



RLA Weekly Report – Friday, 15 September 2023

No.60

Turkish LPG Imports Soared 40% in 2023 Amid Rising Natural Gas Prices

Economy

- The Federal Reserve has increased its benchmark interest rate by 500 basis points, more than 5%. This has caused the yield curve to flip. Normally, when interest rates are high, people and businesses tend to spend less because it's more expensive to borrow money. But this time, it's important to note that many households are in good financial shape. They owe much less money compared to how much the country makes, a substantially lower debt-to-GDP ratio than what was observed prior to the global financial crisis of 2008-09.
- In August, China witnessed better-than-anticipated growth in its retail sales and industrial production. This positive trend is a rare occurrence and is attributed to the government's increased efforts to stimulate the second-largest global economy. Industrial production increased by 4.5% compared to the previous year, and retail sales, which had been consistently weak, went up by 4.6%, indicating increased consumer spending.

Oil and Tankers

- South Korea's oil production has risen since 2013, contrasting with the peak in US refinery operations prior to COVID-19. Dirty tanker exports have surged from 0.4 million b/d in 2016 to 3.5 million b/d in the first eight months of 2023, resulting in a substantial increase in export deadweight tonne miles – growing by an annual average of 46%, now accounting for 14% of global dirty tanker demand, up from just 1%. Notably, East Asia has seen rapid export growth, becoming the primary destination since 2019, currently representing 20% of US dirty tanker ship capacity. This shift has also boosted ship demand by increasing average sailing distances by one third since 2016.
- Saudi Arabia and Russia's production cut continues to impact the oil price, which superseded the critical mark of \$90/bbl on 13 September. Although retail traders are bearish, the oil price is consolidating below \$93/bbl and if the supply pressures by OPEC+ continues, we can expect the oil price cross the crucial mark of \$100/bbl

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 York	USG to Cont	Jubail to Rdam	Jubail to Rdam	Ras Tanura to LOOP	Ras Tanura to Ningbo	Novo to Augusta	Covenas Corpus Christi	Baltic to UKC	Offshore Bonny to Rdam
08/09/2023	WS 200.00	WS 172.00	WS 128.33	WS 50.55	\$ 3818750	WS 22.78	WS 36.67	WS 72.45	WS 97.19	WS 184.50	WS 72.27
11/09/2023	200.00	171.50	122.50	50.66	3818750	22.67	36.46	72.45	96.25	184.00	71.93
12/09/2023	209.44	180.75	110.83	51.21	3875000	22.56	36.08	72.20	95.63	184.00	71.48
13/09/2023	216.67	180.75	98.33	52.44	3937500	22.50	35.96	72.05	94.06	183.50	71.57
14/09/2023	275.56	180.25	94.17	52.64	3950000	22.89	36.96	72.05	93.44	183.00	71.02

Source: Baltic Exchange

LPG

- Turkish LPG imports surged by 40% in the first eight months of the year, reaching 2.8 million tonnes compared to the same period in 2022. This increase is due to rising natural gas prices, which have boosted industrial demand and reduced local LPG supply. LPG imports for the first half of 2023 also firmed by nearly one-third to 1.9 million tonnes, breaking the usual summer peak pattern due to increased industrial usage driven by high natural gas prices. Simultaneously, domestic LPG availability from refineries declined significantly by 35% in June and 30% in the first half of 2023, as refineries used more LPG in place of natural gas.

VLGC Spot Freight Rates

\$/tonne			
Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
08/09/2023	151	119	220
11/09/2023	154	120	222
12/09/2023	155	122	223
13/09/2023	156	123	224
14/09/2023	155	124	223

Source: Baltic Exchange

LNG

- Spot charter rates for LNG carriers are increasing as the industry enters its peak demand season during winter. Despite a surplus of available ships in immediate tonnage, these rates are strengthening in the fourth quarter. The contango in cargo prices is driving a trend of floating storage in the last three months of the year, which is expected to fill shipping capacity. However, spot rates will ultimately depend on cargo values and the winter weather conditions. Term charter rates for 2023 are not expected to reach the levels seen in the previous year in the near future.

LNG Spot Freight Rates

\$/day			
Route No.	BLNG1g	BLNG2g	BLNG3g
Description	Aus-Japan	USG-Cont	USG-Japan
01/09/2023	144045	142427	178637
05/09/2023	143692	142578	178135
08/09/2023	169858	158435	197567
12/09/2023	176439	169118	212145

Source: Baltic Exchange



Chemicals

- In August, the freight rates for transporting 40,000 metric tons of soybean oil from Argentina and Brazil to Western Coast India were within the range of \$57-\$58 per metric ton. The rates experienced a modest increase of approximately one dollar due to the stronger CPP market's influence. However, we need to monitor whether there will be a more substantial impact on the September shipments. Conversely, reported freight prices from Argentina to ARA or Huelva have decreased by \$2-\$3 USD per ton, now hovering around the mid-\$50s USD per ton range.
- The Asian polyvinyl chloride (PVC) markets recently experienced caution due to slower buying and subdued discussions. Purchasing slowed down in mid-August as customers had already stocked up in July. Some Asian plants planned annual turnarounds in August, which led to expectations of reduced supply, prompting buyers to replenish inventories. PVC prices had fallen sharply in mid-2022, leading to bearish sentiment and reluctance to place new orders. The global PVC market outlook remains uncertain due to seasonal and policy-driven demand changes and production-related supply fluctuations.