

Platts China Oil Analytics: China Apparent Oil Demand Continued to Drop Year over Year in August

Apparent* Demand from January-August Slipped 1.6% from a Year Ago

PR Newswire
SINGAPORE

SINGAPORE, Oct. 12, 2016 /PRNewswire/ -- China's apparent* oil demand in August 2016 contracted by 4.3% from the same month last year to 10.76 million barrels per day (b/d), according to an analysis of Chinese government data by S&P Global Platts, the leading independent provider of information and benchmark prices for the commodities and energy markets.

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Refinery throughput in August averaged 10.47 million b/d, data from China's National Bureau of Statistics (NBS) showed September 13. This was a 0.6% drop from the same month last year and down 0.5% from July. Refinery runs in August declined due to heavy maintenance programs undertaken by both state-owned and independent refineries.

Net imports of key oil products - liquid petroleum gas (LPG), naphtha, gasoline, jet fuel, gasoil and fuel oil -- in August rebounded to 286,000 b/d from 35,000 b/d in July. Total imports rose 8.5% on a month-over-month basis to 973,000 b/d while exports fell 20.3% over the same period to 687,000 b/d, data from data from China's General Administration of Customs showed.

In contrast, net imports of key oil products had averaged 700,000 b/d in August last year.

The year-over-year decline in overall demand in August was due mainly to a contraction in apparent demand for gasoil, fuel oil as well as for gasoline. Demand for transport fuels saw some seasonal weakness during the month but is expected to rebound given China's Golden Week holiday in early October.

Gasoil demand was likely hit by sluggish industrial activity given ongoing curbs in overcapacity in sectors such as steel and coal, while construction activities were also affected by heavy rainfall in south China. The gasoil apparent demand figure for August was down 7.2% decline from a year ago to 3.23 million b/d, as exports surged 48% to 257,000 b/d and production slipped 5% to 3.47 million b/d.

Gasoline apparent demand also saw a rare year-over-year contraction to 3.23 million b/d. Gasoline production rose 0.7% year over year and exports surged 43.5% to 184,000 b/d.

Fuel oil apparent demand saw the largest drop, down 36% from a year earlier to 690,000 b/d. China, once a major importer of fuel oil, has significantly reduced its intake of the fuel since the end of last year. This, as major end-users in the refining sector no longer relied on it as their primary cracking feedstock. China's total fuel oil imports, including those classified as petroleum bitumen blend, slumped 55% in August on a year-over-year basis to 245,000 b/d.

Over the first eight months of 2016, China's apparent oil demand growth declined 1.6% to an average 11.05 million b/d. Growth has eased considerably due to a decline in gasoil and fuel oil consumption, given China's economic growth slowdown, as well as the deregulations in the refining sector which have led to far less consumption of residual oil as feedstock by the country's independent refineries.

Between January and August, China's apparent oil demand had shown robust growth of 9.1% to an average 11.24 million b/d.

"It is likely that if exports of oil products continue unabated, overall apparent demand for the whole of 2016 could be lower than in 2015," said *Song Yen Ling, senior analyst with Platts China Oil Analytics*. "Chinese refiners have typically built product stocks toward the end of the year but ongoing oversupply in the domestic market could mean that exports will be sustained."

MONTHLY CHINA OIL DATA IN '000 B/D

	Aug '16	Aug '15	% Chg	Jul '16	Jun '16	May '16
Net crude imports	7,715	6,236	13.4	7,287	7,447	7,447
Crude production	3,889	4,312	-9.8	3,964	4,051	4,051
Apparent demand	10,755	11,235	-4.3	10,559	11,542	11,542

Sources: China's General Administration of Customs, National Bureau of Statistics, S&P Global Platts

Month-to-month demand in China is generally viewed to be subjected to short-term anomalies which are of interest and important to note, but often fail to reveal the country's underlying demand trends. Year-to-year comparisons are viewed by the marketplace to be more indicative of the country's energy profile.

*S&P Global 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 NBS and Chinese customs. S&P Global 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.

In view of some significant shifts in Chinese consumption and trade patterns in recent years, S&P Global Platts has revised its methodology starting July 2015 to include production and net imports of liquefied petroleum gas (LPG), as well as imports of petroleum bitumen blend, a popular imported feedstock for China's teapot refineries.

S&P Global Platts has also refined its calculation of exports of jet fuel and fuel oil to exclude international marine bunker sales and aviation fuel delivered to international flights. This also impacts net imports, and hence apparent demand calculations.

All historical figures used for comparison have also been calculated using the new methodology to ensure consistency.

S&P Global Platts aims to release 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 S&P Global Platts. Note: S&P Global Platts uses a conversion rate of 7.33 barrels of crude per metric ton, the widely-accepted benchmark for markets East of Suez.

For more information on crude oil, visit the S&P Global 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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