

China Thermal Coal Market Monthly Report

Jan 2017

- 1 Summary of Monthly Market Review and Outlook 1
- 2 China Coal Monthly Production, Transportation and Sales 1
- 3 China Coal/Thermal Coal Monthly Imports and Exports 3
- 4 China Thermal Coal Monthly Supply and Demand 5
- 5 China Thermal Coal Monthly Stock 6
- 6 China Thermal Coal Monthly Prices 7
- 7 China Thermal Coal Monthly Transport Cost 8
- 8 China Thermal Coal Next Month Market Forecast 9
- 9 China Coal Industry News Summary 10



1 Summary of Monthly Market Review and Outlook

- ◆ Impacted by the supply-side reform, China's thermal coal output fell 10% YoY to 27.57 Mt in 2016, while imports...
- ◆ Supply tightness caused thermal coal prices to surge...
- ◆ From Sep 2016 supply gradually recovered as China asked mines to increase output...
- ◆ As the New Year and Chinese New Year holidays fell in Jan and Feb 2017...

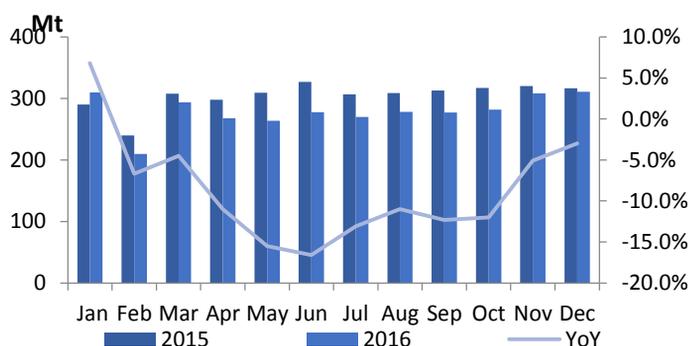
2 Monthly Production, Transport and Sales

2.1 Production

2.1.1 Dec China coal output up MoM

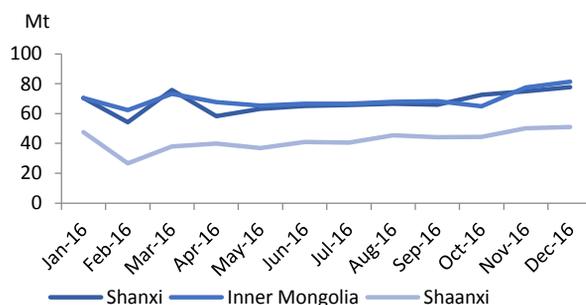
In Dec 2016, China coal output was 310.98 Mt...

Fig.1: China coal output up MoM in Dec 2016



Source: NBS

Fig. 2: Output at production areas up MoM in Dec 2016



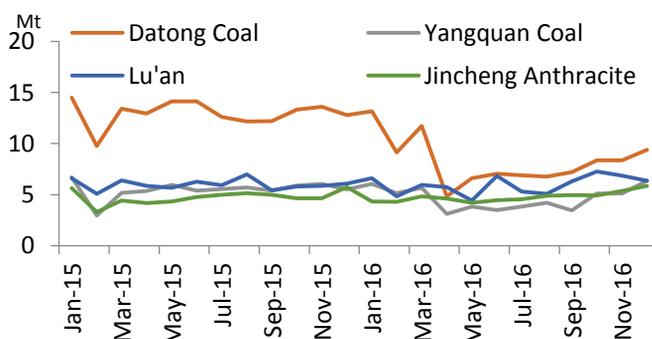
Source: NBS, sxcoal.com

2.1.2 Dec coal output at major production areas up MoM

Shanxi coal output at 77.77 Mt in Dec, ...

In 2016, Shanxi coal output reached 816.42 Mt...

Fig.3 Datong Coal output up obviously in Dec 2016



Source: sxcoal.com

2.1.3 Coal output of major thermal coal miners

In Dec 2016, coal output of Shanxi's four major miners at 27.97 Mt...

Impacted by de-capacity policy at 276 working days, coal output of Shanxi's four leading miners reached 283.81 Mt in 2016...

2.2 Monthly Coal Transport

2.2.1 Dec China rail coal transport up MoM

China rail coal transport at 184 Mt in Dec 2016 ...

2.2.2 Rail coal transport at major production areas

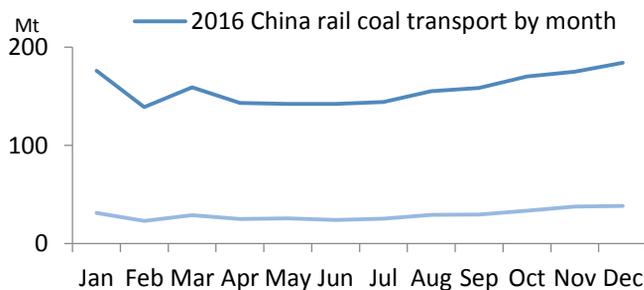
China major coal mines rail coal transport at 90.93 Mt in Dec 2016, up 5.4% MoM...

Shanxi rail coal transport at 21.28 Mt in Dec 2016, down 14.1% MoM...

2.2.3 Coal transport by rail line

Daqin coal transport at 38.41 Mt in Dec 2016 ...

Fig.4 China rail coal transport up MoM in Dec 2016



Source: NBS, sxcoal.com

Table 1: Rail coal transport

Mt	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
China major coal mines rail coal transport												
Shanxi major coal mines rail coal transport												
Shanxi rail coal transport												
YoY change												
To Qinhuangdao												
To Caofeidian												

Source: NBS, Shanxi Coal Industry Administration

Table 2: Daqin coal transport

Mt	1月	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
China rail coal transport												
Daqin coal transport												
YoY change												

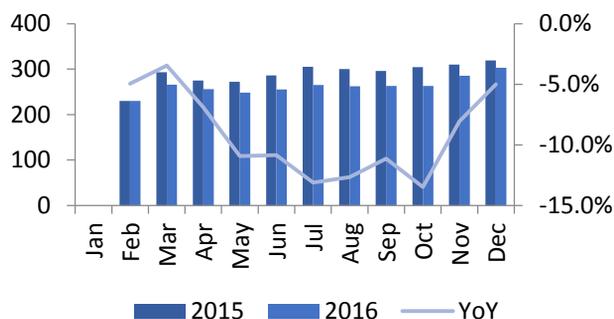
Source: NBS, sxcoal.com

2.3 Monthly Coal Sales

2.3.1 China coal sales up MoM

China coal sales at 303 Mt in Dec 2016, up 6.3% MoM...

Fig.5: China coal sales up MoM in Dec 2016



Source: CCTD

2.3.2 Thermal coal sales at key mines of major production bases

In Dec, coal sales at major mines in Inner Mongolia...; coal sales at major mines in Shaanxi....

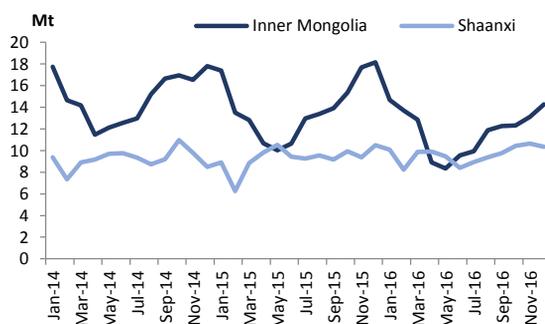
Impacted by a slump in output, sales at major mines in Inner Mongolia...; sales at major mines in Shaanxi....

2.3.3 Thermal coal sales at key enterprises

In Dec, thermal coal sales in Shanxi's top four producers stood at 31.4 Mt, including ## from Lu'an Group and ### from Datong Coal Mine Group.

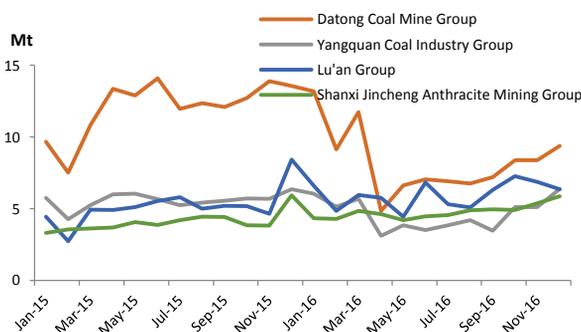
Sales of the four groups were roughly stable from the year-prior level, at ### in 2016, mainly because they increased buying of outsourced coal.

Fig. 6: Sales up at key mines of major production bases



Source: CCTD

Fig. 7: Shanxi top four coal miners Dec sales up MoM



Source: sxcoal.com

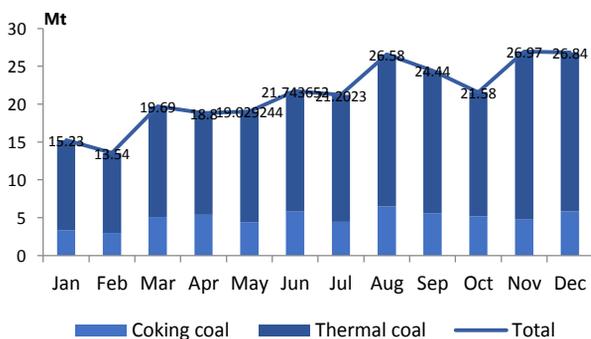
3. China coal Import & Exports Analysis

3.1 Coal imports monthly analysis

In Dec 2016, China imported 26.84 Mt of coal,....

In Dec 2016, China exported 760,000 tonnes of coal,....

Fig. 8: China 2016 coal imports



Source: GAC

3.2 Thermal coal imports monthly analysis

In Dec, China's imported 20.98 Mt of thermal coal,....

In Dec, China's exported 600,000 tonnes of thermal coal,....

3.2.1 Major coal suppliers

Indonesia was the largest supplier in Dec, exporting ## to China, falling... MoM.

Australia...; Russia...; North Korea...

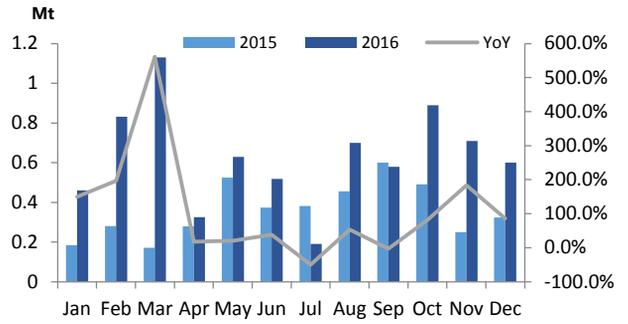
Imports of Indonesian thermal coal rebounded to over 100 Mt in 2016 due to lower prices.

3.2.2 Major import provinces

By regions,....

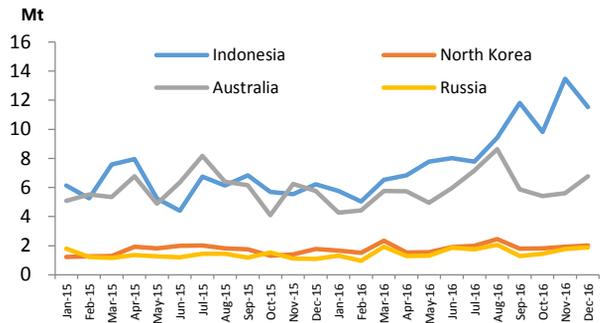
In 2016,....

Fig. 9: China Dec thermal coal exports up 87.5% YoY



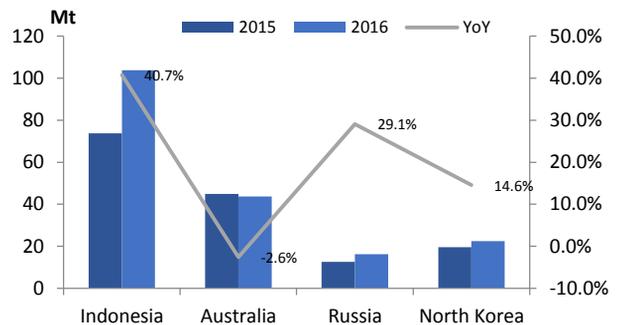
Source: GAC

Fig. 10: Imports from major thermal coal suppliers up



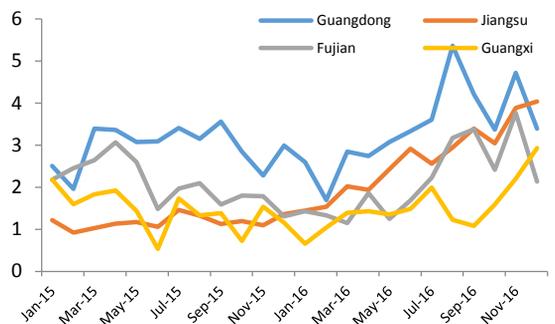
Source: GAC

Fig. 11: Imports of Indonesian thermal coal up 40.7%



Source: GAC

Fig. 12: Jiangsu Dec thermal coal imports up YoY



Source: GAC

4. China thermal coal supply & demand analysis

4.1 Major downstream products monthly output

In Dec, China's thermal power output stood at 423.6 TWh,....

In 2016, China's thermal power output stood at 4.39 trillion KWh,....

In Dec, China's cement output was 199.79 Mt,....

In 2016, China's cement output was 2.403 Bt,....

Fig. 13: Major downstream products output

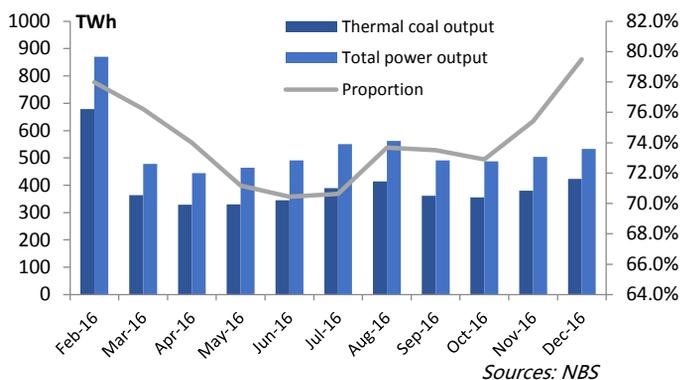
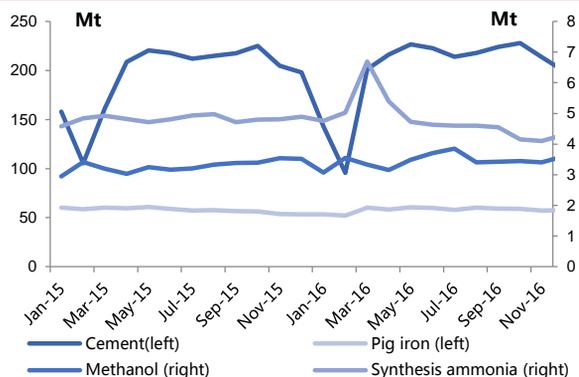


Fig. 14: Major downstream products output



4.2 Thermal coal monthly supply & demand analysis

In Dec, China's thermal coal supply was ... and demand was China's thermal coal supply should recover..., and thermal demand..., The supply-demand dynamic improved on the back of increased supply.

Table.3: China thermal coal supply & demand

Unit: Mt		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Supply	Effective supply												
	Net imports												
	Total supply												
Demand	Power and heating												
	Chemical												
	Building materials												
	Metallurgy												
	Other												
	Total demand												
Balance	Supply-Demand												

Source: sxcoal.com

5. China's thermal coal stocks

5.1 Increased stocks at production areas

By end-Jan, the surveyed thermal coal producers by Fenwei reported stockpiles of ...

In Dec, stocks of major coal producers in Shanxi province were...

Table 4: Shanxi major coal producers' stocks

Unit: Mt	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Stocks												
MoM												
YoY												

Source: Shanxi Coal Industry Administration

5.2 Northern ports stocks slide MoM

In Jan, stocks of five northern ports...

Table 5: Coal stocks at ports

Unit: Mt	17-Feb-03	16-Dec-29	MoM	
			±	%
Qinhuangdao				
Caofeidian				
Huanghua port				
SDIC Jingtang				
Tianjin port				
Guangzhou port				
Subtotal (northern ports)				
Total				

Source: sxcoal.com

5.3 Decreased coal consumption and stocks at six major coastal power companies in Jan

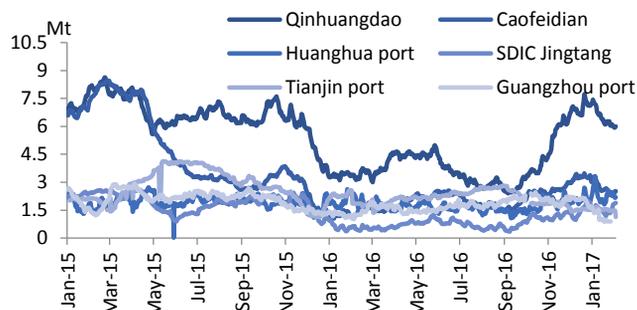
In Jan, coal consumption at six major coastal power companies dropped to a total of 19.01 Mt...

Fig. 15: Stocks of surveyed thermal coal producers



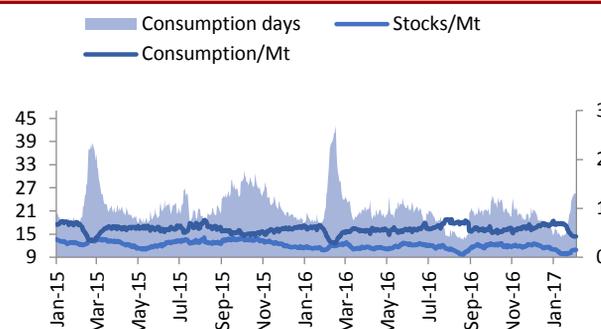
Source: sxcoal.com

Fig. 16: Stocks of main coal ports



Source: sxcoal.com

Fig. 17: Coal stocks, consumption at six coastal power cos



Source: sxcoal.com

6、Thermal coal prices continue to drop MoM in Jan

6.1 Coal prices at main production areas differ

Shanxi :

Inner Mongolia :

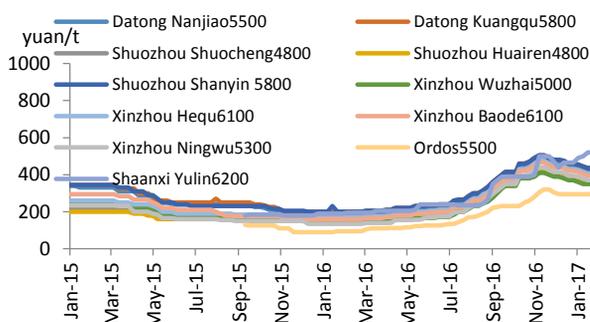
Shaanxi :

Table 6: Thermal coal prices at main production areas

Production bases	Feb 03	Dec 30	MoM	
			±	%
Datong Nanjiao5500				
Datong Kuangqu5800				
Shuozhou Shuocheng4800				
Shuozhou Huairen4800				
Shuozhou Shanyin5800				
Xinzhou Wuzhai5000				
Xinzhou Hequ6100				
Xinzhou Baode6100				
Shaanxi Yulin5800				
Shaanxi Yulin6200				
Ordos5500				

Source: sxcoal.com

Fig. 18: Thermal coal prices at North Shanxi



Source: sxcoal.com

6.2 Thermal coal prices at ports continue to fall

- CCI5500 thermal coal index fell 3.1% in Jan

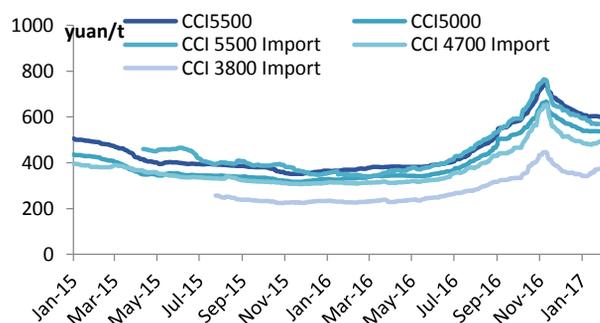
By February 4, CCI5500 index was 598 yuan/t,...

Table 7: CCI index

Variety	Feb 04	Dec 30	MoM	
			±	%
CCI5500				
CCI5000				
CCI 5500 import				
CCI 4700 import				
CCI 3800 import				

Source: sxcoal.com

Fig. 19: CCI index down 3.1% in Jan



Source: sxcoal.com

- Thermal coal prices at Qinhuangdao port down 14-19 yuan/t in Jan

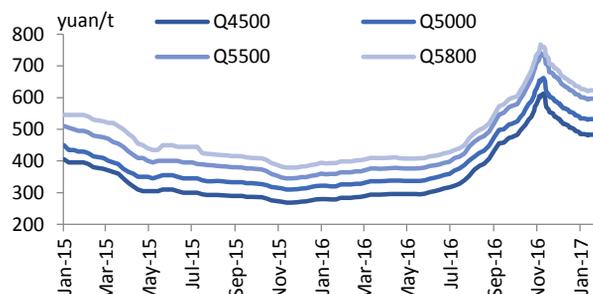
In January, prices of coal varieties traded at Qinhuangdao dropped...

Table 8: Main coal varieties prices at Qinhuangdao

Coal variety	Feb 03	Dec 29	MoM	
			±	%
Thermal 5800				
Thermal 5500				
Thermal 5000				
Thermal 4500				

Source: sxcoal.com

Fig. 20: Qinhuangdao Jan thermal coal FOB prices down

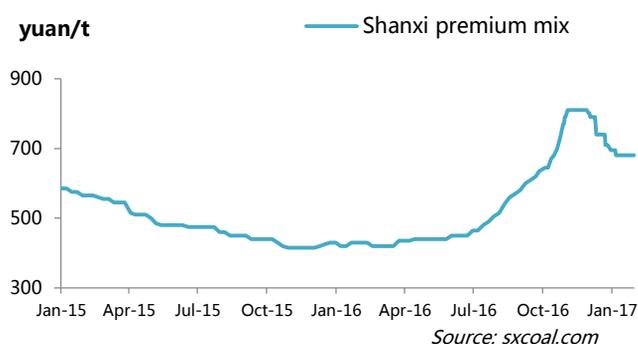


Source: sxcoal.com

6.3 Prices down at Guangzhou

The price of Shanxi 5,500 Kcal/kg NAR coal dropped 30 yuan/t at Guangzhou port in Jan...

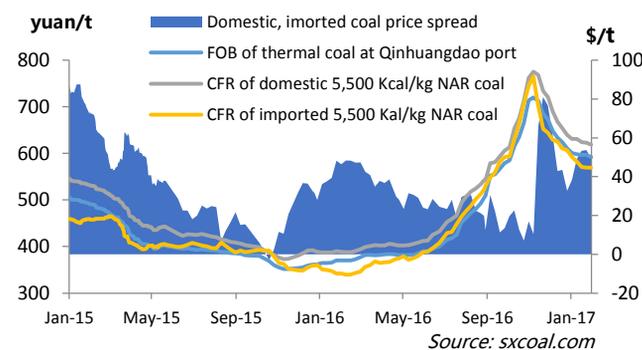
Fig. 21: Ex-stock price of thermal coal at Guangzhou port



6.4 Price spread between domestic and imported coal

As of Feb 3, the CFR price of domestic 5,500 Kcal/kg NAR coal was at ... at Guangzhou port.

Fig. 22: Guangzhou CFR price of domestic and imported coal



7 Jan truck freight rate up, coastal rate down

7.1 Truck freight rate

On Feb 3, truck freight rates of Ordos-Tianjin, Liulin-Tangshan, and Shenmu-Xinzhou stood at ..., respectively.

Fig. 23: Road truck freight rate

yuan/t*km	3-2-2017	29-12-2016	MOM	
			±	%
short distance				
mid-distance				
long distance				

Source: sxcoal.com

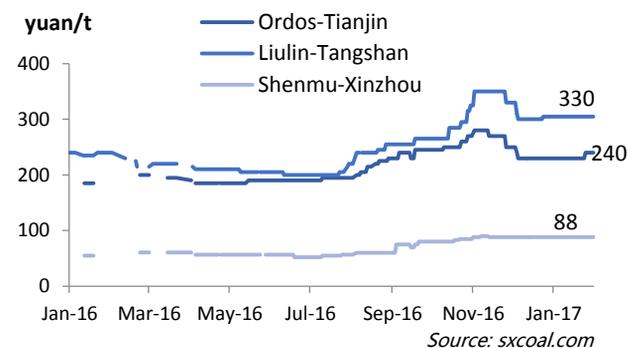


Table 10: Coastal sea freight rates

Yuan/t	Feb 3	Dec 29	MOM	
			±	%
QHD-GZ(50,000-60,000 DWT)				
QHD-FZ(30,000-40,000 DWT)				
QHD-ZJG(20,000-30,000 DWT)				
QHD-NB(15,000-20,000 DWT)				
QHD-SH(45,000-50,000 DWT)				

Source: sxcoal.com

7.2 Coastal freight rate

China's coastal freight rates fell back during January, of which ...

8 Feb thermal coal prices continue to drop

8.1 Feb supply may remain sufficient

- Policy

On one hand, according to the government's revised de-capacity regulation, all legal mines that in compliance with safety requirements ...

- Feb output to drop MOM

China's thermal coal output may drop during February, mainly due to

- Jan, Feb thermal coal imports less than Dec

Due to the plunge of imported thermal coal prices from Dec, domestic traders were with strong wait-and-see sentiment, and reduced purchases ...

8.2 Feb demand to drop

The demand for thermal coal is expected to be weak in Feb, as ...

8.3 Decline of thermal coal prices continues in Feb

8.3.1 Thermal coal price forecast based on CR index

Fig 24: CR China Thermal Coal Price and Stock Indices



Source: sxcoal.com

According to the latest CRCS, ...

8.3.2 Next month forecast of thermal coal price

Both the supply and demand were expected to remain flat from the month-ago level in Feb ...

Appendix: China Coal Industry News Summary

1. Large Chinese coal miners call for 276 working-day rule

Most of China's large coal producers including Shenhua Group suggested the government to resume 276 working-day rule at all mines after the heating period ending in mid-March, in a bid to underpin price and ease anticipated supply pressure, sources learned from a meeting held by China National Coal Association on February 21. A draft proposal has been submitted to the National Development and Reform Commission, according to which some mines may be allowed to operate 276 working days over March-August.

This, however, will not apply to advanced mines, mines with 70% production being primary coking coal or fat coal and mines in provinces buying outsourced coal to supplement supply, industry insiders said recently.

2. China to shed 50 Mtpa coal capacity, boost clean energy in 2017

China plans to shut down at least 500 outdated coal mines and use more clean fuel in 2017, the country's top energy watchdog said on February 17. The closure of outdated coal mines should lead to a capacity reduction of 50 million tonnes per annum (Mtpa), according to guidelines released by the National Energy Administration (NEA). The capacity-target was 80% lower than that of 250 Mtpa for 2016. China has a total coal capacity of over 5 billion tonnes per annum, and 300 Mtpa was actually eliminated last year.

Meanwhile, the guidelines targeted 3.65 billion tonnes of coal output for 2017, a year-on-year growth of 8.5%, noting that coal should account for about 60% of China's total energy consumption. The proportion stood at 64% in 2015.

3. China bans coal imports from North Korea amid growing tensions

China will halt all coal imports from North Korea, starting February 19 and for the rest of 2017, amid growing tensions on the Korean Peninsula following Pyongyang's most recent missile test, said the Ministry of Commerce in a public notice jointly issued with the General Administration of Customs on February 18.

"Imports of coal produced in North Korea -- including shipments already declared to the customs but yet to be released -- will be suspended for the remainder of this year," said the statement posted on the ministry's website.

4. China to kick off 8 nuclear power units construction in 2017

China planned to kick off construction of eight nuclear power units this year, with installed capacity totaling 9.86 GW, said the National Energy Administration (NEA) in a notice released on February 17.

Meanwhile, China will complete construction of Sanmen #1, Fuqing #4, Yangjiang #4, Haiyang #1, Taishan #1 units this year, adding 6.41 GW of new nuclear power capacity to the country's total, according to NEA.

Separately, China planned to complete construction of a few hydropower stations this year, with newly-added installed capacity of 10 GW. Construction of Baihetan, Batang, Lawa, Tuoba hydropower stations will kick off this year, with installed capacity expected to be 30 GW.

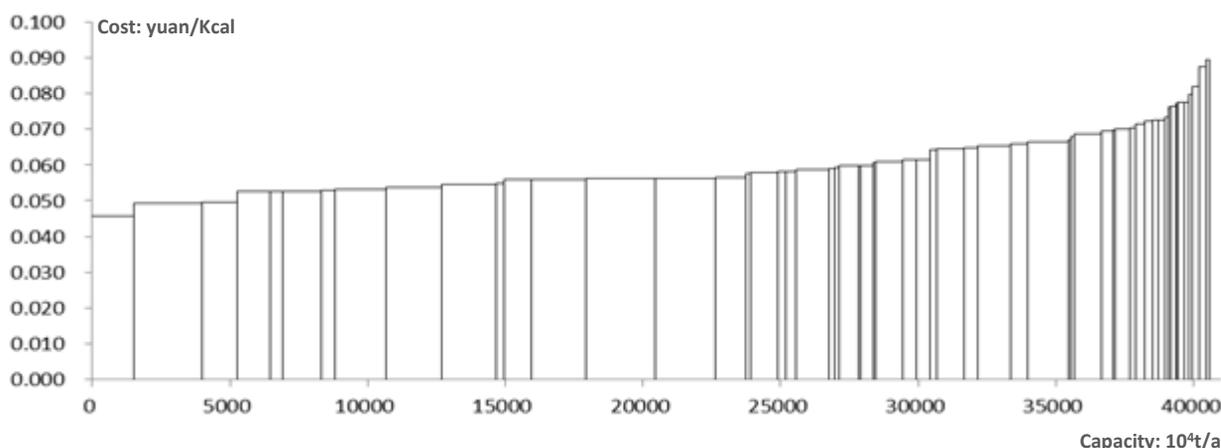
5. China SOEs cut 34.97 Mtpa coal capacity in 2016

China's state-owned enterprises cut surplus capacity in coal and steel industries by 34.97 Mtpa and 10.19 Mtpa last year, respectively, a senior official said on February 23.

In order to improve operational efficiency and enhance the profitability of state assets, China closed 2,730 legal-person companies in SOEs last year. The move helped reduce losses by 4.39 billion yuan (\$636.2 million) last year, and cut management cost by 4.91 billion yuan. China also rectified 398 zombie enterprises and unprofitable enterprises in 2016.

Cutting overcapacity is high on the central government's reform agenda as excess capacity in sectors such as steel and coal have weighed on the country's overall economic performance.

China thermal coal break-even chart in Jan 2017 (cash cost, Bohai-rim ports)



Disclaimer

China Thermal Coal Market Monthly is produced by **Shanxi Fenwei Information Services Co., Ltd.**, and limited to use by the customers of sxcoal.com. Considerable efforts have been made to ensure the accuracy of the information in this publication. However, Fenwei/sxcoal.com cannot accept liability of any loss, damage and injury resulting from the use of this information.

All information, text, materials, graphics are Copyright 1999-2013 Shanxi Fenwei Information Services Co., Ltd., no institution or individual may reprint, duplicate, publish or quote the information without the written permit of Fenwei. In case any institution or individual obtains such permit, they shall use the information within the permitted range and mark the source as "Fenwei" or "sxcoal.com", but may not quote, delete or revise the information by any means that conflicts the original meaning of this publication.

汾渭能源信息服务有限公司

Fenwei Energy Information Services Co., Ltd.

Building No. 4, Forest Park, East Binhe Road
Taiyuan, Shanxi, China 030003
Tel: +86 351 3844955
Fax: +86 351 4728543
Email: consulting@fwenergy.com
www.sxcoal.com

山西省太原市尖草坪区滨河东路森林公园4号楼
邮编: 030003
电话: +86 351 3844955
传真: +86 351 4728543
邮箱: consulting@fwenergy.com
www.sxcoal.com