



## RLA Weekly Report – Monday, 06 March 2023

No.37

### US Manufacturing PMI at 47.3 in February 2023 – Reflecting fall in Manufacturing Activity for the Fourth Consecutive Month.

#### Economy

- According to a report from Bloomberg on Friday, the four-week average of gasoline product supply, a proxy for demand, was at its lowest seasonal level since 2014. The trend is dampening some of the hope of economic recovery, which is largely dependent on an increase in Chinese. The US fuel demand may be moving slowly due to inflation, as per the market, and an unknown factor will be if the slowing effects spread to Asia.
- The S&P Global Manufacturing PMI for the US was downgraded from a preliminary reading of 47.8 to 47.3 in February 2023 and compared to 46.9 in January. The figure revealed that manufacturing activity declined for the fourth consecutive month despite slower rates in both cases for production and new orders. Total new sales allegedly eased further as businesses dropped their spending and inventory holdings in response to weak domestic and international customer demand.

#### Oil and Tankers

- An increase in China's fuel demand could be favourable for the tanker market. China's GDP is projected to rise 3% year on year and reach 5.5%. A recovery in fuel demand will eventually result from the substantial economic development. There are clearly many indications that the country's fuel demand is gradually improving, including the steep rise in passenger flights and road traffic as well as hints that China's enormous refining sector is accelerating processing rates.
- Sanctions on Russian crude flows are expected to have a negative impact on oil exports to India, whose imports of Russian crude increased seven times year on year by the end of 2022. As a result of the increase in Russian import volume from 100,000 b/d in 2021 to 700,000 b/d in 2022, Russian crude's market share in India's overall crude import basket increased from 2.2% in 2021 to around 15% in 2022. India's purchases of crude oil from OPEC decreased to 64.5% in 2022 from their peak in 2008 at 87%. According to S&P Global Commodity Insights, Russian oil will make up around 1.2 million b/d to 1.5 million b/d, or 25% to 30% of India's total crude imports, in 2023.
- In its latest Monthly Oil Market Report, OPEC has increased its estimate of the growth in global oil demand for 2023 by 100,000 b/d, to 2.3 million b/d. The OECD countries are expected to grow by 350,000 b/d, while non-OECD nations are expected to grow by 1.96 million b/d, of which China would account for 0.59 million b/d. These upward demand adjustments by the OPEC and many other institutions are largely on the back of improvements in economic activity in some countries, as well as a recovery in Chinese oil demand following the lifting of China's zero-Covid-19 policy.
- According to the EIA, commercial crude stocks in the US surged to 480.2 million bbls in the week ending 24 February from 479 million bbls the previous week. Similarly, distillate inventories, rose to over 122.1 million bbls, an increase of almost 0.2 million bbls in comparison with a week earlier, while

gasoline stocks reported a fall of 0.8 million bbls to average close to 239.2 million bbls in the week ending 24 February. The maintenance season for US refineries is set to start, which will cause a drop in the demand for crude oil in the near term.

### Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC6	TC8	TC20	TC14	TD1	TD6	TD18	TD20	TD3C
Description	37k mt Cont to USAC	Clean Algeria to Euro Med	Clean ME Gulf to UK-Cont.	AG/UK Cont	38k mt USG to Cont	280k mt ME Gulf to US Gulf	135k mt Black Sea / Med	30k mt Baltic to UK-Cont	130k mt W Afr to Cont	270k mt Ras Tanura to China
Size mt	37000	30000	65000	90000	38000	280000	135000	30000	130000	270000
Route	Rott - NY	Skikda-Lavera	Jubail-Rott	Jubail-Rott	USG - Cont	Ras - LOOP	Novo - Augusta	Baltic - UKC	Offshore Bonny to Rotterdam	Ras Tanura to Ningbo
	WS	WS	WS	\$	WS	WS	WS	WS	WS	WS
24/02/2023	181.11	231.88	58.85	4664286	133.33	40.56	167.72	279.58	136.93	64.86
27/02/2023	159.44	218.13	58.33	4628571	145.00	40.78	168.67	283.33	138.86	65.91
28/02/2023	156.67	208.13	58.33	4457143	190.83	41.67	170.83	285.83	145.91	68.82
01/03/2023	157.78	195.63	57.05	4435714	179.17	41.89	170.39	286.25	145.23	69.82
02/03/2023	155.28	184.38	57.05	4557143	167.50	42.00	170.28	288.75	143.64	70.23
03/03/2023	156.67	180.00	57.05	4628571	147.92	42.17	170.78	288.75	142.16	71.36

Source: Baltic Exchange

### LPG

- Despite supply constraints brought on by the country's invasion of Ukraine, Russian LPG output increased last year. However, a market that is oversupplied with diminishing export opportunities may cause a substantial decline in production in 2023. Production rose by 592,300 tonnes, or 3.7%, to 16.5 million tonnes in 2022. Sibur, a Russian producer of petrochemicals and LPG, accounted for the majority of the rise, though output also rose at Roshneft, Bashneft, Tatneft, and Irkutsk Oil (INK) oil companies.
- According to data from Vortexa, India's imports of LPG increased year on year in February with cargoes coming primarily from the Middle East. The household use of the cooking fuel increased compared to a year earlier, when COVID-19 restrained demand. In February, imports totaled 2.07 million tonnes, an increase of 25% from the same month a year prior when India was fighting the Omicron variant. The primary source of LPG for India is the Middle East. Shipments from the area made up 88% of all imports into India during the month, which was consistent with a year ago.
- According to project engineers, an initiative to construct the longest LPG pipeline in the world in India is nearly complete, and commissioning is due to take place by the end of 2023. Since Prime Minister Narendra Modi set the foundation stone at Gorakhpur in 2019, the 2,800 km pipeline from Kandla on the northwest shore of Gujarat state to Gorakhpur in Uttar Pradesh, northern India, has experienced delays. Once finished, the pipeline will supply 8.3 million tonnes/year, or about a quarter of India's total consumption, of LPG. IOC expects it to cost more than \$1.5 billion.

### VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			\$/tonne
24/02/2023	102.86	91.2	159.14
27/02/2023	102.86	91.2	158.43
28/02/2023	103.29	90.6	157.57
01/03/2023	103.14	90.4	157.14
02/03/2023	102.57	89.8	156.43
03/03/2023	102.00	87.2	153.71

Source: Baltic Exchange

### LNG

- According to shipping data released on Thursday, LNG shipments from the United States were unchanged last month at 6.84 million tonnes despite the fact that a Freeport LNG plant that had been inactive for a long time started exporting the fuel. According to data from Eikon trade flows, 96 LNG cargoes left the US ports last month. In January, nearly the same volume was shipped.
- According to sources familiar with the plans, Russia's damaged undersea Nord Stream gas pipelines will be mothballed and sealed off since there are no imminent plans to fix or reactivate them. One of the Nord Stream 2 pipelines is still in place, but three of the pipes were ruptured by unexplained explosions in September. Although Moscow did not believe that ties with the West would improve to the point where pipelines would be necessary in the near future, Gazprom has stated that it is technically possible to fix the damaged lines.
- With the winter heating season coming to an end in Europe, there is growing optimism that the region will have a record amount of gas still in storage, which will put downward pressure on futures prices. According to data from Gas Infrastructure Europe (GIE), stocks in the European Union and the United Kingdom reached a seasonal high of 685 terawatt hours (TWh) on 1 March. In contrast to a shortfall of 87 TWh or 21% on the same date last year, inventories were 272 TWh, or 66% above the previous ten-year average.
- Due to weak demand, which is predicted to persist until the end of March, Asian market LNG prices continued to decline this week and reached their lowest level since July 2021. According to industry reports, the average LNG price for April deliveries into northeast Asia LNG-AS was \$14.50/mmBtu, a decrease of \$0.50 or 2.3% from the previous week. This year, prices have dropped by more than 48%, and by roughly 79% from the peak of \$70.50/mmBtu in August 2022.

### LNG Spot Freight Rates

Route No.	BLNG1g	BLNG2g	BLNG3g
Description	Aus-Japan	USG-Cont	USG-Japan
			\$/day
21/02/2023	73190	56015	68195
24/02/2023	75702	56597	68675
28/02/2023	77627	57301	69000
03/03/2023	78429	57228	68933

Source: Baltic Exchange

## Chemicals

- According to the classification organisation DNV, a record number of newbuildings were ordered with methanol dual-fuelled propulsion in February. According to DNV's Alternative Fuels Insight (AFI) platform, 22 methanol-fueled vessels were contracted in the previous month. The total number of orders for alternative fuel vessels for 2023 is 34, it stated.
- According to AFI, there are now 106 methanol-fueled ships, including 81 newbuilds and 25 existing vessels. The majority of these newbuilds (68 vessels) are container ships, although methanol is also being used in tankers, bulkers, offshore vessels, and cruise ships.
- Methanex of Canada and Mitsui OSK Lines (MOL) of Japan stated that the Cajun Sun completed the 5,000-nautical-mile cruise from Geismar, Louisiana to Antwerp, Belgium on February 4th. Cajun Sun is contracted with MOL and operated by Waterfront Shipping, a subsidiary of Methanex. It is powered by a two-stroke, methanol dual-fuel Mitsui-built MAN B&W 7S50 ME-LGI seven-cylinder engine.
- The 49,993-dwt Cajun Sun employed a combination of ISCC-certified bio-methanol with a negative carbon intensity and natural gas-based methanol to achieve net-zero emissions. This allowed the tanker to achieve net-zero greenhouse gas (GHG) emissions for the course of the 18-day transatlantic cruise. The historic journey brings together the world's largest methanol production and one of the world's largest shipowners to demonstrate methanol's feasibility as a marine fuel with a path to net-zero emissions.
- Waterfront Shipping pioneered the use of methanol as an alternative marine fuel in 2016, when it collaborated with Methanex and MOL, as well as other major partners, to build the world's first ocean-going methanol dual-fuel tanker Taranaki Sun, sister vessel to Cajun Sun and Manchac Sun. Minaminiippon Shipyard in Japan built all three tankers to ClassNK standards.
- After a recent policy adjustment by the Japanese government, the country has received its first cargo of ethyl tert-butyl ether (ETBE) manufactured from corn-based ethanol from the United States. According to the US Grains Council (USGC), this first cargo to Japan represents the country's increased demand for US ethanol-based products, as well as a significant step forward in efforts to expand the US ethanol industry abroad.
- The policy change acknowledges the greenhouse gas (GHG) advantages of ETBE, a component of gasoline, and implies that US corn-based ethanol can now be utilised in the manufacturing of ETBE for import into Japan. The Asian country will allow US ethanol to fulfil up to 44% of a total expected yearly demand of 650,000 tonnes of ethanol used in the manufacturing of ETBE, equating to around 286,000 tonnes of ethanol.
- In northern Sweden, Danish energy corporation Orsted is constructing Europe's largest commercial production facility for carbon-neutral marine fuels. The FlagshipONE plant is powered by a Siemens Energy technology package that includes four proton exchange membrane (PEM) electrolyzers with a total capacity of 70 megawatts, as well as plant-wide electrification and automation systems, innovative digitalization solutions (such as the use of digital twins), and the entire power distribution and compressor systems.



- From 2025, the facility in the Swedish seaside town of rnsköldsvik will be able to manufacture up to 50,000 tonnes/year of e-methanol using renewable energy and biogenic carbon dioxide. As a substitute for fossil fuels, this can avoid 100,000 tonnes of CO2 emissions per year in shipping.
- The East China toluene-xylene pricing differential changed significantly in 2022 and early 2023, reflecting a shift in supply-demand dynamics as export demand increased and domestic consumption remained modest. The Russia-Ukraine dispute has pushed up world crude oil prices since February 2022. When combined with Western economic sanctions against Russia, crude oil supplies in the US were limited. The United States had peak gasoline demand in the second half of 2022, while toluene and xylene supplies were limited owing to the availability of crude oil. As a result, the United States was forced to purchase more toluene and xylene.
- This aided in the opening of the arbitrage window for toluene and xylene from Asia to the US. South Korea, a significant toluene and xylene supplier in the Asian market, shipped toluene and xylene to the United States. Nonetheless, domestic demand in China has been sluggish, in part due to COVID-19 pandemic preparations. Chinese market participants exported toluene to various Asian areas, aided by the toluene export tax refund scheme. This resulted in a price increase for Chinese toluene and xylene. Unfortunately, East China xylene prices could not keep pace with toluene prices.