
Coal prices in China continue to fall amid traditional boom season

Friday, 20 Aug, 2010

According to industry analysts, coal prices might continue to fall amid traditional boom season due to high inventory and depleted capacity of coal-consuming industries.

Statistics reveal that coal stockpiles in Qin Huangdao port has gained by 14% to an all-time high of 7.34 million tonnes from corresponding period during the week ending on August 15th.

Great surplus has compelled coal makers to cut price, in a bid to fuel demands. Coal prices in Qing Huangdao and some main producing areas have retreated over nearly a month. Steam coal in Shanxi Datong is offered at CNY 455 per tonne down from CNY 470 per tonne quoted in last week. Meanwhile, downward trend in price has extended to major coal varieties. Anthracite, steam coal and coking coal in Shanxi region have witnessed varying degrees of price decline in these weeks.

Steel, electricity power, construction materials and chemical industries, 4 major coal-consuming industries accounting for more than 70% of total coal consumption are under regulation by the government's effort to promote elimination of backward capacity which in turn drags outputs down.

In the other hand, rising coal inventory in power enterprises imposes an increasingly apparent impact on coal markets. Power coal inventory in domestic power plants has remained at high levels by last week. Power coals stored in East, Central and South China Power Grid are able to sustain 17, 31 and 21 days operation respectively overtaking the average level.

Over capacity is turning out to be an important issue that concerns the whole coal industry. China Coal Industry Association forecasts a total national coal output of more than 3.3 billion tonnes in this year, and that in Shanxi and Inner Mongolia to touch 700 million tonnes all with an accretion of 100 million tonnes. Meanwhile, coal imports have skyrocketed by 33.56 million tonnes or 70.6% to 81.09 million tonnes in 1H of this year.

A Shanxi based official said "Subdued growth of coal demand is the main reason for excess coal production, which might be seen in September." Mr Wang Xian President of CNCA also reiterated a peril of oversupply facing coal industry in the light of an obvious trend of loosening demand in H2.

(Sourced from MySteel.net)

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