



RLA Weekly Report – Friday, 27 October 2023

No.66

US GDP expands at 4.9% in Q3, beats market estimates.

Economy

- At 4.9% annualised rate, the US GDP grew substantially in the third quarter at its fastest pace in nearly two years. The said expansion in GDP number corresponds to higher consumer demand, increased spending, higher exports and increased private equity investments despite the high interest rates. Expenditure by state and local government and residential fixed investments also contributed significantly towards higher-than-expected GDP number. During the third quarter, consumer spending increased by 4% versus the second quarter, whereas the government spending and investment jumped by 4.6% according to the US government data. The sentiment for labour market remains firmer than before as well. The interest rate, however, remains unchanged at 5.25%-5.50%.
- Amidst the tumbling Chinese economy pertaining to slowdown post pandemic and real estate crunch, the Chinese government has ordered an issue of sovereign debt worth \$137billion. This move is set to widen the country's budget deficit to 3.8% of GDP. In the third quarter, Chinese economy grew faster than expected, providing hopes of meeting the targeted 5% by the end of 2023. However, the persistent drag from the property sector continues to be a headwind. The funds raised are expected to help bolster the economic recovery. China's debt to GDP ratio stands at 21% allowing more room for central government for added spending and expenditures.

Oil and Tankers

- Suezmax tanker rates have surged to a five-month high, catching the attention of larger VLCC owners. The Baltic Exchange's assessment shows a rapid 12.1% one-day increase on 24 October, pushing rates to nearly \$59,900/day, a 534% rise from their recent low. This spike, fueled by strong activity in the Atlantic market, marks the highest level since May 18, while the Middle East and Mediterranean markets remain sluggish.
- In an unexpected move, the US announced that sanctions against companies trading in Venezuelan oil will be paused for six months. This provides an opportunity for restructuring of oil movements, particularly in the Atlantic basin, these changes also revive the focus on VLCC demand and impacts on the 'dark fleet'. Naturally, Venezuela can produce and export its oil freely. Discounts on the price of its crude will likely disappear, turning a significant amount of oil away from the dark trade and into mainstream markets.



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
20/10/2023	187.22	141.25	102.50	55.93	4468750	31.33	54.17	135.25	243.75	297.00	118.64
23/10/2023	189.44	141.25	110.00	55.49	4481250	30.89	54.08	134.75	242.50	299.50	120.86
24/10/2023	190.83	149.50	112.14	54.67	4475000	30.22	53.42	137.65	240.31	301.00	135.00
25/10/2023	192.78	151.25	114.29	54.73	4443750	30.83	54.42	141.90	244.38	301.50	140.91
26/10/2023	196.94	154.75	115.00	54.62	4443750	32.33	56.38	145.25	256.88	302.50	145.00

Source: Baltic Exchange

LPG

- Alujain, a petrochemical producer based in Saudi Arabia, has recently granted an initial engineering contract for its propane dehydrogenation (PDH) and polypropylene (PP) project in Yanbu, which is valued at \$2 billion, to Samsung, a South Korean company. The PDH unit is set to have a production capacity of 600,000 tonnes per year, while the PP unit is designed to produce 500,000 tonnes per year. Samsung's objective is to finalize its project plans by May 2024, and the project is slated to commence commercial operations in the first half of 2026. It is noteworthy that Alujain currently operates a PDH plant with an annual capacity of 400,000 tonnes and a PP unit with a capacity of 400,000 tonnes in Yanbu, both of which are managed by its subsidiary, Natpet.
- Oryx Energies has announced plans to expand the sub-saharan African LPG business, as a part of transition to clean cooking fuels. However, there remains a deficit of storage spaces in the region, capable of holding not more than 316,000 tonnes. The region will require to build more storage spaces for ease in its energy transition plans. As Oryx Gas works closely with the governments to promote the use of LPG as a cleaner cooking fuel, it targets 80% of Tanzanian population's transition to clean cooking.

VLGC Spot Freight Rates

\$/tonne			
Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
20/10/2023	114	102	186
23/10/2023	115	102	184
24/10/2023	119	106	191
25/10/2023	125	108	195
26/10/2023	130	112	201

Source: Baltic Exchange

LNG

- Germany is trying with all might to end a total reliance on Russian pipeline gas after the invasion of Ukraine by Germany in 2022. In the recent plans to increase LNG imports, gas grid company Gascade has obtained approval from mining authorities to complete a link for a pipeline linking Mukran port on the German Baltic Sea Island of Ruegen with Lubmin on the mainland to increase the LNG inflow. LNG from Mukran will flow through Gascade's new pipeline to the onshore grids in the first quarter of 2024. At Brunsbuettel, EU has already commissioned a \$42.1million support for a land-based LNG terminal on the North Sea to tackle the supply security and its diversification.

LNG Spot Freight Rates

\$/day	BLNG1g	BLNG2g	BLNG3g
Route No. Description	Aus-Japan	USG-Cont	USG-Japan
10/10/2023	143717	135697	164100
13/10/2023	129508	131341	159055
17/10/2023	123648	125680	154980
20/10/2023	124592	127679	158920
24/10/2023	128471	135992	161863

Source: Baltic Exchange

Chemicals

- Through most of September, the Middle East's chemical market faced challenges, much to the disappointment of owners. In contrast, there was a notably more optimistic outlook in the regional clean products market and the oil industry, which, in turn, affected bunker prices. Operating chemical tankers in the Middle East during Q3 was a challenging task, with lower volumes, rate pressures, and rising operating expenses. This gloomy sentiment is extending into Q4, prompting certain chemical owners to seek hedging options. Furthermore, there has been a slight decrease in the interest in hire-out ideas compared to earlier in the year, and some regional producers are actively looking for available tonnage. September witnessed a renewed focus on China's property sector stress and the prevailing cross-sector risks, which continue to cast a significant shadow on the world's second-largest economy and its historical status as the largest petrochemical exporter. Trading activity has been lacklustre, particularly in the MEG-China route.
- Anticipations of India absorbing a substantial portion of global urea supply in November-December are likely to inject stability into the market. India is projected to purchase more than 1.5 million tonnes at a cost of \$400-404 per tonne CFR, and suppliers are eager to increase shipments due to sluggish demand in other major import regions. The market's weakness is primarily attributed to Brazil, where prices continue to drop, even though there is substantial demand for urea imports.