China sentiment hits rock bottom, but government to backstop GDP growth

Chinese equity indices

Index level

- Shanghai Composite (onshore index, lhs)
- HSCEI Index (offshore index, rhs)

The central government is using infrastructure spending to prop up the economy. We expect GDP to grow by 4.8% in 2024.

Chinese fiscal impulse

% of GDP

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China’s unwillingness to pump up asset prices has caused Asian sentiment towards China to crater, matching Western bearishness that long ago deemed China “uninvestable.”

Source: Bloomberg, Energy Aspects
Emerging markets dominating growth, underpinned by stronger macroeconomics

Emerging market economic growth over 2024–28 is robust, with India rising by 6.1% p.a., China by 4.2%, Brazil by 1.9%, the US by 1.7% and Japan by 0.6%.

Chinese demand up by 1.9 mb/d over 2023–28, led by strong gains from petchems, road transport and aviation.

Source: IEA, Energy Aspects
Global liquids demand rising through early 2030s but refining is not

Demand for ethane, naphtha and LPG will rise collectively by 2.9 mb/d, over 2023–28, followed by jet (+1.4 mb/d), diesel (+1.1 mb/d) and gasoline (+0.5 mb/d).

Net global y/y crude capacity growth is around 0.8 mb/d until 2027 and 0.4 mb/d beyond 2027. Total of lower-probability projects at around 1.3 mb/d beyond 2027.

Source: Energy Aspects
Excess capacity in petchems as ESG poses a threat to Atlantic basin refining

Global petchem capacity additions, y/y change

Mtpa

- North America
- Middle East
- Asia ex-China
- China
- FSU
- Africa

PDH and steam cracker additions will average 21 Mtpa over the next few years, led by China, but demand only grows by an average of 0.5 mb/d y/y out to 2050.

Source: Energy Aspects

Refineries and GHG targets

mtCO2e

GHG to cut by 2030

- Shell
- Convent 2.3
- Deer Park 1.9
- Alliance 2.7
- Rodeo 1.5
- Martinez 3.2
- Puget Sound 1.9
- MPC
- Gallup 0.3

Closing refineries often help company’s achieve half of their 2030 greenhouse gas (GHG) reduction goal instantly unless large-scale CCS facilities can be built economically.
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