

Oil prices tumble as economic activity slowed in China

Oil prices fell on Monday, dropping for a third session, after official data showed that refining throughput and economic activity slowed in China in an indication that COVID-19 outbreaks are crimping the world's second-largest economy.

Chinese factory output and retail sales growth slowed sharply in July, data showed, missing expectations as flooding and fresh outbreaks of COVID-19 disrupted business activity.

China's crude oil processing last month also fell to the lowest level daily since May 2020 as independent refiners cut production in the face of tighter quotas, elevated inventories and falling profits. China is the world's biggest oil importer.

"(Concerns) about the spread of the Delta variant in China and the effects this will have on oil demand are continuing to weigh on prices," Commerzbank said in a note.

Doubts about the speed of economic recovery were also heightened after U.S. consumer sentiment dropped sharply in early August to its lowest in a decade, a University of Michigan survey showed late last week.

The International Energy Agency (IEA) last week said that rising demand for crude oil reversed course in July and was expected to increase at a slower rate over the rest of 2021 because of surging COVID-19 infections from the Delta variant.

"Independent plants were facing tighter feedstock supplies and weakening margins. Some took to overhauls, other cut processing," said Zhou Mi, analyst at Chinese commodities consultancy JLC.

These plants, sometimes known as teapots, operated crude processing capacity at 64.4% in July, down almost 14 percentage points from July 2020, according to JLC.

Throughput could take a further hit this month as a resurgence of coronavirus case in more than a dozen provinces is set to curb mobility.

"It's going to dampen refined fuel sales, we're trimming August from previous months," said an official with a north China-based refinery.

Source: Investing.com