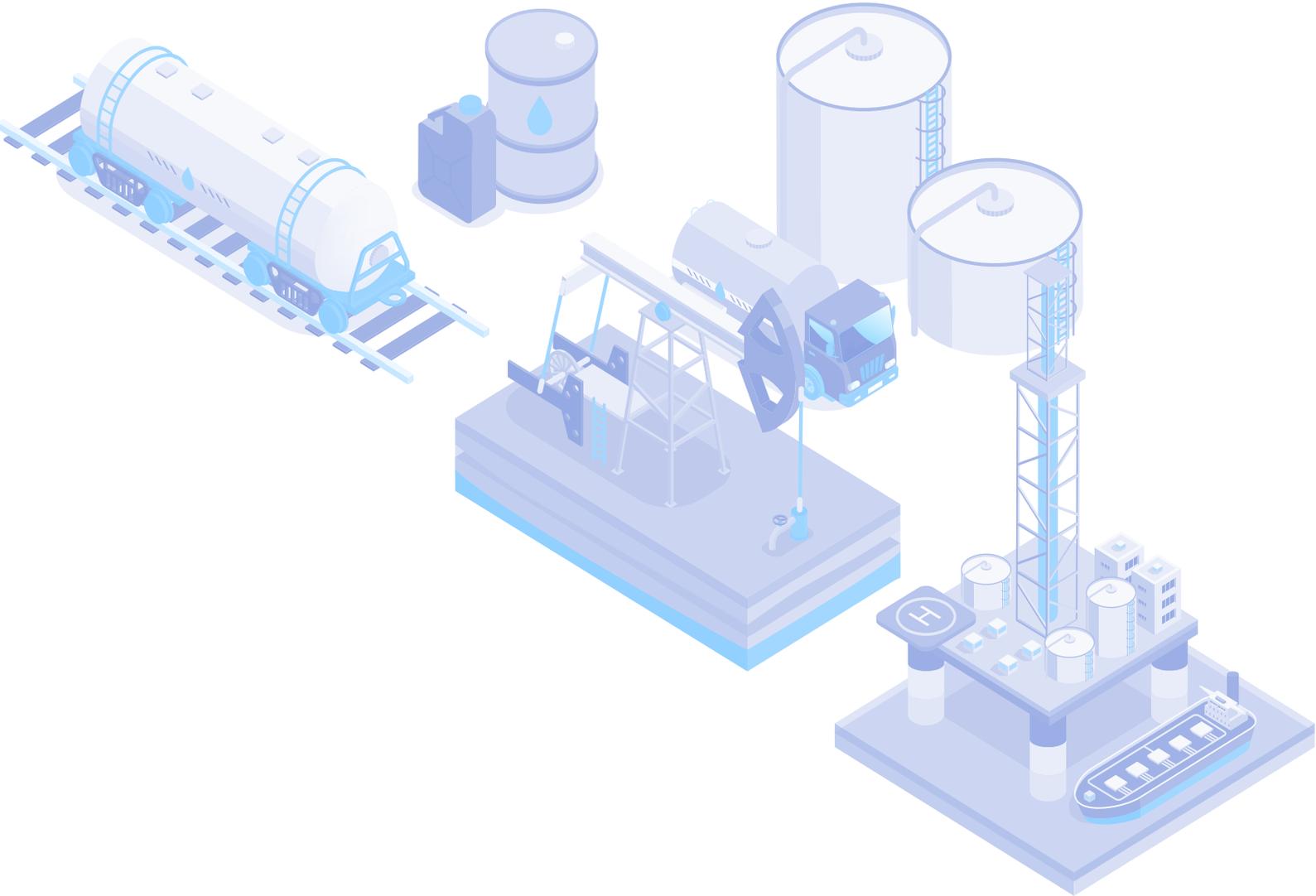


March
2024

الجزيرة كابيتال

ALJAZIRA CAPITAL الجزيرة للأسواق المالية



Oil & Petrochemicals Monthly Report February | 2024

Head of Sell-Side Research

Jassim Al-Jubran

+966 11 2256248

j.aljabran@aljaziracapital.com.sa

Urea, methanol, VAM and EVA prices gained, Ammonia declined; propane and butane prices unchanged by Aramco for March

- Naphtha prices decreased, while propane and butane rose in February:**
 Prices of naphtha fell 2.8% M/M to USD 685 per ton in February. Propane and butane prices rose 1.6% each to USD 630 per ton and USD 640 per ton, respectively. Aramco kept propane and butane prices unchanged for March at USD 630 per ton and USD 640 per ton, respectively.
- Prices moved upwards for most of the products in February:**
Urea prices grew 8.5% M/M to USD 385 per ton, driven by restocking in southeast Asia, Australia and New Zealand and positive outlook on demand. However, **Ammonia** prices fell deeper amid weak demand; prices dropped 26.0% M/M to USD 285 per ton. **Methanol** prices jumped 7.0% M/M to USD 305 per ton primarily driven by delay in start-up of Methanex facility. VAM prices increased 6.0% M/M to USD 975 per ton due to the supply constraints amid low operating rates in China. The firmer VAM prices subsequently pushed EVA prices higher by 6.1% M/M to USD 1,300 per ton. **Ethylene** prices rose 5.1% M/M to USD 925 per ton in February supported by several outages in the US.
- Petchem Spreads Trend:** PP-propane spread decreased slightly to USD 376 per ton in February from USD 378 per ton in January. PP-butane spread inched down to USD 368 per ton in February from USD 370 per ton in January. HDPE-naphtha spread decreased to USD 271 per ton in February against USD 293 per ton in January.

Oil prices declined in February due to demand concerns and expectations of delay in interest rate cuts by the US Fed; prices touched a 5-months high in the first half of March

- Oil prices slipped in February:** Oil prices were supported by rising geopolitical tension in the Middle East region earlier in February. However, prices declined later in the month due to diminishing hopes of early US interest rate cuts and increased demand concerns. The prices improved in the first half of March reaching the highest level in five months attributed to improved demand outlook from IEA and rise in demand from US refiners. Brent prices fell 2.3% M/M, while WTI decreased 1.9% M/M in February, ending at USD 81.6/bbl and USD 76.5/bbl, respectively. Natural gas prices at Henry Hub declined 40.9% M/M to USD 1.6/mn Btu.
- Manufacturing activity improved in China, deteriorates in the US and Eurozone:** US ISM manufacturing PMI declined to 47.8 in February from 49.1 in January, as new orders declined after improving in the previous month. China's Caixin manufacturing PMI inched up 50.9 in February from 50.8 in January, as output and new orders grew faster. The Eurozone manufacturing PMI dipped to 46.5 in February from 46.6 in January amid weak demand.

Table 1: Petchem Prices – February FY24

Name	Price (USD per ton)	M/M %	Q/Q %	Y/Y %	YTD %
Naphtha	685	-2.8%	4.6%	-4.9%	2.2%
Saudi Propane	630	1.6%	3.3%	-20.3%	3.3%
Butane-Saudi	640	1.6%	3.2%	-19.0%	3.2%
Ethylene	925	5.1%	8.8%	-0.5%	9.5%
Propylene-Asia	815	0.6%	0.0%	-13.3%	0.6%
HDPE	950	-1.0%	2.2%	-5.0%	0.0%
LDPE	1,035	1.0%	8.9%	-5.0%	3.5%
LLDPE	940	0.0%	3.3%	-5.1%	0.0%
PP-Asia	880	0.6%	2.3%	-7.9%	0.0%
Styrene-Asia	1,110	4.7%	7.8%	0.5%	7.2%
Polystyrene-Asia	1,220	3.4%	4.3%	-3.2%	6.1%
PET - Asia	890	-2.7%	2.9%	-7.3%	2.3%
PVC-Asia	780	2.0%	0.6%	-13.3%	4.7%
MEG (Asia)	540	-2.7%	13.7%	2.9%	5.9%
Methanol-China	305	7.0%	8.9%	-6.2%	8.9%
DAP-Gulf	605	6.1%	3.4%	-6.2%	0.0%
Urea-Gulf	385	8.5%	13.2%	16.7%	20.3%
Ammonia-Gulf	285	-26.0%	-44.7%	-57.8%	-41.2%
MTBE-Asia	905	-0.5%	-2.2%	-4.7%	6.5%
EDC	375	4.2%	13.6%	25.0%	5.6%
MEG (SABIC)	800	0.0%	-4.8%	-11.1%	0.0%
PC	1,730	0.9%	-0.6%	-12.4%	-0.3%
Acetic Acid-AA	495	4.2%	6.5%	-3.9%	3.1%
EVA	1,300	6.1%	0.0%	-33.5%	5.7%
Vinyl Acetate Monomer-VAM	975	6.0%	17.5%	-16.7%	12.7%

Note: Prices as of February 25, 2024

Source: Argaam, Reuters Eikon, AlJazeera Capital Research

Table 2: Economic Calendar

Date	Country	Event
April 03,10,17,24	US	Weekly Petroleum Status Report
27-Mar	US	GDP Annualized QoQ
28-Mar	US	Initial Jobless Claims
28-Mar	KSA	Current Account Balance
28-Mar	KSA	M3 Money Supply YoY
28-Mar	KSA	SAMA Net Foreign Assets SAR
3-Apr	KSA	S&P Global Saudi Arabia PMI
4-Apr	US	Trade Balance
5-Apr	US	Unemployment Rate
9-Apr		EIA Short-term Energy Outlook
10-Apr	US	Monthly Budget Statement
11-Apr		OPEC Monthly Oil Market Report
12-Apr		IEA Oil Market Report
15-Apr	KSA	CPI YoY
1-May	KSA	GDP Constant Prices YoY

Source: Bloomberg, EIA, OPEC, IEA

Key comments from international energy agencies

Crude oil supply

Global supply

- Global oil supply is expected to increase 800,000 bpd in FY24 to 102.9 mbpd, lower than earlier estimate due to a downward adjustment to OPEC+ supply, according to IEA.
- Global supplies of crude oil and liquid fuels are expected to rise by 0.4 mbpd to 102.2 mbpd in FY24 and by 2.0 mbpd to 104.2 mbpd in FY25, as per EIA. Non-OPEC supply is forecast to grow 0.7 mbpd to 70.3 mbpd in FY24 and 1.4 mbpd to 71.7 mbpd in FY25.
- The global refining throughputs are forecasted to reach a peak of 85.6 mbpd in August and increase by 1.2 mbpd Y/Y to average of 83.5 mbpd in FY24, according to IEA.

Figure 1: World Oil Production



Source: OPEC, AlJazira Capital Research

OPEC Supply

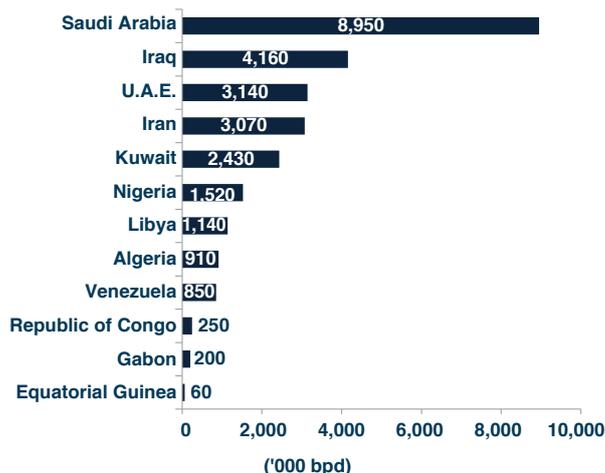
- OPEC crude oil production increased 203,000 bpd M/M in February to average at 26.6 mbpd, as per OPEC's secondary sources.
- On average, OPEC members are estimated to produce 26.3 mbpd of crude oil in Q1-24 compared to 26.6 mbpd of crude oil in Q4-23, as per EIA.
- OPEC's average crude production is estimated at 26.6 mbpd in FY24 and at 27.2 mbpd in FY25, according to EIA.
- OPEC's unplanned oil supply disruptions averaged 1.54 mbpd in February (vs. 1.63 in January), as per EIA.

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

Prod. ('000 bpd)	Cap.	Nov 2023	Dec 2023	Jan 2024	Feb 2024	% M/M Chg.
Equatorial Guinea	120	50	60	70	60	-14.3%
Gabon	220	220	220	200	200	0.0%
Republic of Congo	300	240	240	240	250	4.2%
Venezuela	840	810	810	820	850	3.7%
Algeria	1,060	950	950	900	910	1.1%
Libya	1,200	1,120	1,140	1,020	1,140	11.8%
Nigeria	1,600	1,440	1,490	1,490	1,520	2.0%
Kuwait	2,820	2,520	2,550	2,440	2,430	-0.4%
Iran	3,830	3,160	3,160	3,120	3,070	-1.6%
U.A.E.	4,650	3,150	3,110	3,130	3,140	0.3%
Iraq	4,800	4,290	4,330	4,200	4,160	-1.0%
Saudi Arabia	12,000	9,000	9,000	8,940	8,950	0.1%
Total OPEC	33,440	26,950	27,060	26,570	26,680	0.4%

Source: Bloomberg

Figure 2: OPEC February 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 to grow 1.3 mbpd in FY24, 0.1 mbpd higher than the earlier estimate. 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 1.4 mbpd Y/Y in FY25.
- Global demand for petroleum and liquid fuels stood at 102.9 mbpd in February, indicating a rise of 1.5 mbpd Y/Y, as per EIA.

OPEC

- OPEC demand for FY24 is forecasted to grow 1.1 mbpd Y/Y to 28.5 mbpd. The OPEC demand is estimated to increase to 28.8 mbpd in FY25, up around 0.3 mbpd Y/Y.

Inventory

- Global observed inventories rose by 47.1 mb in February, while global stocks plunged by 48.1 mb in January, with OECD industry stocks at a 16-month low, as per IEA.
- EIA forecasts OECD inventories to stand at 2.72bn barrels by end-FY24 and at 2.77bn by end-FY25.
- Natural gas inventories in the US are estimated to remain higher than the five-year average as the US enters the shoulder season when there is typically less natural gas consumption, 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 87 per barrel in FY24 and at USD 85 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 2.30/mn Btu in FY24 and USD 2.90/mn Btu in FY25.

Table 4: World Oil Demand and Supply

(mbpd)	FY23				FY24E				FY23	FY24E	FY25E
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
World Crude Oil & Liq. Fuels Supply											
OPEC Supp.	32.77	32.46	31.63	31.88	31.65	31.46	32.24	32.13	32.18	31.87	32.43
Non-OPEC Suppl.	68.33	69.02	70.06	70.98	69.87	69.89	70.58	70.83	69.61	70.30	71.74
Total World Supply	101.11	101.48	101.69	102.86	101.52	101.35	102.82	102.96	101.79	102.17	104.17
World Crude Oil & Liq. Fuels Cons.											
OECD Cons.	45.22	45.67	46.02	46.56	45.65	45.66	46.38	46.46	45.87	46.04	46.15
Non-OECD Cons.	54.70	55.21	55.29	55.32	56.05	56.55	56.50	56.47	55.13	56.40	57.67
Total World Cons.	99.92	100.88	101.31	101.88	101.70	102.21	102.88	102.93	101.00	102.43	103.81
OECD Comm. Inventory (mn barrels)	2,746	2,782	2,815	2,777	2,750	2,742	2,745	2,722	2,777	2,722	2,769
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 March 2024, AlJazira Capital Research

- The gap between crude consumption and supply is estimated to decrease to 0.18 mbpd in Q1-24 (higher consumption than supply) from 0.98 mbpd in Q4-23 (higher supply than consumption).
- OECD's crude inventories are expected to be at 2.75bn barrels in Q1-24, lower than 2.78bn in Q4-23.

Petrochemical sector news

- **Alujain Corp.** signed a memorandum of understanding (MoU) with Samvardhana Motherson International Ltd. (Motherson) for partnership in a complex for the manufacture of specialized engineering and manufacturing plastic compounds. (Source: Argaam)
- **SABIC Agri-Nutrients Co.'s** board of directors appointed Fahad Al-Battar as CEO, effective as of April 01, 2024, replacing Abdulrahman Shamsaddin, who was nominated for one of the executive leadership positions at Saudi Basic Industries Corp. (SABIC). (Source: Argaam)
- **Shareholders of Advanced Petrochemical Co.** will vote on transferring its SAR 481.9mn statutory reserve, as of December 31, 2023, to retained earnings during an extraordinary general meeting scheduled for March 28. (Source: Argaam)
- **National Industrialization Co.'s (Tasnee)** board of directors decided to accept the resignation of CEO Mutlaq Al-Morished, effective March 31, 2024, after he expressed his intention to retire. The board appointed Fawaz Al-Fawaz as the new CEO. (Source: Argaam)
- Abdullah Al-Saadoun, CEO of **Sahara International Petrochemical Co. (Sipchem)**, said about 35.0% of the company's products are transported via the Red Sea route and have been affected by recent disruptions. This has led to an increase in shipping costs by 15-18%, and shipments are diverting to the Cape of Good Hope route. (Source: Argaam)
- **Methanol Chemicals Co. (Chemanol)** announced that it finalized the regulatory measures as well as the ownership transfer related to the acquisition of ADDAR Chemicals Co.'s (ACC) stake. The relevant financial impact will likely appear in Q1-24 financial results. (Source: Argaam)
- **Saudi Arabian Oil Co. (Saudi Aramco)** and UAE's Abu Dhabi National Oil Co. (ADNOC) are discussing investments in liquefied natural gas (LNG) projects in the United States, according to a Reuters report. (Source: Argaam)
- **Nama Chemicals Co.** announced delaying the implementation of wastewater treatment projects from the calcium chloride and epoxy resin plant to secure the necessary financing. The total cost of the project is SAR 71.2mn. (Source: Argaam)
- **Saudi Aramco** said work is currently underway to deliver production at Jafurah, with plans to ramp up to reach a sustainable sales gas rate of 2.0bn cubic feet per day by FY30, in addition to significant volumes of ethane, Natural Gas Liquids (NGL) and condensate. (Source: Argaam)

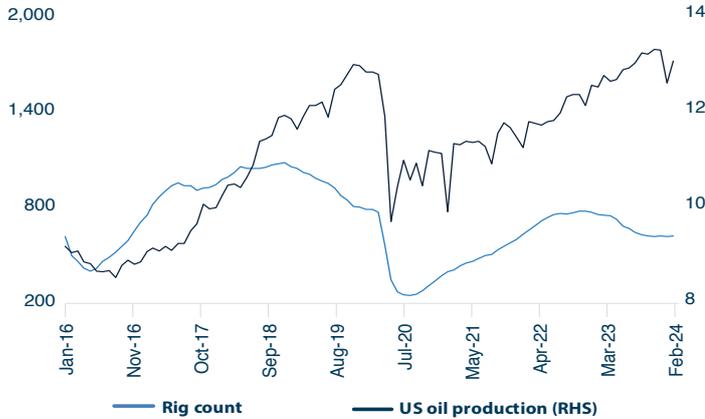
Table 5: KSA Petrochemical Companies Key Metrics

Company	Net profit (TTM; SAR mn)	P/E (Adjusted)	P/B	EV/ EBITDA	DPS (SAR) TTM	Dividend Yield	YTD returns
SABIC	-2,772.3	High	1.4x	13.0x	3.40	4.4%	-8.0%
TASNEE	174.6	32.1x	1.0x	High	-	-	11.5%
YANSAB	-485.1	NEG	1.8x	35.6x	1.75	4.6%	-0.4%
SABIC Agri-Nutrients	3,659.4	15.6x	3.3x	9.8x	6.00	4.9%	-11.0%
Sipchem	1,175.0	22.7x	1.5x	10.7x	2.00	6.4%	-8.1%
Advanced	171.1	High	3.2x	35.7x	-	-	0.1%
KAYAN	-2,136.5	NEG	1.1x	39.1x	-	-	-15.1%
SIIG	112.2	High	1.7x	-	1.00	4.5%	-0.1%
Nama Chemical	-112.7	NEG	2.9x	-	-	-	10.3%
Chemanol	-177.8	NEG	1.1x	38.8x	-	-	-14.9%
ALUJAIN	-82.3	NEG	1,0x	15,8x	-	-	12.1%

Source: Bloomberg, Tadawul, Argaam, Aljazeera Capital Research; Data as of March 19, 2024

US oil and gas developments

Figure 4: US Oil Production versus Rig Count



Source: US EIA, AlJazira Capital Research

US oil production averaged 13.07 mbpd in February 2024. Production increased 3.6% M/M and grew 4.3% Y/Y from 12.53 mbpd in February 2023.

In the week ended February 23, the rotary rig count in the US stood at 626 (up 5 W/W). The average number of rigs rose 0.3% M/M in February vis-à-vis a decrease of 0.5% in January. The average rig count was down 17.9% Y/Y in February. As on March 15, of the total 629 rigs, 510 (up 6 W/W) were used to drill for oil and 116 (up 1 W/W) for natural gas. In the US, oil exploration decreased 13.4% Y/Y, while gas exploration declined 28.4% Y/Y.

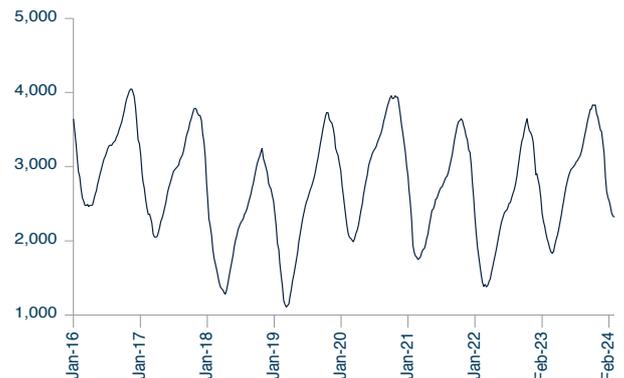
Figure 5: US Weekly Oil Inventories



- US weekly oil inventories increased 0.9% W/W to 447.2mm barrels for the week ended February 23. On M/M basis, inventories rose 6.0%.

Source: US EIA, AlJazira Capital Research

Figure 6: US Weekly Natural Gas Storage



- US weekly natural gas storage decreased 3.9% W/W to 2,374 bcf in the week ended February 23. On M/M basis, natural gas storage plunged 10.7%.

Source: US EIA, AlJazira Capital Research

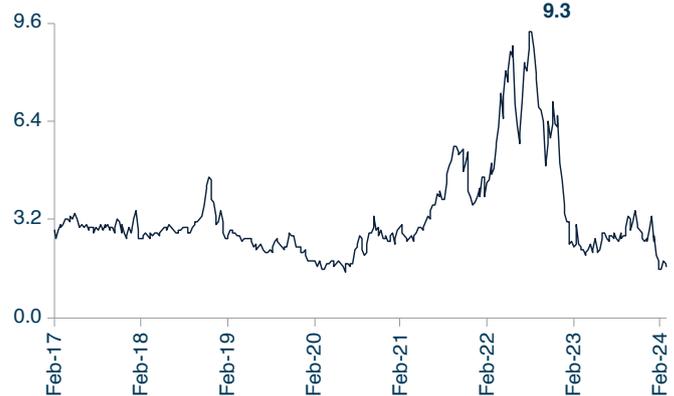
Price Trend: Oil, Natural Gas & Petrochemicals Products

Figure 7: Oil Price Trends (USD per Barrel)



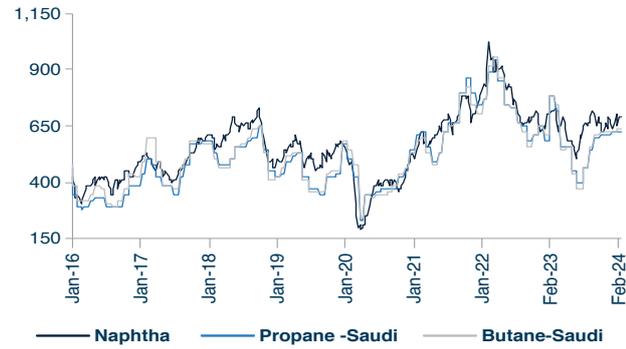
Source: Reuters Eikon, AlJazira Capital Research

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



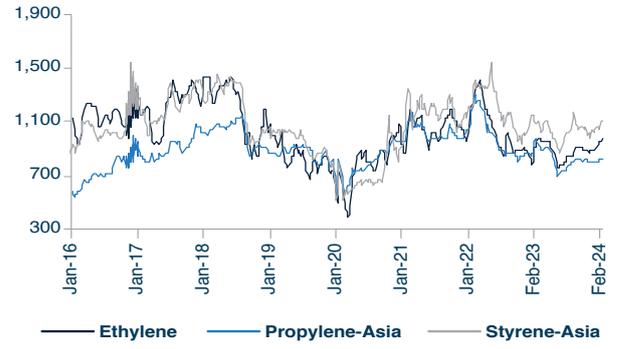
Source: OPEC, AlJazira Capital Research

Figure 9: Feedstock Price Trends (USD per Ton)



Source: Argaam, AlJazira Capital Research

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



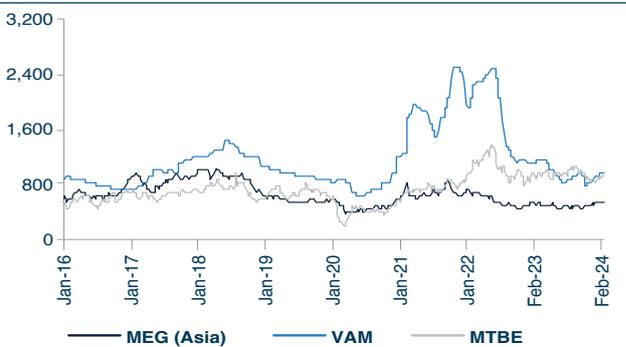
Source: Argaam, AlJazira Capital Research

Figure 11: Polyethylene Price Trends (USD per Ton)



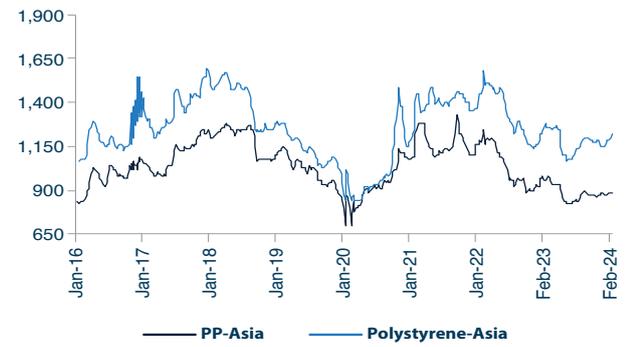
Source: Argaam, AlJazira Capital Research

Figure 12: Intermediates Price Trends (USD per Ton)



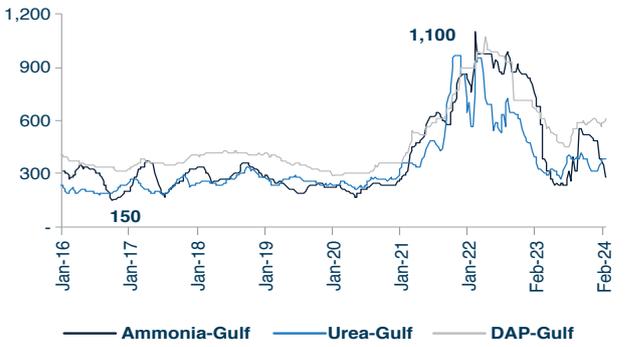
Source: Argaam, AlJazira Capital Research

Figure 13: Polypropylene & Polystyrene



Source: Argaam, AlJazira Capital Research

Figure 14: Ammonia, Urea & DAP



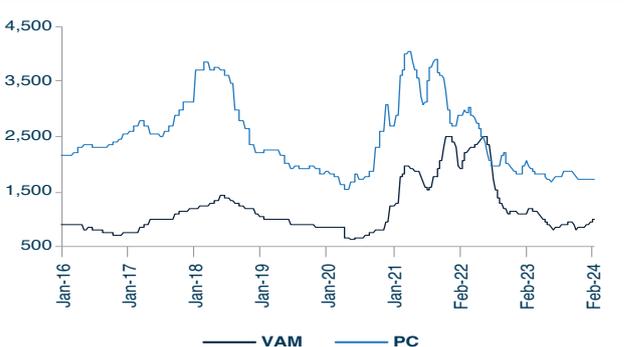
Source: Argaam, AlJazira Capital Research

Figure 15: Methanol-China (USD per Ton)



Source: Argaam, AlJazira Capital Research

Figure 16: PC-VAM

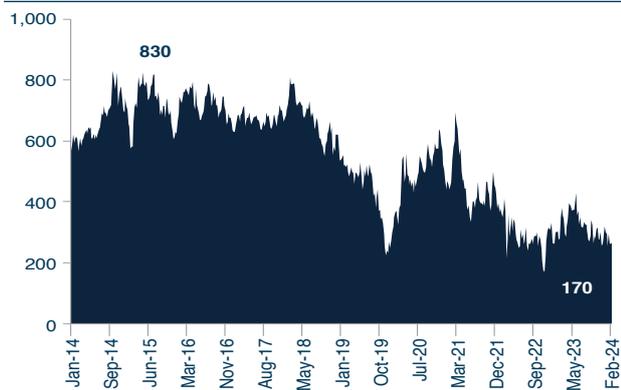


Source: Argaam, AlJazira Capital Research

Petchem Spreads Trend

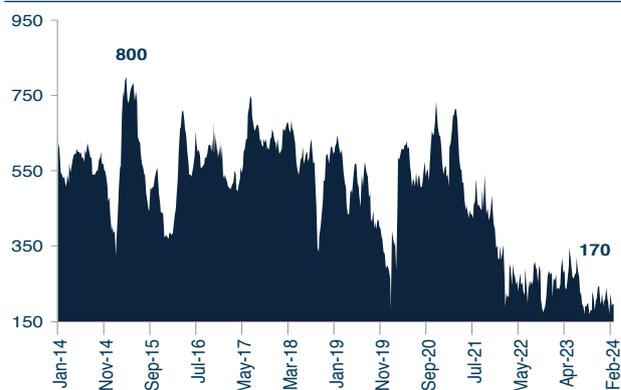
- Naphtha prices averaged USD 679 per ton in February, up from USD 668 per ton in January.
- Polypropylene average prices inched up to USD 880 per ton in February from USD 874 per ton in January.
- The HDPE-naphtha spread decreased to USD 271 per ton in February against USD 293 per ton in January.
- The PP-naphtha spread reduced to USD 201 per ton from USD 206 per ton during the previous month.
- The PP-propane spread decreased slightly to USD 376 per ton in February from USD 378 per ton in January.
- The PVC-EDC spread expanded to USD 425 per ton in February from USD 403 per ton in January.
- The polystyrene-benzene spread declined to USD 170 per ton in February compared to USD 219 per ton in January.
- The HDPE-ethylene spread slipped to USD 36 per ton in February from USD 101 per ton in January.
- PP-butane spread inched down to USD 368 per ton in February from USD 370 per ton in January.
- LDPE-naphtha spread rose 3.6% M/M at USD 356 per ton, while LDPE-ethylene spread dropped 20.5% M/M to USD 121 per ton in February.
- LLDPE-naphtha fell 5.9% to USD 261 per ton. Whereas LLDPE-ethylene spread plunged 3.9% M/M to USD 26 per ton in February.

Figure 17: Naphtha- HDPE



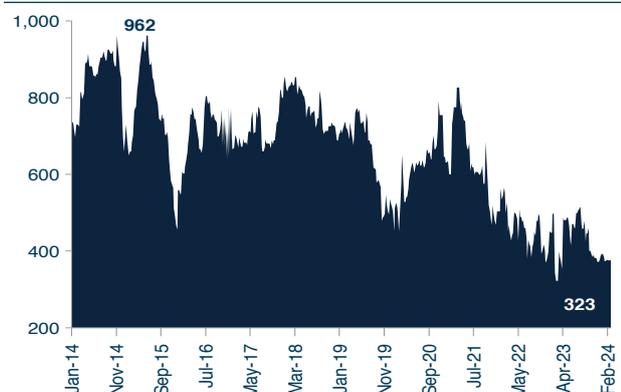
Source: Argaam, AlJazira Capital Research

Figure 18: Naphtha- PP



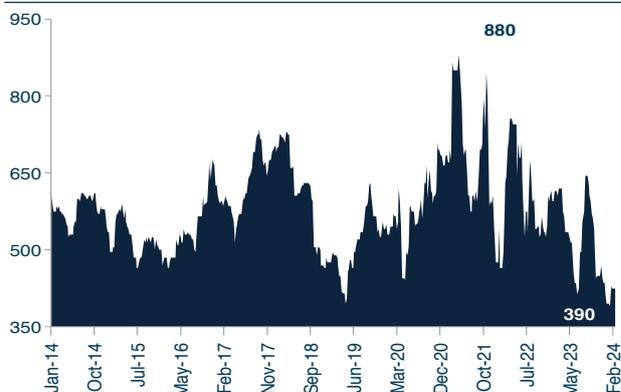
Source: Argaam, AlJazira Capital Research

Figure 19: Propane (Saudi)- PP



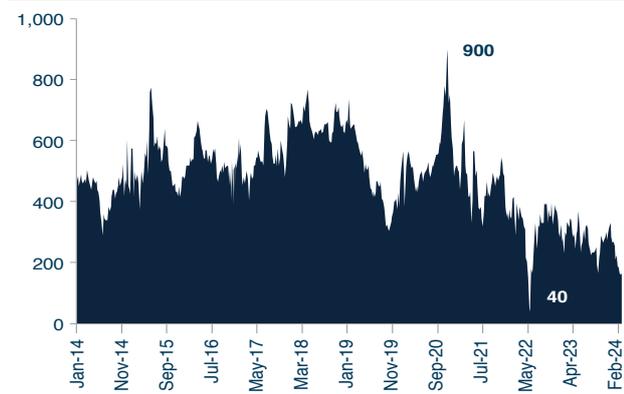
Source: Argaam, AlJazira Capital Research

Figure 20: EDC- PVC



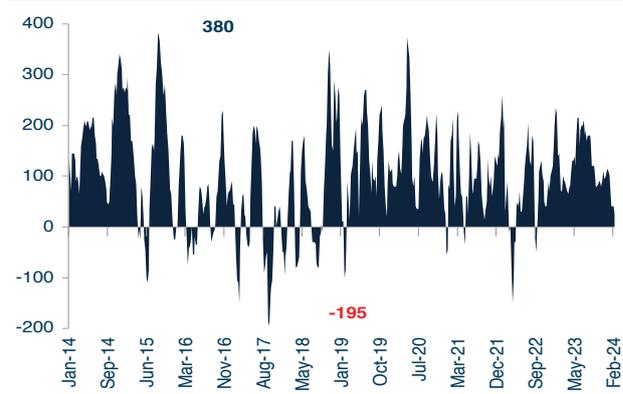
Source: Argaam, AlJazira Capital Research

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