

INDIA'S THIRST FOR GASOLINE HELPS SPUR GLOBAL OIL DEMAND

LONDON: India's gasoline consumption is surging and has become one of the fastest-growing components of global oil demand. With other parts of the global economy struggling, continued growth in gasoline consumption in India, together with the United States and China, has become one of the most important indicators for global oil prices.

Saudi Arabia and other members of the Organization of the Petroleum Exporting Countries are relying on India's continued consumption growth to help absorb excess crude supply and rebalance the oil market in 2016/17. India's drivers used 500,000 barrels per day of motor spirit in the 12

months ending in February 2016, according to the Petroleum Planning and Analysis Cell of the Ministry of Petroleum.

Gasoline consumption rose by more than 60,000 bpd in 2015 compared with an increase of 240,000 bpd in the (much larger) US market. Gasoline still accounts for a relatively small share, about 12 percent, of refined petroleum products consumed in India. The corresponding figure for the United States is 47 percent.

But gasoline consumption has been growing much faster than petroleum demand as a whole as the country becomes more affluent and the expanding urban middle class become car owners.

Gasoline consumption has grown at a compound annual rate of 11 percent over the last five years compared with 5 percent for other products.

Gasoline consumption growth surged to around 14 percent over the last year compared with 9 percent for other products. Gasoline consumption has doubled since the start of 2009 and quadrupled since 1999, according to India's Central Statistics Office.

India's growing number of drivers provided the third-largest increase in gasoline consumption anywhere in the world last year after the United States and China.

The Ministry of Petroleum predicts

gasoline consumption will increase further to almost 800,000 bpd by 2021/2022. Since actual consumption is already running ahead of the five-year plan the eventual outturn could be higher.

Sales of passenger cars and utility vehicles are expected to grow by as much as 12 percent in 2016/17 up from 6 percent in 2015/16, which translates to around 230,000 new vehicles hitting the roads every month. The government plans to spend around \$14 billion in the next fiscal year upgrading the country's road network ("India in the driver's seat as fuel demand roars at fastest rate ever", Reuters, March 17). — Reuters

OIL HITS 2016 HIGH ABOVE \$42 ON DEMAND OUTLOOK

BRENT PRICE SET FOR 4TH CONSECUTIVE WEEKLY INCREASE

LONDON: Oil rose above \$42 a barrel yesterday, hitting its highest this year and extending a rally into a fourth week on expectations of a production freeze by major exporters, stronger seasonal demand and dollar weakness.

Brent crude's front-month contract was

up 77 cents at \$42.31 a barrel by 1239 GMT, having touched a 2016 high of \$42.40. US crude gained 84 cents to \$41.04 a barrel after rising as high as \$41.13. The benchmark had jumped by 4.5 percent to close the previous session at \$40.20.

Oil prices have surged by more than 50 percent from 12-year lows reached in December, bolstered as the Organization of the Petroleum Exporting Countries (OPEC) floated the idea of a production freeze, boosting Brent from about \$27 and U.S. crude from around \$26.

Many analysts think there is still steam in the rally. "We are leaving the period of low demand and starting to move toward the period when demand increases over the summer," said Olivier Jakob, oil market analyst at Petromatrix at Zug in Switzerland. He added that the massive oil glut that had helped to hammer prices last year at last appears to be stabilising. "We're moving towards looking at an old surplus, rather than a new one being built up," he said, adding that it is likely that Brent will stabilise around the mid-\$40s.

Crude inventories in the United States increased by 1.3 million barrels in the week to March 11, to a record high of 523.2 million barrels, though that was a much smaller build than the 3.4 million barrels expected by analysts, the Energy Information Administration said on Wednesday. — Reuters

FRENCH WHEAT EXPORTERS TO LOSE OUT EVEN AS EGYPT TRIES TO SETTLE FUNGUS DISPUTE

PARIS: Even if Egypt can end a policy dispute over wheat imports soon, it will be too little, too late for French exporters struggling to offload stocks after a disappointing marketing year that highlighted the country's reliance on North Africa. The European Union's biggest wheat grower, which usually sells about half of its production abroad, is having trouble clearing a record 2015 harvest, which is forecast to lead to its biggest end-of-season stockpile in 17 years.

Exports have gathered pace since the middle of the July-June season, in keeping with the tempo of recent years that has seen France start the export campaign slowly compared with cheaper Black Sea origins. But the on-off trade with Egypt, the world's top wheat importer, since late December capped French sales during its peak export period - leaving little time for exporters to find alternative destinations in a well-supplied world market.

Forecasters currently see French soft wheat exports outside the EU in 2015/16 falling below last season's 11.4 million tons, despite the fact the record harvest yielded an extra 3 million tons to sell this marketing year.

"The fact is France will struggle now to go beyond 11 million tons in exports," Alexandre Boy of consultancy Agritel said. "Exports should have been stronger at the start of the season to avoid being caught out at the end."

French wheat has continued to pick up some sales to Egypt, including 120,000 tons booked on Wednesday by government buyer GASC. But few traders are offering French supplies after the rejection in December of a cargo of French wheat sparked a row over what policy was applied for grain fungus ergot.

Signs that Egypt is moving back towards an internationally recognised ergot standard were seen as too late.

"If they (GASC) get back to normal import tenders, it's going to be towards the end of the season when their local harvest is in full swing," one French trader said of Egypt.

Consultancy Strategie Grains on Thursday cut its forecast for French sales to Egypt this season by a quarter to 750,000 tons, reflecting widespread sentiment that France is unlikely to sell much more than the 600,000 tons booked so far. A recent run of sales to Morocco and some deals to Asia have bolstered French exports. But exporters say France needs to sell more earlier in the season, even if this means offloading grain at lower prices to vie with Black Sea suppliers.

"We tend to step on the gas from January. That's fine when we have 11 million tons to export but when there's 15 million tons to clear it's too late," Pierre Duclos of trading firm Lecureur told the annual conference of grain lobby France Export Cereales on Wednesday.

Egypt's GASC typically makes about half of its purchases in the first three months of the marketing year and three-quarters during the first six months, France Export Cereales said.

Traders say French exports this season have been hampered by farmers' reluctance to sell grain as prices have fallen, allowing other EU suppliers such as Poland and the Baltic countries to win market share in Algeria.

Moderate French wheat quality, meanwhile, has encouraged key clients like Morocco to take more wheat from elsewhere. The French wheat sector is trying to reverse a decline in protein content, a key standard for millers. But it also needs to work on reducing moisture levels, which have prevented it from accessing Egypt's private sector that imports as much as GASC, France Export Cereales said. — Reuters

OPEC BASKET PRICE UP 86 CENTS TO \$36.36PB

VIENNA: OPEC daily basket price rose on Thursday by 86 cents and stood at \$ 36.36 a barrel compared with \$33.50 pb the previous day, said a statement by the organization yesterday.

The annual average of the OPEC basket price hit \$49.64 pb, it added. The new OPEC Reference Basket of Crudes (ORB) is made up of the following: Saharan Blend (Algeria), Girassol (Angola), Oriente (Ecuador), Iran Heavy (Islamic Republic of Iran), Basra Light (Iraq), Kuwait Export (Kuwait), Es Sider (Libya), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (UAE) and Merey

(Venezuela). Kuwait oil price rose \$2.03 to \$34.38 per barrel on Thursday against \$32.35 pb on Wednesday, Kuwait Petroleum Corporation (KPC) said yesterday. In international markets, American crude forwards reached high levels for the fifth week in a row, due to mounting optimism that major producers will work out a new deal to freeze output, while the prices moved up due to low interest.

The American crude rose three cents reaching \$40.32pb. Meanwhile, the Brent Blend nearest contracts also climbed to \$41.56pb, as the Brent price reached \$41.54 pb, rising by \$1.21. — KUNA



JAKARTA: A train passes through a suburban market on the outskirts of Jakarta. Indonesia's central bank on March 17 cut its key interest rate for the third straight month, encouraged by lower inflation and a stronger currency in Southeast Asia's top economy. — AFP