

Crude Oil Falls After U.S. Retail Sales Unexpectedly Decline

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By Mark Shenk

April 14 (Bloomberg) -- Crude oil fell after a report showed that retail sales in the U.S., the world's biggest energy-consuming country, unexpectedly declined in March.

The oil market retreated after the Commerce Department reported that sales dropped 1.1 percent. Prices paid to U.S. producers unexpectedly decreased in March after two months of gains, indicating the recession is keeping inflation under control, a Labor Department report showed.

"The oil market is going to be driven by the economy," said Bill O'Grady, chief markets strategist at Confluence Investment Management in St. Louis. "Both the retail sales numbers and the PPI point to continued weakness."

Crude oil for May delivery fell 23 cents, or 0.5 percent, to \$49.82 a barrel at 11:10 a.m. on the New York Mercantile Exchange. It rose as much as 2.1 percent before release of the retail sales number.

"While oil prices were buoyed by recent equity market rallies, the market still has to contend with bearish fundamentals," said Harry Tchilinguirian, senior oil market analyst at BNP Paribas SA in London. "The downward revision in the IEA's demand forecast still points to weakness ahead."

An Energy Department report tomorrow may show oil supplies rose 2 million barrels last week, according to the median of 11 responses in a Bloomberg News survey. Stockpiles in the week ended April 3 were the highest since July 1993 as refiners shut units for maintenance and producers outside the Organization of Petroleum Exporting Countries increase shipments.

Gasoline stockpiles probably dropped 750,000 barrels from 217.4 million the prior week, according to the survey. Eight analysts forecast a decline and two said there was an increase.

Falling Demand

Global oil demand will average 84.09 million barrels a day this year, according to the Energy Department's Short-Term Energy and Summer Fuels Outlook, released today. That's 180,000 barrels lower than a forecast in March. The estimate is down 1.36 million barrels a day, or 1.6 percent, from demand in 2008.

“There may be a fundamental change in consumption,” said Joseph Tatusko, who manages \$720 million at Westport Resources in Westport, Connecticut. “Even when the economy recovers, demand could lag. People’s habits are likely to change.”

World consumption will decline 2.4 million barrels a day to 83.4 million this year, according to an International Energy Agency report on April 10.

As OPEC nations make their biggest cuts in oil production on record, Brazil, Russia and the U.S. are pumping more. U.S. imports from Brazil more than doubled to 397,000 barrels a day and Russia’s shipments increased almost 10-fold to 157,000, a trend that continued in February and March, according to data from each country.

Brent crude oil for May settlement rose 22 cents, or 0.4 percent, to \$52.36 a barrel on London’s ICE Futures Europe exchange.

--With reporting by Grant Smith in London. Editors: Joe Link, Richard Stubbe