



RLA Weekly Report – Friday, 16 February 2024

No. 77

Japan Sees Consecutive Economic Contraction Amid Weak Demand

Economy

- Japan's economy contracted for the second consecutive quarter amid weakening domestic demand, putting further pressure on the BOJ as it contemplates interest rate hikes for the first time since 2007 following Weak private consumption contributed to a 0.4% annualized decline in Japan's GDP in the fourth quarter and a 0.1% decline on a quarterly basis. A slight increase in exports partially offset a larger contraction, but the decline was broad-based as private consumption, capital expenditure and government consumption all declined followed by depressing fourth-quarter data following the BOJ's revised third-quarter GDP, which contracted by 3.3% on an annualized basis. The latest GDP data further complicates the BOJ's monetary policy outlook as the BoJ has maintained overnight interest rates at minus 0.1% since January.

Oil

- Oil demand and prices could rise in the coming months as the Middle East threatens key shipping lanes amid a push to restock depleted oil inventories in key markets such as China, Europe and the US. The world's oil supply has been heavily impacted by supply disruptions caused by sanctions imposed on Russia in mid-February 2022 and long-term output cuts imposed by OPEC+ following Global oil inventories are barely recovering as traders struggle to justify the cost of storing oil following escalating attacks in the Red Sea by Iranian-aligned rebels, have raised supply worries, prompting buyers to restock inventories amid strong buying from China, Europe and the US.

Tanker Freight Rates on Key Routes

Route No.	TC6	TC2_37	TC14	TC8	TC20	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	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	270000	135000	70000	30000	130000
Route	Skikda to Lavera	Rdam to New	USG to Cont	Jubail to Rdam	Jubail to Rdam	Ras Tanura to	Novo to Augusta	Covenas - Corpus Christi	Baltic to UKC	Offshore Bonny to Rdam
	WS	WS	WS	WS	\$	WS	WS	WS	WS	WS
09/02/2024	269.78	215.83	170.36	92.09	6906250	66.55	127.80	202.50	349.50	105.77
12/02/2024	270.83	253.39	168.93	90.60	6850000	68.55	128.45	203.44	348.50	111.82
13/02/2024	270.00	258.61	168.57	87.80	6637500	72.68	128.50	204.38	347.00	112.68
14/02/2024	270.00	254.78	173.93	81.98	6500000	76.05	128.55	204.69	347.50	113.18
15/02/2024	278.06	250.83	185.71	80.88	6421875	89.23	128.30	205.00	348.10	113.64

Source: Baltic Exchange



LPG

- The LPG sales in Japan rose by 22% in the month of December to 1.27 million tonnes versus 1.05 million tonnes seen in November. There was a 0.3% slump in the consumption number compared to the same month last year. A long summer weighed on LPG sales over the period April to September this year. Iwatani, a Japanese distributor's sales fell by 5-10% compared with the same period last year. The domestic sales for the said period to residential customers dropped by 5% to 498,000 tonnes while for the commercial sector the decline was higher at 25%, equalling 143,000 tonnes. The overall domestic LPG consumption dropped by 3.9% to 5.8 million tonnes from April to September as per reported by Japanese LPG Association (JLPGA). The increased consumption by the industrial and petrochemical sectors offset the household demand in the mentioned period.

VLGC Spot Freight Rates

\$/tonne			
Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
09/02/2024	47	47	92
12/02/2024	47	47	91
13/02/2024	47	47	91
14/02/2024	50	50	94
15/02/2024	51	51	94

Source: Baltic Exchange

LNG

- The first wave of LNG imports is planned to start in 2024, but additional volumes will be required as demand from emerging markets triggers a large amount of latent LNG demand that has been held back by European moves to purchase LNG to substitute Russian pipeline. Gas emerging markets such as Vietnam, Ghana and the Philippines and new markets such as Bahrain which has already developed LNG import infrastructure but has been delayed and others that require LNG such as Australia, Sri Lanka, and South Africa. Developing markets such as Bangladesh, Vietnam and the Philippines, as well as Thailand, are developing LNG markets due to rapidly expanding power sectors and decreasing domestic gas supply.

LNG Spot Freight Rates

\$/day			
Route No.	BLNG1g	BLNG2g	BLNG3g
Description	Aus-Japan	USG-Cont	USG-Japan
30/01/2024	36853	39158	40311
02/02/2024	35390	39118	39131
06/02/2024	33597	39533	40169
09/02/2024	38980	38980	39561
13/02/2024	39181	39181	39692

Source: Baltic Exchange



Chemicals

- The US Gulf to the east coast of South America followed the transatlantic and transpacific routes. It dropped slightly at the start of January and then recovered part of that loss in the last week. Spot fixing from the US gulf to the east coast was dominated by large quantities of Caustic soda. Four or five of these cargoes, some on regular carriers and others on tramp vessels, were fixed. They were between 20,000 and 34,000 tonne and paid around \$60/tonne for 30,000 tonne to North Brazil. 10,000 tonne of MEG were done from Houston to Sao Paulo at about \$75/tonne. Contract volume was healthy. Space was tight overall, but there was some room for spot cargo. A couple of requests for 3,000–6,000 tonne of lube from the gulf to Brazil were placed on the market but have not yet been fixed. 7600 tonne of lube were priced on a tramp vessel at Port Athurto Guayaquil and Callao at \$130/tonne.



SHORT TERM OUTLOOK – OIL TANKER MARKET

A monthly report covering the next four months and including trends in oil supply, demand and trade, tanker demand and supply, spot, and time charter rates for MRs up to VLCCs, comparisons with FFAs plus the latest news on developments impacting the oil and tanker sectors.

MEDIUM TERM OUTLOOK – OIL TANKER MARKET

Concise analyses of topical issues, consistent market data series and views on future trends in tanker charter rates. The report covers Oil Prices; Economic Developments; Oil Demand and Supply; Trade; Tanker Demand, Supply and Rates. Sent to clients around January, April, July and October each year

SHORT TERM OUTLOOK – VLGC MARKET

A monthly report looking four months ahead at likely trends in the VLGC Spot Market with the latest on key LPG carrier trades, benchmark LPG prices, arbitrage developments, a comparison with FFAs and recent news

MEDIUM TERM OUTLOOK – LPG CARRIER MARKET

A quarterly series of regular reviews, analyses and forecasts of the LPG Carrier Market. The report covers Economic Developments; LPG production, consumption and pricing; LPG, chemical gases and ammonia trade, LPG Carrier Demand, Supply and Rates for Fully Ref, Semi-Ref and Pressurised Ships. Reports sent to clients around January, April, July and October each year.

CHEMICAL CARRIER WORLD SERVICE

An annual consultancy service currently providing Clients with an Annual Fundamentals Report, a Forecast Update, two quarterly Market Monitors, Monthly Commodity Trade Bulletins for key countries, an annual presentation on the market outlook and access to RLA's consultant's and analysts to discuss issues arising from these reports.



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