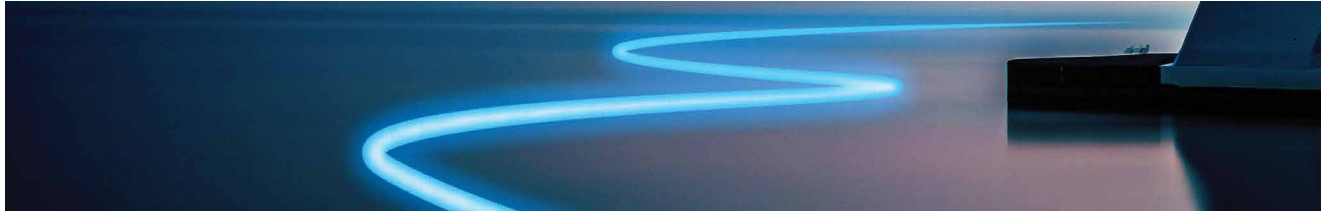


Argus Seaborne Coal Outlook

Incorporating Argus Seaborne Thermal Coal Outlook

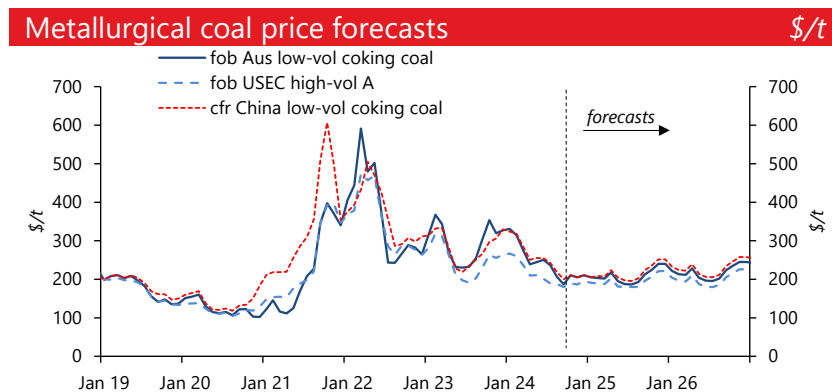
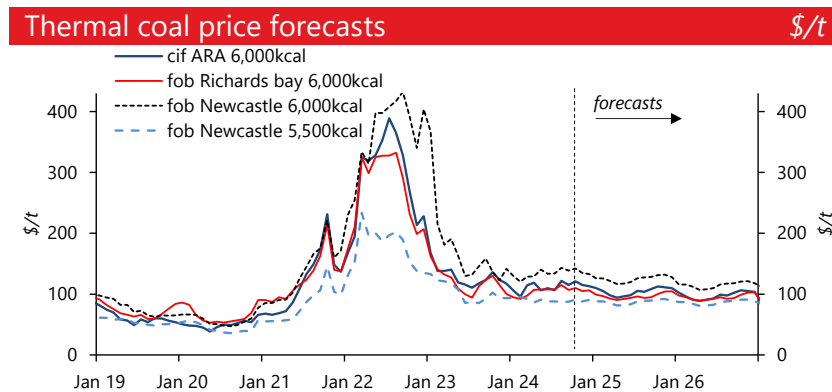


Near-term outlook

Seasonal risks should provide some support to high-CV thermal prices in 4Q '24, but we think the metcoal price rally could lose steam.

12-month outlook

We are broadly bearish on thermal coal pricing but bullish on metcoal heading into 2025 and 2026.



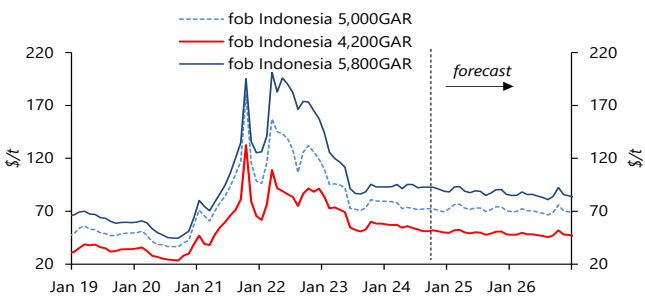
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Price forecasts															\$/t	
	Aug	Sep	±	Oct	Nov	Dec	1Q24	2Q24	3Q24	4Q24	1Q25	2022	2023	2024	2025	2026
Thermal coal																
6,000kcal																
cif ARA	121.7	114.8	-6%	121.0	115.0	113.0	105.4	111.5	114.3	116.3	104.3	289.9	129.0	111.9	104.4	98.0
fob Newcastle	143.3	138.5	-3%	142.0	135.0	133.0	126.4	134.3	138.5	136.7	124.6	360.1	173.7	134.0	125.0	115.0
fob Richards Bay	114.7	106.9	-7%	110.0	105.0	106.0	94.7	107.4	109.8	107.0	96.1	270.8	120.6	104.7	96.5	95.0
fob Puerto Bolivar	95.1	93.3	-2%	95.0	95.0	93.0	90.8	87.9	92.5	94.3	84.3	278.8	113.9	91.4	90.4	88.0
5,500kcal																
fob Newcastle	87.0	87.5	0%	90.9	87.8	90.4	93.5	88.4	87.5	89.7	87.2	176.1	103.4	89.8	87.2	86.4
fob Richards Bay	94.0	85.0	-10%	88.7	86.6	87.5	84.5	93.8	89.8	87.6	79.3	205.4	100.7	88.9	79.6	78.4
cif India	105.1	102.2	-3%	103.7	101.6	102.5	100.6	108.5	104.3	102.6	94.3	203.7	116.1	104.0	94.6	93.4
cfr South China	100.6	102.3	2%	104.5	104.0	103.7	107.5	102.9	101.5	104.1	100.3	168.5	116.1	104.0	99.1	96.9
fob Indonesia																
5,800 GAR	92.7	92.7	0%	92.6	90.8	89.0	93.9	94.0	92.6	90.8	91.5	171.2	104.4	92.8	89.0	85.4
5,000 GAR	72.1	72.4	0%	72.3	70.9	69.5	78.9	72.9	72.0	70.9	75.0	127.8	84.8	73.7	73.0	70.1
4,200 GAR	51.2	51.1	0%	52.0	51.0	50.0	57.2	55.0	51.7	51.0	51.4	85.9	63.2	53.7	50.0	48.0
Metallurgical coal																
fob Australia																
premium low-vol	205.8	186.7	-9%	210.0	205.0	210.0	307.0	244.5	209.7	208.3	203.4	365.6	295.9	242.4	208.8	218.2
mid-vol	186.8	160.4	-14%	168.0	174.3	178.5	257.8	209.9	185.2	173.6	179.0	330.1	257.0	206.6	183.7	192.0
PCI spot	176.6	151.5	-14%	168.0	164.0	157.5	171.4	164.7	174.4	163.2	145.8	322.5	227.6	168.4	147.0	152.8
Semi-soft contract	180.0	180.0	0%	170.0	170.0	170.0	200.0	200.0	180.0	170.0	170.0	277.5	216.0	187.5	161.3	162.5
fob USEC																
high-vol A	187.5	179.8	-4%	189.0	186.6	195.3	254.5	207.2	185.6	190.3	189.2	347.9	249.2	209.4	194.5	200.8
high-vol B	179.6	173.5	-3%	175.8	175.4	179.7	218.4	189.4	178.3	176.9	172.1	329.9	230.4	190.8	178.6	182.8
cfr China																
premium low-vol	218.1	200.0	-8%	210.0	205.0	210.0	308.8	253.4	220.1	208.3	206.8	370.9	282.8	247.6	217.1	229.1

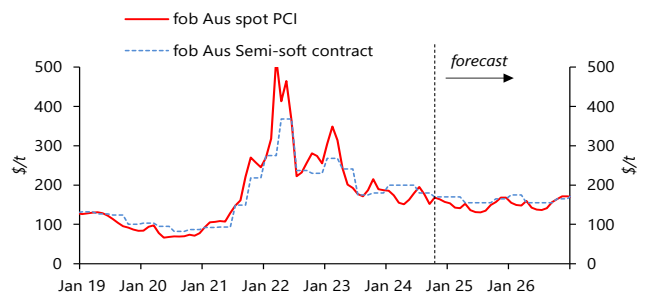
Fob Indonesia price forecasts

\$/t



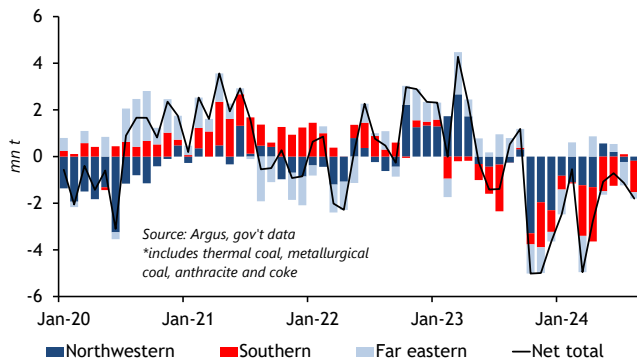
Metallurgical coal price forecasts

\$/t



Thermal coal – Key drivers of price forecasts

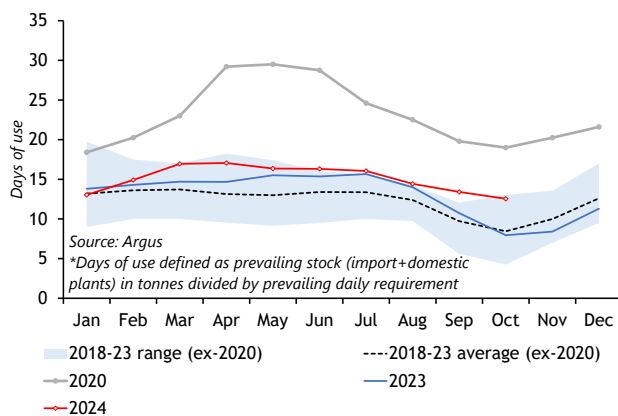
YoY change in Russian coal exports



Russia supply faces greater contraction

Export performance from Russia's southern ports has deteriorated again, namely from Taman. Port handling charges continue to deter usage and we have become less confident in a meaningful recovery in Southern port exports during the winter period. This limits the coal supply-side's ability to respond to higher demand during the northern hemisphere winter, although we do not think the overall coal balance will be short unless temperatures are particularly cold. We think railing constraints will be the main limiting factor for Russian exports via far east and northwest ports over the winter, and are watching closely for clarity over possible RZD tariff rises.

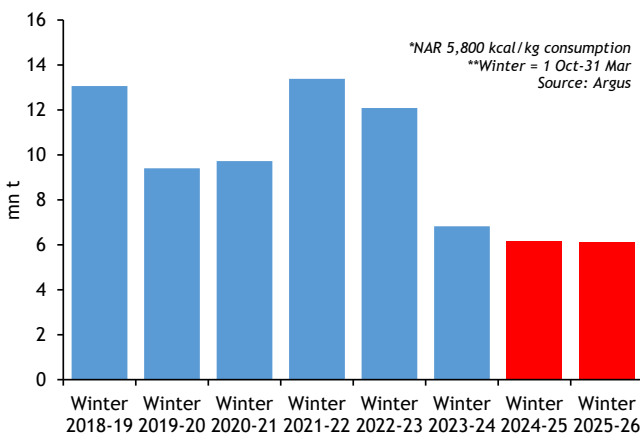
India coal inventories at power plants



India stocks at high level

Inventories at Indian coal-fired power plants have exited the Monsoon season at healthy levels both on a days-of-use (see chart) and absolute tonnage basis. Stocks at imported coal plants are particularly high, although this can be partly explained by a September outage at Tata's Mundra UMTTPP plant. A delayed withdrawal to an above-par Indian Monsoon should cap both power-sector and industrial demand in the short term. We remain bullish on the long-term prospects for growth in India's sponge iron and cement-sector coal demand but think the short-term demand outlook faces significant headwinds.

Germany winter hard coal consumption

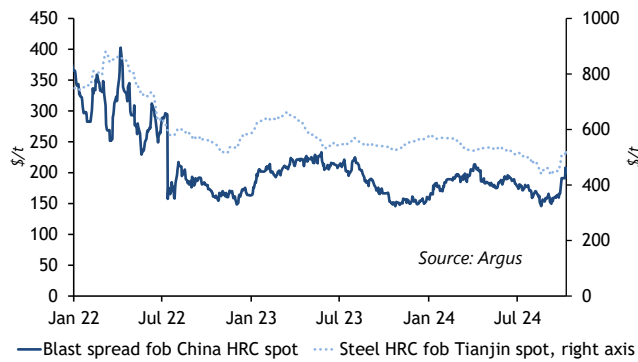


Germany's limited winter demand response

The position of coal in the northwest European power merit order has improved, with standard efficiency coal plants now looking comparable with high efficiency gas plants for baseload generation. But coal station closures in Europe will limit the coal sector's ability to respond to higher power prices this winter. There is potential for more capacity to be brought online if idled grid reserve plants in Germany are reactivated, but this will only happen if a severe gas supply crunch looks likely. We expect winter coal consumption in Germany (see chart) – and Europe as a whole – to fall year-on-year.

Metallurgical coal – Key drivers of price forecasts

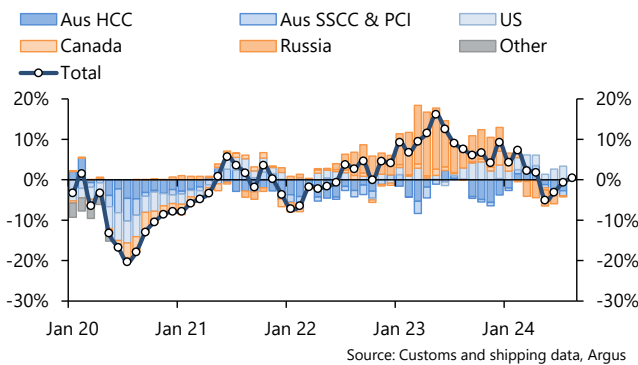
China steel prices and blast spreads



Steel prices in tentative recovery

Steel prices and blast spreads in China have improved on the back of stimulus measures. Steel mills' production is expected to be strong in October because of guaranteed profits, anticipated higher demand, and low steel inventory. But we are more pessimistic about the outlook for Chinese activity for the remainder of 4Q 2024 given China's reliance on exports and with trade barriers increasingly being imposed internationally.

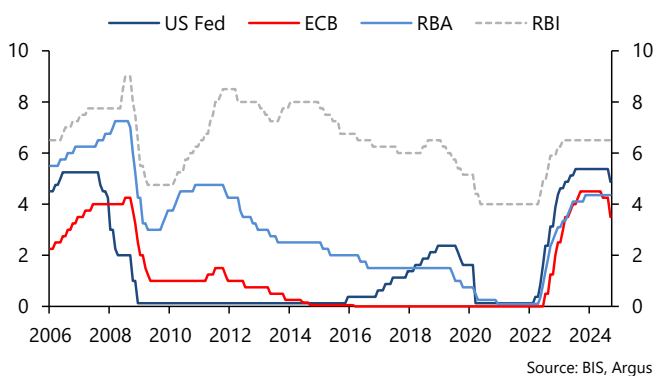
Contribution to metcoal seaborne supply growth



Patchy supply picture

There are signs that some US producers are reducing production since prices dipped into the cost curve during the recent coking coal price downtrend. And Australia exports may face some headwinds if safety oversights are increased after some recent mining accidents. But Russian exports have been the worst performer during 2024, crushed by sanctions.

Monetary policy rates



Rate cuts begin

Central banks of most key economies have begun to lower interest rates, with the US Fed cutting rates for the first time in four years. Steady disinflation and looser monetary policy should support global growth in 2025 and 2026, which is helping to inform the demand projections during the period of our forecast horizon.

Forecast review

We expect high-grade thermal coal prices to trend broadly sideways into the turn of the year, supported by geopolitical and seasonal weather risks. But we think prices could drift lower thereafter, pressured by falling demand and increased competition from Russian suppliers among other factors. Metallurgical coal prices look to have bottomed out but we think the rally could soon run out of steam. We anticipate higher metcoal prices on balance in the longer term.

Thermal Coal

- Most 4Q and 1Q price forecasts raised
- Russian export forecasts lowered
- China import/Indonesia export forecasts raised
- Russia/Mongolia-China overland flow projections lifted

Key price forecast changes

High grade NAR 6,000 kcal/kg coal prices lost value in September on anaemic demand from buyers in northeast Asia and Europe, while the whole complex was dragged lower by growth concerns centring on China. But stimulus measures announced by the People's Bank of China on 24 September were followed by an escalation in the Israel-Gaza conflict, subsequently giving prices a boost. We expect coal prices to retain these gains and settle higher on the month in October because of pre-winter restocking risks in the northern hemisphere.

Despite giving prices a shot-in-the-arm, the lack of clarity behind stimulus measures announced by Chinese authorities meant they were met with a lukewarm reaction from many observers. They argue that the measures might not be enough to fix the structural problems — such as high government debts, an over-reliance on exports, property sector imbalances, an ageing population, weak demand and deflation — faced by the Chinese economy, and thus might not lead to any sustained demand for commodities unless backed by fiscal policies. We broadly agree with this view and continue to factor a slow rebound in economic activity into our projections.

The most important change to the thesis underpinning our price forecasts this month is in Russia, where it is becoming increasingly apparent that supply from southern ports may be lower for longer. Exports from Taman have dipped again after showing some recovery earlier in 3Q. As a result, we have revised upwards most of our 4Q 2024 and 1Q 2025

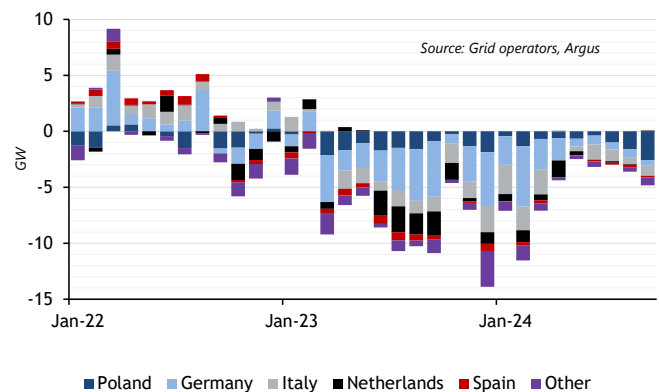
price forecasts to reflect the more inelastic supply.

The short-term direction in high-grade prices will be dictated by how winter temperatures out-turn in Europe and north-east Asia. During 2018-2023, API 2 prices settled lower every year in November versus October, driven by risk premium leaking out of prices once greater clarity over weather forecasts in Europe — which generally out-turned mild and often windy — became known. We think this is the most likely outcome again this year, particularly because coal plant retirements and improved nuclear availability among other factors should limit the capacity for spikes in spot demand in Europe and northeast Asia — key centres for high-CV coal consumption. For a deep dive into Europe's winter demand outlook, please read this month's in focus article on pages 18-21.

Stockpiles in key end-user markets such as India and China also appear healthy, as does supply from ex-Russia markets, seasonal risks surrounding weather-related supply disruption aside. This is helping drive the thinking behind our lower coal price forecasts on balance in November/December versus October.

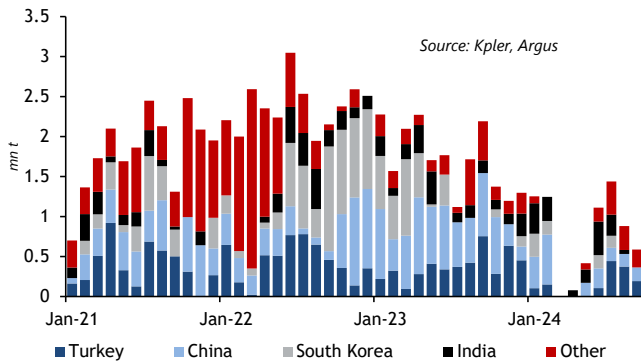
Looking into 2025, we expect prices to drop off once peak northern hemisphere winter demand is in the rearview mirror. We also think Russian suppliers may be forced to lower seaborne fob offers in order to retain market share in a contracting market, which will drag on overall coal prices.

YoY change in Europe coal-fired generation

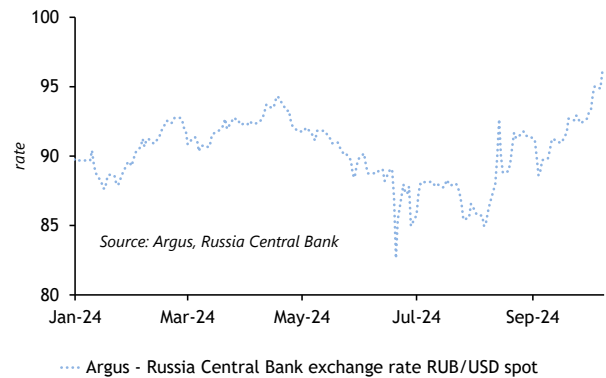


Forecast review

Taman thermal coal exports



Ruble-USD exchange rate



Russian supply difficulties, rail tariffs impact

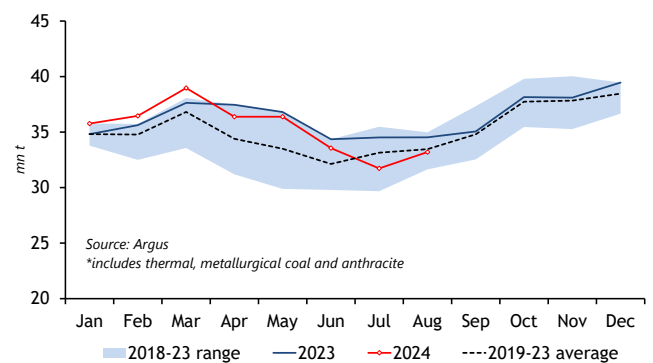
Russian supply continues to face challenges. Exports via Taman port have begun to slip again, after a tentative recovery in July (see chart). High port handling charges were the main driver behind the lower exports and it now seems less likely that Taman supply will stabilize at a higher level in the near future. Accordingly, we have revised down our 2024 seaborne export projection for Russia this month by 3.2mn t to 116.8mn t. Rail bottlenecks also continue to cap exports from Far Eastern ports, limiting Russia’s flexibility to respond to higher demand this winter. We think this will continue to be the main constraint on Russian exports in the months ahead, rather than any additional pull from domestic Russian demand. Although Russian coal remains banned from many key markets, continued Russian supply to China, India and Turkey in particular is needed to free up non-Russian supply to meet demand elsewhere.

Separately, Russian rail operator RZD plans to raise rail tariffs from 1 January in order to fund its expansion plans, with the hike likely to fall somewhere in the 13.8-22.7pc range, which would be more than this year’s 7.6pc rise. But Argus understands this is still under discussion and has not yet been finalised. A steep hike in rail rates would be bullish for Russian fob prices and coal prices generally, given logistics costs and port charges account for up to 70pc of Russian fob prices. But rail rates in USD terms have actually fallen in recent weeks because of a steep depreciation in the value of the Ruble (see chart) and because rail car operators have been reducing their charges. Current rail costs from Kuzbass to Far Eastern ports are around \$47-48/t, compared with \$52-53/t in August.

The move to hike rail tariffs would be relatively surprising in the context of the Russian government removing its coal export tax for the remainder of this year in order to improve Russian suppliers’ competitiveness. If the rail tariff hikes are implemented, and passed on via suppliers in the form of higher fob prices, this would be an upside risk to our 2025 price forecasts.

But even if the higher rail tariffs are implemented, we do not think it will necessarily translate into higher fob prices, unless the Ruble also significantly strengthens. We think it more likely that Russian suppliers will actually be forced to lower fob offers next year in order to retain market share in a context of lower overall seaborne coal demand, dragging the overall coal complex lower.

Russia coal production



Forecast review

Indonesia and ex-Russia supply

Supply outside of Russia continues to perform broadly well. South African supply has normalized after rail-related disruption over the summer, pushing stocks at the Richards Bay Coal Terminal above 3mn t (see chart). Colombian, US, Australian and Kazakh exports remain steady, all poised for slight year-on-year growth in 2024, La Nina-associated rain-related risks in 4Q notwithstanding.

Indonesian exports continue to hold at around 45mn t/month - in part supported by Chinese arbitrage pricing - despite ICI prices flirting with producers' marginal costs. Several coal producers have increased production and some have also applied to authorities to raise output further after meeting annual targets, with a larger aim to maintain cash flow from sales and achieve economies of scale. Indonesia's January-September production probably hit around 600mn t, from 584mn t a year earlier, and is likely to far surpass the government target of 710mn t. Annual 2023 production of 771mn t also far exceeded the target of 694.5mn t.

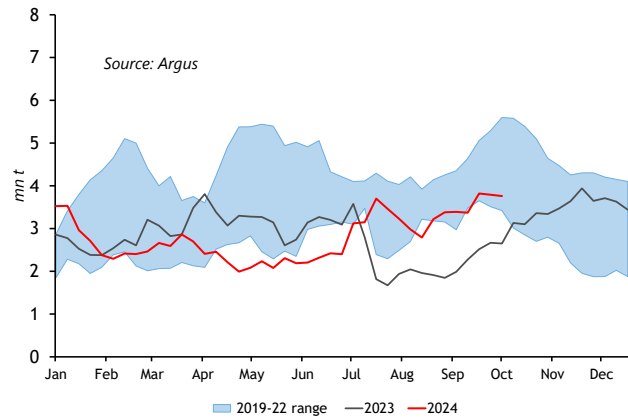
Some of Indonesia's top suppliers including Bukit Asam and Adaro have also put contingency plans in place aimed at helping to prevent supply disruptions because of La Nina conditions during November-February.

These factors, along with recent signals that Indonesian authorities may be willing to lower royalty rates to ensure Indonesian suppliers' competitiveness, have led us to revise our 2024 and 2025 Indonesian export projections up this month to 535mn t and 500mn t respectively.

China import projections upgraded

We have also raised our 2024 and 2025 seaborne thermal coal import forecasts for China to 338mn t and 291.1mn t to reflect the continued strong import pace during 3Q 2024, and greater rhetoric from Chinese authorities about increasing coal reserves. The growth in seaborne imports has stalled but inflows remain stubbornly high at around 30mn t/month, supplemented by growing cross-border overland imports from Russia and Mongolia (see chart). A favourable arbitrage between imported and domestic coal continues to support seaborne imports.

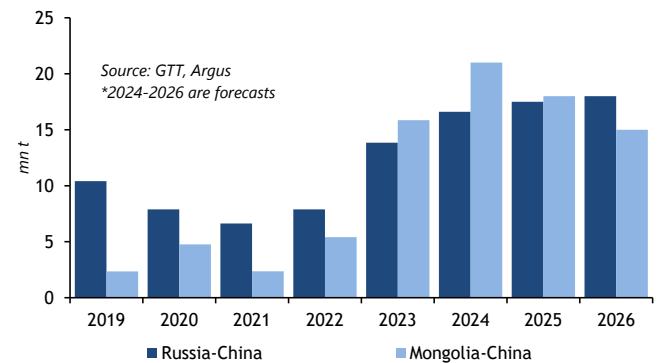
RBCT coal stocks



We think domestic NAR 5,500 kcal/kg coal prices of around \$120/t (CNY850/t) fob Qinhuangdao can in part be explained by inflation in both mining and internal transport costs in the past couple of years, particularly given the rapid expansion in China's coal production. But in the mid-term, we think domestic prices could face some pressure given headwinds to the macro picture, contractions to ex-China thermal coal demand, and the continued expansion of overland imports from Russia and Mongolia. A prolonged recent normalisation of China production performance after a weak 1H for Shanxi output should also alleviate some cost pressures domestically.

We expect Russian-to-China overland flows to continue to expand into 2025 and 2026 on capacity expansion plans and competitive pricing versus seaborne alternatives. Overland thermal coal flows have averaged 1.4mn t/month so far this year, 400,000t/month higher year-on-year, and the strong

China overland thermal coal imports



Forecast review

year-to-date pace has led us to revise upwards our 2024, 2025 and 2026 annual projections to 16.6mn t, 17.5mn t and 18mn t respectively. Authorities are looking to expand capacity further at the Nizhneleninskoe border point, albeit timelines are sketchy at this stage. This lack of clarity on incremental capacity timelines explains our relatively modest growth expectations, but we note these may be conservative forecasts.

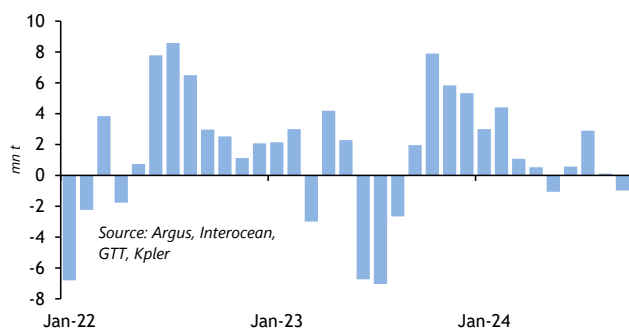
Looking at historical data, China’s overland imports from Mongolia appear to be more price sensitive than Russia-China flows, so we think this could limit overland supply via this route in 2025 and 2026, particularly if global prices trend lower as we are currently expecting. But China’s monthly thermal coal imports from Mongolia hit a record 2.7mn t in August according to GTT data, and year-to-date imports have surprised to the upside, leading us to raise our projections for 2024 and 2025 to 21mn t and 18mn t, respectively.

China’s stocks appear healthy, with the National Development and Reform Commission saying on 8 October that it has sufficient supply to get through the winter. Chinese thermal generation rose on the year in August for the first time since April, NBS data that tracks above-scale generation show. Hydro, wind, solar and nuclear generation all increased, but gains were insufficient to meet the 5.8pc step up in overall electricity generation, meaning thermal output rose by 3.7pc on the year.

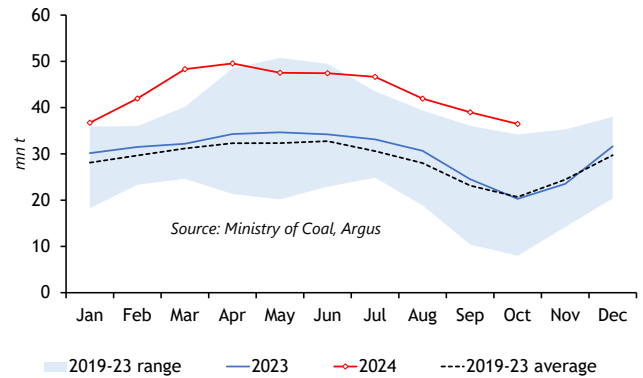
India demand indicators sluggish

Indian coal import growth slowed in the third quarter (see chart), hit by favourable Monsoon rains that curbed demand from the power sector, a sluggish post-election pick up in in-

YoY change in India coal imports



India power plant coal inventories

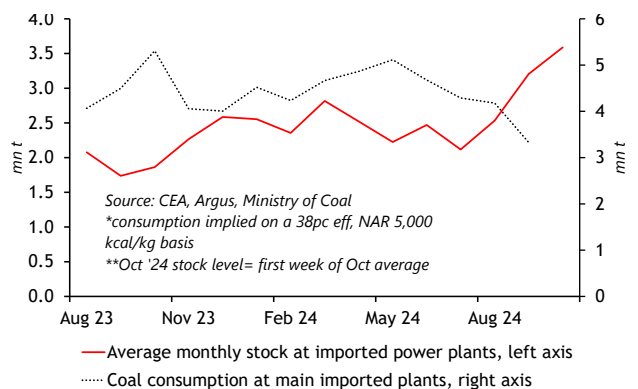


dustrial demand and the slowdown in the sponge iron sector because of tumbling steel margins.

Coal-fired power generation indicators continue to weaken, as renewables, nuclear and hydro eat into the thermal mix. Power plant stocks have begun to trend downwards in line with seasonal norms, but inventories remain very healthy by historical standards, both on an absolute tonnage and days’ of use basis (see chart to the right and on page 3). Government mandates to utilities to up imports are set to expire at the end of October, although we assume they will be extended into early 2025. But import coal stocks in particular are looking very healthy (see chart), which should limit a large uptick in power-sector demand in the short term, particularly relative to the import surge experienced at the back end of 2023. A delayed withdrawal to the Monsoon should also support hydro generation, and subdue overall power demand.

Imported coal-fired generation fell sharply in September, but it appears this was driven by a conveyor system outage

India imported coal plant stocks v consumption



Forecast review

at utility Tata’s Mundra UMTPP plant. We expect generation from the unit to ramp up to normal levels this month.

A recovery in India’s coal production in September is another indicator that supply to power plants is healthy. Production from state-owned Coal India slipped around 1pc on the year last month because of heavy rains, but this was more than offset by improved output from other producers, leading overall production up by 2.5pc year-on-year.

We expect anaemic macro conditions, soft steel prices and the delayed Monsoon withdrawal to continue to weigh on industrial demand from India in the short term, but for structural growth in both the cement and sponge iron sectors to drive imports higher in the longer term. This is reflected in our 2025 and 2026 Indian import projections, which are unchanged this month at 185mn t and 188mn t respectively.

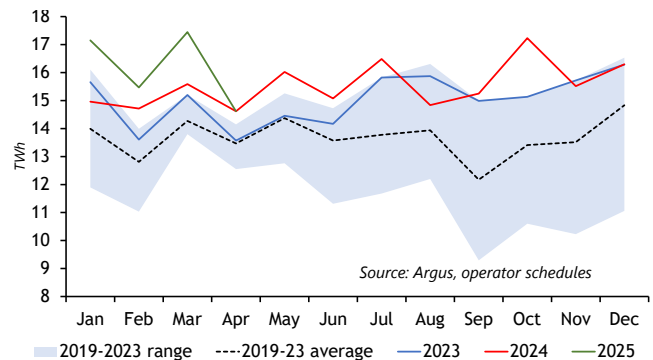
JKT fundamentals generally soft

The pace of imports into Japan has risen, with finance ministry and provisional shipping data showing inflows rose on the year each month during July-September. This should have enabled some refilling of inventories, despite hot weather over the summer, although energy ministry stock data is only available with a severe lag. We have left our 2024 and 2025 import projections unchanged this month at 109mn t and 106mn t respectively, but note some upside risk to this 2024 projection as early December-February forecasts from the Japanese Meteorological Agency suggest a greater-than-usual chance of colder-than-usual temperatures.

On the flip side, utility Tohoku Electric Power’s 825MW Onagawa No. 2 nuclear reactor has now reactivated and might resume full operations in early December, around one month earlier than our prior expectation. Onagawa 2, whose restart has been beset by numerous delays, will become the first operational nuclear unit in eastern Japan since the 2011 Fukushima disaster.

Elsewhere, Shigeru Ishiba became Japan’s new prime minister on 1 October after winning the ruling LDP’s presidential election. His leadership campaign included a call to increase hydro and geothermal power in Japan, and pull back from restoring nuclear capacity. But in order to achieve pledges to decarbonise by 2050 and to phase out inefficient coal-fired

South Korea nuclear availability



power plants by 2030, Ishiba may need to roll back on his anti-nuclear stance. We do not anticipate any major changes to our 2025-2026 Japanese coal import projections because of Ishiba’s new cabinet.

We have also left our South Korean 2024 and 2025 import projections flat this month at 83mn t and 80mn t, respectively. Coal burn has been healthy in recent months in South Korea but stronger nuclear power generation is likely to squeeze the country’s thermal coal demand over the winter months. Nuclear output is on track rise 8pc on the year between October and March, which could cut 1.1mn t of NAR 5,800 kcal/kg coal consumption at 38pc efficiency, assuming the higher nuclear generation only cuts coal from the mix.

Power sector coal burn restrictions for December 2024-March 2025 are expected to be finalised by the end of November. Market participants expect a similar level of curbs compared with last winter, which we are factoring into our import assumptions. But given the expected improvement to nuclear availability, we think tighter measures on South Korean coal-fired plants versus winter 2023/24 are plausible.

We have lowered our 2025-2026 import projections for Taiwan this month to reflect increased efforts to improve air quality. Taiwanese utility Taipower will reduce the availability of its coal-fired fleet over October-March and instead prioritise gas-fired power generation and renewables output.

Forecast review

Metallurgical Coal

- Prices look to have bottomed out
- But China-led price recovery appears shaky
- Most import/export projections flat vs last month

Key price forecast changes

Metallurgical coal prices are showing signs of having bottomed out after steep price declines in June-September. Prices fell into the upper end of the seaborne cost curve but have since rebounded on Chinese stimulus announcements, albeit the demand outlook in China and India still looks to be facing headwinds.

Our view on price direction is little changed this month. We think the price recovery, which appears to be China-led, is built on shaky foundations, at least until further evidence appears that current or yet-to-be-announced stimulus will help to arrest structural issues shadowing China's economy. The NDRC's 8 October briefing largely underwhelmed, as we laid out in the thermal coal section of this report.

Demand from India should pick up as the delayed Monsoon departs, and end-users who have been destocking return to the market. This should support prices to a degree, but since most Indian industrial activity indicators remain lukewarm we think Indian demand alone will be insufficient to drive prices higher.

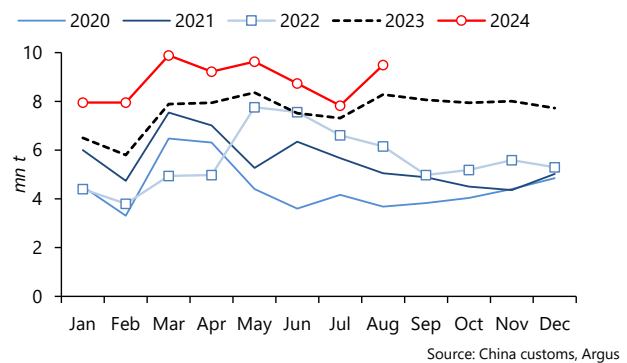
There are signs that some US suppliers are cutting back on output in the face of lower prices, while Australian supply has faced more accidents. But at this stage, we do not think these should have a major impact on our export projections.

Chinese steel

China's steel purchasing managers' index (PMI) rose by 8.6 points on the month to 49 in September, ending three consecutive contractions and indicating rising activity in the steel industry. Steel mills were willing to produce more as demand resumed, while certain mills resumed production after having cut output or conducting maintenances voluntarily. The rise in steel activity was in line with China's official manufacturing PMI rising by 0.7 points to 49.8 last month.

Steel mills' production is expected to be strong in October because of guaranteed profits, anticipated higher demand, and low steel inventory. But we are more pessimistic about the outlook for Chinese activity for the remainder of 4Q 2024 given

China steel exports



China's reliance on exports and with trade barriers increasingly being imposed internationally.

Demand projections mostly unchanged

We have left our most of our import/export projections flat this month. Our China seaborne coking coal import forecasts for 2024 and 2025 are still at 54mn t and 46mn t, respectively. China's coking coal imports rose in August from a year earlier, buoyed by robust deliveries from US and Russia.

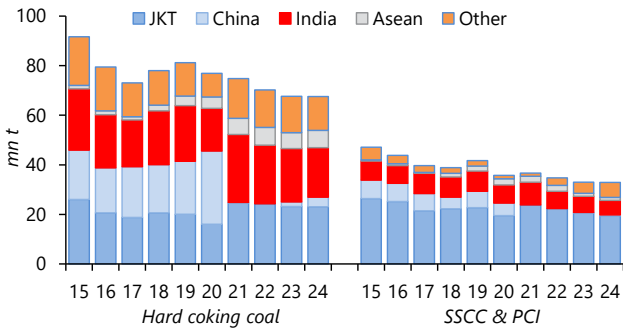
India's coking coal imports fell further to a seven-month low in August because of lower Australian shipments. We expect 2024 annual imports to be flat on the year at 66.5mn t, but for structural steel demand growth, including from a strong automotive sector, to drive imports up to 71mn t in 2025.

Japan's coking coal imports in August declined from a year earlier, driven by reduced shipments from Canada and the US, because of weaker steel demand from the auto industry. Japan's crude steel production in August fell by 3.9pc from a year earlier to 6.9mn t, according to data released by industry group the Japan Iron and Steel Federation. Japan's largest car maker Toyota had suspended the production of three models until the end of August, but has since resumed production from early September.

The consensus at the Eurocoke conference in Vienna last month was bearish regarding the Atlantic market, with sources uncertain if demand in Europe will improve by the second half of 2025. Most end-users were slow to indicate term contract volume requirements for next year but not all US producers are expecting volumes to roll over to 2025. "I doubt we will see

Forecast review

Australia metallurgical coal exports



much in the way of incremental spot tonnes in the first half of 2025," an international trader said.

We expect European coking coal imports to fall from 39mn t in 2024 to 36mn t by 2026.

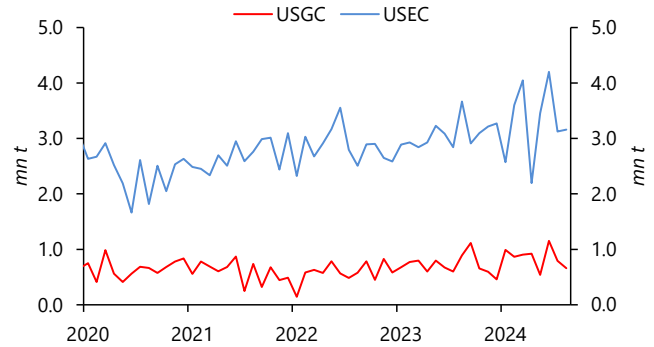
In the met coke market, European mills are well covered for the rest of 2024, but lead times are growing, according to one northwest European mill that previously bought on a fob barge ARA basis. Despite further steel output cuts being announced, the mill must book well in advance as lead times are now longer, with no traders keeping relevant stocks in ARA in a falling market, the mill source said.

Mixed supply picture

In the US, we did not see any major impact on supply from Hurricane Helene. But a couple of producers have started cutting back operations at their mines in the face of lower prices. One is operating four days, instead of five, while others are considering reduced hours. Additionally, Coking Coal, which operates the Pardee high-volatile B coal mine located in the central Appalachian basin laid off mine workers last month.

"These layoffs are not surprising and we can expect to see more of these in the coming months if prices don't start improving," one US producer said.

US metallurgical coal exports



Source: US Customs, Argus

But the recent price weakness has not stopped Conuma announcing plans to restart the Quintette mine. The mine, in British Columbia, was acquired by Conuma in February 2023 from Teck Resources, which idled the operation in 2000, citing low prices.

In Australia, Switzerland-headquartered producer-trader Glencore halted operations at its Oaky Creek coking coal mine after a fatal machinery incident on 2 October. This followed deadly accidents at QCoal's Byerwen mine in August and BMA's Saraji mine in January. We expect production to at Oaky Creek restart imminently, but think we could see new policies/measures implemented by the Australian government to safeguard operations, which could weigh on production levels in the mid-term.

Australia's metallurgical coking coal exports increased in August, as strong demand from steelmakers in Vietnam outweighed a seasonal drop in buying from India.

We have left our 2024 US and Australian coking coal export projections flat this month as we still anticipate year-on-year growth from both suppliers.

Swaps and spreads

Peaks and troughs

High-CV prices fell in September before rallying towards the end of the month and into October on Chinese stimulus measures and geopolitics in Israel/Gaza

Swaps rally

API 2 futures rallied in September in line with the wider energy complex, with the curve remaining in modest contango. API 2 traded volume on the Ice exchange rose by 20pc year-on-year in September.

Quality differentials steady

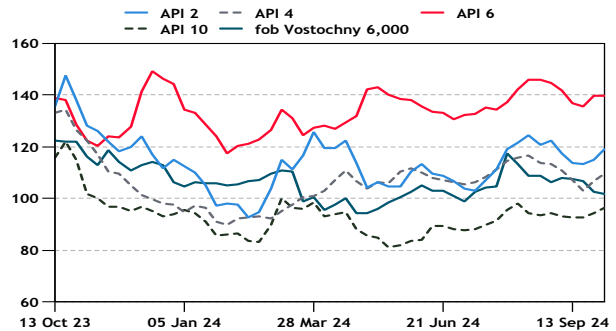
Discounts for NAR 5,500 kcal/kg material versus 6,000 kcal/kg grades are broadly flat to a month earlier.

ICI 4 still in contango

The Indonesian futures curve remains in contango, but this has narrowed. Liquidity is thin.

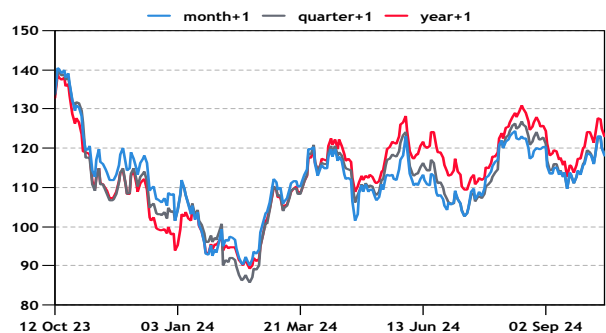
High-CV thermal prices

\$/t



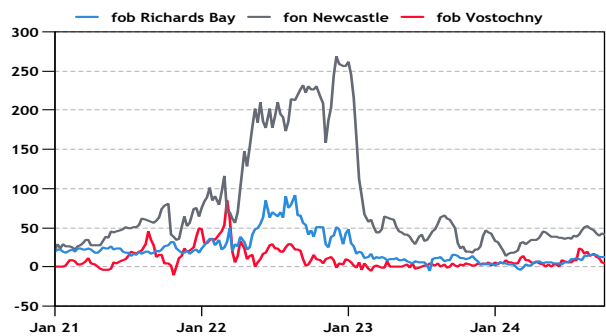
API 2 financial swaps prices

\$/t



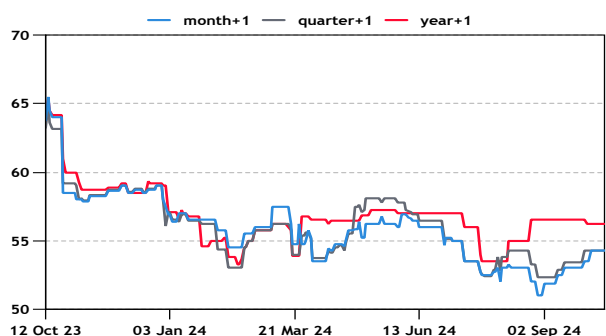
Energy-adjusted discounts

\$/t



ICI 4 financial swaps

\$/t



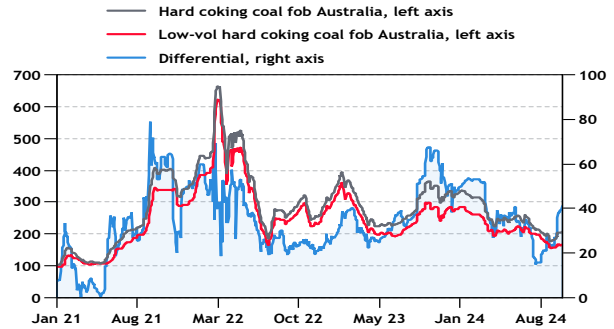
Swaps and spreads

Differential widens

The differential between Australian low-vol fob prices and HCC material has widened towards \$40/t as PLV prices have risen.

Low-vol vs mid-vol coking coal

\$/t

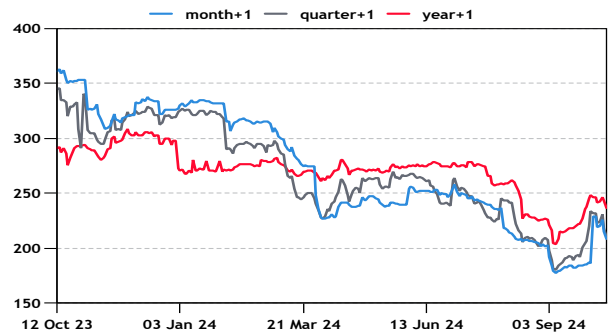


Financial swaps rally

Financial prices have followed Australian PLV spot prices higher. The market remains in contango.

Australian coking coal financial swaps

\$/t

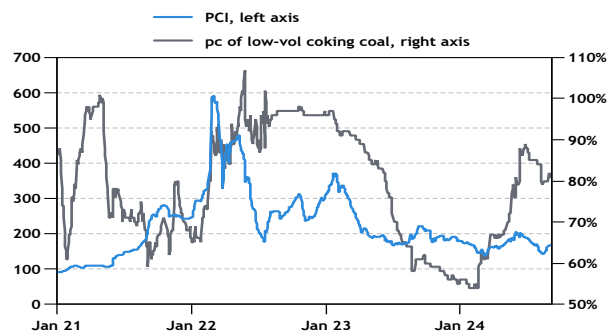


PCI relative steady

PCI prices and premium low-vol prices have moved largely in tandem, and the relativity between the two prices has been steady this month at around 80pc.

PCI prices

\$/t



US prices tick higher

US metcoal prices have been less volatile than Australian equivalents during the recent price rollercoaster. But prices have generally tracked movements in their Australian peers.

USEC high-vol A and B

\$/t



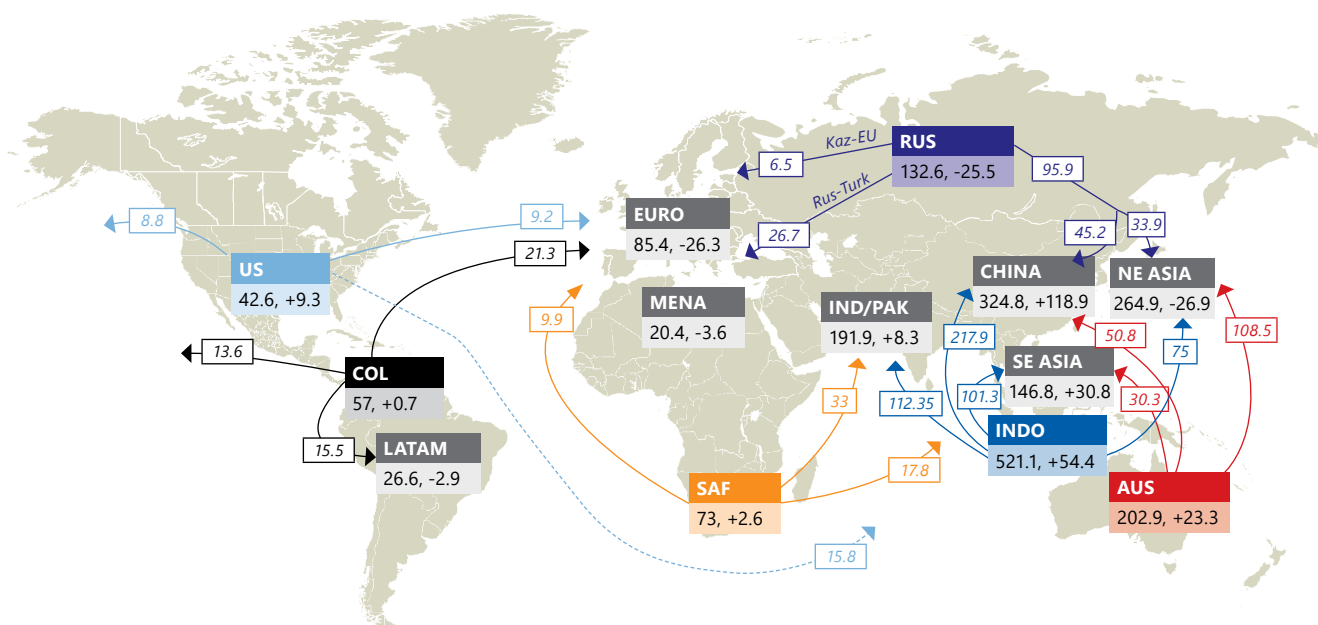
Thermal coal demand and supply

Seaborne thermal coal demand and supply										mn t
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Import Demand	960.7	1014.6	1047.0	943.8	982.7	973.8	1067.4	1063.5	1021.0	1000.2
Europe	139.3	132.0	105.7	80.2	87.8	111.6	85.4	69.2	65.4	62.9
Middle East and North Africa	21.8	24.2	26.0	23.4	26.2	24.5	21.0	20.8	21.1	21.8
Americas	40.7	37.9	40.1	26.9	31.8	29.5	26.6	25.7	25.7	21.4
China	180.6	210.0	221.0	212.3	251.6	205.9	324.8	338.0	290.6	268.1
Northeast Asia	311.1	308.6	307.0	281.7	291.7	291.7	264.9	245.6	240.6	233.6
South Asia	166.7	190.0	209.8	178.7	166.1	184.9	192.9	201.0	210.4	215.9
Southeast Asia	95.3	106.0	133.1	137.5	122.5	117.8	144.4	157.9	161.8	171.2
Africa	5.1	5.9	4.2	3.2	5.0	7.9	7.4	5.4	5.4	5.4
Export Supply	954.0	1008.5	1040.1	929.5	979.4	998.6	1071.2	1063.3	1021.0	1000.2
Indonesia	380.0	420.0	459.1	406.9	433.7	466.7	521.1	535.0	500.0	480.0
Australia	200.3	207.7	213.2	200.8	200.2	179.6	202.9	204.0	205.0	207.0
South Africa	82.1	78.9	76.9	73.6	64.9	70.4	73.0	68.0	71.0	73.0
Colombia	82.1	76.8	72.5	47.9	55.0	56.3	57.0	59.0	57.0	56.0
Russia	153.0	150.7	154.1	151.8	159.4	158.1	132.6	116.8	114.5	112.2
Kazakhstan		5.6	5.9	5.9	6.7	8.6	9.4	9.0	9.0	9.0
USA	37.0	48.1	33.3	22.6	35.0	33.3	42.6	40.0	34.0	33.0
China	3.8	2.8	2.5	0.9	0.3	1.4	1.6	1.0	1.0	1.0
Mozambique	5.0	8.9	8.0	7.0	8.0	9.0	11.0	10.5	10.5	10.0
Canada	2.0	2.0	3.5	4.8	5.5	8.2	8.0	7.0	5.0	5.0
Other	8.74	6.967	11.067	7.348	10.8	7	12	13	14	14

NB: Russia export data pre 2018 includes both Russian and Kazakh exports

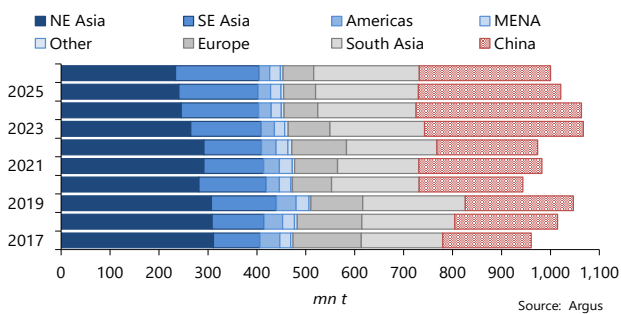
Overland flows										
Russia-China			10.4	7.9	6.6	7.9	13.8	16.6	17.5	18.0
Mongolia-China	7.7	8.5	2.3	4.8	2.4	5.4	15.9	21.0	18.0	15.0
Kazakh rail exports			0.4	-	2.1	2.8	3.6	2.5	2.5	2.5
Afghanistan-Pakistan	0.7	1.1	1.2	0.5	1.3	3.7	1.7	0.9	0.8	0.7

Thermal coal trade flows 2023

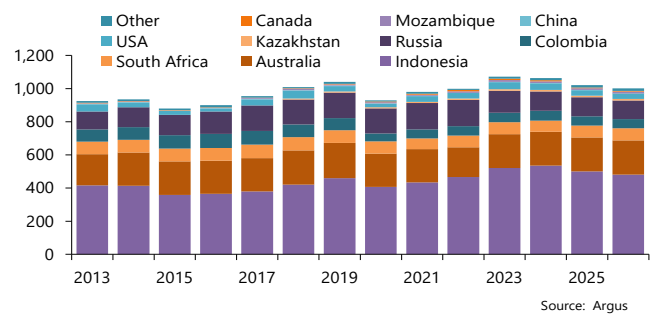


Demand breakdown						<i>mn t</i>					
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	
Europe	111.6	85.4	69.2	65.4	62.9	Northeast Asia	291.7	264.9	245.6	240.6	233.6
Germany	29.4	18.1	13.5	11.0	9.0	Japan	135.0	116.9	109.0	106.0	103.0
UK	4.0	1.5	0.6	0.4	0.4	Korea	95.6	90.8	83.0	80.0	76.0
Netherlands	4.8	2.2	2.0	1.5	1.5	Taiwan	54.9	51.6	48.0	49.0	49.0
Finland	2.5	1.0	1.0	1.0	0.5	Hong Kong	6.2	5.6	5.6	5.6	5.6
France	4.0	2.4	1.5	1.5	1.5	Southeast Asia	117.8	144.4	157.9	161.8	171.2
Spain	6.5	4.3	1.5	0.0	0.0	Malaysia	34.0	37.7	37.7	38.0	38.0
Poland	14.2	13.2	7.1	10.0	10.0	Thailand	21.4	17.9	20.0	19.0	18.0
Italy	9.2	4.6	3.5	2.0	2.0	Philippines	31.5	36.4	38.0	41.0	44.0
Turkey	30.5	33.8	34.0	34.0	35.0	Vietnam	25.5	44.6	54.0	55.0	60.0
Other	6.5	4.3	4.5	4.0	3.0	Other	5.4	7.8	8.2	8.8	11.2
MENA	24.5	21.0	20.8	21.1	21.8	South Asia	184.9	192.9	201.0	210.4	215.9
Israel	7.5	4.3	4.0	4.0	3.8	India	164.0	172.0	178.0	185.0	188.0
Morocco	10.8	10.2	9.5	10.0	10.5	Pakistan	11.3	5.8	7.5	9.4	11.9
Egypt	3.8	4.1	4.7	4.8	5.0	Sri Lanka	1.9	2.5	2.5	2.5	2.5
UAE	1.9	1.9	2.0	1.8	1.9	Bangladesh	7.7	12.6	13.0	13.5	13.5
Other	0.6	0.6	0.6	0.6	0.6	China					
Americas	29.5	26.6	25.7	25.7	21.4	Domestic coastal	811.0	813.0	815.0	820.0	825.0
Mexico	1.7	3.8	4.0	4.5	4.0	Seaborne thermal	82.6	161.7	167.0	143.6	133.1
US	4.0	3.5	2.0	1.0	1.5	Lignite	130.0	163.1	171.0	147.0	135.0
Chile	7.5	5.5	5.5	6.0	2.0						
Brazil	5.6	4.0	5.0	5.0	5.0						
Other	10.6	9.8	9.2	9.2	8.9						

Seaborne import demand



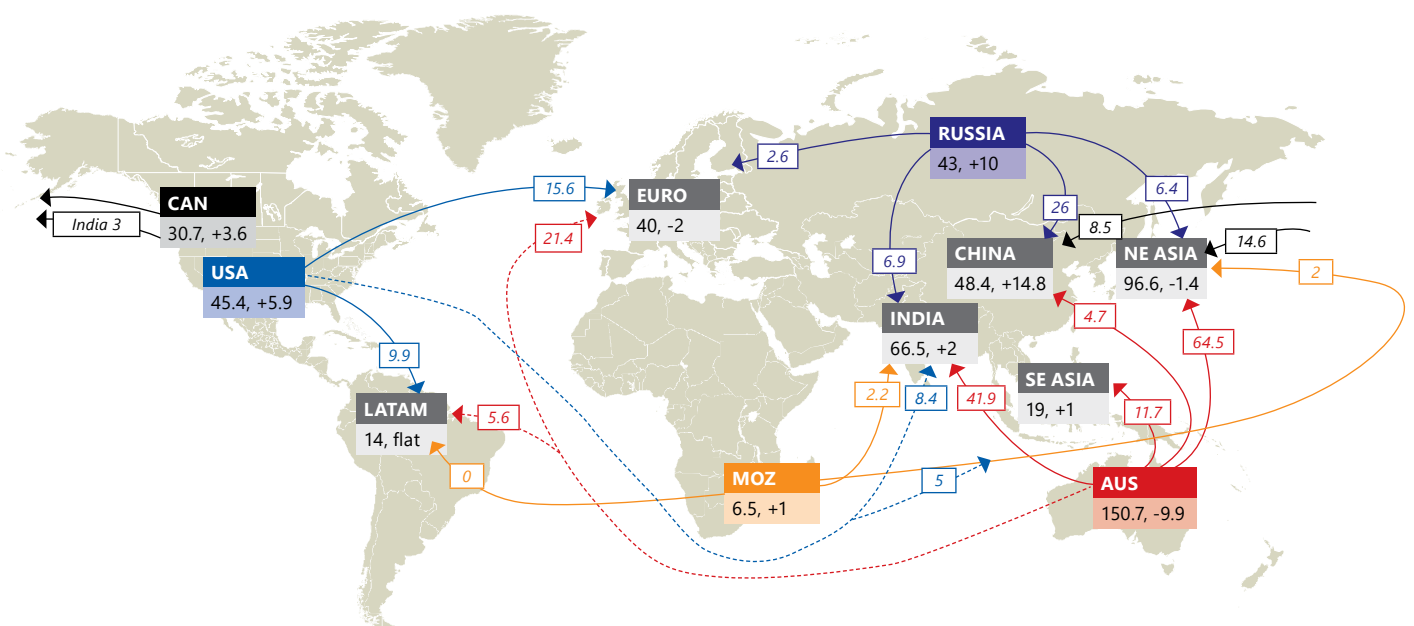
Seaborne export supply



Metallurgical coal demand and supply

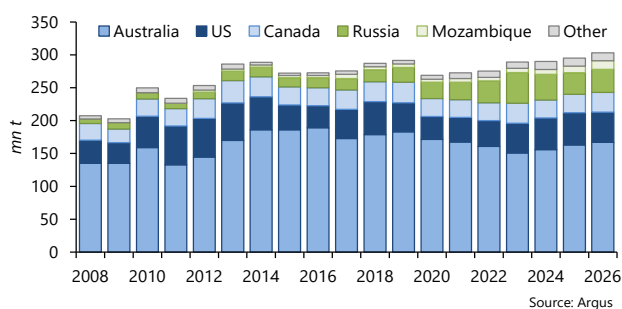
Seaborne Metallurgical coal demand and supply											mn t
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Iron Production growth											
China	0.6%	3.0%	6.6%	6.4%	10.6%	-4.3%	0.5%	-0.1%	0.5%	-2.0%	-1.5%
India	9.9%	4.4%	8.9%	2.6%	-7.8%	14.5%	2.9%	8.0%	3.3%	5.0%	5.0%
Europe	-1.8%	2.3%	-2.3%	-4.7%	-15.0%	-10.9%	-10.2%	-9.6%	5.6%	5.0%	1.0%
Latam	-7.3%	7.1%	1.1%	-8.3%	-5.2%	15.3%	-6.1%	-3.7%	0.3%	-2.4%	-2.0%
JKT	-0.4%	-0.8%	-0.7%	-1.5%	-11.9%	9.2%	-9.0%	0.2%	-2.8%	-1.8%	-1.0%
Import demand	272.1	276.6	289.2	291.4	266.2	275.2	274.8	289.5	291.5	294.0	303.5
India	50.4	51.5	59.1	61.6	57.8	68.0	64.5	66.5	66.5	71.0	75.3
China	48.8	54.8	49.0	53.9	53.8	33.5	33.6	48.4	54.0	46.0	44.0
Asean	5.1	4.8	9.1	11.7	13.4	16.1	18.0	19.0	24.0	31.0	42.0
JKT	102.2	94.3	98.0	98.1	86.3	97.7	98.0	96.6	90.0	89.0	87.2
Latam	16.2	16.7	16.7	13.4	12.5	14.9	14.0	14.0	13.0	14.0	14.0
Europe	44.2	46.7	48.7	44.5	36.0	39.5	42.0	40.0	39.0	38.0	36.0
Other	5.2	7.8	8.6	8.2	6.4	5.5	4.7	5.0	5.0	5.0	5.0
Export supply	272.5	275.6	287.2	291.3	268.9	272.6	275.2	289.1	291.5	296.0	304.0
Australia	189.2	172.8	178.8	183.1	171.4	167.4	160.7	150.6	156.0	163.0	168.0
US	33.4	44.4	50.1	44.2	34.8	37.6	39.5	45.4	49.0	48.0	48.0
Canada	27.3	29.5	30.3	31.1	27.3	26.6	27.1	30.7	28.0	28.0	30.0
Russia	15.2	17.2	18.1	22.4	24.9	26.8	33.0	46.5	39.0	35.0	33.0
Mozambique	3.5	6.4	4.6	5.5	4.5	5.5	5.5	6.5	7.5	10.0	13.0
Other	3.9	5.2	5.3	5.0	6.0	8.7	9.4	9.4	12.0	12.0	12.0

Metallurgical coal trade flows 2023

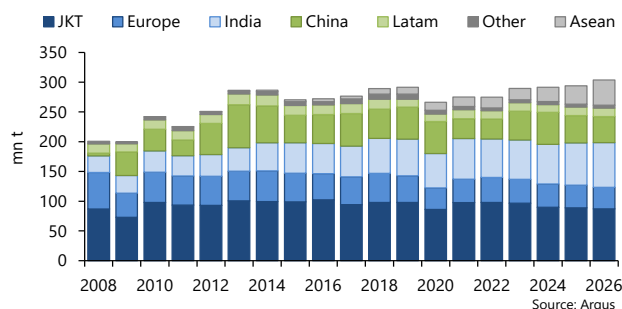


Key suppliers					mn t				
	2019	2020	2021	2022		2019	2020	2021	2022
Australia	183.1	171.4	167.4	160.7	US	44.2	34.8	37.6	39.5
BMA	64.6	61.3	56.6	59.5	Contura	10.0	11.0	12.6	12.6
Stanmore	10.9	10.2	11.4	8.3	Arch	6.0	5.5	6.3	7.1
Anglo American	27.3	20.9	17.4	15.6	Sev.en	7.8	6.5	7.0	7.5
Peabody	11.5	5.1	5.2	5.9	Warrior	7.0	6.5	5.5	5.7
Glencore	14.2	13.2	13.4	11.8	Coronado	7.8	5.1	6.3	6.2
Jellinbah	12.8	12.8	12.5	12.0	Other	28.1	18.1	20.6	20.3
Yancoal	11.7	9.2	10.4	8.2	Domestic consumption	18.7	14.6	17.5	17.2
South 32	5.1	5.1	6.1	5.3	Exports to canada	3.8	3.4	3.2	2.6
Kestrel	5.5	5.5	5.2	5.2	Canada	31.1	27.3	26.6	27.1
Sojitz	0.0	1.8	1.5	1.0	Teck	25.0	21.9	24.0	22.5
Realm Resource	2.7	2.7	2.7	2.5	Conuma Coal	4.6	4.4	4.5	4.5
Fitzroy	2.0	1.5	1.5	2.2	CST Canada	1.3	0.4	0.3	0.5
Coronado	8.5	7.8	7.5	7.0	Exports to US	0.7	0.3	0.6	0.6
Tahmoor	1.6	1.6	1.6	1.6	Russia	20.6	24.9	26.8	33.0
Bounty	0.5	0.0	0.0	0.5	Mechel	8.9	7.5	5.6	3.0
Baralaba	0.4	0.9	0.4	0.9	Evraz	7.0	7.8	6.3	5.6
Qcoal	3.6	3.7	4.4	3.7	Sibuglemet	2.2	3.7	2.9	1.8
Whitehaven	4.0	2.5	1.5	1.0	Kolmar	2.8	3.2	4.0	5.3
Pembroke	0.0	0.0	0.0	0.0	A-Property Elga	0.0	4.0	7.7	14.6

Seaborne met coal supply



Seaborne met coal demand



in focus

EU winter coal demand outlook – limited upside potential

EU+UK power-sector coal consumption is down 31pc year-to-date while plant closures mean less scope for gas-to-coal fuel switching and spikes in spot coal demand this winter. Stock levels at Amsterdam-Rotterdam-Antwerp (ARA) ports are the lowest on record heading into a European winter. But ample Atlantic supply availability and modest demand expectations mean this is unlikely to drive a sustained API 2 price rally.

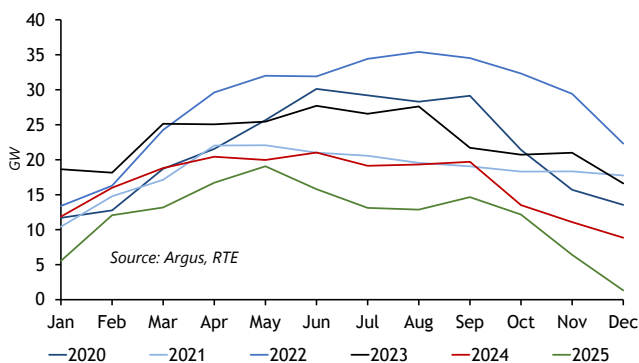
- Ger winter coal burn could hit 6mn t, from 7-16mn t in 2017-24
- EU+UK coal-fired gen. capacity cut 30pc YoY in 2024
- ARA stocks low, but understandable given modest demand
- Confluence of factors needed to drive API 2 prices above \$130/t

The first two winters (October-March) following the Russia-Ukraine conflict's start in February 2022 were characterised by exceptionally high energy prices in Europe which reduced power demand through consumer behavioural changes, ie less willingness to turn on heating, and crushed industrial consumption. But the feeling is that the region was cushioned from a worst-case scenario by back-to-back mild winters.

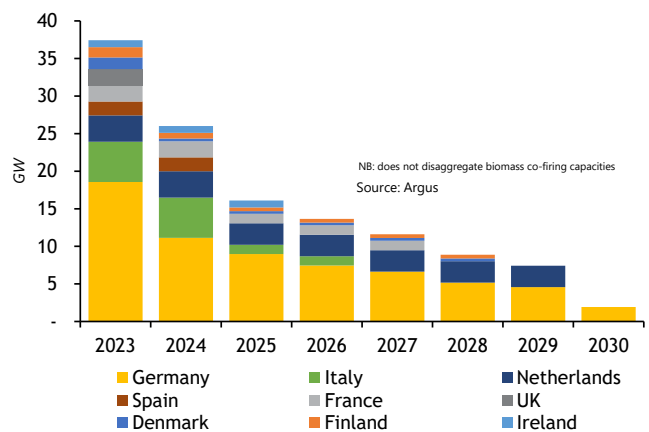
At an overall energy level, Europe looks to be entering the 2024/25 heating season in good shape to cope with demand/supply shocks. Gas storage sites have filled ahead of EU-mandated targets and France's winter nuclear availability – which was severely constrained in 2022, helping to drive power prices higher – is poised to be similar to 2023.

Europe's winter 2024/25 coal consumption will ultimately

French nuclear unavailability



Western Europe coal-fired capacity by year ending



be dictated by temperatures. Europe's last "cold" winter was back in 2017/18, when the UK media coined the term "Beast from the East". Winter 2020/21 was relatively cold but the impact of this was mitigated by the impact of the Covid pandemic crushing energy consumption.

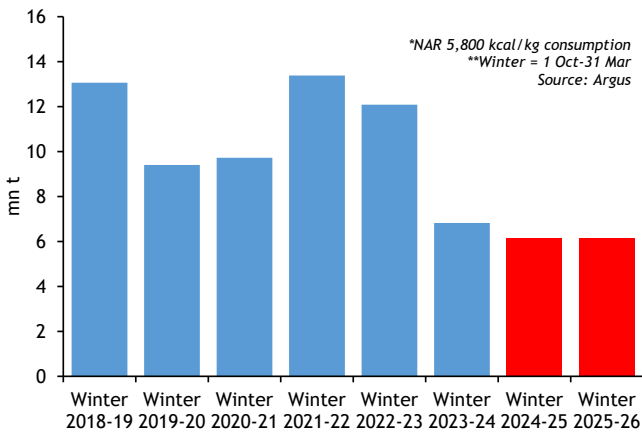
At this stage it is impossible to say how the weather will out-turn in Germany, the key remaining battleground for coal-to-gas switching in western Europe. But recent forecasts from German meteorologist Deutscher Wetterdienst predict a high confidence of above-average temperatures across the country in October-January.

Even if the winter out-turns cold, Europe's gas-to-coal switching potential is much less than in prior years because of recent plant closures. We think this limits the scope for a major jump in spot demand and a sustained period of higher API 2 prices. Western Europe's operational coal-fired capacity as of end-2024 is expected to be 30pc lower year-on-year at 26GW (see chart), albeit there is scope for several additional gigawatts of idled capacity to be re-started at short notice in Germany in the event of an acute gas supply crunch.

German consumption

Taking maintenances into account, current operator schedules imply around 10GW of available capacity for Germany this winter. Assuming normal weather conditions, we think Germany's October-March NAR 5,800 kcal/kg coal consump-

Germany winter power-sector coal consumption

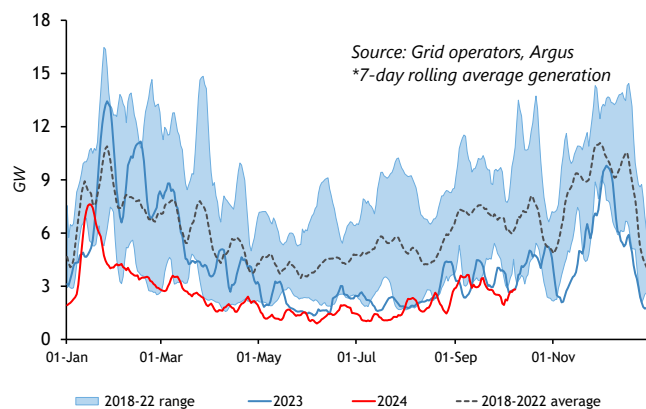


tion is likely to be around 6.2mn t, down from 6.8mn t in 2023/24 and an average of 11.5mn t during the previous five winters (see chart).

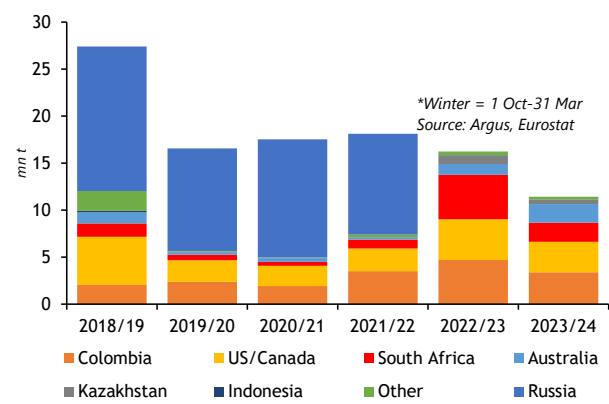
Even if plants run at an average load factor of 70pc of available capacity across October-March, then German stations would burn just 11.3mn t of NAR 5,800 kcal/kg coal. Such a high average load factor would appear unlikely unless temperatures are particularly cold and wind speeds low, or there is a significant disruption to gas supply. Coal stations ran at load factors of 37pc of available capacity in winter 2023/24 and at 58pc in winter 2022/23.

Ex-Germany EU/UK power-sector consumption was 28pc lower year-on-year in at 20mn t in January-September. And with the UK's Ratcliffe plant and several Danish and Finnish coal plants all retired since last winter, there is limited headroom for wider European demand to step up. Italy would have the most potential for a demand spike given its 5.4GW of coal

Germany coal-fired generation



ARA+Ger winter steam coal imports



capacity, but a large increase on last winter's 1mn t of Italian consumption back to winter 2022/23's 4.3mn t would likely require a major deterioration in the gas supply situation.

Peakload coal a downside risk to demand

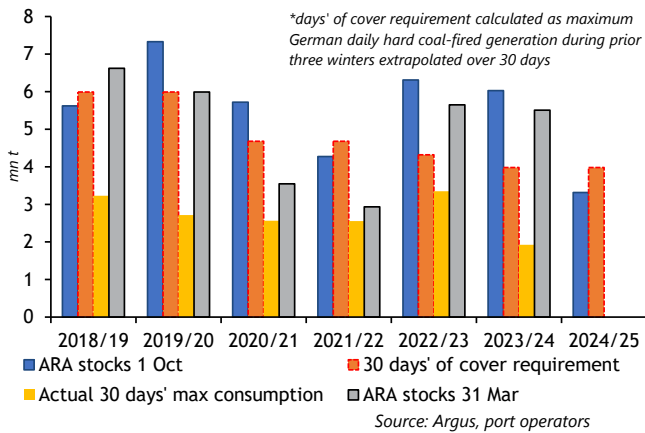
The changing role of coal plants in Europe is also a downside risk to demand in the months ahead. Coal units are now primarily used to supply peakload generation, meaning traders are looking more at peakload dark spreads rather than traditional baseload spreads when gauging forward coal demand.

This changing role has caused teething problems. Several coal-fired plants have experienced breakdowns in the past couple of years, with anecdotal evidence suggesting this can at least partly be attributed to the facilities not being designed to ramp up and down with such regularity. Many of the units were commissioned several decades ago and designed to run as baseload. A brain drain of staff is a separate issue and firms have cited a lack of expertise when it comes to optimising coal blends and boiler performance.

Supply mix

We think SCoTA-compliant supply from Colombia, the US and South Africa should be sufficient to fulfil the bulk of the EU's demand requirement this winter, without API 2 prices needing to go north of \$130/t for a sustained period in order to attract additional supply. The wider picture of sluggish coal demand in JKT and a slowdown in India and China should also prevent European utilities needing to outbid their peers in Asia for a prolonged period to attract high-CV cargoes. Port inventories in South Africa have normalised above 3mn t, after contracting over the summer, meaning Europe should be able to pull on more RBCT imports if needed.

ARA coal stocks vs Germany coal burn



One point made by traders looking to build a more bullish narrative for API 2 prices is around stockpiles at ARA, which are at the lowest level on record heading into the winter (see chart). Inventories at 3.3mn t are around half of the October 2023 level, and there are some concerns about spoilage of material being held at ports, with some of it having likely been on the ground for a long period.

But stocks represent a healthy 52 days of cover based on Germany’s winter 2023/24 maximum 30-day coal burn level, a similar days of cover ratio to the prior six years when applying the same calculation to historical early October stockpiles. This drops to just 25 days’ of cover based on the maximum coal burn levels from the previous three winters, but again this is not a huge outlier compared with 2017-2023 early October inventories.

An influx of Colombian cargoes this month should also help to bolster stocks before the peak heating season, which typically arrives in December-February.

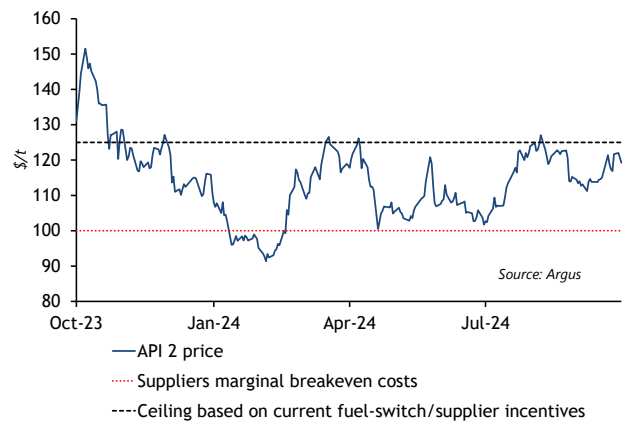
On the local logistics front, heavy rains in Germany mean there is little immediate risk of disruption to Rhine river barge transit from ARA to power stations.

Upside risks to demand/price

The above narrative explains why we are relatively sanguine about the European balance and its potential to drive API 2 prices higher. But there are still notable upside risks to both European demand and API 2 prices during 4Q 2024 and 1Q 2025.

The interconnectedness of the global energy markets means that if cold snaps in Europe and northeast Asia occur simulta-

API 2 spot prices



neously this can quickly tighten LNG and coal balances. This is particularly notable since Europe’s gas balance is now more reliant on LNG imports. But higher nuclear availability in South Korea and Japan, and moves from Taiwan to prioritise gas and renewables over coal burn this winter, should further boost high-grade coal availability, reducing the pull on Atlantic coal into Asia and freeing up supply for Europe if needed.

Meaningful weather-related disruption associated with La Nina in Colombia, South Africa and Australia remains a concern, since Europe can no longer call on nearby Russia SCoTA-compliant material to fill any shortfall. Russian coal accounted for around two-thirds of its imports before 2022.

The changing structure of the German electricity market also makes it more prone to price volatility. The country’s final nuclear plants were retired last year, while the build-out of onshore wind capacity has been sluggish, with capacity as of end-August almost 7GW below the 2024 interim target of 69GW. Concurrent with the ongoing coal phase-out, this has made the grid more reliant on power imports. In theory, this should mean more volatile prices, although the impact of this has been cushioned by a slow recovery in overall power demand. German electricity demand is up by 3pc year-to-date but 2024 consumption is likely to fall around 4pc short of the 2019-2022 average level.

API 2 price outlook

API 2 prices have been stuck in the \$100-125/t range for the past 12 months. We think the price floor of \$100/t reflects the landed marginal cost for South African, US and Colombian suppliers to send SCoTA-specification material to ARA. And the ceiling of \$125/t is indicative of gas price fuel-switch

thresholds and the fact that European buyers have no need to attract incremental spot coal supply from further-afield, more costly markets such as Australia. Prices have fluctuated within this range in response to various factors including physical trader and financial players' positioning, particularly commodity trading advisors' (CTAs'), as well as geopolitical events. A widening of the Israel-Gaza conflict is an upside risk to the overall energy price complex but unless the conflict escalates outside of the region it is unlikely to have a major impact on coal balances.

In the longer term, the current assumptions underpinning our German demand and API 2 price projections are that Europe to exit the winter with relatively healthy gas storage levels. This should curb the need for significant storage refilling – and associated higher prices – in summer 2025, when more LNG supply could begin to arrive online. Plus, once seasonal winter risks are in the rearview mirror, we think Russian coal suppliers may be forced to lower offers to maintain share in remaining markets, which should drag on coal prices generally in 2025. This could mean API 2 prices are able to fall out of the bottom of the \$100-125/t range.

Thermal coal – Exports

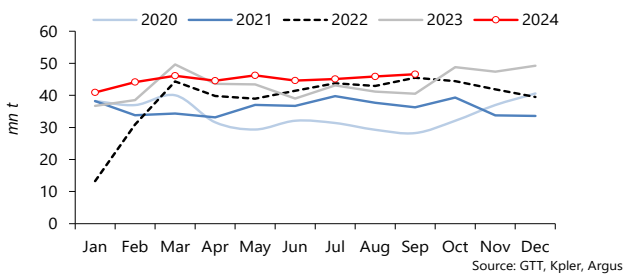
Russian wildcard

Exports from most origins are performing well, with the notable exception of Russia, which we lay out in detail earlier in this report. South Africa’s export contraction this year appears to be as much demand-led as supply-driven. But now RBCT stocks have improved, so should exports. Colombian supply was poor last month, but this looks to be optimisation-driven with more coal being switched back to Atlantic markets from Asia.

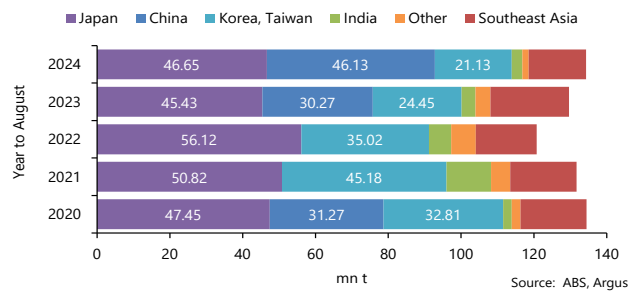
Thermal coal exports

Country	mn t	month	YTD ±	Outlook
Indo	46.6	Sep	+7.6	Exports continue to perform strongly
Aus	16.9	Sep	+2.9	Exports steady
Rus	9.4	Sep	-24	Supply continues to lag
Col	4.1	Sep	+4.3	Sept export performance poor
Saf	5.6	Sep	-7.2	Exports weak on soft demand
US	4.9	Sep	+11.9	Exports performing well

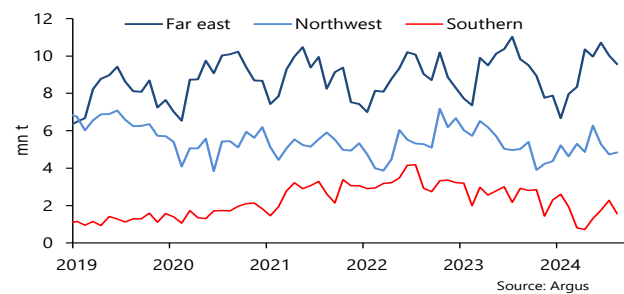
Indonesian exports



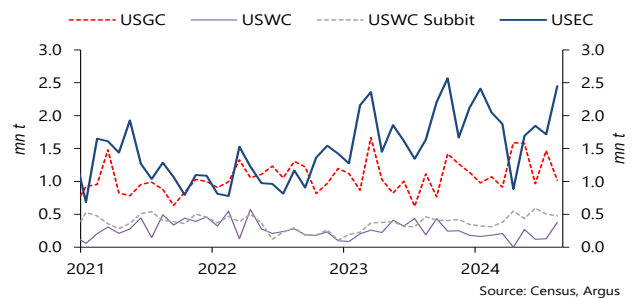
Australian exports



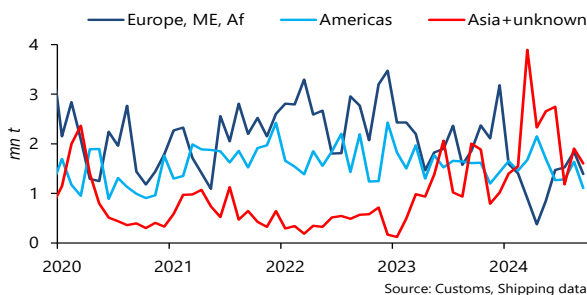
Russian thermal, metallurgical coal, coke exports by port



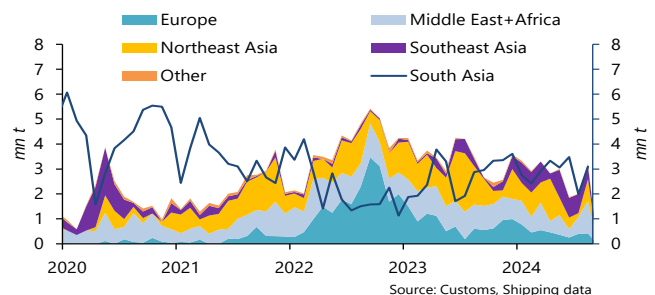
US exports by port region



Colombian exports



South African exports



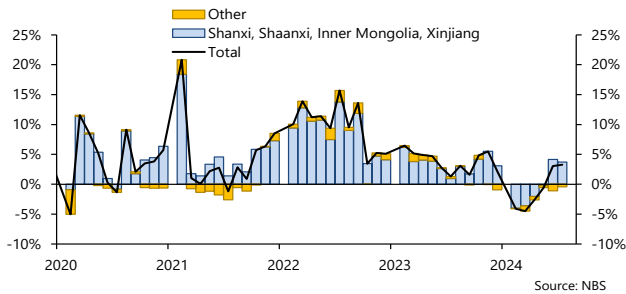
Thermal coal – China fundamentals

Comfortable situation

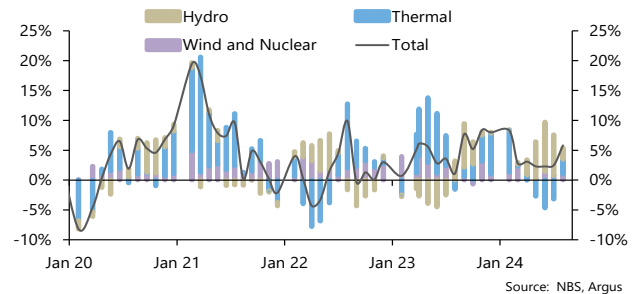
Inventories at mines, power plants and ports look to be healthy, with authorities claiming China looks in good shape ahead of the winter. Imports continue to perform strongly, supported by the arbitrage versus domestic coal prices.

China fundamentals			
Indicator	chg	month	Outlook
Thermal gen	+3.7pc	Aug	Firm electricity demand pulls coal burn higher YoY
Coal output	+3.5pc	Aug	Production higher YoY for 3rd month
Cement output	-11.9	Aug	Cement production contracts double digit declines
Stock - key plants, port, mines, days	+3.5	Aug	NDRC in early Oct said PPs have 30 days' cover
Imports - steam, mn t	14.9	Aug	Imports flat to recent months
Imports - lignite, mn t	14.7	Aug	Imports flat to recent months

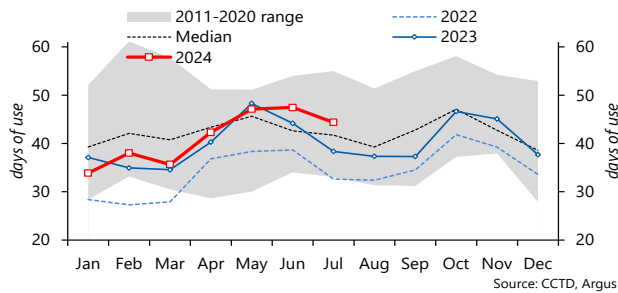
China coal supply growth



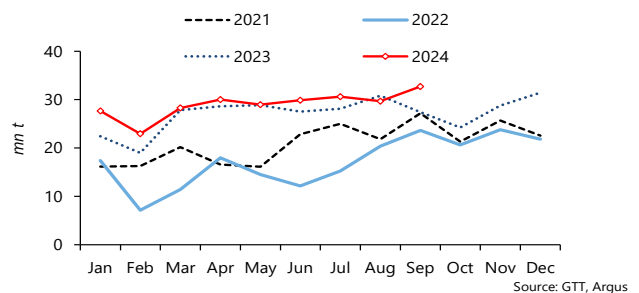
Power Generation growth and composition



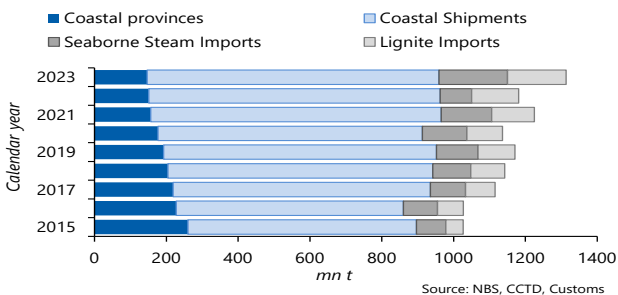
China Inventory



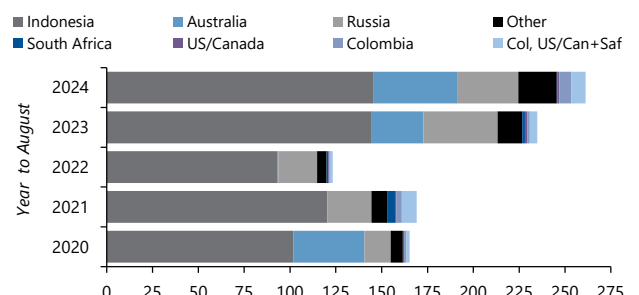
China seaborne steam coal imports



China coastal supply



China thermal imports (seaborne+overland)



Thermal coal – India fundamentals

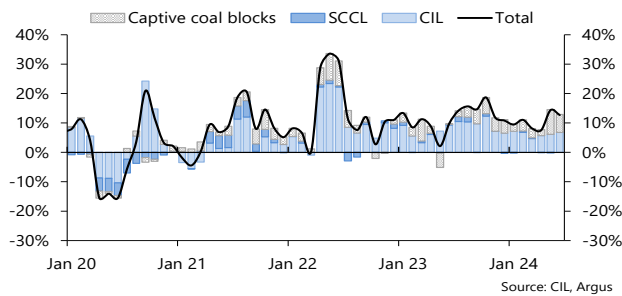
Soft short-term outlook

Most Indian demand indicators appear weak, including industrial activity, power-sector consumption. Stockpiles are healthy and domestic production is performing well. There should be some post-Monsoon demand but given weak macro indicators and doubts over the sustainability of the steel sector recovery, it may be modest.

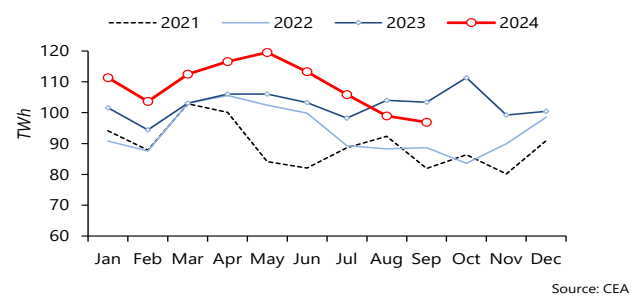
India fundamentals

Indicator	chg	month	Outlook
Coal generation	-6.1pc	Sep	Hydro, nuclear, renewables push coal out the mix
Import-coal gen	-33.6pc	Sep	Low generation from Tata's Mundra UMTPP unit crimps total
Cement output	1.9pc	Jul	Cement production growth stable
Coal production	+2.5pc	Sep	Production rebounds after poor Aug
Power plant stocks, days	12.5	Oct	Domestic stocks trend lower, but import healthy
Imports, mn t	-1.0	Sep	Jan-Sep imports up 9pc YoY

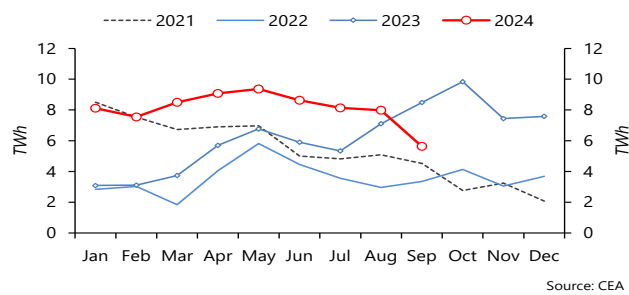
India coal production growth



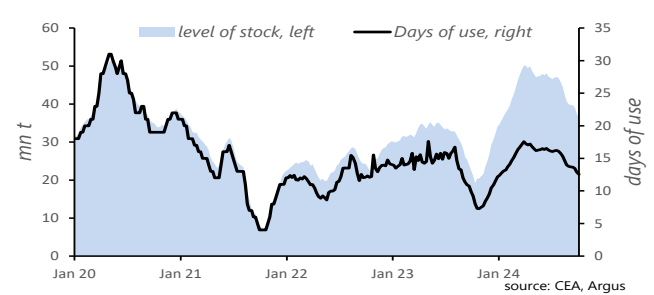
India coal generation



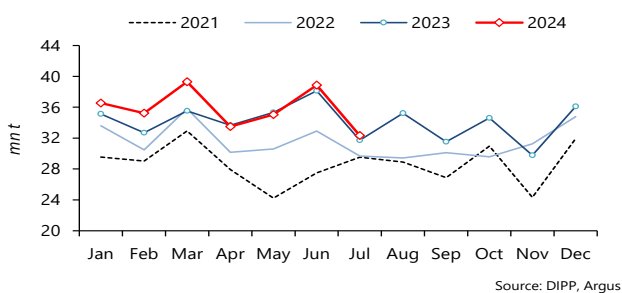
India coal-fired generation by import plants



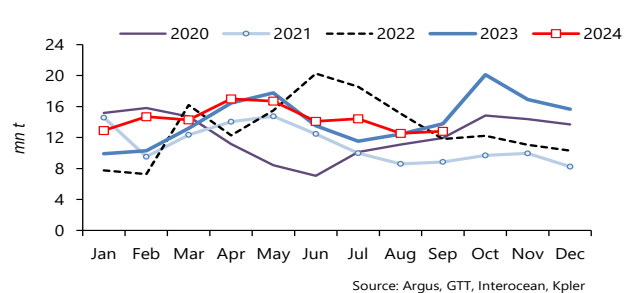
India power plant stocks



India cement production



India thermal coal imports



Thermal coal – Europe fundamentals

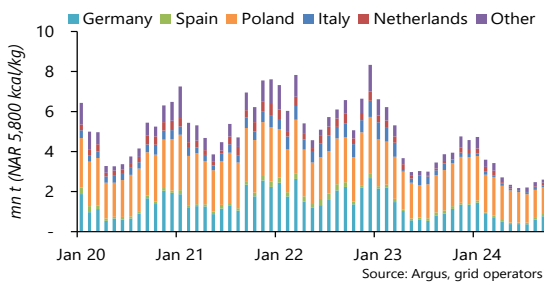
Filling in the gaps

Coal stocks have been drawn down at ARA ports, while coal consumption should edge up in line with seasonal trends. But more supply is already inbound to northwest Europe, and unless there is a prolonged spell of cold temperatures or significant shortfall in renewables generation/spike in power/gas prices, coal should only play a back-up role in the months ahead.

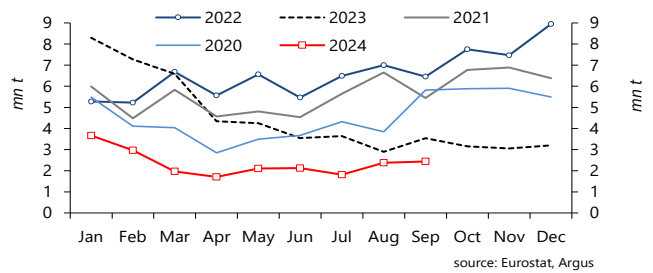
Europe fundamentals

Indicator	chg	month	Outlook
Est coal burn	-39pc	Sep	Margins v gas improve but burn v weak
Imports, <i>mn t</i>	-31pc	Sep	Imports low but Oct may be better
ARA stocks, <i>mn t</i>	3.3	Oct	Stocks draw lower
EU ETS CO2	€ 62	Oct	Carbon prices tick lower
TTF (year ahead), MWh	€ 38.00	Oct	Forward prices marginally up
Nat gas storage	flat	Oct	Storage trends in line with 2023 to meet gov targets

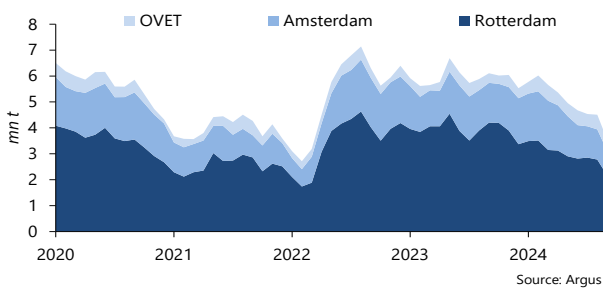
EU+UK power-sector coal burn



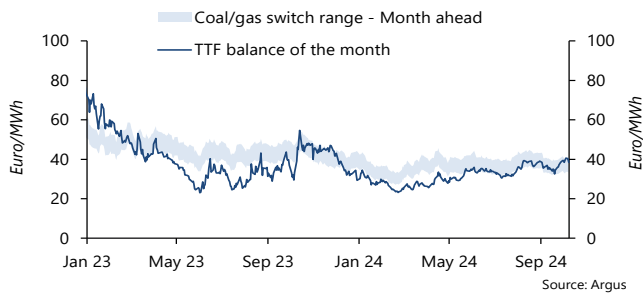
EU 27+UK thermal coal imports



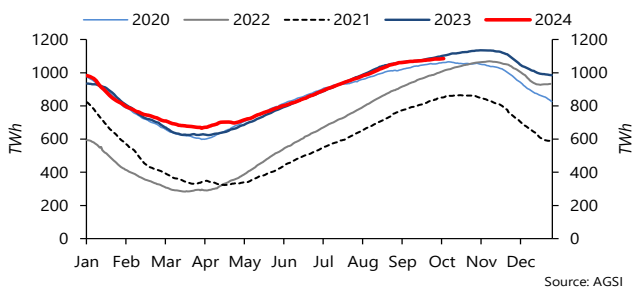
ARA Stocks



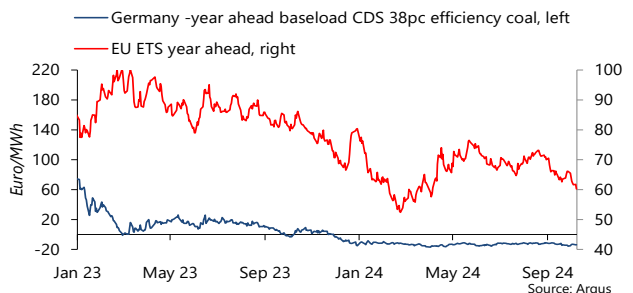
TTF natural gas and fuel switching price



European natural gas in storage



Germany clean dark spread and EU ETS prices



Thermal coal – Northeast Asia fundamentals

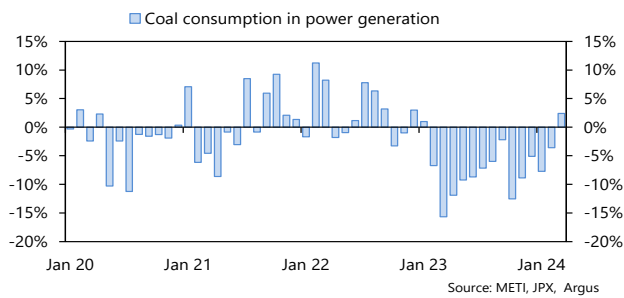
Modest expectations

Coal-fired generation in JKT was healthy over the summer. Stock data is only available with a severe lag but firm imports lately should not mean inventories are in bad shape heading into the winter. Particularly with higher nuclear generation and efforts to curb coal consumption being likely to weigh on coal demand in the months ahead. Gas-coal fuel-switching levels should be similar to last winter.

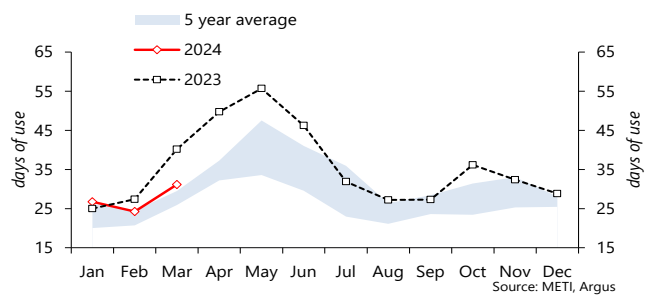
Northeast Asia fundamentals

Indicator	mn t	mth	Outlook
JKT coal burn	16.9	Mar	Coal burn likely stepped higher during summer heatwave
Japan	8	Mar	Nuclear weighs on coal burn and stocks healthy
Korea	6.1	Jul	Burn up 4pc YoY
Taiwan	4.5	Aug	Taipower looking to prioritise gas despatch
JKT Imports	20.8	Sep	Imports flat YoY and MoM
Japan+Korea stocks	13.7	Mar	The recent rise in imports has supported stocks

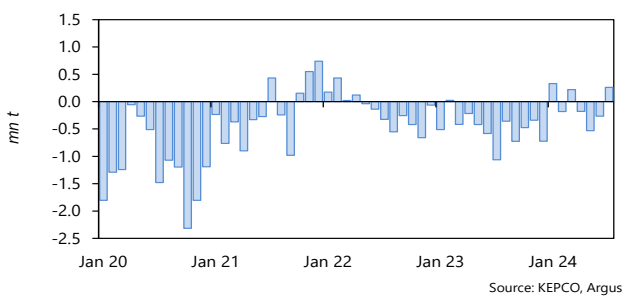
Japan coal consumption growth



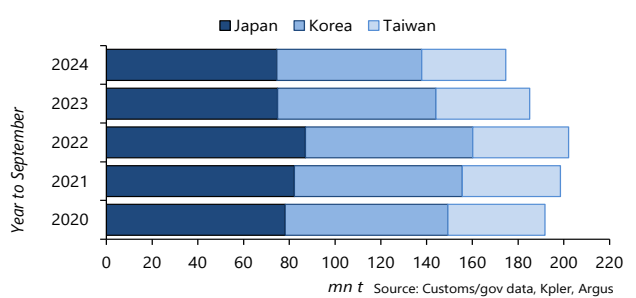
Japan generator stocks



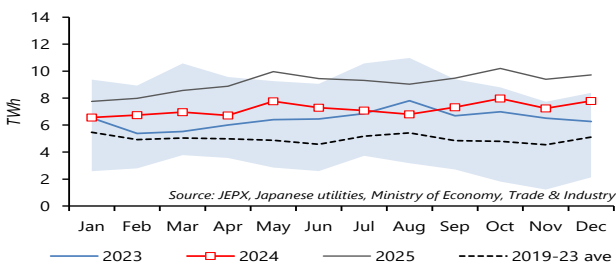
Korea year-on-year change in big 5 utility coal burn



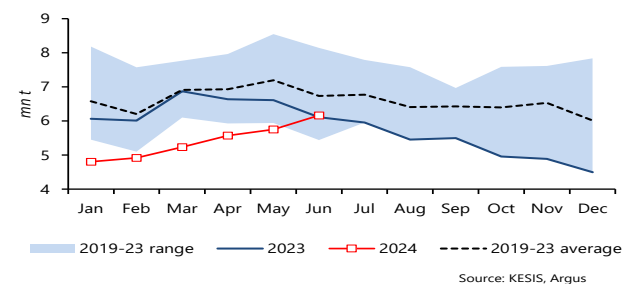
Japan, Korea, Taiwan thermal coal imports



Japan nuclear availability



Korean coal stocks



Thermal coal – South and Southeast Asia fundamentals

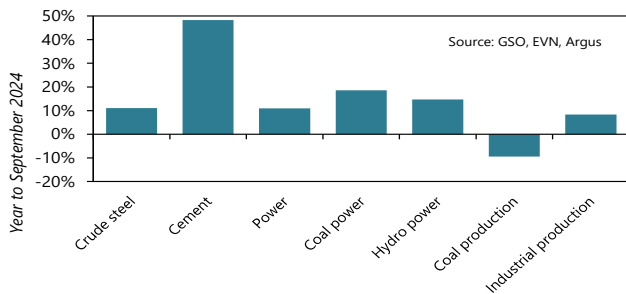
Upside ahead for Vietnam

Most indicators for Vietnamese coal burn weakened over the summer, driven by strong rains and flooding that cut coal demand. But as seasonal rains ease, demand could pick up towards the end of the year, assuming hydro does not perform so strongly and international prices are attractive enough to tempt buyers. Pakistan's imported coal demand continues to splutter.

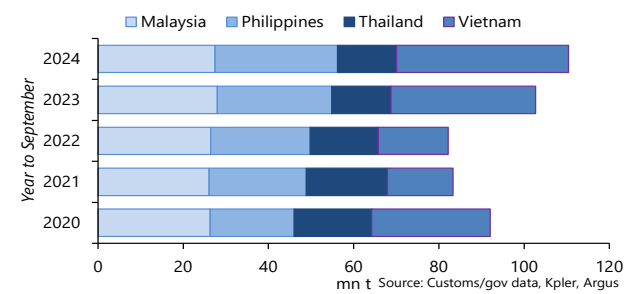
Asia Ex fundamentals

Indicator	mn t	mth	Outlook
Asean imports	10	Sep	Imports flat to year-1
Viet coal generation	-24pc	Jul	Hydro rebound eats into coal burn
Viet coal production	-17pc	Sep	Coal production continues to lag
Pakistan imports	0.7	Sep	Imports flat to year-1
Pakistan imported coal gen.	-5.4pc	Aug	Generation down from July
Pakistan cement sales	-10.8	Sep	YTD sales are down 9pc

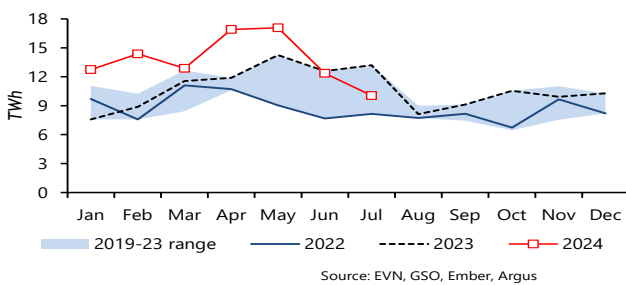
Vietnam power and industrial output



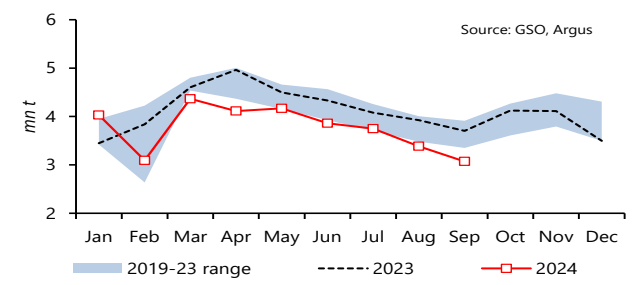
Asean imports



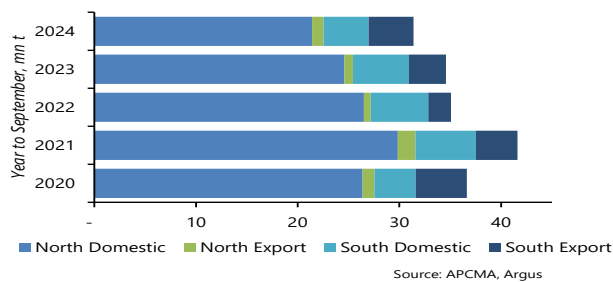
Vietnam coal-fired generation



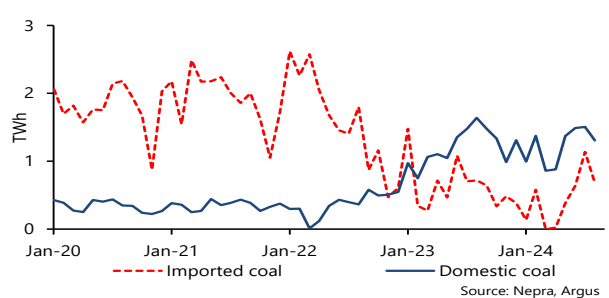
Vietnam coal production



Pakistan cement sales



Pakistan coal-fired generation



Metallurgical coal – Exports

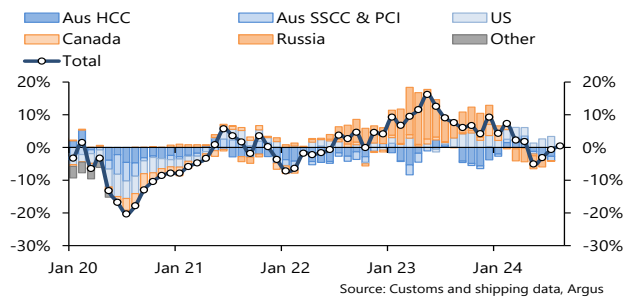
US, Aus in focus

Supply continues to perform well from most markets, but fresh accidents at Australian mines and the prospect of greater oversight cloud the outlook. And there are more signs that some US supply may be shut in following the recent period that saw US prices drop into the upper part of the seaborne cost curve.

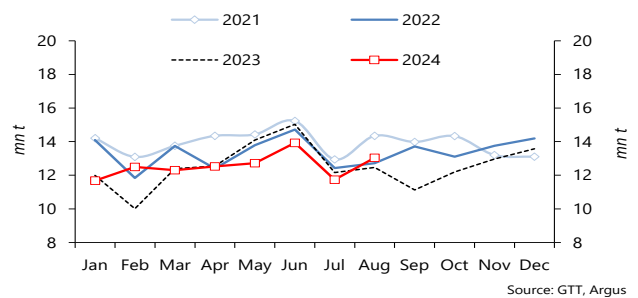
Metallurgical coal exports

Country	mn t	mth	YTD ±	Outlook
Aus	13	Aug	0	Exports steady to last year
US	3.9	Aug	+11	Exports flat MoM
Can	2.3	Aug	-4	Exports lag
Rus	1.8	Aug	-20	Supply continues to lag
CHN coke	0.8	Aug	+11	Chinese metcoke exports dip

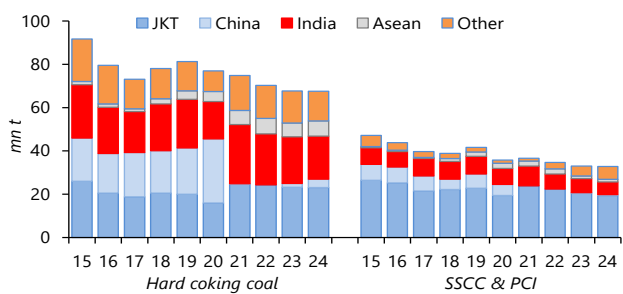
Contribution to seaborne supply growth



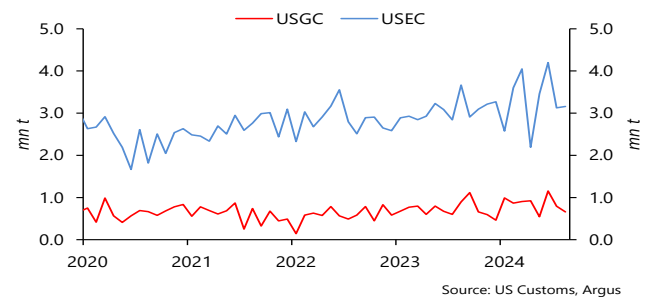
Australian met coal exports



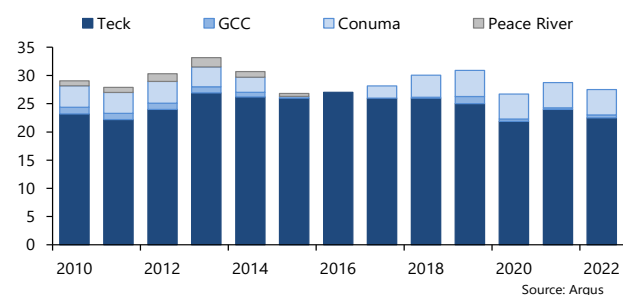
Australia met coal exports year to August



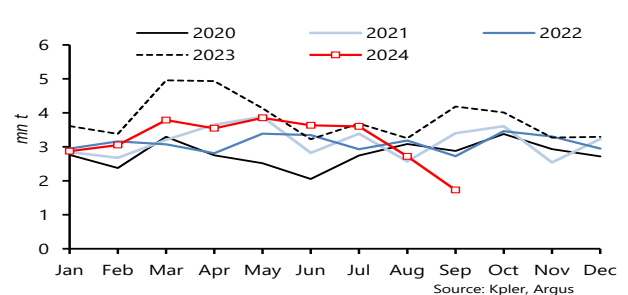
US export by port region



Canada exports



Russian seaborne coking coal exports



Metallurgical coal – China fundamentals

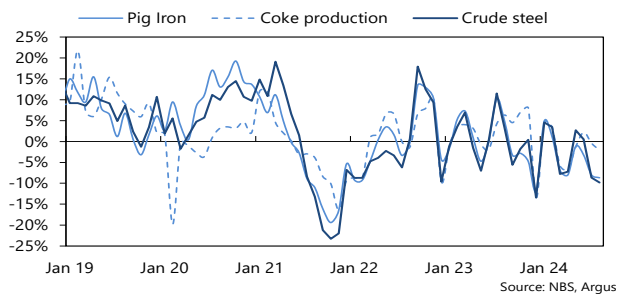
Not so stimulating

Chinese activity was disrupted last month by extended holidays including Golden Week. Government stimulus announcements improved sentiment, but most demand indicators still appear patchy. The nascent recovery will need to be backed by further evidence that a rise in steel prices, margins and industrial activity is sustainable before we are convinced by it.

China fundamentals

Indicator	pc	mth	Outlook
Crude steel	-9.8pc	Aug	Output contraction deepens
Iron production	-8.7	Aug	Production drop intensifies
Coke output	-2.1	Aug	Increasingly negative growth
Steel exports, <i>mn t</i>	9.5	Aug	Soft domestic market pushes supply to export
Imports - Seaborne, <i>mn t</i>	6	Aug	YTD imports up 33pc
Imports - Mongolia, <i>mn t</i>	4.7	Aug	YTD imports up 20pc

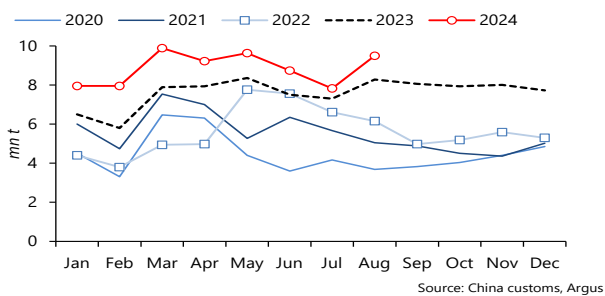
Crude steel and iron production



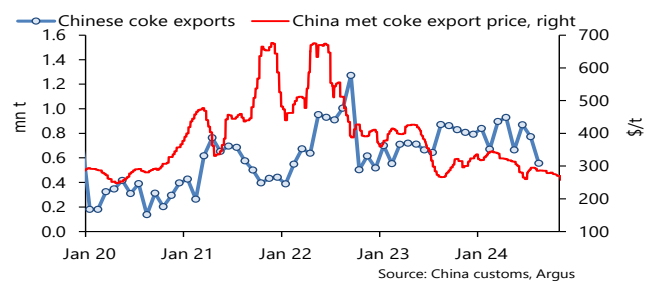
China domestic and import coking coal prices



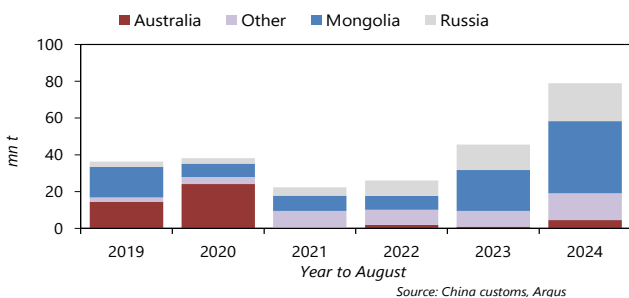
China steel exports



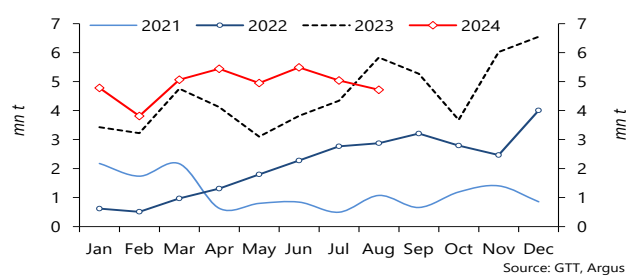
China metcoke exports and prices



China met coal imports



Mongolia exports to China



Metallurgical coal – India fundamentals

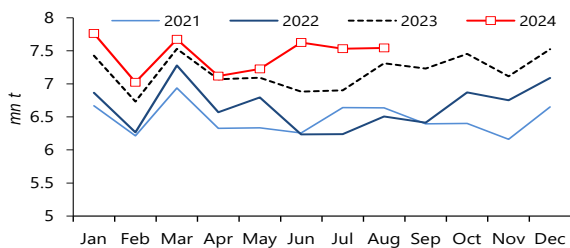
Moderate post-Monsoon bounce

Industrial activity indicators continue to show signs of slowing. But demand should pick up as the Monsoon season recedes and because of recent destocking.

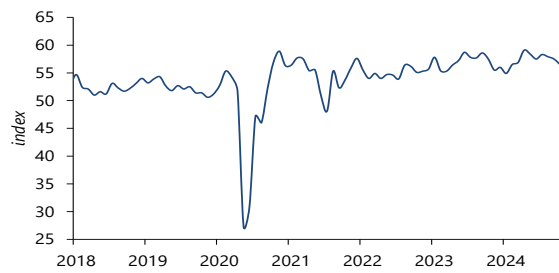
India fundamentals

Indicator	pc	mth	Outlook
Crude steel	+2.6pc	Aug	YTD production up 6.6pc
Iron production	+3.7pc	Aug	YTD production up 4.5pc
DRI production	+6.6pc	Aug	Growth rate slows
Imports, <i>mn t</i>	4	Sep	YTD imports broadly flat YoY
Industrial production	+2.9pc	Aug	Growth stuck in 2pc region
PMI	56.5	Oct	PMI has slipped steadily since July

India iron production

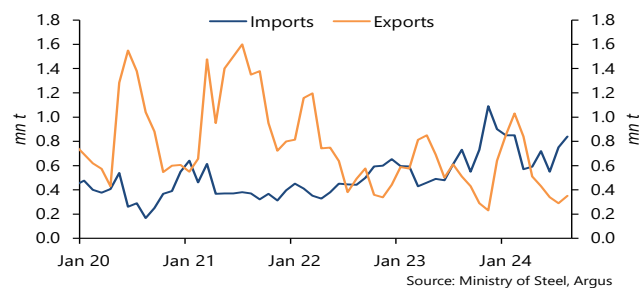


India PMI



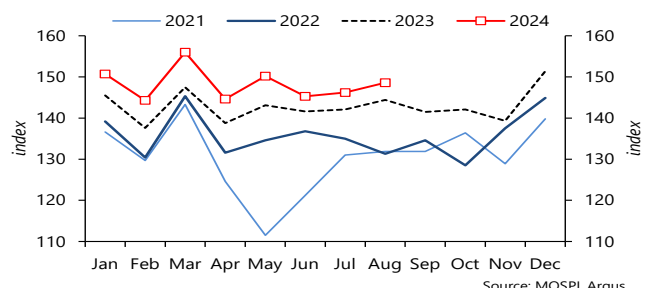
Source: Markit, Argus

Steel imports and exports



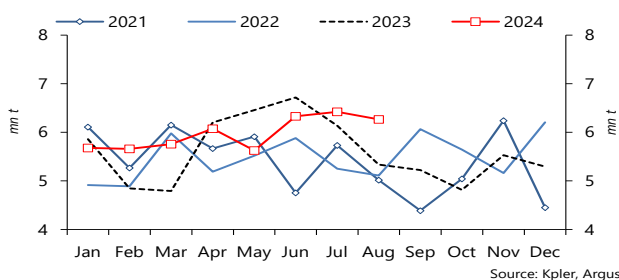
Source: Ministry of Steel, Argus

Manufacturing activity



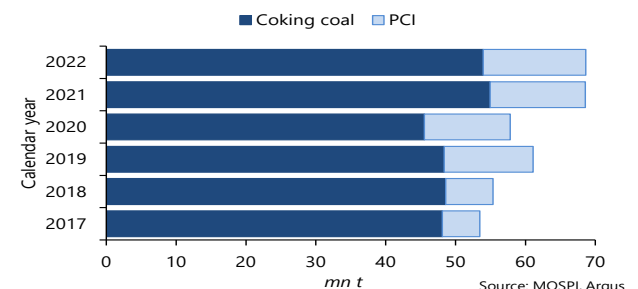
Source: MOSPI, Argus

India met coal imports



Source: Kpler, Argus

India PCI and Coking coal



Source: MOSPI, Argus

Metallurgical coal – Global steel fundamentals

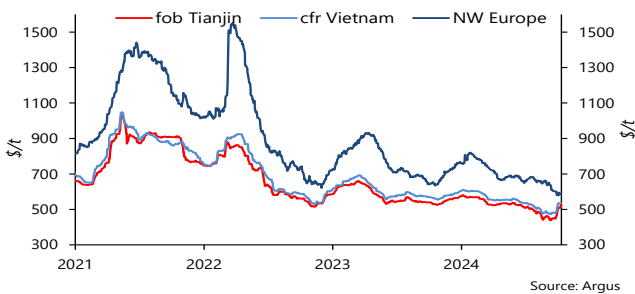
Back out the gutter

Steel prices and margins improved after Chinese stimulus announcements. But China's overcapacity issues have not been resolved. Ex-China indicators are mixed, with Brazil a bright spot.

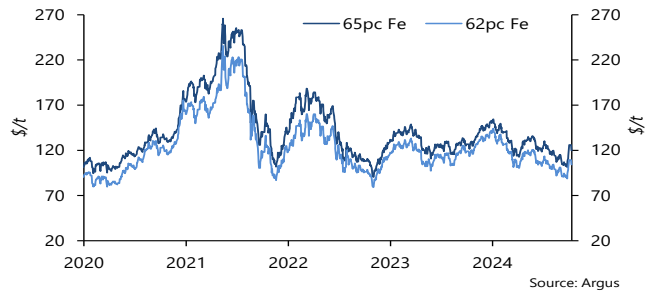
Other fundamentals

	pc	month	Outlook
Crude steel	-6.2pc	Aug	Production nosedives
JKT iron	-1.1pc	Aug	Output still contracting
Europe Iron	-0.1pc	Aug	Negative growth persists
Latam Iron	+4.4pc	Aug	Brazil recovery drives uptrend
Iron ore 62% Fe	\$105/t	Oct	Prices back to July levels
HRC	\$520/t	Oct	Prices recover from 4-year low

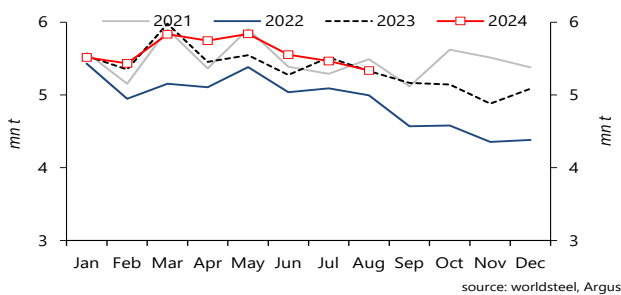
HRC Steel prices



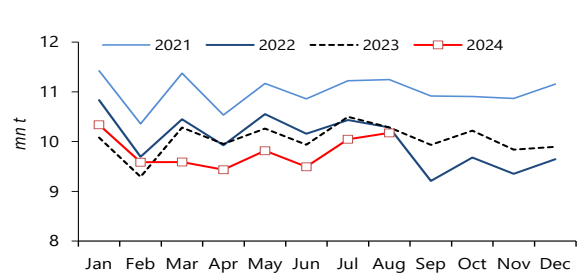
Cfr China iron ore prices



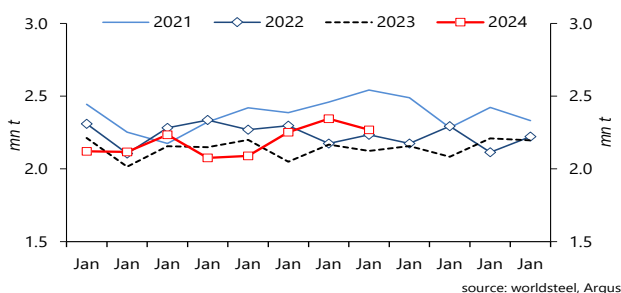
Europe iron production



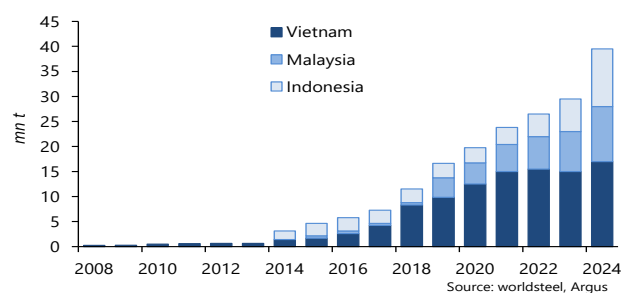
Japan, Korea and Taiwan iron production



Latam iron production



Asean BOF output



Macro indicators

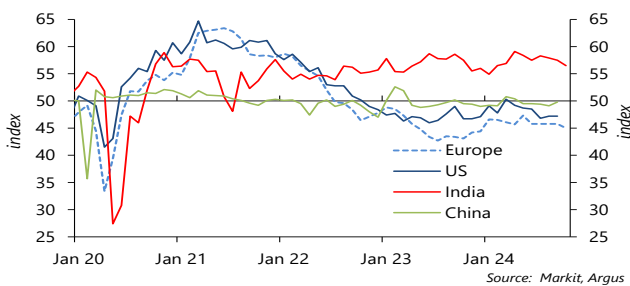
Geopolitical escalations

A wider conflict in the Middle East stokes inflationary risks around oil and US Dollar strength. The Russia-Ukraine conflict remains in focus, with traders particularly zoomed in on the future of Russia-EU transit gas flows via Ukraine post 1 January. US elections take place next month.

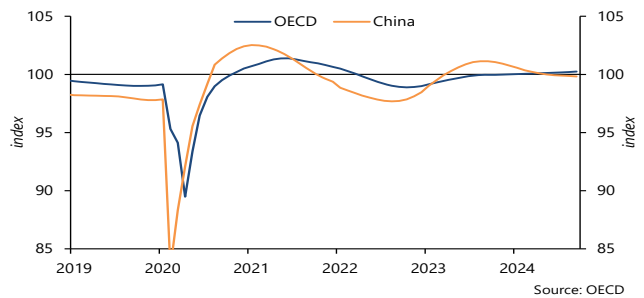
Macro fundamentals

	pc	month	Outlook
Global PMI	48.8	Sep	Index deteriorates further
OECD leading indicators	+0.3	Sep	CLI growth flat
Global IP	+1.8	Jun	Growth rate steady
Global trade	+1.7	Jun	Growth rate steady
FX trends	The USD has strengthened in early Oct		
Monetary policy	Rates have been cut in the US and Eurozone		

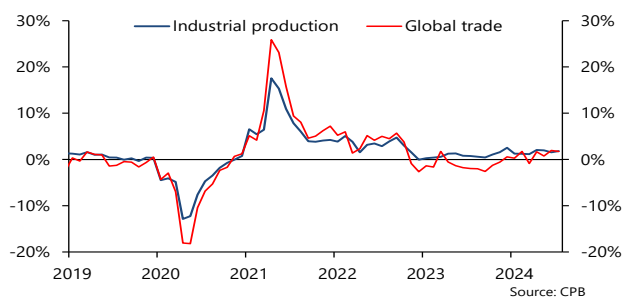
PMI Indices



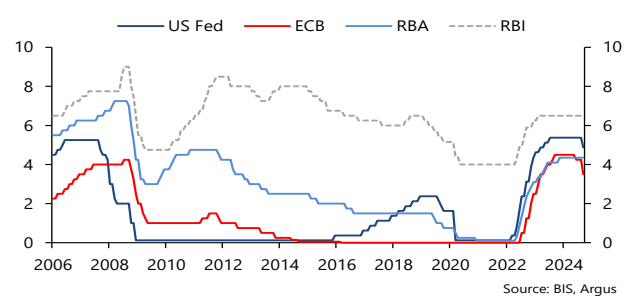
OECD Leading indicators



Global industrial production and trade



Monetary policy rates



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