

Platts Report: China's Oil Demand Rebounds in July

But refinery runs, crude imports show lingering weakness

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SINGAPORE, Aug. 22, 2012 /[PRNewswire](#)/ -- China's apparent oil demand* rose 2.4% year on year in July to 38.92 million metric tons (mt), or an average 9.2 million barrels per day (b/d), a just-released Platts analysis of recent Chinese government data showed. This is a rebound from June's first monthly contraction in more than three years.

In June, demand fell 1.9% year on year to nine million b/d, as China's struggling economy was hit by poor exports and slowing manufacturing activity. July's gain is largely due to the 810,377 b/d rise in oil product imports to 3.09 million mt, which boosted net imports of oil products 53% or 346,181 b/d from June to 1.32 million mt. Net product imports are up 65% from July a year ago.

However, refinery runs and crude imports in July indicate that fundamental demand growth is less robust and two consecutive retail oil product price cuts in June and July have pressured refining margins and likely kept state refiners running at minimum levels.

July's refinery runs were 37.6 million mt, or 8.89 million b/d, marking a 1.1% year on year. But July's runs were still the second lowest so far this year, surpassing June levels by 100,000 b/d.

Crude oil imports also showed a slowing from the first half of the year, although still managing double-digit growth compared to last year.

China's total crude oil imports in July rose 12.4% year on year to 21.83 million mt, or 5.16 million b/d. In June, China imported 21.72 million mt of crude oil, or 5.31 million b/d.

But July's daily import average was the lowest since October 2011, according to the customs data, and compares with 5.69 million b/d in the first quarter and 5.59 million b/d in the second.

It was in gasoil, which makes up the largest component of China's oil product mix, where July's underlying weakness was most readily seen.

"Gasoil has been the laggard so far, with apparent demand contracting two months in a row due to the slowdown in industrial activity," said Song Yen Ling, Platts senior writer for China.

Apparent demand for gasoil in July fell 1.3% year on year to 13.74 million mt, or 3.32 million b/d. In June, demand fell 2.8% year on year to 13.37 million mt, reflecting the weakening industrial sector.

Similar to overall apparent demand for oil, apparent demand for products is calculated by adding domestic output from refineries to net imports.

Gasoil imports fell 75% year on year to 40,000 mt in July, while exports were constant at 180,000 mt, restoring China to net exporter after being a net importer for two consecutive months.

Domestic gasoil production by refineries fell less than one percent to 13.88 million mt.

Gasoline and jet/kerosene demand, on the other hand, continued to grow in double digits. Gasoline demand in July rose 13.2% year on year to 7.31 million mt or two million b/d; jet/kerosene demand in July was up more than 17% year on year to 1.63 million mt, surpassing the 400,000 b/d mark at an average 410,157 b/d.

Analysts continue to expect demand and throughput to pick up in the second-half of the year as the government growth incentives take hold.

"The government will be eager to boost economic growth by the time the decennial political leadership transition occurs in the fourth quarter," explained Song. "We could see oil demand rebounding at the end of the year, which on balance should put growth at 3% to 4% for the full year."

MONTHLY TRADE DATA IN MILLION METRIC TONS:

	Jul '12	Jul '11	%Chg	Jun '12	May '12	Apr '12	Mar '12
Net crude imports	21.83	19.43	12.35	21.61	25.30	22.21	23.34
Crude production	17.03	16.80	1.37	16.50	17.43	16.89	17.27
Apparent demand	38.92	38.01	2.39	36.84	39.72	38.32	40.23

*Platts calculates China's apparent or implied oil demand on the basis of crude throughput volumes at the domestic refineries and net oil product imports, as reported by the National Bureau of Statistics and Chinese customs. Platts also takes into account undeclared revisions in NBS historical data.

The government releases data on imports, exports, domestic crude production and refinery throughput data, but does not give official data on the country's actual oil consumption figure and oil stockpiles. Official statistics on oil storage are released intermittently.

Platts releases its monthly calculation of China's apparent demand between the 18th and 26th of every month via press release and via its website. Any use of this information must be appropriately attributed to Platts.

For more information on crude oil, visit the Platts website at www.platts.com. For Chinese-language information on oil and the energy and metals markets, visit <http://www.platts.cn/>.

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