



RLA Weekly Report – Monday, 03 July 2023

No.54

Production Cuts by Saudi Arabia and Russia Drive Oil Prices Higher.

Economy

India's manufacturing industry witnessed growth in June, achieving the second-highest rate of expansion recorded this year, although with slightly slower momentum than May. Despite the challenges of higher inflationary pressures, the expansion was primarily propelled by robust demand. The S&P Global Manufacturing PMI declined to 57.8 in June from a May reading of 58.7. Nevertheless, this signifies the sector's sustained expansion, as the PMI has remained above the critical 50-mark.

Oil and Tankers

- On 04 June, oil prices rose due to the production cuts announced by Saudi Arabia and Russia. Brent crude, the international benchmark, increased by 0.2% to reach \$74.83/bbl, while the US marker, WTI, saw a 0.3% rise to \$70.01/bbl. Saudi Arabia extended its production cut of 1.0 million b/d from July to August, and Moscow voluntarily reduced its supply by an additional 500,000 b/d in the upcoming month. These measures were taken to boost oil prices.
- Russian crude oil imports in India surged by 17% in May, reaching a record of 2.27 million b/d. This increase was due to reduced Urals shipments to China and lower refinery rates in Russia during seasonal maintenance. Urals shipments to India were up 14% at 1.54 million b/d.
- RLA estimates indicate that global oil demand will grow by 1.75 million b/d this year, surpassing pre-pandemic levels. The recovery of the aviation sector is driving this growth, leading to increased demand for jet-kerosene. Gasoline and ethane/LPG consumption will also rise significantly. However, diesel and naphtha, which are closely tied to GDP growth, are expected to have smaller increases due to anticipated economic weakening. RLA's growth forecast is more conservative compared to the IEA and OPEC. To know more, read our upcoming oil tanker market monthly report.

Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC6	TC8	TC14	TC20	TD1	TD3C	TD6	TD18	TD20
Description	37 kt Cont to USAC	30 kt Clean Algeria to Euro Med	65 kt Clean MEG to UKC	38 kt USG to Cont	90 kt MEG to UKC	280 kt MEG to USG	270 kt Ras Tanura to China	135 kt BSea to Med	30 kt Baltic to UKC	130 kt WAF to Cont
Size mt	37000	30000	65000	38000	90000	280000	270000	135000	30000	130000
Route	Rdam to New York	Skikda to Lavera	Jubail to Rdam	USG to Cont	Jubail to Rdam	Ras Tanura to LOOP	Ras Tanura to Ningbo	Novo to Augusta	Baltic to UKC	Offshore Bonny to Rdam
	WS	WS	WS	WS	\$	WS	WS	WS	WS	WS
26-06-2023	123.50	143.89	45.93	110.00	3568750	35.44	51.63	120.80	201.25	119.77
27-06-2023	120.00	144.17	45.60	117.08	3559375	35.00	50.33	118.40	199.58	118.64
28-06-2023	121.50	145.00	44.51	131.67	3462500	34.94	50.75	113.90	199.58	110.91
29-06-2023	140.25	145.67	43.57	140.00	3343750	35.61	51.71	112.95	197.50	102.50
30-06-2023	160.25	155.56	42.14	132.50	3087500	36.94	56.67	112.10	195.83	101.14

Source: Baltic Exchange

LPG

- Saudi Aramco lowered its July Contract Price (CP) for propane and butane to \$400/tonne and \$375/tonne respectively, down by \$50/tonne and \$65/tonne from the June CP. According to sources, the July CP was set far below market expectations due to abundant supply in the Middle East. In particular, since butane seemed to be in greater surplus than propane, the price spread between propane and butane in the July CP widened to \$25/tonne.
- With recovering PDH operating rates, new PDH plant startups, falling propane prices, and higher US exports since March, LPG imports in China hit an all time high of 3.3 million tonnes in May. This figure was up by 20% when compared to April and by 55% year on year.

VLGC Spot Freight Rates

Route No. Description Size mt	BLPG1 AG-East 44000	BLPG2 USG-Cont 44000	BLPG3 USG-Japan 44000 \$/tonne
26/06/2023	120	101	182
27/06/2023	120	102	183
28/06/2023	120	102	184
29/06/2023	119	102	184
30/06/2023	119	103	184

Source: Baltic Exchange

LNG

- According to information released on Wednesday by the Rosstat statistics office, Russia produced 39.6 billion cbm of natural gas in May, a decline of 19.3% from the same month in 2022. This was also down 11.0% from April. The amount of natural gas produced during January-May was 233 billion cbm, a decrease of 15.3% over the same period in 2022.
- Shale gas output from Argentina's Vaca Muerta deposit reached a record high of 57.3 million cbm/day in May. The figure shows a 10.7% rise over the same month last year. The Vaca Muerta shale formation is the world's fourth-largest shale oil reserve and the second largest for shale gas. In the future, it will be a significant source of both local energy and exports to other countries of South America.
- Due to continued sluggish demand and significant inventory, Asian spot LNG prices remained unchanged over the week. The average LNG price for August delivery into north-east Asia LNG-AS was at \$12/MMBtu.

LNG Spot Freight Rates

Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan \$/day
20-06-2023	56588	65169	78293
23-06-2023	62923	69517	80918
27-06-2023	66859	70560	85217
30-06-2023	67526	70684	83891

Source: Baltic Exchange



Chemicals

- Chemical producers BASF and Yara Clean Ammonia (YCA) have joined forces to develop a large-scale blue ammonia production facility in the US Gulf Coast region. The plant, with a capacity of 1.2 to 1.4 million tonnes per year, aims to meet the increasing demand for eco fuel. The companies plan to incorporate carbon capture technology to store approximately 95% of the CO₂ emissions from the production process underground.
- AP Moller-Maersk has placed an order with Yangzijiang Shipbuilding for the construction of 10 methanol dual-fuel container ships, valued at \$1.15 billion. The order includes six firm vessels, with options for two to four additional ships. The midsize vessels, equipped with dual-fuel engines capable of operating on green methanol, will be delivered between 2026 and 2027. The specific price of the 9,000-teu vessels has not been disclosed, but industry experts estimate it to be around \$115 million each.
- US propylene contract prices for June decreased by 4 cents/lb (\$88/tonne) compared to May, reflecting lower spot prices and weak demand from derivative industries. This is the third consecutive decline in contract prices, with a total drop of 23 cents/lb in Q2, partially offsetting the 26 cents/lb increase in Q1.