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Oil slips after OPEC keeps output high

NEW YORK (Reuters) – Oil fell by up to 1 per cent yesterday on a slump in Chinese demand and worries that OPEC's decision to pump without restraint could prolong the current supply glut, although a weaker dollar limited losses.

China, the top net oil importer in the world, bought about a quarter less crude oil in May than it did in April, official data showed yesterday. In the oil products category, imports fell by more than 6 percent, against a 10 per cent drop in exports.

Traders said refineries in China used more crude from stockpiles last month, leading to lower imports. A higher number of processing plants for crude were also offline for maintenance, leading to the drag on demand, some said.

But others said the 26 per cent month-on-month drop in crude imports, based on May's arrival of 5.47 million barrels per day, was still an anomaly.

"A 4-6 per cent drop is acceptable for refinery maintenance season in China, but 20 per cent or more is a sign of demand collapse," said Bob Yawger, director of energy futures at Mizuho Securities USA.

Phil Flynn, an analyst at Chicago-based Price Futures Group, said a continuous slump in Chinese demand could be a "game changer" for oil bulls determined to see Brent futures at above $65 a barrel and US crude futures at above $60 a barrel.