Commodities

China oil demand nearing peak as India predicted to take crude growth crown

MALCOLM MOORE — SINGAPORE

India's oil consumption will grow more quickly than China's for the first time next year, according to commodities trader Trafigura, in a further sign that the world's largest crude importer is nearing peak demand.

"Next year we have one of the lowest growth rates in China in quite some time," said Trafigura's chief economist Saad Rahim at the Financial Times Asia Commodities Summit in Singapore. "For the first time, India's underlying demand will be larger than China's."

Rahim said China's consumption of road fuels, for a long time the driver of its demand for crude, was now clearly weakening, as adoption of electric cars and, increasingly, electric trucks grew rapidly.

"You are seeing gasoline demand really starting to come down now but also diesel demand being impacted," he said.

Other analysts have also predicted that China is approaching peak oil. The Paris-based International Energy Agency expects India to become the largest source of growth in global oil demand by 2030, driven by diesel-intensive industrial growth and rising air traffic. The IEA forecasts that India's oil use will rise by 1.2mn barrels a day by 2030 to 6.6mn b/d.

In March, the agency said China's use of petrol, diesel and jet fuel had plateaued at about 8mn b/d, after contracting slightly last year and falling 2.5 per cent compared with 2021.

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Rahim said the remaining "pockets of strength" in Chinese demand were in its huge petrochemicals industry and in jet fuel, with its aviation sector still expanding. Overall, he expected China's demand for oil to grow by less than 200,000 b/d next year, adding: "We used to be at 1mn or 1.5mn type numbers [during the boom years]."

This year has seen China take advantage of lower oil prices to stock up on crude, buying about 900,000 b/d between January and August to put into storage, according to the US Energy Information Administration. Rahim estimated that China would continue to buy about 500,000 b/d to boost its strategic and commercial stocks next year.

He also predicted that Donald Trump would keep pushing for lower oil prices, as the president battled US inflation, and said the latest US sanctions on Russia's biggest oil groups would not stop the movement of Russian oil.

"The oil continues to flow," Rahim said. The sanctions had introduced "sand in the gears" of the trading system, contributing to a rise in the number of tankers idling at sea as cargoes awaited clearance. But most of those barrels now seemed to have found buyers, he added, so it appeared there had been no "long-term disruption".