

Platts Report: China's Oil Demand Declines 1.5% in August

Second Drop of the Year, Though Recovery & Growth Still Expected

PR Newswire
SINGAPORE

SINGAPORE, Sept. 24, 2012 /PRNewswire/ -- China's apparent oil demand* fell 1.5% year on year in August to 37.87 million metric tons (mt), or an average 8.95 million barrels per day (b/d), the second monthly contraction this year, a just-released [Platts](#) analysis of recent Chinese government data showed.

The August decline follows a 1.9% dip in June to 9 million b/d, although demand flipped back to positive growth of 2.4% at 9.2 million b/d in July. Apparent demand in August was the lowest since September 2011, when demand was also at 8.95 million b/d.

The apparent demand was likely dragged down by lower oil product imports, which fell 34.3% year on year to 2.24 million mt. With exports at 2.11 million mt for the month, net product imports were 130,000 mt in August, down nearly 90% year on year and the lowest since January 2010, when China was a net exporter of products.

"There is still an argument to be made that government incentives for growth are going to kick-in and we'll see a rise in China's consumption in the remaining months of the year," said Song Yen Ling, Platts senior writer for China. "And with refineries coming out of maintenance and prices rising, we're likely to see some improved refinery throughput rates due to higher refining margins," she said.

August refinery runs rose 1.5% year on year to 8.92 million b/d, according to data released by China's National Bureau of Statistics on September 9. This was a slight uptick from July volumes of 8.89 million b/d and June levels of 8.79 million b/d.

The National Development and Reform Commission raised the retail price of gasoline by roughly 6.6% and diesel by 7.2% on September 11 - the second hike in two months and the fourth so far this year.

In China's individual oil products markets, gasoil continues to be the weak link, with the apparent demand for gasoil contracting for the third month in a row.

"Gasoil consumption is the country's biggest drag on total oil use, a manifestation of the slowing economy and the overall drop-off in industrial activity," Song noted.

Apparent demand for gasoil in August fell 1.4% year on year to 13.67 million mt, or 3.31 million b/d. In July, demand had fallen 1.3% year on year to 3.32 million b/d and 2.8% to 3.34 million b/d in June, demonstrating the weakened industrial sector.

Gasoil imports fell 68% year on year to 80,000 mt in August; exports fell 28.6% to 150,000 mt. Domestic gasoil production in refineries declined less than 1% year on year to 13.74 million mt.

China consumes more gasoil than any other oil product.

Apparent demand for gasoline in August rose 8.1% year on year to 7.31 million mt (2 million b/d), driven by domestic output, which rose 5.8% to 2.05 million b/d. China is a net exporter of gasoline although total exports last month fell 46.7% year on year to 160,000 mt.

Meanwhile, jet fuel/kerosene demand in August fell 8% year on year to 1.55 million mt, or 389,627 b/d. Exports surged 14% to 650,000 mt, while imports plunged 34% to 350,000 mt. Output rose 7.2% on year to 465,111 b/d.

MONTHLY TRADE DATA IN MILLION METRIC TONS:

	Aug '12	Aug '11	%Chg	Jul '12	Jun '12	May '12	Apr '12
Net crude imports	18.21	20.92	-13.0	21.62	21.61	25.30	22.21

Crude production	17.53	17.10	2.5	17.03	16.50	17.43	16.89
Apparent demand	37.87	38.44	-1.5	38.92	36.84	39.72	38.32

*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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CONTACT: Kathleen Tanzy, +1-212-904-2860, Kathleen_tanzy@platts.com or Media in Asia or Europe may contact Elizabeth Catalano at Elizabeth_catalano@platts.com or +44 207 176 6024. □

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