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No. 86

U.S. Real GDP Growth Slows to 1.6% in Q1 2024

Economy

- In the first quarter of 2024, the US real GDP grew at an annual rate of 1.6%. The slowdown in real GDP during the first quarter was mainly due to reduced growth in consumer spending, exports, and the state and local government spending, along with a decrease in federal government expenditure. However, this was partially offset by an increase in residential fixed investment. In the first quarter, the price index for gross domestic purchases rose by 3.1%, up from a 1.9% increase in the fourth quarter of 2023. The PCE price index climbed by 3.4%, compared to a rise of 1.8% previously.

Oil

- The tanker market may experience significant changes in trade routes if the Straits of Hormuz become impassable due to recent Israel-Iran escalations in Middle East region. The blockage in the AG-FE route can restrict the supply of Middle Eastern crude to Asia, which is the primary route for a VLCC. The freight rates on this route are therefore projected to increase as the vessels take a longer route. There are few alternatives for rerouting this oil, primarily through Saudi Arabia's East-West pipeline to Yanbu on the Red Sea, which has a capacity of approximately 5 million barrels/day and the UAE's pipeline to Fujairah, which has a capacity of 1.5 million barrels/day. The removal of so much supply will cause countries compete for crude, providing support to the oil price.

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
12-04-2024	191.11	183.61	191.43	62.75	5100000	62.80	122.65	225.00	235.00	127.06
15-04-2024	209.44	183.06	184.29	63.63	5318750	63.65	119.55	223.13	235.00	123.44
16-04-2024	284.00	178.33	173.57	67.58	6025000	63.15	116.35	213.44	234.00	117.33
17-04-2024	311.39	173.33	155.71	70.99	6100000	60.50	115.85	184.06	234.00	112.02
18-04-2024	305.00	173.61	149.29	72.86	6375000	59.85	115.10	180.63	234.50	108.72

Source: Baltic Exchange

LPG

- Due to constrained and costlier naphtha supply, the relatively low propane feedstock costs and increasing ethylene prices helped push Asia's PDH margins close to breakeven levels during February and March 2024. In the first quarter, spot trading activity was predominantly driven by tenders from Chinese traders to supply LPG for crackers in Fujian, Hainan, and Zhejiang, as cracker operating rates in China averaged 85%. In contrast, South Korea's rates stood at 79%.

LNG

- Saudi Aramco and Abu Dhabi National Oil Company are in discussions about potentially investing in U.S. LNG projects with a projected 50% increase in LNG demand by 2030 globally. These major Gulf oil companies are actively seeking investment opportunities in the United States. The United States is on track to nearly double its LNG capacity in the next four years, but financial hurdles have slowed the progress of many U.S. LNG project developers in expanding their export terminals.

Chemicals

- The production costs of Acrylonitrile in US Rose due to a recent spike in the prices of its feedstock, Ammonia. This increase is a result of producers hiking their Ammonia prices in response to heightened demand from international fertilizer manufacturers, aligning with the start of the planting season. At the same time, the cost influence from another feedstock, Propylene, remained steady, given its moderate stock availability in the market and consistent demand from buyers in Asia.

Shipping

- A recent increase in carbon emissions from ships has been noted as many are choosing to bypass the Suez Canal in favour of the Cape of Good Hope due to tensions in the Middle East. This route adjustment has ships traveling an extra 6600 nautical miles on the Houston-Chiba route, and 5800 nautical miles on the Asia-Mediterranean route, leading to increased fuel consumption. Additionally, these vessels are operating at higher speeds to compensate for the longer journey, further elevating carbon emissions. This change is expected to significantly affect the Carbon Intensity Indicator (CII) values and the Emissions Trading Scheme (EU-ETS) by the European Union.

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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