

# Thermal Coal Outlook

## Argus-Coalindo Indonesian Coal Online Forum

October 2020



# Argus Media group notices

The Argus Media group (referred to herein as “Argus”) makes no representations or warranties or other assurance, express or implied, about the accuracy or suitability of any information in this presentation and related materials (such as handouts, other presentation documents and recordings and any other materials or information distributed at or in connection with this presentation).

The information or opinions contained in this presentation are provided on an “as is” basis without any warranty, condition or other representation as to its accuracy, completeness, or suitability for any particular purpose and shall not confer rights or remedies upon the recipients of this presentation or any other person. Data and information contained in the presentation come from a variety of sources, some of which are third parties outside Argus’ control and some of which may not have been verified.

All analysis and opinions, data, projections and forecasts provided may be based on assumptions that are not correct or which change, being dependent upon fundamentals and other factors and events subject to change and uncertainty; future results or values could be materially different from any forecast or estimates described in the presentation.


To the maximum extent permitted by law, Argus expressly disclaims any and all liability for any direct, indirect or consequential loss or damage, claims, costs and expenses, whether arising in negligence or otherwise, in connection with access to, use or application of these materials or suffered by any person as a result of relying on any information included in, or omission from, this presentation and related materials or otherwise in connection therewith.

The information contained in this presentation and related materials is provided for general information purposes only and should not be construed as legal, tax, accounting or investment advice or the rendering of legal, consulting, or other professional services of any kind. Users of these materials should not in any manner rely upon or construe the information or resource materials in these materials as legal, or other professional advice and should not act or fail to act based upon the information in these materials.

Copyright notice: Copyright © 2020 Argus Media group. All rights reserved. All intellectual property rights in this presentation and the information herein are the exclusive property of Argus and and/or its licensors and may only be used under license from Argus. Without limiting the foregoing, you will not copy or reproduce any part of its contents (including, but not limited to, single prices or any other individual items of data) in any form or for any purpose whatsoever without the prior written consent of Argus.

Trademark notice: ARGUS, the ARGUS logo, Argus publication titles, and Argus index names are trademarks of Argus Media Limited. For additional information, including details of our other trademarks, visit [argusmedia.com/trademarks](http://argusmedia.com/trademarks).

# Argus Seaborne Coal Outlook




argus consulting services  
argusmedia.com

Issue 20-9  
Monday  
14 September  
2020

## Argus Seaborne Coal Outlook

Innovative Argus Seaborne Thermal Coal Outlook




### Near-term outlook

Prices for thermal and metallurgical coal are set to track higher heading into the end of the year. Coking coal seems likely to rise higher than thermal coals.


### 12-month outlook

Thermal coal prices seem likely to remain above recent low given demand will be expanding in 2021. Prospects for coking coal prices in 2021 are more promising given the sharply improving steel production picture and recent destruction of supply.

#### Thermal coal price forecasts



#### Metallurgical coal price forecasts



#### Contents

- Forecasts 2
- Price forecasts 2
- Three years summary 3
- Thermal coal 3
- Metallurgical coal 4
- Forecast review 5
- Swaps & Spreads 9
- Demand and supply 11
- Thermal coal 11
- Metallurgical coal 12
- In Focus 15
- Fundamentals 17
- Thermal coal 17
- Exports 17
- Regional fundamentals 18
- China 19
- India 20
- Europe 20
- North Asia & Asian 21
- Metallurgical coal 21
- Exports 22
- Regional fundamentals 23
- China 23
- India 24
- Other 26
- Macro 27

**Coal**  
illuminating the markets

available on the [Argus Publications.com](http://www.ArgusPublications.com)

Copyright © 2020 Argus Media Inc. (New York)



argus consulting services  
argusmedia.com

Issue 20-9  
Monday  
14 September  
2020

## Argus Seaborne Coal Outlook

### Metallurgical coal - Key drivers of price forecasts

#### Seaborne met coal supply



**Supply contracting quickly**

Seaborne coking coal is contracting at a faster pace than last year. Australian exports of hard coking coal and SACCPC are dropping quickly, partly because of problems at Anglo American mines, but also due to economics. The US is contracting in a parallel side way, while the shift in Chinese coal exports is also affecting seaborne coking coal markets.

Chinese import curbs are helping to create the price environment that is curtailing seaborne supply, but there are few signs that Chinese domestic supply is expanding rapidly. Chinese met coal output has been consistently weak this year.

#### HCC steel prices



#### Chinese steel strength supports all markets

Steel prices have lifted in all regions, partly because of shortages in some prices, but also from the steep climb in net Chinese steel trade. There are now signs that stronger domestic demand in many markets is also starting to support steel demand further and support higher steel furnace utilization.

Chinese steel demand is set to remain strong, at least over the next 3-6 months, although it is likely that the focus of public scrutiny will start to move away from supporting strong activity given other risks associated with expanding leverage.

#### Ex-China coking coal imports




#### Reviving ex-China demand

While there are still plenty of uncertainties surrounding the ability of economies to deal with the spread of Covid-19, it seems likely that 2021 will be fairly close to 2020's levels in terms of ex-China demand for metallurgical coal.

Greater competition from ex-China markets should ease the price pressure from the need to push tonnes to China while import quotas have been challenging. Maintaining coal import quotas in the winter months is also looking increasingly challenging in China, with stronger demand in the first quarter likely to push prices significantly higher.

Copyright © 2020 Argus Media Inc. (New York)



argus consulting services  
argusmedia.com


Issue 20-9  
Monday  
14 September  
2020

## Argus Seaborne Coal Outlook

### Metallurgical coal demand and supply

Country	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Net production growth</b>											
China	-4.7%	-0.0%	1.5%	2.7%	7.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.0%
India	5.0%	5.0%	4.2%	4.9%	7.0%	2.0%	2.0%	44.0%	30.0%		
Europe	2.7%	-0.4%	4.9%	2.3%	-1.0%	-0.2%	-0.2%	-0.0%	-11.0%		
Latin	2.0%	0.0%	4.7%	4.0%	0.7%	0.0%	0.0%	10.0%	11.0%		
US	5.0%	1.0%	5.0%	-0.2%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%		
<b>Import demand</b>											
India	288.8	276.4	271.1	276.4	280.7	288.9	288.1	288.8	288.8		
China	62.1	60.3	60.9	60.6	60.6	60.1	60.1	60.1	60.1		
Amer	2.8	3.0	3.1	3.0	3.0	3.0	3.0	3.0	3.0		
US	91.2	91.9	92.2	92.1	92.1	92.1	92.1	92.1	92.1		
Latin	28.8	28.8	28.7	28.7	28.7	28.7	28.7	28.7	28.7		
Europe	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9		
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Export supply</b>											
Australia	201.7	271.8	271.8	276.4	278.8	281.8	281.8	281.8	281.8		
US	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Canada	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Russia	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0		
Mozambique	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

#### Metallurgical coal trade flows, 2020

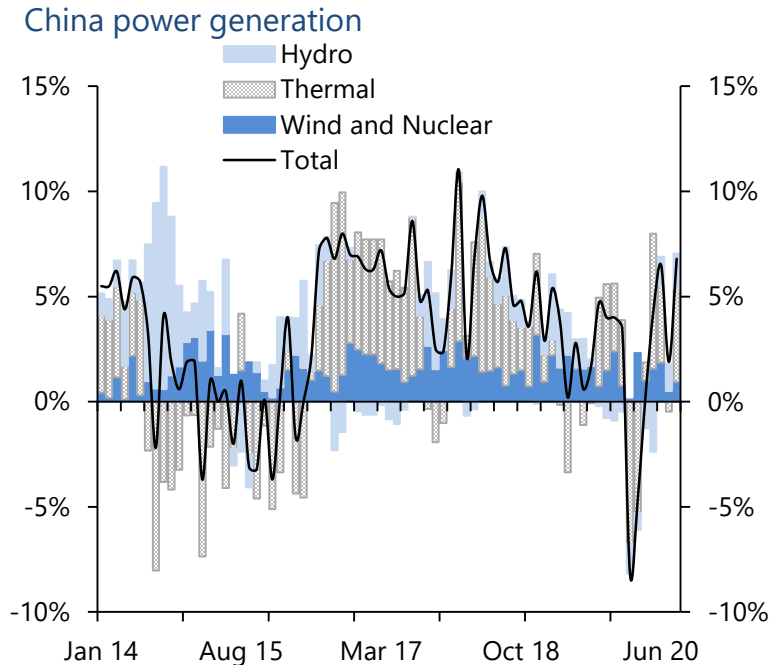


Copyright © 2020 Argus Media Inc. (New York)

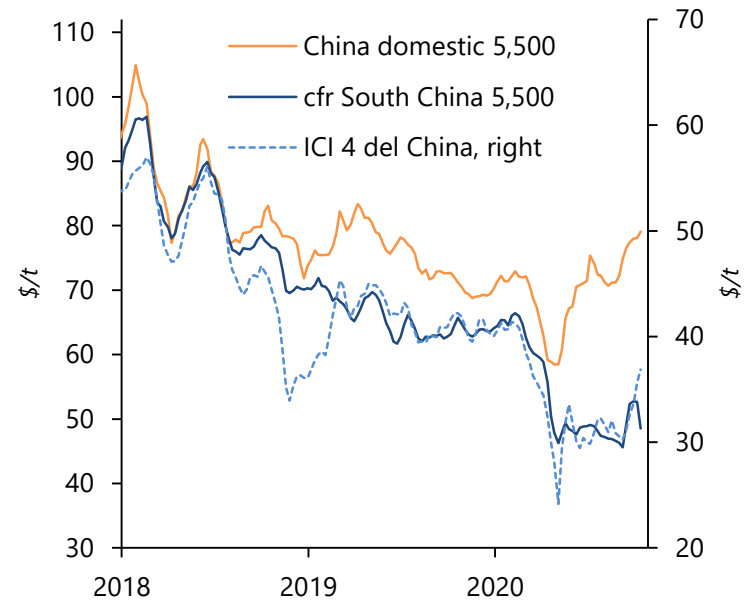
## Thermal coal outlook

- Chinese import regulations facing pressure as domestic prices rise.
- Demand recovery mixed as countries head to new economic normal.
- Rapid seaborne supply adjustment to lower prices in many regions.
- Demand likely higher in 2021. Will there be enough supply at current prices?

# Can China maintain import controls when coal consumption is strong?

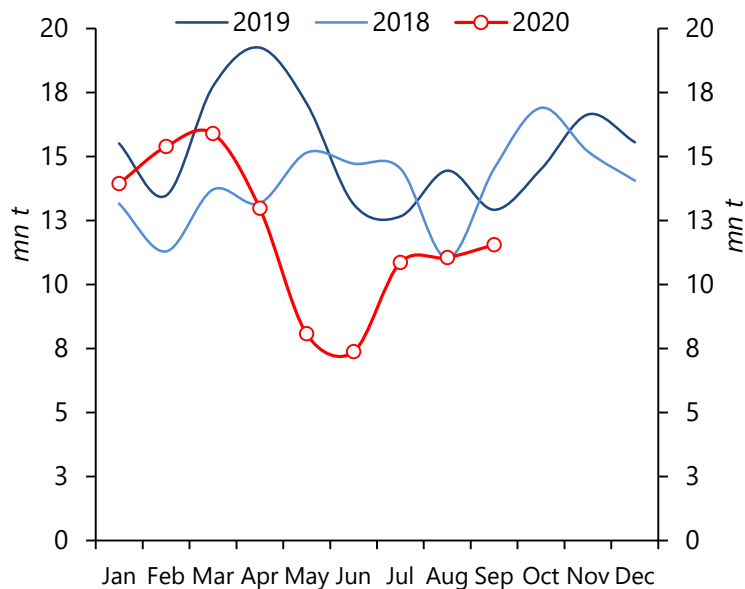


Delivered China coal prices



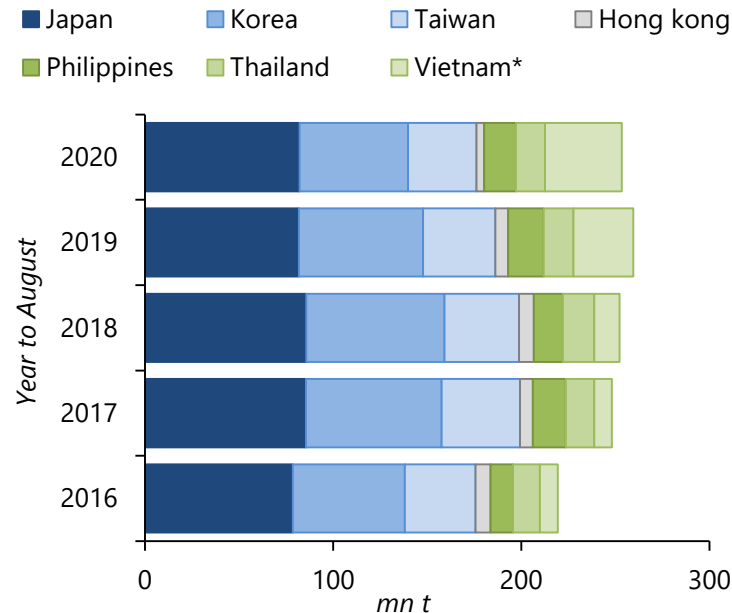
# Asia demand mixed as activity recovers from lockdowns

## Indian steam coal imports



Source: GAC Shipping, Argus

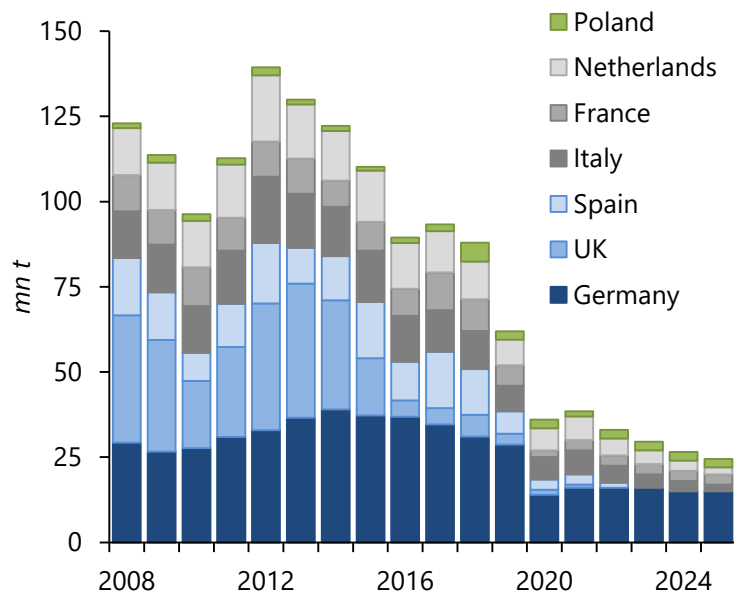
## Thermal coal imports



Source: Customs data, Argus

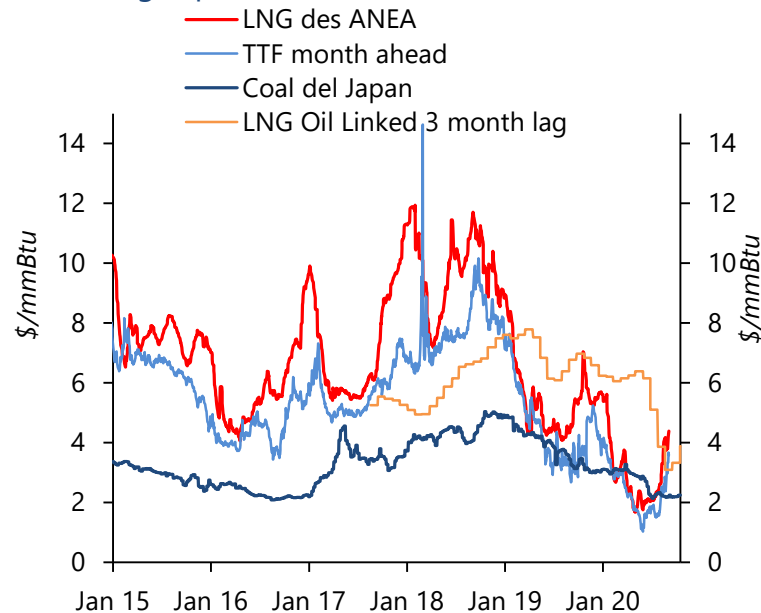
# Europe still a drag on volumes, but higher natural gas supports regional pricing

## European thermal coal imports



Source: Argus

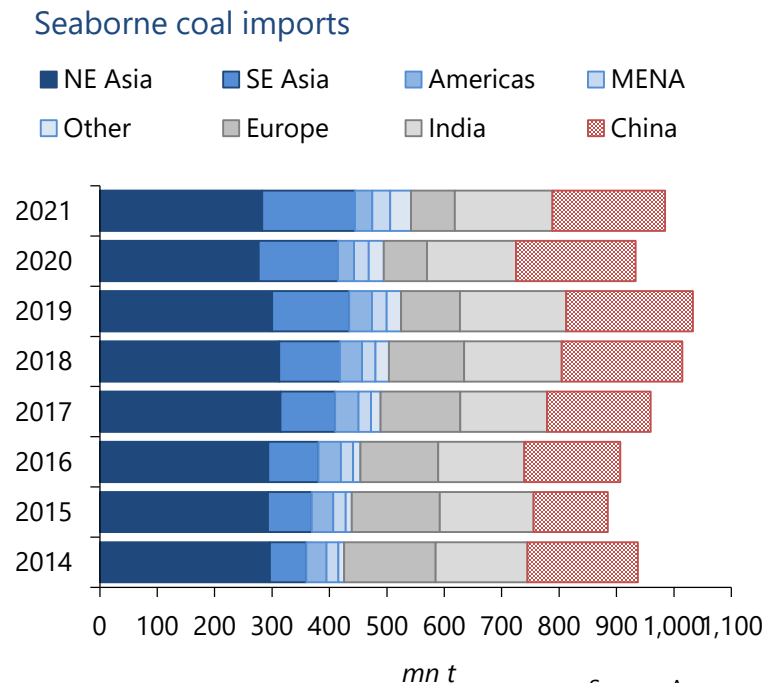
## Natural gas prices



Source: Argus

# Import demand should grow, but below 2019 levels

- China imports continue to shrink
- India imports rising, but below 2019 levels
- Strong growth in Asean imports
- Stable imports in North Asia
- Europe decline diminishing following years of decline



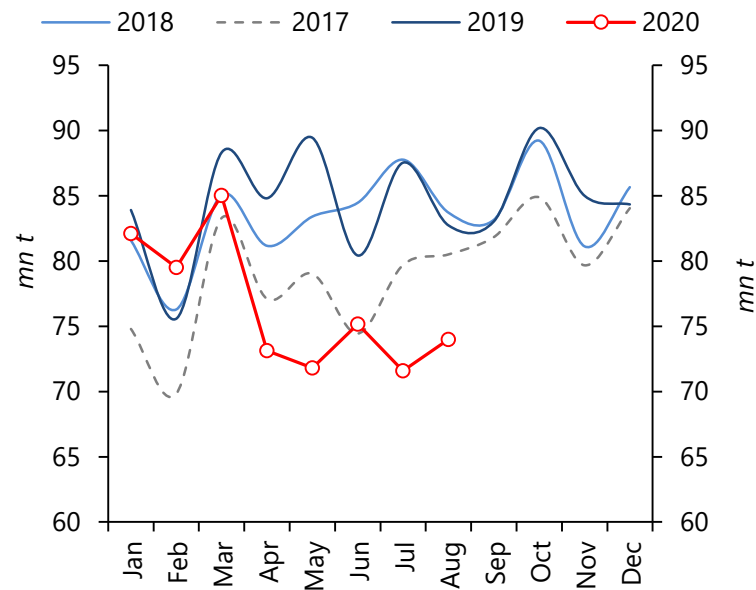
Source: Argus



# Supply response sharper than previous downturn

- Response in US and Indonesia to low prices consistent with 2015 downturn.
- Colombia undergoing structural decline in output.
- Australian volumes under more pressure from Chinese policy.

Seaborne thermal coal exports

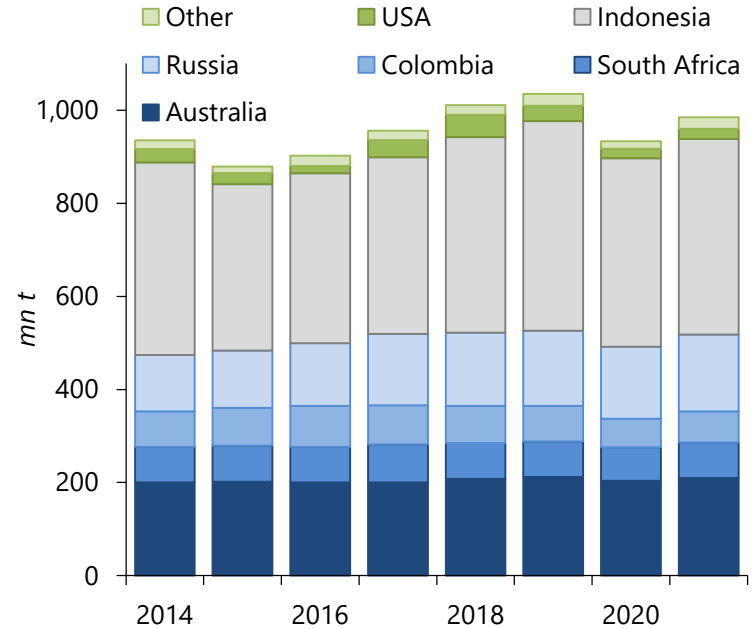


Source: Argus

# Can supply lift to higher demand at current prices?

- Russian expansion into Asia-Pacific markets ongoing
- Colombian exports in permanent decline
- Indonesian exports still flexible to prices
- Additional capacity in Australia at the right price

Seaborne thermal coal exports

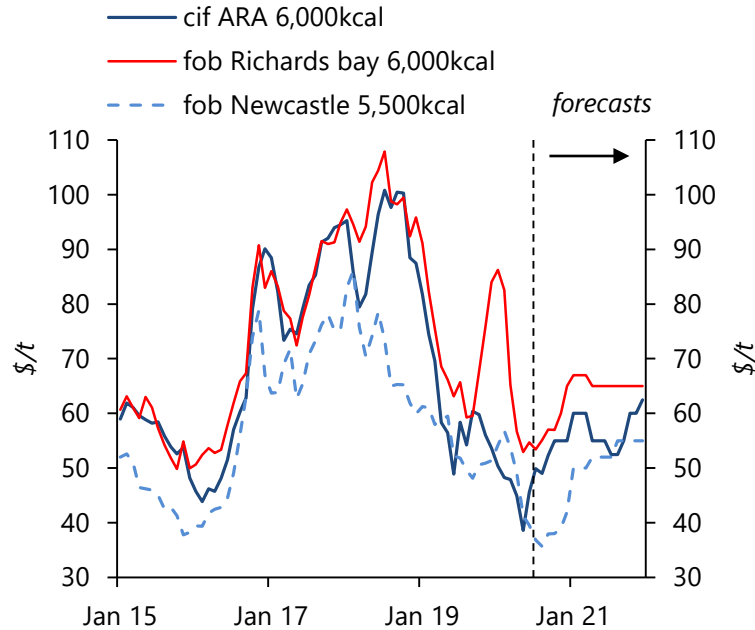


# Demand and supply balance

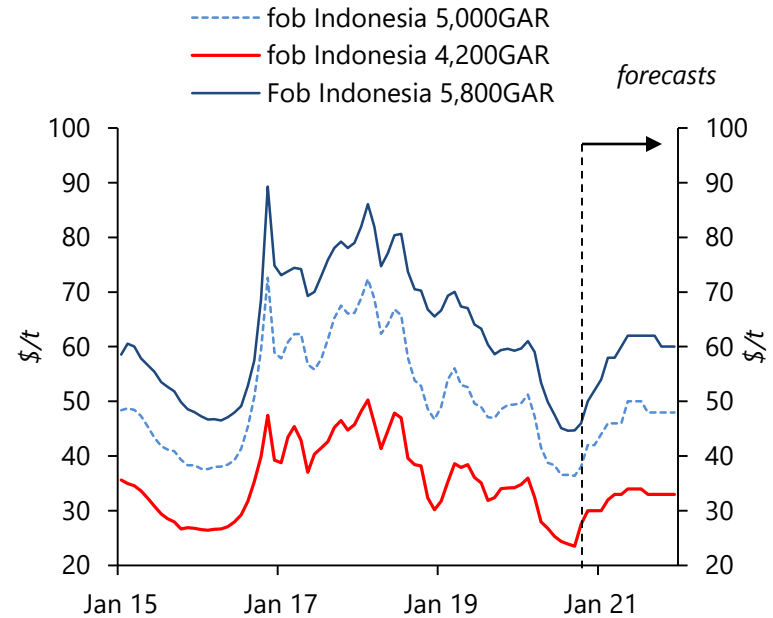
Seaborne Demand and Supply Balance								mn t
	2014	2015	2016	2017	2018	2019	2020	2021
<b>Import Demand</b>	<b>937.3</b>	<b>885.0</b>	<b>906.6</b>	<b>959.4</b>	<b>1014.8</b>	<b>1033.3</b>	<b>933.0</b>	<b>984.5</b>
Europe	159.5	153.3	135.2	138.9	131.3	102.6	75.4	76.4
MENA	20.6	21.8	21.5	21.4	23.7	25.3	25.6	31.1
Americas	35.0	37.2	38.9	40.6	38.2	40.1	27.6	30.1
China	192.4	129.6	167.2	180.6	210.0	221.0	208.1	196.1
NE Asia	296.0	293.1	293.2	314.9	312.2	300.0	276.5	283.0
India	160.0	163.0	150.0	151.0	170.0	185.0	155.0	170.0
SE Asia	63.6	76.0	87.7	95.2	106.3	134.2	138.7	161.5
Other	10.2	11.1	12.9	16.8	23.1	25.1	26.1	36.3
<b>Export Supply</b>	<b>935.3</b>	<b>878.9</b>	<b>902.1</b>	<b>955.6</b>	<b>1011.1</b>	<b>1034.6</b>	<b>933.0</b>	<b>984.5</b>
Indonesia	413.8	358.0	365.0	380.0	420.0	450.0	405.0	420.0
Australia	200.7	201.8	200.4	200.3	207.7	212.0	204.0	210.0
South Africa	76.3	77.5	76.0	82.1	77.0	76.0	72.0	76.0
Colombia	76.0	81.0	88.1	83.7	79.7	76.3	61.0	67.0
Russia	121.0	123.0	135.0	153.0	158.0	162.0	155.0	165.0
USA	28.9	23.9	15.8	37.0	48.1	33.3	20.0	22.0
Other	10.9	8.5	13.0	8.7	7.0	11.1	5.0	9.0

# Price forecasts

## Thermal coal prices



## Thermal coal prices





# Hayden Atkins– Senior Consultant

Email: [hayden.atkins@argusmedia.com](mailto:hayden.atkins@argusmedia.com)

Telephone: +1 917 863 9176

[www.argusmedia.com](http://www.argusmedia.com)

