

China Coking Coal Market Monthly Report

Jan 2017



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1 Summary of Monthly Market Review and Outlook

- ◆ Impacted by the supply-side reform, China's coking coal output fell 10.75% YoY in 2016, though imports...
- ◆ China's coking coal demand rose 6.39 Mt YoY in 2016. Coking coal price surged...
- ◆ Supply and demand gap narrowed starting Sep 2016, as the government allowed some mines to unleash...
- ◆ As the New Year and Chinese New Year holidays fell in Jan and Feb 2017...
- ◆

2 Monthly Demand

2.1 Macroeconomic indicators

□ 2016 GDP up 6.7%

2016 Q4 GDP at 21.1281 trillion yuan, up 6.8% YoY, slightly up from Q3.

China's economy ran smoothly in 2016. The GDP rose 6.7% YoY to 74.4127 trillion yuan, compared with 6.9% increase in 2015 from 2014. GDP rose 6.7% in Q1, Q2 and Q3, and up 6.8% in Q4.

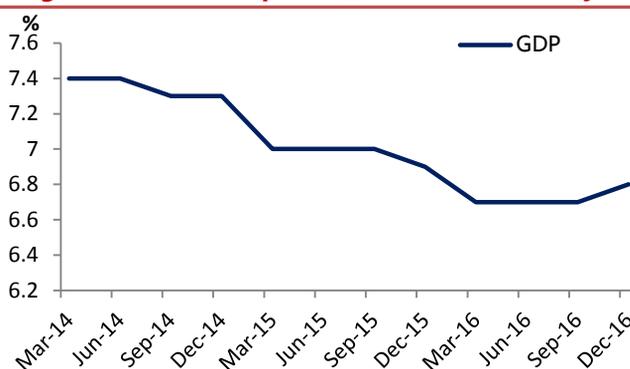
The added value of primary industry rose 3.3% YoY to 6.3671 trillion yuan in 2016; that of secondary industry rose 6.1% to 29.6236 trillion yuan and of tertiary industry up 7.8% 38.4221 trillion yuan.

□ 2016 FAI up 8.1%

FAI (excl. peasant household) rose 6.5% on year to 5.7953 trillion yuan in Dec 2016, down 2.2 percentage points from the growth rate in Nov, owing to slowdown in infrastructure investment. In Dec 2016, infrastructure investment (excl. power, heating, fuel gas, water production and supply) rose 5.99% on year to 1.2940 trillion yuan, down 9.28 percentage points from Nov growth rate.

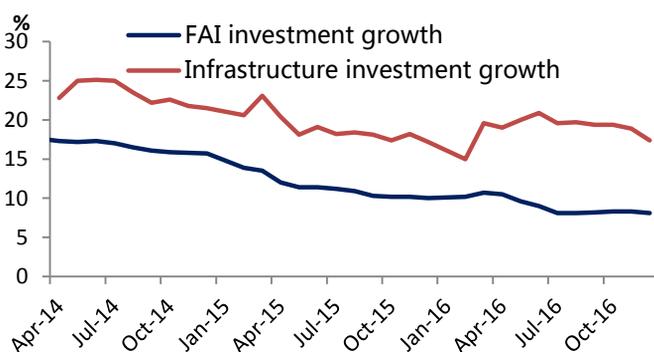
FAI (excl. peasant household) rose 8.1% on year to 59.6501 trillion yuan in 2016, down 1.9 percentage points from the growth rate in 2015. In 2016, infrastructure investment rose 17.4% on year, up 0.2 percentage points from 2015.

Fig.1: 2016 GDP up 6.7%, smooth economy



Source: NBS

Fig.2: 2016 FAI up 8.1%, slower growth from 2015



Source: NBS

2016 PMI slightly down, but still in expansion

The PMI was at 51.4 in Dec 2016, lower than 51.7 in Nov and staying above the 50-point boom-bust line for the fifth straight month, being the second highest monthly reading that year.

The sub-indices for production and new orders were above the 50-point mark, signaling demand in the manufacturing industry maintained relatively fast growth.

The sub-indices for employee and raw materials inventory were below the 50-point boom-bust line, indicating company workers decreased and raw material stocks fell in the manufacturing industry. The sub-index for supplier delivery time kept steady, indicating raw material suppliers maintained stable delivery.

Dec 2016 steel sector PMI below 50-point boom-bust line, ending two consecutive months of rise

The PMI for China's steel industry dropped to 47.6 in Dec 2016, showed data from the Steel Logistics Professional Committee (CSLPC) on January 1. That was lower than Nov's 51.0 and also below the 50-point mark after two straight months' rise, indicating a downturn in the steel industry.

The steel industry production sub-index was 44.9 in Dec 2016, the lowest monthly reading since July. The new orders and new export orders sub-indices were both below the 50-point mark; the inventory sub-index bottomed out; the purchase price sub-index plunged. The data indicated the steel industry still faced oversupply pressure, as demand declined faster than supply. Inventory mounted and the cost support weakened, adding to price downward pressure.

2016 Real estate investment up 6.9%

Rapid sales of commercial houses boosted real estate investment, which rose 11.08% on year to 919.33 billion yuan in Dec 2016, up 5.35 percentage points from the Nov growth of 5.73%.

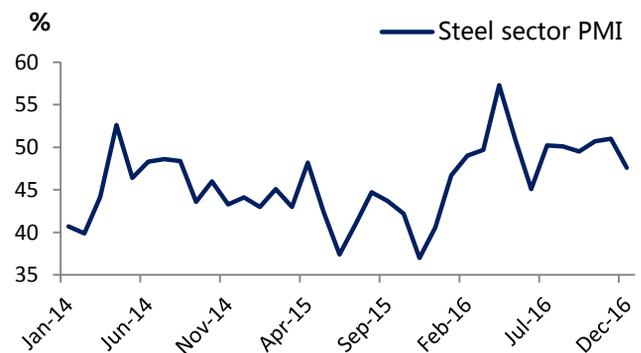
China's real estate investment rose 6.9% on year to 10.2581 trillion yuan in 2016, up 0.4 percentage points from the increase over Jan-Nov. Residential buildings investment rose 6.4% on year to 6.8704 trillion yuan or 67% of the total.

Fig. 3: 2016 PMI still in expansion



Source: NBS

Fig. 4: Steel sector PMI below 50-point mark



Source: China Federation of Logistics and Purchasing

Fig. 5: 2016 real estate investment up 6.9%



Source: NBS

Commercial housing sales area up 22.5% YoY

In Dec 2016, China's commercial housing sales area grew 11.8 percentage points from the previous year to 215.195 million square meters. Impacted by the government's housing restriction policy, the growth fell back in the last two months of the year.

In 2016, China's commercial housing sales area increased 22.5% YoY to 1,573.49 million square meters, compared with a 24.3% growth in January-Nov. The growth in sales area of residence, office buildings and business buildings stood at 22.4%, 31.4% and 16.8%, respectively.

During the same period, sales value of commercial housing rose 34.8% YoY to 11.7627 trillion yuan (\$1.73 trillion), compared with a 37.5% increase in January-Nov. The growth in sales value of residence, office buildings and business buildings stood at 36.1%, 45.8% and 19.5%, respectively.

2016 Auto output up 14.46% YoY

In Dec 2016, China's auto output climbed 15.04% YoY to 3.06 million, hitting a record monthly high, compared with a 17.84% growth in Nov, showed data from the China Automotive Industry Association (CAAM).

In 2016, China's auto output rose 14.46% on the year to 28.12 million, impacted by a cut in automobile acquisition tax and a surge in sales of new energy autos. The output growth in saloon cars, SUV and MPV stood at 3.9%, 45.7% and 17.1% respectively, while output in cross passenger cars posted a decline of 38.3% YoY. Thus, the growth in SUV and MPV markets are major impetus for the year's increase.

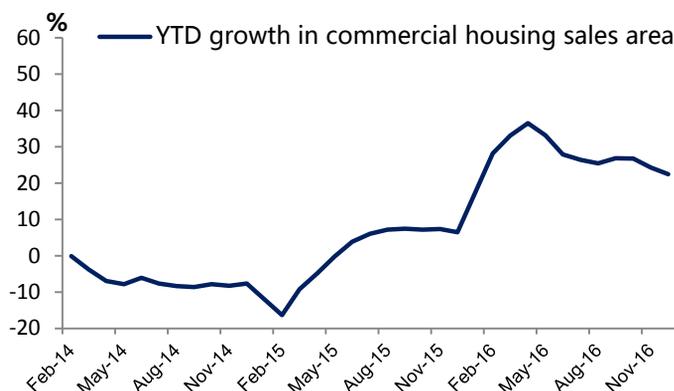
2016 Auto sales up 13.65% YoY

In Dec 2016, China's auto sales hit a record monthly high to 3.06 million, up 9.47% YoY, compared with a 16.8% growth in Nov, the CAAM data showed.

In 2016, China's auto output rose 13.65% on the year to 28.03 million, impacted by a cut in automobile acquisition tax.

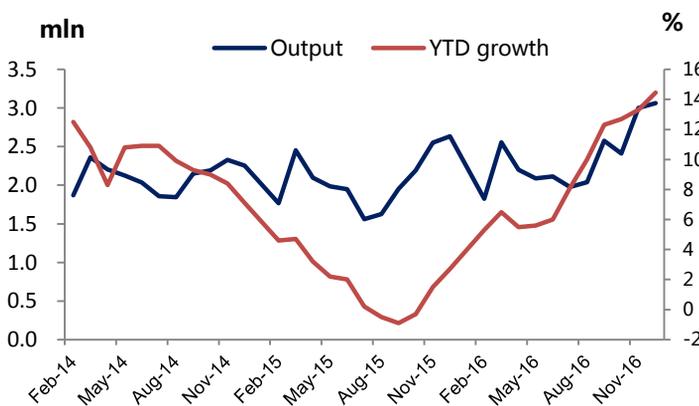
However, starting from January 1 2017, the automobile acquisition tax will increase from 5% to 7.5%, weighing on auto sales this year.

Fig. 6: Commercial housing sales area up



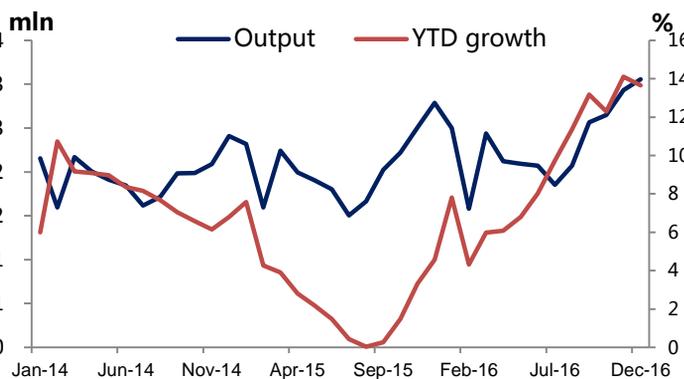
Source: NBS

Fig.7: 2016 Auto output hit record high



Source: CAAM

Fig. 8: 2016 Auto sales hit record high



Source: CAAM

2.2 Downstream sectors production & market situation

2.2.1 Downstream sectors production

□ China crude steel Dec output up 1.4% MoM

China's crude steel output stood at 67.22 Mt in Dec 2016, up 1.4% from the previous month and up 3.2% YoY....

In 2016, China's crude steel output climbed 1.2% YoY to 808.37 Mt. Among this, Hebei....

□ China pig iron Dec output up 0.4% MoM

China's pig iron output stood at 57.47 Mt in Dec 2016, up 0.4% from the previous month and up 4.1% YoY.

Impacted by environmental protection regulations, the operation rate in furnaces....

In 2016, China's pig iron output climbed 0.7% YoY to 700.74 Mt. Among this, Hebei....

□ China coke Dec output down 1.8% MoM

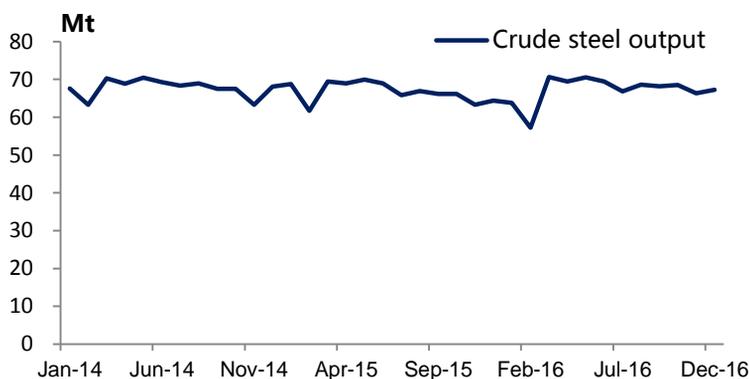
China's coke output stood at 38.06 Mt in Dec 2016, down 1.82% from the previous month but up 8% YoY.

The operation rate in coking plants dropped in Dec, with large coke makers....

In 2016, China's coke output climbed 0.6% YoY to 449.11 Mt. Among this, Shanxi....

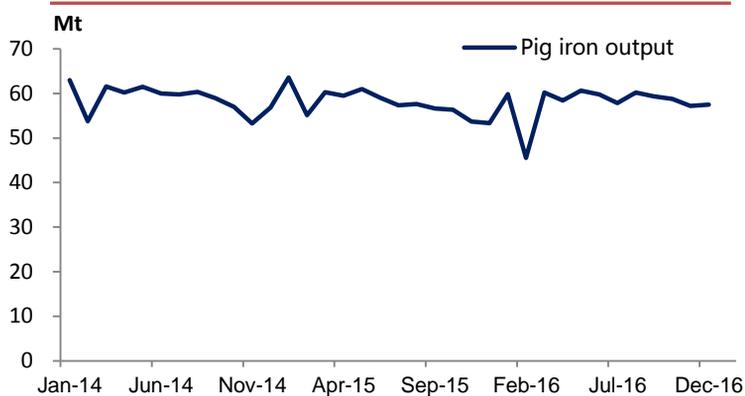
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Fig. 9: 2016 Crude steel output up



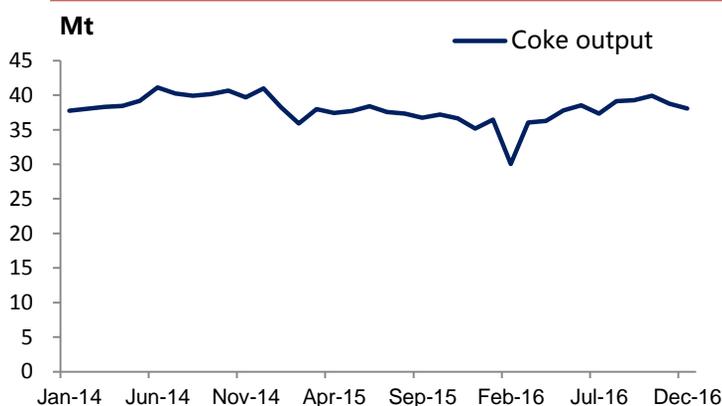
Source: NBS

Fig. 10: 2016 Pig iron output up 0.6% YoY



Source: NBS

Fig. 11: 2016 Coke output up 0.6% YoY



Source: NBS

2.2.2 Downstream import & exports

□ Steel products exports down

Impacted by increased trade conflicts and domestic steel products prices, China's steel products exports has been sliding since August....

China Dec steel products imports....

China 2016 steel products net exports

□ Coke exports hit record high; growth slows

China Dec coke imports....

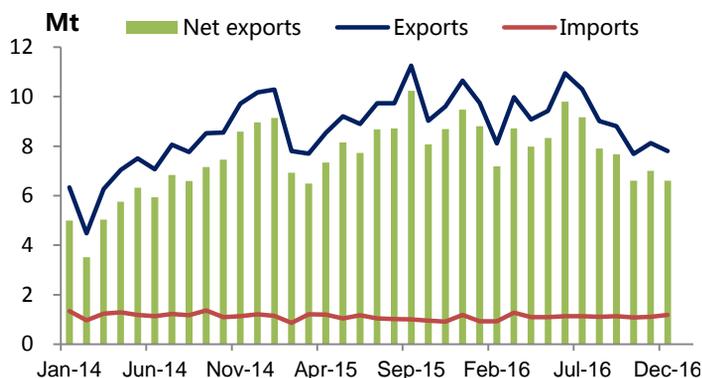
Shanxi and Shandong are major exports provinces of coke....

2.2.3 Downstream products prices

□ China Jan steel products prices rise after drops

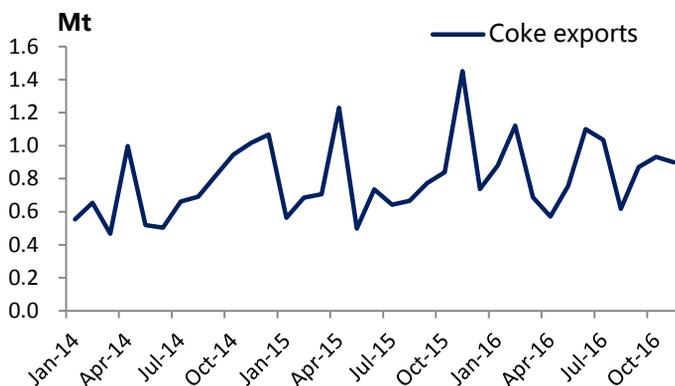
China's steel products prices rose in January after drops, with prices varying in different grades. As of January 22,

Fig. 12: 2016 Steel products exports down



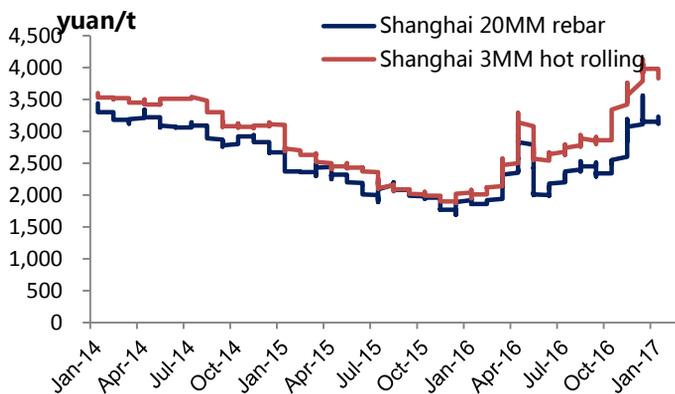
Source: GAC

Fig. 13: 2016 Coke exports growth slows



Source: GAC

Fig. 14: Jan steel products prices rise



Source: CISA

Downward coke prices in Jan

Chinese coke prices continued to plummet in January, due to waned purchase demand from steel mills amid high inventories....

Table 1: Slump in January steel products, coke prices

Product	17-Jan-22	17-Dec-30	MoM (±)	MoM (%)
Shanghai 20mm rebar				
Beijing 20mm rebar				
Shanghai 3mm hot-rolled steel				
Beijing 3mm hot-rolled steel				
Tianjin coke				

Source: CISA, sxcoal.com

2.2.4 stockpiles of downstream industries

Steel stocks

By end-January, steel products stocks in major cities....

By January 10, steel products stocks in China's key steel mills....

Coke stocks

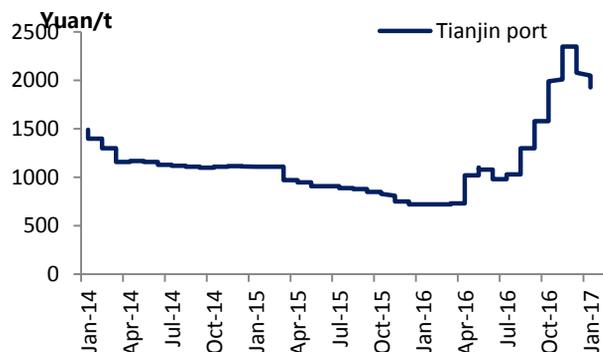
In January, coke inventories..., mainly impacted by dented demand from downstream sector.

Table 2: Surge in January steel products, coke stocks

	Variety	17-Jan-22	16-Dec-30	MoM (±)	MoM (%)
Steel products	Rebar				
	Wire				
	Hot-rolled sheet				
	Middle steel plate				
	Cold-rolled sheet				
	Total				
coke	Steel mills				
	Coking plants				
	ports				

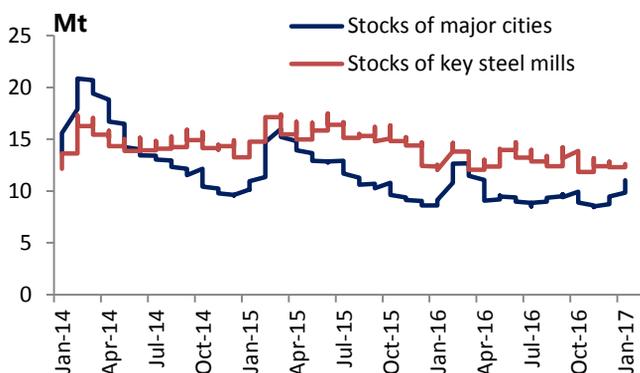
Source: CISA, sxcoal.com

Fig. 15: Downward coke prices in Jan



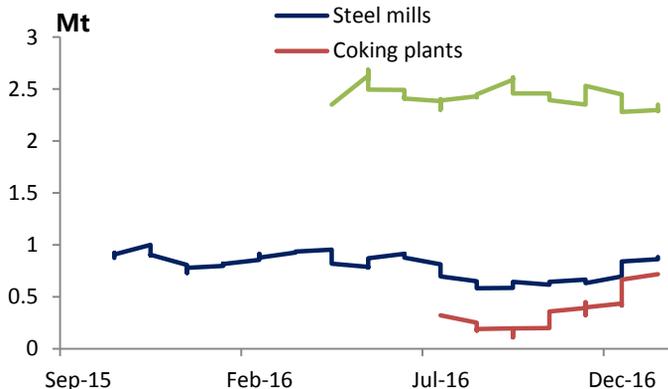
Source: sxcoal.com

Fig. 16: Increased steel stocks in Jan



Source: CISA

Fig. 17: Increased coke stocks in Jan



Source: sxcoal.com

□ Coking coal consumption in Dec

According to Fenwei calculation,

Supported mainly by rebounded demand,...

3. China's coking coal supply analysis

3.1 Policy & analysis of China's coking coal supply

With a supply tightness in domestic coking coal market,...

3.2 China's coking coal production analysis

3.2.1 Coking coal production

With loosening of 276 workday regulation since September,...

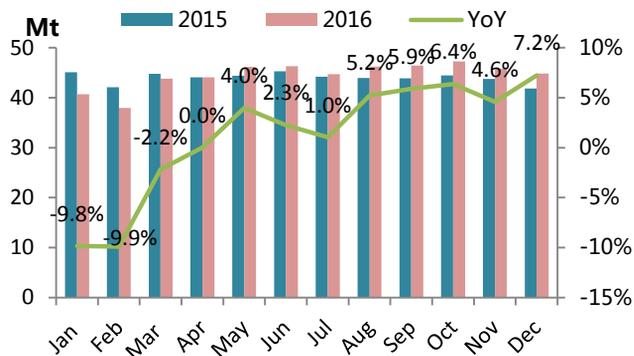
In 2016, ...

3.2.2 By province

By province,...

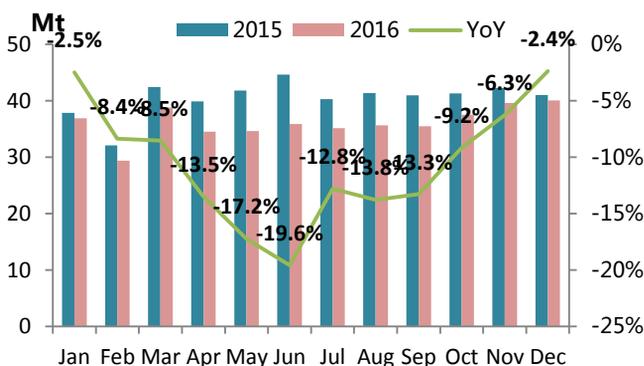
In 2016,...

Fig. 18: Coking coal consumption down 2% MoM in Dec



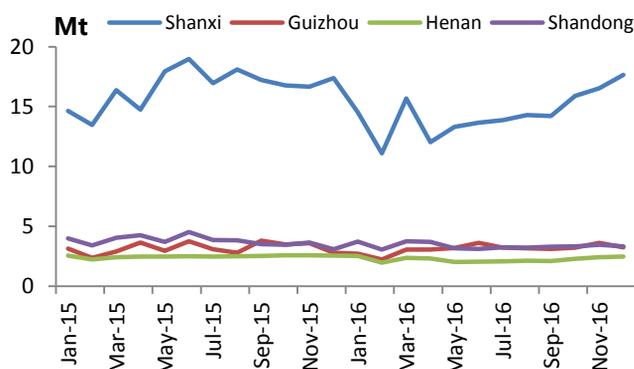
Source: sxcoal.com

Fig. 19: Washed coking coal output up 1.12% MoM in Dec



Source: sxcoal.com

Fig. 20: Province-wise washed coking coal supply declines



Source: sxcoal.com

Table 3: Efficient supply of washed coking coal by province

Province/Mt	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Sum
Shanxi													
Guizhou													
Henan													
Shandong													
Total													

Table 4: Coal output of Shanxi Coking Coal Group

Mt	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Sum
Output													
Sales													

3.2.3 Production & sales of main producers

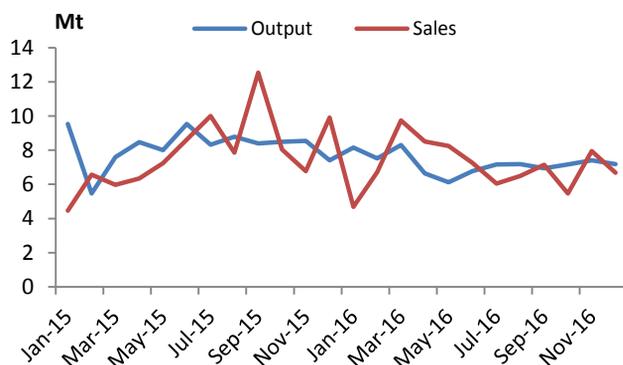
In Dec, Shanxi Coking Coal Group...

3.2.4 Raw coal production of main cities

With more producers operating at 330 workdays, major coking coal producing cities Luliang and Linfen... in Dec.

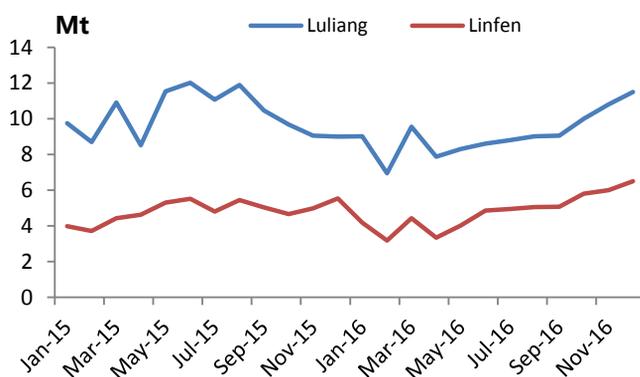
.....

Fig. 21: Output & sales of Shanxi Coking Coal Group in Dec



Source: sxcoal.com

Fig. 22: 2016 raw coal output of major production bases



Source: Shanxi Bureau of Statistics

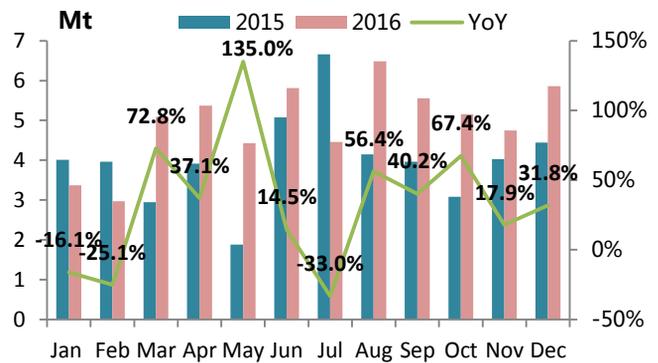
3.3 Coking coal imp. & exp. Monthly analysis

3.3.1 coking coal imports

In Dec, China's coking coal imports surged..., as the fuel purchased in Oct and Nov arrived in Dec.

....

Fig. 23: Coking coal imports up in Dec



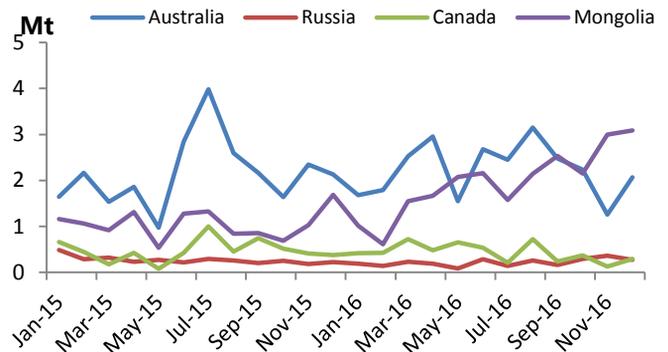
Source: GAC

3.3.2 Imports by source

In Dec, Mongolia was the largest supplier, with shipment of 3.09 Mt, rising 83.24% YoY and up 3.03% MoM; Australia imported...

....

Fig. 24: Australian coking coal imports surge MoM in Dec

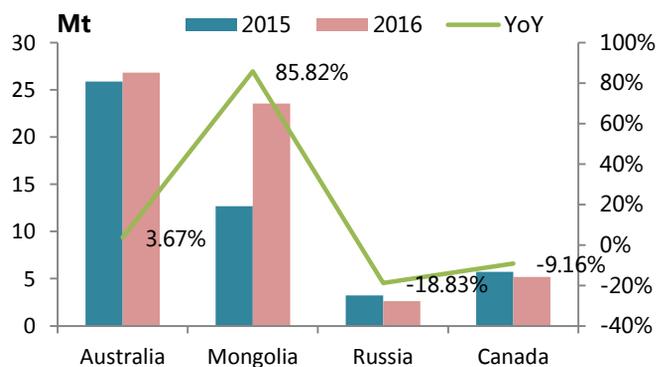


Source: GAC

In 2016, Mongolia coal reported the sharpest increase, hitting a record high of ..., thanks to sufficient supply and relatively low prices.

....

Fig. 25: Sharpest rise of Mongolian coking coal imports in 2016



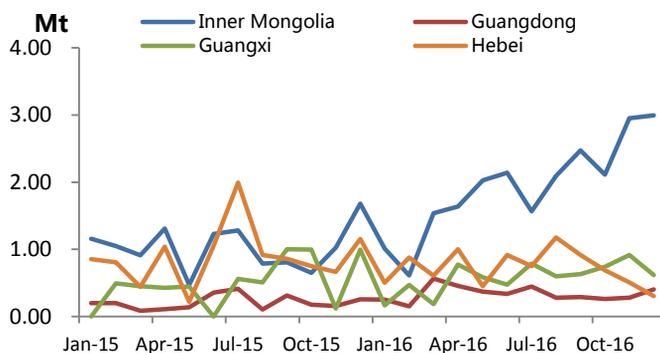
Source: GAC

3.3.3 Coking coal imports by provinces

Inner Mongolia imported 2.996 Mt of coking coal in Dec, increasing...

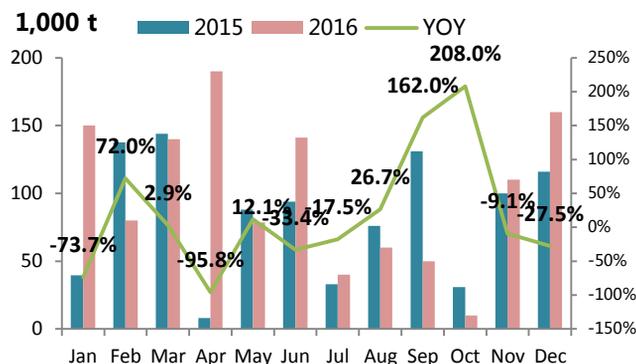
Inner Mongolia imported 23.17 Mt of coking coal during 2016, mostly from Mongolia, up...

Fig. 26: Inner Mongolia Dec imports the most



Source: General Administration of Customs

Fig. 27: Steady exports



Source: General Administration of Customs

3.3.4 Coking coal exports

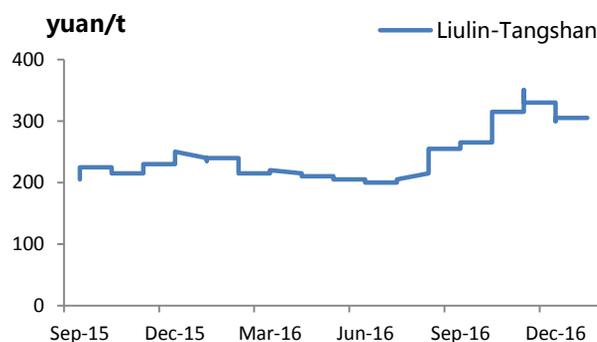
China exported 160,000 tonnes of coking coal during Dec, up 37.9% YoY; the country's coking coal imports totaled 1.21 Mt last year, a rise of 21.2% from 2015.

China's coking coal imports..., impacted by domestic de-capacity campaign and firm demand from downstream sectors.

Table 5: 2016 net imports at 58.09 Mt

Mt	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Imports													
Exports													
Net imports													

Fig. 28: Truck freight rates of domestic coal



Source: sxcoal.com

3.4 Coking coal transport

Shanxi's coking coal transport was interrupted by snow, heavy smog and environmental checks in January.

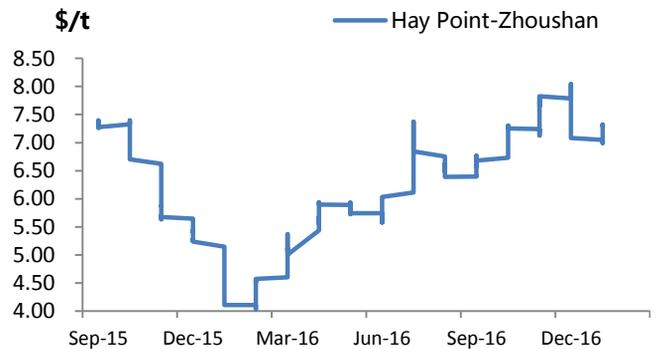
The decline of imported coking coal prices continued in January, despite active purchasing and increased sales. The freight rate rose from ... during the beginning of January.

Table 6: Domestic truck freight flat, coastal rates up

Freight rate	12-1-17	30-12-16	MOM	MOM(%)
Liulin-Tangshan (yuan/t)				
Hay Point-Zhoushan (\$/t)				

Source: sxcoal.com

Fig. 29: Coastal freight rate



Source: sxcoal.com

4 Supply-demand balance of coking coal

4.1 Coking coal supply and demand

Table 7: Supply-demand gap widens during 2016, achieves balance in the end

Mt	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Production	36.93	29.38	38.83	34.51	34.62	35.89	35.16	35.65	35.51	37.50	39.63	40.08	433.68
Net imports	3.22	2.89	4.95	5.18	4.34	5.67	4.42	6.43	5.51	5.15	4.64	5.70	58.09
Total supply	0.40	0.32	0.44	0.40	0.39	0.42	0.40	0.42	0.41	0.43	0.44	0.46	4.92
Coke production	36.45	30.05	36.05	36.25	37.81	38.54	37.31	39.13	39.29	39.93	38.77	38.06	447.63
Coking coal consumption	40.67	37.93	43.79	44.05	46.14	46.29	44.68	46.24	46.45	47.27	45.78	44.86	534.14
Total demand	0.41	0.38	0.44	0.44	0.46	0.46	0.45	0.46	0.46	0.47	0.46	0.45	5.34
Supply-Demand	-0.01	-0.06	0	-0.04	-0.07	-0.05	-0.05	-0.04	-0.05	-0.05	-0.02	0.01	-0.42

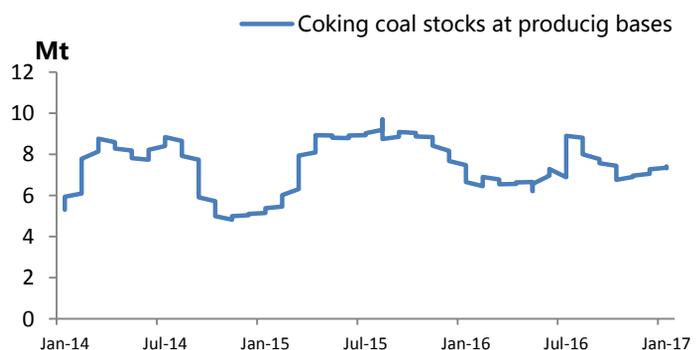
Source: sxcoal.com

4.2 Coking coal stocks

4.2.1 Production areas

By the end of January, coking coal stocks at surveyed coking coal mines stood at 7.421 Mt, a month-on-month rise of ...

Fig. 30: Jan coking coal stocks at mines up slightly



Source: sxcoal.com

4.2.2 Transfer ports

..., as domestic output and arrivals of imported materials were sufficient in Dec 2016.

4.2.3 Consumption areas

Restocking demand from coking plants and steel mills was robust with the approaching of the Spring Festival...

Table 8: Jan coking coal stocks climb at production, transfer and consumption areas

Areas	27-1-17	30-12-16	MOM	MOM(%)
Sample cos				
Ports				
Steel mills				
Coking plants				

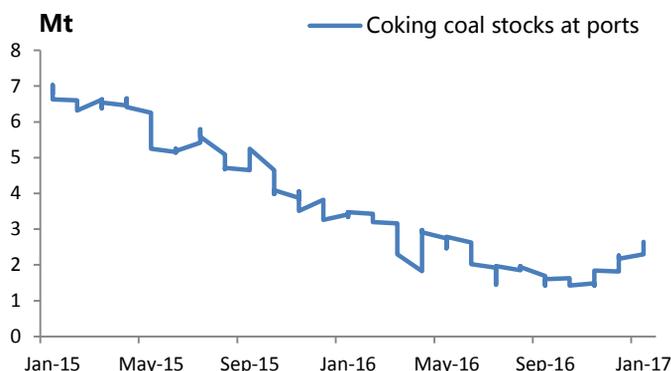
Source: sxcoal.com

5 Coking coal prices

5.1 Production areas

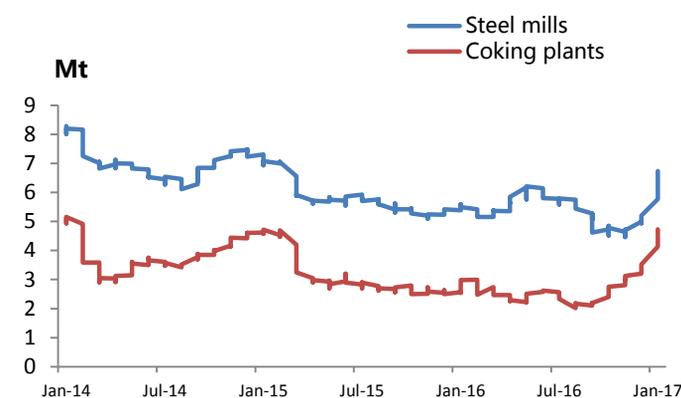
Prices of premium coking coal stiffened in January, mainly due to limited supply. The FOR price of Liulin 4# coking coal with low sulfur stood at...

Fig. 31: Jan coking coal stocks at ports continue to rise



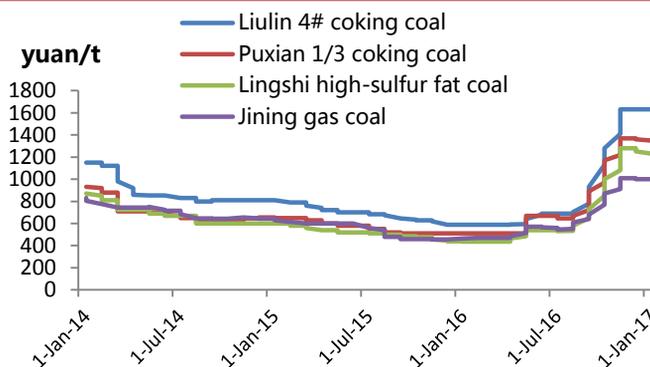
Source: sxcoal.com

Fig. 32: Jan coking coal stocks at steel mills and coking plants climb



Source: sxcoal.com

Fig. 33: Premium coking coal prices stable, high-sulfur coal prices down



Source: sxcoal.com

5.2 Transfer ports

Coking coal prices were relatively firm owing to tightened domestic supply in January,...

5.3 consumption areas

The purchasing price of coking coal for steel mills was steady on the whole in Hebei. Affected by imported...

Table 9: Jan coking coal prices stable

Areas	Coking coal	27-1-17	30-12-16	MOM	MOM(%)
Production areas	Liulin 4#				
	Puxian 1/3				
	Lingshi high-sulfur fat coal				
	Jining gas coal				
Ports	Domestic primary coking				
	Australian primary coking				
	Imported coking coal (CFR)				
Steel mills	Primary coking				

Source: sxcoal.com

6 Next month analysis and price forecast

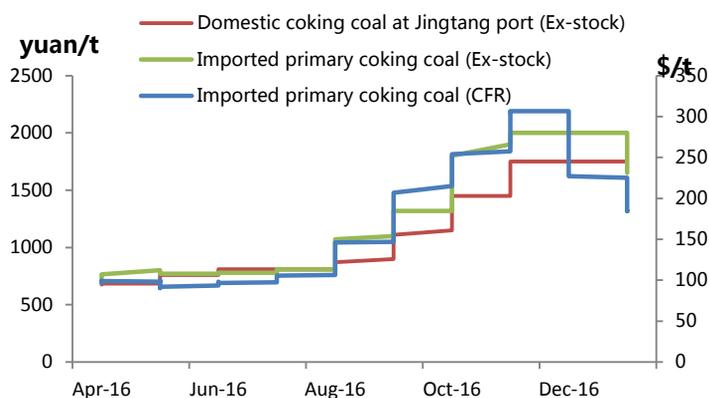
6.1 Key factors influential on supply

Policy All coal mines that meet safety production regulation ..., according to the revised production reduction requirements.

Production halts Most coal mines halted production during the New Year and the Spring Festival holidays...

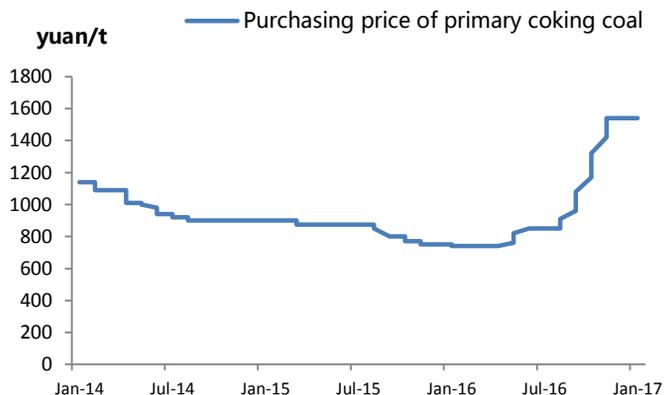
Imports China's coking coal imports were expected to decline during January and February, given falling purchases and the wait-and-see sentiment caused by price fluctuation during Nov-Dec period.

Fig. 34: Domestic prices stable, imported prices down at transfer areas



Source: sxcoal.com

Fig. 35: Prices unchanged at consumption areas



Source: sxcoal.com

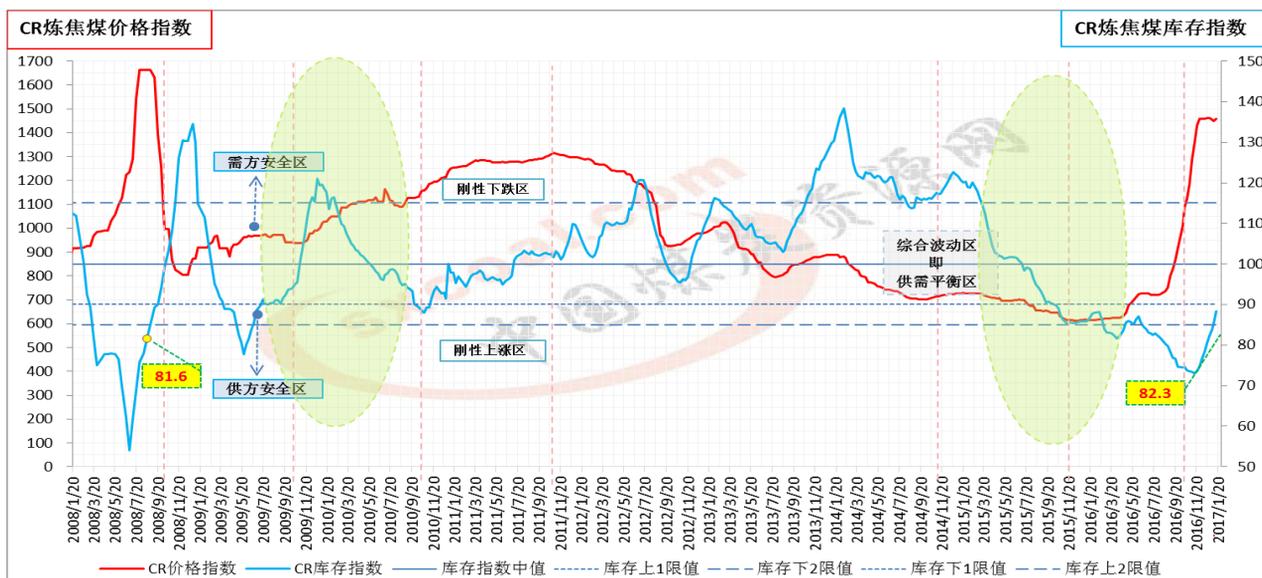
6.2 Key influencers on demand

Coking coal stockpiles in the steel market was high after continuous increase...

6.3 Other influencing factors

Policy China's authorities drew up a mechanism aimed at limiting future volatility in coal prices on January 12...

Fig. 36: CR China Coking Coal Price and Stock Indices



Source: sxcoal.com

According to the latest CR China Coking Coal Stock Index (CRCS),...

6.4 Next month forecast

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