



RLA Weekly Report – Friday, 15 December 2023

No. 71

LPG Imports to China Fell in October : Negative PDH Margins

Economy

- The U.S. economy's third-quarter growth was revised upwards to a 5.2% annualized rate, exceeding the previously reported preliminary estimate of 4.9%. This marked the fastest expansion since fourth quarter 2021. The annual inflation rate in the US slowed to 3.1% in November 2023, the lowest reading in five months, from 3.2% in October and in line with market forecasts.
- On Wednesday, 13 October, the Federal Reserve decided to keep interest rates unchanged, keeping it in the range of 5.25%-5.5%. Jerome Powell, the head of the U.S. central bank, indicated that the significant tightening of monetary policy, a historical move, is probably finished. This decision comes as inflation is decreasing more rapidly than initially anticipated.

Oil

- In recent months, the Atlantic crude tanker market has experienced a substantial increase in supply and is projected to increase further. Brazil, a key player in this surge, anticipates robust growth in crude production, aiming to reach for 3.8 million b/d by 2024 through incremental increases of 380,000 b/d in 2023 and an additional 300,000 b/d in 2024. The latest data indicates that the expansion is further supported by a rise in third quarter crude exports, averaging 1.8 million b/d, with notable contributions from the US, Guyana, and Venezuela. This collective boost in supply underscores the dynamic developments shaping the Atlantic crude market.
- According to the latest data, Opec+ market share remains at only 51% of global oil production, the lowest since 2016, mainly due to slowing demand growth and surging US output. Despite production cuts to support oil prices, Opec+ struggles as prices linger below \$75/bbl, down from nearly \$100/bbl in September. The global oil demand growth this quarter is projected to remain slow, attributing to macroeconomic factors like higher interest rates and a weakened rebound from COVID-induced lows, projecting a nearly 400,000 b/d lower demand compared to the previous month's forecast.

Tanker Freight Rates on Key Routes

Route No.	TC6	TC2_37	TC14	TC8	TC20	TD1	TD3C	TD6	TD9	TD18	TD20
Description	30 kt Clean Algeria to Euro Med	37 kt Cont to USAC	38 kt USG to Cont	65 kt Clean MEG to UKC	90 kt MEG to UKC	280 kt MEG to USG	270 kt Ras Tanura to China	135 kt BSea to Med	70kt Caribs to US Gulf	30 kt Baltic to UKC	130 kt WAF to Cont
Size mt	30000	37000	38000	65000	90000	280000	270000	135000	70000	30000	130000
Route	Skikda to Lavera	Rdam to New	USG to Cont	Jubail to Rdam	Jubail to Rdam	Ras Tanura to	Ras Tanura to	Novo to Augusta	Covenas - Corpus Christi	Baltic to UKC	Offshore Bonny to Rdam
	WS	WS	WS	WS	\$	WS	WS	WS	WS	WS	WS
08/12/2023	264.72	193.75	267.50	43.96	3593750	35.38	65.54	134.85	129.38	302.00	101.59
11/12/2023	263.61	189.50	262.14	44.07	3618750	34.75	62.92	134.00	126.56	304.50	100.45
12/12/2023	264.72	190.00	248.57	45.93	3793750	33.94	60.54	133.00	121.56	305.50	99.45
13/12/2023	265.56	192.50	222.86	46.37	3937500	32.63	56.58	132.50	122.50	305.50	98.18
14/12/2023	265.00	197.00	214.29	48.35	4156250	32.06	55.92	131.50	127.50	306.00	97.18

Source: Baltic Exchange

LPG

- The negative margins at Chinese PDH plants have caused a reduction in spot purchases followed by a fall in overall LPG imports in October. The PDH plants saw a decline in their margins falling to negative \$187/tonne by November. The LPG shipments declined 17% M-o-M in October, however, were 21% higher Y-o-Y. Shipments of propane equalled 2.13 million tonnes in October this year recording a 20% slump M-o-M and that of Butane amounted 487,800 tonnes declining 18% M-o-M. Weakened demand from petrochemical users caused availability for LPG for the domestic refiners which weighed on LPG shipments to China in the month of October.
- Asian importers are reportedly saving eight days on their round-trip voyages by purchasing LPG from East Coast of US rather than the Gulf coast pertaining to the prevailing Panama Canal disruptions. Given the restrictions by ACP, the Panama Canal authority body, US LPG exporters were seen steering the vessels away from Panama Canal. The tightening vessel traffic and high transit auction fees made most of the vessels choose alternate routes through Cape of Good Hope and Seuz Canal adding an additional 14-15 days to voyage. LPG shipowners were recorded paying \$1.3 million in auction to cross the canal by November end from an average of \$400,000 in October this year, with highest bid observed at \$4 million during the same period.

VLGC Spot Freight Rates

\$/tonne			
Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
08/12/2023	120	110	197
11/12/2023	115	110	198
12/12/2023	113	110	202
13/12/2023	111	111	203
14/12/2023	120	111	206

Source: Baltic Exchange

LNG

- The United States added the Arctic LNG 2 project to its sanctions list on November 2, targeting Russia's energy sector production and export capabilities. The Arctic LNG 2 project, managed by Russia's Novatek, focuses on natural gas extraction and the production of liquefied natural gas. LLC Arctic LNG 2, a joint venture of PJSC Novatek, Total Energies consortium, Chinese corporations CNPC and CNOOC, and JAPAN ARCTIC LNG, a consortium of Japanese companies MITSUI and JOGMEC, oversees the project. These sanctions are part of a broader set of punitive measures taken by the United States against Russia in the aftermath of a full-scale invasion of Ukraine in 2022.

LNG Spot Freight Rates

\$/day			
Route No.	BLNG1g	BLNG2g	BLNG3g
Description	Aus-Japan	USG-Cont	USG-Japan
28/11/2023	143791	155391	164807
01/12/2023	142998	160249	166371
05/12/2023	121926	149266	152060
08/12/2023	113975	141328	145141
12/12/2023	111161	140358	144159

Source: Baltic Exchange



Chemicals

- On the Atlantic east bound route, the freight rates eased in the initial week of November after staying heightened during the last week of November. The rates surged up again towards the end of November with contract volumes remaining strong. With a year-end rally seen in CPP market, tonnage for chemical cargoes seems less available pushing the freight rates towards a higher end. Methanol cargoes of 17,000 tonnes to 20,000 tonnes were fixed from Caribbean to Rotterdam around \$60/tonne.



SHORT TERM OUTLOOK – OIL TANKER MARKET

A monthly report covering the next four months and including trends in oil supply, demand and trade, tanker demand and supply, spot, and time charter rates for MRs up to VLCCs, comparisons with FFAs plus the latest news on developments impacting the oil and tanker sectors.

MEDIUM TERM OUTLOOK – OIL TANKER MARKET

Concise analyses of topical issues, consistent market data series and views on future trends in tanker charter rates. The report covers Oil Prices; Economic Developments; Oil Demand and Supply; Trade; Tanker Demand, Supply and Rates. Sent to clients around January, April, July and October each year

SHORT TERM OUTLOOK – VLGC MARKET

A monthly report looking four months ahead at likely trends in the VLGC Spot Market with the latest on key LPG carrier trades, benchmark LPG prices, arbitrage developments, a comparison with FFAs and recent news

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