

RLA Weekly Report – Friday, 08 September 2023

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Oil Prices Surge Past \$90 as Saudi Arabia and Russia Extend Production Cut

Economy

- The US president and his administration prioritise boosting the multilateral lender's financial capacity at the upcoming G20 summit in New Delhi. They aim to increase the World Bank's lending capacity by \$25 billion for middle and low-income countries, with the potential to reach over \$100 billion if other nations follow suit, aligning with Washington's objectives during the G20 summit.
- China's trade and inflation data for August is likely to show a slowdown in the decline of both exports and imports compared to July. While this suggests a degree of enhancement, we remain cautious about China's growth prospects due to weak global demand for Chinese goods and a struggling property market. Consequently, economists have revised their growth forecasts for the year to align more closely with Beijing's target of around 5%.
- In August 2023, the Caixin China General Manufacturing PMI exceeded market forecasts by rising to 51.0 from July's 49.2, indicating substantial growth and the strongest factory expansion since February highlighting Beijing's efforts to strengthen the post-pandemic recovery in the economy.

Oil and Tankers

- On 05 September 2023, oil prices rose above \$90 per barrel as Saudi Arabia and Russia extended their production and export cuts until year-end. Saudi Arabia, leading OPEC+, cut 1 million b/d in July, now extended to December. Russia implemented a 300,000 b/d export reduction. This collaborative effort to boost oil prices has sparked global inflation concerns amid high energy costs.
- Euronav, Frontline, and Okeanis Eco Tankers, key players in the VLCC crude tanker sector, are avoiding new vessel investments despite a 30-year low orderbook level due to inadequate freight rates relative to construction costs. This trio collectively possesses and manages more than 70 VLCCs and nearly 60 suezmaxes.
- Market conditions resemble the 2004-2008 tanker boom, with high global oil demand, increased tonne miles due to geopolitical factors, and limited tonnage. The average age of the tanker fleet is at its highest since 2001, but owners are hesitant to order new vessels due to concerns about future fuels and costs, fearing technological obsolescence.

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
01/09/2023	258.33	220.00	145.00	51.21	3885714	23.67	38.14	71.90	104.69	183.50	70.32
04/09/2023	222.22	211.25	141.67	50.82	3800000	23.31	36.95	71.25	103.91	183.50	70.00
05/09/2023	208.89	199.50	138.33	50.71	3778125	23.28	36.85	72.13	103.13	183.50	72.73
06/09/2023	202.22	171.50	135.00	50.22	3756250	22.75	36.50	72.45	100.94	183.50	74.09
07/09/2023	201.67	170.75	134.17	50.44	3793750	22.64	36.46	72.40	97.50	184.00	73.41

Source: Baltic Exchange

LPG

- Middle East Gulf LPG exports experienced a decline in August due to production cuts within the OPEC+ alliance and Saudi Arabia's reduction of 1 million b/d. Saudi shipments dropped to 520,000 million tonnes from a six-month average of 730,000, while Abu Dhabi's exports fell 4% to 950,000 tonnes, and Iran's declined to 760,000 tonnes. In contrast, Qatar increased exports by 20% to 1.1 million tonnes. Overall, regional LPG exports fell to 3.4% from 3.92 million tonnes, with Qatar focusing on propane and Saudi Arabia and Iran exporting more butane, mainly to India.

VLGC Spot Freight Rates

\$/tonne	BLPG1	BLPG2	BLPG3
Route No.	AG-East	USG-Cont	USG-Japan
Description	44000	44000	44000
Size mt			
01/09/2023	120	108	196
04/09/2023	134	112	203
05/09/2023	134	113	206
06/09/2023	144	117	219
07/09/2023	146	119	220

Source: Baltic Exchange

LNG

- Vietnam and the Philippines have recently entered the LNG import market, which has witnessed nearly 50% growth in global import capacity over the past decade. The EIA predicts a further 16% expansion, equivalent to 23 Bcf/d, by the end of 2024 compared to 2022. Countries such as Antigua, Australia, Cyprus, and Nicaragua are expected to initiate LNG imports in the following years. By the end of 2024, the EIA envisions 55 countries having LNG regasification terminals with a combined capacity of 163 Bcf/d. Notably, global regasification capacity exceeds the volume of LNG imports, with historical data indicating that up to 39% of global regasification capacity is utilised annually.

LNG Spot Freight Rates

\$/day	BLNG1g	BLNG2g	BLNG3g
Route No.	Aus-Japan	USG-Cont	USG-Japan
Description			
22/08/2023	114845	108452	147308
25/08/2023	121737	115945	154203
29/08/2023	125672	118852	160088
01/09/2023	144045	142427	178637
05/09/2023	143692	142578	178135

Source: Baltic Exchange



Chemicals

- Following intensive pressure from the chemical industry, the Brazilian government has reintroduced a tax cut for the chemical companies. Additional tax credits are to be provided under the new law for enterprises that invest in extending their production capacity or in new facilities that use natural gas to produce fertilisers.
- Due to a scarcity of feedstock quantities, INEOS Oxide, Louisiana, was forced to declare a force majeure on ethanolamine's following the deflagration and subsequent force majeure at Dow's Louisiana operation. There is no expiration date for either force majeure because it is uncertain when the Dow EO unit will resume. Imports of ethanolamine's from Europe may rise as a result of the fire and low demand in the European market.