Oil & Petrochemicals Monthly Report

May | 2026

Oil prices remain volatile tracking geopolitical events; Supply likely to remain impacted for longer period, demand outlook weakening

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June 2026

Urea, VAM, Ethylene, and MTBE prices fell sharply in May, while DAP rose; Aramco lifted Propane and Butane prices for June

- **Naphtha prices eased; propane and butane remained steady in May:** Naphtha prices declined 26.3% M/M to USD 755 per ton in May. Propane and Butane prices were unchanged at USD 750 and USD 800 per ton in May. Aramco increased Propane and Butane prices for June to USD 760 and USD 820 per ton, respectively.
- **Product prices showed a downtrend in May: Urea** prices declined 37.2% M/M to USD 575 per ton impacted by seasonality led lower demand, delayed purchases from India and high production levels. **VAM** prices plunged 33.1% M/M to USD 1,275 per ton in May due to improving supply in Europe and muted downstream consumption in construction and related sectors. **Ethylene** prices slid 27.8% M/M to USD 960 per ton, as feedstock prices eased. **MTBE** prices fell 21.9% M/M to USD 750 per ton owing to lower gasoline blending demand. **DAP** prices jumped 15.7% M/M to USD 920 per ton, driven by tighter supply amid export cuts from China.
- **Petchem Spreads Trend:** PP-propane spread contracted to USD 657 per ton in May from USD 665 per ton in April. PP-butane spread narrowed to USD 617 per ton in May from USD 625 per ton in April. HDPE-naphtha spread increased to USD 286 per ton in May from USD 215 per ton in April.

Oil prices dropped in May on ceasefire optimism; fresh escalations led to rebound in early June

- **Brent crude volatility intensified in May; prices retreated:** A substantial unwinding of the geopolitical war premium drove a significant monthly decline, as growing optimism over a proposed 60-day US-Iran Memorandum of Understanding to reopen the Strait of Hormuz dragged prices down to a low near USD 92 per barrel. Conversely, early June triggered a swift reversal. This sudden recovery was fueled by fresh security incidents in the Strait of Hormuz and a breakdown in diplomacy after Iran halted ceasefire talks, reigniting global supply anxieties and raising doubts about the durability of the peace process.
- Brent prices fell 12.6% M/M, while WTI slipped 7.5% M/M in May, ending at USD 92.1/bbl and USD 87.4/bbl, respectively. Natural gas prices at Henry Hub jumped 30.4% M/M to USD 3.3/mn Btu.
- **Manufacturing activity strengthened in the US; remained resilient in Europe and China:** In the US, the ISM manufacturing PMI climbed to a multi-year high of 54.0 in May from April's 52.7, driven by a sharp surge in new orders and robust production momentum. The Eurozone's HCOB manufacturing PMI moderated to 51.6 from April's 47-month high of 52.2, as growing supply-chain frictions and cooling business confidence capped faster gains. China's private sector proved resilient, with the Caixin manufacturing PMI tracking at 51.8 (down from 52.2) amid softening export orders.

Table 1: Petchem Prices - May FY26

Name	Price (USD per ton)	M/M %	Q/Q %	Y/Y %	YTD %
Naphtha	755	-26.3%	23.8%	34.8%	39.8%
Saudi Propane	750	0.0%	37.6%	23.0%	51.5%
Butane-Saudi	800	0.0%	48.1%	35.6%	64.9%
Ethylene	960	-27.8%	44.4%	29.7%	36.2%
Propylene-Asia	1,200	-9.1%	51.9%	57.9%	69.0%
HDPE	1,195	-4.8%	39.0%	40.6%	46.6%
LDPE	1,310	-7.4%	39.4%	28.4%	44.0%
LLDPE	1,105	-3.9%	41.7%	28.5%	43.5%
PP-Asia	1,240	-2.4%	44.2%	36.3%	59.0%
Styrene-Asia	1,200	-11.8%	26.3%	34.1%	50.9%
Polystyrene-Asia	1,465	-8.4%	35.0%	30.2%	49.5%
PET - Asia	1,130	-5.8%	36.1%	44.9%	46.8%
PVC-Asia	860	-18.1%	19.4%	21.1%	34.4%
MEG (Asia)	585	-3.3%	33.0%	11.4%	31.5%
Methanol-China	390	-7.1%	50.0%	52.9%	59.2%
DAP-Gulf	920	15.7%	28.7%	28.7%	35.3%
Urea-Gulf	575	-37.2%	18.6%	51.3%	45.6%
Ammonia-Gulf	650	0.0%	38.3%	120.3%	25.0%
MTBE-Asia	750	-21.9%	8.7%	12.8%	21.0%
EDC	340	-23.6%	51.1%	100.0%	70.0%
MEG (SABIC)	830	0.0%	38.3%	10.7%	27.7%
PC	2,300	-4.2%	42.9%	47.9%	47.9%
Acetic Acid-AA	535	-17.1%	28.9%	24.4%	32.1%
EVA	1,505	-11.7%	32.0%	25.4%	31.4%
Vinyl Acetate Monomer-VAM	1,275	-33.1%	59.4%	58.4%	61.4%

Note: *Prices as of May 31, 2026

Source: Argaam, Reuters Eikon, AlJazira Capital Research

Table 2: Economic Calendar

Date	Country	Event
June 03,10,17,24	US	Weekly Petroleum Status Report
3-Jun	KSA	S&P Global Saudi Arabia PMI
4-Jun	US	US Initial Jobless Claims
5-Jun	US	Unemployment Rate
9-Jun	KSA	GDP Constant Prices YoY
9-Jun	US	Trade Balance
9-Jun		EIA Short-term Energy Outlook
11-Jun		OPEC Monthly Oil Market Report
15-Jun	KSA	CPI YoY
17-Jun		IEA Oil Market Report
23-Jun	US	S&P Global US Manufacturing PMI
25-Jun	US	GDP Annualized QoQ
30-Jun	KSA	Current Account Balance
30-Jun	KSA	M3 Money Supply YoY
30-Jun	KSA	SAMA Net Foreign Assets SAR

Source: Bloomberg, EIA, OPEC, IEA

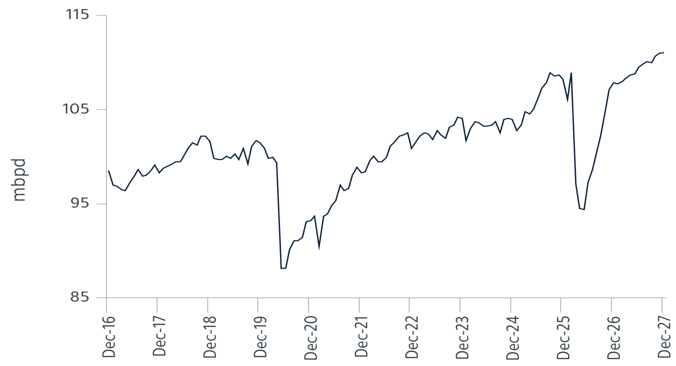
Key comments from international energy agencies

Crude oil supply

Global supply

- Global supplies of crude oil and liquid fuels are expected to decline by 4.8 mbpd to 101.6 mbpd in FY26 (vs. the previous estimate of a decrease of 2.0 mbpd), while supplies are expected to increase by 7.9 mbpd in FY27 (vs. 5.2 mbpd increase in previous estimate), as per **EIA**. Non-OPEC supply is forecast to fall 0.7 mbpd to 76.4 mbpd in FY26 and rise 3.8 mbpd to 80.1 mbpd in FY27.
- Global oil supply dropped by 1.8 mbpd to 95.1 mbpd in April, according to **IEA**. Global oil supply is projected to decrease 3.9 mbpd to102.2 in FY26.

Figure 1: World Oil Production



Source: Bloomberg, AlJazira Capital Research

OPEC Supply

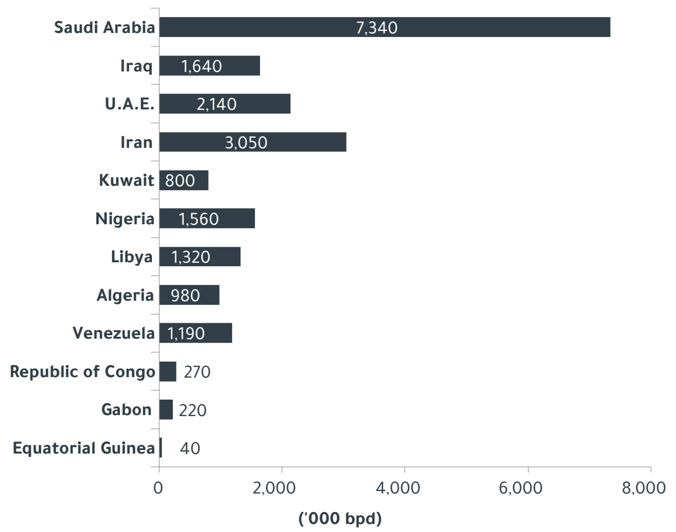
- OPEC crude oil production decreased by 1.73 mbpd M/M in April to 19.0 mbpd, as per OPEC's secondary sources.
- On average, OPEC members are expected to produce 17.3 mbpd of crude oil in Q2-26 (vs 23.0 mbpd in Q1-26), as per **EIA**.
- OPEC's average crude production is estimated at 21.0 mbpd in FY26 and 24.4 mbpd in FY27, according to **EIA**.
- OPEC's unplanned oil supply disruptions averaged 10.42 mbpd in April (vs. 8.59 mbpd in March), as per **EIA**.

Table 3: OPEC Oil Production ('000 bpd; excl. Angola)

Prod. ('000 bpd)	Cap.	Jan 2026	Feb 2026	Mar 2026	Apr 2026	% M/M Chg.
Equatorial Guinea	80	50	40	50	40	-20.0%
Gabon	230	210	220	220	220	0.0%
Republic of Congo	300	240	270	240	270	12.5%
Venezuela	1,000	820	980	1,080	1,190	10.2%
Algeria	1,060	970	970	980	980	0.0%
Libya	1,320	1,280	1,300	1,270	1,320	3.9%
Nigeria	1,600	1,490	1,450	1,450	1,560	7.6%
Kuwait	2,820	2,570	2,550	1,270	800	-37.0%
Iran	3,830	3,350	3,410	3,230	3,050	-5.6%
U.A.E.	4,650	3,560	3,600	2,160	2,140	-0.9%
Iraq	4,800	4,340	4,390	1,630	1,640	0.6%
Saudi Arabia	12,000	10,000	10,430	7,390	7,340	-0.7%
Total OPEC	**33,690**	**28,880**	**29,610**	**20,970**	**20,550**	**-2.0%**

Source: Bloomberg

Figure 2: OPEC April Oil Production ('000 bpd)



Source: Bloomberg

Crude oil demand

Global

- **OPEC** estimates a 1.2 mbpd increase in global consumption in FY26 (~0.2 mbpd lower than previous month's estimate) and a further growth of 1.5 mbpd in FY27. **IEA** estimates global oil demand to decrease by 0.42 mbpd in FY26 (1.3 mbpd lower than pre-war estimate). As per **EIA**, global consumption of petroleum and liquid fuels is forecasted to increase by 0.2 mbpd Y/Y in FY26 (vs. earlier projection of 0.6 mbpd increase) and 1.5 mbpd Y/Y in FY27 (~0.1 mbpd lower than earlier projection).
- **Global** demand for petroleum and liquid fuels stood at 103.2 mbpd in April, down 0.1% Y/Y, as per **EIA**.
- DoC (countries participating in the Declaration of Cooperation) crude demand for FY26 is forecasted to grow 0.4 mbpd Y/Y to 42.7 mbpd (~0.2 mbpd lower than previous month's estimate), according to **OPEC**. The DoC demand is estimated to increase to 43.6 mbpd in FY27, up by around 0.8 mbpd Y/Y.

Inventory

- Global oil inventories fell 85mn barrels in March, as supplies through the Strait of Hormuz were restricted, as per **IEA**.
- **EIA** forecasts OECD inventories at 2.75bn barrels by end-FY26 and 2.99bn by FY27.
- Natural gas inventories in the US are estimated at 4.0tn cu. ft. by October 2026, 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 95 per barrel in FY26 and at USD 79 per barrel in FY27, as per **EIA**. **Citi** forecasts Brent prices to reach to USD 120 per barrel in near term, citing current underpricing of the risk of a prolonged supply disruption and broader tail risks. The bank sees prices to range between USD 80-90 in FY27. **World Bank** forecasts average Brent prices at USD 86 per barrel in FY26 and USD 70 per barrel in FY27. **EIA** expects natural gas prices at Henry Hub to average USD 3.50/mn Btu in FY26 and USD 3.18/mn Btu in FY27.

Table 4: World Oil Demand and Supply

(mbpd)	FY25				FY26E				FY25	FY26E	FY27E
World Crude Oil & Liq. Fuels Supply	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
OPEC Supp.	28.61	29.03	29.47	29.93	27.55	20.90	24.26	28.28	29.26	25.24	29.36
Non-OPEC Suppl.	75.06	76.19	78.50	78.55	76.28	74.49	76.26	78.35	77.09	76.35	80.13
Total World Supply	**103.67**	**105.22**	**107.96**	**108.48**	**103.83**	**95.39**	**100.53**	**106.63**	**106.35**	**101.60**	**109.50**
World Crude Oil & Liq. Fuels Cons.											
OECD Cons.	45.29	45.68	46.53	46.08	45.63	45.20	45.99	45.60	45.90	45.61	45.60
Non-OECD Cons.	57.00	58.27	58.41	58.59	57.53	58.66	58.95	59.04	58.07	58.55	60.05
Total World Cons.	**102.28**	**103.95**	**104.94**	**104.67**	**103.16**	**103.86**	**104.94**	**104.63**	**103.97**	**104.15**	**105.64**
OECD Comm. Inventory (mn barrels)	2,738	2,777	2,858	2,816	2,777	2,525	2,413	2,432	2,816	2,432	2,717
OPEC Surplus Crude Oil Prod. Cap.	1.03	1.00	1.00	0.91	3.62	n/a	n/a	n/a	0.98	n/a	n/a

Source: EIA STEO May 2026, AlJazira Capital Research

- The gap between crude consumption and supply is estimated to increase to 8.47 mbpd in Q2-26 (higher consumption than supply) vs. 0.67 mbpd in Q1-26 (higher supply than consumption).
- OECD's crude inventories are expected to be at 2.53bn barrels in Q2-26 compared to 2.78bn barrels in Q1-26.

Petrochemical sector news

- **National Industrialization Co. (Tasnee)** said it has delayed completion of an expansion project and scheduled maintenance at its ethylene and polyethylene plant, a joint venture in which it holds a 60% stake. The company said the delay was due to disruptions in global supply chains. The actual operation date will be announced once the necessary information becomes available. (Source: Tadawul)
- **SABIC Agri-Nutrients Co. (SABIC AN)** extended its memorandum of understanding (MoU) with Saudi Agricultural and Livestock Investment Co. (SALIC) for an additional three years from the expiry date of the current agreement. (Source: Tadawul)
- **The Ministry of Investment** signed an investment agreement with SATORP to develop the Amiral project, a joint venture between Saudi Aramco and Total. The project aims to support the localization of value chains in the petrochemicals sector, boosting the growth of downstream industries in the Kingdom and increasing the added value of natural resources. (Source: Argaam)
- The Capital Market Authority (CMA) announced its approval of **Methanol Chemicals Co.'s (Chemanol)** planned capital reduction from SAR 674.5mn to SAR 150.0mn. Consequently, the number of shares will be cut from 67.45mn to 15.0mn. (Source: Argaam)
- **Nama Chemicals Co.'s** subsidiary Jubail Chemical Industries Co. (JANA) received a court order issued by the Administrative Enforcement Court mandating the temporary suspension of enforcement request, related to a loan submitted by the Saudi Industrial Development Fund (SIDF). (Source: Tadawul)
- **Saudi Aramco** is studying plans to raise at least USD 10bn from its real estate assets, including the Dhahran complex that houses its headquarters in the Eastern Province, as per Bloomberg report. Aramco is in preliminary talks on a potential deal and is also considering a sale-and-leaseback option, which would allow it to unlock capital while retaining the right to use its real estate assets. (Source: Bloomberg)
- **Saudi Aramco** and Petroliam Nasional Berhad (PETRONAS) signed an agreement for the transfer of Aramco's equity stakes in Pengerang Refining Company Sdn. Bhd. and Pengerang Petrochemical Company Sdn. Bhd. (collectively, "PRefChem"), located within the Pengerang Integrated Complex, Pengerang, Johor to PETRONAS. (Source: Argaam)

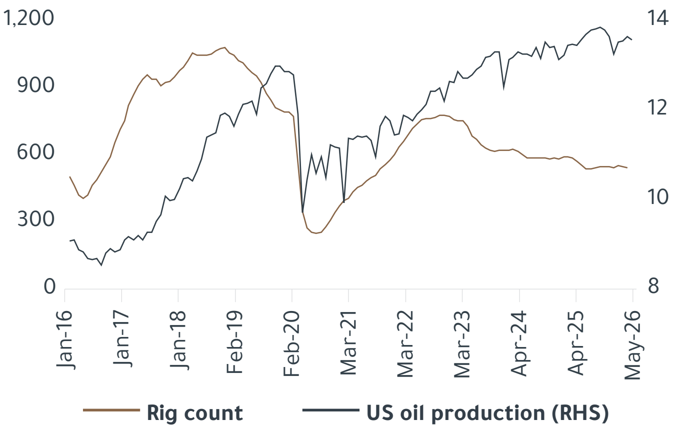
Table 5: KSA Petrochemical Companies Key Metrics

Company	Net profit (TTM; SAR mn)	P/E (Adjusted)	P/B	EV/ EBITDA	DPS (SAR) 2025	Dividend Yield (2025)	YTD returns
SABIC	-24,555.2	NEG	1.4x	10.3x	3.00	5.4%	8.6%
TASNEE	-3,002.3	NEG	0.9x	High	-	-	7.8%
YANSAB	76.7	High	1.8x	17.4x	2.00	6.1%	18.5%
SABIC Agri-Nutrients	4,564.3	13.8x	3.0x	11.0x	7.00	5.3%	19.8%
Sipchem	-1,271.1	NEG	0.8x	30.1x	1.00	6.9%	-3.6%
Advanced	184.4	40.7x	2.2x	16.2x	-	-	-11.8%
KAYAN	-2,132.7	NEG	1.0x	18.6x	-	-	22.0%
SIIG	130.2	High	1.1x	-	0.25	1.8%	13.5%
Nama Chemical	77.9	NEG	1.6x	-	-	-	-22.9%
Chemanol	-705.5	NEG	2.3x	-	-	-	20.0%
ALUJAIN	-804.5	High	0.8x	26.4x	3.00	10.7%	3.6%

Source: Bloomberg, Tadawul, Argaam, Aljazira Capital Research; Data as of June 01, 2026

US oil and gas developments

Figure 4: US Oil Production versus Rig Count

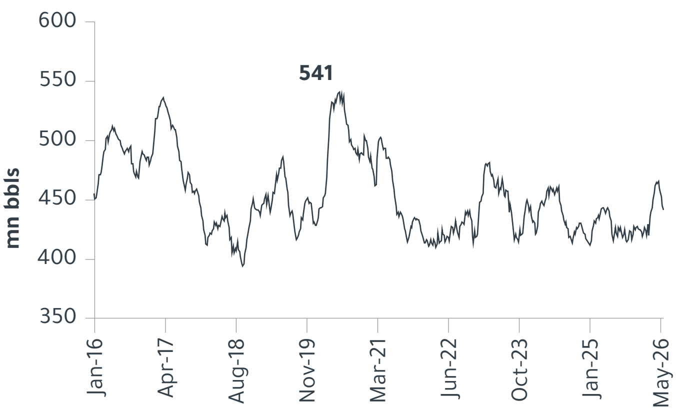


Source: US EIA, AlJazira Capital Research

US oil production averaged 13.59 mbpd in May 2026. Production decreased 0.4% M/M and increased 1.0% Y/Y from 13.45 mbpd in May 2025.

In the week ended May 29, the rotary rig count in the US stood at 562 (up 4 W/W). The average number of rigs rose 1.5% M/M in May vis-à-vis a decrease of 0.9% in April. The average rig count was 3.5% Y/Y down in May. As of May 29, of the total 562 rigs, 429 (up 4 W/W) were used to drill for oil and 125 (unchanged W/W) for natural gas. In the US, oil exploration decreased 4.9% Y/Y, while gas exploration rose 14.7% Y/Y.

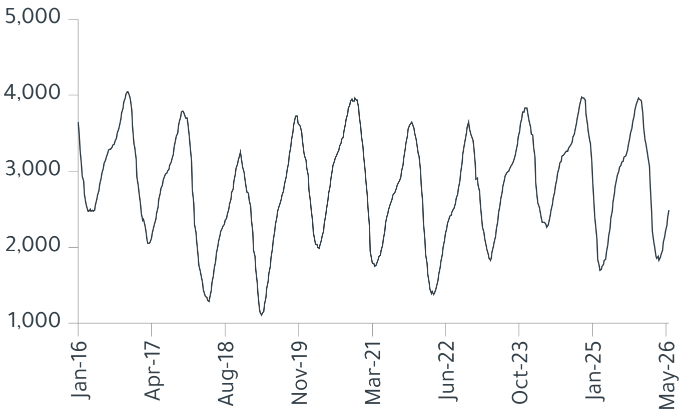
Figure 5: US Weekly Oil Inventories



- US weekly oil inventories decreased 0.7% W/W to 441.7mn barrels for the week ended May 22. On M/M basis, inventories fell 3.9%.

Source: US EIA, AlJazira Capital Research

Figure 6: US Weekly Natural Gas Storage

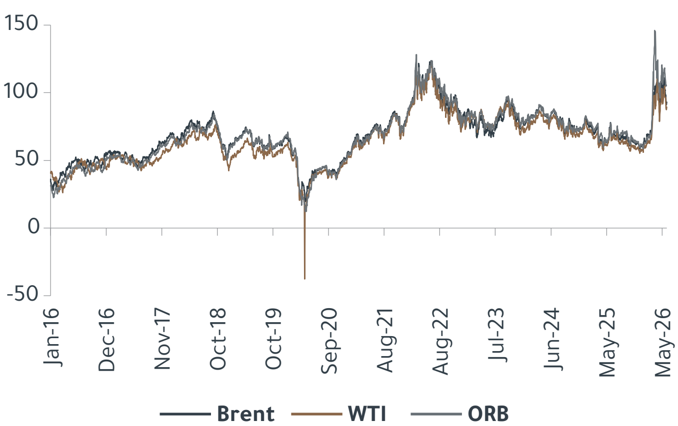


- US weekly natural gas storage increased 3.8% W/W to 2,483 bcf in the week ended May 22. On M/M basis, natural gas storage rose 15.9%.

Source: US EIA, AlJazira Capital Research

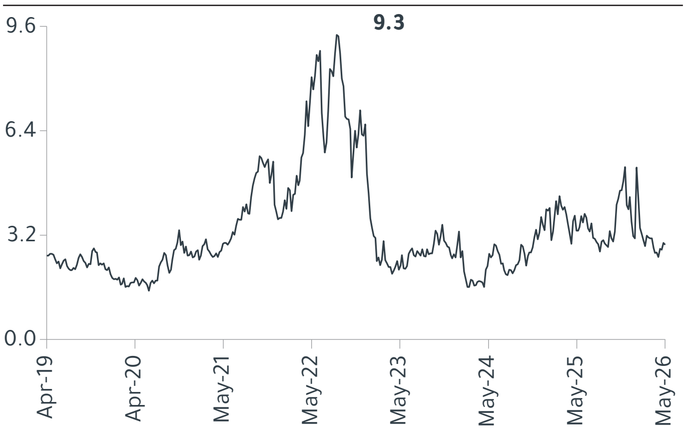
Price Trend: Oil, Natural Gas & Petrochemicals Products

Figure 7: Oil Price Trends (USD / Barrel)



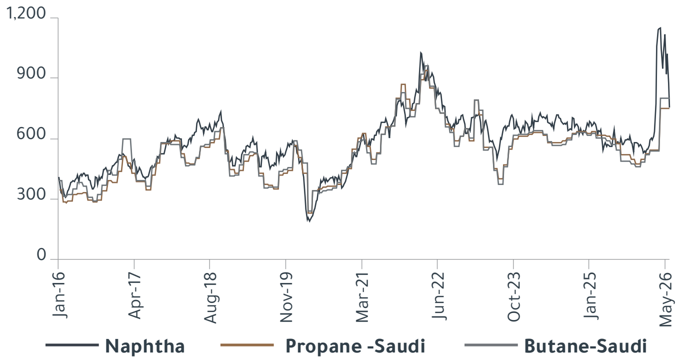
Source: Reuters Eikon, AlJazira Capital Research

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



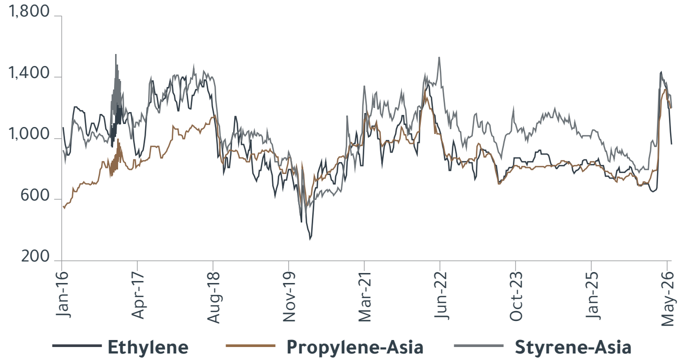
Source: OPEC, AlJazira Capital Research

Figure 9: Feedstock Price Trends (USD / Ton)



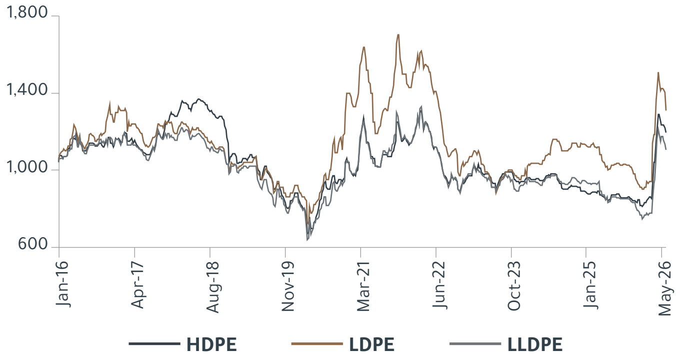
Source: Argaam, AlJazira Capital Research

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



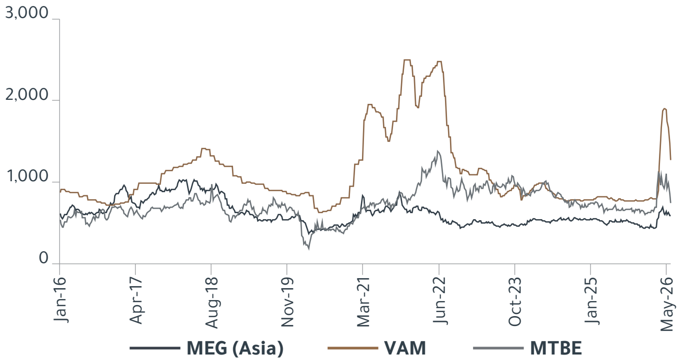
Source: Argaam, AlJazira Capital Research

Figure 11: Polyethylene Price Trends (USD per Ton)



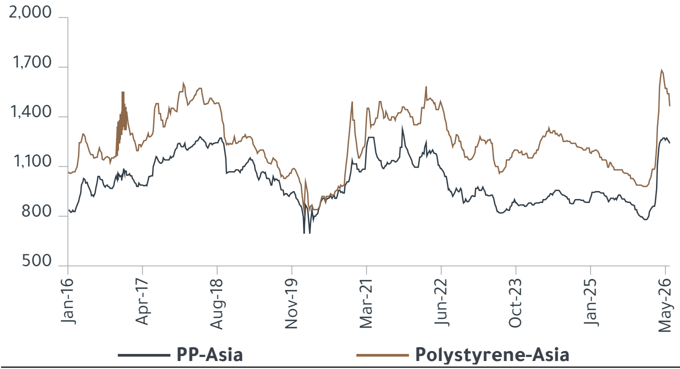
Source: Argaam, AlJazira Capital Research

Figure 12: Intermediates Price Trends (USD per Ton)



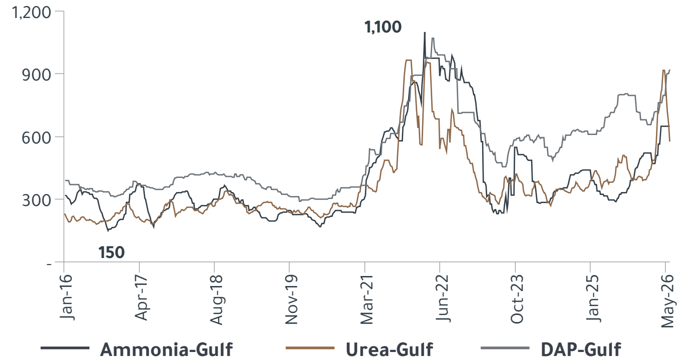
Source: Argaam, AlJazira Capital Research

Figure 13: Polypropylene & Polystyrene



Source: Argaam, AlJazira Capital Research

Figure 14: Ammonia, Urea & DAP

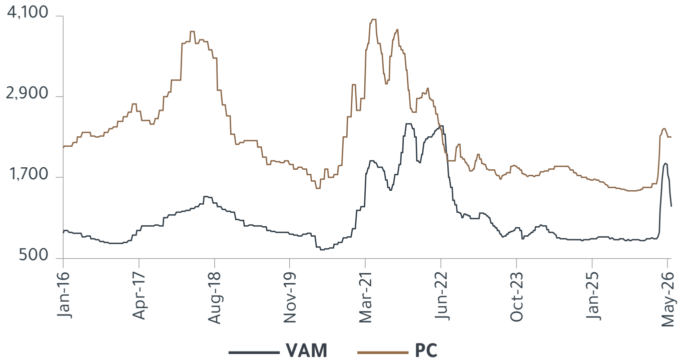


Source: Argaam, AlJazira Capital Research

Figure 15: Methanol-China (USD per Ton)

Source: Argaam, AlJazira Capital Research

Figure 16: PC-VAM



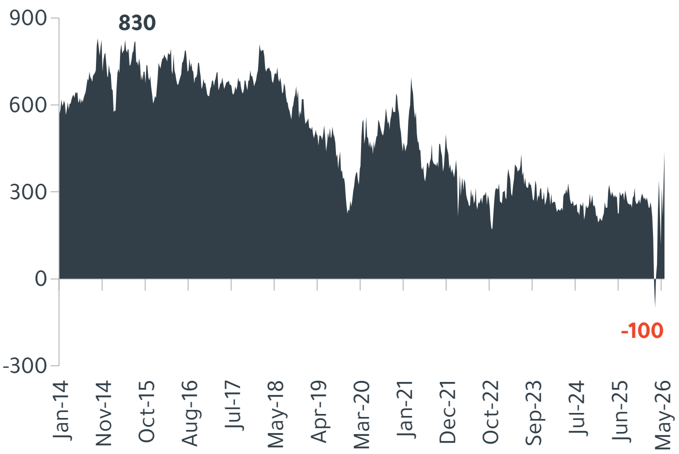
Source: Argaam, AlJazira Capital Research

Petchem Spreads Trend

- Naphtha prices averaged 938 per ton in May, down from USD 1,044 per ton in April.
- Polypropylene average prices edged down to USD 1,257 per ton in May from USD 1,265 per ton in April.
- The HDPE-naphtha spread increased to USD 286 per ton in May from USD 215 per ton in April.
- The PP-naphtha spread rose to USD 319 per ton from USD 221 per ton during the previous month.
- The PP-propane spread contracted to USD 657 per ton in May from USD 665 per ton in April.
- The PVC-EDC spread dropped to USD 548 per ton in May from USD 693 per ton in April.
- The polystyrene-benzene spread fell to USD 476 per ton in May compared to USD 521 per ton in April.
- The HDPE-ethylene spread improved to USD 86 per ton in May from USD -101 per ton in April.
- PP-butane spread narrowed to USD 617 per ton in May from USD 625 per ton in April.
- LDPE-naphtha spread increased by 12.6% M/M to USD 459 per ton, while LDPE-ethylene surged by 183.8% M/M to USD 259 per ton in May.
- LLDPE-naphtha spread rose to USD 211 per ton from USD 134 per ton in April and LLDPE-ethylene was at USD 11 per ton in May compared to USD -183 per ton in April.

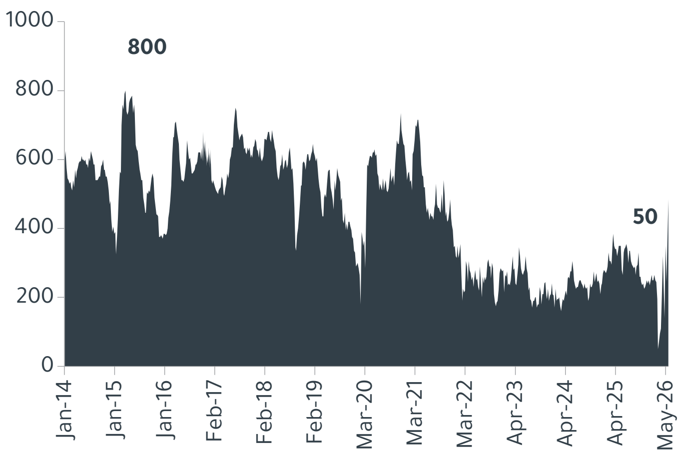
*Prices till April 12, 2026

Figure 17: Naphtha- HDPE



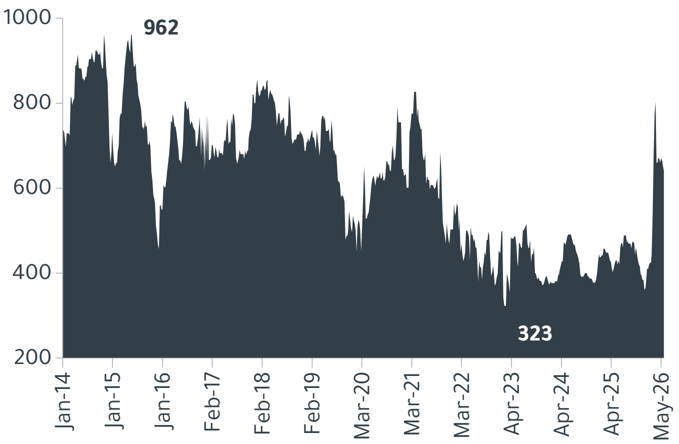
Source: Argaam, AlJazira Capital Research

Figure 18: Naphtha- PP



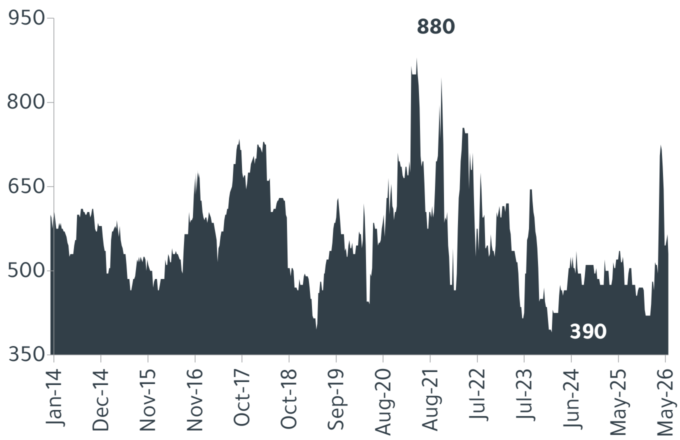
Source: Argaam, AlJazira Capital Research

Figure 19: Propane (Saudi) - PP



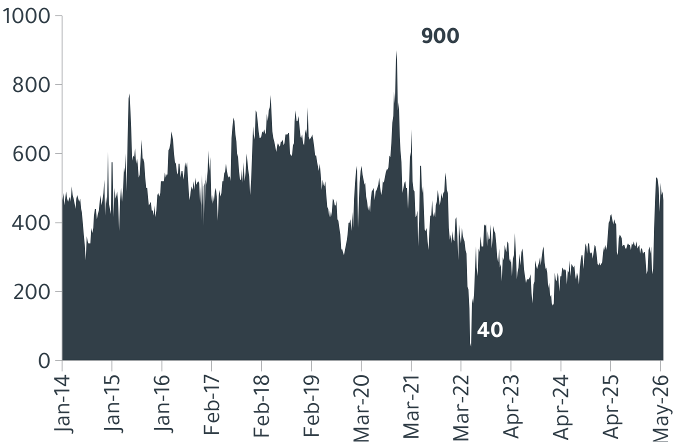
Source: Argaam, AlJazira Capital Research

Figure 20: EDC- PVC



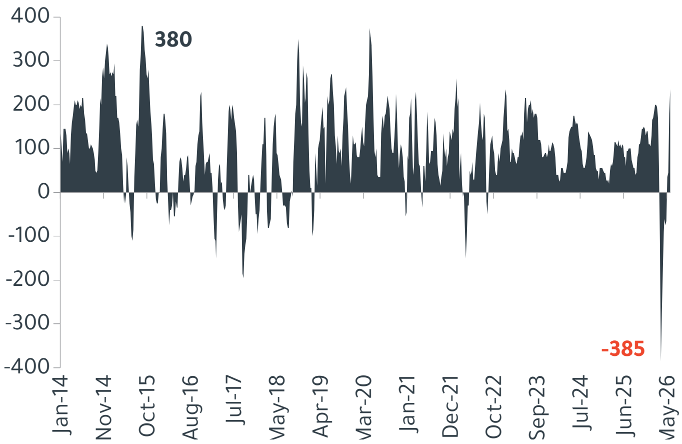
Source: Argaam, AlJazira Capital Research

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

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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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