

The Commodities Feed: China macro data disappoints

The complex came under some pressure due to USD strength yesterday, and renewed concerns over the Chinese economy certainly won't help



Energy - Chinese refiners increase run rates

The oil market traded in a fairly choppy manner yesterday, with ICE Brent trading in a little more than the US\$1.20/bbl range. China concerns and a stronger USD ensured some downward pressure not just for oil, but the broader commodities complex. [Chinese data out this morning](#) is unlikely to help soothe concerns, with both industrial production and retail sales coming in below expectations. Industrial production increased 3.7% YoY in July, compared to expectations of 4.3%, whilst retail sales grew by just 2.5% YoY, well below expectations of 4%.

Oil-specific data from China was more supportive though, with it showing that refiners processed around 14.93MMbbls/d of crude oil in July, up more than 31% YoY and also higher than the 14.89MMbbls/d processed in June. Our numbers suggest that this is the second highest number on record, with a record 14.94MMbbls/d processed in March this year. In addition, apparent oil demand came in at about 14.76MMbbls/d, up more than 35% YoY, but less than 1% lower MoM. The numbers also suggest that China drew down crude oil inventories by a little more than

500Mbbbls/d over July, this is after fairly strong builds in both May and June.

Shell finally resumed crude oil exports from the Forcados terminal in Nigeria on Sunday. Operations at the terminal were suspended for a little over a month following the discovery of leaks. The terminal had been scheduled to ship in the region of 220Mbbbls/d in recent months. The resumption of these flows will do little to help the tightness in the medium sour crude market, given that Forcados crude is a medium sweet crude.

There is some optimism that a deal between the US and Iran on the release of 4 US citizens from an Iranian prison and the expected unfreezing of Iranian funds overseas could potentially lead to some progress with the Iranian nuclear deal. The failure to reach a nuclear deal on a number of occasions in recent years leaves us reluctant to assume a significant increase in Iranian oil supply. Even with current sanctions, Iran has increased supply from an average of around 2.5MMbbbls/d in 2022 to a little more than 2.8MMbbbls/d in July 2023. Prior to the re-implementation of US sanctions, Iran was producing in the region of 3.8MMbbbls/d.

The EIA released its latest drilling productivity report yesterday in which it estimated that US shale oil production will fall by 20Mbbbls/d to 9.415MMbbbls/d in September. The slowdown shouldn't come as too much of a surprise given the decline in drilling activity for much of this year. Meanwhile, the number of drilled but uncompleted wells (DUCs) fell by 5 over July to 4,787- the lowest number since April 2014. Whilst well completions did increase MoM, drilled wells also fell over the course of the month.

Agriculture – US crop conditions improving

The latest data from Ukraine's Agriculture Ministry shows that grain exports for the season rose 18% YoY to 3.12mt as of 14 August. These shipments include 1.48mt (-16% YoY) of corn, and 1.25mt of wheat exports, which almost doubled from last year. Ukraine's grain exports in 2023/24 are expected to reach 48mt, comprising 22mt of corn and 15mt of wheat.

The latest crop progress report from the USDA shows that US crop conditions continue to improve. 59% of US corn is rated in good to excellent condition, up from 57% both last week and year ago levels. For soybeans 59% of the crop is also rated good to excellent, up from 54% last week, and higher than the 58% seen at the same stage last year. Spring wheat conditions are still lagging last year, with 42% of the crop rated good to excellent, down from 64% at the same stage last year. As for harvest progress, 92% of winter wheat area has been harvested, up from 89% at the same stage last year and in line with the 5-year average. 24% of spring wheat area has been harvested, higher than the 15% seen at the same stage last year, but still lagging the 5-year average of 28%.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.