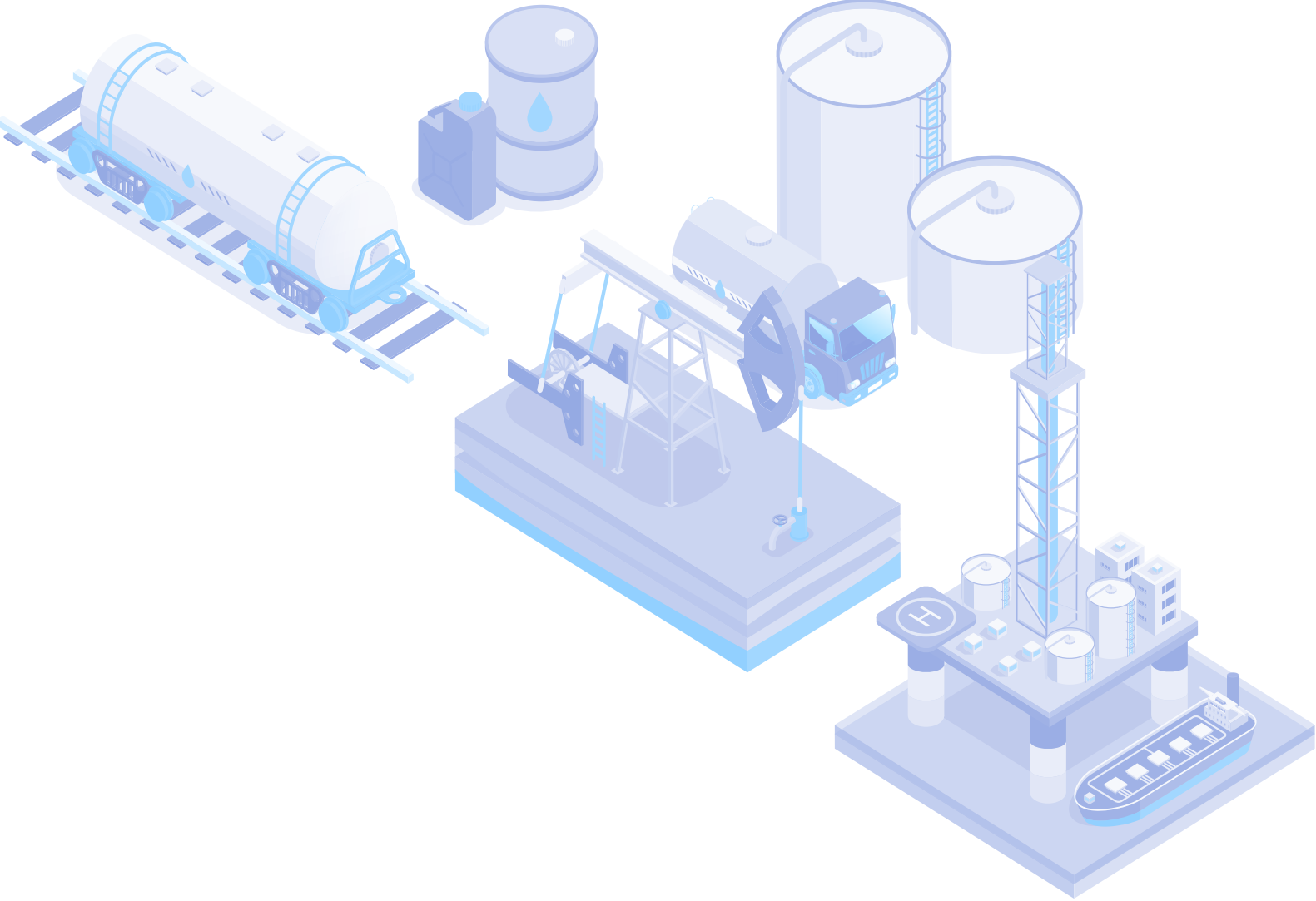


February  
2024

الجزيرة كابيتال

ALJAZIRA CAPITAL الجزيرة للأسواق المالية



# Oil & Petrochemicals Monthly Report January | 2024

Head of Sell-Side Research

Jassim Al-Jubran

+966 11 2256248

j.aljabran@aljaziracapital.com.sa

## Urea, MEG, MTBE and VAM prices improved, Ammonia plunged; Aramco increased propane and butane prices for February

- **Naphtha, propane and butane prices increased in January:** Prices of naphtha rose 5.2% M/M to USD 705 per ton in January. Propane and butane prices rose 1.6% each to USD 620 per ton and USD 630 per ton, respectively. Aramco increased propane and butane prices for February to USD 630 per ton and USD 640 per ton, respectively.
- **Prices were up for majority of products in January:** Urea prices gained 10.9% M/M to USD 355 per ton amid improving demand from different regions as well as short covering, while supply remained limited particularly in Asia. On the other hand, **Ammonia** prices continued to be impacted by lack of demand, plunging 20.6% M/M to USD 385 per ton. **MTBE** prices increased 7.1% M/M to USD 910 per ton driven by recovery in the downstream gasoline products market. **MEG (Asia)** prices gained 8.8% M/M to USD 555 per ton due to improved sentiments in China due to hopes of economic stimulus and tighter supply amid reduced imports. PET prices jumped 5.2% M/M to USD 915 per ton in January due to an increase in prices of upstream MEG and PTA. **VAM** prices increased 6.4% M/M to USD 920 per ton due to the slight tightening of supply amid rising demand.
- **Petchem Spreads Trend:** PP-propane spread decreased to USD 378 per ton in January from USD 384 per ton in December. PP-butane spread decreased to USD 370 per ton in January from USD 376 per ton in December. HDPE-naphtha spread increased to USD 293 per ton in January against USD 275 per ton in December

## Oil prices jumped in January due to demand optimism from the US and China; in early February prices were supported by rising geopolitical tension in the Middle East

- **Oil prices jumped in January:** Oil prices were rangebound in the first half of January, as global economic concerns were counteracted by conflicts in the Middle East. The prices increased in the second half driven by positive economic data in the US, hopes from Chinese stimulus and supply concerns amid Middle East tension. In early February, oil gained amid the worsening geopolitical situation in the Middle East. Brent prices gained 8.5% M/M, while WTI increased 8.9% M/M in January, ending at USD 83.6/bbl and USD 78.0/bbl, respectively. Natural gas prices at Henry Hub rose 7.9% M/M to USD 2.7/mn Btu.
- **China's manufacturing activity continues to expand; US and Eurozone PMIs rose M/M but remain in contraction zone:** US ISM manufacturing PMI rose to 49.1 in January from 47.1 in December due to a notable turnaround in new orders. China's Caixin manufacturing PMI remained unchanged at 50.8, implying expansion for third consecutive month. The Eurozone manufacturing PMI rose to 46.6 in January from 44.4 in December.

Table 1: Petchem Prices – January FY24

Name	Price (USD per ton)	M/M %	Q/Q %	Y/Y %	YTD %
Naphtha	705	5.2%	6.8%	-0.7%	5.2%
Saudi Propane	620	1.6%	3.3%	5.1%	1.6%
Butane-Saudi	630	1.6%	2.4%	4.1%	1.6%
Ethylene	880	4.1%	1.1%	17.3%	4.1%
Propylene-Asia	810	0.0%	0.6%	-6.9%	0.0%
HDPE	960	1.1%	1.1%	-1.0%	1.1%
LDPE	1,025	2.5%	5.7%	-4.2%	2.5%
LLDPE	940	0.0%	4.4%	-4.1%	0.0%
PP-Asia	875	-0.6%	0.6%	-9.8%	-0.6%
Styrene-Asia	1,060	2.4%	0.0%	-8.6%	2.4%
Polystyrene-Asia	1,180	2.6%	-0.4%	-3.3%	2.6%
PET - Asia	915	5.2%	6.4%	-6.2%	5.2%
PVC-Asia	765	2.7%	2.7%	-14.0%	2.7%
MEG (Asia)	555	8.8%	19.4%	3.7%	8.8%
Methanol-China	285	1.8%	3.6%	-10.9%	1.8%
DAP-Gulf	570	-5.8%	-4.2%	-14.3%	-5.8%
Urea-Gulf	355	10.9%	-7.8%	-11.3%	10.9%
Ammonia-Gulf	385	-20.6%	-25.2%	-49.3%	-20.6%
MTBE-Asia	910	7.1%	-6.2%	-7.1%	7.1%
EDC	360	1.4%	12.5%	26.3%	1.4%
MEG (SABIC)	800	0.0%	-8.0%	-5.9%	0.0%
PC	1,715	-1.2%	-5.2%	-12.3%	-1.2%
Acetic Acid-AA	475	-1.0%	-1.0%	2.2%	-1.0%
EVA	1,225	-0.4%	-8.9%	-31.8%	-0.4%
Vinyl Acetate Monomer-VAM	920	6.4%	1.1%	-15.6%	6.4%

Note: Prices as of January 28, 2024

Source: Argaam, Reuters Eikon, AlJazira Capital Research

Table 2: Economic Calendar

Date	Country	Event
February 22,28	US	Weekly Petroleum Status Report
22-Feb	US	Initial Jobless Claims
28-Feb	US	GDP Annualized QoQ
28-Feb	KSA	M3 Money Supply YoY
28-Feb	KSA	SAMA Net Foreign Assets SAR
5-Mar	KSA	S&P Global Saudi Arabia PMI
7-Mar	US	Trade Balance
8-Mar	US	Unemployment Rate
10-Mar	KSA	GDP Constant Prices YoY
12-Mar		EIA Short-term Energy Outlook
12-Mar	US	Monthly Budget Statement
12-Mar		OPEC Monthly Oil Market Report
14-Mar		IEA Oil Market Report
14-Mar	KSA	CPI YoY
28-Mar	KSA	Current Account Balance

Source: Bloomberg, EIA, OPEC, IEA

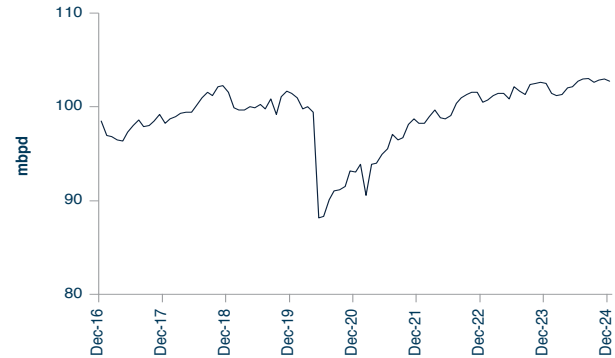
## Key comments from international energy agencies

### Crude oil supply

#### Global supply

- Global oil supply is expected to increase 1.7 mbpd in FY24 to a record 103.8 mbpd with non-OPEC+ supply driving 95% of the increase, according to IEA.
- Global supplies of crude oil and liquid fuels are expected to rise by 0.5 mbpd to 102.3 mbpd in FY24 and by 1.9 mbpd to 104.2 mbpd in FY25, as per EIA. Non-OPEC supply is forecast to grow 0.8 mbpd to 70.3 mbpd in FY24 and 1.2 mbpd to 71.5 mbpd in FY25.
- The global refining throughputs are forecasted to average at 83.3 mbpd in FY24, an increase of 1.0mbpd, according to IEA.

Figure 1: World Oil Production



Source: OPEC, AlJazira Capital Research

#### OPEC Supply

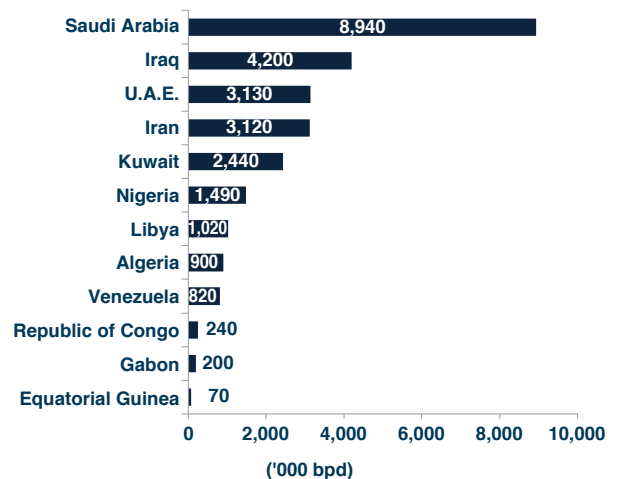
- OPEC crude oil production decreased 350,000 bpd M/M in January to average at 26.3 mbpd, as per OPEC's secondary sources.
- On average, OPEC members are estimated to produce 26.1 mbpd of crude oil in Q1-24 compared to 26.6 mbpd of crude oil in Q4-23, as per EIA.
- OPEC's average crude production is estimated at 26.7 mbpd in FY24 and at 27.4 mbpd in FY25, according to EIA.
- OPEC's unplanned oil supply disruptions averaged 1.66 mbpd in January (vs. 1.41 in December), as per EIA

Table 3: OPEC Monthly Oil Production ('000 bpd)

Prod. ('000 bpd)	Cap.	Oct 2023	Nov 2023	Dec 2023	Jan 2024	% M/M Chg.
Equatorial Guinea	120	70	50	60	70	16.7%
Gabon	220	220	220	220	200	-9.1%
Republic of Congo	300	260	240	240	240	0.0%
Venezuela	840	800	810	810	820	1.2%
Algeria	1,060	960	950	950	900	-5.3%
Libya	1,200	1,090	1,120	1,140	1,020	-10.5%
Nigeria	1,600	1,490	1,440	1,490	1,490	0.0%
Kuwait	2,820	2,560	2,520	2,550	2,440	-4.3%
Iran	3,830	3,110	3,160	3,160	3,120	-1.3%
U.A.E.	4,200	3,150	3,150	3,110	3,130	0.6%
Iraq	4,800	4,340	4,290	4,330	4,200	-3.0%
Saudi Arabia	12,000	9,010	9,000	9,000	8,940	-0.7%
<b>Total OPEC</b>	<b>32,990</b>	<b>27,060</b>	<b>26,950</b>	<b>27,060</b>	<b>26,570</b>	<b>-1.8%</b>

Source: Bloomberg

Figure 2: OPEC January Oil Production ('000 bpd)



Source: Bloomberg

## Crude oil demand

### Global

- OPEC estimates a 2.2 mbpd increase in global consumption in FY24, unchanged from the previous month's estimate. IEA estimates global oil demand growth to ease from 2.3 mbpd in FY23 to 1.2 mbpd in FY24. As per EIA, global consumption of petroleum and liquid fuels is forecasted to average at 102.4 mbpd in FY24 (+1.4 mbpd Y/Y) and increase further by 1.3 mbpd Y/Y in FY25.
- Global demand for petroleum and liquid fuels stood at 100.4 mbpd in January, indicating a rise of 2.7 mbpd Y/Y, as per EIA.

### OPEC

- OPEC demand for FY24 is forecasted to grow 1.0 mbpd Y/Y to 28.4 mbpd. The OPEC demand is estimated to increase to 28.8 mbpd in FY25, up ~0.5 mbpd Y/Y.

## Inventory

- Global observed inventories rose by 21.6 mb in December, preliminary data for January indicated a decrease in global inventories of 60 mb, as per IEA.
- EIA forecasts OECD inventories to stand at 2.75bn barrels by end-FY24 and at 2.82bn by end-FY25.
- Natural gas inventories in the US are estimated to be 15.0% higher than the five-year average by the end of winter, as per EIA.

Figure 3: OECD Monthly Oil Inventories



Source: US EIA, AlJazira Capital Research

## Price outlook

- Brent spot prices are forecasted to average USD 82 per barrel in FY24 and at USD 79 per barrel in FY25, as per EIA.
- Goldman Sachs anticipates Brent crude prices to trade between USD 70-90 per barrel in 2024, slashing upper range by USD 10 per barrel, due to strong US supply. Morgan Stanley raised Brent crude forecast for Q1 and Q2-24 to the average of USD 82.5 per barrel from USD 80.0 and USD 77.5 per barrel earlier, prices are estimated to average at USD 80 per barrel in Q3 and Q4-24. EIA expects natural gas prices at Henry Hub to average USD 2.65/mn Btu in FY24 and USD 2.94/mn Btu in FY25.

Table 4: World Oil Demand and Supply

(mbpd)	FY23				FY24E				FY23	FY24E	FY25E
World Crude Oil & Liq. Fuels Supply	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
OPEC Supp.	32.77	32.46	31.63	31.90	31.51	32.03	32.24	32.13	32.19	31.98	32.63
Non-OPEC Suppl.	68.33	69.02	70.06	70.81	69.66	70.24	70.63	70.74	69.56	70.32	71.54
<b>Total World Supply</b>	<b>101.11</b>	<b>101.48</b>	<b>101.69</b>	<b>102.71</b>	<b>101.18</b>	<b>102.27</b>	<b>102.88</b>	<b>102.87</b>	<b>101.75</b>	<b>102.30</b>	<b>104.17</b>
World Crude Oil & Liq. Fuels Cons.											
OECD Cons.	45.22	45.67	46.02	46.48	45.91	45.56	46.25	46.31	45.85	46.01	46.04
Non-OECD Cons.	54.72	55.23	55.31	55.34	56.07	56.57	56.52	56.48	55.15	56.41	57.68
<b>Total World Cons.</b>	<b>99.93</b>	<b>100.90</b>	<b>101.33</b>	<b>101.82</b>	<b>101.98</b>	<b>102.12</b>	<b>102.77</b>	<b>102.79</b>	<b>101.00</b>	<b>102.42</b>	<b>103.71</b>
OECD Comm. Inventory (mn barrels)	2,746	2,782	2,815	2,783	2,735	2,757	2,766	2,746	2,783	2,746	2,822
OPEC Surplus Crude Oil Prod. Cap.	1.94	2.13	1.95	1.53	n/a	n/a	n/a	n/a	1.89	n/a	n/a

Source: EIA STEO February 2024, AlJazira Capital Research

- The gap between crude consumption and supply is estimated to decrease to 0.80 mbpd in Q1-24 (higher consumption than supply) from 0.89 mbpd in Q4-23 (higher supply than consumption).
- OECD's crude inventories are expected to be at 2.74bn barrels in Q1-24, lower than 2.78bn in Q4-23.

## Petrochemical sector news

- **Saudi Arabian Oil Co. (Saudi Aramco)** received a directive from the Ministry of Energy to maintain its maximum sustainable capacity (MSC) at 12.0mn barrels per day (mbpd), and not to continue increasing to 13 mbpd. (Source: Tadawul)
- **Alujain Corp.** signed an agreement to sell a 35% stake of its subsidiary, National Petrochemical Industrial Co. (NATPET), to Basell International Holdings B.V., a subsidiary of New York Stock Exchange-listed LyondellBasell Industries N.V., for nearly SAR 1.9bn (USD 500.0mn). The agreement covers selling a 35.0% stake, representing 37.5mn shares in NATPET's capital, to Basell International, as part of a comprehensive joint venture arrangement. (Source: Tadawul)
- **Saudi Basic Industries Corp. (SABIC)** announced its final investment decision today, Jan. 21, to proceed with developing a petrochemical complex in Fujian, China. SABIC Industrial Investment Co., a wholly owned subsidiary of the Saudi petrochemical giant, will own 51% of the project and Fujian Fuhua Gulei Petrochemical Co. Ltd. will have 49% ownership of the joint venture. The complex will consist of a mixed feed steam cracker with an expected annual ethylene maximum capacity of up to 1.8mn tons (Source: Argaam)
- **Saudi Basic Industries Corp. (SABIC)** along with its affiliate Scientific Design (SD), which is licensed in ethylene glycol technology entered an MoU with Linde Engineering, a subsidiary of Linde, to explore collaboration opportunities to decarbonize the SD ethylene glycol process. (Source: Argaam)
- **Advanced Petrochemical Co.** announced that its propylene and polypropylene plants will undergo periodic scheduled maintenance. The polypropylene plant will resume operations as of February 27 by utilizing available propylene stock and outsourced propylene. Meanwhile, the propylene plant will restart as of March 03 after the replacement of the catalyst. (Source: Tadawul)
- **Methanol Chemicals Co. (Chemanol)** said its board of directors recommended increasing the company's capital through a SAR 674.5mn rights issue. Chemanol recently obtained the Ministry of Energy's approval for the allocation of natural gas for several projects, including the methanol expansion project to increase the current output by around 100,000 metric tons. The capital increase will contribute to reducing production costs and generate additional value for Chemanol. (Source: Tadawul)
- **Saudi Aramco** President and CEO Amin Nasser said that the capex allocated for increasing production capacity will go to expanding gas, liquids and chemicals. He also noted that shareholders will decide whether the state-owned oil giant will sell more shares in FY24. (Source: Argaam)

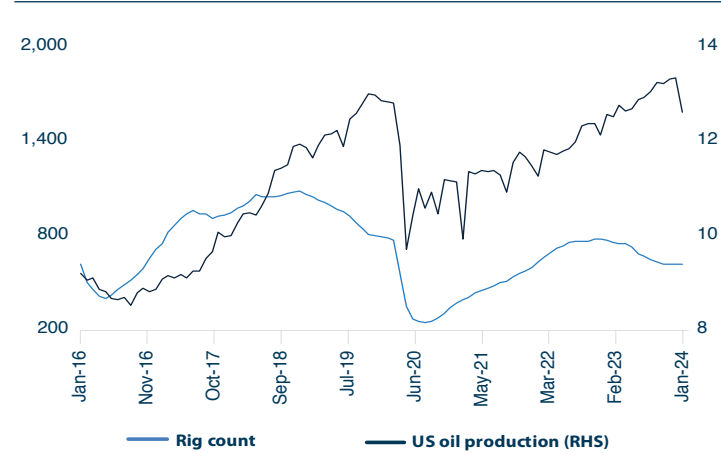
Table 5: KSA Petrochemical Companies Key Metrics

Company	Net profit (TTM; SAR mn)	P/E (Adjusted)	P/B	EV/ EBITDA	DPS (SAR) TTM	Dividend Yield	YTD returns
SABIC	-728.3	High	1.4x	13.0x	3.40	4.3%	-5.9%
TASNEE	234.8	24.1x	0.9x	51.9x	-	-	0.2%
YANSAB	-600.1	NEG	1.7x	35.6x	1.75	4.6%	-0.5%
SABIC Agri-Nutrients	4,849.4	12.6x	3.5x	9.8x	6.00	4.8%	-8.7%
Sipchem	1,495.3	15.0x	1.5x	10.7x	2.00	6.4%	-8.1%
Advanced	171.1	High	3.1x	35.7x	-	-	-1.5%
KAYAN	-2,305.5	NEG	1.0x	39.1x	-	-	-16.6%
SIIG	112.2	High	1.6x	-	1.00	4.7%	-5.0%
Nama Chemical	-112.7	NEG	2.9x	-	-	-	13.1%
Chemanol	-99.6	NEG	1.1x	38.8x	-	-	-12.1%
ALUJAIN	7.4	High	1.1x	12.7x	-	-	4.3%

Source: Bloomberg, Tadawul, Argaam, Aljazeera Capital Research; Data as of February 14, 2024

## US oil and gas developments

Figure 4: US Oil Production versus Rig Count



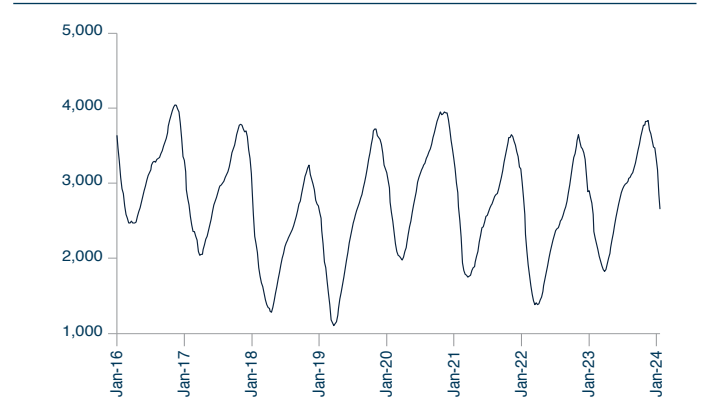
Source: US EIA, AlJazira Capital Research

Figure 5: US Weekly Oil Inventories



Source: US EIA, AlJazira Capital Research

Figure 6: US Weekly Natural Gas Storage



Source: US EIA, AlJazira Capital Research

## Price Trend: Oil, Natural Gas & Petrochemicals Products

Figure 7: Oil Price Trends (USD per Barrel)

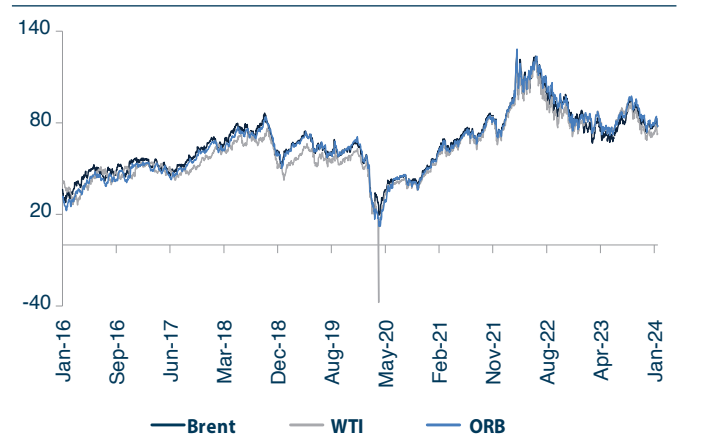


Figure 8: Henry Hub Natural Gas (USD per MMBtu)

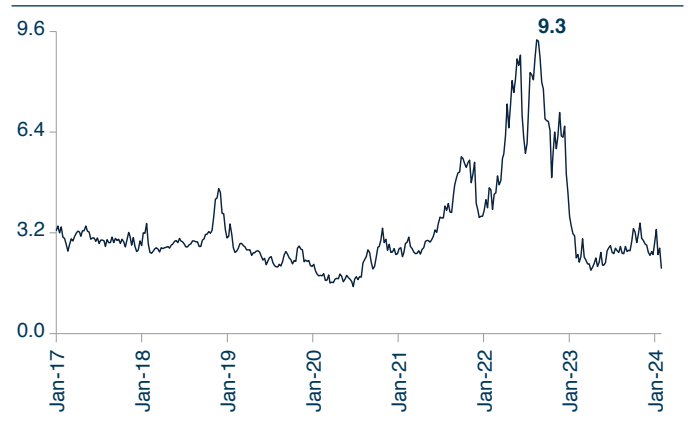
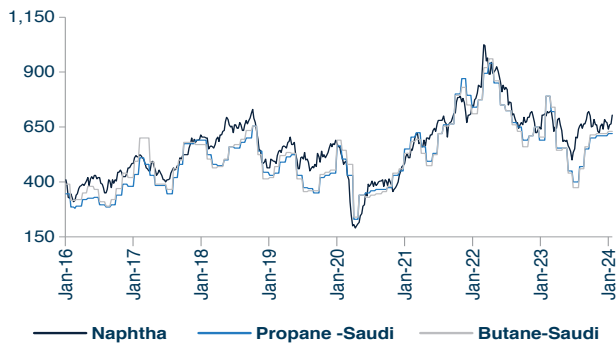




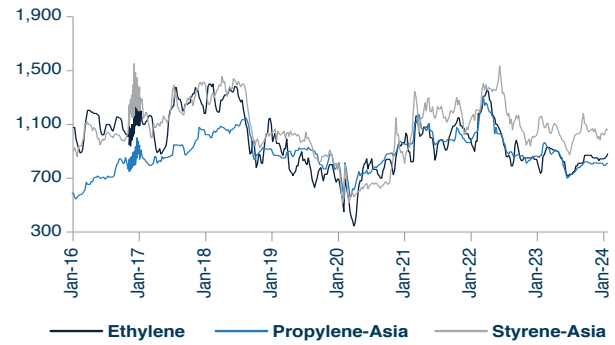


Figure 9: Feedstock Price Trends (USD per Ton)



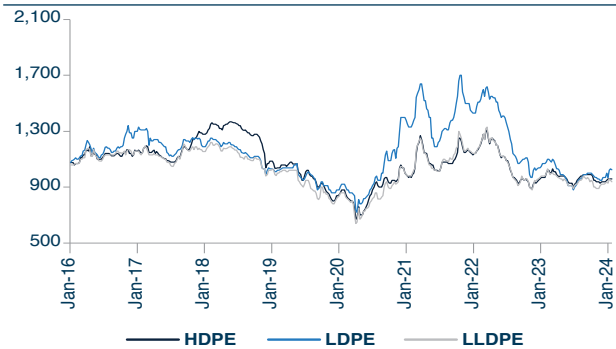
Source: Argaam, ALJazira Capital Research

Figure 10: Basic Petchem Price Trends (USD per Ton)



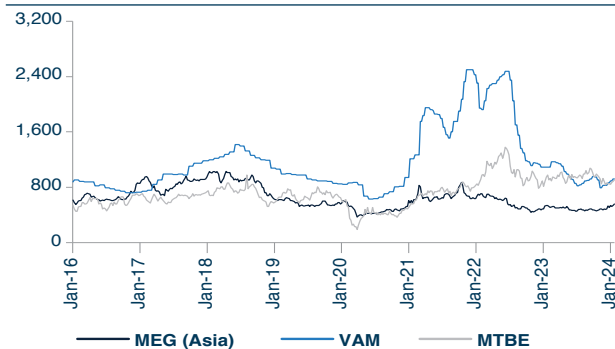
Source: Argaam, ALJazira Capital Research

Figure 11: Polyethylene Price Trends (USD per Ton)



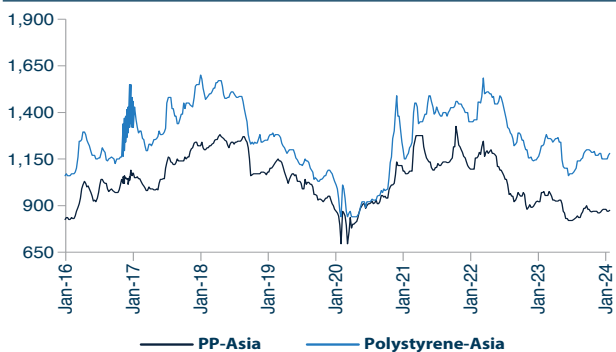
Source: Argaam, ALJazira Capital Research

Figure 12: Intermediates Price Trends (USD per Ton)



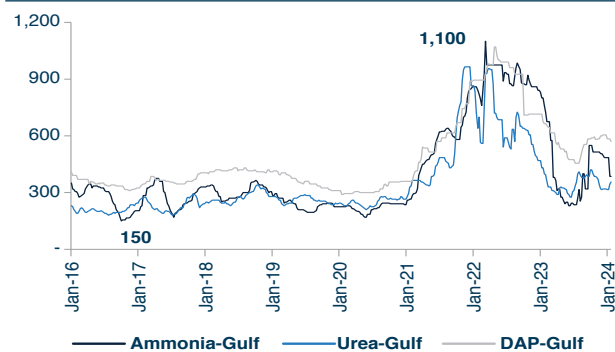
Source: Argaam, ALJazira Capital Research

Figure 13: Polypropylene &amp; Polystyrene



Source: Argaam, ALJazira Capital Research

Figure 14: Ammonia, Urea &amp; DAP



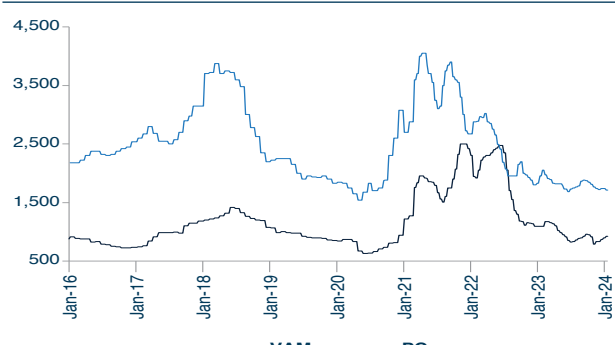
Source: Argaam, ALJazira Capital Research

Figure 15: Methanol-China (USD per Ton)



Source: Argaam, ALJazira Capital Research

Figure 16: PC-VAM



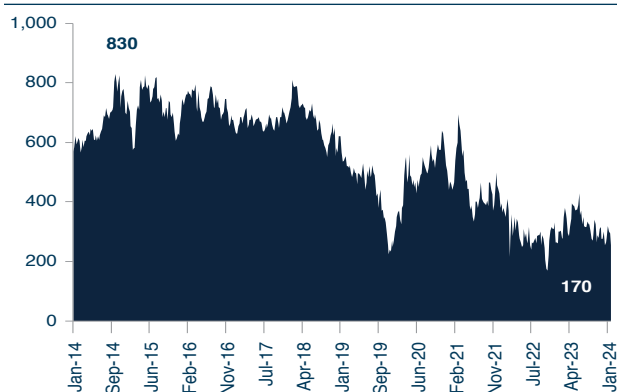
Source: Argaam, ALJazira Capital Research



## Petchem Spreads Trend

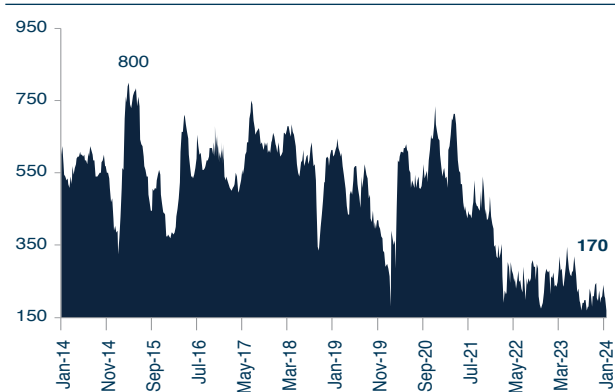
- Naphtha prices averaged USD 668 per ton in January, up from USD 667 per ton in December.
- Polypropylene average prices inched up to USD 874 per ton in January from USD 872 per ton in December.
- The HDPE-naphtha spread increased to USD 293 per ton in January against USD 275 per ton in December.
- The PP-naphtha spread rose to USD 206 per ton from USD 205 per ton during the previous month.
- The PP-propane spread decreased to USD 378 per ton in January from USD 384 per ton in December.
- The PVC-EDC spread contracted to USD 403 per ton in January from USD 425 per ton in December.
- The polystyrene-benzene spread dropped to USD 219 per ton in January compared to USD 294 per ton in December.
- The HDPE-ethylene spread gained to USD 101 per ton in January from USD 99 per ton in December.
- PP-butane spread decreased to USD 370 per ton in January from USD 376 per ton in December.
- LDPE-naphtha spread rose 12.7% M/M at USD 344 per ton, while LDPE-ethylene spread surged 18.2% M/M to USD 153 per ton in January.
- LLDPE-naphtha jumped 7.1% to USD 278 per ton. Whereas LLDPE-ethylene spread increased 3.9% M/M to USD 86 per ton in January.

Figure 17: Naphtha- HDPE



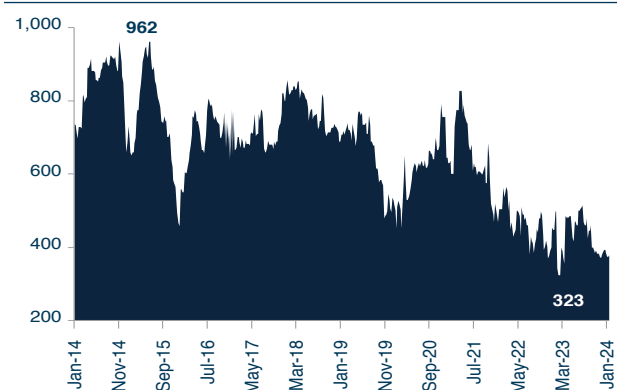
Source: Argaam, AlJazira Capital Research

Figure 18: Naphtha- PP



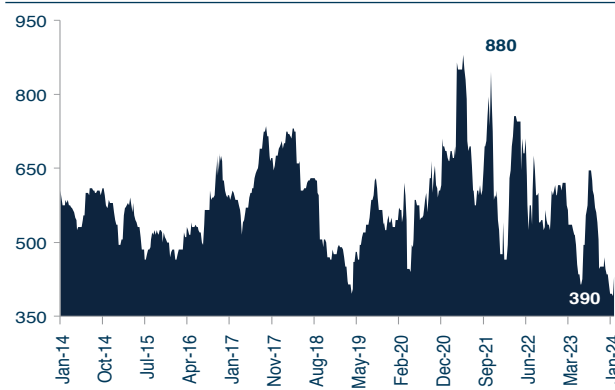
Source: Argaam, AlJazira Capital Research

Figure 19: Propane (Saudi)- PP



Source: Argaam, AlJazira Capital Research

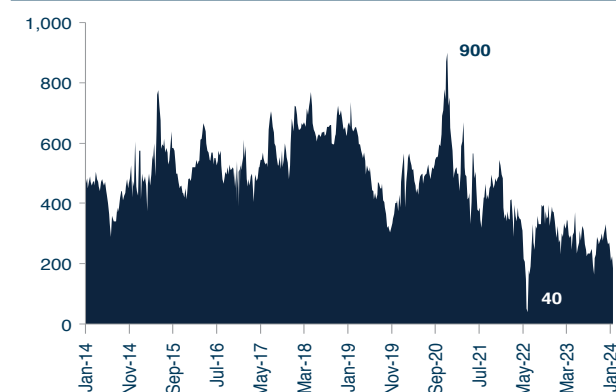
Figure 20: EDC- PVC



Source: Argaam, AlJazira Capital Research

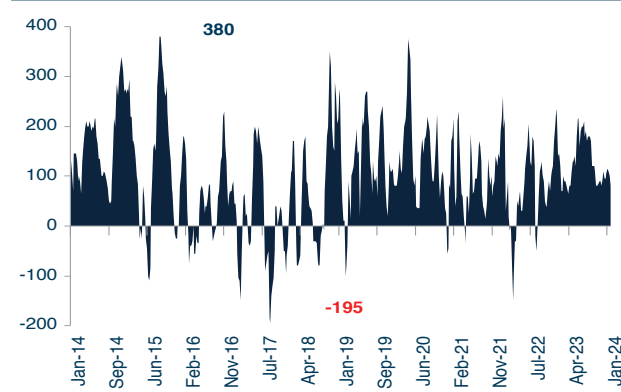


Figure 21: Benzene- Polystyrene



Source: Argaam, ALJazira Capital Research

Figure 22: Ethylene- HDPE



Source: Argaam, ALJazira Capital Research

Table 6: Petrochemical Products by Saudi Petrochemical Companies

Company	Finished Products
<b>SABIC</b>	Polyethylene, polypropylene, poly styrene, ethylene glycol (MEG), methyl tert-butyl ether (MTBE), benzene, urea, ammonia, PVC, and PTA
<b>SABIC Agri- Nutrients</b>	Urea, ammonia
<b>YANSAB</b>	Polyethylene, polypropylene, MEG, MTBE, and benzene
<b>Tasnee</b>	Polyethylene, polypropylene, and propylene (TiO2)
<b>Saudi Kayan</b>	Polyethylene, polypropylene, MEG, polycarbonate, and bisphenol A
<b>Petro Rabigh</b>	Polyethylene, polypropylene, propylene oxide, and refined petroleum products
<b>Sahara Petrochemicals (Sipchem)</b>	Polyethylene, polypropylene, Methanol, butanol, acetic acid, and vinyl acetate monomer
<b>Saudi Group</b>	Styrene, benzene, cyclohexene, propylene, polyethylene, polypropylene, and polystyrene
<b>Advanced</b>	Polypropylene
<b>Alujain</b>	Polypropylene
<b>CHEMANOL</b>	Formaldehyde – improvers concrete
<b>NAMA</b>	Epoxy resin, hydrochloric acid, liquid caustic soda, and soda granule
<b>MAADEN</b>	Ammonia and DAP

Source: Argaam Plus



RESEARCH DIVISION

Head of Sell-Side Research - AGM  
Jassim Al-Jubran  
+966 11 2256248  
j.aljabran@aljaziracapital.com.sa

RESEARCH  
DIVISION

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RATING  
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia, Tel: 011 2256000 - Fax: 011 2256068