



RLA Weekly Report – Monday, 24 April 2023

No.44

VLCC rates drop as LR2s surge.

Economy

- Consumer price inflation in Germany for March came in at 7.4%, down from 8.7% in January and February, preliminary estimates showed. The HCOB Germany Manufacturing PMI dropped to 44 in April 2023, weaker than market expectations of 45.7, indicating the biggest contraction in the manufacturing sector since May 2020. Manufacturing conditions had gotten worse despite a significant drop in the stock of purchases and a brand-new record improvement in supplier delivery times.

Oil and Tankers

- Market trends reflect a dichotomy in the product and crude tanker markets as rates for vessels on TD3C eased continuously throughout the week while rates for LR2s trading on TC20 firmed gradually from \$3.9 million to \$4.6 million lumpsum in the week ending 21 April. Product tanker owners have been benefiting from fuel oil exports from Russia to Asia and other regions. Comparing the last two weeks ending 14 April and 21 April, BCTI rose to 1010 points from 941 points while the BDTI index slid by 91 points to 1176 points in the week ending 21 April reflecting the overall trend in the tanker market.
- According to the EIA, commercial crude stocks in the US eased to 465.9 million bbls in the week ending 14 April from 470 million bbls in the previous week. Distillate fuel oil inventories, stood at 112 million bbls, the same as a week earlier, while gasoline stocks reported an increase of 1.2 million bbls to average close to 223.5 million bbls in the week ending 14 April. The maintenance season for US refineries is set to start, which is expected to cause a drop in the demand for crude oil in the near term.
- According to the IEA, oil shipments from Russia surged in March to their highest level since April 2020, reflecting the Russian market's sustained growth and importance. Russian crude and products shipments rose by 0.6 million b/d to 8.1 million b/d, with revenue increasing \$1 billion to \$12.7 billion in March versus the previous month.
- Despite the western price restriction of \$60/bbl, Russia was the leading crude oil exporter to India in February. Crude exports from Russia, Saudi Arabia, and Iraq stood at \$3.35 billion, \$2.30 billion, and \$2.03 billion respectively in the month of February. Furthermore, Russian crude through Myanmar is being shipped to China, forging a new front in the competition for Asian market share between Moscow and producers in the Middle East.
- According to Vortexa, the number of active tankers operating in the forbidden oil markets of Iran, Venezuela, and Russia has now reached 1,000 tankers. Record-high active participation in the first quarter of 2023 is a result of new tanker arrivals into the Iranian market and the ongoing expansion of the Russian dark fleet.

Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC6	TC8	TC20	TC14	TD1	TD6	TD18	TD20	TD3C
Description	37 kt Cont to USAC	30 kt Clean Algeria to Euro Med	65 kt Clean MEG to UKC	90 kt MEG to UKC	38 kt USG to Cont	280 kt MEG to USG	135 kt BSea to Med	30 kt Baltic to UKC	130 kt WAF to Cont	270 kt Ras Tanura to China
Size mt	37000	30000	65000	90000	38000	280000	135000	30000	130000	270000
Route	Rdam to New York	Skikda to Lavera	Jubail to Rdam	Jubail to Rdam	USG to Cont	Ras Tanura to LOOP	Novo to Augusta	Baltic to UKC	Offshore Bonny to Rdam	Ras Tanura to Ningbo
	WS	WS	WS	\$	WS	WS	WS	WS	WS	WS
17/04/2023	257.50	276.88	54.49	3985714	127.50	47.44	156.17	260.83	101.00	72.50
18/04/2023	254.44	329.38	55.00	4085714	120.83	47.78	145.44	260.00	98.25	72.95
19/04/2023	238.89	329.69	54.75	4457143	116.25	47.50	142.28	260.42	95.75	72.41
20/04/2023	225.28	294.38	54.62	4557143	115.00	44.89	140.78	260.42	97.63	65.32
21/04/2023	208.33	253.75	55.13	4614286	112.50	44.33	139.11	260.83	97.50	65.18

Source: Baltic Exchange

LPG

- When compared to October-December 2022, seaborne LPG imports to Poland decreased by more than 20% in the first quarter. Rail arrivals from Russia increased as a result of major price reductions on railcars in northwest Europe. According to figures from Vortexa, a little over 269,000 tonnes arrived in Poland's three Baltic terminals in January–March, down from a record 350,000 tonnes in the previous quarter. Poland's largest port in Gdansk, which received 151,000 tonnes, witnessed a decline of more than a quarter, while Orlen Paliwa's smaller Szczecin terminal, which took 53,500 tonnes, saw a drop of 25%. No deliveries arrived at petrochemical firm Grupa Azoty's new 430,000 tonnes/year PDH plant. However, distributor Alpetrol's Gdynia port defied the trend and took 13% more cargo, totalling about 65,000 tonnes. More than half of this arrived in January as a result of the company's signing of many long-term contracts for transloading LPG coasters.
- According to data from the state-owned Cores, LPG sales in Spain increased by 2% on the month to 191,600 tonnes in February as cooler weather supported heating demand. Residential cylinder consumption rose by 7% to 84,300 tonnes, while grid supply increased by 15% to 66,600 tonnes. Autogas sales rose by 9% to 8,400 tonnes. However, industrial use, which accounts for around 90% of the petrochemical feedstock used in Spain, decreased by more than a third to 32,300 tonnes in February as propane prices in northwest Europe increased from a discount to a premium over naphtha.
- Portugal's LPG demand continued to recover, but at a slower pace after prices moved to a premium to naphtha. According to the government, the demand for propane increased by 6% month on month to 42,000 tonnes in February but decreased by more than 25% from a year earlier. Naphtha use more than doubled to 43,500 tonnes. Butane sales, largely for cooking and heating in homes, rose by 2% to about 11,000 tonnes, but were down by nearly a third on the year. Autogas sales edged higher to 3,000 tonnes.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			\$/tonne
17/04/2023	78	76	129
18/04/2023	80	76	127
19/04/2023	80	76	125
20/04/2023	79	76	127
21/04/2023	78	76	126

Source: Baltic Exchange

LNG

- Chinese LNG imports in March increased by roughly 16% on the year as demand experienced its largest monthly growth in 14 months. China's National Bureau of Statistics reports that shipments to its network of 23 terminals totalled 5.36 million tonnes, or around 78 cargoes, up from 4.63 million tonnes, or 68 cargoes, in March 2022. LNG imports for the first quarter came to 16.48 million tonnes, which was still down 4.6% versus the same period of last year. The country's pipeline natural gas imports in March increased by 4.4% to 3.51 million tonnes.
- India's LNG imports for the month of March this year decreased by 15.2% from 1.95 million tonnes, or 29 deliveries, in March 2022 to 1.65 million tonnes, or 24 cargoes. The decline in March came after a rebound in February, when imports increased by 11% to 1.67 million tonnes from 1.50 million tonnes in February 2022. Provisional data from India's Ministry of Petroleum and Natural Gas show that for the whole fiscal year ending in March, LNG deliveries dropped to 19.72 million tonnes, or around 290 cargoes, from 22.96 million tonnes, or about 337 shipments, in the previous fiscal year.
- In an effort to tackle Europe's energy crisis, European Union nations reduced their gas use this winter, exceeding a goal to reduce gas use by 15% during the coldest months. According to figures released on Wednesday by the EU statistics agency Eurostat, overall gas usage in the 27-country EU decreased by 17.7% from August to March when compared to the five-year average for the same period. Except for Malta, most EU nations achieved the 15% target and decreased their gas use during that time. The largest decrease in demand was in Finland, where it fell by 56%. Spain had an 11% decrease in gas consumption, while Malta, an island nation and Europe's smallest gas consumer, saw a rise of 13%.
- Asian spot LNG prices stayed at 22-month lows as demand in major North Asian countries, including China, South Korea, and Japan, remained sluggish. The average LNG price for June delivery into northeast Asia was \$12/mmBtu.

LNG Spot Freight Rates

Route No. Description	BLNG1g Aus-Japan	BLNG2g USG-Cont	BLNG3g USG-Japan \$/day
11/04/2023	60537	41022	48811
14/04/2023	56501	40924	48596
18/04/2023	56215	40928	48806
21/04/2023	54021	42123	47976

Source: Baltic Exchange

Chemicals

- Chartwell Marine, located in the United Kingdom, is planning to build a methanol-powered recreational yacht. According to a statement on its website on Tuesday, the business is collaborating with Archipelago Expedition Yachts to develop what it calls the world's first methanol-fuelled, zero-carbon ocean-capable recreational yacht. The company has obtained a £320,000 grant from the UK government to explore methanol propulsion in its vessel designs. The 63-foot Archipelago will be powered by a methanol combustion engine as well as fuel cells fuelled by methanol.
- Hyundai Mipo Dockyard floated out Maersk's first methanol-powered ship last week, putting it one step closer to entering service. The ship's name is believed to be Laura Maersk. The 2,100 TEU capacity vessel was important because it signalled the beginning of the first major box shipper's support for alternative fuel in 2021.
- India's state-owned Bharat Petroleum Corp Ltd (BPCL) intends to invest \$5.2 billion–\$6.1 billion to expand its Bina refinery and construct a petrochemical complex at the site in central Madhya Pradesh. The projected petrochemical complex will manufacture linear low-density polyethylene (LLDPE), high density polyethylene (HDPE), polypropylene (PP), bitumen, and benzene, as well as petrol, diesel, and aviation turbine fuel. The project is expected to be completed by the end of the fiscal year in March 2028, according to the business.
- Chandra Asri Petrochemical (CAP) intends to build a world-scale chlor-alkali facility in Indonesia, as part of the Southeast Asian country's pursuit of investments in the nickel value chain in response to rising worldwide demand for electric vehicles. The Indonesian petrochemical producer and sovereign wealth fund Indonesia Investment Authority (INA) have signed an agreement to develop the project, which is expected to produce more than 400,000 tonnes of caustic soda and 500,000 tonnes of ethylene dichloride (EDC) per year.