

# Platts Report: China Oil Demand Grew 1.5% Year over Year in November

## Fuel oil, gasoil demand contracts

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SINGAPORE, Jan. 5, 2016 /PRNewswire/ -- China's apparent oil demand\* rose 1.5% in November from a year earlier to 10.95 million barrels per day (b/d), according to the [Platts China Oil Analytics report](#) on the latest Chinese government data.

It was the slowest growth since February 2015--due to a drop in fuel oil and gasoil demand and softer growth in demand for liquefied petroleum gas (LPG).

China's refinery throughput in November averaged 10.73 million b/d, up 4% from a year earlier, data from the country's National Bureau of Statistics (NBS) showed December 12.

Meanwhile, China's net imports of oil products slumped to 218,000 b/d in November, the lowest level since March 2014, due to the 77.7% increase in oil products outflows led by jet/kerosene, gasoil, gasoline and LPG, according to data from China's General Administration of Customs.

During the first 11 months of 2015, China's total apparent oil demand averaged 11.10 million b/d, an increase of 7% from the same period of 2014.

Platts China Oil Analytics, an on-line platform for supply/demand and trade data, expects China's oil demand to show an increase of 581,000 b/d, or 5.5% year over year, for 2015.

## Fuel Oil

Apparent demand for fuel oil in November hit a 10-month low at 732,000 b/d, down 9.9% from the same month in last year.

It was also the first year-over-year fall since March, underscoring the fact that teapot refineries (so-called for their small size) have been relying more on imported crude as feedstock rather than fuel oil at the end of 2015.

Net imports of fuel oil/bitumen blend -- traditional feedstock for China's independent or teapot refiners hit a 13-month low to 309,000b/d in November.

In addition, domestic output of fuel oil also dropped 12.6% year over year in November to 423,000 b/d as refineries are upgrading more residual oil into higher-valued gasoline and gasoil, according to Platts calculations based on data from China's NBS.

"We expect fuel oil imports likely increased to 410,000 b/d in December before receding to an average 370,000 b/d in the first quarter," *Platts China Oil Analytics Senior Analyst Song Yen Lingsaid*.

"Teapot refineries raised their purchases of bitumen blend in case an imposition of consumption tax on the fuel in 2016, while China has tended to stockpile commodities at the end of the year," Song said.

## 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 November fell 5.9% year over year to 3.50 million b/d.

Stocks of gasoil fell approximately 1.8% in November from October to an estimated 64.38 million barrels, according to Platts calculations based on Xinhua's China Petroleum Stockpile Statistics.

"It was the fourth consecutive month-on-month drop since August, indicating that actual gasoil demand may have been higher than 3.50 million b/d," said *Platts Senior Oil Writer Oceana Zhou*.

Song noted that sustained appetite for winter grade gasoil in the north of the country buoyed demand.

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.

From January to November, apparent demand for gasoil averaged 3.54 million b/d, an increase of 1.2% year over year, making gasoil the worst performer of all major oil products.

#### LPG

LPG demand growth slowed to 10.7% year on year in November from a 40% growth rate seen in October. LPG apparent demand stood at 1.29 million b/d.

"The slow growth was a result of the lower operating rates at the propane dehydrogenation, or PDH plants, due to poor processing margins," said Zhou.

So far this year, apparent demand for LPG has gained 22% year over year to 1.24 million b/d. LPG imports over January-November have surged 69% year over year to 368,000 b/d.

Song expects LPG apparent demand to average 1.2 million b/d in the first quarter of 2016, buoyed by robust demand from residential and likely to register growth of 10% on a year-over-year basis.

#### MONTHLY TRADE DATA IN '000 B/D

	Nov'15	Nov'14	% Chg	Oct'15	Sep '15	Aug '15	Jul '15
Net crude imports	6,601	6,209	7.9	6,231	6,817	6,236	7,182
Crude production	4,315	4,307	0.2	4,277	4,530	4,296	4,280
Apparent demand	10,949	10,784	1.5	10,955	11,039	11,188	11,211

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 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. 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](http://www.platts.com). For Chinese-language information on oil and the energy and metals markets, visit <http://www.platts.cn/>.

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