Platts Report: China Oil Demand Grew 2% Year over Year in September

Gasoline demand growth slowed

SINGAPORE, Nov. 4, 2015 /PRNewswire/ -- China's apparent oil demand* rose 2.1% in September from a year earlier to 11.01 million barrels per day (b/d), according to the *Platts China Oil Analytics report* on the latest Chinese government data.

Growth in China's apparent demand for gasoline and naphtha slowed in September, while demand for liquefied petroleum gas (LPG), fuel oil and jet fuel continued to rise at a blistering pace. Gasoil was the clear loser with demand contracting 7% year over year.

China's refinery throughput in September averaged 10.37 million b/d, up 0.5% from a year earlier, data from the country's National Bureau of Statistics (NBS) showed on October 19.

Meanwhile, China's net imports of oil products surged 37% year over year to 639,000 b/d in September, driven by strong inflows of LPG, fuel oil and naphtha, according to data from the General Administration of Customs.

During the first nine months of this year, China's total apparent oil demand averaged 11.13 million b/d, an increase of 7.5% from the same period of 2014.

"With the expected further slowdown in economic growth next year, we are forecasting apparent demand to expand by 1.8% in 2016, to an average 11.3 million b/d," *Platts China Oil Analytics senior analyst Song Yen Ling*said. "Gasoil will continue to be the main laggard on the back of slowing momentum in the industrial and manufacturing sectors. We expect gasoil demand to see less than 1% growth in 2016 as well."

Platts China Oil Analytics, an on-line platform for supply/demand and trade data, shows China's oil demand will likely rise by 577,000 b/d or 5.5% year over year in 2015.

Gasoil

Gasoil is the most widely consumed oil product in China and demand has been hit in the last three years because of declining economic growth.

Apparent demand in September fell 7% year over year - the steepest decline since February -- to a 20-month low at 3.35 million b/d.

Stocks of gasoil fell 15.7% in September from August to an estimated 76.20 million barrels, Platts calculations based on Xinhua's China Petroleum Stockpile Statistics showed.

"China's gasoil exports reached record highs in September, which has eased some of the pressure on inventory build-up," said *Platts Associate Editorial Director for Asia oil news, Mriganka Jaipuriyar.*

Up to 70% of the fuel is used in the transport sector while the remainder is used by various sectors, including construction, farming and fishing, industrial heating and to power machinery.

Apparent demand for gasoil rose 2.6% over January to September to 3.56 million b/d.

LPG

Demand for LPG surged 21.1% year on year to 1.1 million b/d. The growth was led by continuing demand for imports from new

propane dehydrogenation plants.

So far this year, apparent demand for LPG has gained 21.4% year over year to 1.22 million b/d. LPG imports over January-September have surged 72% year over year to 357,000 b/d.

Gasoline

Apparent demand for gasoline rose 8.1% year over year to 2.67 million b/d with January-September demand rising 10.8% to 2.68 million b/d. This is slower than the 21.9% year over year growth seen in August.

According to Xinhua's China Petroleum Stockpile Statistics, gasoline stocks rose 2.7% year over year at the end of September to 57.21 million, Platts calculations based on Xinhua's China Petroleum Stockpile Statistics showed.

The rise in stocks came despite a sharp jump in gasoline exports, suggesting actual gasoline demand could be lower than Platts Analytics estimates.

Senior analyst James Lu from Platts China Oil Analytics said that it was normal for gasoline demand to slow down slightly in September from the peak demand seen in summer because "consumption for air-conditioning declines along with cooler weather."

Fuel Oil

Apparent demand for fuel oil in September rose 38.10% year over year to 1.01 million b/d, and demand over January-September rose 17.1% year over year to 963,000 b/d.

Net imports of fuel oil rose 79.8% year over year to 571,000 b/d, led by a jump in imports of petroleum bitumen blend.

Data from the General Administration of Customs showed that bitumen blend imports in September surged 515.4% year over year.

MONTHLY TRADE DATA IN '000 B/D

	Sep'15	Sep'14	% Chg	Aug '15	Jul '15	Jun '15	May '15
Net crude imports	6,817	6,738	1.17	6,236	7,182	7,195	5,465
Crude production	4,335	4,369	-0.8	4,296	4,280	4,426	4,297
Apparent demand	11,007	10,784	2.1	11,185	11,211	11,250	11,102

Sources: China's General Administration of Customs, National Bureau of Statistics, 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.

*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. 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, Platts has revised its methodology starting July 2015 to include production and net imports of LPG, as well as imports of petroleum bitumen blend, a popular imported feedstock for China's teapot refineries.

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.

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 Platts. 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 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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