

China and India demand rise as markets of Japan, Korea and Taiwan fade

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GLADSTONE is enjoying a spike in coal demand from India and China that is more than making up for a drop in demand from traditional customers.

The port handled a record 1.464 million tonnes of metallurgical coal in one week last month, but very little went to its traditional markets of Japan, Korea and Taiwan.

[Gladstone Ports](#) chief executive Leo Zussino said it was "a godsend" for Gladstone, which has suffered from job losses in mining and infrastructure.

"India and China have stepped in the market for metallurgical coal very heavily," he said. "The reason for that is China's steel production is running at record levels. India has not had that much of a downturn, but Japan is off 40 per cent, Germany is off 50 per cent and so is the US."

Gladstone already has 16 ships anchored at sea waiting for the port and 60 more have booked a berth for this month, also a record. That compares with only 33 ships in March.

Of those, Japan will take only 25 per cent of the tonnage. Normally it is 55 per cent.

Mr Zussino said he had "very good sources" telling him that China's demand was likely to continue.

Macarthur Coal also recently said there were tentative signs of recovery.

"World steel production across most regions is starting to show signs of recovery with even non-Chinese production improving," Macarthur's Shane Stephan said.

"Prices in China are quite encouraging with a steady increase since April across all product groups.

"While the data is inconsistent the anecdotal evidence is very strong as sales of metallurgical coal to China have increased significantly over the calendar year."

According to the latest [Australian Bureau of Agricultural and Resource Economics](#) report, Australia's total exports of high-quality coking coal in the March quarter was

15.56 million tonnes, down 2.11Mt from the previous March quarter. Exports to China soared to 3.65Mt, up from 0.35Mt previously.

Ports Corporation has some doubts about whether the spike in demand will be sustained. "The question we are asking the exporters is, it supportable and sustainable?" Mr Zussino said.

"There are those saying that this is real, but I believe it's yet to be tested by time."

There had been speculation the increase was sparked by the settlement of coal contracts on April 1, but Mr Zussino said this did not appear to be the case.

He said India might be restocking from very low levels but the demand from China was much deeper.

The increased demand was welcome, whatever the reasons. "You don't knock back a free drink," he said.

But he added if India and China stayed in the Australian market at their present level the industry was going to have to ask what might happen when traditional markets came back.

There was a fear Queensland still did not have the infrastructure to cope with demand and the industry would be back where it was a year ago.

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