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Asia

China Commodities Trade Data

China's Role as Refiner of Raw Materials Expands Further

- **September saw a continuation of China increasingly importing raw commodities and refining them domestically to supply both domestic and export markets.** We see this with strong crude oil imports and refined product exports; bauxite and alumina imports vs. aluminium production and net exports; and copper concentrate imports vs. cathode production and net imports.
- **Wheat imports surged to the highest level since 2005.** A strong US harvest combined with a weak Chinese harvest has created the perfect storm for Chinese wheat imports, with prices reflecting these developments as well.
- **Kerosene net exports rose sharply while China returned to be a net fuel oil importer.** Gasoline exports fell back from last month's high.
- **Bauxite, alumina, and copper concentrate imports all rose strongly.** The increases reflect growing domestic smelting capacity as Chinese smelters expand their global market share.

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Chinese raw material imports fall while refined production and exports rise

Kerosene net exports rose sharply on a combination of stronger exports and weaker imports. The biggest driver was a surge in exports to the US, which reached a new record, up 141 kt MoM. China returned to its status as a net fuel oil importer, but remains below normal levels. The shift was primarily due to the reversal of significant net exports to Malaysia last month into net imports this month. Gasoline exports fell back from last month's high.

Bauxite imports reached a new record on increased volumes from both Indonesia and Australia, while alumina imports rebounded from low levels. While September aluminium production is not yet available, these numbers suggest strong production (the combined increase in imports is sufficient to support around 300 kt MoM aluminium production growth).

Copper concentrate imports rose strongly (around 70 kt MoM cu contained) on a combination of stronger global mined production and increasing Chinese smelter capacity. Refined imports rose sharply while exports declined as very high Chinese bonded warehouse premiums and a decent import arb continue to attract metal.

Figure 1. Crude oil imports have risen as refined product net imports have fallen, led by fuel oil...

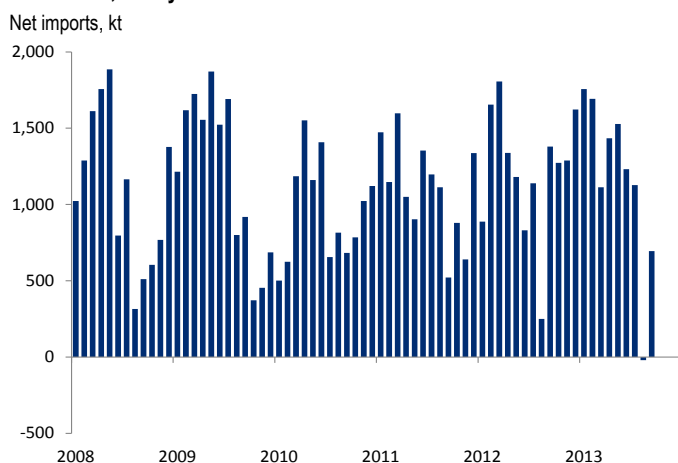


Figure 2. ...and kerosene

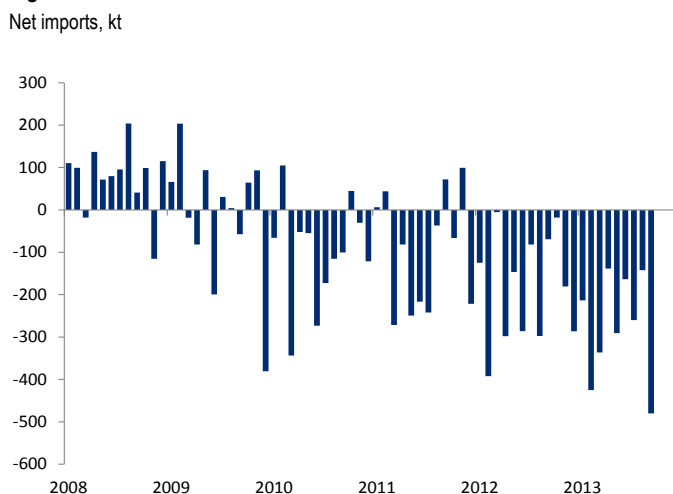


Figure 3. Bauxite and alumina imports rising to support rapid aluminium production growth

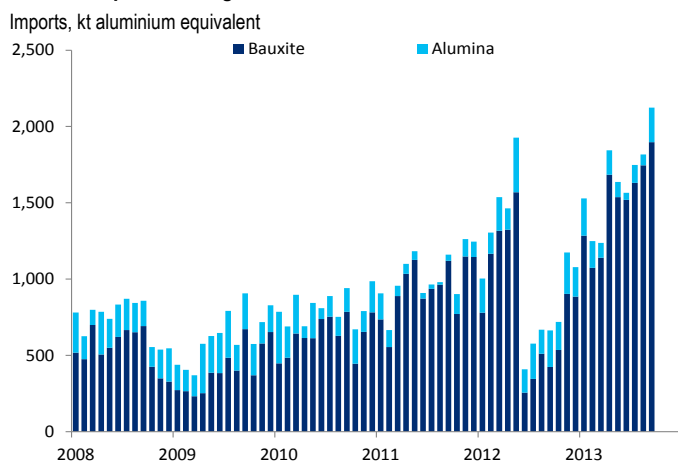
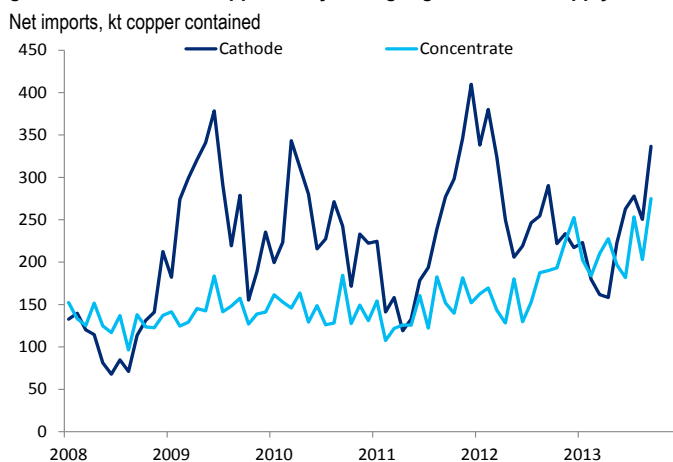


Figure 4. Copper conc imports rising as Chinese smelters increase global market share, supported by stronger global mined supply



Wheat imports surge to record on weak Chinese crop and strong US harvest

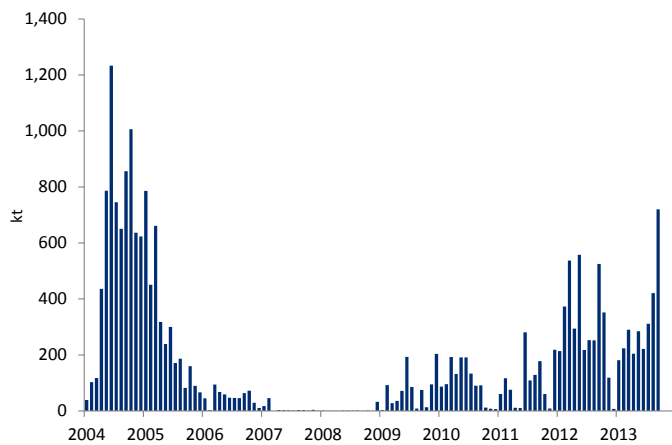
Chinese wheat imports rose to their highest level since 2005, up 298 kt (71%) MoM and 195 kt (37%) YoY.

China's wheat crop has suffered from frost in the growing period and excessive precipitation during harvest, with losses potentially totaling 20 Mt – 16% of national production. Moreover, an ongoing drought in Henan is affecting the new crop, with a projected loss of 3 Mt in that province. At the same time, the US has experienced its strongest harvest in four years.

As a result, Chinese prices have risen throughout the year as US prices have fallen, leading to a very strong and rising import arb. This has changed somewhat over the past month though, as Chinese prices have flatlined as international prices have risen, boosted by strong export sales (particularly to China). However, the arb remains over 300 US\$/bu even accounting for freight.

Moreover, according to the China National Grain and Oils Information Centre (CNGOIC), China has purchased more than 6 Mt of wheat from the US and Australia, with less than half recorded in YTD import numbers.

Figure 5. Wheat imports surged to the highest level since 2005 on a strong US crop and weak Chinese crop



Source: China Customs, Citi Research

Figure 6. The import arb has risen sharply on rising Chinese prices and falling US prices, though this has reversed in recent weeks



Source: Bloomberg, Citi Research

Figure 7. Chinese Commodity Trade Volumes – Second of Two Monthly Releases

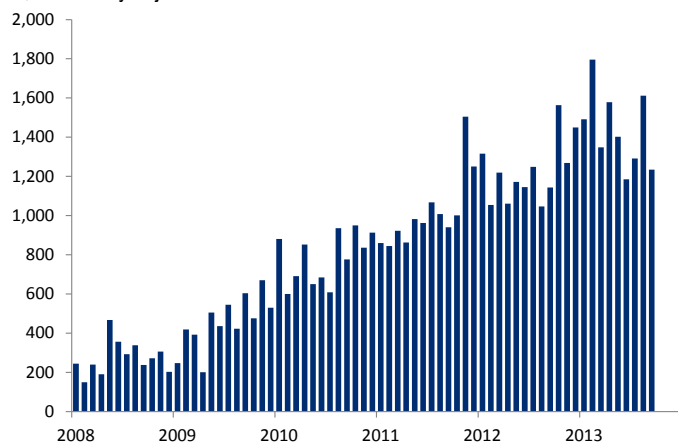
		Sep-13	Aug-13	Jul-13	MoM (sa)	YoY	YTD YoY
Imports							
Refined copper	kt	347	263	297	13.6%	16.4%	-15.4%
Copper concentrate	kt	1,018	752	939	29.2%	44.6%	34.0%
Alumina	kt	451	144	234	153.6%	-6.0%	-33.4%
Bauxite	kt	7,591	6,981	6,524	-16.7%	347.1%	75.6%
Nickel ore	kt	6,681	5,258	6,553	27.0%	7.2%	9.8%
Refined zinc	kt	60	52	28	7.3%	-17.4%	10.1%
Total coal	Mt	22.3	22.3	22.8	-5.9%	50.0%	18.2%
Thermal coal	Mt	15.0	16.0	16.9	-9.1%	20.9%	9.3%
Coking coal	kt	7,252	6,290	5,878	-2.4%	199.6%	49.6%
Fuel oil	kt	1,418	1,170	1,865	30.3%	-39.3%	-0.4%
Kerosene	kt	411	539	532	-26.7%	-11.4%	15.1%
LNG	kt	1,517	1,690	1,347	-23.5%	10.0%	23.1%
Wheat	kt	720	421	311	71.0%	37.1%	-11.3%
Corn	kt	1.6	10.7	72.7	-84.9%	-99.6%	-60.9%
Cotton	kt	201	276	338	-23.6%	-23.4%	-19.9%
Sugar	kt	592	566	500	4.5%	1.1%	-2.9%
Exports							
Refined copper	kt	10.8	12.6	19.5	-61.4%	34.2%	7.5%
Gasoline	kt	430	530	313	-29.9%	49.4%	76.3%
Kerosene	kt	891	681	792	39.9%	67.2%	24.2%
Fuel oil	kt	723	1,190	738	-31.1%	-24.4%	-2.2%
Net Imports							
Refined copper	kt	336.6	250.3	278.0	21.3%	15.9%	-17.4%
Fuel oil	kt	695	-20	1,127	230.5%	-49.6%	0.9%
Net Exports							
Kerosene	kt	480	142	260	255.1%	595.1%	44.0%

Source: China Customs, Citi Research

Note: Data are non-seasonally adjusted, except as noted

Figure 8. LNG Imports

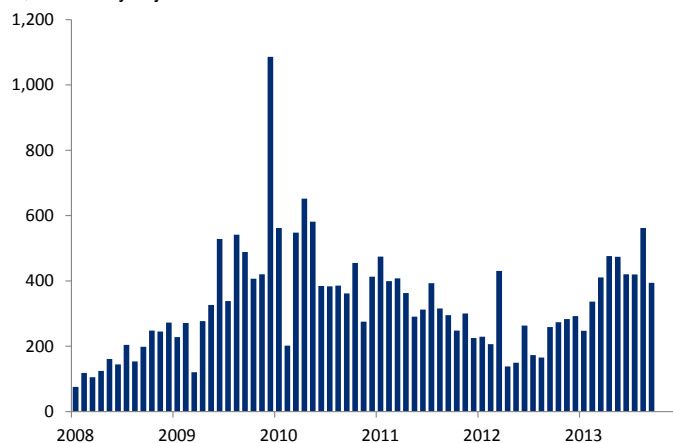
kt, seasonally adjusted



Source: China Customs, Citi Research

Figure 9. Gasoline Exports

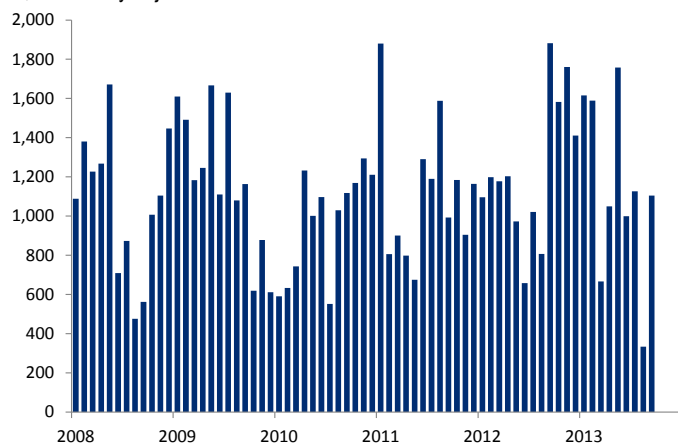
kt, seasonally adjusted



Source: China Customs, Citi Research

Figure 10. Fuel Oil Net Imports

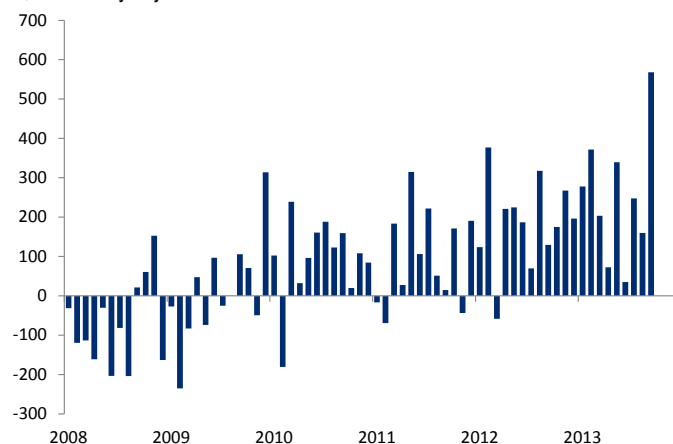
kt, seasonally adjusted



Source: China Customs, Citi Research

Figure 11. Kerosene Net Exports

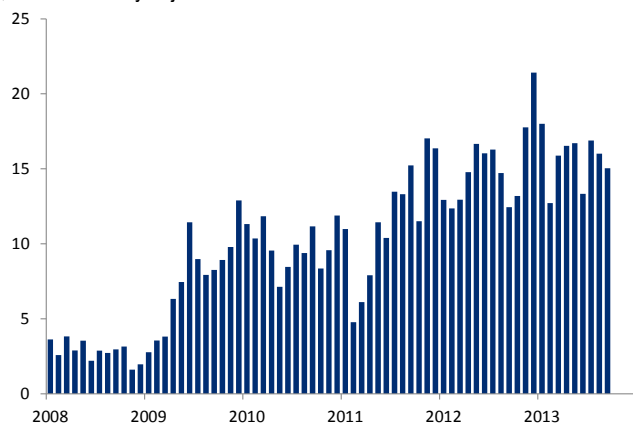
kt, seasonally adjusted



Source: China Customs, Citi Research

Figure 12. Thermal Coal Imports

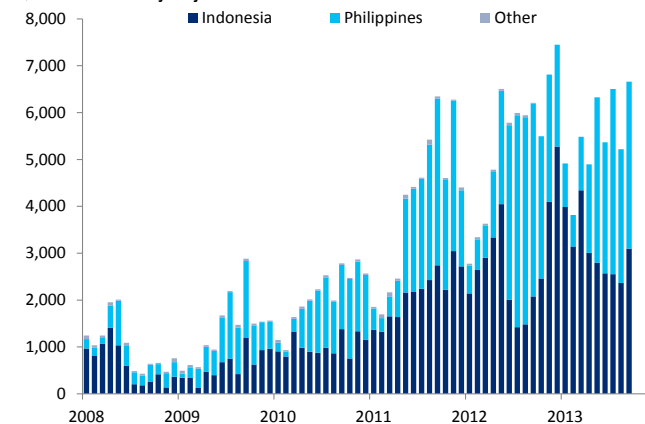
Mt, non-seasonally adjusted



Source: China Customs, Citi Research

Figure 13. Nickel Ore Imports

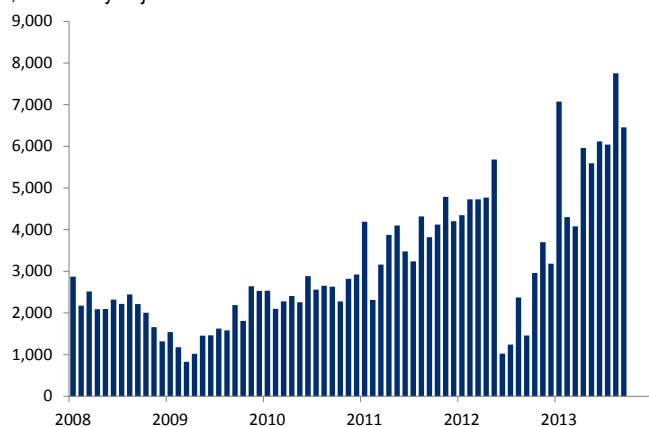
kt, non-seasonally adjusted



Source: China Customs, Citi Research

Figure 14. Bauxite Imports

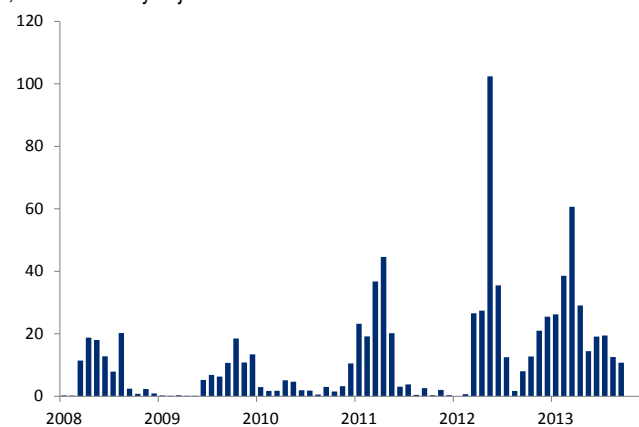
kt, seasonally adjusted



Source: China Customs, Citi Research

Figure 15. Refined Copper Exports

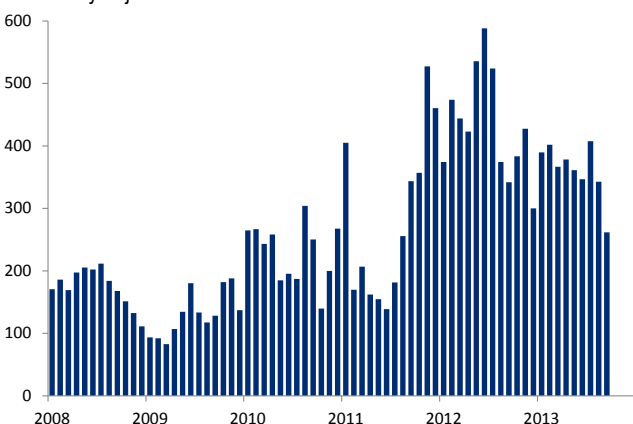
kt, non-seasonally adjusted



Source: China Customs, Citi Research

Figure 16. Cotton Imports

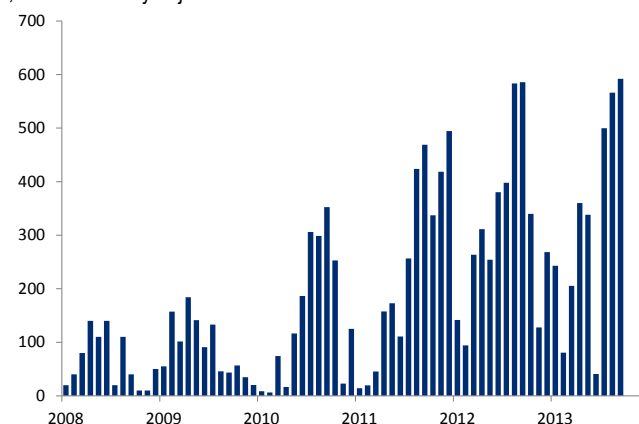
kt, seasonally adjusted



Source: China Customs, Citi Research

Figure 17. Sugar Imports

kt, non-seasonally adjusted



Source: China Customs, Citi Research

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