China Coal Monthly 中國煤炭報告

The definitive monthly publication on the Chinese coal industry

December 2018 | Issue 179

Thermal coal market in China weakens

China's thermal coal prices continued to drop in December over slowing industrial production and warmer weather compared with previous winters.

Prices weakened further towards the end of December, after power plants slowed the pace of domestic purchasing to prepare for mass import arrivals beginning early January.

January prices are projected to remain weak as power plants are expected to continue destocking, while demand is predicted to retreat in the latter part of the month, after factories reduce or suspend operations ahead of the Lunar New Year in early February.

Lacklustre performance is expected to carry through into the second quarter, as temperatures rise in February. Meanwhile, industrial production is expected to remain weak. Demand may pick up in May on the back of stockpiling for summer, analysts said.

Prices fall across the board

Spot transactions were concluded at around RMB603/t ($87.52/t) FOB Qinhuangdao (QHD) on 20 December, basis 5,500 kc NAR, down from RMB637/t ($92.45/t) FOB at end-November, and in contrast to the recent high of RMB675/t ($97.97/t) in mid-October.

Coal imports (000t)

	Oct. 2018	Oct. 2017	% change	Jan-Oct 2018	Jan-Oct 2017	% change
Steam coal	6,540	4,708	39%	69,020	62,374	11%
Coking coal	6,080	5,272	15%	56,910	58,508	-3%
Anthracite	550	531	4%	7,800	11,777	-34%
Brown coal	7,390	8,619	-14%	85,520	67,992	26%
Other coal	2,520	2,148	17%	32,790	25,674	28%
Total	**23,080**	**21,277**	**8%**	**252,040**	**226,324**	**11%**

Source: IHS Markit, Xinhua Infolink © 2018 IHS Markit

IHS McCloskey/Xinhua Infolink Chinese markers

Steam coal	23-Nov	30-Nov	07-Dec	14-Dec
QHD FOB markers ($/t)				
5,000kc NAR	81.12	81.19	80.18	79.35
or 4,700kc NAR	76.25	76.31	75.37	74.58
5,000kc NAR	**90.90**	**91.72**	**90.60**	**89.84**
or 5,800kc NAR	97.50	98.03	97.29	96.36
or 6,000kc NAR	100.97	101.42	100.64	99.68
South China CFR markers ($/t)				
4,700kc NAR	54.90	53.88	53.90	54.14
5,500kc NAR	**70.05**	**69.29**	**69.96**	**70.41**
6,000kc NAR	82.64	80.77	79.42	79.34

Note: FOB prices inclusive of domestic taxes

Note: CFR prices exclusive of Chinese taxes

Source: IHS McCloskey, Xinhua Infolink © 2018 IHS Markit

Metallurgical coal and coke markers

Coking coal prices (RMB/t)	26-Nov	03-Dec	10-Dec	17-Dec
in Shanxi, Gujiao FOR[1]*	1,690	1,690	1,690	1,690
in Hebei, Tangshan CIF[2]*	1,655	1,655	1,655	1,655
Coke prices (RMB/t)	**26-Nov**	**03-Dec**	**10-Dec**	**17-Dec**
in Shanxi, Jiexiu[4]	2,200	2,000	2,000	2,000
in Hebei, Tangshan[3]	2,440	2,190	2,190	2,190

* 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 © 2018 IHS Markit

Power generation (billion kWh)

	Jan-Nov 2018	Jan-Nov 2017	% change
Hydro power	1,034	1,010	2%
Coal-fired power	4,436	4,165	7%
Other	631	521	21%
Total	**6,100**	**5,695**	**7%**

Source: IHS Markit, Xinhua Infolink © 2018 IHS Markit

Coal stocks (mt)

	Nov. 2018	Nov. 2017	Change
Power plants	94.05	77.92	16.13
Producer	77.77	91.47	(13.69)
Total	**171.82**	**169.39**	**2.44**

Source: IHS Markit, Xinhua Infolink © 2018 IHS Markit

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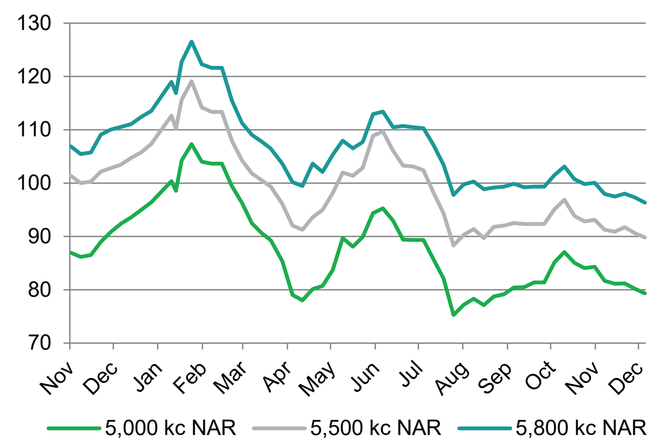
FOB prices at Qinhuangdao ($/t)



Source: IHS Markit © 2018 IHS Markit

Prices for 5,000 kc NAR cargoes dropped to RMB527/t ($76.49/t) FOB, from RMB564/t ($81.86/t) at end-November, which fell from RMB609/t ($88.39/t) FOB in mid-October.

Sharp price cuts were heard in mining regions as well, as local users have completed stocking for the winter, amid fast disappearing demand from traders. Demand from cement and chemical factories was also minimal as they have been ordered to slash output for environmental concern.

However, the fall in prices was relatively mild for cargoes delivered to consuming regions. Prices slid to RMB440/t ($63.86/t) FOR, basis 5,500 kc NAR, in Datong, Shanxi on 20 December, down RMB5/t ($0.73/t) from end-November, which had slipped RMB30/t ($4.35/t) from a month earlier.

In Ordos, Inner Mongolia, prices dropped to RMB335/t ($48.62/t) FOR, basis 5,500 kc NAR, down RMB10/t ($1.45/t) from end-November, following a

Customer notice: IHS Markit's coal price reporting service completes fourth annual assurance review; adds four new markers to the in-scope benchmarks

The assurance review was conducted by independent professional services firm PwC and examined the policies, processes and controls that the IHS Markit coal team uses to establish price benchmarks for thermal coal. These policies, processes and controls are designed to ensure compliance with the principles for price reporting agencies (PRAs) set out by the International Organization of Securities Commissions (IOSCO). A "reasonable assurance" review was carried out for those benchmarks already in-scope, as recommended by IOSCO. In addition, the IHS McCloskey Northwest Europe Steam Coal (5,700kc min) marker; IHS McCloskey Richards Bay (5,700kc NAR min) FOB marker; NAPP FOB Rail marker; and ILB FOB Barge marker were subjected to a limited assurance review.

To download the report visit our website: https://www.ihs.com/products/coal-price-data-indexes.html

reduction of RMB35/t ($5.08/t) in the previous month.

In consuming regions of south China, ex-stock prices at Guangzhou dropped to RMB705/t ($102.32/t) on 20 December, basis 5,500 kc NAR, down RMB20/t ($2.90/t) from late November. Prices at Ningbo fell to RMB655/t ($95.07/t), dropping RMB25/t ($3.63/t), same basis.

Further drop in prices likely

Market participants expect spot prices to fall to the range of RMB500-550/t ($72.57-79.83/t) FOB, basis 5,500 kc NAR, in the first quarter of 2019, in contrast to an estimated average of RMB600/t ($87.08/t) FOB this year.

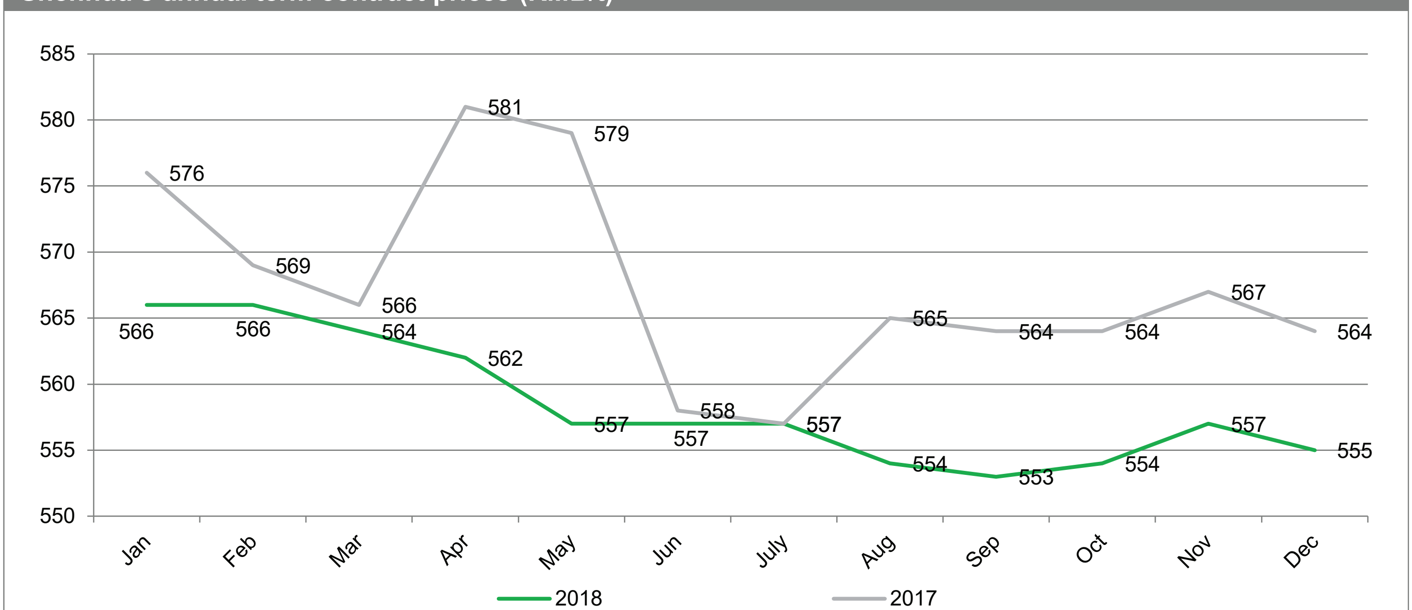
This will be within the green zone targeted by Chinese authorities, at RMB500-570/t ($72.57-82.73/t) FOB, basis 5,500 kc NAR.

The government has asked producers to reduce their monthly contract prices throughout 2019 to less than RMB600/t ($87.08/t) FOB, basis 5,500 kc NAR, and remove their previous "bundle sales" practice.

The policy will potentially pressure mine prices in the coming year, when spot trades will be less active compared with this year, market sources predict.

Major domestic miners and buyers are expected to complete term coal contracting in January, after their agreed tonnages at the Qinhuangdao trading fair in December were well below earlier plans.

Shenhua's annual term contract prices (RMB/t)



Source: Shenhua Group

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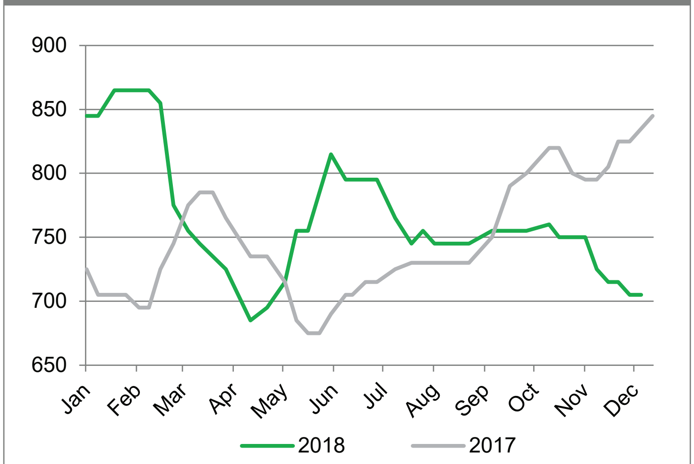
Price of 5,500 kc NAR coal at Guangzhou (RMB/t)



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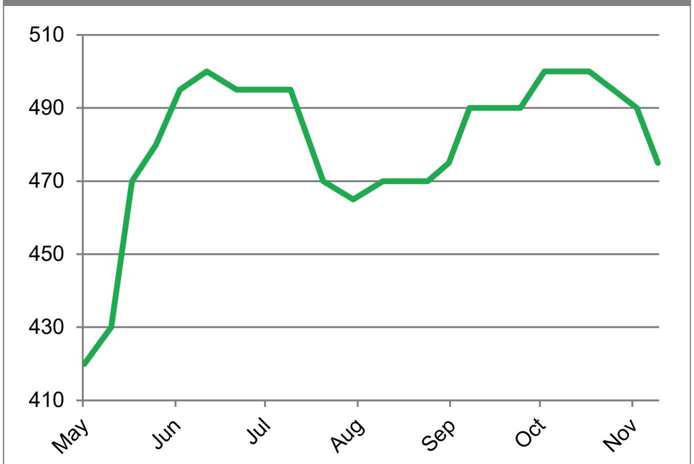
Shanxi FOR prices for 5,500 kc NAR material (RMB/t)



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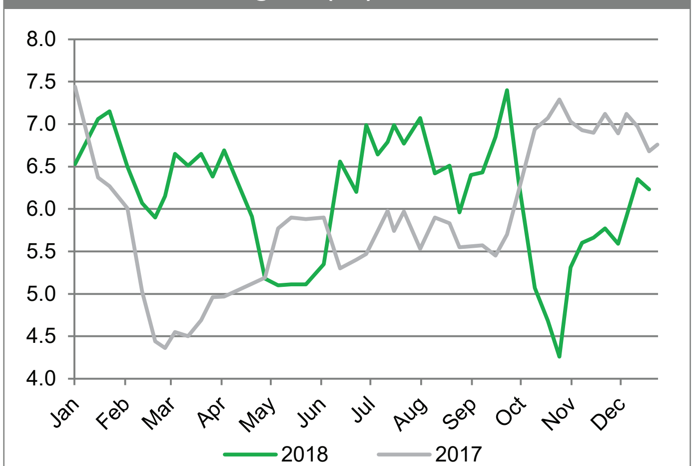
Stocks at Qinhuangdao (mt)



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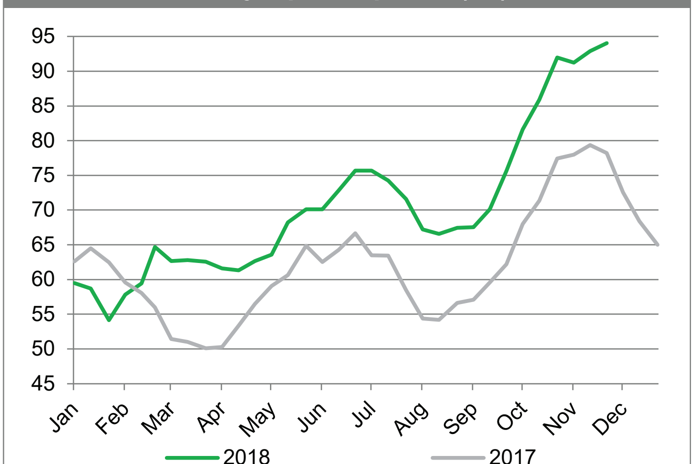
Coal stocks at major power plants (mt)



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Potential oversupply

Domestic production will be largely above 10 mt/d in the foreseeable future, though tonnages in January-February could be lower due to holidays.

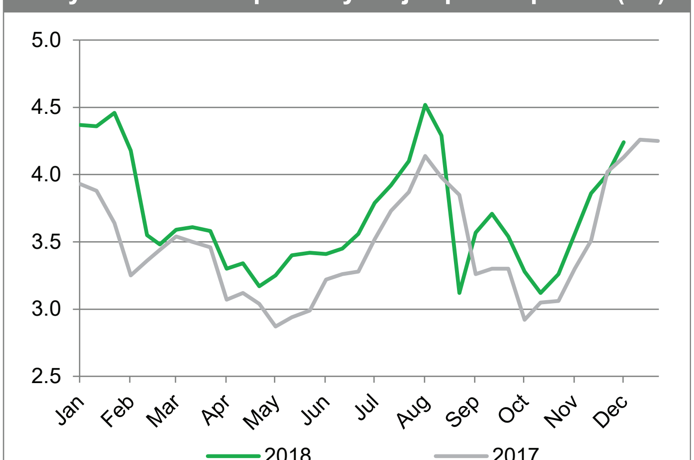
The amount can meet peak season demand in previous years when industrial output was strong. Under current weak demand scenarios, this means a potential oversupply, market sources suggest.

China has accelerated new mine commissioning in the past few months, in order to bring down the overall coal price levels, at a time that the major power groups' thermal units continued loss-making in 2018.

Power plants reduce stocks

Stocks at major power plants across China were 90.05 mt or 22 days on 9 December, down from

Daily coal consumption by major power plants (mt)



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93.32 mt or 25 days at end-November, although consumption rose to 4.24 mt/d from 3.76 mt/d. Their intake was 3.87 mt/d on 9 December, little changed from 3.83 mt/d at end-November.

The tonnage at coastal units was 16.91 mt or 23 days on 19 December, down from more than 18 mt or about 32 days in early the month. Coal burn at the units was 0.73 mt, much higher than under 0.60 mt/d in early December.

Analysts suggest that this marks the beginning of a destocking process among Chinese power plants, which could last into the second quarter of next year. The power plants have seen stocks continue increasing over the past few months, after authorities increased railing capacities in May.

Restocking may begin around May-June, when higher hydropower output and warmer weather would bring domestic prices to their floor, according to analysts.

China thermal coal import interest wanes over weak outlook

Import enthusiasm among Chinese power plants receded toward the end of December, after it was revealed that macro-economic indicators for November showed a slowdown in industrial production growth across China.

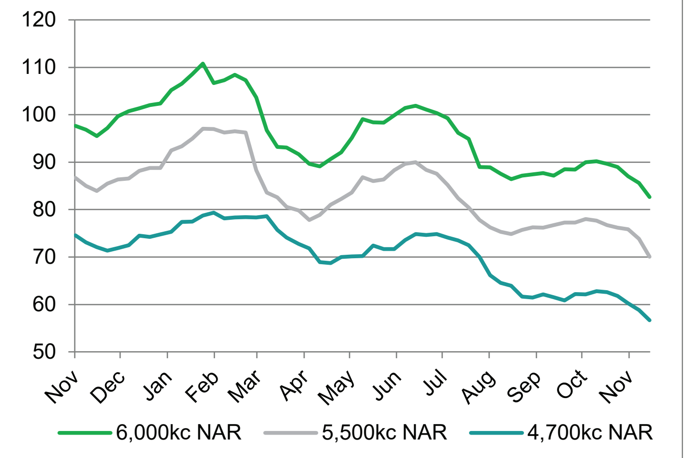
Analysts expect the downtrend to last at least a few months. Market sources therefore expect China's GDP growth to dip to 6.2% in 2019 from a forecast of 6.6% this year.

Industry sources have sharply adjusted their pricing outlook downwards for the domestic market, with some forecasting domestic prices to reach around RMB500/t ($72.57/t) FOB, basis 5,500 kc NAR, by the second quarter of 2019.

This is approximately $73.00/t before Chinese VAT, and equates to nearly $78.50 after freight to south China. This implies that significant price competitiveness of imported material will drop next year.

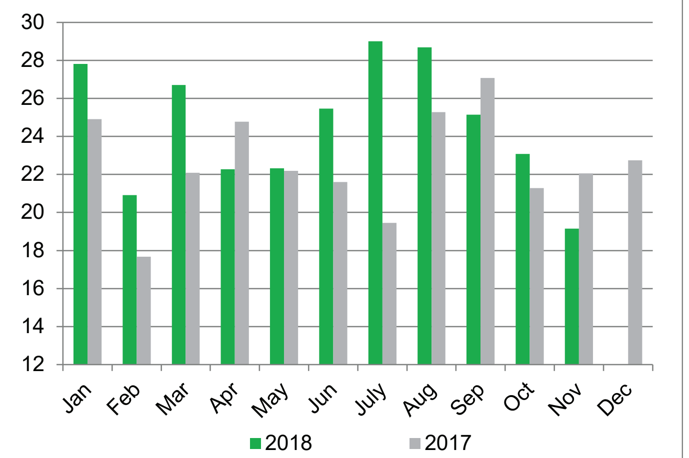
High-ash Australian material was traded at $70.41/t CFR south China, basis 5,500 kc NAR, on 14 December, and lower rank 3,800 kc NAR cargoes from Indonesia were valued at $37.54/t CFR, according to South China CFR markers compiled by IHS Markit and Xinhua Infolink. The price levels have been largely stable for a couple of weeks, after Chinese import settlements slowed.

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



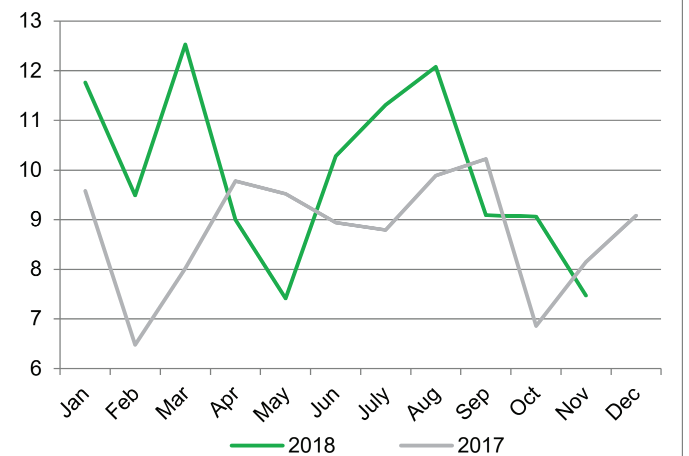
Source: IHS Markit/Xinhua Infolink © 2018 IHS Markit

China's coal imports (mt)



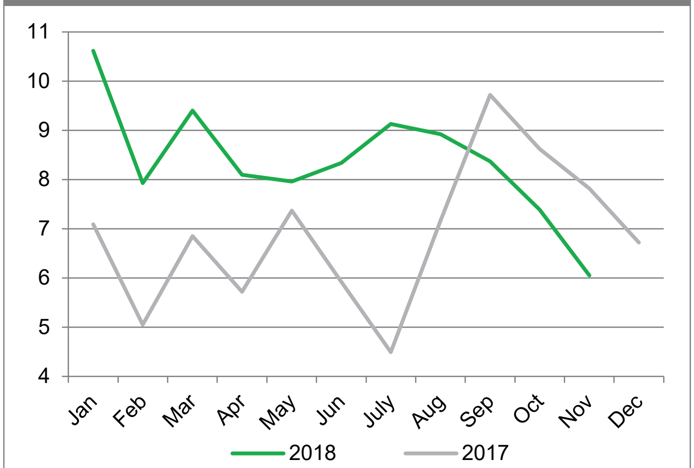
Source: Chinese Customs © 2018 IHS Markit

China's imports of steam coal (mt)



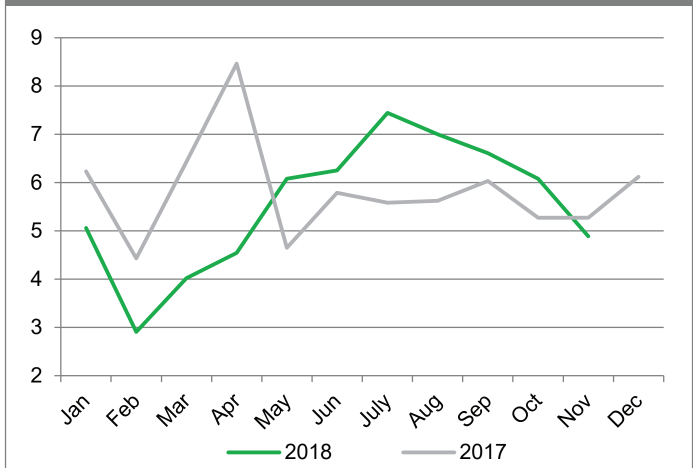
Source: Chinese Customs © 2018 IHS Markit

China's imports of lignite (mt)



Source: Chinese Customs © 2018 IHS Markit

China's imports of coking coal (mt)



Source: Chinese Customs © 2018 IHS Markit

Chinese power plants don't expect significant demand rebound throughout the first quarter, given that compulsory industrial output curbs will last till end-March, while January-February demand will be impacted by the Lunar New Year holidays.

Demand in the second quarter appears to be more uncertain, as hydropower output normally picks up in May. Meanwhile, uncertainty looms large over trade disputes with the United States. In previous years, domestic prices in the second quarter were usually the lowest in the year.

As of late December, Chinese authorities had yet to clarify their official policy governing imports next year. This has hindered import settlements. Predictions are rife that strict import restrictions will be eased in January, and that whole year imports will continue to be governed by quotas that will be issued to individual end-users.

It is thought that authorities are still pondering on specific quota volumes for the year, at a time when the domestic market is projected to be oversupplied in 2019.

November tonnages slip 17%

China's imports of all types of coal slipped to 19.15 mt in November, down 17% from 23.08 mt in October. It marked the lowest since February 2017, and was down 13% year on year basis to 22.05 mt.

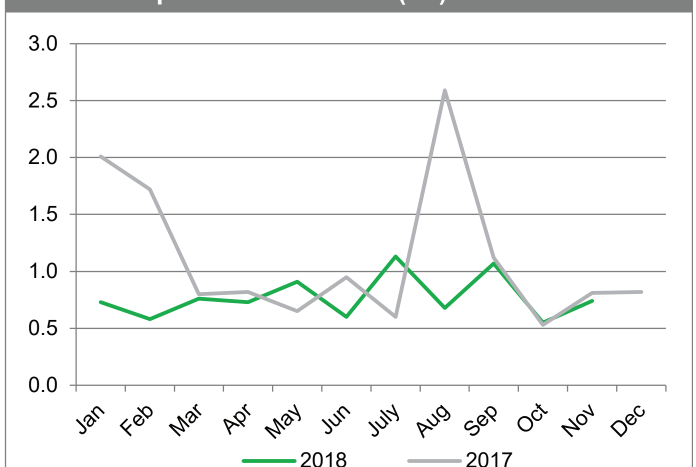
January-November tonnage hit 271.19 mt, up 9% on the year. It has exceeded the government's full year cap of 270.9 mt, stable to actual 2017 arrivals.

Full-year imports are estimated at around 280 mt, with around 10 mt predicted for December, as some major power plants gained special permits for customs clearance and a few ports still had quotas.

Thermal coal arrivals, including lignite and steam coal used by power plants, reached 13.52 mt in November, down 18% from 16.45 mt in October, and dropping 15% on the year, Chinese customs statistics show.

This brings total arrivals in January-November to 200.86 mt, up 28.61 mt or 17% from 172.25 mt on the year.

China's imports of anthracite (mt)



Source: Chinese Customs © 2018 IHS Markit

Steam coal accounted for 7.47 mt of arrivals, 18% down on 9.06 mt in October, and 8% lower year from 8.10 mt a year earlier. January-November arrivals totaled 109.33 mt, up 13% from 96.35 mt on the year.

Lignite arrivals were 6.05 mt, also down 18% from

7.39 mt in October, and 23% lower on the year than 7.82 mt. January-November arrivals were 91.53 mt, up 21% year on year.

Coking coal arrivals shrank 20% to 4.89 mt from 6.08 mt in October, and fell 9% from 5.36 mt in November 2017. January-November arrivals were 61.79 mt, easing 2% from 63.24 mt on the year.

Anthracite imports were 0.74 mt, surging 35% from 0.55 mt in October, though slightly lower than 0.76 mt imported in November 2017. Total receipts in January-November were 8.54 mt, down 32% from 12.63mt a year earlier.

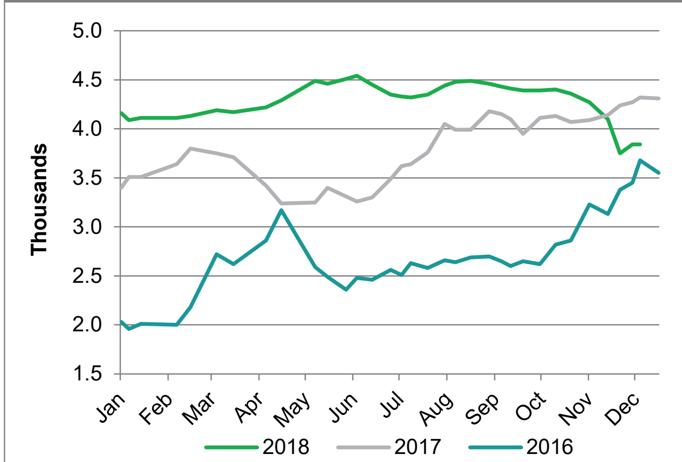
Chinese steel market remains bearish

China's steel prices continued to weaken in December, as production remained strong, but demand weakened due to seasonal reasons. The medium-term outlook has also turned increasingly bearish following trade disputes with the US.

The price of HRB400 rebar dropped to RMB3,850/t ($558.78/t) on Shanghai's spot market on 17 December, down by an additional RMB150/t ($74.60/t) from RMB4,000/t ($676.77/t) on 3 December, which already decreased RMB4,690/t ($680.70/t) in early November.

The price for Q235 plate was RMB3,870/t ($561.68/t) on 17 December, rising from RMB3,850/t ($558.78/t) on 1 December, but still RMB490/t ($71.12/t) from RMB4,360/t ($632.80/t) in early November.

Price of Q235B plate in Shanghai (RMB/t)



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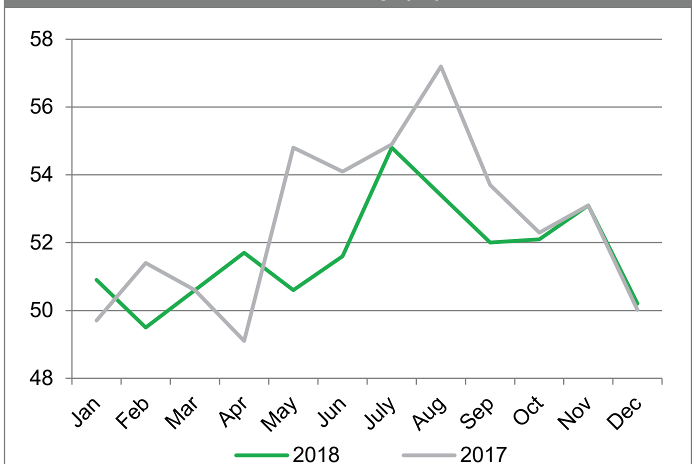
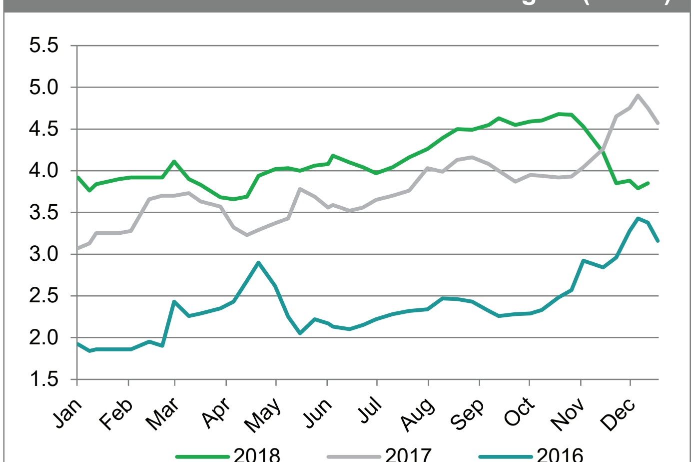
PMI for China's steel industry (%)



Source: National Bureau of Statistics © 2018 IHS Markit

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



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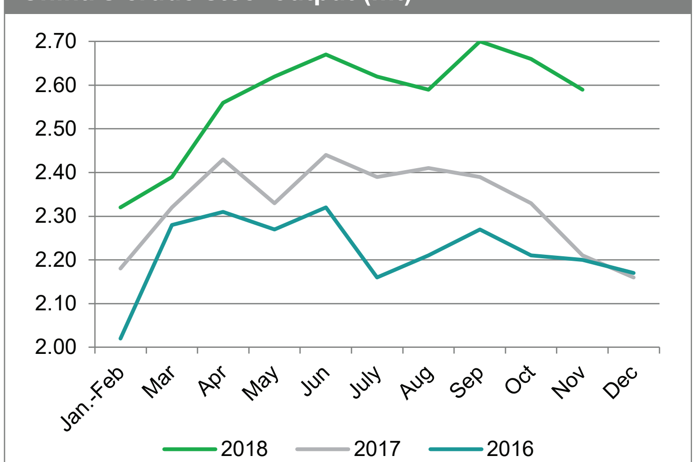
China's crude steel output (mt)



Source: National Bureau of Statistics © 2018 IHS Markit

Steel output remained high despite production cuts in north China due to environmental concerns. The operating rate of blast furnaces edged up to 83.63% on 7 December, rising from 82.34% in mid-November. The rate in Hebei climbed to 76.07% from 74.26%.

Output has been strong in recent months, reaching 2.59 mt/d for crude steel in November, which was up 11% on the year, though lower than the record high of 2.66 mt/d in October.

The country's demand, however, has weakened, with the year-on-year growth rate slipping to 5.4% in November, down 0.5 percentage point from October. Investment in real estate, the major consuming sector, expanded 9.7% January-November, flat to January-October. Spending in infrastructure construction grew 3.7% on the year, also unchanged from the first ten months. Output of automobiles, however, decreased to 2.58 million units in November, down 16.7% on the year.

The official Purchasing Manager Index (PMI) for the steel sector reflected significant weakening with the reading dropping to 45.2% in November, slipping 6.9 percentage points from 52.1% in October, and making it the lowest level since June 2016.

The new orders index plunged 16.9 percentage points to just 35.4%, the lowest in the past three years, and the new export orders index fell 4.1 percentage points to 43.2%.

Major producers have slashed their prices further for January. Baosteel cut its prices by RMB200-500/t ($29.03-72.57/t), following the reduction at an average of RMB200/t ($29.03/t) in December, and Wuhan Iron and Steel lowered its prices by RMB200-300/t ($29.03-43.54/t), after reducing the prices by RMB50-150/t ($7.26-21.77/t) in December.

Market sources expect overall demand in 2019 will be weak compared with 2018. The China Metallurgical Industry Planning and Research Institute (CMIPRI) has forecast that domestic consumption of finished steel products will fall 2% to 800 mt, from an estimated 820 mt for 2018, which is up 13% from 2017. Crude steel output is to hit 900 mt next year, down 3% from 923 mt in 2018, which will be a rise of 11% on the year.

The institute has projected steel demand in 2019 to be impacted by lower intake from residential, energy and automobile sectors. However, small increases are likely in industries like machinery, shipbuilding, household appliances, containers and railway construction.

Coal output in China up 5% on year for November

China produced 315.42 mt of raw coal in November, up 5% from 301.84 mt a year earlier, and up 3% from 305.13 mt in October, according to the National Bureau of Statistics.

The output averaged 10.51 mt/d, up 7% from 9.84 mt/d in October. This is the highest level since December 2015, largely backed by new mine commissioning and the easing of environmental inspections.

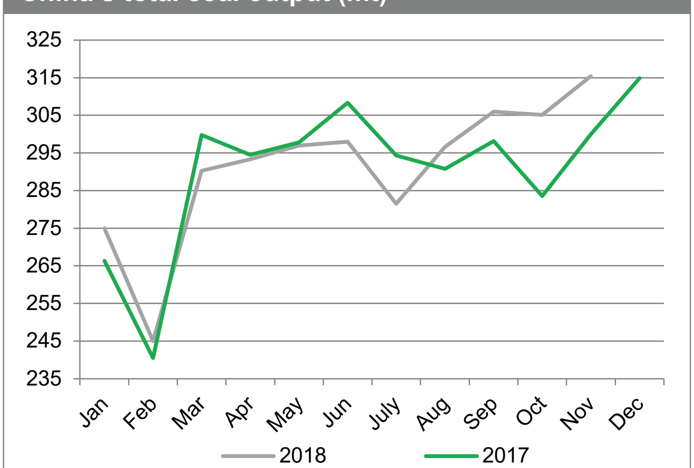
January-November output totalled 3.21 bnt, also expanding 5% on the year, and annualising 3.50 bnt, compared to actual output of 3.45 bnt in 2017.

Output in December is projected at above 10 mt/d as well, given environmental checks had ended in most regions, although some mines began to scale back production after sales slowed, according to analysts, who believe China's daily consumption has stood below 10 mt/d due to weakening industrial production.

However, January output could come down significantly, as large numbers of small mines are expected to close from mid the month before the Lunar New Year in early February, and stoppage could last until mid-February.

Full recovery of production in March looks unlikely as well, given producers are pessimistic about prices in the first quarter, according to market sources.

China's total coal output (mt)



Source: National Bureau of Statistics © 2018 IHS Markit

Output up 6% at major mining regions

The combined output of the top six coal producing regions – Inner Mongolia, Shanxi, Shaanxi, Xinjiang, Guizhou, and Shandong – came in at 259.27 mt in November, growing 14.51 mt or 6% from 244.76 mt a year earlier.

This was also up 3% from 251.96 mt in October, and in terms of daily tonnage, output grew 6% to 8.64 mt/d, from 8.13 mt/d. January-November production was 2.61 bnt, increasing 7% from 2.43 bnt in the same period last year.

The six regions accounted for 82% of China's total production in November, and 81% in January-November.

Production in Inner Mongolia was 87.53 mt in November, rising 4% from 84.34 mt in October, and increasing 11% from 78.90 mt a year earlier. January-November output totaled 842.48 mt, up 11% from 758.34 mt in the same period last year.

Output in Shanxi dipped to 76.63 mt from 76.85 mt in October, but grew 6% from 72.46 mt in November last year, putting output in January-November at 810.94 mt, up 3% on the year from 784.71 mt.

Shaanxi mined 56.19 mt in the month, climbing 2% from 55.16 mt in October, and increasing 7% from 52.33 mt a year earlier, bringing January-November tonnage to 567.52 mt, up 14% from 497.39 mt in the same period last year.

Output in Xinjiang also increased to 16.71 mt in November, from 15.44 mt in October, and expanding 1% from November last year. The province's output in January-November totaled 152.82 mt, growing 7% from 143.21 mt a year earlier.

Guizhou in southwest China produced 12.82 mt in the month, rising from 11.71 mt the previous month, but sliding 4% from a year earlier due to more small mine closures. Its total output in January-November was 128.69 mt, also representing a reduction of 3% from 132.01 mt in the same period last year.

Shandong's production grew to 9.39 mt, from 8.83 mt in October, but still slipping 17% from 11.25 mt produced November last year. Output in January-November shrank 6% to 111.92 mt from 118.50 mt.

Shenhua production up 6%

Coal output from Shenhua Energy, the listed unit of China Energy Investment Corporation, came in at 25.7 mt in November, edging up 0.4% from 25.6 mt the previous month, and growing 6.2% from 24.2 mt in the same month of last year.

Its production in January – November amounted to 271.3 mt, up 0.7% from 269.3 mt a year earlier.

The company's coal sales were 38.7 mt in November, 3% lower than 39.9 mt in the same month of last year, though growing 0.8% from 38.4 mt in the previous month. Sales in January – November were 417.1 mt, up 3.6% year on year.

ChinaCoal Energy, the listed subsidiary of China National Coal Group, mined 7.99 mt in November, growing from 6.14 mt in October, and jumping 31% from a year earlier. Production in January-November totaled 70 mt, same as the first 11 months of last year.

The company's sales also grew to 14.55 mt in the month, up from 13.71 mt in October, and jumping 29% on the year. The January-November sales amounted to 143 mt, increasing 21% from the same period last year.

Coal railings and shipments in China strengthen for November

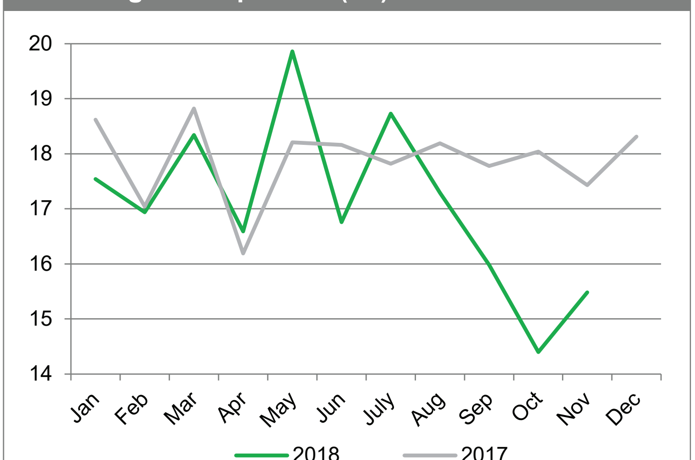
China's coal railings and shipments from loading ports in north China were strong in November, on the back of higher buying by power plants in order to ensure winter demand.

The railways delivered 204.78 mt in November, increasing 14% from 179.78 mt a year earlier, and slightly up from 203.00 mt in October, said the China Coal Transport and Distribution Association (CCTD).

This was the second highest level so far this year, after 208 mt delivered in January, when power plants were building stocks ahead of the Lunar New Year holiday.

Coal railings in January-November came in at 2.17 bnt, growing 195.66 mt or 10% from the same period last year. This has exceeded total deliveries

Qinhuangdao shipments (mt)



Source: CCTD

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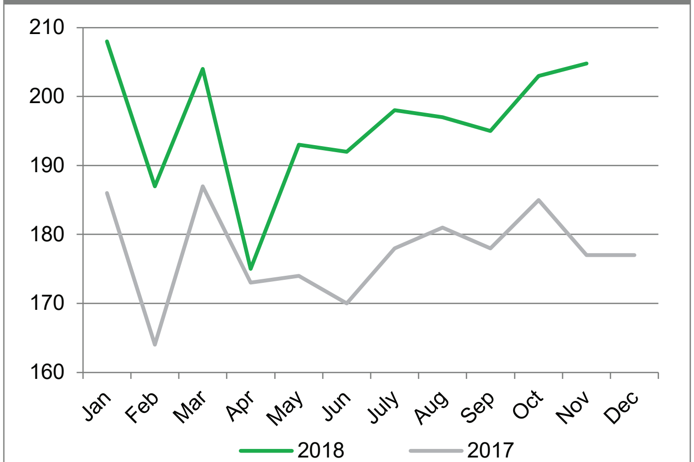
in the whole of last year, which stood at 2.16 bnt, after authorities increased coal railing capacity in May by 10%.

The top outlet of Daqin line railed 38.47 mt in November, increasing 11% from 34.63 mt in October, and growing 12% from 34.27 mt a year earlier. The railway delivered a total of 412.64 mt in January-November, climbing 5% from the same period of last year, and annualising 450 mt.

Coal railings account for 59% of China's total cargo deliveries in January-November, which were 3.68 bnt, growing 9% on the year.

China's coal railings (mt)



Source: CCTD © 2018 IHS Markit

The CCTD figures also showed coal shipments from the major loading ports in north China hit 63.44 mt in November, increasing 10% from the same month last year, compared with a 6% year-on-year increase in October.

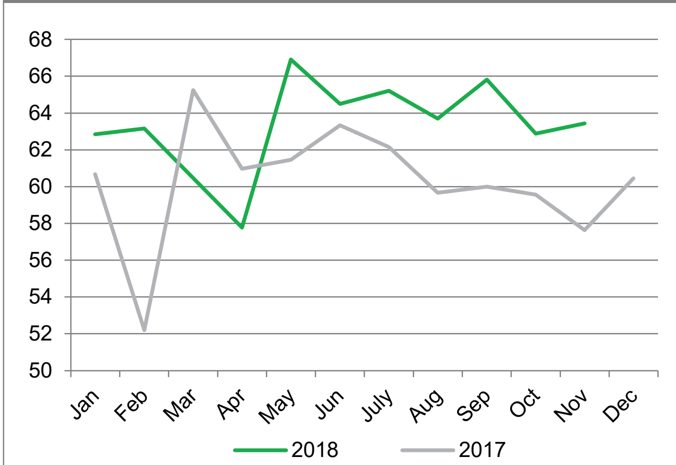
This averaged 2.11 mt/d in the month, rising 4% from 2.03 mt/d in October, and putting total deliveries in January-November at 691.32 mt, up 4% from a year earlier.

Shipments from Huanghua totaled 17.75 mt in the month, edging up from 17.69 mt in October, and increasing 9% from November last year. The port shipped 186.53 mt in January-November, expanding 5% on the year.

Shipments from Qinhuangdao rose to 15.48 mt from 14.40 mt the previous month, but were 12% below November last year, after the local government released plans to shift coal shipments to Caofeidian. The port shipped 188.89 mt in January-November, dropping 4% year on year.

Jingtang handled 10.56 mt in November, sliding from 11.15 mt in October, but still jumping 24% from a year earlier. This has brought its total deliveries in January-November to 113.67 mt, surging 23% on the year.

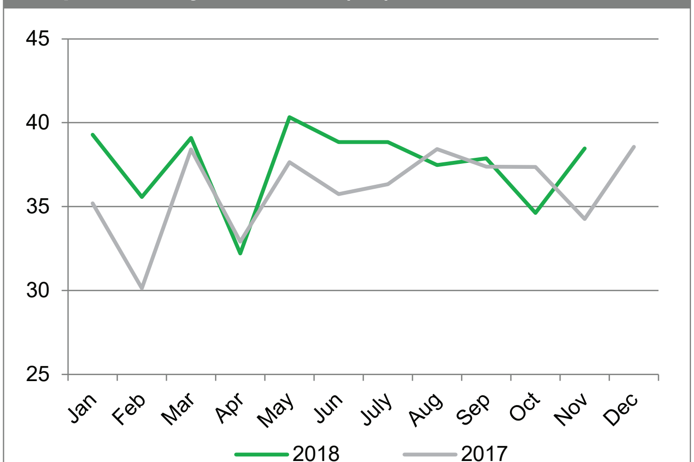
China's coal shipments (mt)



Source: CCTD © 2018 IHS Markit

Caofeidian delivered 7.51 mt in the month, growing from 7.28 mt in October, and soaring 51% from a year earlier. Tonnage in January-November was 64.56 mt, increasing 21% on the year.

Daqin monthly deliveries (mt)



Source: CCTD © 2018 IHS Markit

Deliveries from Tianjin dropped to 5.11 mt from 5.30 mt in October, and slipping 8% from November last year. Shipments in January-November totaled 64.06 mt, slipping 14% on the year. The port's deliveries have been shrinking since it stopped receiving trucked material in May last year.

Industrial output growth in China hits record low

China's industrial output expanded 5.4% year on year in November, narrowing from the rise of 5.9% in October. The growth rate is the slowest pace since March 2016.

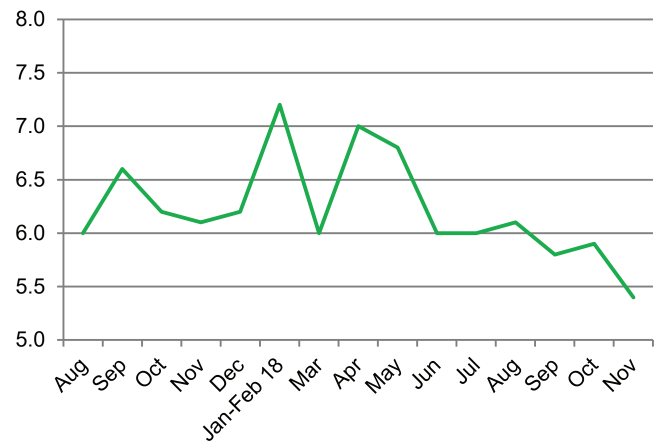
This suggests the country's GDP growth would cool further in the fourth quarter, after the year on year rate slowed to 6.5% in the third quarter, from 6.7% in the second quarter and from 6.8% in the first quarter.

Analysts expect the trend to stretch to 2019, bringing GDP growth next year to a projected 6.2-6.3%.

Looking into different sectors, output at the automobile sector slipped 3.2% year on year in November, accelerating from the drop of 0.7% in October. Growth rate at the computer, telecommunications and other electronic equipment manufacturing sector was 12.3% in November, cooling from the 14.6% rise in October, while at the chemical manufacturing sector, it slowed to 1.9%, from 4.4%. Pharmaceutical sector's growth also narrowed to 6.6% in November, from 7.0% in October.

By contrast, growth rate at the non-ferrous metal melting and processing sector enlarged to 12.8% in November, from 8.7% in the previous month, while at the ferrous metal melting and processing sector, it was 10.4% in November, widening from 10.1% in October.

Industrial output (%)



Source: National Bureau of Statistics © 2018 IHS Markit

Growth rate of investment at major sectors (%)

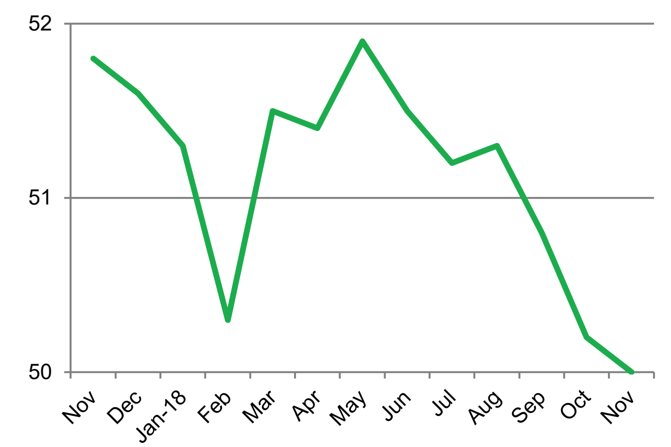
Sector	Jan-Nov	Jan-Oct
Infrastructure	3.7	3.7
Manufacturing	9.5	9.1
Real Estate	9.7	9.7

Source: National Bureau of Statistics © 2018 IHS Markit

China's imports and exports ($bn)

Source: General Administration of Customs © 2018 IHS Markit

China's manufacturing PMI (%)



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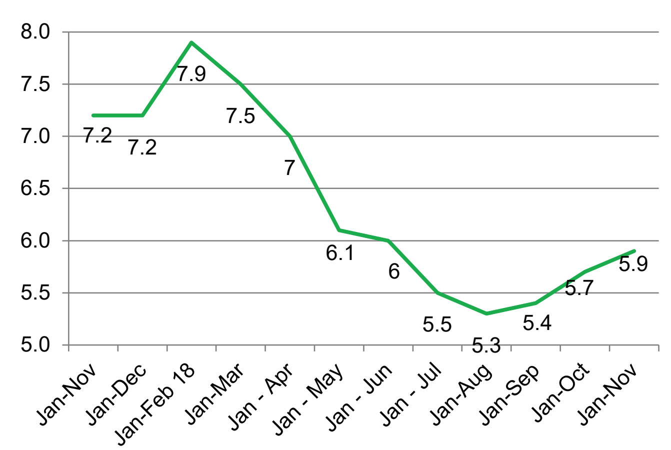
Fixed-assets investment growth (%)



Source: National Bureau of Statistics © 2018 IHS Markit

The purchasing managers index (PMI) for China's manufacturing sector decreased to 50.0% in November, from 50.2% in October. The reading hit its lowest level since June 2016, after slipping for three consecutive months.

Growth rate of retail sales also cooled to the slowest pace since June 2003, at 8.1% year on year in November, from 8.6% in October.

Sales of automobiles slipped 10.0% year on year in November, accelerating from the 6.4% fall in October. Sales of petroleum and its products increased 8.5% year on year in November, narrowing from the increase of 17.1% in October.

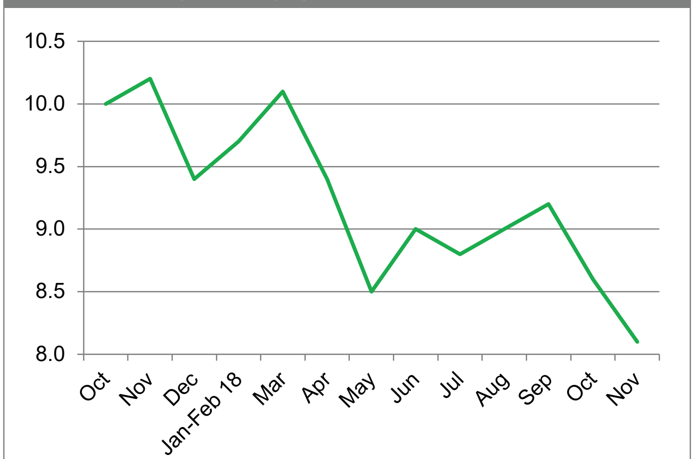
However, fixed-asset investment gained 5.9% year on year in January – November, accelerating from the rate of increase of 5.7% in January – October, and widening for the third consecutive month.

The strong performance was backed by the rapid increase of investment into manufacturing sector, after industrial profits improved last year. The growth rate was 9.5% year on year in January – November, enlarging from the 9.1% rise in January – October and marking an acceleration for eight months in a row.

Spending into infrastructure construction climbed 3.7% year on year in January – November, keeping stable from growth in January – October. Investment at real estate sector increased 9.7% year on year in January – November, also stabilizing from rise in January – October.

Customs release also showed marked slowdown in exports in November, after impacts from trade frictions with the United States emerged.

Retail sales growth (%)



Source: National Bureau of Statistics © 2018 IHS Markit

Exports in the month were $227.42bn, growing 5.4% on the year, but the growth rate sharply narrowed from the 15.6% rise in October. Of this, exports to the US hit $46.22bn, up 10% year on year, and compared with the growth rate of 13% in October.

Imports in November gained 3.0% year on year to $182.67bn, also narrowing from the rise of 21.4% in the previous month, and hitting the slowest pace since the beginning of this year. This led to a trade surplus of $44.75bn in November, expanding 28.7% from $34.76bn in the previous month.

China and the United States agreed on a 90-day trade truce at the beginning of this month, which may help slightly improve trade prospects, market sources said.

China further moved in mid-December to postpone the collection of additional tariffs placed on US-made vehicles and auto parts from 1 January to 31 March. The US delayed additional tariff increases on $200 billion worth of Chinese goods.

Met coal prices in China slip amid weaker demand

China's met coal prices weakened in December as demand from coke and steel sectors fell over seasonal factors.

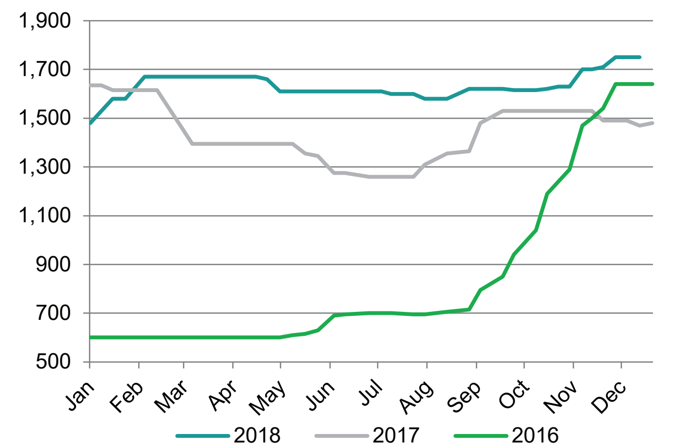
The price of low volatile cargoes fell to RMB1,690/t ($245.28/t) FOR in Linfen, Shanxi, on 17 December, down RMB40/t ($5.81/t) from RMB1,730/t ($251.09/t) FOR at end-November, which had firmed from RMB1,670/t ($242.38/t) FOR early in the month. The price for high volatile material dropped to RMB1,680/t ($243.83/t) FOR from RMB1,720/t ($249.64/t) FOR at end-November.

In Liulin, also in Shanxi, the price of high quality material decreased to RMB1,710/t ($248.19/t) FOR on 17 December, down RMB20/t ($2.90/t) from RMB1,730/t ($251.09/t) FOR at end-November. The price of high sulphur cargoes dropped to RMB1,210/t ($175.62/t) FOR, compared to RMB1,240/t ($179.97/t) FOR two weeks earlier.

It is thought that output has expanded after environmental checks ended in Shanxi, the top coking coal producing region in China, and production in Shandong, another major met coal producing region, also recovered after most mines were ordered to conduct safety checks following a mine accident on 20 October.

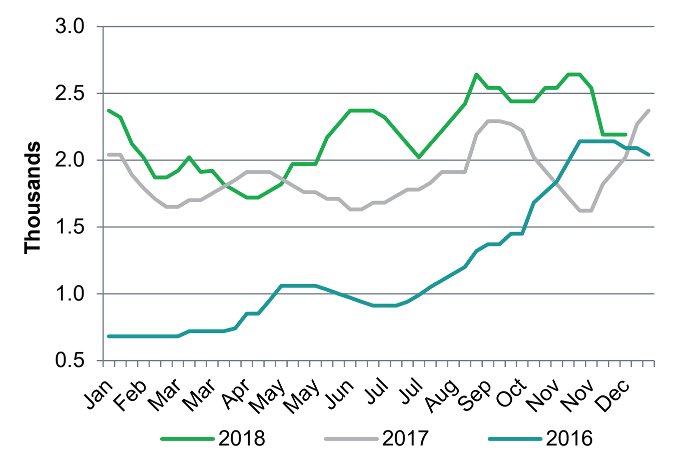
Demand from coke and steel industries, however, shrank following steep price falls in recent weeks.

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



Source: IHS Markit © 2018 IHS Markit

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



Source: IHS Markit © 2018 IHS Markit

Steel prices have weakened RMB800-900/t ($116.11-130.62/t/t) or 15- 20% since early November, while coke prices slipped by up to 20%.

Coke with 13% ash was traded at RMB2,050/t ($297.53/t) in Luliang on 17 December, dropping from RMB2,200/t ($319.30/t) at end-November, which already slipped from RMB2,500/t ($362.84/t) on 20 November.

In Tangshan, the price of product with 12.5% ash decreased to RMB2,400/t ($348.33/t) on 17 December, dropping from RMB2,500/t ($362.84/t) at end-November and RMB2,800/t ($406.39/t) on 20 November.

Cokeries began output cuts in November, when output slid 3% month on month to 35.41 mt. The figure could be even lower in December, as the operating rate of major cokeries dropped to 72.35% as of 14 December, down 1.41 percentage points from a week earlier.

Power output and demand in China up in November

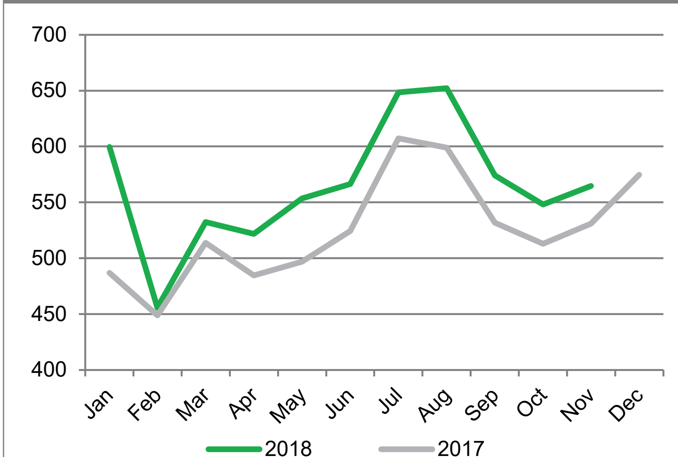
China's power production and consumption climbed month on month in November, after heating supply started in northern provinces in the month.

Consumption was 18.82 TWh/d, growing 6.4% from 17.68 TWh/d in October, which slipped 7.6% from 19.14 TWh/d in September, according to statistics from the China Electricity Council (NEA).

Total demand came in at 546.7 TWh, climbing 6.3% on the year. The year on year growth rate, however, narrowed from 6.7% in October, and 8.0% in September, with cooling industrial growth thought to be the main reason.

The industrial and construction sector consumed 410.9 TWh in November, up 6.7% from the previous month, and up 6.0% on the year. The year on year growth rate was lower than 6.2% in October and 7.0% in September. Of this, the manufacturing sector used 302.0 TWh, or averaging 10.07 TWh/d, growing 8.9% from 9.25 TWh/d in October, and rising 5.3% from 9.5 TWh/d in the same month of last year.

China power demand (TWh)



Source: National Energy Administration © 2018 IHS Markit

The service sector consumed 81.1 TWh in the month, growing 9.2% year on year, but off 1.3% month on month. Residential consumption hit 66.8 TWh, up 4.6% on the year, but down 10.8% from October. The agricultural sector used 5.8 TWh, growing 11.6% year on year, though falling 3.5% month on month.

By province, Shandong, Guangdong, Jiangsu, Zhejiang and Hebei were the top five power consuming province in China in November, with their combined demand hitting 214.5 TWh, accounting for 39.2% of the country's total.

Power consumption in January – November amounted to 6,219.9 TWh, rising 8.5% on the year. The growth rate was 0.2 percentage points below 8.7% in January – October, although it was higher than 6.5% in the same period of last year.

The industrial and construction sector used 4,268.4 TWh, up 7.1% year on year. This is compared with the growth rate of 7.2% in January – October this year, and the rate of 5.5% in the same period of last year.

Manufacturing demand accounted for 3,160.7 TWh in the period, an increase of 7.2% from the same period of last year, also cooling from the growth rate of 7.3% in January – October.

The service sector used 989 TWh the first eleven months, up 12.8% year on year, while residential consumption increased 10.5% to 895.2 TWh. The agricultural sector consumed 67.3 TWh, up 10%.

Power demand growth rates in some 12 provinces topped the country's average level, with Guangxi recording the rapidest increase of 19.6% year on year in January – November. Growth rates were 17.4% in Tibet, and 15% in Inner Mongolia.

China's power production (TWh)

	November	Y-o-Y change (%)	Jan - Nov	Y-o-Y change (%)
Thermal	554.30	3.60	6162.60	6.90
Hydro	405.10	3.90	4496.30	6.20
Nuclear	87.90	1.50	1029.70	4.40
Wind	27.90	24.70	263.80	16.80
Solar	26.40	-9.50	289.70	15.70
Total	**7.10**	**2.50**	**83.00**	**17.60**

Source: National Bureau of Statistics

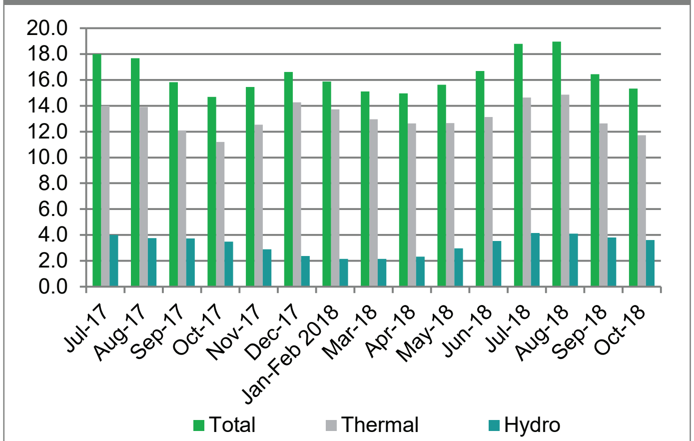
China's power production was 554.30 TWh, or 18.48 TWh/d in November, climbing 7.5% from 17.19 TWh/d in October, according to the National Bureau of Statistics (NBS).

Compared with the same month of last year, the production increased 3.6% year on year, although the upward rate narrowed from the 4.8% rise in October.

Thermal power accounted for 405.10 TWh, or 13.50 TWh/d in November, a rise of 15.3% from 11.71 TWh/d in October, and growing 3.9% year on year. The year on year growth rate accelerated from 3% in October.

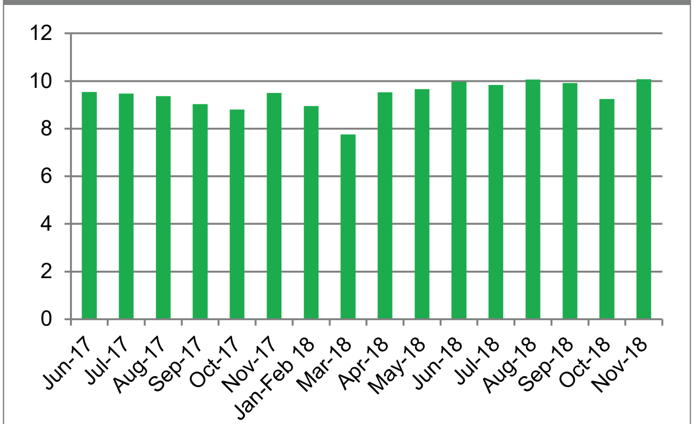
This can be reflected by the increase in coal use in November, with China's more than 500 key power plants burning 3.81 mt/d in the month, growing 14.8%

China average daily power output (TWh)



Notes: Figures in January and February are released together.
Source: National Bureau of Statistics

China's manufacturing power demand (TWh)



Notes: Figures in January and February are released together.
Figures in December are not released.
Source: China Electricity Council

China's power demand (TWh)

Sector	November	YoY change %	January - November	YoY change %
Industrial and construction	564.7	6.3	6,219.90	8.5
Services	410.9	6	4,268.40	7.1
Household	81.1	9.2	989	12.8
Extractive, agriculture and forestry	66.8	4.6	895.2	10.5
Total	**5.80**	**11.60**	**67.30**	**10.00**

Source: National Energy Administration

from 3.32 mt/d in the previous month, and rising 5.2% from 3.62 mt/d a year earlier.

However, hydro power output declined 21.6% month on month to 87.9 TWh from 112.1 TWh in October, due to seasonal factors. Output increased by 1.5% year on year, slowing from the 6.2% rise in October.

Nuclear power output stood at 27.9 TWh in November, growing 10.7% from 25.2 TWh in October, and rising 24.7% year on year. The strong year on year growth came after China brought online 5.96 GW nuclear power units in January – November, more than doubling the level of 2.17 GW a year earlier.

Wind power output, however, declined 9.5% year on year to 26.4 TWh, though was still higher than 24.8 TWh in the previous month.

Solar power output was 7.1 TWh in November, down from 8.0 TWh in October, though up 2.5% year on year. The growth rate, however, has slowed from the increase of 18.8% in October, due to impacts from weather.

Total power production in January–November amounted to 6,162.6 TWh, growing 6.9% year on year, after growth of 7.2% was seen in January–October.

Thermal power was 4,496.3 TWh, up 6.2% on the year, but the rate of growth slowed from 6.6% in January–October. Growth rate of thermal power output in Guangxi was the rapidest, at 32.2% year on year, while the rates were 26.5% in Fujian, 26.0% in Yunnan and 20.5% in Sichuan.

Hydro production was up 4.4% on the year to 1,029.7 TWh, cooling from the growth rate of 4.6% in January – October. Sichuan was the top hydro producing province, generating 278.6 TWh in January – November, growing 5.1% year on year.

This was followed by Yunnan, which produced 232.0 TWh, up 10.6%. Hubei's hydro power output, however, slipped 0.6% to 137.9 TWh. Combined volume from the top three provinces shared 63.0% of China's total.

Nuclear production hit 263.8 TWh, growing 16.8%. Wind power gained 15.7% to 289.7 TWh, and solar power climbed 17.6% to 83.0 TWh.

ENERGY

Coal Capability

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Global Coal News & Analysis

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North American Coal Market News & Analysis

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The service is a one-stop shop for forward-looking analysis on the international steam coal market. At its core is a supply/demand and price forecast service. Outlooks are updated quarterly and backed up with in-depth commentary and a comprehensive data-base. The service also focuses on the inter-relationships between steam coal and other fuels, particularly natural gas as well as petcoke.

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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