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Argus Monthly Ammonia Outlook



Outlook

The month ahead

Production outages in the US Gulf tightened the west-of-Suez balance just as seasonal downstream fertilizer production started to pick up in the US and Europe. This should result in a firming of prices in these markets in March, after weakness in January-February. Ongoing logistical issues because of attacks on shipping in the Red Sea mean that Middle Eastern and Asian prices are also expected to rise in the coming month.

The next 3-6 months

Global market sentiment should be stable in April-May — assuming there are no further supply-side shocks. Beyond this, demand-side support for pricing will begin to fall away as the US spring application season ends and India's kharif crop season begins to draw to a close.

12 months forward

Industrial demand is yet to return in the typical key demand regions of Europe, east Asia and the US, so the global ammonia market is generally being dictated by supply-side factors. This will continue in the second half of 2024. Key events will be the start-up of Gulf Coast Ammonia's new plant in the US and Russian fertilizer producer Uralchem's ammonia terminal on the Black Sea. These new sources of supply have the potential to push the market into sharp oversupply, suppressing end-of-year prices. But if these projects do not proceed as expected, prices could rise further than we currently forecast.

Forecast ammonia prices *$/t*

	Mar	Apr	May	2Q24	3Q24	4Q24
Middle East fob	290-330	315-355	315-355	295-355	230-315	330-400
Tampa cfr	445	460-470	460-470	440-470	315-385	380-410
Caribbean fob	390-410	415-435	415-435	395-435	270-350	335-375
North Africa cfr	420-450	445-475	445-475	425-475	330-395	395-480
India cfr	355-375	380-400	380-400	360-400	325-360	405-445
East Asia cfr	340-370	345-395	345-395	325-395	310-395	410-480

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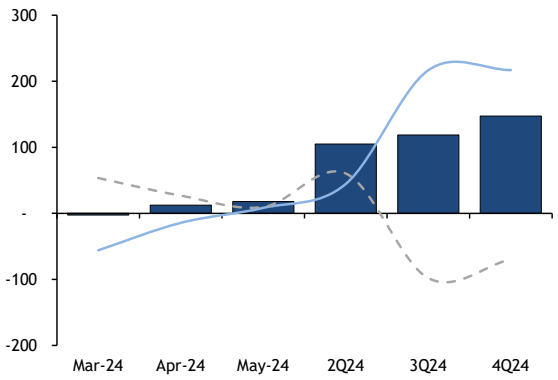
Global balance forecast *'000t*



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Outlook summary

Our view last month was that the outlook for the first half of 2024 would be weak, prompted by middling demand and plentiful supply options either side of the Suez Canal. We also noted that the only factor we foresaw adding risk to this forecast in the short term was if several plants were forced off line, causing a supply-side shock. And it is exactly this scenario that has transpired over the past few weeks, with outages in the US affecting price sentiment globally, because ongoing logistical complications leave little room for pockets of tightness to be covered promptly.

Three major US plants — CF's at Donaldsonville, Yara's at Freeport and Mosaic's at Faustina were all impacted by unexpected issues, which required lengthy turnarounds in late-January and February. The timing of these closures coincided with the beginning of an uptick in domestic US demand in preparation for the spring application season from mid-March. In a matter of weeks, buyers went from having their pick of suppliers to having to compete for spot ammonia, severely tightening the local market. So rather than another month of Tampa contract price declines — as was expected — Yara and Mosaic rolled over March's price at $445/t cfr.

The impact of this sudden tightness in the US is being felt around the world, with the situation further complicated by logistical struggles caused by Houthi attacks on Red Sea shipping, which continue to effectively remove the Suez Canal as a safe transport route from Asia to Europe and north Africa. Less product available from the US Gulf has caused Morocco-based OCP to turn to unorthodox suppliers to replace its delayed contract shipments from the Middle East. An additional two weeks is required for Middle Eastern producers to ship around the Cape of Good Hope to these markets. An unprecedented sale of two Indonesian cargoes to OCP highlights the extent of the new-found west-of-Suez tightness, even with the caveat that the vessels used were ballasting from Asia to Europe, meaning that the effective freight cost is lower than the $200/t estimated for a return journey.

The market tightness is also reflected in an emerging disconnect between west-of-Suez and east-of-Suez benchmarks. Indian buyer Fact will announce the winner of its supply tender in the week beginning 4 March and the price is expected to be in the range of $380-410/t cfr India, at least $45-75/t lower than the Tampa price for March. East Asian delivered prices are even weaker as industrial demand from South Korea, Japan and Taiwan remains in the doldrums.

Price comparison					$/t
	Feb average	Mar forecast	Apr forecast	May forecast	Market sentiment
Middle East fob	328	290-330	315-355	315-355	◂ ▸
Tampa cfr	445	445	460-470	460-470	◂ ▸
Caribbean fob	398	390-410	415-435	415-435	◂ ▸
North Africa cfr	428	420-450	445-475	445-475	◂ ▸
India cfr	361	355-375	380-400	380-400	◂ ▸
East Asia cfr	358	340-370	345-395	345-395	◂ ▸

Europe is one area in the west that has been sheltered from the regional market tightness. European gas costs have been unexpectedly weak over the first quarter of 2024, resulting in producer costs in the region of $120/t lower than the delivered price, allowing for higher production rates. Norwegian producer Yara's Ferrara plant in Italy is expected to restart next week after coming off line in December because of high gas prices. The continent's import demand has been lower than normal for the time of year, allowing regions with more spot requirement such as north Africa to acquire the extra product they need without an immediate impact on prices.

The sudden tightness west of Suez is expected to be reflected in a rise in April's Tampa contract price, followed by a price rollover into May as the US fertilizer season provides demand-side support. This general sentiment will dictate the price direction of the global market over the second quarter, especially given Morocco's reliance on imports from the US Gulf and Trinidad while deliveries from the Middle East are experiencing longer-than-usual delivery times. Middle Eastern fob prices will also correct upwards as a result, and we would expect this to be reflected in east Asia price movements as well.

All major price benchmarks will bottom out in July or August — those in the east in July and those in the west in August — when seasonal demand for fertilizers is at its lowest. Demand will begin to accumulate from September in preparation for the US fall application season and the rabi crop season in India, allowing prices to build over the second half of the year. Additional supply and lower gas prices will limit the extent of these rises, and none of our forecast price benchmarks are expected to exceed $500/t for the rest of the year, compared with prices in excess of $650/t in late 2023.

As always, there are risks to our forecast, most of these on the supply side. The risk of sudden plant closures is ever-present, and the potential impact of another round of cuts

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would be similar — prices would correct once again, the scale of which will depend on the amount of capacity lost. The timing and extent of Russian firm Uralchem's exports from its planned Taman export terminal are also uncertain. We currently assume that initial exports will be seen in August, but we expect that amount exported will be around one 23,000t shipment a month, nowhere near the 1mn t/yr nameplate capacity of the terminal. And ongoing delays to the start-up of the US' Gulf Coast Ammonia (GCA) plant have tightened our balance for the first half of the year. At the end of last year we expected to see GCA exports from the first quarter, but it is now looking more likely that production will begin early in the third quarter at best. Any further slips to this timeline will increase the amount that OCP has to secure in spot purchases, mopping up much of the excess supply and extending the period of tightness currently being seen.

Global ammonia balance forecast

- The US' Gulf Coast Ammonia project is showing no sign of being able to produce at a commercial scale in the short term, despite commissioning activities beginning in November. We have lowered our expectations of US exports during the first half of the year as a result.

- European gas prices continues to weaken, aiding local producers and lowering demand for imported ammonia. Several key European importers have softened their import requirements until the end of the summer.

- Morocco's import line-up is extremely strong for March, as the arrival of delayed Middle Eastern shipments will coincide with spot deliveries from places west of Suez. We have raised our expectations of the country's imports for March-April.

Subscriber notice
A historical monthly balance can be accessed here.

Trade balance						'000t
	Mar-24	Apr-24	May-24	2Q24	3Q24	4Q24
Export total	1434	1441	1421	4261	4365	4426
Import total	1437	1428	1404	4156	4246	4279
West-of-Suez balance	-56	-14	8	45	217	217
East-of-Suez balance	54	27	10	60	-98	-70
Global balance	**-2**	**12**	**18**	**105**	**119**	**147**

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Revisions to forecast

Global sentiment shifted during February from bearish to stable, with some bullish market sentiment emerging in certain regions. This was mainly because of several plant outages on the US Gulf coast, amplified by the ongoing logistical challenges brought about by attacks on shipping in the Red Sea.

We now expect the Tampa contract price for April to rise by $20/t from March, which compares with our forecast last month of a $40/t fall between the March and April prices. And favourable weather conditions have meant that the US spring planting season has begun in earnest earlier that expected, leading to robust domestic demand at a time when supply is constrained.

Tighter ammonia supply options west of Suez mean that there is no room for north African delivered prices to soften in the short term. Price will shadow the movements of the Caribbean fob price, which is dictated by netbacks from the Tampa contract price, and so Moroccan prices are now also expected to rise in April.

Higher-than-usual freight costs for shipments from the Middle East to north Africa mean that this route still sets the lower end of the Middle East fob benchmark. Bullish market sentiment in the west is having an impact on Asian pricing, highlighted by bids for Indian fertilizer producer Fact's import tender, which were all within $380-410/t cfr, at or above the last settled price of $380/t cfr on 29 February.

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Regional outlook

Northwest Europe

Europe's TTF natural gas benchmark softened further in February after an unexpectedly weak start to 2024. Prices fell as low as $7.3/mn Btu on a day-ahead basis. This has further relieved pressure on European ammonia producers, which have struggled with production costs since Russia's invasion of Ukraine in February 2022. We estimate that European production costs averaged $364/t in February, which was $120/t below the northwest Europe cfr benchmark.

With margins this healthy and no indicators that a gas price shock is on the horizon, there is scope for European producers to ramp up production rates with relatively low risk, as is already being seen from several of the continent's major producers. This will reduce European import demand, relieving some of the tension in west-of-Suez markets caused by Red Sea-related logistical issues and US production outages.

US

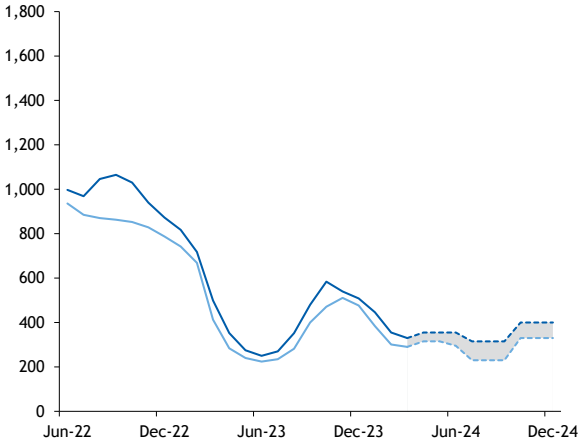
Ammonia market fundamentals shifted rapidly in February as the effects of several domestic plant outages took hold. Domestic producer CF had issues at its Donaldsonville plant, Norway's Yara at its Freeport facility and US producer Mosaic at its Faustina site in late January and most of February. A seasonal uptick in demand in the run-up to fertilizer applications coincided with the outages, leading to a sharp tightening of the domestic market over the past month.

In our last outlook we expected ample regional supply to outweigh building demand, allowing prices to keep softening in February. But the shift in balance led to stable sentiment, which was reflected in Yara and Mosaic's Tampa ammonia contract price for March of $445/t cfr — rolled over from February.

Except for Mosaic's facility, the plant outages were all resolved in late-February, restoring supply options for US buyers. But this will not be enough to renew the weak sentiment seen in January over the next two months. We now forecast that the tightness brought on as applications begin and spot buyers look to cover short-term requirements will lead to a $20/t rise in the Tampa contract for April, which will then roll over into May. We had expected the start-up of Gulf Coast Ammonia's new unit to bring some relief to prices by the start of the second quarter, but speculation in the market suggests we are unlikely to see output from the unit until the second half of the year, further cementing our belief of a stable-to-firm outlook for prices in the near term.

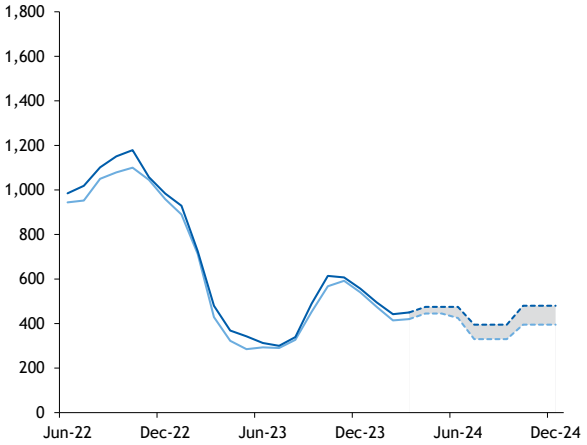
Middle East fob: Stable

Prices will fall to $290-330/t fob in March before rising to $315-355/t fob in April.



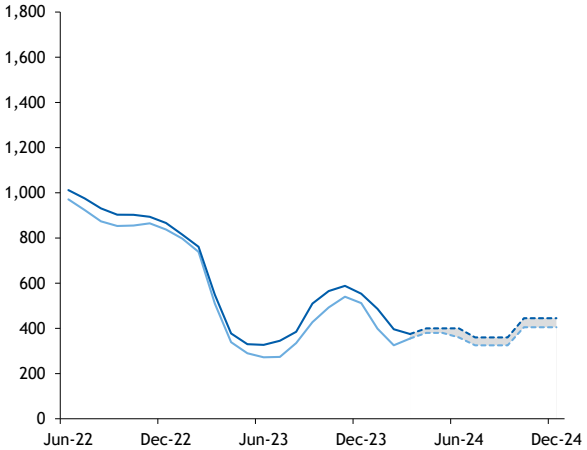
North Africa cfr: Stable

Delivered prices will be at $420-450/t cfr in March and at $445-475/t cfr in April.



India cfr: Stable

Prices are forecast at $355-375/t cfr in March and at $380-400/t cfr in April.



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Softer pricing will return from June as fertilizer applications draw to a close, removing some of the demand that had built up in the US market over the first quarter and into the second. Assuming no further supply-side constraints, there will be little support for prices after the spring and so prices will keep softening over the summer months until fertilizer demand returns in September.

Trinidad and Tobago

Several producers in Trinidad were affected by a two-day gas curtailment in late February, but it appears not to have had a large impact as supply was restored swiftly. Trinidad's monthly exports have been fairly stable, despite a number of short-lived curtailments recently. This status quo is expected to be maintained this year as the island will likely continue to be plagued by small periods of gas supply issues.

Russia

Russian producer Eurochem appears to be ramping up its export operation out of Ust-Luga on the Baltic coast. It is increasing the number of vessels dedicated to serving the port, from one for most of 2023 to two currently and plans for a third soon. Details about port capacity are tightly guarded but we assume that the producer has expanded its export capacity to warrant the increase in vessels. We have increased our expectations of Russian exports for the second half of 2024 as a result.

Meanwhile, we continue to take a conservative view over producer Uralchem's under-construction Taman export terminal on the Black Sea. Large-scale exports will be difficult to achieve during this year — we expect the terminal to be completed in July but throughput is unlikely to reach name-plate capacity immediately.

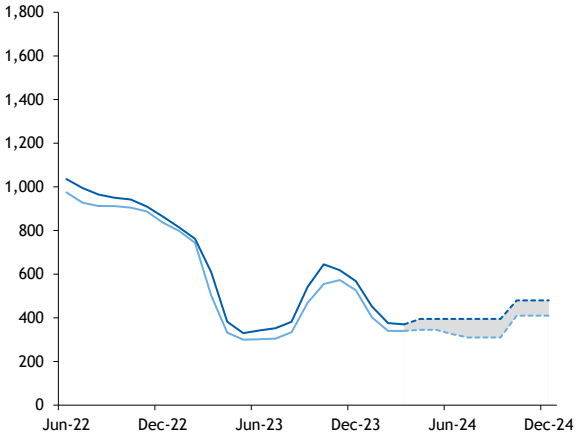
Morocco

Imports into Morocco were weak at the start of 2024 at an average 129,000 t/month in January-February, down from an average 189,000 t/month in the fourth quarter. This is not a reflection of demand from producer OCP, which is scrambling to secure spot cargoes from the US Gulf, Trinidad, Libya and even Indonesia, but highlights the logistical problems being caused by attacks on Red Sea shipping by Houthi militants.

It is taking an additional two weeks for Middle Eastern cargoes to reach Jorf Lasfar by rerouting around the Cape of Good Hope, which has gummed up ammonia vessel liquidity and is leading to lengthy delays. But the line-up of vessels due to arrive in Morocco in March is strong, with 220,000t of product expected to arrive in the month, including four

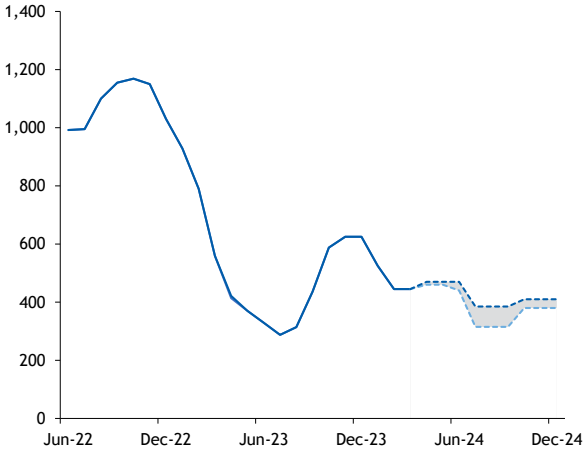
East Asia cfr: Stable

Prices will move to $340-370/t cfr in March and to $345-395/t cfr in April.



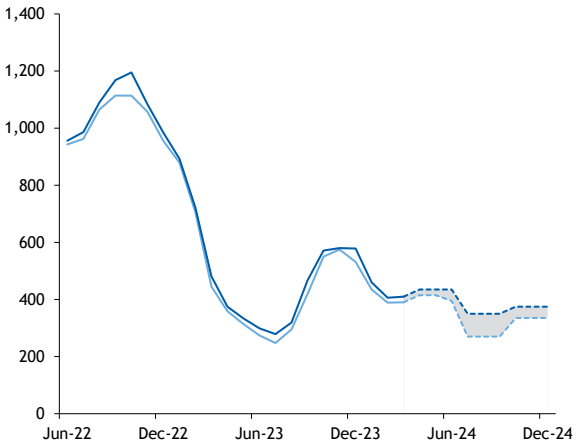
Tampa cfr: Stable

Norway's Yara and the US' Mosaic settled the Tampa March contract at $445/t cfr.



Caribbean fob: Stable

Prices will be at $390-410/t fob in March and $415-435/t fob in April.



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diverted Middle Eastern cargoes. There are now questions over whether all of this product can be unloaded within the month, without forcing vessels to wait offshore, which could further reduce ammonia vessel liquidity.

Price sentiment is firm for March-April, in line with that in the US Gulf. This suggests netbacks to the Middle East from delivery to north Africa will also be pulled up. OCP's strong demand — highlighted by its willingness to mop up spot cargoes from various origins — means that there is room for small gains in the cfr North Africa benchmark in the short term.

Middle East

Delivered-north Africa prices are firm but freight rates from the Middle East to north Africa are so high — at $130-135/t — that deliveries to north Africa are setting the low end of the price range in the region. The low end of the Middle East fob price range has typically been set by deliveries to east Asian consumers since Russia's invasion of Ukraine — when Middle Eastern deliveries to west-of-Suez markets increased — but before the start of this year. We are currently assuming that the Middle East fob benchmark will be firmer in the weeks to come, reflective of sentiment in the west and the logistical challenges that leave no room for additional market disruptions. But there is considerable risk to our forecast for this month. If Indian consumption proves to be markedly weaker than we have accounted for because of its maintenance season, then supply may exceed demand to a degree that causes downwards pressure on the benchmark.

Oman's OQ is expecting to restart production at its 345,000 t/yr plant in Salalah at the beginning of March, after a four-week outage, possibly adding some spot availability out of the region in the coming month. Indian spot demand is seasonally low at this time of year and so, combined with the shortage of shipping options, it is not clear which markets would be targeted for spot sales. This adds some downside risk to our forecast for bullish pricing in the next two months.

India

Indian fertilizer producer Fact closed its tender for 5,000-16,000t of ammonia at the end of February and received bids in the range of $380-410/t cfr, giving much-needed insight into Indian price sentiment for March. But spot demand is otherwise low in India, as many phosphates plants undergo turnarounds at this time of year. A cut to India's nutrient-based subsidy for the upcoming kharif season compared with last year will negatively affect the country's import demand over the coming months, as production economics for producing DAP become less favourable, especially as global ammonia prices expected to firm over the same period. Indian prices will therefore be dictated by the wider market.

East Asia

East Asian industrial demand has shown no signs of increasing over the first quarter. Imports averaged 184,000 t/month in January-February, down from 260,000 t/month in the first quarters of 2020-22. Until baseline demand starts to recover, demand-side fundamentals are expected to remain weak in east Asian markets. The extent of this weakness was shown in January, when delivered prices fell in line with fob Middle East pricing on a midpoint basis, despite the freight cost between the two markets reaching around $80/t. This unusual dislocation in benchmarks also highlighted the shift in deliveries to east Asia away from Middle Eastern producers and towards southeast Asian producers, which have better availability and fewer logistical constraints. We expect the high end of east Asian pricing to correct upwards to reinstate an $80/t netback to the fob Middle East benchmark.

Southeast Asian sellers continue to offer lower-priced delivered cargoes into east Asia, but with Indonesian producers' production costs estimated at $280/t fob, there is a limit to how long this can continue for after prices begin to soften in May. At this point, we expect the relationship to switch once again, whereby Middle Eastern producers are able to offer the lowest delivered price into the region.

Indonesia

Indonesian producers have taken advantage of global circumstances to sell two cargoes into Morocco over the past fortnight. Logistical issues are preventing sales from the Middle East to OCP to take place as normal, allowing the Indonesian sales to occur. And a ship ballasting from South Korea to Europe was able to pick up the cargo and reduce shipping costs, as it was charged as a one-way voyage. The estimated $75-85/t cost of this freight netted back in line with current southeast Asian fob pricing, rather than it being far lower had it cost the approximate $200/t for a return voyage.

Australia

A second scheduled maintenance turnaround is under way at Australian chemicals firm Orica's ammonia line at Kooragang Island, which feeds ammonium nitrate production. It will turn to the seaborne market to replace the product lost during the four-week outage — expected at 22,000t. Relatively strong supply east of Suez means that this added need is unlikely to have an outsized impact on regional prices.

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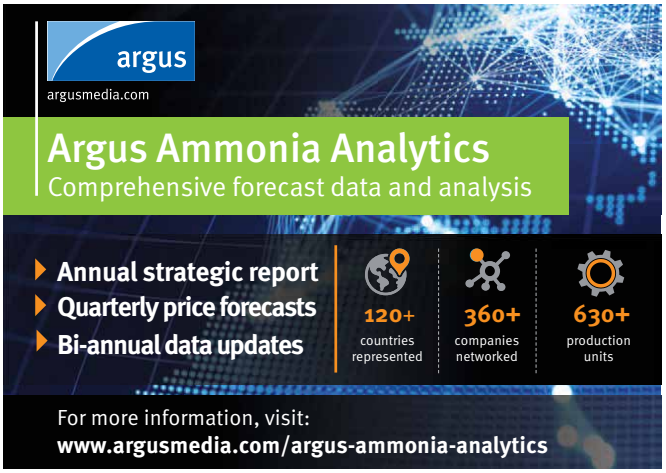
New capacity

New capacity 2023-24

Company	Location	Date expected	± Capacity '000 t/yr	Notes
NCIC	Ain Sokhna, Egypt	2023	153	A urea and nitrates plant is being constructed in Ain Sokhna, Egypt and will include some merchant ammonia capacity that is expected to be sold to NCIC's own phosphate units in Egypt. NCIC stated that the unit was being prepared to be commissioned in April 2023.
KuibyshevAzot	Togliatti, Russia	2023	-328	KuibyshevAzot is constructing a urea unit in Togliatti, Russia. Full operations were expected to begin in June 2023, but an announcement is yet to be made to confirm that this happened.
Deepak Fertilizers	Taloja, India	2023	518	Pre-commissioning activities began in March 2023 at Deepak Fertilizers' 520,000 t/yr ammonia project in Taloja, outside of Mumbai, India. The ammonia line cost an estimated $545mn. Most of the ammonia produced will eventually be used as feedstock to produce 377,000 t/yr of new-build technical ammonium nitrate on site, but this stage is not expected to finish until 2025. In the meantime, the ammonia produced will be merchant.
Gemlik Gubre	Gemlik, Turkey	2023	-360	Gemlik Gubre has constructed a urea and urea ammonium nitrate (UAN) unit at its existing facility in Gemlik, Turkey. Nameplate capacities are for 1,640 t/d urea and 500 t/d UAN, and we expect 360,000 t/yr of existing merchant ammonia to be consumed by the new units. Engineering, procurement and construction contracts were signed in March 2020 with Italy's Maire Tecnimont.
Koch	Beatrice, USA	2023	-25	An expansion programme has been completed at Koch's nitrate plant in Beatrice. The new downstream additions will remove 25,000 t/yr of merchant supply from the market.
Acron	Novgorod, Russia	2023	-122	Acron expanded its urea 6+ unit during 2023, resulting in a reduction in merchant capacity at the site. We estimate that this new unit came on line in late 2023, but Acron has been unable to export ammonia directly since Russia's invasion of Ukraine in February 2022.
Gulf Coast Ammonia	Texas City, USA	2024	1,260	Gulf Coast Ammonia (GCA) is nearing completion of its 1.26mn t/yr export-oriented ammonia facility in Texas City. The $1bn project was developed by Agrifos before being acquired by private equity firm Starwood Energy Group and German energy trading company Mabanaft. GCA began commissioning activities at the plant in November, but delays continue. We now expect exports to begin in July 2024 at the earliest.
TogliattiAzot	Togliatti, Russia	2024	-400	Construction of TogliattiAzot's new urea plant has been complicated by Russia's invasion of Ukraine. It is believed the project is close to being commissioned but foreign contractor access is restricted. Commissioning of the unit would relieve company pressure and allow some ammonia units to restart. Currently only two of the seven are thought to be running and all ammonia is being upgraded to other nitrogen products.

Information on ammonia production capacity additions beyond 2024 can be found in the Argus Ammonia Analytics service. For more information, please click here.



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Production costs

Our production cost estimates use an updated standard inflator now that 2023 data are available. We recently switched our general inflator for ammonia plant costs to the Chemical Engineering Plant Cost Index, published by the journal of the same name. This affects our calculation of the engineering, procurement and construction (EPC) replacement cost — or our estimate for the EPC of a given plant in today's economy — which feeds into our fixed cost calculation.

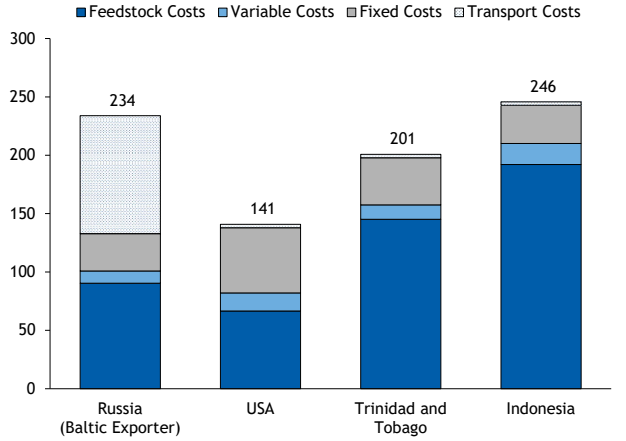
We have removed our estimate of Ukrainian producer OPZ's and Russian TogliattiAzot's production costs from our assessment until further notice.

Production costs for a mid-sized Baltic exporter were stable on the month at an average of $237/t fob in February. This was calculated using the wholesale gas price for the Novgorod region of 4,876-5,120 roubles/'000m^3 at an exchange rate of Rbs91.6:$1, equating to a delivered gas price estimate of $2.54/mn Btu.

We have changed our benchmark plant in Trinidad to Nitrogen 2000, which opened in 2007, to better reflect a modern plant's costs on the island. The production cost for this plant fell to $201/t fob in February, down from $212/t fob on average in January.

US ammonia production costs fell to an average of $141/t fob in February, from an average of $180/t in January, as the Henry Hub gas benchmark made losses during the month.

Ammonia production costs ***$/t fob***



More information on the *Argus* Ammonia Cost and Margin Service is available here

Ammonia production costs

Country	Natural gas price $/mn Btu	$/t fob
Russia (Baltic exporter)	3	234
US Gulf	1.80	141
Trinidad	5	201
Indonesia	6.00	246

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Downstream markets

Acrylonitrile

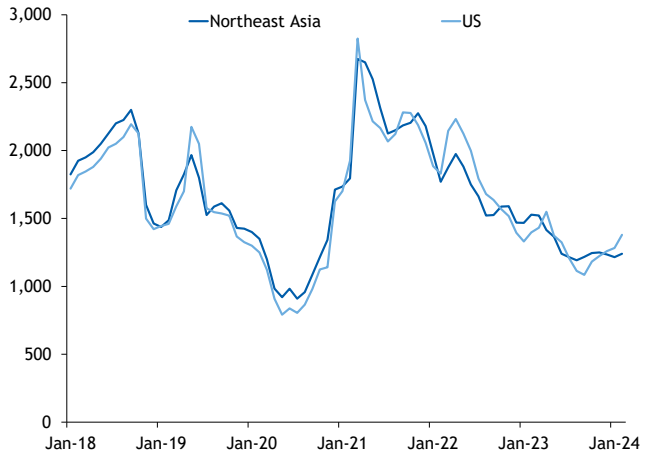
China's ACN prices rebounded after the lunar new year holiday in mid-February, because of tightening supplies following plant shutdowns. There were some enquiries for imports in the cfr China market, with discussion prices hovering at $1,230-1,280/ t in the week ending 1 March, up by $30/t compared with the last session.

But demand for ACN remained weak. Buyers were cautious about purchasing because of recent upticks in ACN prices. Estimated downstream acrylic fibre operating rates were at around 63pc in the week ending 1 March, and acrylonitrile-butadiene-styrene run rates were at 65pc. These were down by six and three basis points, respectively, compared with a month earlier. Estimated production margins for ACN among Chinese producers were slightly higher at -808 yuan/t (-$112/ t), up by Yn240/t because of cheaper feedstock ammonia prices. For other non-integrated Asian producers, production margins were stable from the last session at $135/t.

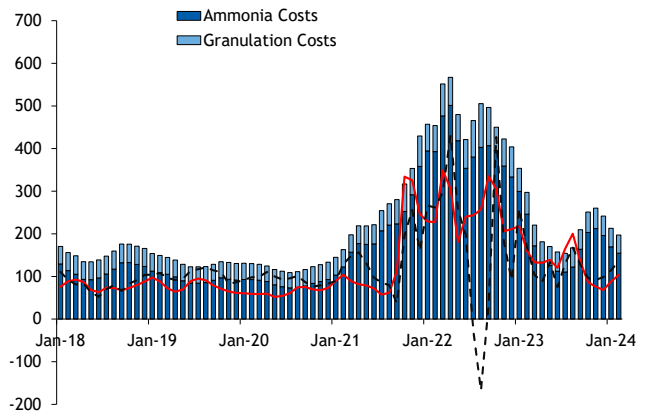
CAN margin

European CAN margins increased over the last month as a softening in ammonia import prices allowed for lower feedstock costs. Ammonia production costs on the continent fell as the TTF price weakened, boosting the outlook for CAN margins for integrated nitrates producers. The margin for CAN production using imported ammonia averaged $103.41/t in February.

Acrylonitrile *$/t*



CAN ammonia margins *$/t*



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Related markets

Phosphates

Raw material supply challenges, a tight global market and emerging phosphates demand east and west of Suez are expected to cause modest price firming over the next two months. Indian buyers are grappling with poor import economics under the current subsidy regime and have held delivered DAP prices steady for several months. The news on the cut to the Indian phosphate and potash subsidy budget for the upcoming 2024-25 season will likely temper import demand until further details are presented around how funds will be distributed to each nutrient.

Saudi Arabia and Morocco continue to service markets east of Suez, particularly in the absence of Chinese exports. The Indian subcontinent but also east Asia and Australia are expected to be key outlets over the next couple of months. But once Chinese exports are reintroduced from May onwards, there will be sufficient supply for buyers to grind down DAP prices, particularly in the third quarter.

Looking west of Suez, European demand is gradually emerging nut is still relatively muted. We estimate DAP purchases will ramp up over the next month, but price support from European markets overall will be faint. Barge prices in the US softened over the past month, but this downward pressure is expected to be short-lived.

Urea

Prices were overall higher in the week ending 1 March, led by rising prices at Nola and Brazil. In the US, March barges traded as high as $390/st fob Nola in the middle of the week, up from $330-370/st fob over 19-23 February. The jump in US prices supported those in Brazil, where small lots traded at $395/t cfr. Offers have risen to $400/t cfr.

Prices were stable-to-firm east of Suez. Indonesia dominated the focus in southeast Asia, with Indonesian fertilizer supplier Pupuk Kaltim selling at $386/t fob under a tender. Australia and west coast Latin America are supporting prices out of southeast Asia. Middle East non-US granular prices firmed to $375-385/t fob.

The short-term outlook is for prices at Nola to remain well supported until more cargoes are booked for March-April, because of the ongoing shortfall in urea supply and strengthening demand. Producers east of Suez are well-allocated throughout March and there is continuing demand from Australia and Thailand.

India should be back with a tender in March. North African and Black Sea prices will have to drop to encourage European importers, but prices will climb once buying starts further into April.

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Macroeconomic outlook

The US labour market added 353,000 jobs in January, almost double what was expected. The December figure was also revised upwards, from 216,000 to 333,000. The US economy grew by 3.3pc in the fourth quarter. In contrast, the eurozone's GDP grew by only 0.1pc.

Lower energy prices and interest rates are likely to lead to some economic recovery in Europe in the second half of 2024. Consultancy Oxford Economics expects GDP growth in the eurozone to increase from 0.2pc in the first quarter to 1.2pc by the end of the year.

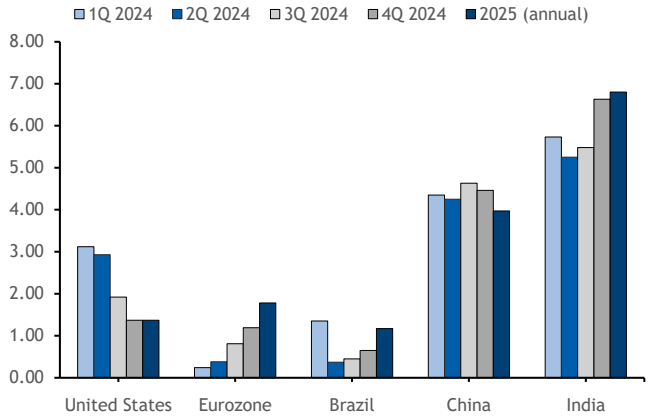
China is also facing weak economic growth, as it struggles with a prolonged property sector crisis. Increased fiscal support and stronger manufacturing sector data have offered some optimism for its economy in 2024. The Caixin Purchasing Manager's Index for manufacturing has remained above the 50-point mark — which indicates the inflection point between output growth and contraction — for three consecutive months. It was forecast to be 50.7 by the end of February, down slightly from 50.8 in the previous month.

The US consumer price index fell to 3.1pc in January, compared with 3.4pc in December. Core inflation, measured after stripping out volatile food and energy components, remained unchanged at 3.9pc, suggesting continued momentum in prices. Rising wages and strong economic growth have made inflation more resilient in the US.

In contrast, Europe's weaker economy has implied faster disinflation in the euro area. Inflation in the eurozone fell by 0.1pc to 2.8pc in January. Core inflation was also down from 3.4pc in December to 3.3pc. Brazil's inflation rate fell to 4.5pc in January from 4.6pc in December, because of slowing growth and lower transport costs.

The US is expected to maintain interest rates at 5.25-5.50pc in March, with cuts expected near the end of the second quarter. Central bank officials have been wary of cutting rates too quickly as a strong labour market has offered upside risks to prices.

GDP growth in major fertilizer-consuming countries %



Even the European Central Bank (ECB) has been cautious in its forward guidance for rate cuts, despite Europe's slow growth and faster disinflation rate. The ECB has ruled out any monetary easing in the spring and aAny recovery in economic growth fuelled through interest rate cuts has been pushed to the second half of the year.

Brazil's central bank cut the benchmark Selic rate by 50 basis points to 11.25pc in January, as was predicted. It is expected to implement 50 basis point cuts in its next two meetings, which will take the benchmark rate down to 10.25pc by May. The US DXY index rose by more than 2.5pc from 1 January-23 February. The dollar has strengthened after it hit a six-month low at the end of December, almost falling to the 100-point mark from a peak of 107 in March last year. A strong labour market, suggesting interest rates will hold steady for longer, has firmed up investor interest in the dollar. And weak economic recovery in emerging market economies, particularly China, has held off capital outflows from the US, which has further bolstered the dollar. Weakening will likely come as interest rates fall later in the year.

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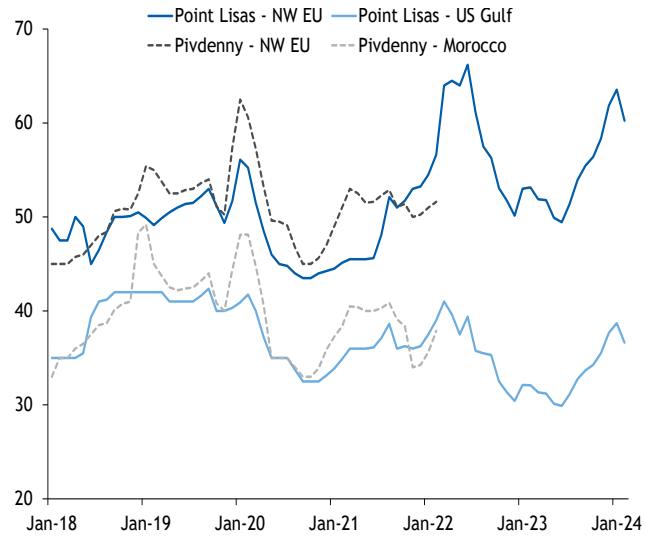
Freight

Missile attacks by Yemen's Houthi militants have endangered the free flow of freight through the Suez Canal in recent weeks. A war premium has since emerged to account for the increased risk of passage. This adds fuel to the fire in global freight markets, given ongoing difficulties with water supply to the Panama Canal. But ammonia freight rates finally fell this month after several months of consecutive price rises.

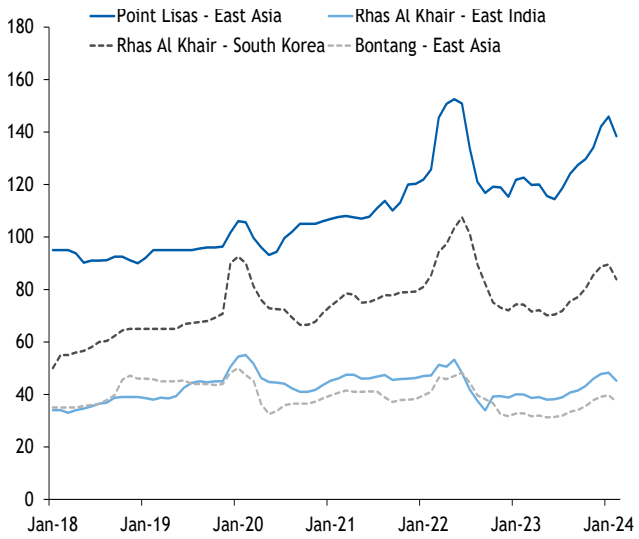
The 23,000t cargo route from Trinidad and Tobago's Point Lisas to northwest Europe has fallen to $60.26/t on a mid-point basis. The 23,000t route from Saudi Arabia's Ras al-Khair to South Korea has risen to $83.90/t on mid-point basis. Trade routes through the Suez Canal are most affected — the 23,000t route from Ras al-Khair to Jorf Lasfar has risen to $135/t, when journeying around the Cape of Good Hope.

We have stopped publishing freight assessments for the shipment of ammonia cargoes from the Ukrainian Black Sea port of Pivdenny to northwest Europe and Morocco for the foreseeable future, as no cargoes have loaded from there for several months.

West of Suez *$/t*



East of Suez *$/t*



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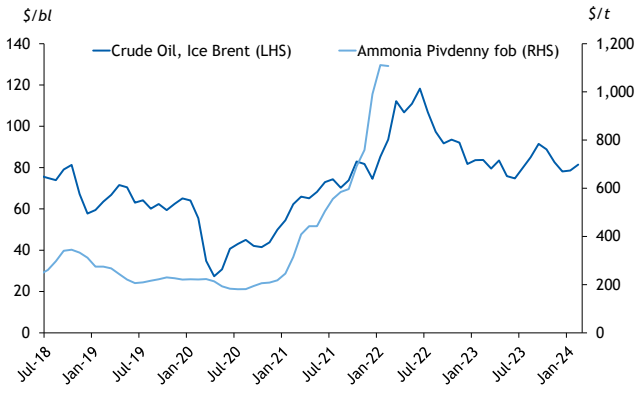
Crude oil

Our crude price forecast remains largely unchanged, with only a small upwards revision in March-April to an average of $84.60/bl. Some level of Opec+ output cuts will still be needed over the rest of the year but they will not have to be as extensive as they are in the current quarter. This reinforces our expectation that crude prices will firm throughout the remainder of 2024.

North Sea Dated's large premium to Ice Brent M1 last month was driven by a disruption to the Finnart pipeline in Scotland, high transatlantic freight costs hitting WTI inflows, and the Red Sea situation, which continues to restrict the amount of prompt supply arriving in Europe. That tightness will ease, with transatlantic freight rates now looking more stable and Mideast Gulf supplies finding their way to Europe using the longer Cape of Good Hope route. But less US WTI crude might be available for delivery to European buyers in April-May, and this could have a knock-on effect for light sweet crude prices in the region, should Asia-Pacific refiners step up their purchases.

Crude oil and ammonia Yuzhny fob



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