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Top News - Oil

China crude oil imports post first year-on-year decline since April

China's crude oil imports in November fell 9.2% year-on-year, customs data showed on Thursday, in the first annual decline since April as high inventory levels, weak economic indicators and slowing orders from independent refiners weakened demand.

Crude oil arrivals last month totalled 42.445 million metric tons, or 10.33 million barrels per day (bpd), according to the General Administration of Customs, the lowest daily rate since July and down from 11.53 million bpd in October.

Year-to-date imports by the world's largest oil buyer amounted to 515.65 million tons, or 11.27 million bpd, an increase of 12.1% from a year earlier.

High import levels through the year so far had left refiners with large onshore crude inventories at the start of the month, estimated at 958 million barrels as of Nov. 2, according to commodities consultancy Vortexa.

Despite price declines in key international crude benchmarks through November, independent "teapot" refiners in Shandong still had stiff competition for Russian cargoes as well as cargoes from Venezuela after U.S. sanctions on Caracas were relaxed, with buyers facing wide discrepancies in offer prices.

Weak macroeconomic indicators - most evident in the manufacturing and construction sectors - have continued to weigh on demand for products such as diesel and asphalt. China's manufacturing PMI shrank for the second consecutive month in November, reflecting weakening confidence in government stimulus measures among factory managers.

Underscoring concerns over the real estate and construction sectors, ratings agency Moody's on Tuesday put a downgrade warning on China's credit rating, citing risks associated to the "ongoing downsizing of the property sector".

Thursday's customs data also showed refined fuel exports at 5.08 million tons versus October's 5.17 million tons and down 17% compared with 6.14 million tons a year ago.

Regional refining margins rose through November, standing at $6.74 per barrel on Dec. 1, nearly double $3.60 per barrel a month earlier.

Data also showed imports of refined fuel reached 4.16 million tons, up one third from a year earlier, with the year-to-date volume soaring 87% to 43.23 million tons.

Robust imports of fuel oil by independent refiners to process as feedstock for higher-value diesel and gasoline contributed to the import expansion, traders said.

China's natural gas imports, comprising both liquefied natural gas (LNG) and piped gas, rose 6% on the year to 10.95 million tons, highest since January 2022 and a sharp increase from 8.79 million tons in October as northern China entered winter heating season.

COLUMN-China's soft crude oil imports show impact of high prices: Russell

China's crude oil imports dropped to their weakest in four months in November, showing how high prices trumped bullish demand forecasts from leading industry participants such as OPEC and the International Energy Agency (IEA).

China, the world's largest oil importer, saw arrivals of 42.445 million metric tons, equivalent to 10.33 million barrels per day (bpd), according to data released Thursday by the General Administration of Customs.

This was down 10.4% on a barrels-per-day basis from October's 11.53 million bpd, and 9.3% weaker than the same month a year earlier.

China was supposed to be the driving force behind global oil demand growth this year, contributing the lion's share of a 2.3 million bpd increase forecast by the IEA last month and a 2.46 million bpd rise expected by the Organization of the Petroleum Exporting Countries (OPEC).

China's crude oil imports gained 12.1% in the first 11 months of the year, which appears a robust increase. It works out, however, as a rise of 1.21 million bpd, well below an IEA forecast of Chinese demand growth of 1.8 million bpd for 2023.

Of course, demand growth and import growth aren't exactly the same thing, but China's domestic crude output is only modestly higher so far in 2023. And despite drawing on stockpiles in three of the first 10 months in 2023, China has actually built up its inventories this year.

China doesn't disclose the volumes of crude flowing into or out of strategic and commercial stockpiles, but an estimate can be made by deducting the amount of crude processed from the total of crude available from imports and domestic output.

The total volume of crude available to refiners from imports and domestic output in the first 10 months of 2023 was 15.54 million bpd, but refinery processing was 14.86 million bpd, meaning approximately 680,000 bpd was added to storage tanks.

The weaker crude oil imports in November fit a pattern that refiners tend to ease back on purchases when they deem prices are too high or have risen too quickly.

PHYSICAL CARGOES

The time period when November cargoes were being arranged coincided with oil prices surging to their highest so far for 2023, with global benchmark Brent futures peaking at $97.69 a barrel on Sept. 28.

Crude prices rallied from late June to the end of September after OPEC's de facto leader Saudi Arabia announced a voluntary production cut of an additional 1 million bpd, with OPEC+ ally Russia adding a further 300,000 bpd.

Given that crude cargoes are usually fixed months in advance, it should be no surprise that China's refiners trimmed imports in the face of rising prices.

The weakening in Brent futures since the September highs will also likely take several months to show up in a recovery of China's oil imports, as the crude arriving in December and for much of January would still have been bought at higher prices.

What OPEC and the IEA appear to have discounted is that China has built up its options through boosting its crude inventories over the preceding years.

It has shown a willingness to draw on stockpiles if needed, and slow import growth to mitigate the supply restrictions being implemented by the wider OPEC+ group of exporters.

High levels of inventories may have helped China on crude oil, but the opposite factor can be seen at work in their imports of iron ore.

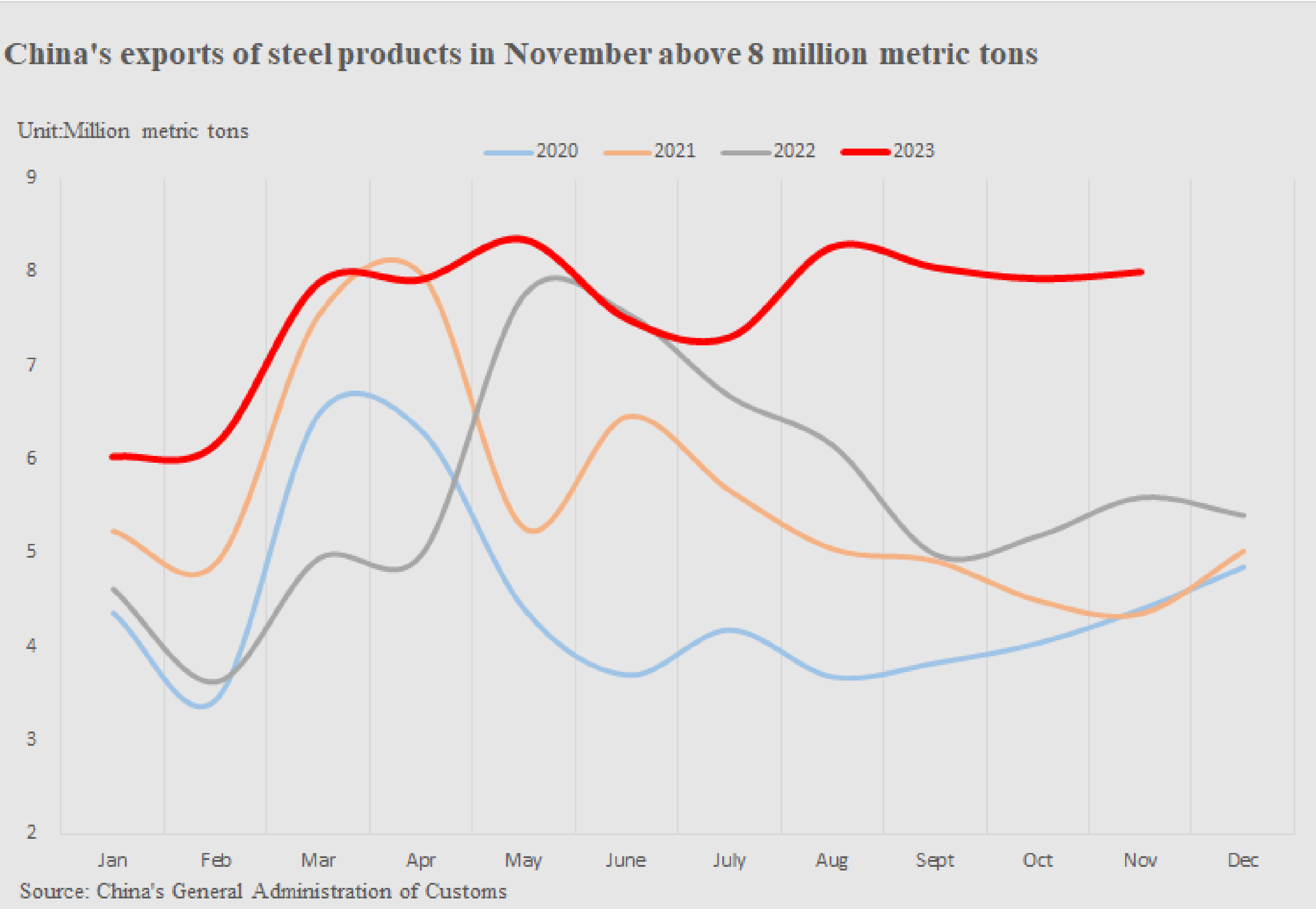
Iron ore imports were 102.74 million tons in November, up 3.4% from October and 3.9% from the same month in 2022. The increase in arrivals of the key raw material to produce steel came even as spot prices were rising, with Singapore-traded contracts gaining 29% from a recent low of $103.21 a ton on Aug. 3 to the close on Wednesday at $133.05.

But China's port stockpiles of iron ore have been weak, hitting a seven-year low of 105.15 million tons in the week to Oct. 20, and they have only risen marginally since then to 108.5 million tons last week.

Of course, inventory levels and prices aren't the only factors driving China's commodity imports, but they are worth keeping in mind as the correlation appears strong, once the time lag of physical cargo movements is taken into account.

(The opinions expressed here are those of the author, a columnist for Reuters)

Chart of the Day



Top News - Agriculture

China Nov soybean imports up 7.8% on year, less than expected

China imported 7.92 million metric tons of soybeans in November, customs data showed on Thursday, rising 7.8% from a year earlier but lower than traders' expectations due to slower clearing of cargoes at customs.

The world's top importer of soybeans was expected by some traders to bring in as much as 10 million tons last month, after large purchases of the oilseed from top supplier Brazil.

However customs is taking longer to issue import licences than before, which has delayed the unloading of cargoes, said Yuyun Chen, trader with Mingsui International (Shanghai) Trading Co. Soybean vessels require an automatic import licence (AIL) to unload cargoes, which must be issued within 10 working days, but in practice have often been granted in a day.

Chen said customs was now taking up to 10 days to process the licences. Customs did not immediately respond to a fax seeking comment.

For the first 11 months of the year, imports by the world's top soybean buyer totalled 89.63 million tons, up 13.3% from the same period a year earlier, the data also showed.

Arrivals in December could jump as last month's delayed cargoes get unloaded, said Chen.

"Soybean arrivals in December will probably jump sharply unless the delays get worse," he said.

Brazil has dominated shipments to China this year but arrivals of U.S. soybeans may rebound in the coming months as China has ramped up purchases since November in a wave of buying amid improving ties between the two countries. The interest in U.S. beans has also coincided with a severe drought in Brazil that has disrupted planting and compromising the outlook in the world's biggest soybean grower.

India plans to discourage ethanol production to prioritise sugar -sources

India is planning to discourage the diversion of sugar for ethanol production as part of efforts to ensure sufficient supplies of the sweetener in the local market, government and trade sources said on Wednesday.

Lower diversion for ethanol will help the world's second biggest sugar producer in increasing output of the sweetener, which is expected to fall because of below normal rainfall in key growing states.

The government could ask mills not to use sugar cane juice and B-heavy molasses - a byproduct with higher sucrose levels - to produce ethanol, they said.

India's fuel retailers buy ethanol from sugar mills to blend with gasoline and they were paying higher price for ethanol produced from juice and B-heavy molasses.

"After assessing the demand-supply situation, the committee of ministers decided to focus on sugar production this year," said one of the government sources who declined to be named according to official rules.

The government would allow mills to produce ethanol only from C-heavy molasses, a cane by-product that has hardly any sugar content left in it, the second government official said.

The new guidelines for ethanol procurement in the 2023/24 marketing year, which commenced on November 1, will be finalised soon and oil marketing companies are likely to honour contracts already awarded, the first source said.

The government's move is a setback for the industry, which has invested billions of dollars in the last five years to increase ethanol production capacity, said a senior industry official who declined to be named.

"Hopefully, this setback will be short-term, and the government will shift its focus back to ethanol once sugar cane supplies improve," the official said.

Patchy rains in the top sugar cane-growing western state of Maharashtra and southern Karnataka state have raised concerns about this year's sugar output.

The Indian Sugar Mills Association, a producers' body, last month said sugar production is likely to fall 8% to 33.7 million metric tons in the 2023/24 marketing year.

The likely production drop has lifted local sugar prices to their highest levels in nearly 14 years.

Top News - Metals

China's Nov iron ore imports stay at elevated level on improving margins

China's iron ore imports in November climbed 3.4% from October, customs data showed on Thursday, as improved steel mill margins and a rebound in the yuan underpinned buying of the key steelmaking ingredient.

The world's largest iron ore consumer brought in 102.74 million metric tons of the key steelmaking ingredient last month, up from 99.39 million tons in October, data from the country's General Administration of Customs showed.

The volume compared to 98.85 million tons imported in November 2022.

The November imports stayed at an elevated level for the fourth consecutive month, above 100 million tons for the fifth time so far this year.

The higher imports last month came as more than a third of steel mills surveyed were operating at a profit by the end of the month, versus less than one-fifth in late October, data from consultancy Mysteel showed.

"While consumption exhibited monthly decline, inventories at mills increased thanks to restocking, reflecting high imports," said Chu Xinli, a Shanghai-based analyst at China Futures.

Iron ore inventories at mills surveyed jumped by 3.5% on the month to 93.02 million tons in late November, although the daily average hot metal output among mills surveyed declined by 3% on the month to 2.37 million tons last month, Mysteel data showed.

China's yuan appreciated 2.5% against the U.S. dollar in November.

China's iron ore imports in the first 11 months of 2023 jumped 6.2% to a record high of 1.08 billion tons, the customs data also showed, with analysts expecting the annual total to hit an all-time high.

December ore imports are likely to stay at nearly the same level last Month, as mills need to purchase cargoes to meet production requirements during the New Year holiday in early January, said Cai Yongzheng, a Nanjing-based director of Jiangsu Fushi Data Research Institute.

"Buyers will make settlement for their seaborne cargoes before the end of the year amid the strengthening yuan, which mean volumes this month won't be small."

Also, steelmakers will start winter restocking in December to meet production needs over the Lunar New Year holiday in February, said analysts.

The yuan recovered some of this year's lost ground last month, rising almost 2.6% against the dollar.

China's exports of steel products in November rose 43.3% from the prior year to 8.01 million tons, and 0.88%

MARKET MONITOR as of 07:45 GMT

Contract	Last	Change	YTD
NYMEX Light Crude	$69.84 / bbl	-3.43%	-12.98%
NYMEX RBOB Gasoline	$2.05 / gallon	-3.16%	-17.44%
ICE Gas Oil	$771.50 / tonne	-2.62%	-16.23%
NYMEX Natural Gas	$2.52 / mmBtu	-6.86%	-43.60%
Spot Gold	$2,030.09 / ounce	0.53%	11.27%
TRPC coal API 2 / Dec, 23	$110.5 / tonne	1.38%	-40.19%
Carbon ECX EUA	€68.82 / tonne	0.26%	-18.04%
Dutch gas day-ahead (Pre. close)	€39.00 / Mwh	2.36%	-48.39%
CBOT Corn	$4.85 / bushel	-1.17%	-28.50%
CBOT Wheat	$6.36 / bushel	0.75%	-20.38%
Malaysia Palm Oil (3M)	RM3,715 / tonne	-1.75%	-11.00%
Index	**Close 06 Dec**	**Change**	**YTD**
Thomson Reuters/Jefferies CRB	295.64	-2.49%	-1.89%
Rogers International	26.34	-1.92%	-8.11%
U.S. Stocks - Dow	36,054.43	-0.19%	8.77%
U.S. Dollar Index	103.96	-0.19%	0.42%
U.S. Bond Index (DJ)	417.39	0.54%	6.35%

higher from 7.94 million tons shipped abroad in October, customs data showed.

Total steel exports from the world's largest steel producer were 82.66 million tons from January to November, a rise of 35.6% year-on-year, with the 2023 total well on track for the highest since 2016.

China imported 614,000 tons of steel products last month, down from 750,000 tons in November 2022, with the total over the January-November period at 6.98 million tons, down 29.2% from a year earlier, according to the customs data.

China November copper imports rise to highest in almost two years

China's November copper imports climbed 10.1% from the prior month to the highest in almost two years, data showed on Thursday, as dwindling stocks and a stronger yuan bolstered buying interest.

Imports of unwrought copper and copper products, used widely in the construction, transport and power sectors, totalled 550,566 metric tons, according to the General Administration of Customs. That was the highest since December 2021 when shipments reached 589,165 tons. The data includes anode, refined, alloy and semi-finished copper.

Strong orders from China's State Grid and the renewable energy sector boosted operating rates among the country's copper cable and wire makers to a record high of 92% last month, according to information provider Shanghai Metals Market (SMM).

Robust consumption in the world's biggest metal consumer has reduced inventories in the market, with copper stocks on the Shanghai Futures Exchange hitting a multi-year low last week.

Importing material also became cheaper for buyers as the Chinese currency recorded its biggest monthly gain in a year against the weakening dollar last month.

The Yangshan copper premium, an indicator of demand for imports, rose to $107.50 per ton on Nov. 28, a one-year high. "The open arbitrage window led to more imports," said He Tianyu, a Shanghai-based analyst at consultancy CRU, who added that the high premium in China also boosted demand.

Low stocks drove the copper premium in the spot market to 725 yuan per ton on Nov. 20, a more than one-year high. China's imports of copper ore and concentrate rose slightly from last year's 2.41 million metric tons to 2.44 million tons this November, customs data showed. Total imports in the first 11 months were up 8.4% from a year earlier, at 25.07 million tons.

Top News - Carbon & Power

China's coal imports up 21% in November on price advantage, hydro decline

China's November coal imports rose 20.9% from the previous month, customs data showed on Thursday, as buyers took advantage of cheaper imported coal to stock up for winter.

China, the world's largest coal buyer, imported 43.51 million tons last month, a 34.7% increase from November a year ago, before China ended a ban on shipments of Australian coal in January 2023, figures from the General Administration of Customs showed.

Imported coal maintained a price advantage to domestic coal in November, spurring purchases by utilities, while a seasonal decline in hydropower generation also supported coal demand, analysts from industry association China Coal Transportation and Distribution Association said this week.

Total coal imports in the first 11 months of the year stood at 427.14 million tons, up 62.9% from the same period of 2022, the customs data showed.

ANALYSIS-Nuclear sector must overcome decades of stagnation to meet COP28 tripling goal

The global nuclear industry got a morale boost at the COP28 climate summit in Dubai after more than 20 nations vowed to triple capacity by 2050.

But reaching that goal will require the industry to overcome regulatory hurdles, financing obstacles, fuel bottlenecks, and public safety concerns that have contributed to a long history of project delays and decades of stagnation.

It took 70 years to bring global nuclear capacity to the current level of 370 gigawatts (GW), and the industry must now select technologies, raise finance and develop the rules to build another 740 GW in half that time.

"Judging by the international nuclear industry's performance over the past two decades, it is impossible," said Mycle Schneider, lead author of the World Nuclear Industry Status Report.

The declaration, signed by the U.S., France, Britain, South Korea, and others commits countries to mobilise investment and encourage financial institutions like the World Bank to back nuclear power. It also promises efforts to extend the life of existing plants - with about 200 of 420 reactors around the world scheduled to be decommisioned before 2050 - and support for new technologies like small modular reactors (SMRs).

Nuclear executives at COP28 endorsed the pledge, but acknowledged the industry's struggles.

"Nuclear is the safest source of energy," said Patrick Fragman, chief executive of Westinghouse. "Of course, for the first of their kind reactors there were problems and cost overruns. We know: we have the scars."

In a sign of challenges to come, some environmental groups criticised the pledge, citing public safety concerns, while academics questioned whether plants could be brought online in time to help avert a climate catastrophe.

"Why would anyone spend a single dollar on a technology that, if planned today, won't even be available to help until 2035-2045?" said Mark Jacobson, an energy specialist at Stanford University.

PLUGGED INTO THE GRID

There are currently 60 commercial reactors under construction in 17 countries across the world, with China accounting for 25, according to the World Nuclear Association.

Though China is one of the few countries to remain steadfast in its commitment to nuclear development over the years, its 2020 capacity target was one of the only ones it missed.

In much of the West, meanwhile, nuclear power capacity has stagnated, with huge reactor construction costs, permitting issues, and public opposition after the Fukushima nuclear accident in Japan in 2011 blocking new construction. At COP28, nuclear firms were talking up the prospects of SMRs as a better bet. Backers say they have shorter construction times than traditional plants and could in theory be brought online more quickly.

Korea Hydro and Nuclear Power (KHNP) presented a simulator of its "iSMR" reactor, designed to be plugged into existing power grids and used to run desalination plants or provide urban heating.

KHNP will be able to build a plant in two years once permits are in place, chief executive Jooho Whang said, compared to 10 to 20 years for large reactors.

"Historically it is true that nuclear power plants are subject to the approval of the government and I don't think that will change," said Whang.

"But if SMR makes a good demonstration project, there will be exponential growth in demand across the world."

KHNP's iSMR is one of around 80 such models in development, but most are unlikely to get going before 2030, experts say.

NuScale, which has the only SMR design approved by the U.S. Nuclear Regulatory Commission, last month had to axe its project at a national lab, on worries about low subscription for the plant's power. NuScale says its other projects are on track.

Rafael Grossi, executive director of the International Atomic Energy Agency (IAEA), told Reuters that the body was now working on harmonising approval rules worldwide to make it easier for countries to share technologies.

"The IAEA has launched a process so that regulators around the world can move faster, always by applying very strict safety measures," he said. The current system might not work in a globalised market where SMRs made in the United States are sold in Africa, he said.

FUEL SUPPLY

The switch to SMRs could raise another issue: many would run on advanced fuels now dominated by Russia. Russia is currently the only significant producer of HALEU - a highly enriched form of uranium that will be crucial for new reactor technologies.

A U.S. company called Centrus has begun to produce HALEU. The European Union is also working on production, the IAEA said.

Fragman of Westinghouse said uranium supply was "completely manageable", and the major issue was ramping up enrichment and recreating conversion capacity in the West, which he said was "underway".

Jonathan Cobb of the World Nuclear Association acknowledged that tripling capacity by 2050 would not be easy. "That is exactly why the pledge was necessary," he said. "The governments are looking at the role they need to play in achieving that. It won't just happen by business as usual."

Top News - Dry Freight

Suez Canal traffic uninterrupted after ship suffers fault - canal authority

A container ship collided with a floating bridge in the eastern lane of the Suez Canal on Wednesday but the passage of ships through the waterway was not interrupted, the Suez Canal Authority (SCA) said.

Tugboats helped the One Orpheus after it suffered a fault with its rudder while transiting the canal on its way from Singapore to the Netherlands, the authority said in a statement.

The incident occurred in the eastern lane of the middle section of the canal, built as an expansion that was completed in 2015.

Convoys of ships coming from the south were diverted along the original branch of the canal, and the One Orpheus along with six ships behind it resumed their journeys after the faulty rudder was repaired, the canal authority said.

The Suez Canal is one of the world's most heavily used shipping lanes and an important source of foreign currency for Egypt.

Works are currently under way to expand the southern, single-lane section of the canal, after a giant container ship ran aground there in 2021, blocking traffic through the waterway for six days.

Brazil 2023 soy, corn exports to be record despite Amazonian drought – Anec

Brazilian grain traders will export record volumes of both soybeans and corn in 2023, according to projections released on Wednesday by trade group Anec that reflect a bumper crop and strong demand from China.

Brazilian corn exports are expected to reach 55.95 million metric tons in 2023, a 25% increase from last year's level, which was already a record, despite logistics problems caused by a severe drought that slowed grain traffic through Brazil's northern routes in the fourth quarter.

Anec, which represents global grains traders operating in Brazil, also predicted soybean exports will reach an unprecedented 101.2 million tons, up some 30% from 2022 and almost 17% higher than 2021's previous export record of 86.6 million tons.

"For the first time, a simultaneous record was broken for both soybean and corn shipments," Anec director Sergio Mendes said in a statement to Reuters. "The expectation is that we will close this year surpassing previous records for these grains by 25 million tons, with 14 million tons more for soybeans and 11 million tons more for corn."

Mendes admitted that the drought hitting Amazon rivers caused some setbacks.

Anec said, however, it was not possible to quantify the extent of the problem as shipping volumes held steady throughout the year, including when the drought lowered river levels in the north.

Navigation on some Amazon river tributaries, often tricky in the dry season, become especially difficult this year, threatening northern export routes that spurred Brazil's export competitiveness over recent years.

On the Madeira River, for example, the government said in October barge routes between Porto Velho and Itacoatiara, where firms as privately owned Amaggi operate, were functional but barge loads had to be reduced as a precautionary measure.

Similarly on the Tapajos, barge traffic was disrupted for a time, leading Brazilian grain exporters to divert a small number of export cargos to southern port terminals, Anec said at the time.

Picture of the Day

Electrical power pylons of high-tension electricity and wind turbines are pictured in a field near Sint-Pieters-Leeuw, Belgium, December 6. REUTERS/Yves Herman

(Inside Commodities is compiled by Archak Sengupta in Bengaluru)

For questions or comments about this report, contact: **commodity.briefs@thomsonreuters.com**

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