

## RLA Weekly Report – Monday, 06 February 2023

No.33

### IMF Increases Global GDP Growth Forecasts by 0.2% for 2023 to 2.9%

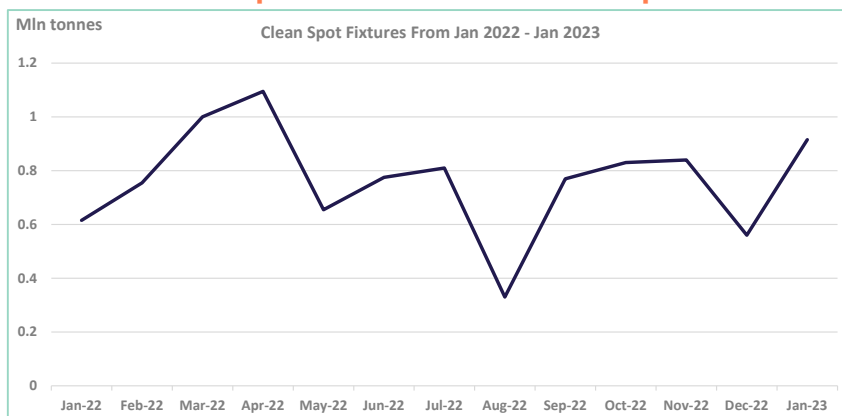
#### Economy

- The IMF anticipates that global economic growth will slow this year, but not as significantly as it predicted three months ago when it warned of recession risks. In its World Economic Outlook (WEO), the IMF raised global GDP growth forecast by 0.2% for 2023 to 2.9%, citing expectations of a strong recovery in China. The IMF projects global inflation to ease down to 6.6% in 2023 from 8.8% last year.
- From a preliminary estimate of 46.8, the S&P Global US Manufacturing PMI was marginally upgraded to 46.9 in January 2023. The number indicated that factory activity continued to decline for a third consecutive month, though it did so with less force than in December (46.2). A steep decline in new orders, a subsequent decline in output, and continued measures to lower inventory all contributed to the downturn. Weak sales in the domestic and international markets were the cause of the weak demand.

#### Oil and Tankers

- As India purchases more and more inexpensive Russian oil and refines it into fuel for Europe and the US, it is playing an increasingly significant role in the world's oil markets. However, New Delhi hasn't encountered any backlash from the public since it's achieving the dual objectives of the West, namely, to reduce Moscow's energy revenue and avert a disruption in the oil supply. India will only play a bigger role in the global energy map that Vladimir Putin's year-long battle in Ukraine has redrawn as Europe intensifies its sanctions. According to the latest reports from Kpler, India exported the most gasoline and diesel to New York last month—about 89,000 b/d—and it was the most in almost four years. January saw the highest daily low-sulphur diesel flows to Europe since October 2021 at 172,000 b/d. *RLA update:* Below is a graph reflecting monthly trends of daily spot fixtures data from Clarksons.

### Clean Spot Fixtures: India – Europe



- If Russian sellers are unable to redirect all of their diesel, the country's refineries may be forced to produce less and reduce run lengths. According to the most recent IEA forecasts, Russia's refineries are likely to reduce throughput by around 700,000 b/d, or 12%, between December and March. However, the nation's energy minister said that it is not planning on any sharp cutback in its oil products output after the EU imposed an embargo on imports on 5 February. Russia sold more crude at lower rates to China, India, and Turkey after a similar embargo on crude imports went into effect in December. However, it might not be as easy a switch for Russian products as India and China have their own significant refinery networks.
- According to the oil analytics company Vortexa, Chinese crude imports may have decreased by 14% on the month to almost 9 million b/d in January. During the 21–27 January Lunar New Year public holiday, most operations at the nation's oil terminals were suspended. According to Argus, China's crude production fell by about 100,000 b/d in January. From December's 870,000 b/d, Chinese imports of Russian crude, principally ESPO Blend, surged to 1 million b/d, with more than 80% of that amount going to independent refiners in Shandong province.
- According to the EIA, commercial crude stocks in the US edged up to 452.6 million bbls in the week ending 27 January from 448.5 million bbls the previous week. Distillate inventories firmed marginally to 117.5 million bbls, an increase of 2.3 million bbls in comparison with a week earlier, while gasoline stocks reported a similar increase of 2.5 million bbls to average close to 234.5 million bbls in the week ending 27 January.

### 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 European Mediterranean	Clean Middle East 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
27/01/2023	141.67	199.38	43.53	3221429.00	75.42	35.22	199.44	285.83	122.05	48.09
30/01/2023	136.67	194.69	43.34	3242857.00	74.58	35.22	195.28	281.67	118.41	48.64
31/01/2023	140.00	194.69	43.27	3192857.00	72.50	34.56	187.50	276.25	114.32	49.50
01/02/2023	142.22	194.38	42.63	3071429.00	70.00	34.39	171.11	269.17	112.73	49.59
02/02/2023	140.00	192.63	42.95	3064286.00	70.00	34.56	168.89	265.42	111.59	49.27
03/02/2023	140.00	195.94	44.10	3050000.00	70.83	34.94	165.28	263.33	110.91	49.68

Source: Baltic Exchange

### LPG

- Australian Bureau of Statistics (ABS) records reveal that Australia's butane exports increased by over three times on a monthly basis to 125,000 tonnes in November, even though they declined from 128,000 tonnes a year earlier. Over the first 11 months of last year, butane shipments decreased by more than 6% on the year to 1.17 million tonnes, in part due to issues at Shell's Prelude LNG facility offshore Western Australia. Due to industrial action, Prelude, which can produce 400,000 tonnes/year

of LPG, has been off line since 10 June 2022. ABS does not disclose propane export data owing to a confidentiality clause.

- After completing a scheduled turnaround, the Egyptian manufacturer EPP reopened its integrated polypropylene (PP) and propane dehydrogenation (PDH) production units in Port Said on 15 January. The complex can produce 400,000 tonnes/year of propylene and 350,000 tonnes/year of polypropylene. The scheduled maintenance, which is done every three years, began in the first week of December.
- Although it is anticipated that LPG consumption in India will set a new record this year, the market will continue to expand at a slower rate than it did before the pandemic. This will happen despite the fact that politicians will again use fuel as a campaign tool once more in the state and federal elections in 2023 and 2024, respectively. According to state-controlled refiner IOC, India's LPG usage will increase by 1.5%–2.0% in 2023. This is backed up by similar forecasts from Indian companies Crisil, Icra and Antique Broking. After increasing by 1.5% to 27.9 million tonnes in 2021, demand increased by 2.9% to 28.7 million tonnes in 2022.
- The latest data indicates that China imported 2.4 million tonnes of LPG in December 2022. China's total LPG imports in 2022 were about 27.1 million tonnes, which represented an increase of 10.5% year on year. Propane and butane split in this was 78.5% and 21.5%. The increase in import demand was largely attributed to the petrochemical sector as PDH output rose by 13% in January-November 2022, offsetting a drop in demand for LPG use as a fuel. Strong MTBE exports for gasoline blending and substituting naphtha as an ethylene cracker feedstock also boosted butane imports. For detailed analysis, please subscribe to *RLA's Monthly/Quarterly LPG report*.

### VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
	\$/tonne		
27/01/2023	77.00	78.00	137.71
30/01/2023	82.86	80.70	142.07
31/01/2023	89.14	81.60	144.00
01/02/2023	91.14	83.20	144.14
02/02/2023	92.00	82.80	143.71
03/02/2023	91.43	81.80	142.00

Source: Baltic Exchange

## LNG

- US LNG exports fell 5% to 6.84 million tonnes in January from the previous month as the cold weather increased domestic demand and producers shipped less gas to consumers in Europe. Last month, 95 cargoes containing LNG departed from US ports, 68% of which were headed for European consumers. The data shows that Asia accounted for 23% of the total. In an effort to send as much LNG to Europe as possible, producers boosted the US shipments to 7.22 million tonnes in December. The region took in 79% of total exports that month.

- According to a filing made public on Thursday, Freeport LNG, the second-largest US exporter of LNG, requested permission from federal authorities to begin loading LNG onto ships at its Texas export plant that has been inactive for a long time. Specifically, Freeport said in its filing with the US Federal Energy Regulatory Commission (FERC) that “reinstatement of Dock 1 LNG loading services will allow Freeport to recommence normal LNG ship dockage and loading operations.” On Wednesday, FERC granted Freeport’s request to begin producing LNG in the third liquefaction train. After Freeport’s latest request to restart parts of the export plant’s operations, US gas futures increased by 5% on Thursday, up from a 21-month low in the prior session.
- An Oceanian shipper has given Samsung Heavy Industries (SHI) a 609.7 billion won (\$496.4 million) order to build two LNG vessels. The carriers will be delivered to an undisclosed shipper by 15 January 2027. With this deal, SHI has received orders totaling \$2 billion in the first month of the year, including a \$1.5 billion order for a floating liquefied natural gas (FLNG) facility that was received earlier this month.
- Prices of Asian spot LNG eased for a seventh consecutive week, falling to a near one-and-a-half year low, owing to ample inventories in North Asia and Europe. The average LNG price for March deliveries to Northeast Asia (LNG-AS) was \$18.50/mmBtu, the lowest price since August 2021. This is \$1, or 5.1%, lower than the previous week, and down 34% since the start of the year.

### LNG Spot Freight Rates

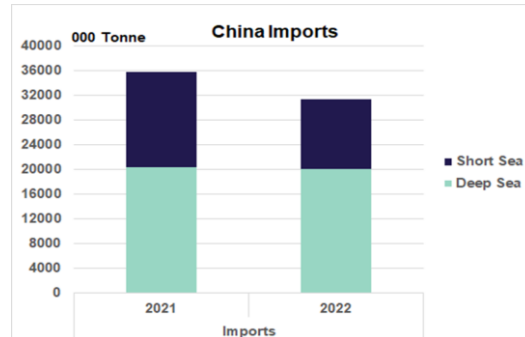
Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan \$/day
24/01/2023	77046	57431	73967
27/01/2023	74334	55708	71404
31/01/2023	72353	53988	68484
03/02/2023	66605	52413	64932

Source: Baltic Exchange

### Chemicals

- Total imports of the five main commodity chemicals (styrene, ethylene glycol, methanol, paraxylene and ethanol) into China totalled 31.4 million tonnes in 2022. They were down by 12% from the 2021 figure of 35.8 million tonnes. Deep-sea shipments recorded a marginal drop of 1%, totalling 20.1 million tonnes, while short-sea imports significantly fell by 26% to 11.3 million tonnes during the same period. When comparing deep-sea import trends of key products between 2022 and 2021, paraxylene and styrene imports followed the declining trend and fell by 62% and 14%, respectively, to 591,000 tonnes and 851,000 tonnes, as the result of new plants being built in China. However, trade in ethylene glycol and methanol both increased by 9%, respectively, to 6.7 million tonnes and 12.0 million tonnes. Since December 2021, ethanol imports have been zero. The China monthly commodity chemical Imports bulletin is just one of a number of similar reports on imports and exports provided as part of RLA’s Chemical Carrier World Service.

### China Imports (5 Commodity Chemicals)



- CMA CGM, the French container line, looks to be catching up to competitor AP Moller-Maersk in the battle to convert sections of its fleet to methanol power. Korea Shipbuilding and Offshore Engineering said this week that it has been awarded a \$2.05 billion contract to build 12 large methanol-fueled boxships for a European company, with delivery scheduled for the end of 2026. Shipping specialists believe CMA CGM is the most likely bidder for the 13,000 TEU ships. Maersk was a pioneer in ordering ships with methanol propulsion, and it is responsible for most of the present impetus behind this alternative fuel. The company has 19 methanol-fueled ships totaling 296,100 TEU on order, with the first expected for delivery in the middle of this year. However, if CMA CGM is confirmed as the bidder in the new Korean deal, its methanol-fueled orderbook would be comparable to Maersk's at 246,000 TEU over 18 ships. The next phase, and a considerable difficulty, will be securing green methanol supply in time for the arrival of the new ships. Maersk has inked a number of agreements to invest in green methanol production in order to feed its ships, while CMA CGM has yet to do so. One possible candidate for a methanol supply partnership could be fellow French firm TotalEnergies, with which CMA CGM has had a close relationship over the past few years supplying LNG to its gas-powered ships.
- Last week, Japan's Idemitsu Kosan Co Ltd and Toray Industries, Inc announced a collaboration to develop a supply chain for biomass plastics produced from biomass naphtha, manufactured biomass naphtha-derived styrene monomer (SM), and acrylonitrile-butadiene-styrene (ABS) derived from biomass SM. Idemitsu Kosan, an SM producer, uses a mass balance approach to produce biomass SM. Toray, a plastics company, employs biomass SM as a raw material in the production of biomass ABS resin at its Chiba Plant. Production is set to begin in October 2023, making this the first instance of biomass ABS resin production in Japan. Last week, Nippon Paper Industries Corp, Sumitomo Corp, and Green Earth Institute Corp established a collaboration to explore bioethanol production from woody biomass. If the project is successful, it will create bioethanol from Nippon Paper's mills in fiscal year 2027 to be utilised as a feedstock for the sustainable aviation fuel (SAF) production that Japan intends to steadily develop for its aviation sector. The partnership will work to reduce SAF manufacturing costs, which are one of the impediments to widespread use of plant-based jet fuels. Ordinary jet fuel costs roughly yen 100/litre, whereas SAF costs hundreds to thousands of yen.
- According to multiple announcements for projects that are either under construction or will begin development shortly, the United States' output capacity for renewable diesel may more than quadruple



from present levels by the end of 2025. Rising objectives for state and federal renewable fuel programmes, as well as biomass-based diesel tax credits, are driving growth in renewable diesel capacity in the United States. The biomass-based diesel tax credits were extended through 2024 by the Inflation Reduction Act of 2022. According to the Energy Information Administration, the United States' renewable diesel production capacity will be 880,000 tonnes/year by the end of 2022. Although the EIA expects some stated projects to be delayed or cancelled, assuming all projects start up as planned, the United States' renewable diesel production capacity may reach 1.9 million tonnes/year by the end of 2025. According to the EIA, investment in new renewable diesel production capacity has lately increased dramatically in the United States due to renewable diesel's interchangeability with petroleum diesel in existing petroleum infrastructure and government incentives.