

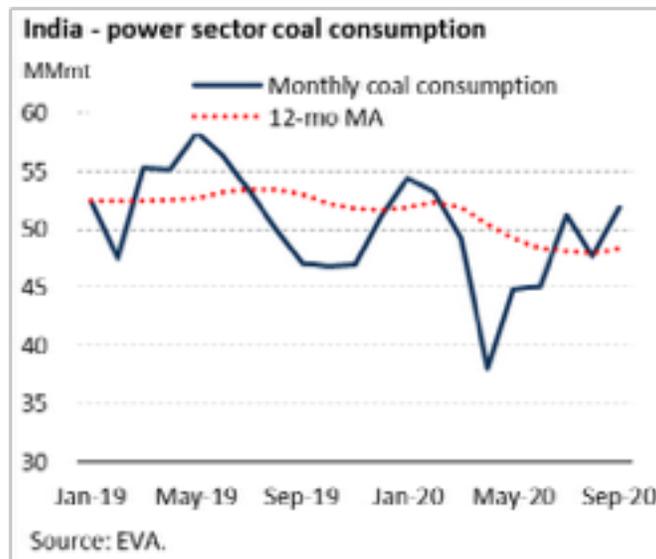
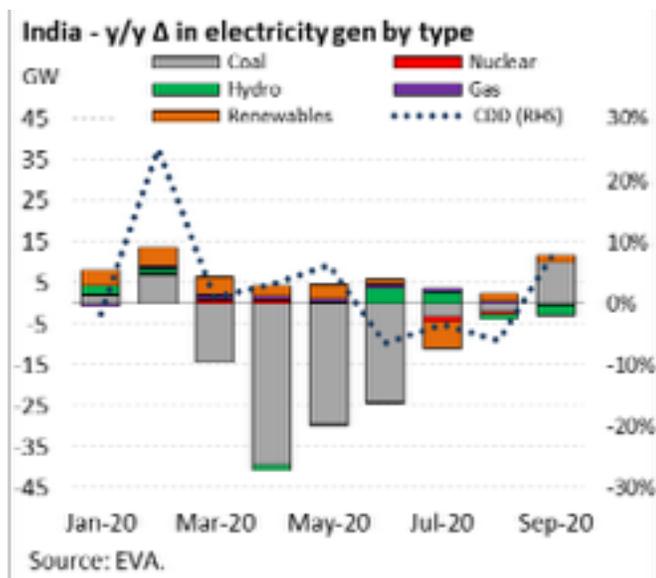


India's power and coal demand rebounds in September...

Tentative data released this week by India's Central Electricity Authority (CEA) showed that September 2020 power generation jumped 4.9% y/y, which would be the first y/y increase since February of this year. Power demand is rebounding as India has removed nearly all coronavirus-related restrictions. The CEA data showed that coal-fired generation was up nearly 10% y/y for September, also the first y/y increase since February.

...but YTD declines in power and coal consumption are still being felt

Over the YTD, the story is not as positive for global coal demand. The data show that Indian power demand is running 4.6% lower y/y. And the decline in power demand has been borne almost entirely by coal generation, which is down by over 8% y/y from Jan-Sept, or roughly 40 MMmt according to our estimates. Nuclear and hydro generation from Jan-Sept are up slightly y/y, while gas-fired generation is up 10% y/y as operators took advantage of spot LNG prices delivered to West India that averaged just \$2.37/MMBtu from April to August.



India should return to power and coal consumption growth in the fourth quarter

With coronavirus restrictions lifted (and because last October's generation total was very weak), we are projecting a more than 5% y/y increase for both Indian power demand and coal consumption over 4Q20. However, electricity demand should still end the year slightly lower in 2020 and coal demand will end the year down more than 4% or roughly 25-30 MMmt. Factor in a slight increase in domestic production and we believe that coal imports will inevitably register a fall of 30 MMmt or more. That is one factor informing our view that it will take some time for Indonesian 4,200 kc GAR prices to climb back above \$30/mt, since India takes in nearly a third of Indonesian thermal exports.

Coal India September production also rebounded as virus restrictions were lifted

Coal India's output grew by nearly a third y/y during September, pushing up total Indian production by 9 MMmt y/y to 48.2 MMmt for the month. The large y/y increase is partly due to a steep fall in production last September that was the result of worse than normal rains. The rise in September 2020 production made up for declines during the worst of the coronavirus outbreak earlier this year and now YTD Indian coal production is right in line with where it was at this time last year. Indian coal output usually accelerates in the second half of the year after the major monsoon season, and we expect that India will grow production slightly above last calendar year's total of 711 MMmt. We also note that coal logistics inside India appear to be performing well. Coal India's offtake to the non-power sector jumped 65% y/y to 10 MMmt in September, while coal dispatched to the power sector rose 25% to 36.4 MMmt. In the face of weak power demand, these production and logistics improvements are a short-term negative signal for importers.

