



## RLA Weekly Report – Monday, 01 May 2023

No.45

### Modest Growth and Fluctuations Ahead for Chinese Oil Demand

It appears that the era of rapid expansion in China's crude oil demand has passed, and it is anticipated that the growth in the medium term will be modest and subject to fluctuations.

#### Economy

- According to the latest data available, the GDP of Italy and France increased by 0.5% and 0.2%, respectively, during the first quarter of 2023 compared to the previous quarter. This growth meets market expectations and shows an improvement from the previous quarter, where France and Italy experienced growth rates of 0.2% and 0.1%. However, in April 2023, the HCOB France Manufacturing PMI fell below market expectations, dropping from 47.3 in March 2023 to 45.5. In contrast, the Germany Composite PMI surpassed market predictions, rising to 53.9 in April 2023 from 52.6 in March 2023.

#### Oil and Tankers

- China's oil demand eased by 417,000 b/d, or 2.7%, between 2022 and 2021. The IEA increased its forecast for Chinese demand growth to 1.16 million b/d in 2023, higher than the December 2022 prediction of 342,000 b/d. Transportation fuels, gasoline, and jet fuel all experienced significant drops as a result of lockdowns that made it difficult for people to travel. They also had an impact on manufacturing, hurting petrochemical demand. As the sole significant organization with a revised projection for 2024, the EIA anticipates a decrease in growth to 400,000 b/d. Basis the above, we anticipate that any forthcoming expansion will be mild and cyclical.
- Contrary to the above, apparent oil demand in China reached 16.3 million b/d, a record high, in March. Demand is expected to remain high in April as crude runs remain high, although exports of transportation fuels are likely to decline. Companies have been stockpiling fuel for increased demand during the spring season, which runs from March to June and resumes in September and October.
- Russia's influence in the Asia-Pacific oil market continues to grow, as a considerable proportion of its crude oil exports are now being directed towards refineries in China and India, where substantial discounts are being offered. Although there was some brief concern over Urals' prices exceeding \$60 per barrel, more countries in the Asia-Pacific region are showing interest in purchasing it. However, due to the G7 cap, several crucial financial services in the West are now inaccessible, leading to a pertinent question about how much capacity the Asian market has for oil from Russia and the Middle East? India is an important recipient of Russia's rising eastbound exports. Refiners imported 1.2 million b/d of Russian oil in March, a significant amount that doesn't seem to be declining much in April. Furthermore, Pakistan has decided to purchase Russian crude with the intention of eventually importing up to 100,000 b/d.

- According to the EIA, commercial crude stocks in the US eased to 460.9 million bbls in the week ending 21 April from 465.9 million bbls in the previous week. Distillate fuel oil inventories fell by 0.5 million bbls to 111.5 million bbls versus a week earlier; similarly, gasoline stocks reported a decline of 2.4 million bbls to average close to 221.1 million bbls in the week ending 21 April.

### Tanker Freight Rates on Key Routes

| Route No.   | TC2_37                      | TC6   | TC8                                | TC20                      | TC14                       | TD1                        | TD6                         | TD18                         | TD20                         | TD3C                                |
|-------------|-----------------------------|---|------------------------------------|---------------------------|----------------------------|----------------------------|-----------------------------|------------------------------|------------------------------|-------------------------------------|
| Description | 37 kt<br>Cont<br>to<br>USAC | 30 kt<br>Clean<br>Algeria<br>to Euro<br>Med | 65 kt<br>Clean<br>MEG<br>to<br>UKC | 90 kt<br>MEG<br>to<br>UKC | 38 kt<br>USG<br>to<br>Cont | 280 kt<br>MEG<br>to<br>USG | 135 kt<br>BSea<br>to<br>Med | 30 kt<br>Baltic<br>to<br>UKC | 130 kt<br>WAF<br>to<br>Cont  | 270 kt<br>Ras Tanura<br>to<br>China |
| Size mt     | 37000                       | 30000                                       | 65000                              | 90000                     | 38000                      | 280000                     | 135000                      | 30000                        | 130000                       | 270000                              |
| Route       | Rdam<br>to<br>New York      | Skikda<br>to<br>Lavera                      | Jubail<br>to<br>Rdam               | Jubail<br>to<br>Rdam      | USG<br>to<br>Cont          | Ras Tanura<br>to<br>LOOP   | Novo<br>to<br>Augusta       | Baltic<br>to<br>UKC          | Offshore<br>Bonny to<br>Rdam | Ras Tanura<br>to<br>Ningbo          |
|             | WS                          | WS  | WS                                 | \$                        | WS                         | WS                         | WS                          | WS                           | WS                           | WS                                  |
| 24/04/2023  | 181.67                      | 210.00                                      | 55.13                              | 4596429                   | 111.67                     | 42.44                      | 137.50                      | 259.58                       | 97.00                        | 63.86                               |
| 25/04/2023  | 151.67                      | 200.00                                      | 55.51                              | 4575000                   | 108.75                     | 41.11                      | 133.17                      | 260.83                       | 96.25                        | 61.18                               |
| 26/04/2023  | 148.06                      | 185.50                                      | 58.20                              | 4571429                   | 104.17                     | 39.11                      | 127.67                      | 262.08                       | 93.00                        | 57.23                               |
| 27/04/2023  | 142.78                      | 165.63                                      | 59.17                              | 4507143                   | 90.00                      | 38.50                      | 124.28                      | 261.67                       | 90.50                        | 56.64                               |
| 28/04/2023  | 143.06                      | 146.25                                      | 59.23                              | 4500000                   | 87.50                      | 37.94                      | 122.56                      | 260.83                       | 89.75                        | 56.00                               |

Source: Baltic Exchange

### LPG

- According to market participants, Romania's LPG imports increased significantly last year, rising by around 50–75% to 280,000–300,000 tonnes. This was partly owing to a sharp increase in re-exports to Ukraine, from 23,600 tonnes in 2021 to 190,000 tonnes in 2022, as a result of the country's suspension of Russian and Kazakh imports. Furthermore, in 2022, Romania's exports of LPG doubled to about 320,000-340,000 tonnes/year. Many imports to Romanian ports were forwarded to Ukraine after being sold on a CIF basis at a premium of \$100–200/tonne over the monthly LPG prices of Algeria's state-owned Sontrach.
- According to figures from the Alberta Energy Regulator, propane output in Alberta, western Canada, decreased by 8.7% to 426,800 tonnes (189,000 b/d) in February from a year earlier, when it was at an 11-year high, and from 463,000 tonnes (205,000 b/d) in January. Sales of propane increased in Alberta from 163,000 tonnes (72,000 b/d) to 210,000 tonnes (93,000 b/d) over the same time in response to stronger petrochemical sector demand. Additionally, shipments from the province to British Columbia, the location of the two LPG export terminals on Canada's west coast, increased from 64,000 tonnes (28,500 b/d) to 68,000 tonnes (30,000 b/d).
- Enterprise Products, a US midstream firm, delivered a record amount of LPG in March from its 763,000 b/d (22.5 million tonnes/year) Baytown export facility on the Houston Ship Channel. According to Vortexa, exports from the terminal increased to 1.65 million tonnes in March from 1.49 million tonnes in February and 1.28 million tonnes a year earlier. By the first half of 2025, Enterprise plans to increase the Baytown LPG export terminal's capacity to 833,000 b/d.

### VLGC Spot Freight Rates

| Route No.   | BLPG1   | BLPG2    | BLPG3     |
|-------------|---------|----------|-----------|
| Description | AG-East | USG-Cont | USG-Japan |
| Size mt     | 44000   | 44000    | 44000     |
|             |         |          | \$/tonne  |
| 24/04/2023  | 78      | 76       | 128       |
| 25/04/2023  | 79      | 77       | 133       |
| 26/04/2023  | 78      | 79       | 134       |
| 27/04/2023  | 74      | 77       | 132       |
| 28/04/2023  | 73      | 76       | 130       |

Source: Baltic Exchange

### LNG

- According to data issued by the Japanese finance ministry, Japan decreased its LNG imports from Russia by 40% in March compared to a year earlier and boosted its LNG purchases from the United States at a lower price. Australia continued to be Japan's top supplier of imported LNG in March with shipments of 2.4 million tonnes, a 12% decrease from a year earlier. Malaysia came in second with steady volumes of 1.05 million tonnes. Despite a decline in volumes to 425,000 tonnes, Russia remained Japan's third-largest LNG supplier in March, with an average importing price of \$14.64/mmBtu. The country's total LNG imports in March were 5.72 million tonnes, down by 12% year on year.
- Congo LNG, the country's first natural gas liquefaction project and one of Eni's main supply diversification projects, had its foundation stone dedicated last week by the president of the Republic of the Congo, Denis Sassou Nguesso, and the company's chief executive officer, Claudio Descalzi. The project is expected to reach an overall LNG production capacity of 3 million tonnes/year (approximately 4.5 billion cbm/year) by 2025.
- As a result of weak demand in China, Japan, and South Korea, spot prices for LNG in Asia remained at 22-month lows. On 28 April, the Japan-Korea Marker spot cargo price for June fell from \$11.898/ mmBtu a week earlier to \$11.629/ mmBtu for deliveries to North Asia, a decline of roughly 2.3%. July's JKM price fell to \$12.074/ mmBtu versus \$12.704/ mmBtu in the previous week.

### LNG Spot Freight Rates

| Route No.   | BLNG1g    | BLNG2g   | BLNG3g    |
|-------------|-----------|----------|-----------|
| Description | Aus-Japan | USG-Cont | USG-Japan |
|             |           |          | \$/day    |
| 18/04/2023  | 56215     | 40928    | 48806     |
| 21/04/2023  | 54021     | 42123    | 47976     |
| 25/04/2023  | 54029     | 41854    | 47855     |
| 28/04/2023  | 52052     | 42041    | 48217     |

Source: Baltic Exchange



## Chemicals

- Maersk and CMA CGM are reportedly in talks to add more methanol-powered ships to their fleets, with Maersk in negotiations for a series of 10 ships and CMA CGM exploring an order for 10 ships. Proman and Stena Bulk have successfully conducted their first ship-to-ship bunker operation with methanol on the US Gulf Coast, and methanol bunkering is set to begin in Singapore in the third quarter of 2023, with more than 80 participants involved in the initiative. DNV has joined the methanol bunkering working group in Singapore to develop a technical reference for methanol bunkering, covering all aspects of bunkering and examining operational and safety requirements, crew training and competency.
- US toluene and mixed xylenes (MX) prices saw a wide range of assessments due to a large gap between bids and offer levels. Premiums over RBOB gasoline futures decreased as fears of a possible recession dampened energy complex demand. Gasoline supplies fell below the five year average, and gasoline demand typically increases over the summer while the Reid Vapour Pressure (RVP) transition boosts demand for high octane/low RVP blendstocks like MX. Demand for chemical derivatives of toluene and MX remains low due to unfavourable toluene conversion unit economics, and toluene is more valuable as a gasoline blendstock than a petrochemical feedstock. Major US toluene and MX producers include ExxonMobil, Marathon Petroleum, Flint Hills Resources, Valero, Total, and CITGO.
- May benzene contracts in the US have settled at 31 cents/gal higher than April's price, now assessed at \$3.91/gal FOB US Gulf. Despite fluctuations in monthly settlements, benzene contracts have been increasing in 2023. However, spot market pricing has recently retreated, and May spot market transactions are at a clear discount to the new May contracts. Benzene is a key ingredient in the production of polymers, solvents, and detergents. Major producers of US benzene include ExxonMobil, Marathon Petroleum, Shell, Flint Hills Resources, Chevron, CITGO, LyondellBasell, Valero and Total.