
China enjoys stable coal economy in the first five months of 2009

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In the first five months of the year, China's raw coal production had continued to rise, and coal market stayed in a balance in terms of supply-demand relations. The coal economy remained stable as a whole with domestic market price keeping stable and imported coal price rising.

Since the beginning of the year, China had witnessed its capability of supplying coal going up, making coal supply a little bit higher than demand. High grade coal had been relatively tight in northeast China, north China and southwest China, while coal resource was sufficient in southeast and east China and it also remained slack in central and southwest China.

China's coal production and sales volume, as well as coal stock all pointed to the upside in the first five months. Statistics from National Bureau of Statistics of China indicate China's raw coal production remained at 1.07 billion tonnes in total from January to May, increasing by 70.4 million tonnes or 7% YoY. Statistics from China's Coal Industry Association show China's coal sales volume in this period remained at 991.61 million tonnes, up by 15.97 million tonne or 1.64% YoY. In the end of May coal stockpiles in the market stayed at 181.73 million tonne increasing by 5.5 million tonne or 3.12% compared with the end of Apr.

The following points stand out as the features of coal industry development in this period.

First, raw coal production volume increased rapidly and it posted large differentiation in different regions. State-owned coal enterprises saw raw coal production volume went up swiftly, while local coal mines witnessed their volume dropping. Township coal mines experienced further decline in raw coal production. In Shanxi and Henan, raw coal production volume dropped dramatically, while that in Inner Mongolia, Shaanxi and Shenhua went up significantly.

Second, transportation had recovered, and railway delivered more coal than before. In May, coal delivering volume by railway stayed at 147.29 million tonne rising by 4.3% YoY. Among the quantity power coal took up 86.53 million tonne decreasing by 3.02 million tonne or 3.4%, but the declining rate went down by 7.9% compared with Apr.

Third, the quantity of coal consumed by the power sector declined, and that by the construction material sector rose. Statistics from China Electricity Council indicate coal consumption by power sector remained at 548 million tonnes, decreasing by 42.6 million tonnes or 7.77% YoY. Locally served power plants consumed 258.67 million tonnes, declining by 27 million tonne or 8.9%.

According to the estimate of China's Coal Industry Association, China's iron and steel industry consumed 186 million tonne of raw coal in the first five months, increasing by 2.75 million tonne or 1.5% YoY and that by the construction material industry stood at 139 million tonnes, increasing by 10.3 million tonne or 8%. The chemical industry consumed 58.64 million tonnes of raw coal, rising by 2.47 million tonne or 4.4% YoY.

Fourth, the spot price of imported coal rose rapidly. Since the beginning of the year when China increased overseas coal purchase, the spot price of international thermal coal and ocean freight both went up. International coal price, since May, had increased for one month, and till Jan 12, Australia's BJ coal index rose by USD 9.66 per tonne from the end of May to USD 76.75 per tonne up by USD 13 per tonne compared with Apr.

Fifth, coal price had remained stable, but it fluctuated slightly in consuming areas. In May, coal ex-mine price in Shanxi edged up by CNY 10 per tonne. In the month the transaction price of thermal coal in Qinhuangdao, Tianjin and Tangshan remained stable. Owing to the surging import volume, coal transaction price at ports in Guangdong and Zhejiang had pointed to the downside.

(Sourced from mysteel.net)

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