



RLA Weekly Report – Friday, 11 August 2023

No.56

Demand worries persist: China's Manufacturing PMI contracts in July 2023, reflecting a decline in factory activity**Economy**

- The annual inflation rate in the US slowed to 2.97% as of June 2023, the lowest since March 2021, compared to 4% in May and expectations of 3.1%. The slowdown is partly due to a high base effect from last year when a surge in energy and food prices pushed the headline inflation rate to 1981 highs of 9.1%.
- The Caixin China General Manufacturing PMI fell to 49.2 in July 2023 from 50.5 in June, missing market estimates of 50.3 while hitting its lowest reading in six months. It was also the first fall in factory activity since April, as new orders dropped after growing in the prior two months, foreign sales contracted the most since September 2022, and buying levels were down for the first time since January. Delivery times got a bit worse as some suppliers reduced their inventory levels. On prices, input costs fell for the fourth month, and output charges decreased further on competitive pricing strategies.

Oil and Tankers

- On Wednesday, oil prices reached fresh highs as the global Brent benchmark attained its highest level since January 2023. This increase was driven by a significant reduction in U.S. fuel oil inventories, along with production cuts by Saudi Arabia and Russia. These factors countered worries regarding sluggish demand from China. The EIA revealed that U.S. gasoline reserves declined by 2.7 million bbls in the past week. Similarly, distillate supplies, encompassing diesel and heating oil, experienced a decrease of 1.7 million bbls.

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
	WS	WS	WS	WS	\$	WS	WS	WS	WS	WS	WS
04/08/2023	144.72	160.25	135.00	50.33	3968750	30.28	48.48	77.25	97.50	190.50	67.41
07/08/2023	139.72	163.50	131.67	46.37	3793750	30.50	48.65	75.90	96.25	190.00	67.73
08/08/2023	142.78	166.25	132.50	45.93	3718750	30.72	48.88	75.20	97.19	190.50	66.59
09/08/2023	136.78	176.25	132.50	45.60	3657143	30.56	47.86	74.95	97.50	189.00	65.80
10/08/2023	136.94	178.25	140.83	45.60	3575000	30.33	47.29	74.90	97.50	190.00	65.11

Source: Baltic Exchange

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LPG

- Our latest monthly LPG market research indicates that in June, Japan's LPG consumption rose by 1.6% to 857,000 tonnes compared to the previous month and 8.3% year on year. However, Japan's overall LPG demand has been declining as consumption in the household sector is falling, which aligns with the trend of rural depopulation and a declining birthrate. This downward trend will be strengthened over the next five years by an increase in more efficient equipment that will reduce users' consumption, and petrochemical sector demand will drop as the world moves towards global decarbonization.
- In South Korea, consumption in June declined by 8.5% compared to May and by 8.6% year on year, totalling 750,000 tonnes. The country's LPG inventories increased by 8% on the month to 497,800 and by 37% year on year in June, mainly due to sluggish demand.

VLGC Spot Freight Rates

Route No. Description Size mt	BLPG1 AG-East 44000	BLPG2 USG-Cont 44000	BLPG3 USG-Japan 44000 \$/tonne
07-07-2023	114	101	176
10-07-2023	115	102	176
11-07-2023	114	102	175
12-07-2023	111	102	175
13-07-2023	110	102	175

Source: Baltic Exchange

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LNG

- In spite of the downturn in spot and term rates since the peak in the fourth quarter of 2022, the demand for LNG carriers remains robust. As of July 2023, the 1-year TC rates for 174,000 cbm vessels stood at \$140,000/day. Overall, the market anticipates a tightening of the term market as we approach the winter season due to anticipated rise in commodity demand. Moreover, the trade pattern remains stable, with the majority of US LNG being shipped to Europe, maintaining the import levels of the previous year. The expected growth in LNG trade for 2023 is projected at 4.4%.

LNG Spot Freight Rates

Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan \$/day
30-06-2023	67526	70684	83891
04-07-2023	68042	70565	84036
07-07-2023	67875	70591	84261
11-07-2023	68277	71026	83895

Source: Baltic Exchange



Chemicals

- Due to high demand for toluene in the Asia-Pacific region and limited supply, prices are increasing. In countries like South Korea and China, there's not much toluene available, leading to higher prices. Additionally, lower toluene exports from South Korea, combined with limited availability, are keeping prices elevated. Increased purchases of toluene for various uses in certain parts of southeast Asia are also contributing to this situation.
- Brazil's polypropylene (PP) market sees a rise in imports, notably from the US, with a 32% increase in PP imports from January to July 2023. US imports have more than doubled from the previous year, impacting Brazil's role as a PP exporter, and leading to a 17% drop in exports. Fluctuating import tariffs and expanded production capacities contribute to this trend.
- In July, freight rates for Argentina and Brazil to West Coast India dropped by \$3-4 per ton within a month, driven by improved water levels in Argentina allowing for increased vessel loads. The freight rate for 40,000 mt of vegetable oil from Argentina and Brazil to China also decreased by \$3-4 per tonne compared to June. A fixture involving 25,000 mt of vegetable oil from Argentina to the Mediterranean paid about \$1 less than June, while another fixture from Argentina to the West Coast of South America saw a \$2 decrease in freight rate. Additionally, freight levels for 25-30,000 mt of FAME from Argentina to ARA or Huelva dropped by \$2-3 per tonne to the mid \$50s range.

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