

The Commodities Feed: Disappointing China trade data weighs on sentiment

Trade data from China was broadly on the soft side for July, reflecting a demand slowdown for commodities. China's crude oil, copper and iron ore imports softened as economic and industrial activity slowed. Imports of soybeans remain firm on much higher 'crushing' demand



Demand for crude oil has fallen sharply in China. Pictured: a tanker at an oil terminal in Shandong province

Energy: China's crude oil imports slow

ICE Brent slipped from highs yesterday and has been trading weak in the morning session today as the focus shifts back to demand-side scenarios. The latest trade data from China shows that crude oil imports in the country fell 19% MoM to 43.7mt (10.3MMbbls/d) in July on lower domestic demand amid higher inventories. That said, oil imports are still 17% higher compared to last year's low base when the nation was struggling with the Covid outbreaks and extensive lockdowns. China's crude imports have increased by 12.5% YoY to 326mt for the first seven months of the year.

For refined products, fuel exports from the country increased 56% YoY to 5.3mt in July 2023, as China tries to compensate for weaker domestic consumption, particularly industrial demand for diesel. YTD exports of refined products have increased 46% YoY to 36.6mt over the first seven months of the year. Concerns over supply constraints on Russian refined products might continue

to support demand for Chinese fuel products in the near term.

□ Metals: China's gold reserves increase further

China continued to increase its gold reserves for the ninth straight month in July, according to official data. The People's Bank of China raised its gold reserves by about 23t to a total of 2,137t last month. China added around 188t of gold in its gold-buying spree that started in November. Given the uncertain geopolitical environment, it is likely that central banks will continue to add to their gold holdings in the coming months.

China released its preliminary trade data for metals this morning, which shows total monthly imports for unwrought copper fell 2.7% YoY to 451kt in July, indicating persistent weak demand from the property and construction sector. Cumulatively, unwrought copper imports fell 10.7% YoY to 3mt over the first seven months of the year. In contrast, imports of copper concentrate rose 3.9% YoY to 1.98mt last month, while year-to-date imports rose 7.4% YoY to 15.4mt during Jan 23-Jul 23. In ferrous metals, iron ore monthly imports rose 2.4% YoY to 93.5mt. However, that's down from the 95.5mt (-2% MoM) imported in June. Cumulatively imports gained 6.8% YoY to 670mt over the first seven months of the year.

On the exports side, China's unwrought aluminium and aluminium products shipments fell 25% YoY to 490kt last month, while Year-to-Date exports declined 20.8% YoY to 3.3mt over the first seven months of the year. Exports of steel products jumped 27.9% YoY to 50.9mt during Jan 23-Jul 23.

□ Agriculture: US crop ratings start to improve

The USDA's latest weekly crop progress report rated 57% of the corn crop to be in a good-to-excellent condition as of 6 August, compared to 55% last week and 58% reported last year; the market was expecting 56% of the crop to be rated in good-to-excellent condition. As for soybeans, the agency rated 54% of the crop as good-to-excellent, higher than 52% from a week ago. However, that's lower than the 59% reported a year ago. It was in line with the average market expectations of 54%. For wheat, the USDA data showed that 87% of the winter wheat crop was harvested as of 6 August, compared to 80% from a week ago and 85% at the same stage last season. The market was expecting the harvest to reach 88%.

Trade data from the Chinese Customs released this morning show that China's soybean imports rose 23.4% YoY to 9.7mt in July as domestic crushers ramped up the purchases to take advantage of higher supplies by Brazil. Cumulative imports rose 15% YoY to 62.3mt over the first seven months of the year.

The USDA's weekly export inspection data for the week ending 03 August shows weakening demand for US grains. The USDA's export inspections of corn stood at 377kt in the above-mentioned period, lower from 538kt in the previous week and 556kt reported a year ago. Similarly, US soybean export inspections stood at 282kt, lower compared to 334kt from a week ago and 871kt from a year ago. For wheat, US export inspections fell to 275kt, compared to 585kt from a week ago and 636kt reported a year ago.

Authors

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.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 <http://www.ing.com>.