

China Jan crude oil imports at 34.03 mil mt, down from Dec's record

Platts.com, 13th Feb 2017

China's crude oil imports and oil product exports in January retreated from fresh highs in December, but were still higher from the same month last year, according to preliminary data Friday from the General Administration of Customs.

The country imported 34.03 million mt of crude in January, down 6.5% from the record high of 36.38 million mt in December despite surging 27.5% on the year.

The 6.5% month-on-month decrease was much smaller than the 19.6% drop in January 2016 from December 2015, indicating strong import interest last month which could even extend into February, analysts said.

China's crude oil imports kept hitting record highs in December as oil companies rushed to use up import quotas. As a result inflows in December 2015 and 2016 hit 33.19 million mt and 36.38 million mt, respectively.

China's crude oil imports

In contrast to January 2016, oil companies preferred to buy more before crude oil prices would rise further as OPEC and key non-OPEC producers agreed to cut production, analysts said.

The front month ICE Brent averaged \$55.62/b last month, slightly higher than the \$54.88/b averaged in December 2016.

But oil prices in January last year were falling, with the average front month ICE Brent down to \$31.76/b from the \$39.24/b in December 2015, prompting refineries to buy later when price fell further.

State-run, independent refineries, and strategic petroleum reserve (SPR) therefore contributed to the healthy inflow.

Moreover, the good domestic sales for gasoline since December 2016 to mid-January also encouraged refineries to import more crude oil, a Beijing-based senior economist from CNOOC said.

The monthly average price increase of gasoline was around Yuan 150/mt (\$2.57/b) in January, according to Beijing-based information provider JYD. But the delay in crude oil import quota allocations for the independent refineries in 2017 still had an impact on total arrivals last month.

The government quotas, which allow holders to discharge imported barrels and move them into domestic market, were awarded in mid-January instead December 31 as scheduled.

As a result, independent refineries in China's eastern Shandong province received a total of around 7.16 million mt of crude oil imports in January, down 9% from 7.86 million mt in December, a monthly survey by S&P Global Platts showed Tuesday.

China's oil product exports in January have also fallen 43.2% from December to 3.04 million mt, although exports have edged up 1% year-on-year.

"The lower oil product exports were due to good domestic buying interest for gasoline and jet fuel before the seven-day Chinese New Year holidays," said a Shanghai-based analyst from an international trading house.

Meanwhile, independent refineries failed to gain oil products export quota for the first quarter of 2017, resulting in less exporters than last year.

GAC's oil product export data comprises both seaborne exports and sales from bonded storage for international flights and vessels.

China's net oil product exports in January rose 25.7% on the year, but slumped 84.1% from December to 440,000 mt.

China has turned into a net oil product exporter since June 2015.

Imports of fuel oil -- classified by customs as No. 5-7 grade -- in January were 1.14 million mt, falling 13% from a year ago and 2.6% from December 2016.