

Platts China Oil Analytics: China Apparent Oil Demand Slipped 2.4% Year Over Year in September

Actual Demand Likely Higher as Underreporting Tends to Skew Official Production Data

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SINGAPORE

SINGAPORE, Nov. 8, 2016 /PRNewswire/ -- China's apparent* oil demand in September 2016 contracted by 2.4% from the same month last year to 10.85 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 September averaged 10.7 million b/d, data from China's National Bureau of Statistics (NBS) showed October 19. This was up 2.1% year on year and also 2.2% higher than in August. Refinery runs in September recovered following heavy refinery maintenance periods in July and August.

However, net imports of key oil products - liquid petroleum gas (LPG), naphtha, gasoline, jet fuel, gasoil and fuel oil -- in September fell to 151,000 b/d, compared with 639,000 b/d the same month last year. This, as record outflows of gasoil pushed total exports to 844,000 b/d, a 24% increase from a year earlier, according to data from the General Administration of Customs. Total oil product imports fell to 994,000 b/d during the month, down 24.7% on a year-over-year basis.

Official government data showed that apparent demand - after adding refinery runs to net imports of oil products - was 10.85 million b/d, which was down 2.4% from September a year ago.

Song Yen Ling, senior analyst with Platts China Oil Analytics, S&P Global Platts' on-line platform for supply/demand and trade data, cautioned that because some refinery output is likely not captured by China's government data, refinery runs were likely higher than reported by the NBS. Platts China Oil Analytics estimates that China's refinery runs in September were closer to 10.97 million b/d, which would bring apparent demand closer to 11.12 million b/d, unchanged from September 2015.

Sentiment for demand improved in October, with a seasonal uptick in gasoil as well as improved sales for transport fuels during China's Golden Week holiday in early October.

"Apparent demand for gasoil tends to seasonally improve toward the end of the year for a couple of reasons, including the effects of the end-of-summer fishing ban in the South China Sea and the government's focus on infrastructure project investment, both of which are bullish for industrial gasoil demand," said Song.

Platts China Oil Analytics' estimate of gasoline production in October was 3.1 million b/d, while exports were 238,000 b/d, putting apparent demand for the fuel at 2.92 million b/d, up 8.4% from a year ago.

Similarly, gasoil output was likely higher than reported by the NBS - at 3.88 million b/d during the month - versus the official figure of 3.57 million b/d. Given that exports of gasoil rose to a record high level of nearly 400,000 b/d in September, this meant that Platts China Oil Analytics' estimate of apparent demand was 3.62 million b/d, the highest level since June last year and a 7.5% increase year over year. In contrast, using the official data in calculations would put apparent demand at 3.21 million b/d in September, down 4.7% from the same period last year.

Fuel oil apparent demand continued to see significant decline. It contracted by 39.7% on a year-over-year basis to 651,000 b/d. This was on the back of dwindling demand from independent refiners, which have been increasingly utilizing crude oil as their primary processing feedstock, rather than imported fuel oil. China's total fuel oil imports in September slumped 58.5% from a year ago to 237,000 b/d, with year-to-date inflows down 48.6% to 278,000 b/d.

Over the first nine months of 2016, China's apparent oil demand growth when calculated using official data, showed a 1.7% decline to 11.03 million b/d. However, Platts China Oil Analytics' estimates put apparent demand at 11.18 million b/d, a 0.5% increase from a year earlier, with year-to-date apparent demand rising 0.4%.

China's apparent oil demand growth has eased considerably due to a decline in gasoil and fuel oil consumption on the back of China's

economic growth slowdown. In the fourth quarter, refiners are likely to stockpile gasoil for the New Year 2017, although high gasoline inventories held domestically suggest outflows will likely remain at a high level.

MONTHLY CHINA OIL DATA IN '000 B/D

	Sep '16	Sep '15	% Chg	Aug '16	Jul '16	Jun '16	May '16
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Net crude imports	7,973	6,817	17.0	7,715	7,287	7,447	7,623
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Crude production	3,903	4,307	-9.4	3,889	3,964	4,051	3,989
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Apparent demand	10,852	11,120	-2.4	10,754	10,559	11,542	10,882
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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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