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China's revised GDP forecasts indicate a weakened recovery and highlight the need for policy support.

Economy

- Western investment institutions, including JPMorgan and Goldman Sachs Group Inc., have adjusted their GDP growth forecasts for China in 2023, citing a weakened post-COVID recovery and limited options for economic stimulus. The adjusted forecasts indicate a lower than anticipated GDP growth rate ranging from 5.2% to 5.7% for this year, compared to their earlier estimate of 5.7% to 6.3%. Despite this adjustment, the projections remain relatively optimistic when compared to RLA's estimates of 4.0% to 4.5% for China's GDP growth in 2023. We hold the belief that economic recovery in China will be slower than largely anticipated. To tackle this situation, the central bank of China has reduced interest rates on its one-year medium-term lending facility. These developments emphasise the necessity for additional policy support in China. However, it is unlikely that future policy measures will exceed those implemented during previous economic downturns, such as in 2020.
- In May, the official NBS Manufacturing PMI witnessed an unforeseen decline, reaching its lowest level in five months at 48.8 from 49.2 in April. This drop was below market expectations of 49.4. Furthermore, it highlighted a consecutive month of contraction in factory activity, reflecting subdued domestic and global demand.

Oil and Tankers

- The IEA highlights a substantial shift in the global oil trade as a result of international embargoes imposed on Russian energy exports. EU and G7 countries have experienced a notable reduction of 2.5 million b/d in Russian crude imports, along with an additional 2 million b/d of oil products seeking alternative markets. To counter the disruptions, embargoes and price restrictions have led to a redirection of oil flows, minimising production losses in global market. European refiners have successfully diversified their crude oil sources, with the United States and the Middle East becoming key suppliers. Additionally, there has been an increased retention of North Sea crude oil within the region.
- Despite U.S. sanctions, Iran has achieved unprecedented levels of crude exports and oil production in 2023, contributing to the global oil supply at a time when other oil-producing countries are reducing their output. The previous sanctions imposed by former President Donald Trump aimed to curtail Iran's oil exports and revenue, but under President Joe Biden, Iranian exports have continued to increase. Ongoing discussions between the U.S. and Iran seek to potentially impose restrictions on Iran's nuclear programme. Notably, in May, Iranian crude exports surpassed 1.5 million barrels per day, marking the highest monthly rate since 2018. Furthermore, Iran announced

that its crude oil production exceeded 3 million barrels per day, constituting approximately 3% of the global supply.

- There has been a notable upswing in the newbuilding market, with reports of over 50 newly contracted vessels. The market is demonstrating resilience and has the potential for further contracts if all options are exercised. The tanker segment had a positive week, with Zhoushan Changhong yard considering over 10 LR2 tankers, assuming all options are exercised. Stamford Shipping from Singapore has confirmed two firm orders from the yard. Dynacom has made substantial orders, including two VLCCs from New Times Shipbuilding and eight Kamsarmaxes from Huangpu Wenchong. Combined with their earlier order in April for ten firm and four optional LR2 vessels, their investments this year have exceeded \$1.1 billion.

Tanker Freight Rates on Key Routes

| Route No. | TC2_37 | TC6 | TC8 | TC20 | TC14 | TD1 | TD6 | TD18 | TD20 | TD3C |
|-------------|-----------------------------|---|------------------------------------|---------------------------|----------------------------|----------------------------|-----------------------------|------------------------------|------------------------------|-------------------------------------|
| Description | 37 kt Cont to USAC | 30 kt Clean Algeria to Euro Med | 65 kt Clean MEG to UKC | 90 kt MEG to UKC | 38 kt USG to Cont | 280 kt MEG to USG | 135 kt BSea to Med | 30 kt Baltic to UKC | 130 kt WAF to Cont | 270 kt Ras Tanura to China |
| Size mt | 37000 | 30000 | 65000 | 90000 | 38000 | 280000 | 135000 | 30000 | 130000 | 270000 |
| Route | Rdam to New York | Skikda to Lavera | Jubail to Rdam | Jubail to Rdam | USG to Cont | Ras Tanura to LOOP | Novo to Augusta | Baltic to UKC | Offshore Bonny to Rdam | Ras Tanura to Ningbo |
| | WS | WS | WS | \$ | WS | WS | WS | WS | WS | WS |
| 12/06/2023 | 150.56 | 135.00 | 40.26 | 3042857 | 99.17 | 39.11 | 111.11 | 230.00 | 93.50 | 67.95 |
| 13/06/2023 | 129.17 | 134.38 | 39.74 | 3014286 | 86.67 | 42.61 | 110.83 | 228.33 | 106.00 | 73.77 |
| 14/06/2023 | 125.00 | 134.38 | 39.87 | 2971429 | 78.75 | 44.50 | 111.11 | 225.42 | 111.25 | 80.36 |
| 15/06/2023 | 126.39 | 137.00 | 42.18 | 3107143 | 92.50 | 45.83 | 112.39 | 217.50 | 113.75 | 83.41 |
| 16/06/2023 | 124.72 | 138.13 | 42.05 | 3214286 | 118.33 | 47.83 | 117.06 | 216.25 | 138.00 | 84.86 |

Source: Baltic Exchange

LPG

- LPG imports into India in April experienced a decline, dropping from 1.41 million tonnes in March to 1.01 million tonnes. This also reflects a significant decline of 35.6% when compared to the 1.56 million tonnes recorded in April 2022. In May, there was a notable increase in reported spot chartering activity into India, reaching 176,000 tonnes compared to 132,000 tonnes in April. This suggests that there might be an upturn in imports for May, potentially influenced by the declining Saudi contract prices for LPG.
- In mid-May, the 600,000 tonnes/year PDH plant operated by the Chinese petrochemical company Yanchang Zhongran in Taixing, Jiangsu province, started up, and achieved on-specification propylene. By the end of the previous month, the firm was on track to reach its full operating rate. The PDH plant does not include any derivative units. Feedstock propane of around 720,000 tonnes/year at capacity will come from imports at the port of Taixing. This is China's second PDH

plant start-up of the year, following the 750,000 tonne/year unit at Guangxi Huayi Petrochemical in late February.

- Spot freight rates for VLGCs on all three benchmark routes increased over the week amid increasing Asian demand. Rates on the Arabian Gulf to the Far East rose by \$10.29/tonne to reach \$112.71/tonne by the end of the week. Similarly, rates from the US Gulf to Europe and from the US Gulf to the Far East surged by \$2.92/tonne and \$7.50/tonne, respectively, to reach \$90.60/tonne and \$152.00/tonne over the same period.

VLGC Spot Freight Rates

| Route No. Description Size mt | BLPG1 AG-East 44000 | BLPG2 USG-Cont 44000 | BLPG3 USG-Japan 44000 \$/tonne |
|-------------------------------------|---------------------------|----------------------------|---|
| 13/06/2023 | 104 | 88 | 145 |
| 14/06/2023 | 106 | 89 | 148 |
| 15/06/2023 | 108 | 90 | 152 |
| 16/06/2023 | 113 | 91 | 152 |

Source: Baltic Exchange

LNG

- LNG deliveries to India's GAIL are expected to restart from the Yamal LNG plant in Russia under a long-term contract involving a Gazprom unit. When Germany seized the assets of Russian energy giant Gazprom in 2022, shipments as part of the agreement were suspended. In 2012, GAIL and Gazprom Marketing and Trading Singapore (GMTS) reached a 20-year agreement for the yearly delivery of an average of 2.5 million tonnes of LNG. At the time, GMTS was a unit of Gazprom Germania, now called SEFE, but the Russian parent gave up ownership of SEFE after Western sanctions.
- An official from the state-owned Petrobangla said Bangladesh plans to purchase nine cargoes of LNG from the spot market for the second half of the year as the South Asian country looks to ensure supply of the fuel to fulfil demand for electricity. Rupantarita Prakritik Gas Company Ltd. (RPGCL), a division of state-owned Petrobangla, has so far released a tender for the second half of the year in search of two cargoes for delivery on 10-11 July and 23-24 July. The tender closed on 11 June. Petrobangla, tasked with the responsibility of importing LNG for the nation, has been actively exploring the market for spot imports since February. This marks a reversal of the government's previous decision to suspend spot purchases after prices surged due to the Russia-Ukraine conflict last year.
- Due to the high temperatures in north-east Asia, cooling demand soared, and Asian spot LNG prices reversed their multi-week downward trend, reaching their highest level in three months. The Japan-Korea Marker for July spot deliveries increased slightly to \$9.584/MMBtu on 16 June

from \$9.143/MMBtu on 09 June. The JKM for August delivery jumped by 50% from the previous week to \$13.643/MMBtu, its highest level since mid-March.

LNG Spot Freight Rates

| Route No. Description | BLNG1g Aus-Japan | BLNG2g USG-Cont | BLNG3g USG-Japan \$/day |
|--------------------------|---------------------|--------------------|-------------------------------|
| 06/06/2023 | 42564 | 41646 | 55384 |
| 09/06/2023 | 49464 | 48945 | 62112 |
| 13/06/2023 | 49632 | 51598 | 68351 |
| 16/06/2023 | 53076 | 58925 | 73294 |

Source: Baltic Exchange

Chemicals

- The Maersk Solstice, the first-ever green methanol container ship, will exclusively use bio-methanol for its maiden voyage, according to OCI Global, the Dutch supplier. The 2,100 TEU dual-fuel vessel will run on 100% green methanol during its journey from South Korea to Denmark. The specific volume of bio-methanol used remains confidential but is estimated to be in the thousands of tonnes. OCI Methanol's CEO, Bashir Lebada, expressed confidence in the competitive pricing of green methanol and its potential to offset carbon levies for shipowners. The successful implementation of the Maersk Solstice's voyage will serve as a catalyst for wider adoption of green methanol in the shipping industry.
- Hafnia has placed an order for up to four methanol dual-fuel MR tanker newbuildings at Guangzhou Shipyard International (GSI) in China. The company has commissioned two firm vessels with an option for two more, marking Hafnia's entry into the methanol dual-fuel ship segment. The vessels are expected to be delivered by GSI in 2026 at a cost slightly exceeding \$50 million each.
- Norwegian producer and shipowner Yara International is partnering with Spain's Cepsa to establish a hydrogen shipping corridor between Algeciras and Rotterdam. Yara's Clean Ammonia unit will supply Cepsa with clean ammonia volumes, enabling the delivery of clean ammonia to Cepsa's industrial and maritime customers in Rotterdam and central Europe. The partnership aims to secure clean ammonia and hydrogen for various downstream applications in Europe and accelerate the energy transition in heavy transport. Cepsa will also construct a green ammonia plant in San Roque, Spain, with an annual production capacity of up to 750,000 tonnes. The companies anticipate that clean hydrogen will account for a significant portion of global land transport and maritime voyages by 2050.
- The EU has announced plans to invest €2.0 billion in Brazil's hydrogen industry as part of its Global Gateway investment programme. The timeframe for these investments and their deployment has not been specified. This funding is a component of the EU's larger €300 billion programme, which



serves as the bloc's response to China's Belt and Road Initiative. Both initiatives aim to expand the influence of the EU and China through infrastructure investments. The focus is on green hydrogen (GH2), which is produced using renewable energy in the electrolysis process to extract hydrogen from water. GH2 offers significantly lower emissions compared to grey hydrogen, which is primarily derived from the steam reforming of natural gas.

- The recent ban imposed by the US Department of Homeland Security on imports of goods produced by Xinjiang Zhongtai Chemical is expected to impact polyvinyl chloride (PVC) trade flows within China. The ban, which took effect on 12 June, affects a carbide-based PVC producer with a capacity of 1.8 million tonnes/year.