Record Chinese Imports, Even Amid Poor PDH Run Rates

According to the latest trade statistics published by the General Administration of Customs of China, LPG imports by the country stood at 2.6 MMt in October this year, down 18% m-o-m. A decline in imports in October could largely be associated with record level imports in September.

Market sources indicated that spot cargoes delivered into the country in September were bought in August or earlier, when the PDH margin was profitable, which could have led importers to overestimate demand numbers. Furthermore, at least six PDH plants completed maintenance and re-started operations in August, which prompted Chinese importers to buy more propane.

However, PDH plants started suffering losses around end-September due to high import costs and a weaker propylene market. The average PDH run rate in the country dropped from over 85% during the first decade of August to below 60% during the first decade of November, as reported by OilChem. Several Chinese importers emerged in the market reselling some of their cargoes as inventories were high.

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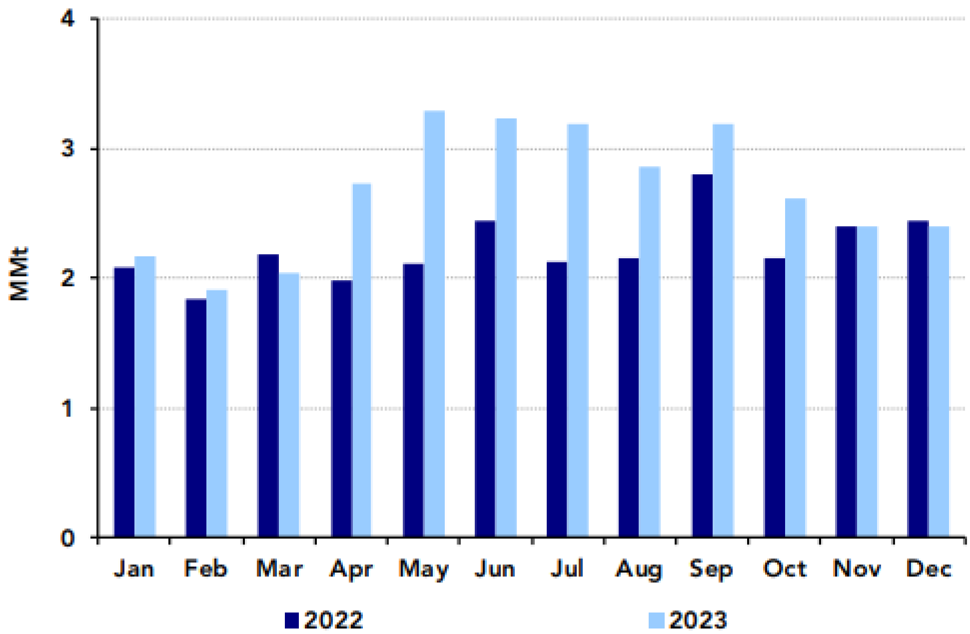
China LPG Monthly Imports



Source: Poten, GTIS, OilChem, Shiptracking data

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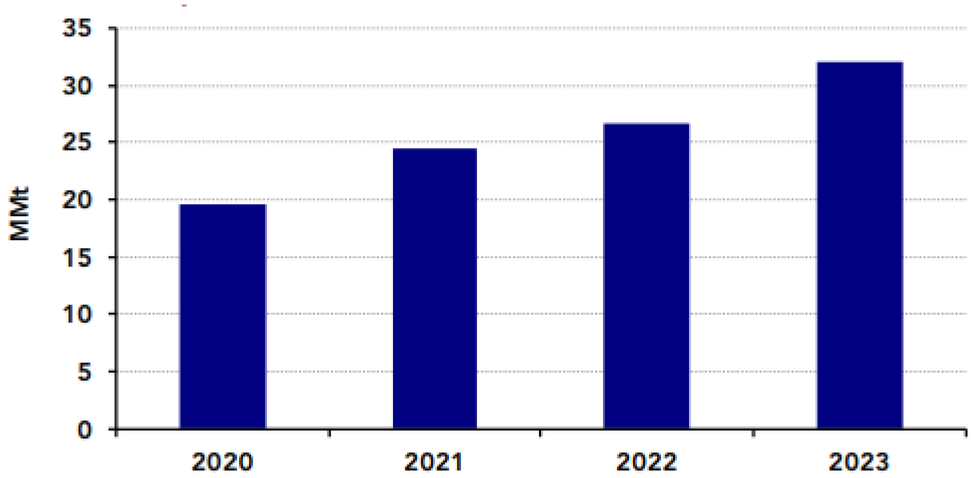
At least 10 PDH units were down in the second decade of November, with at least four units down for an indefinite period. OilChem reported that a total of 11 PDH plants were down around the end of November and a total of five units did not have a definitive restart date.

Market players believe that PDH processing losses could persist in December too, although it has gradually narrowed. Not surprisingly, a few PDH plants such as Formosa Ningbo, Fujian Meide, Zhenhua Petrochemical and Quanzhou Guoheng, which were scheduled to start operations in the current year, have been postponed to next year.

China LPG Imports



Source: Poten, GTIS, OilChem, Shiptracking data

Not surprisingly, shiptracking data indicates that Chinese LPG imports could decline to around 2.4 MMt in November and could remain around a similar volume in December.

Mild weather conditions have also weighed on heating demand amid ample inventories in the country. Importers have also been trying to maintain low inventories as the financial year is ending.

Looking ahead for the next few months, importers may increase their purchases before the country celebrates the Lunar New Year holidays. A few Chinese PDH operators/importers already have entered the market via tender or private discussion, looking for second half December and January delivery cargoes.

At least 12 tenders were issued by Chinese players of in November, after having issued a total of six in October. However, out of these 18 tenders that were issued during October-November, seven were term tenders securing next year's cargoes. A total of eight tenders were also heard to be cancelled.

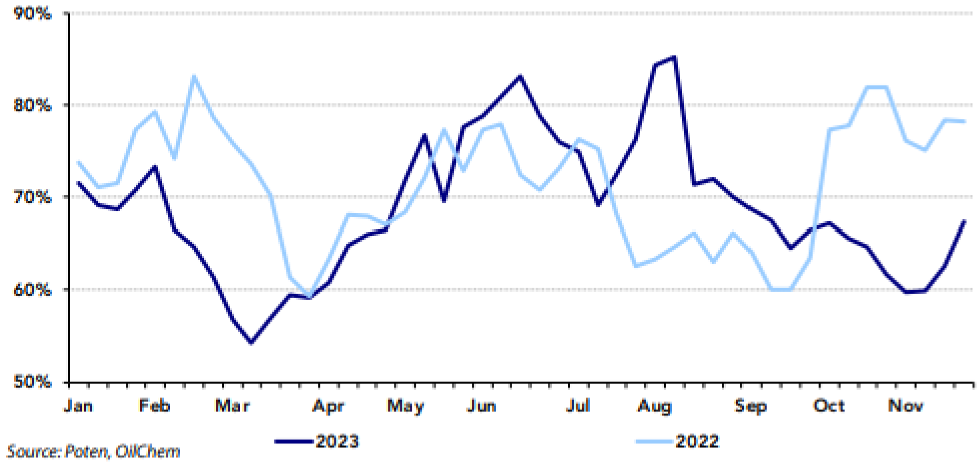
As such, downstream margins hold sway on any upside in LPG purchases by PDH units. LPG import volume during the month of October 2023 was up 21% when compared to imports for the same month the previous year. Poten estimates that imports during the current calendar year may increase to 32 MMt.

Amid all talks of poor downstream margins and negative macroeconomic developments in the country, overall LPG imports in 2023 could still be 20% higher y-o-y, which could largely be attributed to PDH capacity expansions.

Around 4.4 MMt/y of on-purpose installed propylene production capacity started operations in 2023, and a further 4.5 MMt/y of PDH capacity may start operations next year.

It would not be surprising if China registers another blockbuster year for LPG imports in 2024, provided operating rates for operational units gather momentum and all planned units start operations in time.

Average PDH Run Rates in China



Source: Poten, OilChem