China October Copper Imports Up, Iron Ore Down

- China Oct copper imports shine, iron ore suffers
- China October imports surge as exports wilt
- China copper imports strong but bulls beware!: Andy Home
- China crude imports may finally head higher: Clyde Russell
- China Oct copper imports rise 0.8 pct on month
- China Oct soy imports fell to 7-month low at 3.81 mln T-Customs
- Robust China data bodes well for commodities: Clyde Russell
China Oct copper imports shine, iron ore suffers

By Fayen Wong

SHANGHAI, Nov 10 (Reuters) - China's October commodities trade data shows the winners and losers from the country's cooling economy -- copper imports rose for the fifth straight month, but a slump in iron ore shipments highlights the risks for raw materials linked to real estate.

The government's resolve to clamp down on the property sector means the steel and cement industries, and associated raw materials such as iron ore and coking coal, will remain mired for at least the next quarter.

In contrast, oil demand from the world's No.2 importer will find support from the coming winter heating season, while copper use is being boosted by a raft of construction projects in the power sector, which accounts for nearly half the country's consumption of the metal.

Recent Chinese data, including Thursday's overall export numbers, show that the economy seems to be on track for slowing growth that the government is targeting, without crumbling under the pressure of a euro zone crisis and a weak U.S. recovery.

"Different commodities will have a different fate, but things are looking positive for copper," said Judy Zhu, an analyst at Standard Chartered bank.

"So far, most buyers have been importing copper for immediate consumption but we could see restocking activities later this year if liquidity improves."

China's imports of unwrought copper and semi-finished copper products rose to 383,507 tonnes, up 40.2 percent from a year earlier, data from the General Administration of Customs showed on Thursday.

Lower prices haven't hurt. Benchmark three-month London Metal Exchange copper prices lost nearly a quarter of their value in September, when orders for October delivery would have been sealed.

Appetite will remain strong as long as LME copper prices stay below $7,500 a tonne, Zhu said. At 0831 GMT LME copper was at $7,375.

STEEL SECTOR THE WEAKEST LINK

Although inflation in October has dropped to 5.5 percent, Beijing has stressed that there was no need to change its monetary policy. Premier Wen Jiabao has said in a strongly worded speech that the government would not back down on property curbs.

This is likely to keep up the pressure on the steel sector, which has seen spot trade grind to a halt in recent months as the government's aggressive monetary tightening campaign and clampdown on the real estate sector choked off demand from traders and developers.
The country’s steel mills buy around two-thirds of the world’s traded iron ore, so their continued health is of critical importance to miners BHP Billiton, Rio Tinto and Vale, all of which have aggressive expansion plans.

China’s iron ore imports slumped 17.5 percent to 49.94 million tonnes in October, the lowest monthly volume since February, as steel mills in the world’s largest consumer suspended buying.

Prices for the steel-making raw material slumped around as 30 percent in October on worries about demand from China.

**OIL, SOYBEANS MAY SEE RISE**

China imported 20.80 million tonnes or 4.9 million barrels per day of crude oil in October, 1.6 percent less than a month earlier and below the 5 million bpd mark for the fifth month in a row, customs data showed.

Implied oil demand rose a modest 1.5 percent in October to 9.04 million barrels versus a year earlier, but it was one of the slowest rates of growth this year, Reuters calculations showed.

Still, industry observers said crude imports and demand should rise through the rest of the year as refineries return online after maintenances and an accident at a big plant.

For soybeans, imports in October of 3.81 million tonnes was down 7.7 percent from the preceding month -- the lowest since March and also below forecasts by analysts and the commerce ministry, which had predicted a level slightly higher than 4 million tonnes.

However traders said China would likely use this week’s tumble in U.S. soy prices to scoop up cheaper supplies. Chicago Board of Trade soy prices fell nearly 2 percent to a one-month low on Wednesday due to bearish soy stocks data released by the U.S. Department of Agriculture.

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**China October imports surge as exports wilt**

By Aileen Wang and Kevin Yao

BEIJING, Nov 10 (Reuters) - China's imports surged in October as exports grew at their slowest rate in months, suggesting efforts to tilt the economy towards domestic demand may be offsetting the external weakness that has dragged on economic growth this year.

Customs figures showed import growth of 28.7 percent year on year in October, well ahead of the 23.0 percent forecast and far in excess of September’s 20.9 percent growth rate.

Headline growth in exports meanwhile was its most sluggish in eight months, but strip out the traditionally volatile month of February and October's growth of 15.9 percent was the slowest since November 2009 when they shrank.

"We were expecting quite a deceleration as external demand continues to decline in Western economies," said Donna Kwok, an economist at HSBC in Hong Kong. "But the key thing to look at here is the strength of the domestic demand factors as imports grew nearly 29 percent."

Markets showed scant reaction to the data since investment sentiment is being driven by events in Europe.

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**China posts Oct trade surplus of $17 bln**

![Chart showing trade surplus and growth rates for October 2007 to 2011](chart.png)
Imports from all three of China's key trading partners surged.

The rate of import growth from the United States accelerated the fastest at 20.5 percent over a year earlier, jumping by 7.6 percentage points from September’s pace.

Imports from resource-rich Australia grew at 36.7 percent versus September’s 33.4 percent, while European Union imports rose 28.2 percent versus 25.7 percent previously.

QUIETENING CRITICS

The surprise imports surge limited October’s trade surplus to $17 billion, much lower than a forecast for $24.9 billion.

That may go some way to satisfying critics who say China keeps its currency weak to support exports -- despite evidence to the contrary in the form of an appreciation of the yuan of some 40 percent in real effective exchange rate terms since 2005 when Beijing abandoned a long-standing currency peg.

"The trade surplus remains at a relatively low level compared with the same period in the previous years, which could help reduce some appreciation pressure on the RMB," said Nie Wen, an analyst at Hwabao Trust in Shanghai. The RMB refers to the renminbi, China's currency.

Indeed, China's trade surplus is on track to narrow for a third straight year from $183 billion in 2010.

China’s government has been working hard to wean the world’s number two economy off of what many analysts say is an addiction to export-led growth.

Others dismiss the notion that exports are so significant to Chinese growth, pointing instead to the infrastructure and consumer demand created by massive urbanisation that draws millions of rural workers into China’s fast-expanding cities every year.

The rate of fixed asset investment growth -- a principal driver of economic expansion in China -- was running at 24.9 percent year on year in the first 10 months of 2011, data showed on Wednesday, again underscoring domestic economic resilience.

That kind of expansion in infrastructure spending though could also distort the view of the underlying rebalancing of growth and the ability of the consumer sector to compensate for an extended sharp decline in external demand.

"I think the underlying (export) weakness is perhaps even weaker," said Li Cui, an economist at Royal Bank of Scotland in Hong Kong. "My estimation is that the real growth could only be around 7-8 percent, adjusting for export prices."

Visitors from Iran take pictures outside an exhibition hall of the Canton Fair in Guangzhou. REUTERS/Bobby Yip
“The strength of imports is stronger than expected. It shows the underlying industrial demand is fairly solid. Also, it’s likely that the inventory building still continues, partly because of the declining global prices. The producers take this opportunity to build their inventories,” she added.

INVENTORY BUILDING

But it’s that inventory build that signals the possibility of risks ahead to analysts at IHS Global Insight, who are concerned that final domestic demand may not keep pace with the level of stock building.

“Going forward, we’d expect import growth to slow as the lag of monetary policy catches up with the economic cycle,” IHS senior analyst Ren Xianfang wrote in a note to clients.

China has hiked interest rates five times since October 2010 and raised the amount of reserves banks must park at the central bank -- thus cutting the amount of credit available in the economy -- nine times over the same period in a bid to tame inflation that hit a three-year peak of 6.5 percent in July.

If that tightening has not yet fully filtered through into the domestic sector, there could be a couple of particularly poor quarters of growth ahead as the impact from a sharply-slowing external sector are amplified.

The rate of growth of China’s exports to the European Union and Australia both declined year-on-year in October versus September, according to Reuters calculations -- down to 7.5 percent from 9.8 percent and to 16.1 percent from 21.4 percent, respectively.

Exports to the United States meanwhile increased by 13.9 percent year-on-year in October versus September's 11.6 percent expansion.

China's leaders have begun talking in recent weeks about “fine tuning” macroeconomic policy to maintain economic growth, which slowed in the third quarter to 9.1 percent, its weakest in more than two years.

And it’s that sense that the leadership has already turned its attention to growth and is gradually recalibrating policy in that direction which economists say reduces the risk of a hard economic landing for China.

“Domestic demand is still resilient and may suggest that the economy would only slow down in a gradual way,” said Wang Hu, an analyst at Guotai Junan Securities in Shanghai. “But (there is) no risk of a sharp slowdown.”

China Oct oil demand up 1.5 pct on yr - Reuters calculations

BEIJING, Nov 10 (Reuters) -

China's implied oil demand rose a modest 1.5 percent in October versus a year earlier, one of the slowest rates of growth this year, but quickened slightly from September as oil companies raised fuel imports to compensate for trimmed refinery production.

Reuters calculations based on preliminary trade and output data showed the world's No.2 oil user consumed about 9.04 million barrels per day, versus 8.91 million bpd in October last year.

The October rate also inched up from September's 8.9 million bpd.

Reuters will publish detailed China oil demand figures later in the month, calculated from a final set of trade figures to be released by the Chinese customs.

Implied oil demand is calculated by adding China's refinery throughput plus net refined fuel imports, but excludes inventory changes which the government rarely publishes.

COLUMN- China crude imports may finally head higher: Clyde Russell

--Clyde Russell is a Reuters market analyst. The views expressed are his own.--

SINGAPORE, Nov 14 (Reuters) -

China's imports of crude oil have defied predictions of an imminent increase for several months, but it finally seems the stars are aligned for a gain in coming months.

Data last week showed October imports at 4.9 million barrels a day, down 1.6 percent from September and the fifth consecutive month below the five million-barrel mark.

Ever since imports dropped in June and July, most likely as a response to higher oil prices in preceding months, a rebound has been predicted, but hasn't materialised.

What has happened is that China's net imports of oil products has surged, with 1.32 million tonnes (about 310,000 barrels a day) arriving in October, the highest since July.

What this shows is that two things are occurring. Refinery runs are lower than anticipated, and there is also a drawdown of inventories.
Refinery throughput did drop 0.9 percent in October to 8.74 million barrels a day, the second decline this year, as operations were curtailed by both planned and unplanned maintenance.

A retail price cut for diesel and gasoline in October also squeezed margins and may have led small, private refiners to curb operations.

Lower refinery utilization also appears to be eating into inventories, and even higher imports of fuels are not enough to compensate.

The International Energy Agency said last week that gasoil stocks fell 8.9 million barrels in September and traders indicate this declining trend continued in October.

While state-owned major refiners such as Sinopec and PetroChina are still said to be active buyers in the gasoil market in Asia, it’s also likely that they will ramp up refinery output in November and coming months.

PetroChina has said it is running its plants at full rate after completing maintenance programmes late in October, while Sinopec has said it plans to process a record 18.3 million tonnes of crude in November, partly to rebuild diesel stocks.

A further supporting factor for higher crude imports is that domestic oil output has been lower due to the shutdown of a major field, which led to a 6.2 percent drop in production in October from the prior month.

It also makes more sense for the large refiners to process crude rather than import refined products, given the recovery in gasoil cracks in recent weeks.

Asian gasoil’s premium over Dubai crude gained 27 cents on Friday to $19.91 a barrel, having risen 34 percent since Oct. 12, when it hit $14.81, the lowest level since January.

Given that the stage is set for increased crude imports into China, the question becomes just how much more will be bought.

Looking at the refinery runs in October and assuming that maintenance plans are over and plants are running at near name-plate capacity, it appears there is as much as an extra 500,000 barrels a day that could be processed.

This equates to additional imports of about 2 million tonnes in November, assuming no change to inventories or domestic output.

A 2 million tonne jump in imports from October’s 20.8 million tonne total seems to be too optimistic, but it wouldn’t surprise to see imports gain to levels around 21.5 million tonnes in coming months.

This would take levels near existing record highs for monthly imports, which would fit in with China’s expanding refinery capacity and strong demand for fuels, particularly gasoil.

China’s crude imports totaled 209.168 million tonnes in the first 10 month of the year, a 5.8 percent gain on the same period last year.

The rise in imports is below the increase in apparent demand, which stands at 7 percent for the same period, the difference being explained by higher net imports of oil products.

It looks like this may switch in coming months, with crude imports rising and net product imports taking a smaller share of total demand.
COLUMNA. CHINA OCTOBER COPPER IMPORTS UP, IRON ORE DOWN

COLUMN—China copper imports strong but bulls beware!: Andy Home

--Andy Home is a Reuters columnist. The opinions expressed are his own.--

LONDON, Nov 10 (Reuters) -

China's copper imports in October were the highest monthly total since May 2010 and confirm that the step-change in September was not a statistical blip.

At 383,507 tonnes aggregate imports of refined copper, copper alloy, copper anode and copper products were marginally up on September's figure and a lot higher than the subdued flows seen in the early part of this year, when China's copper sector was in destocking mode.

True, the cumulative figure of 3.11 million tonnes for the year to date is still down by 13.5 percent from last year but the gap is now narrowing very quickly.

This will all be grist to the mill for bruised copper bulls. The implication is that so far at least Chinese demand for copper is holding up well even while other parts of the manufacturing world, Europe in particular, adopt a defensive crouch as euro crisis becomes creeping credit crisis.

But bulls should be wary of over-simplifying the shift in import dynamic seen in the last couple of months.

DESTOCKING OVER?

For copper bulls the most positive reading of China's accelerated imports in September and October is that the stocking cycle has turned.

There had been growing evidence over the third quarter that China's collective ability to destock copper was reaching its limits. Visible inventory on the Shanghai Futures Exchange (SHFE) tumbled, hitting a four-month low of 61,248 tonnes at the end of October.

Equally significantly, so too did stocks in bonded warehouse in Shanghai. They seem to have returned to something close to a "normal" level of just below 200,000 tonnes.

The resulting appetite for extra units in China was reflected in strong premiums for both Shanghai bonded metal and fresh imports, $150-170 per tonne and $100-130 per tonne over LME cash prices respectively.

Taken together, these signals meant that an acceleration in copper imports was always on the cards.

Less good news for bulls, though, is that the sustainability of this import momentum is now more likely to be about outright price.

COUNTER-CYCLICAL

The LME benchmark three-month copper price collapsed from over $9,000 per tonne to under $7,000 per tonne over the back end of September and the early part of October. As of this morning it was trading around $7,430.

China crude imports

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<th>Imports - million bpd</th>
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These may not be “bargain basement” prices of the sort seen during the 2008-2009 trough, when copper fell to $3,000 per tonne, but they look relatively cheap compared to the price strength seen up until September.

China, as the biggest global buyer at the margin, is understandably going to capitalise on this price drop.

That’s a good reason for thinking that imports are going to remain strong through at least the end of this year. Indeed, they may well accelerate as the price impact feeds through into physical metal flows.

But the key point here is that Chinese buying of copper is counter-cyclical. When prices are high, China’s copper industry will collectively destock and shift wherever possible to less expensive forms of the red metal than refined cathode.

The market’s internal dynamics help it do so. Higher prices stimulate more scrap supply, an important feedstock not just for secondary metal producers but also for those fabricators who can use scrap in their input mix.

Conversely, China will accumulate stocks on any pronounced price weakness, a behavioural trend that is underpinned by the reality of less scrap availability.

We saw the same pattern in 2008. And we’re seeing it again now.

China’s copper imports therefore tell us as much about the rest of the world, as transmitted by the LME copper price, as about the state of demand in China.

And while Chinese buying may offer massive support during times of low prices, it will not in itself be a driver of ever higher prices.

**IMPORTS OR IMPORTS?**

The two-stage nature of the copper import process is another reason for caution.

“Must-have” metal contracted annually between Chinese consumers and non-Chinese producers forms the bedrock of the country’s imports.

The headline monthly fluctuations, by contrast, reflect shifts in spot market, or close-to-spot market, flows.

And much of this metal goes first to bonded warehouse in Shanghai, at which stage it is classified as an import, and only at later to a mainland buyer, at which stage VAT is paid and it can be properly termed an import in the accepted sense of the word.

So, how can we be sure that the accelerated flow of metal in September and October fed into China’s demand dynamic rather than into Shanghai “limbo”?

Statistically we can’t.

It’s only the abundance of secondary signals, such as physical premiums and inventory trends, that suggest that metal has really been “imported” rather than just being counted as an import by customs officials.
Add to those China’s own slowing production growth and anecdotal evidence of tightening scrap availability, both of which should translate into greater need for imported refined metal.

The problem for bulls is that some of those secondary signals are now starting to turn. SHFE stocks, for example, rebounded last week to the tune of 11,725 tonnes, while physical premiums have come off the boil. That for bonded metal has eased to $120-135 per tonne in the last few days.

Tight credit in China is likely to be a powerful constraint on restocking by fabricators.

If their immediate requirements have been met over the last couple of months, an increasing percentage of imports will stay in the hands of merchants and go to rebuilding the bonded warehouse buffer.

**WHAT GOES IN?**

Events this year have shown that this two-stage import process is far from being just a statistical quirk of the copper market.

In principle, copper in Shanghai bonded warehouse is where it is because China is the world’s top consumer and will need it, if not right now then at some future date.

But given the right alignment of conditions, untaxed metal in Shanghai "limbo" can turn around and head back out to the international market.

It did so earlier this year when "exports", better termed "re-exports", jumped to 144,000 tonnes in the Jan-May period from just 19,000 tonnes in the previous five-month period.

At that time it was a combination of very high Shanghai stocks, somewhere north of 600,000 tonnes, and a strike by mainland buyers in the face of "too high" prices that caused the mass turnaround.

The market collectively learned that "imported" metal in Shanghai was more liquid than previously thought.

And the recent clampdown on the use of copper imports as a financing tool may make this shadow stock yet more liquid in its responsiveness to shifts in both arbitrage and premium differentials.

So be cautious about the "bullish" implications of these stronger imports. The bulls, after all, still maintain that it is a matter of time before resurgent Chinese "demand" and a still-deteriorating mine supply picture bite the LME market.

If that were to result in a sharp run-up in prices, Chinese buying would dissipate. And if it were to result in LME cash tightness and backwardation, that could be a powerful draw for any "imported" metal sitting in Shanghai bonded warehouse.

What goes in can come out again.

Today’s import figure tells us only part of the story. It will be the secondary signals that determine what really gets imported.
China Oct copper imports rise 0.8 pct on month

By Polly Yam

HONG KONG, Nov 10 (Reuters) - China's imports of unwrought copper and semi-finished copper products rose 0.8 percent from the previous month to a 17-month high in October due to steady demand from consumers and investors, extending an 11.8 percent gain in September.

Arrivals of copper, which include anode, refined, alloy and semi-finished products, increased to 383,507 tonnes in October, up from September's 380,526 tonnes in September and a sharp gain of 40.2 percent from a year earlier, data from the General Administration of Customs showed on Thursday.

"The numbers are very strong, but it was no surprise considering the sharp price falls," Judy Zhu, analyst at Standard Chartered Bank, said. Benchmark three-month London Metal Exchange copper prices have lost more than 25 percent since hitting a record high above $10,000 per tonne in February. As of 0335 GMT on Thursday, copper was trading around $7,466 per tonne.

The buying appetite could remain strong as long as LME copper prices stay below $7,500 a tonne, Zhu predicted.

Traders said low prices had prompted consumers in the world's top copper user to buy extra copper to build stocks and China's tight credit had attracted investors holding letters of credit to import refined copper, the most popular type in the Chinese and international market, as a way to obtain short-term loans to circumvent stricter lending rules.

Fabricators had also bought more refined copper last month due to a shortage of the alternative feed scrap.

Chinese buyers had sought to take copper from LME warehouses in Asia and Europe last month, traders said, adding that a week-long National Day holiday in the beginning of October could have trimmed arrivals.

"It's not a very big rise. I'm a little bit surprised that it didn't rise a bit more strongly. Tight credit conditions in China are taking their toll," said David Thurtell, an analyst at Citi Group. In the first ten months of the year, imports dropped 13.5 percent on the year to 3.11 million tonnes.

Arrivals of copper scrap fell 9.5 percent on the month in October to 380,000 tonnes, due to a slowdown in the processing of imports in Guangdong province, the most popular destination for copper scrap imports, after customs authorities intensified checks. In the first ten months of the year, copper scrap imports rose 7.8 percent on the year to 3.81 million tonnes.

China Oct soy imports fell to 7-month low at 3.81 mln T-Customs

By Niu Shuping and Ken Wills

BEIJING, Nov 10 (Reuters) - China, the world's largest soy buyer, imported 3.81 million tonnes of soybeans in October, down 7.7 percent from 4.13 million tonnes in September, figures from the General Administration of Customs of China showed on Thursday.
October imports were the lowest since March and also below forecasts by analysts and the commerce ministry, which had predicted a level slightly higher than 4 million tonnes. Traders and analysts blamed the lower number on delayed customs clearance.

The October imports bring the country's total for the first 10 months to 41.52 million tonnes, down 5.4 percent from a year-ago period.

Chinese crushers have slowed imports due to negative crushing margins during much of this year. Beijing's frequent releases of state soy and edible oils in the first half of the year have pressured domestic prices of soyoil and soymeal, the products of soy.

Traders expect China's fresh soy purchases to pick up following the slump of Chicago Board of Trade soy prices on Wednesday, which fell nearly 2 percent to a one-month low on bearish soy stocks data released by the U.S. Department of Agriculture report.

"Such price levels should spur more interest for purchases of U.S. soybeans. Both soy and soyoil stocks at home have also run down while demand would turn strong in December (ahead of holidays)," said one trading manager with a state-owned trading house.

Another industry analyst said Chinese crushers have booked shipments as far as June for South America's new soy crop because the soy prices offer better arbitrage profits over domestic soymeal and soyoil prices.

"There is still demand for imports for January to March shipment, buyers have not booked enough," said one analyst, but added that demand for April to June shipment have almost been covered.

The China National Grain and Oils Information Centre (CNGOIC) expects soy imports in November and December to rise to more than 5 million tonnes each month.

Official customs figures also showed that imports of vegetable oils in October were 510,000 tonnes, down 10.5 percent from the previous month.

**China Oct crude imports down 1.6 pct vs Sept**

BEIJING, Nov 10 (Reuters) -

China imported 20.80 million tonnes or 4.9 million barrels per day of crude oil in October, 1.6 percent less than a month earlier and below the 5 million bpd mark for the fifth month in a row, customs data showed on Thursday.

But the imports were nearly 27 percent higher than the 3.86 million bpd in October last year, which was by then the lowest since April 2009. China's crude import chart:
The relatively weak crude imports came as China's refinery production edged lower last month, the second dip this year, due to regular maintenance and a refinery accident.

China, the world's second-largest oil consumer, also bought 2.91 million tonnes of refined oil products last month, 7 percent higher than a year earlier, according to data published on the General Administration of Customs's website www.customs.gov.cn

Meanwhile, exports of oil products fell 15.4 percent on year to 1.59 million tonnes last month, resulting in net fuel imports of 1.32 million tonnes, the highest level since July.

**China Oct oil demand up 1.5 pct on yr, Nov seen firmer**

By Chen Aizhu and Jim Bai

BEIJING, Nov 10 (Reuters) - China's implied oil demand grew at one of the slowest paces this year in October, as oil companies raised fuel imports by a modest amount to compensate for trimmed refinery production.

Implied oil demand rose 1.5 percent year-on-year in October, when the world's second largest oil consumer burned about 9.04 million barrels per day (bpd) of oil, slightly more than September's 8.9 million bpd, Reuters calculations based on preliminary trade and output data showed.

Despite October's slow growth, implied consumption during the first 10 months of the year rose roughly 7 percent over the same period last year to 9.17 million bpd, largely due to double-digit expansions in the first five months of the year, the calculations showed.

Planned maintenance, including the full shutdown of the 240,000-bpd Huizhou plant in southern Guangdong, and a refinery fire at Gaoqiao plant in Shanghai left China's October refinery throughput 0.9 percent below year-ago levels, its second dip this year.

Demand should recover more quickly at least for November, as state refiner Sinopec Corp and PetroChina stepped up runs to new peaks while raising diesel imports to tackle a domestic supply squeeze that began in early October.

"The peak maintenance season will soon be over. The top two oil firms are pledging peak productions next month," said a Beijing-based oil trader.

China accounts for more than half of the global fuel demand growth this year.

Industry officials said real Chinese consumption in October would be stronger than the implied figures, as inventories of refined oil products fell for the fourth month in a row by end-October, led by a steep draw in diesel.

Implied oil demand is calculated by adding China's refinery throughput plus net refined fuel imports, but excludes inventory changes which the government rarely publishes.

**DIESEL SQUEEZE EASING**

State oil firms, led by PetroChina and CNOOC -- parent of CNOOC Ltd -- stepped up diesel purchases last month to boost thinning domestic stocks, as top refiner Sinopec Corp reported lower diesel inventories.

Months of curbed refinery productions forced many private petrol stations to ration sales in October, although the situation was not as severe as in the winter of 2010 when expanded power use by factories spurred diesel consumption. The diesel shortage is expected to ease soon as plants such as CNOOC's Huizhou refinery resumed production this month and two new crude units totalling 200,000 bpd in capacity started at Sinopec's Beihai and PetroChina's Ningxia.

Top refiner Sinopec Corp, which has shied away from diesel imports most of the year, emerged as a leading buyer in November with about 200,000 tonnes of purchases from the Asian market, traders said, further bolstering supplies.

China's Oct iron ore imports lowest since Feb

By Ruby Lian and David Stanway

SHANGHAI, Nov 10 (Reuters) - China's iron ore imports fell to 49.94 million tonnes in October, the lowest monthly volume since February, China's customs data showed, as steel mills in the world's largest consumer suspended buying amid sagging iron ore prices.

The imports fell 17.5 percent from 60.57 million tonnes in the previous month, taking total imports over the first 10 months to 557.93 million tonnes, up 10.9 percent from the same period last year.

Chinese steel mills largely reduced buying of foreign iron ore since mid-September after the European debt crisis and slower steel demand in China jointly dragged down iron ore prices by more than 5 percent in September.

Iron ore prices extended losses to hit its biggest monthly fall in October, shedding more than 36 percent since mid-September, as Chinese steel mills started to cut steel output to stem losses and were reluctant to build iron ore inventories.
However, suppliers from Australia and Brazil flooded the world's biggest seaborne ore market by sending cargos in October despite slumping prices, with traders expecting a modest recovery in iron ore imports in November.

"The top two Australian miners dumped their materials to China in October, with shipments likely to arrive in November, so we might see a rise in iron ore imports this month," said an iron ore trader in coastal Shandong province.

China exported 3.82 million tonnes of finished steel products in October, down 9.3 percent from a month earlier, and imports also fell 9.8 percent to 1.2 million tonnes.

China Oct commodity output slows; some may see winter lift
By Fayen Wong and Jim Bai

SHANGHAI, Nov 9 (Reuters) - China's oil refineries ran at lower rates in October, and output from steel mills and power plants also dropped, as a credit freeze bit into demand for industrial commodities in the world's second-largest economy.

But the lacklustre data should be considered against more sanguine economic indicators which showed October inflation falling sharply, factory output falling slightly and fixed asset investment still robust -- allaying any fears that China economy is poised to slow down sharply amid a gloomy global outlook.

"We may have reached a bottom in China's slowdown for commodities demand but it is still too early to say when the recovery will come," said Henry Liu, head of commodities research at Mirae Assets in Hong Kong.

"But one thing we can be sure is that any rebound in 2012 will not be as robust as we saw in 2009 and 2010. There will be growth but it won't be spectacular."

WINTER BOOST FOR SOME

China's refinery throughput for October fell 0.9 percent from a year earlier to 8.74 million barrels per day (bpd), the second decline this year, as planned and unexpected shutdowns cut into operations, while total power generation of 364 billion kilowatts was at its lowest since February.

The National Bureau of Statistics said China processed 37.11 million tonnes of crude oil in October. On a daily basis, it was 0.5 percent lower than the 8.78 million bpd recorded in September.

However, both are expected to rebound on the back of winter heating demand, as the government orders refineries to run at full capacity to cover the fuel shortage and power stations ramp up output to make up for poor hydropower generation.

In previous years, power generation typically posted monthly falls in September and October, before rising for the rest of the year.
Separately, China’s production of refined copper fell to its lowest level in five months in October, which was its second decline in as many months, but analysts said the fall was due to a shortage of raw materials copper concentrate and scrap instead of poor downstream demand.

Refined copper production stood at 469,000 tonnes in October, a drop of 2.1 percent compared to September, but a 16.4 percent increase on the same month a year ago, data from the National Bureau of Statistics showed. Output reached a monthly record 518,000 tonnes in August.

**STEEL NEAR YEAR LOWS**

Daily crude steel output in the world’s largest producer fell to its lowest level since December 2010 as mills across the country closed for repairs in an attempt to head off a collapse in demand.

China produced 54.67 million tonnes of crude steel in October, down 3.58 percent compared to September.

But a rebound may not come so soon for the sagging steel sector, which has seen spot trade grind to a halt in recent months as the government’s aggressive tightening campaign and clamp-down on real estate sector choked off demand from traders and developers.

Although inflation in October has dropped to 5.5 percent, Beijing has stressed that there was no need to change its monetary policy. Premier Wen Jiabao has said in a strongly worded speech that it would not back down on property curbs.

With the steel-intensive shipbuilding sector also struggling with a sharp slowdown as overseas orders dry up, this means China’s steel demand could remain anemic until early next year until the government eases liquidity.

Still, with the property sector accounting for 12 percent of China’s GDP, analysts said Beijing would make sure the industry does not collapse, while development in third and fourth-tiered cities would help cushion weaker demand elsewhere.

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**China Oct refined copper output hits five-month low**

By Polly Yam

**HONG KONG, Nov 9 (Reuters) -**

China’s production of refined copper fell to its lowest level in five months in October, its second decline in as many months, due to a shortage of raw materials copper concentrate and scrap, official data showed on Wednesday.

Refined copper production stood at 469,000 tonnes in October, a drop of 2.1 percent compared to September, but a 16.4 percent increase on the same month a year ago, data from the National Bureau of Statistics showed. Output reached a monthly record 518,000 tonnes in August.

In the first ten months of the year, output rose 16.2 percent from a year earlier to 4.581 million tonnes.

“The fall was directly caused by raw materials problems,” Fu Bin, analyst at Jinrui Futures, a subsidiary of top copper producer Jiangxi Copper.

Fu said low prices had prompted local miners to reduce the supply of concentrate last month and imports were not sufficient to offset that shortfall.

Copper scrap was also unavailable because local suppliers did not want to sell stocks on low metal prices, traders and analysts said.

Imported copper scrap has also been in short supply in Guangdong province, the most popular destination for imports, after customs authorities intensified checks on shipments under a new policy, which took effect on August 1, and which has created a backlog at ports.

The data also showed that nickel production rose 2.7 percent on the month to a record high, its sixth straight month of peaks, due to plants expanding their capacity.

Output reached 30,248 tonnes in October, up from the previous record of 29,455 tonnes in September and a gain of 67.2 percent from October 2010, the data showed.

Some small-sized nickel pig iron (NPI) plants had cut production due to low prices and reduced demand, but that did not affect overall production. NPI is a low-grade ferro-nickel in China and used by stainless steel mills as an alternative feed for refined nickel.

According to the data, primary aluminium production fell again in October due to reduced power supply in some provinces, after it reached a record of 1.591 million tonnes in June 2011.

October output dropped 7.2 percent on the month to 1.414 million tonnes but the output inched up 0.3 percent from the same month in 2010.
China's daily crude steel output in October fell to its lowest level since December 2010 as mills across the country closed for repairs in an attempt to head off a collapse in demand.

China produced 54.67 million tonnes of crude steel in October, down 3.58 percent compared to September, figures from the country's statistics bureau showed on Wednesday.

Output per day showed an even more marked decline, standing at 1.76 million tonnes, down 6.9 percent from 1.89 million tonnes in the previous month, according to Reuters calculations.

China's steel mills have scheduled a series of overhauls at their steelmaking and rolling facilities in order to shore up market prices amid weakening demand.

Du Hui, an industry analyst with Qilu Securities in Shanghai, said November was likely to see a slight recovery in output before it falls again in December.

"Steel output will be likely to rise slightly in November as end users replenish their inventories after destocking, but weaker demand in December will force steel output down again," he said.

Strong demand from the construction sector encouraged Chinese steel mills to produce at close to full capacity from February to September, where daily output stood at more than 1.9 million tonnes, but Beijing's tightened credit policies have started to crimp demand, forcing users to reduce orders.

According to figures from the China Iron and Steel Association, daily production fell to as low as 1.717 million tonnes in the final third of October, roughly the same as the 2010 average, and it has been falling steadily since the end of September.

China's finished steel product output in October fell 4.3 percent compared to September to 73.07 million tonnes, the statistics bureau said.

But domestic iron ore output reached a record high of 132.4 million tonnes in October despite a rapid fall in prices, which analysts say are now lower than production costs at many Chinese mines.

Local iron ore traders expressed surprise at the figures but suggested that domestic output might have increased as orders for overseas ore declined.
China Oct refinery output falls for second time this year

By Judy Hua and Chen Aizhu

BEIJING, Nov 9 (Reuters) - China's refinery throughput fell 0.9 percent from a year earlier to 8.74 million barrels per day (bpd), the second decline this year, as planned and unexpected shutdowns cut into operations.

The National Bureau of Statistics said on Wednesday that China processed 37.11 million tonnes of crude oil in October. On a daily basis, it was 0.5 percent lower than the 8.78 million bpd recorded in September.

The low runs came as China cut retail prices for diesel and gasoline in early October, squeezing margins at state refineries and forcing many independent plants to cut or halt productions.

Tightening domestic supplies have led many independent service stations to suspend or ration sales, as dominant refiners such as China Petroleum and Chemical Corp (Sinopec), facing thinning inventories, curb diesel sales.

Apart from planned maintenance such as the full shutdown of China National Offshore Oil Corp Ltd's 240,000-bpd Huizhou refinery, a fire at Sinopec's Gaoqiao plant in east China also reduced production.

"Some refineries chose to undergo maintenance in the face of poor refining margins," said a Beijing-based analyst.

But throughput is expected to recover this month as refineries were asked to run at capacity to cover the fuel shortage that has spurred diesel imports by state oil companies.

"Crude runs are expected to rise for the rest of the year as refineries are under pressure to secure supply," said the analyst.

Top Asian refiner Sinopec has said it plans to process a record 18.3 million tonnes of crude in November, up from 18.05 million tonnes in October, after diesel stocks fell to less than 10 days' of sales.

Second-largest oil refiner PetroChina Co Ltd said in late October that all of its refineries had completed maintenance and were running at full rates.

A Reuters poll of a dozen refineries showed that refinery output could recover to the highest level in a year in November.

To ease the shortages, Sinopec and PetroChina have bought about 320,000 tonnes of diesel for November and December delivery, while China National Offshore Oil Corp (CNOOC), the country's third-largest oil company, imported about 100,000 tonnes of diesel last month to replenish thinning inventories.

The supply squeeze in China is expected to ease this month or next as Sinopec and PetroChina bring on line new crude refining units and as plants return from maintenance.

China's crude oil production in October fell 6.2 percent on year to 16.67 million tonnes, or 3.93 million bpd, the statistics bureau said.

In September the government ordered a full shutdown of the country's largest offshore oil field, Penglai 19-3, after an oil spill.

China is expected to release preliminary oil trade data, including crude oil imports and net imports of refined fuel, on Thursday.

China Oct power output growth slowest since Feb

BEIJING, Nov 9 (Reuters) - China's power generation increased 9.3 percent from a year earlier in October, the slowest growth since February, data from the National Bureau of Statistics showed on Wednesday.

It was also the first single-digit growth rate since February, extending a trend of moderating expansion amid slowing economic activity.

Last month's electricity generation totaled 364 billion kilowatt hours, or 11.7 billion kilowatt hours per day, the data showed.

The statistics department did not provide more details in the release published on its website (www.stats.gov.cn).

China Oct copper imports rise 0.8 pct

Nov 10 (Reuters) - China's imports of copper rose 0.8 percent to 383,507 tonnes in October from 380,526 tonnes the previous month, data from the General Administration of Customs showed.

Copper imports to China, the world's leading copper and aluminium consumer, include anode, refined, alloy and semi-finished copper products.

Final data, including a breakdown of refined copper, will be released later this month.
KEY POINTS:

China imported 60,186 tonnes of unwrought aluminium, including primary, alloy and semi-finished aluminium products, in October, compared with 66,163 tonnes in September.

China imported 20.80 million tonnes of crude oil in October, compared with 20.45 million tonnes in September, according to data from China’s General Administration of Customs.

Imports of oil products rose to 2.91 million tonnes from 2.77 million tonnes while exports of oil products fell to 1.59 million tonnes from 2.24 million tonnes.

COMMENTARY ON COPPER:

NICK TREVEITHAN, SENIOR COMMODITIES STRATEGIST, ANZ

"After the fall in domestic output and falling stocks in LME warehouses in Asia through October, we’d expected more than a 0.8 percent rise.

"The drop in scrap imports is consistent with what we’re hearing about problems with material clearing customs in southern China.

"Cash arbitrage has been open. An awful lot of material has left storage in South Korea and Singapore. There’s still relatively high levels of cancelled warrants in those locations, so combined with problems of scrap availability and the drop-off in production of refined material, you might expect to see a pickup back towards the 400,000-tonne level for November."

YANG CHANG HUA, ANALYST, ANTAIKE

"Copper prices were encouraging towards imports by consumers in October. We expect copper imports to remain the same or even drop a little for the rest of the year as downstream demand has not been as robust as it should be for Q4. Other than power lines and state grids, other downstream copper industries are reporting just so-so demand."

JUDY ZHU, ANALYST, STANDARD CHARTERED BANK

"The numbers are very strong, but it was no surprise considering the sharp price falls. Our channel checks have shown that buying appetite remains very strong as long as prices remain below $7,500 a tonne, so I think the overall import numbers would stay at high levels in November and December."

ZHANG AO, ANALYST, MINMETALS FUTURES

"China’s consumers may have increased stocks because of lower prices and that pushed up imports. The rise was not big, probably because arbitrage in October was not good. Based on our pure arbitrage calculations, there was virtually no time the imports were profitable last month. I guess the holiday in the beginning of the month also trimmed arrivals."

DAVID THURTELL, ANALYST, CITIGROUP

"It’s not a very big rise. I’m a little bit surprised that it didn’t rise a bit more strongly. Tight credit conditions in China are taking their toll."
"It could pick up a little bit in November when you get that real weakness in the absolute price coming through. October numbers would be reflecting price levels in late August and early September and prices were still quite high then. You’d expect that November numbers will be better and maybe December as well."

ZHOU JIE, ANALYST, SHANGHAI CIFCO FUTURES

"Imports will decline in November, as the current price differentials are not attractive for import business. You can see a lot of importers are re-exporting their goods now, which contributes to the premium in spot prices."

QU YI, ANALYST, CRU

"Although I expected the figure to rise, the numbers are slightly higher than I expected, considering the 7-day public holiday in early October. Lots of demand was triggered after prices dropped below $7,500 during the month. Copper inventories were low in September and October, and consumers were eager to restock for their immediate needs."

LINKS:
-- For details, see the official Customs website www.customs.gov.cn

BACKGROUND:
-- China is the world’s largest consumer of copper, accounting for more than a third of global demand. The country also produces some 20 percent of world output, ranking second after Chile.

COLUMN-Robust China data bodes well for commodities

-- Clyde Russell is a Reuters market analyst. The views expressed are his own. --

SINGAPORE, Nov 9 (Reuters) -

China's latest round of economic indicators show the desired soft landing is being achieved, with inflation moderating and industrial output, fixed investment and consumer spending staying robust.

All this bodes well for commodity demand as the world's second-largest economy continues to make up for anemic growth in the United States and crisis-ridden Europe.

But, and one must always pay attention to the "but," there are areas of concern that show that demand growth won't be even for all commodities and at times may well be lumpy.

Looking at the disappointing numbers first, power output rose 9.3 percent in October from a year earlier, the lowest rate of growth since February, while steel output fell 3.6 percent in October from September.

And crude oil throughput in China's refineries fell 0.9 percent in October from a year earlier to 37.11 million tonnes, or 8.74 million barrels a day.

This was also down from the 8.78 million barrels a day in September, and may be a sign that oil demand growth in China is easing more than expected.

The lower refinery runs may point to disappointing crude imports for October when the data is released Thursday.

Right now the market is expecting an increase in crude imports on the back of lower prices prevailing in August when October cargoes would have been booked, and stock building ahead of winter.

The forecast boost in imports, which ran at 4.98 million barrels a day in September, will be dependent on Chinese refiners building inventories ahead of winter, because the data shows they weren't processing any more crude in October.

In some ways, Chinese crude imports have become a little like Waiting for Godot as every month a big increase is forecast on the back of expected higher refinery runs and inventory builds, but in reality imports have been relatively steady over the year.

They also haven't been that much higher than those in 2010, with January to September oil imports about 4 percent higher than the year-earlier period.

This means that for China to reach the International Energy Agency’s forecast of 5.8 percent growth in oil product demand, imports of products will have to make up for what appears to be sluggish growth in crude purchases.

This is still possible, but the October refinery runs data makes it more likely for Chinese oil products demand growth to surprise to the downside than to the upside.

Another number surprising to the downside has been power generation, which is now showing a clear trend of moderating growth and is back in single digits for the first time since February.

The most obvious explanation for slower growth in electricity demand is that industrial output must also be slowing, although it is also possible that both business and retail consumers are becoming more efficient.

Coupled with the monthly drop in steel production, which came even as iron ore prices were tumbling, and you have signs that the manufacturing engine of China may be losing momentum.

Certainly, industrial production slowed slightly in October, with the 13.2 percent growth rate the weakest annual rate in a year.
Retail sales also slipped, growing 17.2 percent year-on-year in October from September's 17.7 percent rate, while fixed asset investment was steady at 24.9 percent growth.

However, sometimes it's best to take a stand back look at these numbers. No matter how you slice and dice them, they are still a strong result and consistent with overall gross domestic product growth remaining around 9 percent.

Even if the numbers were to ease further in coming months, you would have no need for concern until GDP growth looked set to fall below 8 percent.

Coupled with inflation slowing down to an annualised 5.5 percent from 6.1 percent in September, and you have a picture of a giant economy that is so far managing quite well to walk the tightrope between overheating and cooling too quickly.

And, a further positive for ongoing commodity demand is that if the balance tips too far toward cooling, the success in taming inflation gives Chinese policymakers room to boost the economy if needed.
CHINA OCTOBER COPPER IMPORTS UP, IRON ORE DOWN

(CHina Oct Copper Imports Up, Iron Ore Slumps is compiled by Ryan Sequeira in Bangalore)

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