China Returns to Longer-Haul US Barrels as Middle Eastern Supply Remains Constrained

China LPG Imports

Imports recovered from April's low, but June remained below May and the prior year.

1.95 mln t
June imports
-3.6% MoM | -26% YoY

1.75 mln t
Propane imports
-2% MoM | -11% YoY

$190/t
Late-June freight eased from earlier highs

15-18%
July import growth forecast

SUMMARY

- Recovery was propane-led, not broad-based.
- Better PDH economics supported consumption.
- Weak MTBE margins constrained butane.
- Freight corrected as the arbitrage narrowed.

China Imports

June improved from April, but H1 volumes and traditional supply remained sharply lower.

IMPORT FLOW

12.9 mln t
Jan-Jun imports
vs 17.0 mln t YoY

1.55 mln t
April
six-year low

1.95 mln t
June
-3.6% MoM

68-70%
PDH
Utilisation
in June

SUPPLY MIX SHIFT

Middle East: 4.63 Million tonnes

- H1 supply fell 42%.

United States: 4.83 Million tonnes

- H1 arrivals fell 32%.
- Tariff tensions weakened trade.

Alternative origins gained share

- Canada, Australia, Algeria, Argentina and Southeast Asia increased.

JUNE COMMODITY SPLIT

PROPANE	BUTANE
1.75 mln t	**207 kt**
-2% MoM | -11% YoY	-16% MoM | -69% YoY

MARKET IMPACT

- **Propane-led recovery supported VLGC activity.**
- **Butane-heavy cargo demand remained limited.**

Market Developments

Lower LPG prices and improved PDH economics supported propane; weak MTBE margins constrained butane.

PRESSURE

High prices weakened demand

- Residential and petrochemical demand softened.

Conflict lifted propane costs

- Olefin production economics compressed.

PDH margins reached 47-50%

- April imports fell to 1.55 Mln tonnes lowest in Q2.

RECOVERY

Supply fears eased

- Peace agreement and lower prices improved conditions.

PDH operations recovered

- Monthly rate: 67% (+11 pts).
- Mid-June: 70%.

Butane remained weak

- Poor MTBE margins; arrivals down 69% YoY.

MARKET IMPACT

- **Propane responded to better PDH margin economics.**
- **Residential and butane-linked demand did not show a broad recovery.**

Freight & Outlook

West of Suez market freight corrected with the arbitrage; July tonnage remained unexpectedly tight.

FREIGHT FLOW

Mid-$250s — June 1H → **~$190/t** — June 2H → **$221/t** — June Monthly Avg.

FREIGHT MARKET

Late-June correction accelerated

- Peace Agreement narrowed the arbitrage.
- Fresh cargo viability weakened.

Western availability stayed supported

- AG demand absorbed tonnage.
- July position list remained tight.

KEY TAKEAWAYS

- **China's June imports: 1.95 mln tonnes, down MoM and YoY.**
- **Supply shifted from Middle East to US .**
- **Propane outperformed butane as PDH margins improved.**
- **Freight fell as the arbitrage contracted.**
- **July LPG imports slated to rise by 15-18%, crossing 2 million mark.**

WATCHPOINT

- **Domestic price pressure if July supply outpaces demand.**
- **A narrower arbitrage may further weaken fresh cargo viability and freight rates**