in the previous month.

Thermal power output hit 415.0 TWh in September, which climbed 6.0% from a year earlier, and reversed the year on year drop of 0.1% in August. However, output eased 12.2% from 472.9 TWh in August, as a result of seasonal factors.

The year on year rise came amid cooling hydro production, which stood at 113.0 TWh in September, falling 1.1% year on year, and declining 12.7% from 129.5 TWh in August. It is understood average rainfall levels across the country reached 62.4 mm in September, which was 4.4% below the level of 65.3 mm in the same period of normal years.

Wind power output in September also declined 7.9% year on year to 22.5 TWh, though the figure was higher than 22.2 TWh in August.

Nuclear power output, however, increased 17.9% year on year to 29.7 TWh, but was down 15.2% from 32.9 TWh

China's power demand (TWh)

Sector	Sep	y-o-y %	Jan-Sep	y-o-y %
Industrial and construction	602.0	4.4	5,344.2	4.4
Extractive, agriculture and forestry	7.7	5.8	58.1	4.7
Services	110.6	8.5	899.4	8.7
Household	106.3	3.3	801.0	6.3
Total	**677.0**	**3.6**	**4,742.2**	**4.4**

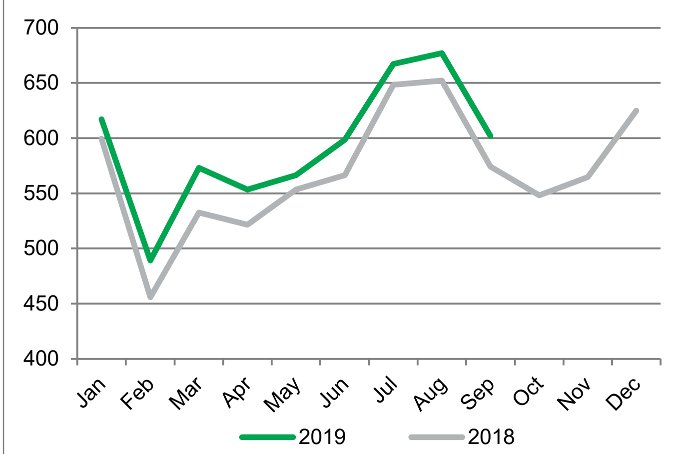
Source: National Energy Administration © 2019 IHS Markit

China's power production (TWh)

	Sep	y-o-y %	Jan-Sep	y-o-y %
Thermal	415.0	6.0	3,802.0	0.5
Hydro	113.0	-1.1	893.8	7.9
Nuclear	29.7	17.9	253.8	21.1
Wind	22.5	-7.9	256.6	5.1
Solar	10.8	19.4	90.5	15.5
Total	**590.8**	**4.7**	**5,296.7**	**3.0**

Source: National Bureau of Statistics © 2019 IHS Markit

China's power demand (TWh)



Source: National Energy Administration © 2019 IHS Markit

in August, because of unit maintenance in September. Solar power output hit 10.8 TWh, growing 19.4% year on year, but was down from 10.9 TWh in August.

Total power output amounted to 5,296.7 TWh in January-September, an increase of 3.0% from the same period of last year, and accelerating from 2.8% growth in January-August.

Thermal power output accounted for 3,802.0 TWh in the first nine months of the year, up half a percent from a year earlier, and compared with the year on year drop of 0.1% in January-August. Hydro power output was up 7.9% year on year to 893.8 TWh, markedly narrowing from January–August.

Nuclear power gained 21.1% to 253.8 TWh, and wind power output was 256.6 TWh, which was up 5.1% year on year. Solar power output hit 90.5 TWh, climbing 15.5%.

Combined output of hydro, nuclear, wind and solar power accounted for 28.2% of China's total power production in the first nine months, with the proportion rising 0.9 percentage points from the first half of this year, and growing 1.5 percentage points from the same period of last year.

Steel market in China weak in October

China's domestic steel market remained weak in October, despite the pick-up of construction work between September-October, with persisting strong production but weak industrial demand thought to be the main reasons.

The price of HRB400 rebar dropped to RMB3,620/t ($512.02/t) in Shanghai's spot market on 21 October, down RMB160/t ($22.63/t) from RMB3,780/t ($534.65/t) on 30 September. Q235 plate was RMB3,710/t ($524.75/t), falling RMB70/t ($9.90/t) from RMB3,780/t ($534.85/t) at the end of September.

Steel production remained strong in September, though mills in north China conducted production cuts ahead of the National Day celebrations. Daily crude steel output was 2.76 mt/d in September, dipping slightly from 2.81 mt/d in August, but the output of finished steel products rose to 3.48 mt/d from 3.43 mt/d in the previous month.

Production is believed to have rebounded rapidly after the early October holidays, with the operational rate of blast furnaces at 85.13% on 11 October, rising from 72.55% on 27 September, at which time a large number of furnaces were ordered to halt production. The rate in Tangshan jumped 24 percentage points to 66.60%, from 42.58% on 27 September.

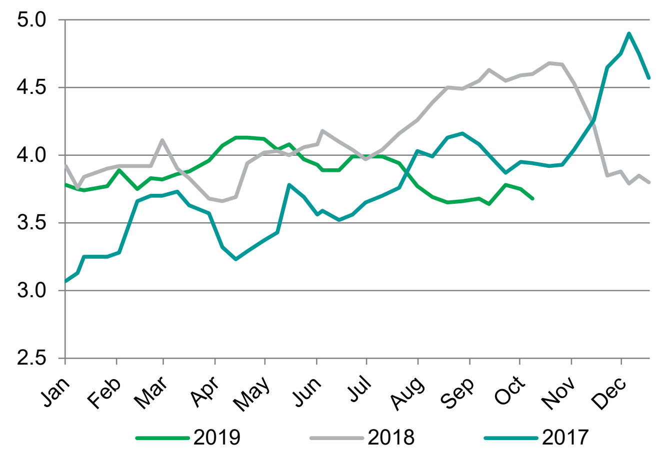
Industrial participants expect strong steel production in the fourth quarter, after authorities eased the stance on winter production controls, as previous indiscriminate production curbs had significantly impacted performance across many industrial sectors.

However, any demand increase is projected to be limited in the remainder of the year, according to analysts. GDP growth slowed to 6.0% in the third quarter, from 6.2% in the second quarter and 6.4% in the first quarter. The growth of fixed asset investment was 5.4% in January-September, narrowing 0.1 percentage point from January-August.

The average operational rate of industrial facilities averaged 76.2% in January-September, also down 0.4 percentage point from the same period of last year. Investment in the steel consuming real estate sector expanded 10.5% on the year in the first three quarters, same as January-August. Construction of newly-started houses grew 8.6% on the year, with the growth rate slowing 0.3 percentage point from January-August.

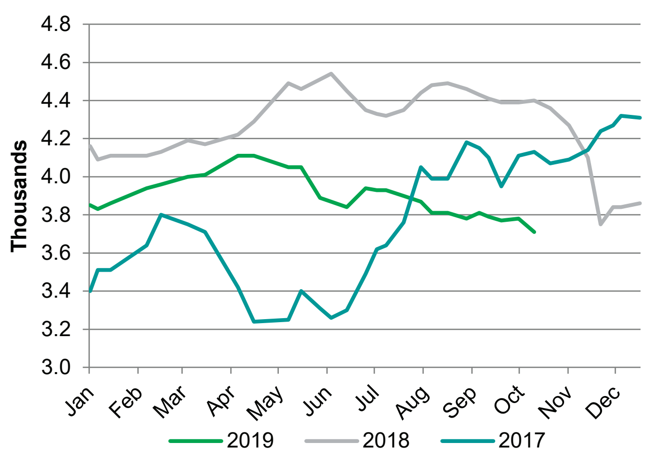
Production of automobiles, also a major steel consuming industry, eased 6.9% on the year to 2.22 million units in September, with January-September output dropping 12% on the year to 18.09 million units.

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



Source: IHS Markit © 2019 IHS Markit

Price of Q235B plate in Shanghai (RMB/t)



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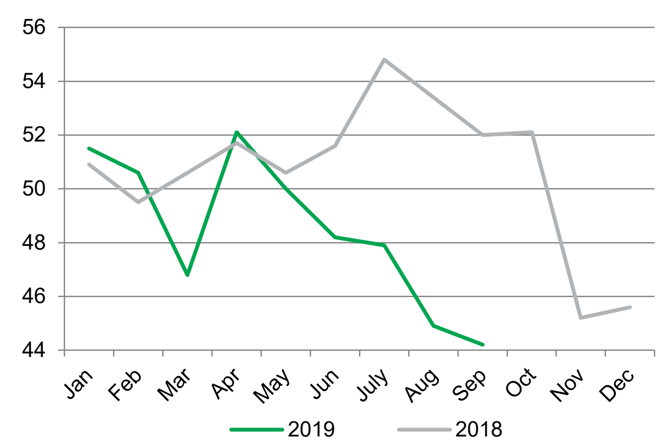
PMI for China's steel industry (%)



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Reflecting the weakness, China's September Purchasing Managers' Index (PMI) for the steel sector dropped 0.70 percentage point month on month to 44.2%, marking the fifth consecutive month of decrease, and dropping 7.9 percentage points from 52.1% in April.

The new orders sub-index was just 37.9%, in contrast with 48.9% a year earlier, though climbing 0.4 percentage point from the year low of 37.5% in August. The export new orders sub-index slipped 9.3 percentage points to 40.2%.

Major steel companies, including Baosteel, Wuhan Iron and Steel, Ansteel, and Shousteel, have decided to keep their prices unchanged for November.

GDP growth in China cools to 6.0% in Q3

China's Gross Domestic Product (GDP) expanded 6.0% year on year in the third quarter, slowing from 6.2% in the second quarter and 6.4% in the first quarter.

GDP growth in the first three quarters was 6.2% year on year, cooling 6.6% in 2018, but the figure still stood within the government's targeted rise of 6.0-6.5% set for this year, the National Bureau of Statistics (NBS) has reported.

The slowdown was mainly attributed to the escalating trade tension with the United States, which dampened outlook for many industrial sectors.

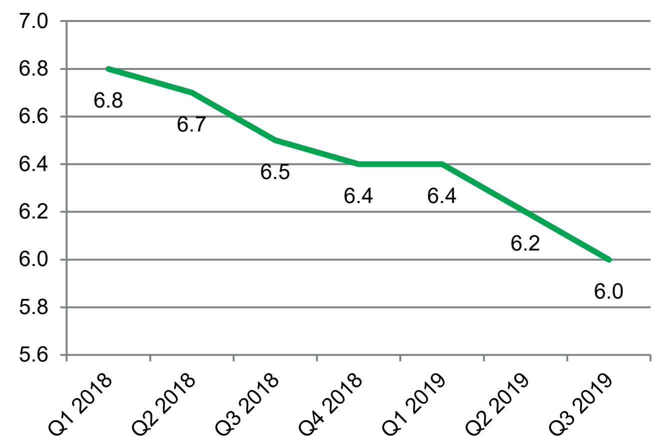
However, the NBS said that the economic structure further improved, with domestic consumption, the top contributor to GDP growth, now weighing 60.5% in the total, widening from the proportion of 60.1% in the first half.

The stake held by capital investment hit 19.8%, also higher than 19.2% in the first half, but the contribution from net exports was 19.6%, falling from 20.7% in the first half.

The NBS expects the GDP growth to stand largely above 6% in the fourth quarter, as positive signs for a trade agreement with the US helped improve the mid-term outlook, while infrastructure construction is expected to gain speed following incentives introduced earlier by the government, and the low basis figures in October-December last year are also a factor.

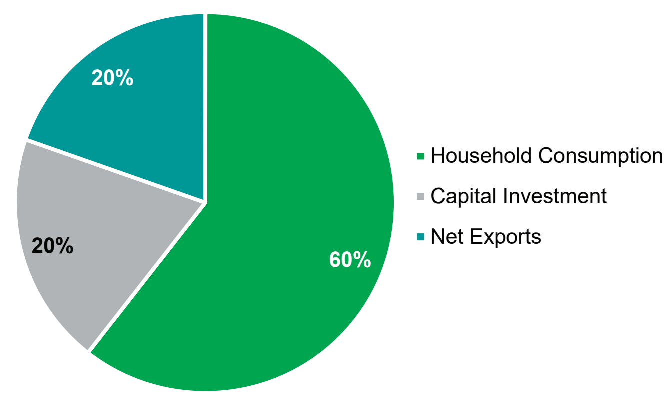
This was at a time when data for September pointed to a recovery in economic activity.

China GDP growth (%)



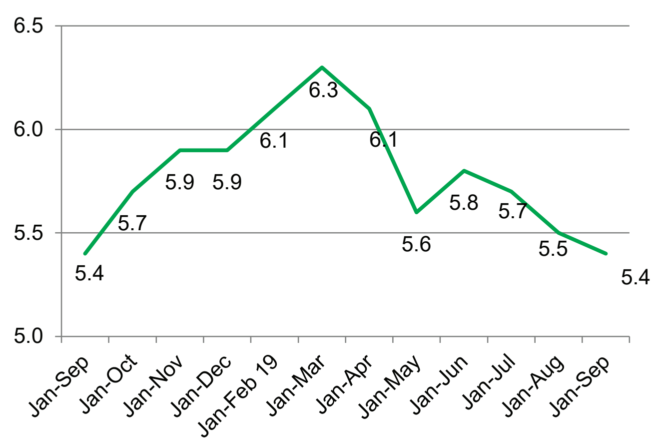
Source: National Bureau of Statistics © 2019 IHS Markit

Contributors to GDP growth Jan-Sep 2019



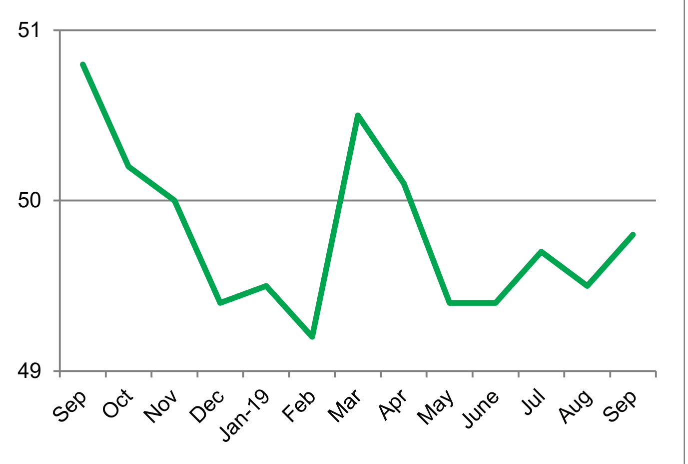
Source: IHS Markit © 2019 IHS Markit

Fixed-assets investment growth (%)



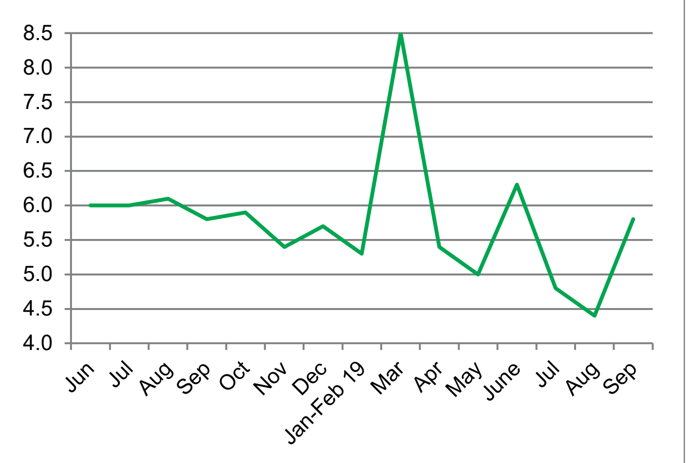
Source: National Bureau of Statistics © 2019 IHS Markit

China's manufacturing PMI (%)



Source: National Bureau of Statistics © 2019 IHS Markit

Industrial output (%)



Source: National Bureau of Statistics © 2019 IHS Markit

Industrial production increased by 5.8% year on year in the month, up 1.4 percentage points from 4.4% in August, as sentiment among industrial companies rebounded following threats in August of a new round of tariff increases between China and the US.

The manufacturing sector expanded 5.6% in September, markedly accelerating from the 4.3% rise in August. The mining sector grew 8.1%, which also widened from the 3.7% increase in August. By contrast, growth in the heat, gas and water production and supply sector was 5.9%, which was steady from August.

Industrial output in the first three quarters expanded 5.6% year on year, with the growth flat from January-August.

The Purchasing Managers' Index (PMI) for China's manufacturing sector was 49.8% in September, higher than 49.5% in August, though it remained below the 50% boom-or-bust line, the NBS said.

The production sub-index hit 52.3% in the month, rising from 51.9% in the previous month, and the new orders sub-index was 50.5%, up from 49.7%. They both stood in the expansion zone, indicating rising production and consumption in the sector.

Fixed-asset investment increased 5.4% year on year in January-September, with the growth rate cooling 0.1 percentage point from January-August, but flat from the same period of last year.

Spending in the infrastructure construction sector was up 4.5% year on year, accelerating from 4.2% in January-August, and from the rise of 3.8% in January-July, after the government boosted fund supplies.

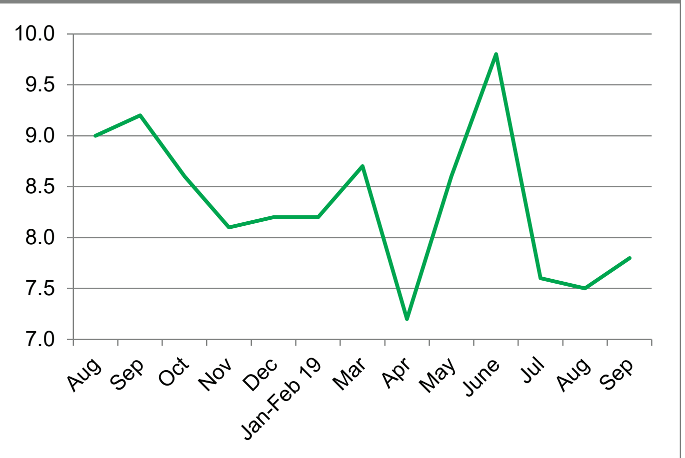
However, investment in manufacturing was 2.5% year on year in January-September, down 0.1 percentage point from January-August. Investment growth in the real estate sector was 10.5% year on year, steadying from January-August.

Retail sales went up 7.8% year on year in September, compared with the growth rate of 7.5% in August, after the decline of automobile sales narrowed to 2.2% year on year in the month, from the 8.1% fall in August.

Growth in January-September was 8.2%, which was flat from the first eight months, with automobile sales weakening 0.7% year on year, versus the drop of 0.5% in the first eight months.

Foreign trade performance in September was weaker than market forecasts. Exports eased 3.2% year on year to $218.12bn, with the decline enlarging from the drop of 1.0% in August. Exports to the US fell 21.9% year on year, deepening from the fall of 16% in August.

Retail sales growth (%)



Source: National Bureau of Statistics © 2019 IHS Markit

Imports declined 8.5% year on year to $178.47bn, after the drop of 5.6% in August. Total trade volumes in September were $396.60bn, which slipped 5.7% year on year, following the drop of 3.2% in August.

Trade volumes in January-September were $3,351.78bn, dropping 2.4% on the year, which also deepened from the drop of 1.9% in January-August. Exports edged down 0.1% to $1,825.1bn, reversing the year on year rise of 0.3% in January-August, while imports decreased 5.0% to $1,526.67bn, accelerating from the 4.5% fall in January-August. The trade surplus in January-September was $298.43bn, jumping 34.8% on the year.

China's imports and exports ($bn)

Source: General Administration of Customs

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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

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CustomerCare@ihsmarkit.com
Americas: +1 800 IHS CARE (+1 800 447 2273)
Europe, Middle East, and Africa: +44 (0) 1344 328 300
Asia and the Pacific Rim: +604 291 3600