

Vehicle, industrial activity to drive oil demand in 2023

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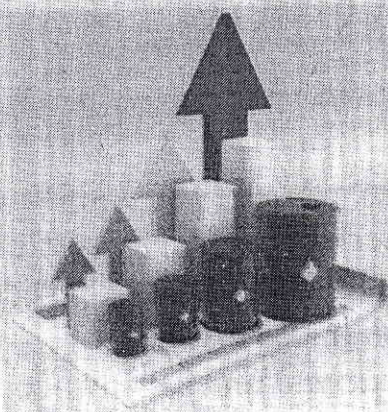
New Delhi

India's rising industrial and construction activity, coupled with a growing demand for auto fuels from the logistics, travel and tourism sectors, is likely to further propel oil demand in 2023.

"Overall, India's oil demand is expected to grow by 246,000 barrels per day (b/d) in 2023, revised higher by 14,000 b/d from last month due to robust gasoil/ gasoline demand being reported," S&P Global Commodity Insights Oil Analyst Wang Zhuwei said.

However, the delay in the start of HPCL-Mittal Energy's 1.2 million tonnes per annum (mtpa) naphtha-fed steam cracker at the Bathinda refinery in northern Punjab is likely to pull down naphtha supply, he added.

"Middle distillates, gasoil, and kerosene/jet fuel combined will account for 65 per cent of the demand growth, with gasoline and naphtha both contributing. Oil demand is holding up quite well and should continue rising, supported by solid economic growth with more focus on industrial and construction activity; however, the third quarter (July-September) is expected to see a seasonal dip



due to monsoon," Zhuwei added.

India's oil demand in 2023 is expected to be 7 per cent higher than in 2019, and this may be about 11 per cent higher in 2024, he projected.

Moreover, gasoline demand rebounded beyond pre-Covid levels in 2021 and is expected to be about 24 per cent higher in 2023 than in 2019. Gasoil demand is expected to be nearly 9 per cent above pre-Covid levels this year, but kerosene/jet fuel demand will remain about 20 per cent lower than 2019 levels.

RAINS SKEW DEMAND

India's demand for oil products fell by 40,000 b/d month-on-month (m-o-m) in June, mainly due to a drop in demand for naphtha and transportation fuels with the onset of monsoon, S&P Global Commodity Insights said.

Demand for transportation fuels also fell m-o-m in June following a high base achieved in May. Year-on-year (y-o-y), the demand was up by 187,000 b/d, or 4 per cent, it added.

PPAC data show that diesel demand dropped by 1 per cent m-o-m, but remained 3 per cent compared to a year ago, and 6 per cent higher than in June 2019.

"Demand growth for gasoil since March 2023 can be attributed to several factors, including a rise in construction, industrial, and agricultural activities, as well as the need for power generation and industrial purposes," Zhuwei added.

In June, kerosene/ jet fuel demand remained the same as in May, at 183,000 b/d. According to AirNav Radar Box, the number of domestic flights in June were 4 percentage points lower than in the previous month, but up by 3 percentage points on the year.

International travel was 2 per cent less than in May, but 21 per cent higher than in the previous year. Despite the summer travel demand, the pickup in jet fuel demand remains slower than expected. Flight data for early July also points to similar numbers m-o-m for both domestic and international sectors, he said.