



RLA Weekly Report – Monday, 18 July 2022

No.5

Economy

- According to the recent data from the Bureau of Labour and Statistics, inflation rate in the US soared to 9.1% - the highest since 1981 while gasoline demand tumbled to 8.06 million b/d in the week ending July 8 - the lowest since 1996. A sign of demand destruction?
- The European Commission has revised down its 2022/2023 growth forecasts for the euro zone and has made an upward revision in the estimates for inflation. The latest estimates indicate a growth rate of 2.6% for this year and 1.4% for 2022 down from 2.7% and 2.3% respectively. Inflation is expected to peak at 7.6% this year before easing to 4% in 2023.

Oil and Tankers

- Despite sanctions from the West, Russia has been successful in generating enough cash from oil to continue its hostilities in Ukraine. Reports from Bloomberg suggest, hiking export duty on crude oil has helped Moscow withstand a slump in flows seen earlier in the month. The duty rates were increased by 23% in July versus June with Russia fetching additional \$1.42/bbl on every cargo shipped out of the country.
- According to reports, OPEC is expecting demand growth of 2.7 million b/d next year while oil supply is envisaged to increase by only 1.7 million b/d in 2023.
- The new chairman of the National Oil Corporation, Farhat bin Qadara, reported that it was lifting the force majeure and the end of closures at oil fields and ports in Libya.
- A combination of falling liquidity and resurgence of Covid lockdowns in China led to a fall in oil prices at the start of the last week. On Tuesday, prices plunged below \$100/bbl. Brent marked a fall of 7.1% to settle at \$99.49/bbl while prices for WTI plummeted 7.9% to \$95.84/bbl. Following a marginal increase on Wednesday, oil prices tumbled on Thursday as the market feared a bigger increase in interest rates from the US Federal Reserve as latest data indicate higher than anticipated inflation in the US. Finally, Friday saw a recovery of around 2.5% in the oil prices. Brent climbed to \$101.16/bbl while WTI rose to \$97.59/bbl marking increases of \$2.06/bbl and \$1.81/bbl respectively.
- Adding to fears of a global recession, the Chinese economy grew annually at only 0.4% in the second quarter of 2022. The annual inflation rate in the country rose to 2.5% in June in comparison with 2.1% in May. China continues to adhere to its stringent Covid-19 policies which in turn are taking a toll on the economic health of the nation.



Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC9 22k mt CPP/UNL	TC14	TD1	TD6	TD17	TD18	TD20	TD3C	TD24
Description	37k mt Cont to	m/distillate Baltic to	38k mt USG to	280k mt ME Gulf to	135k mt Black Sea /	100k mt Baltic to UK	30k mt Baltic to UK	130k mt W	270k mt	100k mt Crude, Kozmino to
Size mt	USAC 37000	UK/Cont. 22000	Cont 38000	US Gulf 280000	Med 135000	Cont 100000	Cont 30000	Afr to Cont 130000	to China 270000	Ningbo 100000
Route	Rott - NY	Baltic - UKC	USG - Cont	Ras - LOOP	Novo - Augusta	Baltic - UKC	Baltic - UKC	Offshore Bonny to Rotterdam	Ras Tanura to Ningbo	Pacific Russia to China
	WS	WS	WS	WS	WS	WS	WS	WS	WS	\$
07/07/2022	315.00	510.71	240.00	33.11	126.06	197.81	341.67	114.09	56.64	1,654,167
08/07/2022	312.50	510.00	235.00	33.17	125.61	216.88	341.25	114.77	56.91	1,662,500
11/07/2022	312.5	510.00	229.17	33.44	125.89	239.38	340.00	115.91	57.95	-
12/07/2022	314.44	510.71	211.67	33.67	128.72	240.00	339.58	119.32	58.05	1,650,000
13/07/2022	314.44	510.71	190.00	33.72	131.89	241.25	339.17	125.45	58.14	1,641,667
14/07/2022	315.28	508.57	185.00	33.78	133.83	241.56	339.58	128.86	58.32	1,637,500
15/07/2022	314.44	508.93	181.67	34.02	161.50	239.38	341.25	134.55	58.55	1,637,500

Source: Baltic Exchange

LPG

- Sources suggest US LPG cargoes loading in June for delivery to Asia in July are around 2.9 million tonnes, up from the 2.4 million tonnes loading in April. Whereas July-loading cargoes for August arrival are estimated at 2.7 million tonnes as regional price strength, supported by Chinese petrochemical-sector demand, opens the western arbitrage.
- Netherlands-based LPG distributor SHV Energy has agreed to acquire Bangladeshi company Petromax LPG for an undisclosed amount. Petromax LPG operations are largely focused on household sales in 12kg cylinders for cooking, but it also sells LPG to the commercial, industrial and autogas sectors. The Bangladesh LPG market has grown rapidly in recent years, with demand increasing to about 1.3 million tonnes/year by 2021 from just 77,000 tonnes in 2011.
- Australia has raised its domestic LPG production estimate by 13% on the year to 3.5 million tonne/year for the 2022-2023 fiscal year ending June, in line with a stronger-than-expected performance at the 8.9 million tonne/year Ichthys LNG plant and the resumption of output from the 3.6 million tonne/year Prelude LNG facility.
- VLGC spot freight rates trading out of US Gulf into Europe and the Far East rose slightly while rates for vessels moving out of the Arabian Gulf into the Far East remained flat in the week ending 15th July.

**VLGC Spot Freight Rates**

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			\$/tonne
07/07/2022	68.07	63.90	108.50
08/07/2022	70.29	64.00	108.43
11/07/2022	70.36	63.90	108.00
12/07/2022	69.86	63.30	106.71
13/07/2022	69.14	62.70	104.57
14/07/2022	68.64	61.90	104.14
15/07/2022	68.21	61.20	103.36

*Source: Baltic Exchange***LNG**

- Concern over gas supply via Nord Stream 1 increases as Russian Foreign Minister Maria Zakharova said on Thursday that the future of the pipeline would depend on Europe's gas demand and sanctions by the Western nations against Russia. "As far as the gas pipeline's work is concerned, a lot will depend on our partners in terms of gas demand and illegitimate sanctions, as happened with the turbines in Canada," Zakharova said. Gazprom said a day earlier that it is unsure about the resumption of Nord Stream 1 pipeline, which is under maintenance.
- Asian spot LNG prices remained high this week owing to summer demand pickup in Asia. The average LNG price for August delivery into NE Asia LNG-AS was estimated at \$40.50 per million British thermal units (mmBTU), down \$0.50 or 1.2%, from the previous week.
- Italy has reported its gas storage capacity more than 65% full and is on track to achieve its target of reaching storage levels of 90% in October. Moreover, the country will receive increased gas supplies from Algeria by 4 billion cubic meters starting this week.
- Japanese Prime Minister Fumio Kishida seeks to prevent a power shortage in the county this winter by asking for more nuclear reactors to come online. He stated, "We would like to ensure the operation of a maximum of nine reactors, up from the current five operating now, by revising the construction and inspection periods for some of the nuclear power plants."

Chemicals

- According to research conducted by Future Market Insights on the global sulphuric acid market, demand for sulphuric acid is set to grow at a CAGR of 3.4% between 2022 and 2032, reaching a valuation of US\$2.56 billion by the end of the forecast period. The market has been significantly influenced by certain macro-economic and industrial factors including chemical industries development, a rapid economic boom, the expansion of manufacturing sectors, and growth of the agricultural industry. It is a key constituent utilized for the manufacturing of phosphate-based fertilizers. Thus, the need for increasing the crop production all over the globe will indirectly push the demand for sulphuric acid during the forecast period. Similarly, developments in the chemical industry and growing demand for catalysts in the processing industries are also expected to boost the growth

of the sulphuric acid market. Growing demand for metals ignited by increasing infrastructural activities across emerging regions of Latin America, South Asia Pacific and Africa is expected to support the growth of the sulphuric acid market during the forthcoming years.

- Entire industries in Germany could collapse due to natural-gas supply cuts from Russia. The chemical industry, which employs about 346,000 people, is the third-largest industry in Germany, according to Germany Trade & Invest, the country's investment promotion agency. Germany, Europe's largest economy is reliant on piped natural gas from Russia, which accounts for 35% of its imports of the fuel. The industrial powerhouse imports almost all the natural gas it uses, which accounts for about a quarter of the country's total energy mix, according to the economy ministry. The country's energy crisis is already driving inflation to record highs, which threatens social stability. Russian state gas giant Gazprom has already cut gas flows to Germany via the key Nord Stream 1 pipeline by 60% from last month, citing an equipment hold-up in Canada because of sanctions over the war in Ukraine. Berlin fears the situation may get worse after the pipeline's scheduled shut down for maintenance from July 11 to July 21. Germany's economy minister Robert Habeck said last week natural-gas flows may not resume after the scheduled works, which would in turn impact fuel storage ahead of the winter, when demand spikes.
- BASF has expanded its product offering for plastics recycling, with a specific portfolio designed for chemical recycling. Its PuriCycle line of products consists of catalysts and adsorbents developed to selectively remove or convert a wide range of impurities in pyrolysis oils derived from the chemical recycling of waste plastics. These pyrolysis oils are then fed into the production process for new plastics at the beginning of the value chain. The purification of pyrolysis oils obtained from waste plastics is among the most demanding technical tasks in chemical plastics recycling. Impurities, such as halogen, nitrogen, oxygen and sulfur compounds but also higher levels of reactive components such as dienes, complicate the downstream use and impose strict limitations on the further processing of such streams in the production of new materials. The ability of the PuriCycle products to purify these challenging pyrolysis oil streams is a major contribution to help closing the plastics loop, minimizing waste and ultimately opening up new feedstocks for the chemical industry