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GLOBAL PLASTICS OUTLOOK 2019

Key markets covered:

Acrylonitrile-butadiene-styrene (ABS)
Polycarbonate (PC)
Plasticizers
Polyethylene terephthalate (PET)

Polyethylene (PE)
Polypropylene (PP)
Polystyrene
Polyvinyl Chloride (PVC)

Polymethyl Methacrylate (PMMA)
Recycled Polyethylene
Terephthalate (R-PET)

PLASTICS/POLYMERS

ACRYLONITRILE-BUTADIENE-STYRENE & POLYCARBONATE

US PC, ABS MARKETS FACING LOW-PRICED IMPORTS

BY DAVID LOVE & AMANDA HAY JANUARY 2019

The US polycarbonate (PC) and acrylonitrile-butadiene-styrene (ABS) markets have begun 2019 in a similar scenario with regard to low-priced imports from Asia.

Global PC capacity expansions are expected to continue to weigh on markets into 2019, with supply outpacing demand and import prices potentially remaining depressed.

Capacity expansions in China have dampened import sentiment in the country, causing a price plummet in Asia and for imports into the US over the last six months.

Domestic US markets will continue to face competition from low-priced imported material, which was being offered around 20 cents/lb lower than US-produced material as of late 2018.

Domestic producer pricing has been relatively stable, moving in tandem with feedstock costs as supply has been sufficient to meet demand.

The spread between US and Asia prices could widen further, depending on buyer requirements.

Buyers with specific material needs have continued to pay US prices, so domestic producers have not lowered their prices to match competitive offers from Asian suppliers.

Buyers who do not have specified applications, however, have considered alternatives.

"Low-end applications will make the switch fairly quickly,

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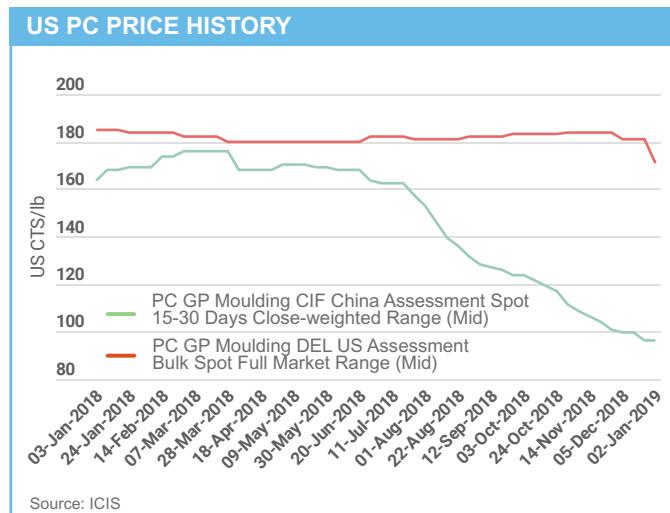


but there is enough to go around," a source said.

Sentiment remains bearish in 2019 amid a persistent supply glut due to capacity additions, which will keep pressure on US prices.

"Regardless of tariffs, there will be global reshuffling of trade patterns, and the total pricing for PC will continue to fall and stay depressed," a source said.

Demand for US material has been strong in 2018 amid a robust economy. The outlook for 2019, however, is more uncertain, with trade war concerns persisting into the first quarter.



US ABS prices weakened in November and December amid persistently falling prices for imports from Asia and the sharp decline in feedstock prices – especially styrene – the last few months.

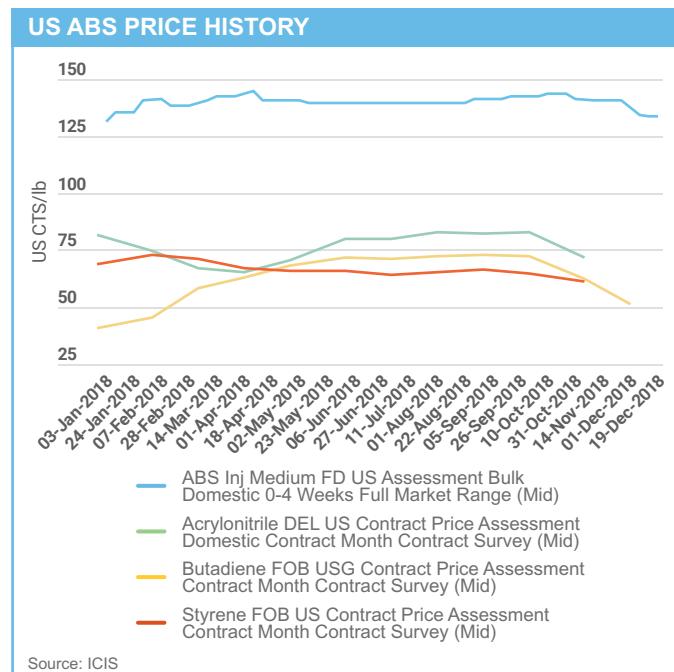
Cheaper prices for imports from Asia are directly related to thin ABS demand in China. While the current scenario may not change much early in the new year, styrene and ABS prices in China turned around slightly during the first half of December for the first time in two months.

Like PC, in various ABS applications, moulders cannot use another grade or material than those previously approved by the end user. There is some protection against price erosion for producers in these types of agreements.

"In a nutshell, the material is selected and is specified, and they cannot use another grade or material except the specified material. If a moulder uses a different material, it is in violation of the agreement with the end user," one market participant said.

Historically, US ABS prices spike in January, and trend higher for at least the first quarter. That is not likely to be the case this month, with falling feedstock prices and the presence of lower priced imports in the market.

ICIS assessments for US ABS are strictly formula-based and tied to upstream price movements.



PLASTICS/POLYMERS

NYLON

US NYLON 6 TO STAY BALANCED, NYLON 6,6 TO REMAIN TIGHT

BY LUCAS HALL JANUARY 2019

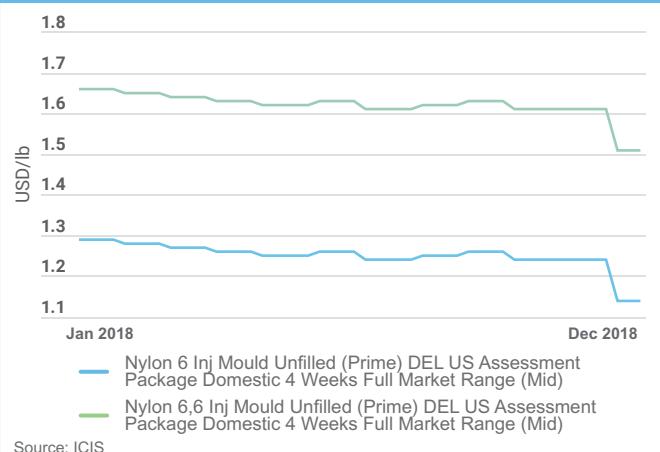
The US nylon 6 market is expected to remain largely stable in 2019, while the US nylon 6,6 market is expected to see some demand destruction, owing to severely constrained supply caused by structurally short feedstock adiponitrile (ADN) supply globally.

Supply of US benzene, which is used to make nylon 6 feedstock caprolactam (capro), is expected to be healthy, and producers of US nylon 6 plan to operate at high utilisation rates, keeping supply stable.

AdvanSix will conduct two routine biannual turnarounds on capro at its Hopewell, Virginia, plant.

These turnarounds may cause short-term supply constraints but are not expected to cause major disruptions

US NYLON PRICE HISTORY



Critical market data, tools & expertise

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in the domestic market.

Meanwhile, demand is expected to incrementally increase throughout the year as some users steadily convert to using nylon 6 and recycled nylon 6,6 amid severely constrained nylon 6,6 supply in the global market.

Nylon 6,6 is expected to remain tight through 2020 as global ADN capacity expansions slowly come on line through 2023.

Ascend is undergoing a 10-15% expansion of its nylon 6,6 supply chain.

The company added 50,000 tonnes/year of ADN capacity by end-2017 and will complete an additional 40,000 tonnes/year of capacity as of end-2018. An additional 180,000 tonnes/year of capacity is slated to be completed by 2022.

The company currently has an ADN capacity of 360,000 tonnes/year at its Decatur, Alabama, plant.

Ascend is on force majeure at its Pensacola, Florida, plant as of mid-December following a fire at the facility in July. The plant is running at high operating rates.

INVISTA is also increasing the ADN capacity at its Victoria, Texas, site, targeted for 2020.

The expansion is in addition to a new ADN plant announced for China by 2023 and new capacities resulting from retrofits of the company's latest technology at a joint venture with Solvay in Butachimie, France.

Construction of the Chinese plant is slated to begin in 2020.

In the meantime, the market is expected to remain severely short, leading to some demand destruction.

Nevertheless, demand is likely to remain overall strong as the market incrementally adds ADN capacity in order to balance the supply deficit in the global market.

Overall, nylon demand is expected to be steady, in line with GDP growth and stable automotive manufacturing demand in the US.

Major producers of US nylon 6 include AdvanSix and BASF.

Major producers of US nylon 6,6 include Ascend Performance Materials and INVISTA.



PLASTICS/POLYMERS

PLASTICIZERS/PHTHALIC ANHYDRIDE/ORTHOXYLENE

US PLASTICIZER PRICING DIRECTION UNCLEAR, OX AND PA TO TRACK DEMAND SEASONALITY

BY ALEX SNODGRASS JANUARY 2019

US plasticizers market direction is uncertain heading into 2019, stemming from trade tensions and potential demand decline from the automotive industry amid plant closures.

Conditions follow a period in which the market remained in flux in the latter half of 2018.

Prices rose toward year's end tracking feedstock cost increases and supply tightness in other regions that affected import supply and remain elevated heading into 2019.

However, the late-year plunge in crude prices caused a ripple effect downstream, sending feedstock costs lower.

Plasticizer prices have not yet followed suit as supply remains snug in Europe and tariffs have created trade tensions with China.

Market players state that demand and subsequently supply may decrease if the auto industry continues to decline although the pricing outlook for 2019 is unclear. Low crude prices are expected to keep costs low, encouraging strong production.

Some believe that supply may tighten because of weather-related outages as in 2018. Another issue is that no new plasticizer capacity is scheduled to come on stream anytime soon, and many plants are aging. The market expects an increased number of unplanned

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outages due to issues at older plants.

"You are looking into a very cloudy crystal ball," one source stated regarding the uncertainty of the plasticizers market into 2019 while some sources have seen orders placed for Q1 2019.

Market participants stated that low business morale persists in the market due to the conflict between the US and China and that it will continue into 2019.

In the US orthoxylene (OX) market, supply and demand are expected to remain balanced in 2019, with demand seasonally strongest in the summer and weakest in the winter.

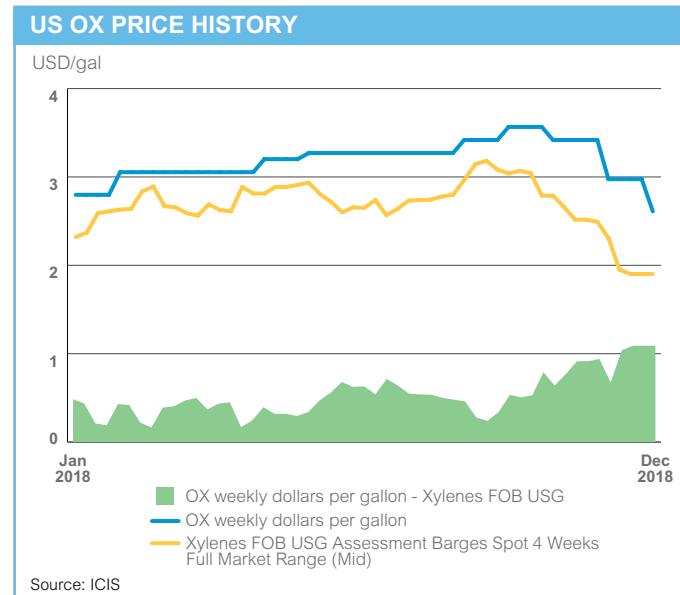
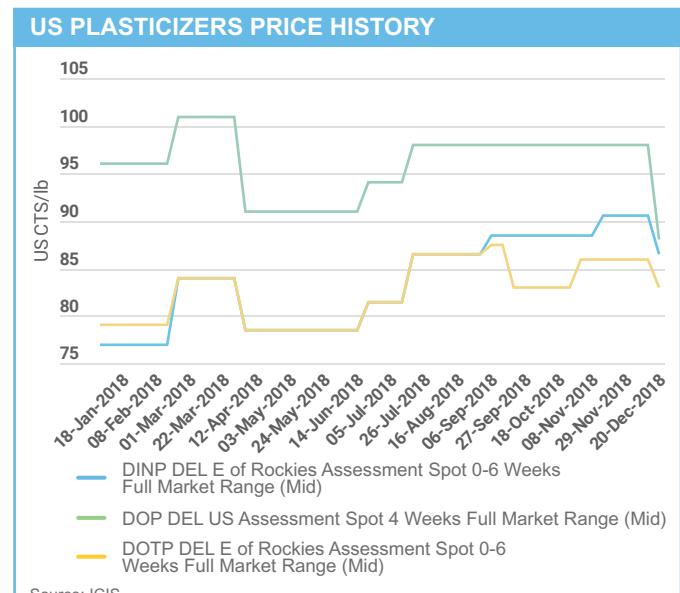
No major changes are expected to disrupt OX availability in 2019 and prices are expected to track movements in US spot mixed xylenes (MX).

The US phthalic anhydride market (PA) is expected to follow the demand cycle of OX in 2019 with market participants expecting prices to rise in the summer and decline in the winter following the seasonality of demand.

Plasticizers are additives that increase the plasticity or fluidity of the material to which they are added. Globally,

about 96% of plasticizers are consumed in flexible polyvinyl chloride (PVC) applications, including cables, PVC films, roofing, flooring and wall coverings. In the US, 80-90% of plasticizers are used in PVC applications.

Eastman, BASF, and ExxonMobil are the three major plasticizer producers in the US.



PLASTICS/POLYMERS

POLYETHYLENE TEREPHTHALATE

US PET OVERTSUPPLY EXTENDS INTO 2019

BY LULY STEPHENS JANUARY 2019

The US polyethylene terephthalate (PET) market will continue slow, with ample supply and low buying interest in the first quarter of 2019.

PET prices have been under significant downward pressure in the fourth quarter of 2018 from excess supply and weakened demand, as well as declining feedstock prices and competitively priced imports.

Additionally, year-end festivities and cold weather are key elements that have traditionally dampened business activity for bottled beverages and PET in December and the first quarter of the following year. Demand in the first quarter of 2019 has been slow and is expected to remain seasonally dull through most of the quarter.

With the overflow of Asia and Eastern Europe virgin resin entering the US, the PET market has been experiencing excess supply. Prices held steady in most of the fourth quarter. However, weaker precursors prices, particularly paraxylene (PX) with an 8.5-ct/lb drop from October to November exerted additional pressure, triggering lower price ideas among buyers and culminating in resin price erosion.

Looking ahead into the first quarter of 2019, supply will likely continue long and demand may not increase until later in the quarter. Prices in early 2019 have remained flat-to-soft on the seasonal downturn, despite recent Asia's desire for a push in prices. Current Asian price volatility in PET and its feedstocks will keep buyers alert for any potential price strengthening that might affect US pricing.

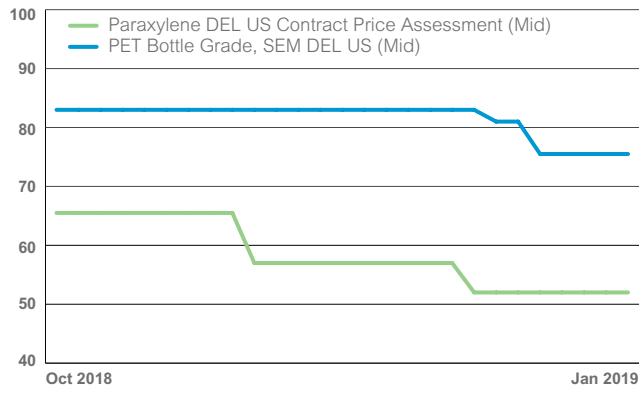
Producers may consider Chevron Phillips Chemical's announcement of its PX unit closure at its Pascagoula, Mississippi refinery at the end of December as a key issue that may justify fluctuations in PET values. The announcement pushed spot PX numbers up in early December, but so far no PET hikes have emerged. The plant has a capacity of 495,000 tonnes/year, which represents about 10% of US capacity, and is Chevron Phillips's sole PX unit.

US PET producers DAK Americas, Indorama Ventures and Nan Ya Plastics Corporation's appeal to the recent findings in favour of imports from Brazil, Indonesia, Korea, Pakistan and Taiwan may be a factor to be considered regarding resin pricing in 2019.

If a negative final determination is reached again, US resin prices are likely to continue on the soft side. If a positive final determination is reached, US suppliers will not have to compete so aggressively against offshore offers, giving room to potential price strengthening.

US PET PRICE HISTORY

US CTS/lb



DAK Americas, Indorama, Nan Ya Plastics Corporation and Far Eastern New Century (FENC) are PET producers in the US.

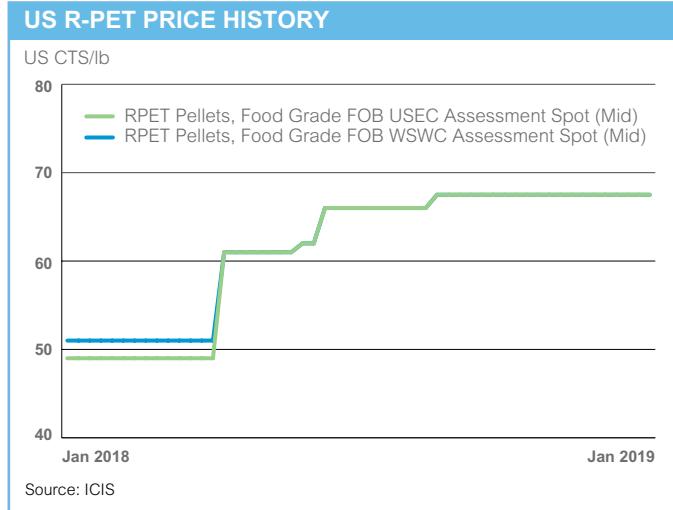
On the recycling front, the National Association for PET Container Resources (NAPCOR) and the Association of Plastic Recyclers (APR) continue to place emphasis on the importance of increased R-PET demand by end users and the commitment of consumer brands to reach circular economy sustainability.

Both associations work to address the industry's ongoing challenges to improve the quality of PET from the waste



stream, reduce non-PET contamination in recycling streams, and build awareness on the importance of recycling.

Prices for food-grade R-PET pellets remained flat in the fourth quarter of 2018, and are likely to remain unchanged in early 2019. Prices for PET bottle bales lost a few cents in the fourth quarter of 2018 and are expected to stay flat in early 2019.



US polyethylene terephthalate recyclers include CarbonLITE Industries, Global PET Inc, Peninsula Plastics Recycling, Florida Recycling, Perpetual Recycling Solutions, Signode Plastic Recycling Alliance, PQ Recycling, Evergreen Plastics and Reterra.

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PLASTICS/POLYMERS

LATIN AMERICA PET

LATIN AMERICA PET TO REMAIN LONG; DEMAND SLUGGISH

BY LULY STEPHENS JANUARY 2019

Polyethylene terephthalate (PET) markets in Latin America are likely to remain sluggish, with long supply and low buying interest in the first quarter of 2019.

PET prices have been under downward pressure in the fourth quarter of 2018, from abundant supply and weakened demand as well as declining feedstock prices and large volumes of competitively priced imports in most countries.

Furthermore, political developments in late 2018, economic uncertainties in several countries in the region, year-end festivities, summer vacation and Carnival celebrations are all key elements that have traditionally dampened business activity in December and the first quarter of the following year. The first quarter of 2019 appears to be heading in the same direction.

The main political developments contributing to economic uncertainties were heavy election calendars scheduled in 2018:

- Brazil – 7 October; second round, 28 October

- Colombia – 17 June

- Mexico – 1 July
- Venezuela – 20 May

Business usually slows in anticipation of an election, or until a president-elect takes office and new policies are established. Andres Manuel Lopez Obrador (AMLO) took office in Mexico on 1 December, while Jair Bolsonaro took office in Brazil on 1 January. The policies the new presidents might follow remain unclear.

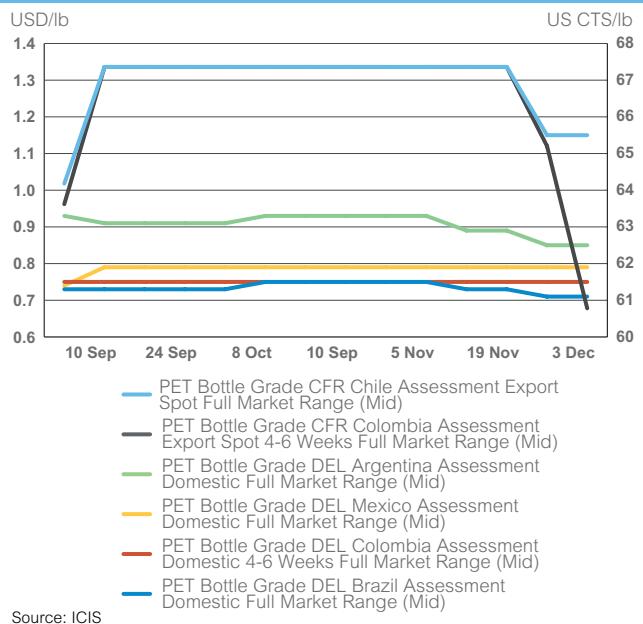
Business in Venezuela is minimal, with no production of PET resin and extremely low import amounts. To import resin is difficult, as foreign currency to pay for imports is not readily available. Some businesses started year-end vacations as early as mid-November, for the lack of activity.

With the overflow of Asia and US product, Latin America PET markets continue to experience excess supply. Prices have fallen in most countries, and the decline is happening even in markets protected by high tariffs, such as Brazil and Argentina. The price decline is more evident in countries that have no domestic production, and as such, no import tariffs.



Looking ahead into the first quarter of 2019, supply is expected to continue long and demand may not increase until later in the quarter, depending on the economic and political developments in each country, such as currency strength/devaluation, interest rates and projects proposed by newly elected governments.

LATIN AMERICA PET PRICE HISTORY



Prices in early 2019 are likely to hold steady despite Asia's recent desire for a push in prices, as any fluctuations in Asia pricing may affect prices in Latin America at a lag. Additionally, there is still ample material available in the market.

DAK Americas, Mossi & Ghisolfi and Petroquímica Suape produce PET in the Americas.

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PLASTICS/POLYMERS

POLYETHYLENE

TRADE TENSIONS CAST SHADOW AS NEW US PE CAPACITY COMES ON LINE

BY ZACHARY MOORE JANUARY 2019

The US polyethylene (PE) industry is set to bring on several new plants in 2019 even as trade tensions with China create questions regarding the feasibility of new US export-driven PE plants.

Abundant availability of ethane gas derived from shale oil drilling has spurred a wave of new crackers and ethylene derivative plants in the US as US-based ethane crackers enjoy a considerable cash cost advantage in the production of PE and other ethylene derivatives relative to Asian and European producers.

Sasol has recently achieved mechanical completion at its new 470,000 tonne/year linear low density polyethylene (LLDPE) plant in Lake Charles, Louisiana, and is

expected to begin operations at the plant before the end of December.

Sasol's complex also holds a 420,000 tonne/year low density polyethylene (LDPE) plant, which is expected to come on line in 2019.

Formosa is also expected to start up an LDPE plant along with a high density polyethylene (HDPE) plant in Point Comfort, Texas, in the first half of 2019. Each plant will have a capacity of 400,000 tonnes/year.

LyondellBasell is aiming to start up a new 500,000 tonne/year HDPE plant in mid-2019 while ExxonMobil is planning to start up a new 650,000 tonne/year PE plant in

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Beaumont, Texas, in 2019.

These capacity additions cumulatively add up to just under 3m tonnes/year and follow additions of more than 3m tonnes/year in new capacity in 2017.

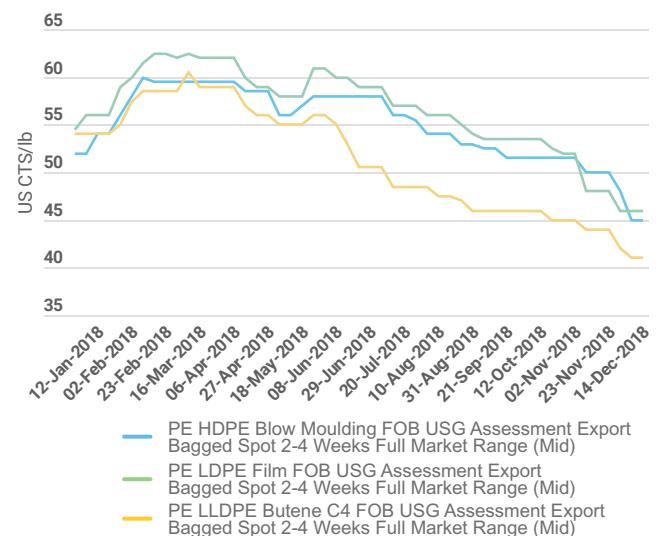
PE demand in North America is considered mature and is not expected to grow much beyond GDP growth. New capacity builds are therefore being targeted primarily at export markets, with China being the primary target market given the country's large market and its significant PE deficit.

Trade tensions with China, which would see US HDPE and LLDPE subjected to additional tariffs of 25%, have thus caused some concern in the industry.

While most industry executives say that global trade flows will rebalance and that they will be able to place all the material that would otherwise have gone to China, no other import market can match the sales volumes achievable in China. US exporters run the risk of provoking antidumping investigations in other target countries if they are too aggressive in placing volumes. There is also concern that the large new capacity additions could trigger global price wars, as sellers will come under pressure to give discounts to place volumes.

An increasing export focus among US producers has already been in evidence in 2018 and is expected to continue into 2019. According to data from the American Chemistry Council (ACC), through the first 10 months of the year, exports were up by 96% for LLDPE, 42% for HDPE and 19% for LDPE relative to 2017.

US POLYETHYLENE PRICE HISTORY



Source: ICIS



PLASTICS/POLYMERS

POLYETHYLENE (PE) LATIN AMERICA

LATAM PE OVERTSUPPLY TO CONTINUE

BY GEORGE MARTIN JANUARY 2019

Polyethylene (PE) markets in Latin America will continue to experience high supply in 2019, even when production capacity has not increased in the area and will not increase in the short term.

The proliferation of ethylene and PE projects in the US Gulf has removed incentives to increase PE capacity in Latin America, and has virtually killed many existing projects because the economics do not support such an investment.

Take, for instance, the Brazilian Comperj project: It started many years ago as a naphtha-based project. US shale gas produced cheap sources of ethane and the promise of competitive ethylene costs. Comperj was then redesigned to be a gas-based project, which, in the end, never came off the ground.

The same happened to projects in Venezuela, where local economic problems made circumstances even more challenging. All of these Latin American projects have one thing in common: They could no longer compete with US shale gas costs.

The Ethylene XXI project in Mexico, online since April 2016, had one main advantage: The final investment decision (FID) came before the new projects in the US materialised, and by virtue of being there first, the project gained its space in the market.

However, the new production in Mexico, coupled with new US production, has produced oversupply in the local market and prices have eroded throughout 2018 and will continue to be under pressure in 2019, when new US

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plants will still be coming on line.

There will not be new production in Latin America for a few more years. The only country that is getting a better chance of increasing ethylene supply is Argentina, where Dow Chemical and state-owned YPF have joined forces to generate gas in the Vaca Muerta play to make possible the eventual construction of a new cracker and perhaps expansion of the existing PE plants.

Even with availability of raw materials, Latin America has another problem: lack of a large consumer market. With the exception of Brazil and Mexico, most other countries would need additional demand to justify investment in new plants. The oversupply in the US is filling the needs of net buyer countries in the region such as Chile, Peru, Ecuador, Paraguay, Bolivia and Uruguay.

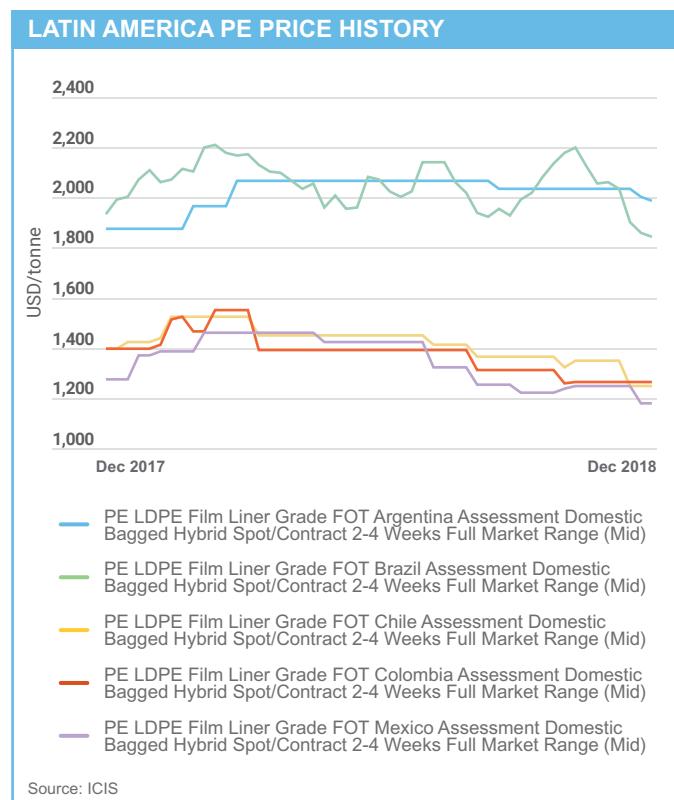
With the overflow of US products, Latin America PE markets are balanced. Prices have fallen in most countries, and the decline is happening even in markets that are protected by high tariffs, as is the case of Brazil and Argentina. The price decline is more evident in countries that have no domestic production, and as such, no import tariffs.

What can change between now and the first months of 2019? Supply is expected to increase in the US Gulf and demand in Latin America will only increase with economic or demographic gains, very slowly. There are a few increase initiatives talked in the PE market for 2019, but they appear to be based on producers' desire to improve margins more than on market fundamentals.

Latin America's demand is still uncertain because the two largest markets, Brazil and Mexico, have new governments and their agendas are still undefined. Argentina's demand has declined sharply, with currency devaluations and inflation of nearly 50% per year. Credit has declined with high interest rates, further depressing demand.

There is uncertainty in crude oil markets, and the global economies are showing vulnerabilities and a potential for increased conflicts worldwide. The US-China trade war is contributing to short-term uncertainty, and after the 2008 financial crisis, the world appears overdue for the next downturn.

Product from Asia and the Middle East is also showing up in the American continent, compounding the oversupply. The hurricane season is over in North America, suggesting that at least that frequent problem will not play a part in early 2019.



Polyethylene prices are headed down in Latin America. The graph shows LDPE prices falling in the region, with more to come in 2019



PLASTICS/POLYMERS

POLYPROPYLENE

US PP INDUSTRY HOPES TO SEE REDUCED VOLATILITY

BY ZACHARY MOORE JANUARY 2019

The US polypropylene (PP) industry is hoping to see reduced volatility in 2019, following a year marked by large price swings.

The high levels of volatility in the PP industry have been driven by similarly wide swings in upstream propylene costs. Most US PP contracts are formula-based and are set at polymer grade propylene (PGP) values plus an adder.

Propylene supply is likely to be less volatile in 2019.

More stable availability of the feedstock should lead to easing of PP supply concerns that were a prominent feature of the market in 2018. Supply problems were also caused by a number of unexpected plant issues and these are also unlikely to repeat in the coming year.

Improved supply could also help to rebalance international trade flows for PP.

In 2018 feedstock propylene experienced frequent supply shortages stemming from production issues at propane dehydrogenation (PDH) plants.

Lower crude oil prices are likely to lead to improved propylene supply. NYMEX WTI futures dipped sharply in the last two months of 2018 and cracking heavier feedstocks such as propane and butane becomes more economically advantageous in a low oil price environment.

Propylene is produced as a by-product of ethylene in steam crackers, and heavier feedstocks produce a larger volume of propylene co-product per unit of ethylene produced.

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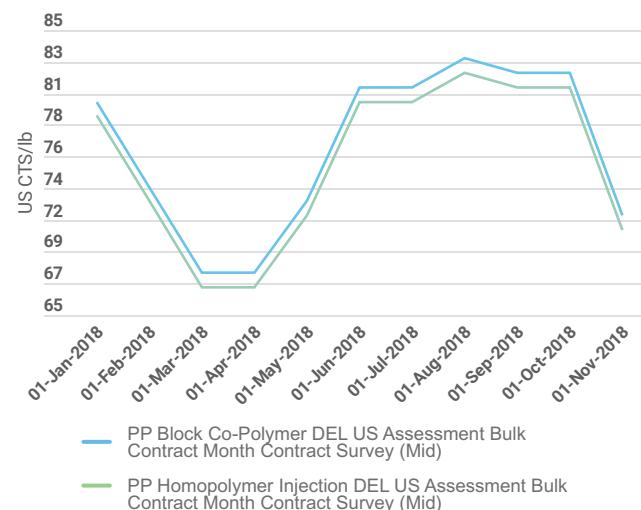
High refinery operating rates should also help ensure a more stable supply of propylene. Strong demand for fuel exports to Mexico have kept refinery operating rates high in the US for the past several years and this trend is expected to continue into 2019.

Around half of US propylene is produced by fluid catalytic crackers (FCCs) as a by-product of gasoline production.

Shortages of domestic PP along with price volatility also lead to increased interest in imports from US buyers. While interest in overseas cargoes waned in the closing months of 2018 amid steep decreases in domestic PP prices, an increasing number of buyers are incorporating imports into their purchasing strategies to guard against domestic price volatility.

PP contract prices settled with either increases or decreases of 5 cents/lb (\$110/tonne) or more in seven of the first 11 months of the year.

US PP PRICE HISTORY



Source: ICIS



PLASTICS/POLYMERS

POLYPROPYLENE (PP) LATIN AMERICA

LATIN AMERICA PP PRICES COULD FALL FURTHER IN 2019

BY GEORGE MARTIN JANUARY 2019

Latin America polypropylene (PP) markets could continue to fall in the first quarter of 2019, under pressure from cheaper offers from Asia and the Middle East, and falling feedstock prices in benchmark US markets.

In South America offers from the Middle East and Asia gradually pushed regional producers to compete and prices eroded faster than in Mexico or Central America in 2018.

Argentina's expectations for PP demand revival have been postponed well into 2019, when the economy is expected to rebound, led by agricultural exports. A strong currency devaluation caused the very low demand experienced in the second half of 2018.

Local market participants do not envision a quick recovery, because inflation and high interest rates are discouraging credit sales. The local producer concentrated efforts in Brazil, the country that offered the best netback.

Brazil received high volumes of PP from Colombia too, in addition to material from the Middle East.

Braskem, the sole PP producer in Brazil, soon reduced prices for all grades in November and December. Demand softened with the year-end holidays and with production closures by transformers.

Market players in Brazil expect this situation to continue

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in the first quarter, although with some improvement in January demand derived from low inventories in the chain.

Jair Bolsonaro, the new president as of 1 January, has spurred expectations of economic improvement in Brazil, but actual changes may not be visible until March. This means that January and February demand will be uncertain while feedstock prices are slipping.

In Chile, PP prospects remain bearish for 2019, when shipments from Vietnam, the Middle East and India could force further price reductions in the Pacific coast of South America. This situation will be replicated in Peru, Ecuador and Colombia.

Prices in Mexico have shown some staying power, with tight volumes in the US Gulf, which provides the main competition in Mexico. Producer Indelpro maintained high prices for most of December, citing low inventories, but this situation will be hard to sustain in January and beyond.

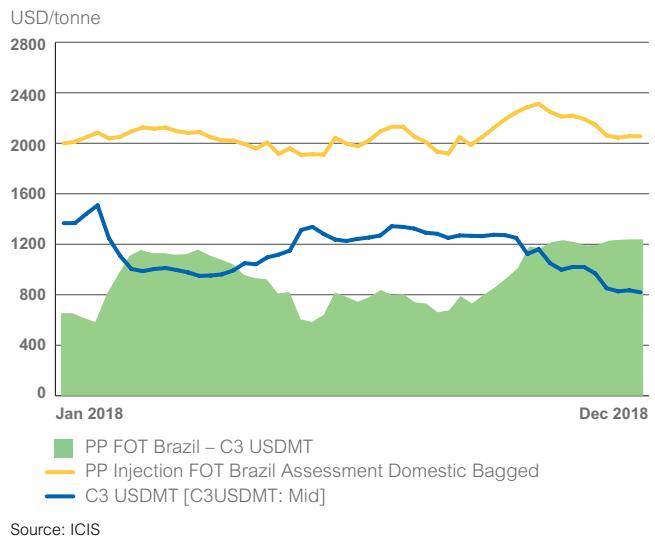
Crude oil prices could be a factor of change in 2019, if OPEC members and other producers are willing to cut oil production.

PP prices declined gradually at the end of 2018, in part because feedstock propylene prices have declined, as

propane dehydrogenation (PDH) plants stabilise operations.

November propylene contracts in the US Gulf were the catalyst with a 10 cent/lb (\$220/tonne) decline that led the way for more discounts in December.

LATIN AMERICA PP PRICE HISTORY



Brazilian PP margins have remained high despite recent price reductions and remain at the highest levels of the last 12 months.



PLASTICS/POLYMERS

POLYVINYL CHLORIDE

PVC WATCHES FOR TRADE PERIL AMID AMPLE OPPORTUNITY AND EXPANSION

BY BILL BOWEN JANUARY 2019

The US polyvinyl chloride (PVC) market is watching the trade threats between China and the US for signs of potential market disruption in 2019 as ethylene integration continues at US plants and capacity additions loom.

The US market has enjoyed growth in production and sales in 2018 despite the threats traded between the two countries. Even during the trade worries, the industry has enjoyed production and demand growth during the past year and expects 2019 to provide more.

Shintech, Formosa Plastics and Westlake Chemical have incremental production capacity expansions on the horizon, Westlake's being the one expected to come on line during the year, though when exactly during the year, is not clear.

China is the second-largest export market for US PVC. But most of the US material shipped to the region is transformed into finished goods and re-exported, avoiding the tariffs now in place.

But the US has threatened to increase the tariffs on goods from China to 25%, a move that has been called off in early December as a stimulant to continue trade talks between the two countries.

US producers have said that they trade war thus far has not materially harmed the industry or caused major trade flow disruptions.

"However, these tariffs will have an impact on the industry

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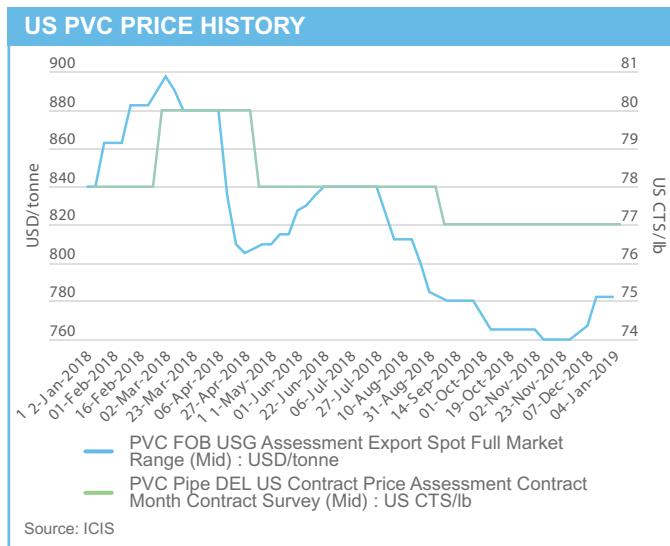
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and our business in 2019 if they continue on their current path," Steve Bender, chief financial officer for Westlake Chemical told equities analysts in November. "On the other hand, if we see trade tensions in tariffs ease, it will be broadly positive for global trade, our industry, and our business."



Beneath the tariff threat to market tranquility lies solid outlook for US construction prospects.

US non-residential construction spending grew by 4.7% in 2018, according to mid-year estimates, but is expected to grow 4% in 2019, according to the American Institute of Architects.

Housing starts for single-family use are expected to decline slightly, to 815,000 starts, but still almost level with the 2018 level, according to Dodge Data and Analytics.

Growing headwinds for construction, including rising interest rates and higher material costs, have been largely offset by corporate tax relief and a tighter employment market, Robert Murray, chief economist for Dodge said earlier in the fourth quarter.

That is good news for Westlake, which expects to add capacity in 2019 at its Geismar plant later in the year, perhaps during the third quarter.

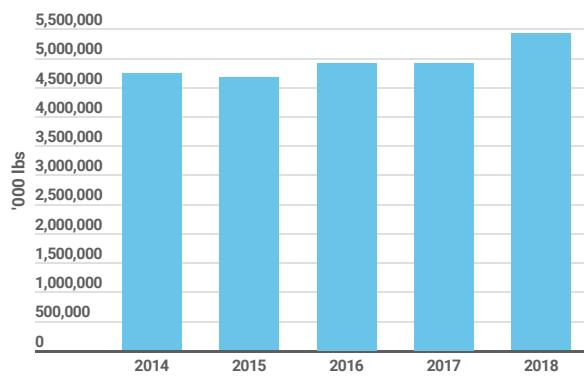
Shintech and Westlake both plan to launch ethane crackers in early 2019 to further back integrate to ethane feedstock.

Those moves are in line with the current conventional wisdom that inexpensive US ethane will continue to give US producers a significant production-cost advantage for feedstocks as well as power.

US producers expect that European producers will cut back production and shut older production capacity, giving the US producers greater freedom to meet their aspiration to become suppliers to global markets.

The US and Canada exported 33% domestic production through the first three quarters of 2018, or about 1.87m tonnes, according to the American Chemistry Council and Vault Consulting.

US AND CANADA PVC EXPORTS



That proportion is expected to increase in 2019.

Major US PVC producers include Shintech, Westlake Chemical, OxyVinyls and Formosa Plastics.

PLASTICS/POLYMERS

POLYVINYL CHLORIDE (PVC) LATIN AMERICA

PVC MARKETS TO REMAIN SOFT IN LATIN AMERICA

BY LULY STEPHENS & RON COIFMAN JANUARY 2019

Latin America polyvinyl chloride (PVC) prices, whether domestic, export or import, are expected to remain soft into the first quarter of 2019, driven by regional weak demand on seasonality, weaker prices for feedstock ethylene in the US and declining crude values.

Although Taiwan's Formosa Plastics Corp (FPC) announced increases of \$20/tonne in December and \$20-30/tonne in January for PVC in Asia, the hikes came after two consecutive declines: the first one in October at \$90/tonne and the second in November at \$30/tonne.

Price changes in Asia generally suggest direction in Latin America, although the amount of the fluctuation may vary from that in Asia, and may occur at a lag. In Latin America, PVC industry participants saw some price erosion in December despite the announced hike in Asia, compensating for the modest regional softness in previous months compared with the steep drops in Asia.

TAIWAN'S FPC PRICE CHANGES (\$/TONNE) IN 2018

	Aug	Sep	Oct	Nov	Dec	Jan
CFR CMP	+20	r/o	-90	-30	+20	+20
FOB NE Asia	+20	r/o	-90	-30	+20	+30

PVC prices in Latin America are not likely to rise in the short term because of decreasing demand in line with seasonality and Carnival holidays in early March. During this period, vacations tend to dampen business activity.

Business in Argentina and in Brazil has remained below expectations for the past couple of years, as the two countries gradually recover from their respective recessions of 2016. Participants in both countries had initially projected speedier economic improvement.

General demand in Venezuela is minimal. Domestic producer Pequiven has not produced PVC for months. To import resin is difficult, as foreign currency to pay for imports is not readily available. Some businesses started year-end vacations as early as mid-November, for the lack of activity.

Dampening the recovery in Argentina, the country experienced a major currency devaluation in mid-2018.

Argentina's currency market has recently shown more stability following an agreement on a \$50bn credit line from the International Monetary Fund (IMF). However, domestic prices for services and fuel have continued to rise, while the population's purchasing power decreased, deepening the country's recession.

Low activity is expected in the next quarter in Argentina, and possibly even the next two quarters, as a result of high interest rates, which are discouraging investment and consumption. The benchmark interest rate in Argentina stands above 60%.

The IMF has published GDP growth projections by country in its World Economic Outlook of October 2018. The following table shows GDP forecasts for the western hemisphere.

GDP GROWTH IN LATIN AMERICA

	Real GDP		
	2017	2018	2019
North America			
United States	2.2	2.9	2.5
Canada	3.0	2.1	2.0
Mexico	2.0	2.2	2.5
South America			
Brazil	1.0	1.4	2.4
Argentina	2.9	-2.6	-1.6
Colombia	1.8	2.8	3.6
Venezuela	-14.0	-18.0	-5.0
Chile	1.5	4.0	3.4
Peru	2.5	4.1	4.1
Ecuador	2.4	1.1	0.7
Bolivia	4.2	4.3	4.2
Uruguay	2.7	2.0	3.2
Paraguay	4.8	4.4	4.2
Latin American and the Caribbean	1.3	1.2	2.2

Source: International Monetary Fund (IMF), World Economic Outlook, October 2018 (annual percentage change)

GDP growth projections are likely to reflect activity in different countries. Particularly strong growth is projected

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for Bolivia, Chile, Paraguay and Peru. Critical conditions are expected to continue in Venezuela, while Argentina's recovery is projected to remain slow.

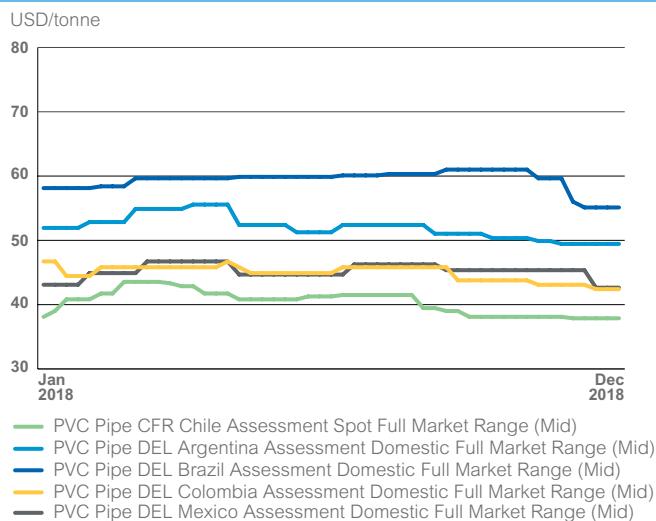
Contributing to economic uncertainty, a heavy election calendar was scheduled in Latin America in 2018:

- Brazil – 7 October, second round 28 October
- Colombia – 17 June
- Mexico – 1 July
- Venezuela – 20 May

Business usually slows in anticipation of an election, or until a president-elect takes office and new policies are established. Andres Manuel Lopez Obrador (AMLO) took office in Mexico on 1 December, while Jair Bolsonaro took office in Brazil on 1 January. The policies the new presidents might follow remain unclear. In Mexico, the announced cancellation of Mexico City's airport construction has damped market sentiment and driven the peso to weaken against the US dollar. Business participants protested AMLO's decision to discontinue the already started construction of the airport.

PVC producers in Latin America are Braskem, Mexichem, Pequiven and Unipar.

LATIN AMERICA PVC PRICES



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PLASTICS/POLYMERS

POLYSTYRENE & EXPANDABLE POLYSTYRENE

US PS, EPS TO FOLLOW DIRECTION OF KEY FEEDSTOCKS

BY DAVID LOVE JANUARY 2019

US polystyrene (PS) and expandable polystyrene (EPS) prices will largely follow the direction of key feedstocks in 2019, as that is the largest determining factor in PS and EPS price direction.

However, supply and demand fundamentals are also taken into consideration when producers make their pricing decisions.

US PS prices ended 2018 on a low note, falling by 7 cents/lb across the board in December. The price drops were the result of the steep decline on feedstock benzene prices during the fourth quarter.

PS contract prices have yet to be determined for January,

after falling in December and rolling over in October and November. Historically, January prices increase or roll over, but rarely weaken. But, there is no impetus for higher prices this month.

Recent trends in exports and imports are expected to continue in 2019. US PS exports grew each year between 2015 and 2017.

PS imports hit a high point in 2016 before dropping by 3% in 2017 from the previous year.

Mexico and Canada have been and will continue to be the largest destinations for US exports. The largest suppliers of PS to the US are Mexico, Brazil and South Korea.

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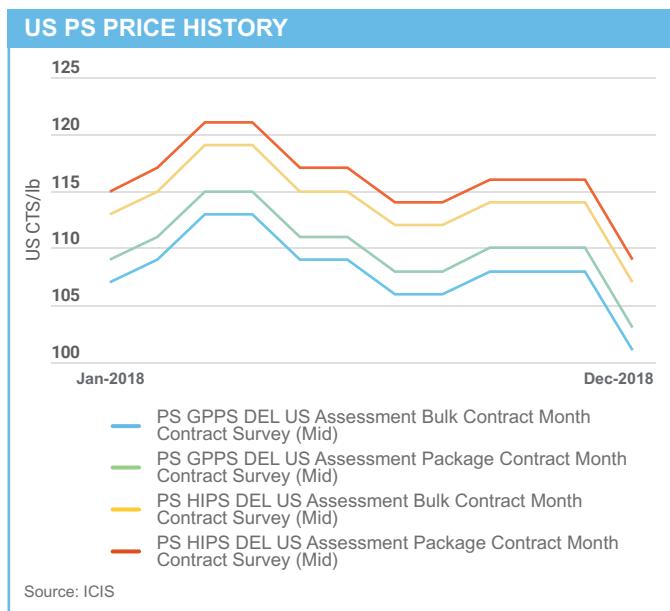
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North American PS producers include AmSty, Group Idesa, INEOS Styrolution, Resirene and Total Petrochemicals USA.



The US EPS market entered 2019 seeking price stability, after spot prices dropped in November and December. EPS prices this month will follow the direction of key feedstocks benzene and styrene.

EPS demand in 2019 will largely resemble demand in 2018, with packaging and construction continuing to comprise the largest markets.

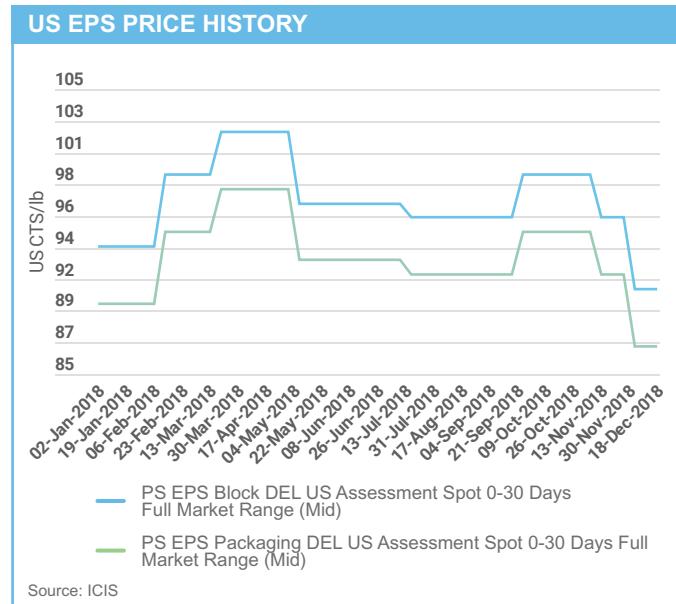
Year to date US and Canada EPS sales and captive use fell by 2.5% in October, according to the American Chemistry Council (ACC).

The US is a net EPS importer, and Mexico, Canada, the Bahamas and South Korea will supply the lion's share of EPS to the US market in 2019.

In the mature North American market, EPS demand, historically, has grown at GDP growth rates – or by low single-digit percentages. Through 2020, EPS is expected to grow by 1.2%/year.

Prices in the US EPS market are considered spot prices but could better be described as monthly-negotiated prices.

North American EPS producers include Dart Polymers, Flint Hills Resources, Grupo Idesa, Nexkemia Petrochimie, Nova Chemicals, Plasti-Fab, StyroChem International and StyroFab.



PLASTICS/POLYMERS

ACRYLONITRILE-BUTADIENE-STYRENE & POLYCARBONATE (ABS & PC)

EUROPE PC, ABS SENTIMENT ON DIVERGENT PATHS

BY MORGAN CONDON JANUARY 2019

While often used in conjunction with one another, the European polycarbonate (PC) and acrylonitrile butadiene styrene (ABS) markets appear to be pulling in different directions heading into 2019.

PC demand plummeted partway through 2018 in a way unanticipated by much of the market, and as yet has failed to recover.

This has left many market participants pessimistic about the strength of future pricing, with some anticipating a return to stark lows registered several years ago.

The increased capacity in China has led to supply in Europe lengthening, as domestic producers choose to export less while Asian producers seek an outlet for material.

As buyers are hesitant to commit to volumes before prices bottom out, there could be some recovery of prices in the first quarter of 2019.

All grades are likely to be affected by the softening, although the biggest difference will be felt for extrusion-grade material, as sentiment suggests these prices reached untenable heights in 2018.

There are few concrete predictions about when recovery is likely to occur, as the market was not expected to be thrown into oversupply.

The market continues to revolve around what is happening in China, and European producers are likely to continue chasing higher netbacks from this market.

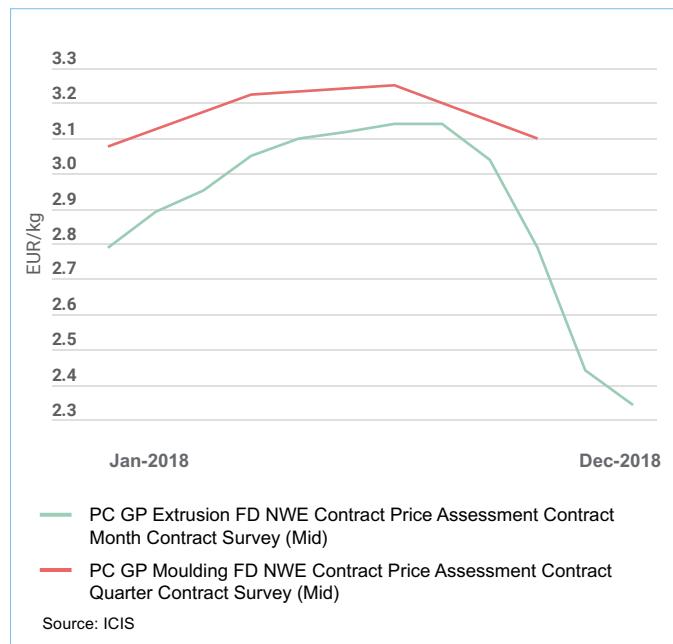
Some have stated that fundamentals will balance out near the second quarter, whereas others are less sure.

This has led to a collapse in pricing of feedstock bisphenol A (BPA) despite any residual pressure for prices to rise on the back of tight phenol supply.

In contrast, ABS prices look set to track upstream markets, particularly key raw material styrene, as balance lost heading into the fourth quarter of 2018 has recovered.

Producers may find it harder to pass down any increases in production costs, as in recent months buyers have been buying ahead of traditionally strong times for the market to dodge rising prices caused by raw materials.

Styrene movements are tipped to remain volatile, but upstream pressure could affect secondary feedstocks acrylonitrile (ACN) and butadiene (BD), when several crackers have scheduled maintenance to coincide.



This may shake some of the seasonality that the market has traditionally followed, but there are no grave concerns, as demand is expected to remain fairly robust.

By and large the market is expected to cope with any increased prices in line with production costs, as projects to increase supply have been announced.

INEOS Styrolution is due to transform one of its three polystyrene (PS) lines at their site in Winges, France, adding 50,000 tonnes/year.



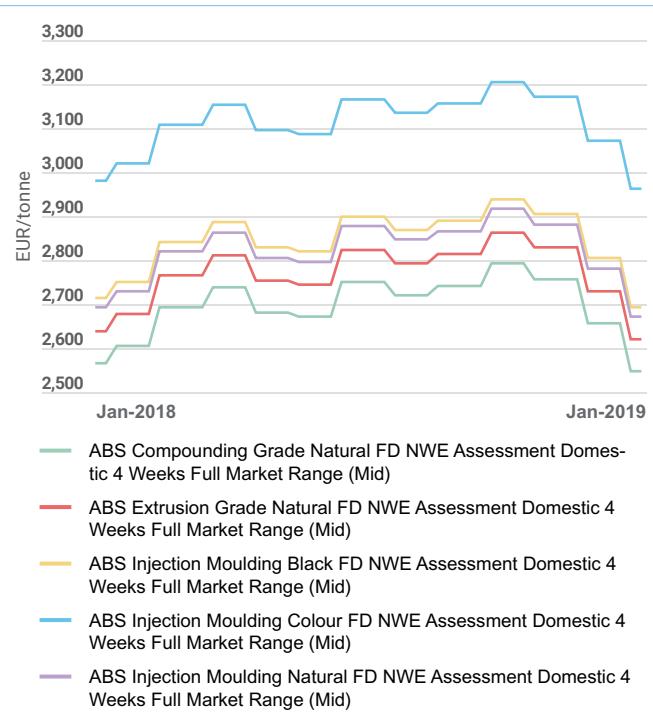
Italy's Versalis has announced to increase capacity by 30,000 tonnes/year at their plant in Mantova, Italy in 2020.

The ABS market is expected to continue growing in line with GDP, but demand is not expected to remain strong in every downstream sector, with the furniture segment and consumer electronics industry looking softer.

Although the price directions for both markets appear relatively defined, market participants are still apprehensive to make over-arching statements about what will happen on the market next year.

The ongoing tensions caused by the US-China trade war could divert trade flows of material, shift the costs of raw material or suddenly squeeze or lengthen global supply for both products.

This uncertainty is the factor driving much market sentiment ahead of the new year, with those both buy and sell side watching both the European and Chinese markets for indication of what is around the corner to enable them to react quickly.



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PLASTICS/POLYMERS

AFRICA POLYMERS

AFRICA'S PE, PP MARKETS BRACE FOR TRANSITION YEAR

BY BEN LAKE JANUARY 2019

The start of a new year invariably leads to numerous established polymers companies to look to Africa as a major new growth market.

The difficulties of trading in the continent often lead to many of these embryonic plans being scaled back, or forgotten altogether, until the next year.

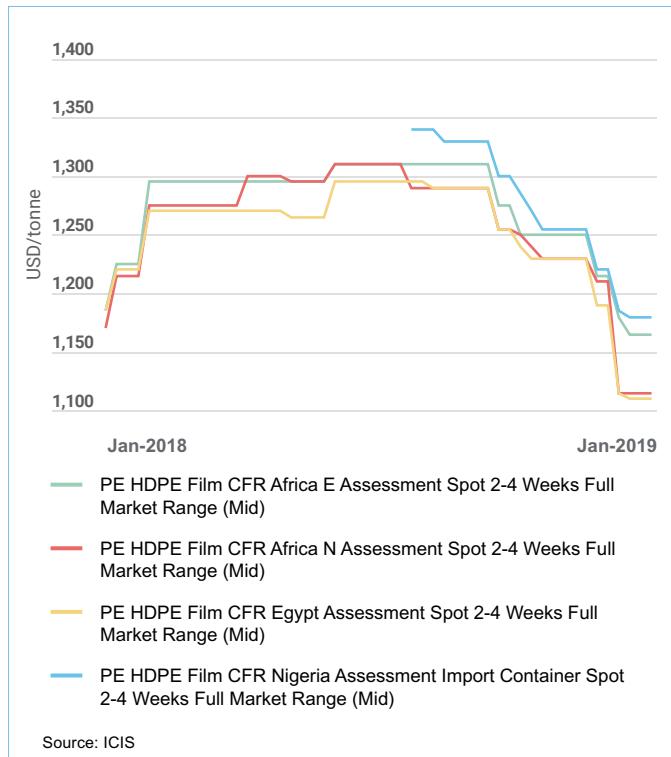
Africa is often subject to similar cycles every year, despite its dynamic trading nature.

2019 looks set to be different, however, for polyethylene (PE) as traditional new trade flows develop or are adapted by wider political events.

In 2018, US PE volumes established themselves in the African market, leading to numerous outcomes and various possibilities for the future.

Prices have been significantly subdued due to the increased competition and the aggressive nature of US offers, and the question for 2019 is whether they remain as aggressive.

This, in turn, may be linked US foreign policy and what path the country decides to follow in its trade war with China.



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As PE volumes need to be directed to other markets away from China, this would leave many US sellers looking for buyers, potentially forcing them into desperate price cuts to move their material.

This would be especially true in Africa as delivery times are longer than those for Middle East-origin material.

If the US-China trade war cools down, then volumes coming from the US may be directed to China.

In any case, US suppliers have been working hard to establish new trade routes in Africa, even since before the opening of the recent trade spat with China.

Offers from the US to Africa are unlikely to dry up, however, as there is obviously enough material available.

US volumes will be a key factor in 2019 after its prices significantly undercut offers from other regions in 2018, although it is unclear whether this strategy will continue or if US sellers will opt to increase their prices once their position in the market is established.

Long delivery times may mean that US-origin material may have to remain discounted to materials of Middle East-origin.

The direction of US material will also affect how Middle Eastern players operate, because if US material cannot be sold in China then Middle Eastern players will look to leverage

this to their advantage, possibly reducing allocation to Africa.

Another contributing factor to this are freight rates, which are much cheaper to China than Africa.

If tensions between the US and China cool down, then Middle Eastern volumes may have to compete on price with US product.

Numerous scenarios could develop based on known quantities, without even factoring in fluctuating oil prices or the slowing global economy.

PP TO REMAIN TIGHT

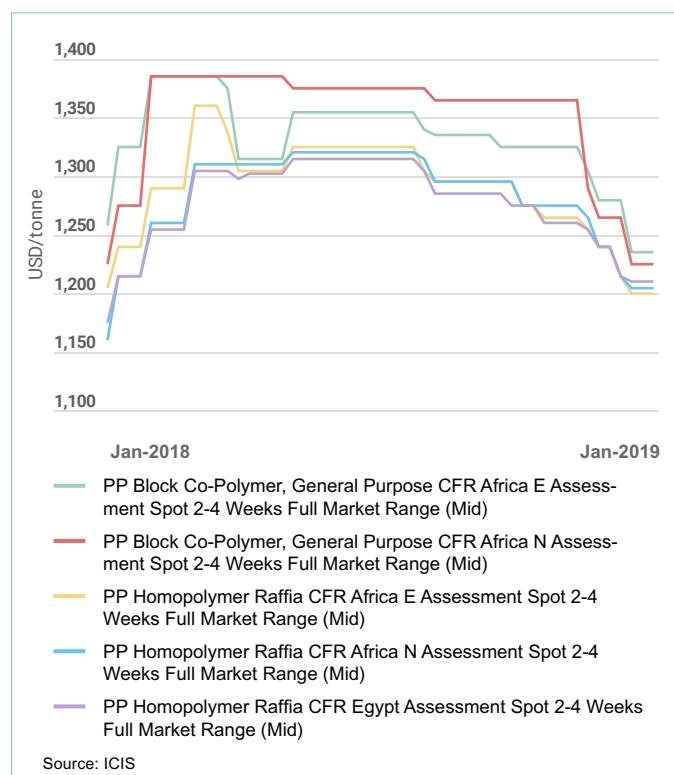
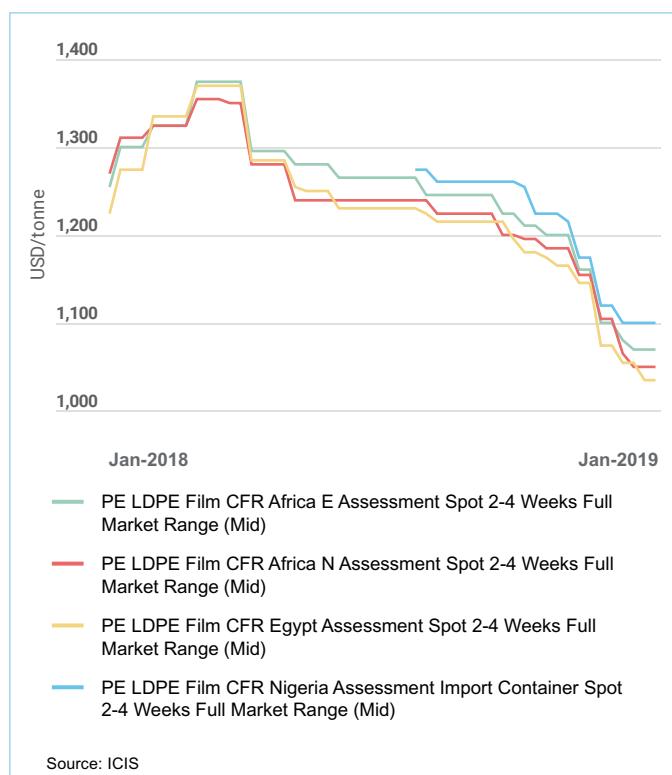
PP's story in Africa in 2019 will be more straightforward as it is likely to remain on the tight side all year.

A lack of new production meant in 2018 that there was little surplus material, a situation likely to continue into 2019.

Supply issues could worsen in the coming year if demand grows, a situation avoided so far due to weaker global economic conditions, which helped counter supply constraints in the latter half of 2018.

Africa, as always, will remain a complicated market to operate in, with its own specific eccentricities.

Those difficulties, however, could become tougher in 2019, even for those who have grown accustomed to Africa's polymers markets' eccentricities.



PLASTICS/POLYMERS

EXPANDABLE POLYSTYRENE

EUROPE EPS SENTIMENT MOSTLY BULLISH FOR 2019 DESPITE COUNTERACTING PRESSURES

BY CIARAN TYLER JANUARY 2019

Sentiment in the European expandable polystyrene (EPS) market is mostly bullish for 2019, with some concerns over the EU ban on single-use plastics, and macroeconomic risk weighed against firm demand for insulation material and tight supply for certain grades.

EPS growth in 2018 was dependent on the sector and region of Europe.

The northwest European construction sector Europe was said be stable to firm with milder weather in Q4 compared with last year allowing the building sector to continue with projects for longer.

Packaging grade demand was said to also be either in line with or above GDP growth and both grades are expected to match or better general growth in Europe for 2019.

However, in late October the EU Parliament voted to approve a directive which would outlaw a range of single-use plastics within the bloc by 2021.

Although the proposed list of plastic products to be banned is anticipated to impact the general purpose polystyrene (GPPS) market far more, depending on how the final legislation is finalised and interpreted, the directive could still impact some EPS products.

"At the moment, the major part of the EPS market is not affected [by the directive]," one producer commented.

For some participants, tightness in certain grades is more of a concern than buying appetite being affected by the proposed EU directive.

White grade EPS has continued to tighten in 2018, with little capacity expansion in the grade over the last decade, while buying interest has remained high in key markets.

The majority of new production investments in the market have tended to focus on grey or graphite material which offers better insulation properties than its white counterpart.

In 2018, for example, BASF increased capacity of one

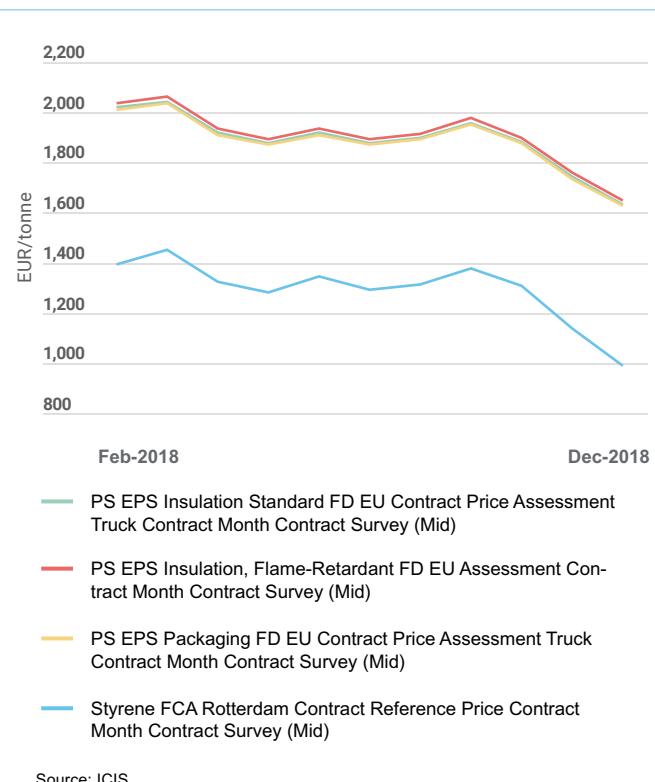
of its grey grades by 20,000 tonnes/year, through de-bottlenecking measures.

"[Our] operating rate for white is sold out, so [there will be] some substitution of white material to black material," a producer commented.

"This [development] already supports an increase in the fee between white and black [grades]," it added.

Record lows for Rhine river levels in the fourth quarter of 2018 and restocking and pre-buying activity in the market highlighted how tight EPS fundamentals could be if demand was high and a major producer faced production difficulties.

Tightening dynamics and volatile styrene monomer costs put countervailing pressure on EPS prices in Q4 2018, with most grades not falling in line with feedstock prices.



With Rhine levels having somewhat recovered in December, producers having the opportunity to build stocks over the holiday period and demand in Q1 for insulation grade material expected to be weaker amid poorer weather, availability is set to improve in early 2019.

If some tightness does arrive for white grade EPS, imports from other regions could potentially make-up for shortfalls, depending on price and availability.

For example, as the economic situation in Turkey deteriorated in the summer of 2018, participants in that market sought to export more material to Europe as the local market slowed.

Longer-term demand within the EU for insulation grade

material could well continue as some incentives and legislation at both national and EU levels look set to promote energy efficiency, as they have done in previous years.

"Growth... for the year [2018 was] 5-10% [for us]. [It is an] inflation market right now: in France the government is giving grants [for improving household energy efficiency] and we can supply that market," a buyer commented.

However, one risk could come from macroeconomic slowdown or recession either indirectly from the US-China trade war or as a consequence of a hard Brexit, although some businesses will likely be more impacted than others from these issues.

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PLASTICS/POLYMERS

PLASTICIZERS/PHTHALIC ANHYDRIDE

STEADIER ROAD AHEAD FOR EUROPE PLASTICIZERS IN 2019, SUPPORTED BY NEW OUTPUT

BY JANE MASSINGHAM JANUARY 2019

Is there a steadier road ahead for supply of plasticizers in Europe 2019, compared to the twists and turns of 2018?

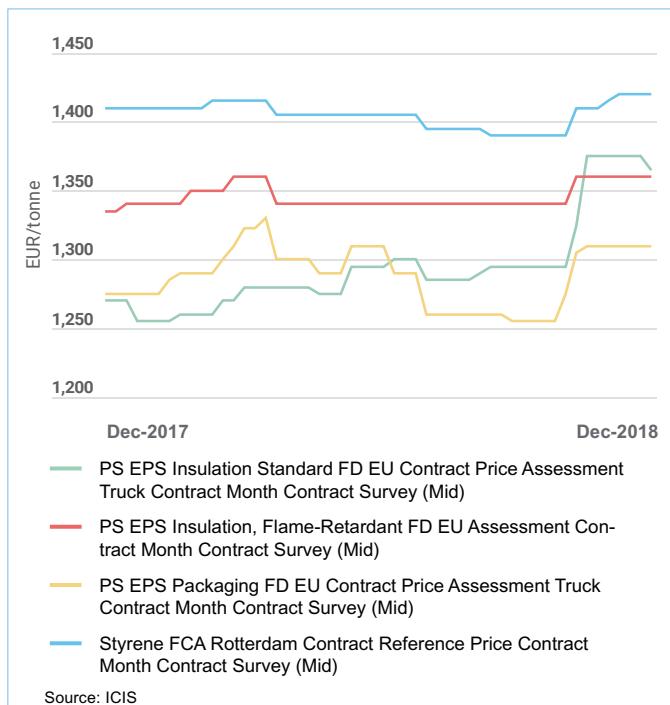
There are clearly global uncertainties making it difficult for some to give a concrete expectation for 2019, but other sources anticipate a steadier pattern of supply.

Recent months have been marked by both planned maintenances and unplanned production issues resulting in force majeure declarations.

More recently, the lifting of force majeure from Evonik in December 2018 amid improved water levels on the Rhine may have brought some relief to consumers who are set to build inventories in January.

"We close on 20 December, production-wise, with no goods in or out from 17 December to 7 January, so it allows time for producer inventories to catch up," one buyer said.

There has been limited talk about January pricing, with 2018 ending on a largely steady note.



Demand wise, 2019 is expected to either plateau or grow close to GDP at around 1.2%.

Those involved with the automotive industry are particularly concerned, but there seems to be a rather more positive outlook, at least for the first half of 2019, from those moving end product into the construction industry.

The bearish crude oil markets are doing little to abate concerns about an economic downturn.

"From 2008, we are learning what to do differently and will prepare and put more care into our position," one producer said.

In 2019, an additional 175,000 tonnes/year of diethyl terephthalate (DOTP) capacity are due to come online: 100,000 tonnes/year from SIBUR in Perm, Russia; 60,000 tonnes from Oxea in Germany and 15,000 tonnes from Grupa Azoty Zak in Poland.

Grupa Azoty Zak has stated it is on track for volume to be available to the market in the first quarter of 2019.

SIBUR is expecting to start up in the second quarter, and approximately a third of the capacity is for export, though the destination will vary depending on market conditions.

The situation from Oxea is less clear, with some sources stating they do not expect material available from the manufacturer in 2019.

There are other investments taking place for non-phthalate plasticizers. Perstorp is embarking on its production of its branded Prevalen, which has the potential to be produced from renewable/recycled raw materials.

In 2019, the company is launching the first grades of partially renewable material out of its 50,000 tonne/year plant in Stenungsund, Sweden.

UPSTREAM CONCERNS

Upstream, there is some concern about the availability of propylene in the second and third quarter of 2019 due to the heavy cracker shutdowns scheduled.

[back to contents](#)



The feedstock phthalic anhydride (PA) market was expected to be largely steady for 2019, but the transport and shipping costs are another big impact influencing PA contract talks for 2019.

The usual pass-through cost of orthoxylene (OX) will remain, but some have been looking to increase premiums by 5-10% due to higher energy and transport costs.

While some have said this had been successful, other said there was a rollover from 2018 to 2019.

The debate over the longer-term outlook of phthalate

plasticizers and credible alternatives is bubbling away in the background, though there are expectations that this will not truly impact the European market for another five to 15 years.

Plasticizers are used in plastics or other materials to impart viscosity, flexibility, softness, or other properties to the finished product.

PA is used as a chemical intermediate in the production of phthalate plasticizers, as well as in unsaturated polyester resins (UPR).

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PLASTICS/POLYMERS

POLYETHYLENE (PE)/POLYPROPYLENE (PP)

PE MARKET TO RECKON WITH NEW CAPACITIES, PP TEMPERED BY PROPYLENE SUPPLY

BY LINDA NAYLOR JANUARY 2019

European PE and PP markets will continue to diverge in 2019, as new PE capacities come on stream, while PP will be tempered by propylene supply.

PE imports into Europe from new capacities in the US are expected to have more of an impact in 2019, with large volumes for particular grades already heading eastwards at the end of 2018.

On the other hand, the picture for PP in 2019 will be affected by a planned cracker maintenance programme that could leave the monomer very snug.

The long-awaited PE imports from the US have finally started arriving, with large volumes of C4 (butene based) linear low density polyethylene (LLDPE) already shipped to Europe, with prices for those grades plummeting.

European PE net prices are low in global terms, with many spot net prices below the headline ethylene contract price, a phenomenon that has been in place for some weeks.

While the flow of imports from new US capacities was slow for most of 2018, it accelerated towards the end of the year and volumes have already been booked for January.

With December prices falling on the back of lower naphtha prices, January arrivals could be too high to work.

PP prices have also fallen, but the erosion has been milder and imports were not such a feature of the market.

However, the PE market is not as weak as it might have been as low water levels on the Rhine affected output at some sites.

In 2019, a series of planned cracker outages is expected to offset an increase in the volume of imports to an extent, as PE output will inevitably be down alongside cracker outages for some of that time.

PP will also be down during this time, but there are greater worries in this market that crackers will be slow to come back on line.

If all goes according to plan, there should be no problem with ethylene supply, or even propylene. However, any delay in one of the big crackers could lead to supply issues for the monomer, and therefore the polymer.

Some PP producers have made significant efforts to ensure that they have secured enough propylene for 2019, but it has been an expensive exercise.

"Why sell polypropylene cheap now?" said a producer. "We can sell it twice over next year."

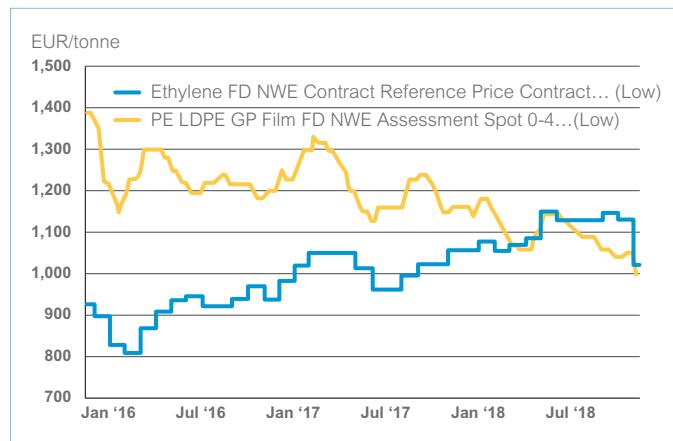
PE will be a different story.

Ethylene output will be lower in 2019. However, import availability from new capacity will mean that there should be no shortage of product, and several buyers have been talking to new sellers to arrange contracted imported volumes for 2019.

Between the third quarter of 2017 and the end of 2019, US PE capacity will have increased by 6.5m tonnes/year, representing an increase of around 40% of capacity.

Moreover, by the end of 2022 this will amount to an increase of 12.1m tonnes of PE, according to ICIS data, resulting in an increase of around 75% in US capacity over the whole period.

Europe is a net importer of several PE grades, and imports are key to sustain the market.



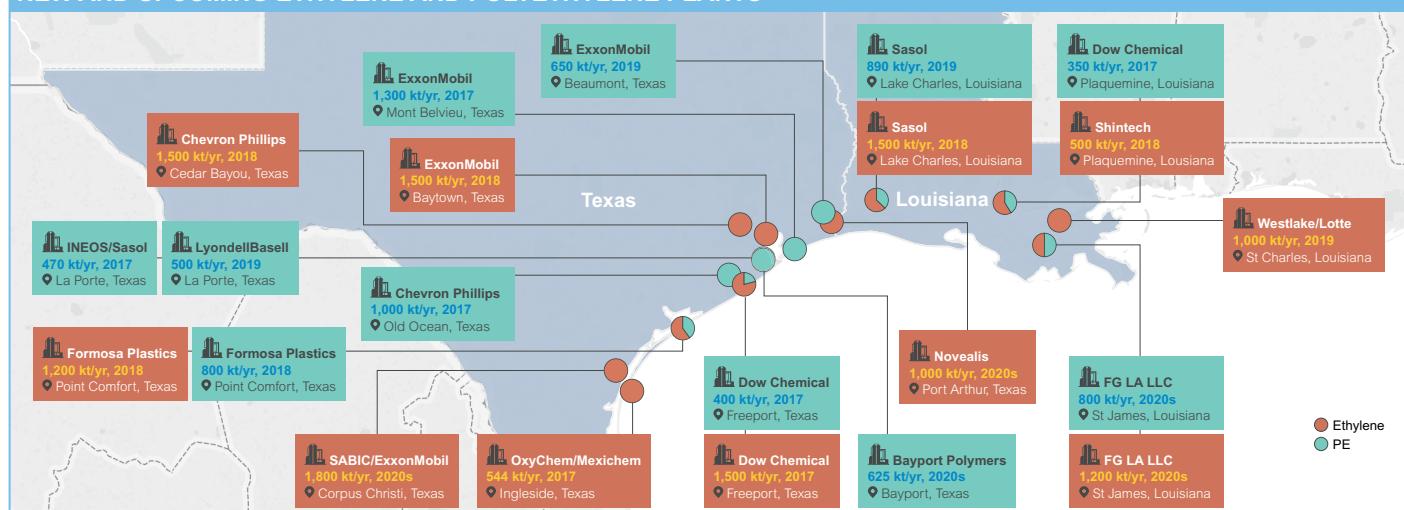
With fears of an economic slowdown in Europe and moves towards using more recycled material and less plastic, these issues could also begin to affect the consumption of virgin plastics.

An added complication comes from the US-China trade war which is expected to alter trade flows, although this will take time to take effect.

Middle Eastern sellers into Europe are not expected to take kindly to welcoming US product and shuffling for market share is inevitable in 2019.

PE and PP is used in packaging and the manufacture of household goods. PP is also used in the automotive industry, and PP in automotive.

NEW AND UPCOMING ETHYLENE AND POLYETHYLENE PLANTS



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PLASTICS/POLYMERS

POLYETHYLENE TEREPHTHALATE (PET)

EUROPE PET SUPPLY WILL BE THE FOCUS FOR 2019

BY CAROLINE MURRAY JANUARY 2019

The supply of polyethylene terephthalate (PET) in Europe, and whether it will flow without causing surprising price swings, is what participants want to ascertain for their 2019 budgets.

After all, 2018 was punctuated by unexpected periods of significant tightness that often, but not always, stemmed from global, upstream events.

"The biggest concern is that we will have supply shortages in Europe. For the next couple of years we will have only a few domestic suppliers. If something happens with Rotterdam in the summer time it will have a huge impact..." a buyer said.

The traditional seasonality of the market still exists, and customers buy PET in preparation for the heat of the summer bottle sales season.

What is nerve-wracking, particularly following evidence of how fragile supply can be, is whether or not plants across the global chain manage to produce as planned, or imports arrive on time, thereby supplying the market when it most needs it.

"We saw in the second quarter [of 2018]: the impact of production problems. It would be unusual but not unprecedented to have continued issues two years in succession," a producer said.

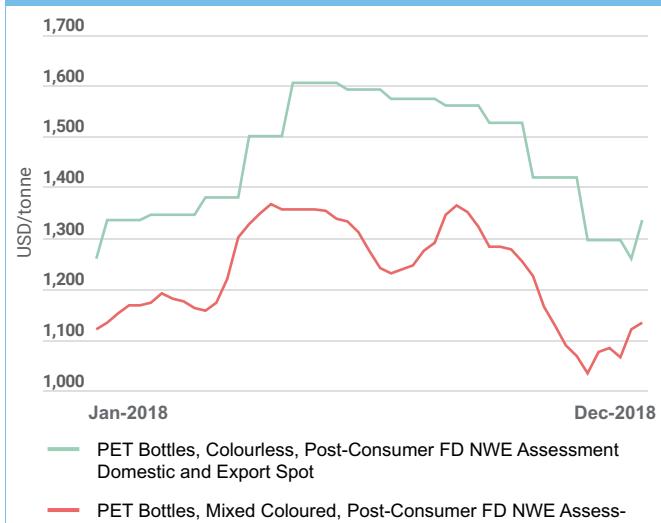
Europeans traditionally and still do commit to domestic volumes, alongside dipping into imports that provide competition.

The graph below shows the correlation between Europe and China prices over the course of 2018.

But buyers seem to have learnt from recent years and adopted a fresh attitude.

For 2019, buyers have threatened to bring in considerably more volumes from outside the region, in response to the output problems in 2018 but also partly in resistance to the individual increases producers targeted for 2019 conversion costs.

EUROPE POST-CONSUMER PET BOTTLES PRICING



Source: ICIS

"I think there will be a resurgence of imports next year. Together with the purified terephthalic acid [PTA] producers, PET producers did a massive mistake by asking for crazy high formulas," a reseller said.

The following graph shows an estimate of how wide the gap was between freely negotiated prices and contracts based on raw material plus a conversion fee, at a time of severe tightness.

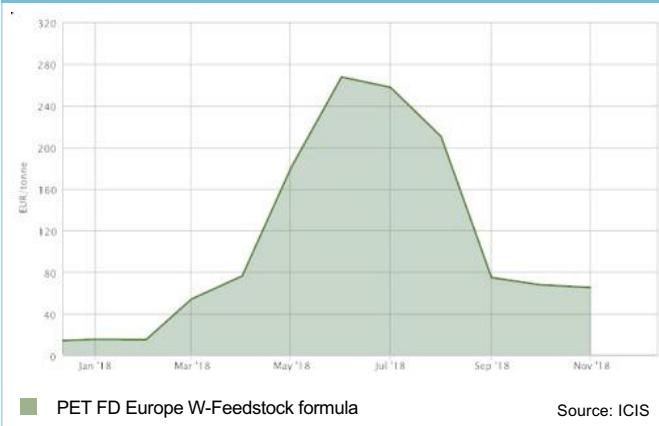
This chasm is what participants are attempting to moderate for 2019.

It should be noted that 2018 conversion costs varied significantly, according to the timing of negotiations and the size of account for example. The graph above gives an indication of where some may have settled.

Rising costs of upstream purified terephthalic acid (PTA) formed the greater part of PET producers' justification for higher contract prices in 2019.



FREELY NEGOTIATED V FEEDSTOCK-PLUS CONTRACTS



Source: ICIS

"PTA was the golden goose for PET producers this year, in terms of 2019 contract negotiations," a second buyer said.

Only time will tell if the appetite for PET imports has been or will be as big as some would have believed. As prices have been on a downward trajectory for much of quarter four, the financial benefit to buyers when the product actually arrives, is debatable.

Any delays in product arriving from other regions could swing market direction.

"Do they walk the talk? ... We talk to major customers and book the same kind of volumes with these majors ... The hottest quarter is quarter two. It is very difficult to predict in this volatile world, but I know supply is less than demand in the summer season so you need imports," a second producer said.

"Will the Chinese or South Koreans be there in quarter two and quarter three, and do our customers want to gamble they can get imports?" the producer queried.

One cannot contemplate the outlook of PET without considering the huge uncertainties in the macroeconomic, geopolitical arenas, including the US-China trade war and Brexit.

But it has all been so erratic, it makes it impossible to truly know what lies ahead.

"Big organisations have been making big changes to forecasts in a short space of time," a third buyer said.

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Just when the market may feel it has a handle on 2019 dynamics, and figures out say, the trend in crude oil pricing, all this could easily be pushed aside by the effects of tightness in upstream paraxylene (PX), for example.

The rise in favour of recycled plastics is another in the string of discussion points for PET.

How it may or may not influence demand and supply for virgin PET already in 2019 adds to the intrigue.

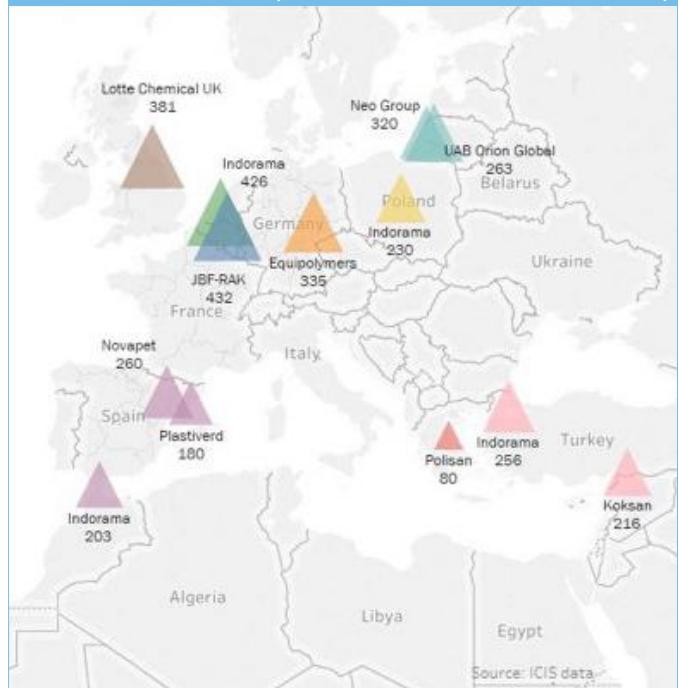
Commentators are leaning towards an assumption that virgin PET will not be negatively impacted by recycled PET (R-PET) until 2020 and beyond, but not everyone agrees.

"Our potential consumption for virgin PET could drop by a third in [2019] ... In our market I see virgin displaced by R-PET and if I were a virgin producer, I would have one eye thinking my virgin demand is going down here," a fourth buyer said.

SUBSTITUTION TRENDS - PET AND R-PET EUROPE



EUROPE PET PLANTS(ANNUAL CAPACITY'000 TONNES)



The industry may have got used to attempting to second-guess the roller coaster ride that defines the PET market, and may therefore, be heading towards 2019 with confidence and clarity.

Or the supply/demand dynamics of 2019 could end up just as surprising as it was in 2018.

PET is used in fibres for clothing, containers and bottles for liquids and foods, thermoforming for manufacturing, and in combination with glass fibre for engineering resins.



PLASTICS/POLYMERS

POLYMETHYL METHACRYLATE (PMMA)

EUROPE PMMA MARKET FACING DOWNWARD PRESSURE AMID INCREASED IMPORTS

BY KATHERINE SALE JANUARY 2019

The European polymethyl methacrylate (PMMA) market faces continued downward pressure in 2019 and fierce competition from lower priced imports.

PMMA supply remained constrained for the majority of 2018, with the much awaited rebalancing in supply taking place later than anticipated.

Supply started to tighten in 2016, with a series of outages in the upstream methyl methacrylate (MMA) market severely impacting feedstock supply for PMMA.

While 2018 has been less turbulent, there were still a number of upstream production issues globally, with the prolonged outage for Lucite International at Cassel in May, and Evonik also running its two German plants at a reduced rate since October.

A series of delays and stoppages in the US in the middle of the year also shifted trade flows in the upstream market, as producers moved material there to support other facilities.

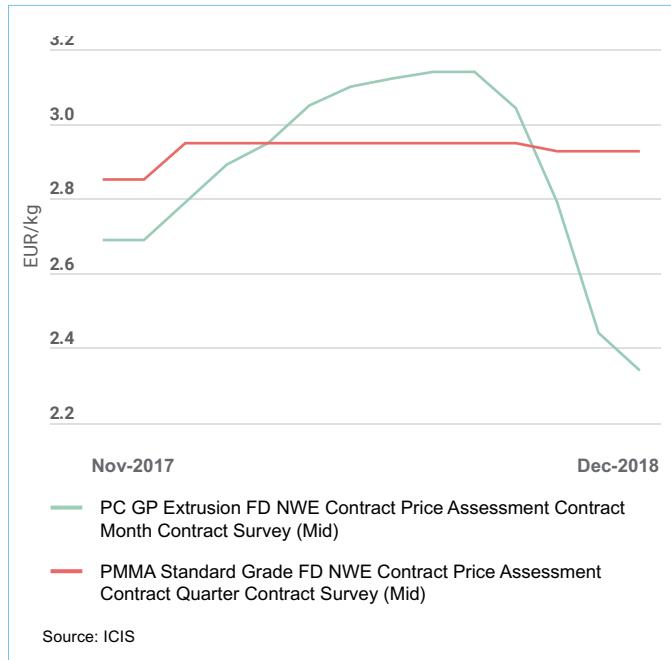
However, MMA supply rebalanced in the fourth quarter and this finally trickled down to the PMMA market, after the outages in recent years dictating much of the dynamics.

As supply globally improved, the impact from the new facilities in the Middle East started to emerge, as producers shifted focus to increasing market share.

It was too early in the fourth-quarter contract negotiations to see the full impact of this, but increased competition contributed to significant decreases being agreed for first-quarter contracts.

Lower MMA prices are also contributing to the downward pressure, but it is the ferocious competition between overseas and local sellers that is driving down prices.

Plummeting polycarbonate (PC) prices are also having an impact, with some consumers able to switch.



With continued supply stability expected upstream, this intense competition will remain in 2019, with questions over how low overseas producers will push prices in pursuit of market share.

The sustainability of pricing has been a key topic in the market in recent years, after MMA prices reached historic highs in 2017.

There were widespread concerns in the PMMA market over the compression of margins, with players in the extrusion sector in particular feeling the pinch.

While PMMA prices were expected to decrease once supply had rebalanced, the acceleration in the drops has been a surprise for sellers.

There is also continued competition in the sheets sector, with sheet manufacturers contending with compressed margins after the price increases last year for resins, and also competing against integrated producers.



Demand growth is also an area of doubt across many chemical market for 2019, with uncertainties and concerns over the economy impacting estimates.

"Europe has been the weakest demand area for the fourth quarter because of insecurity with Brexit and the automotive slowdown," said one seller.

The slowdown from the automotive market, a key end user for PMMA, is also an area of concern for 2019.

However, while automotive growth did not hit the heights expected by some in 2018, growth between 3-5% was seen.

There remain opportunities for the market in the automotive sector, with PMMA also making gains over other plastics for use inside vehicles.

The sale of Evonik's methacrylate business is expected to be completed early next year, with the process in short-listing a buyer expected have been completed in the first quarter.

For now, downward pressure will continue for the first part of the year, with investments upstream expected to improve reliability going forwards.

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PLASTICS/POLYMERS

POLYSTYRENE (PS)

SINGLE-USE BAN, LINE CONVERSION TO WEIGH ON EUROPEAN PS MARKET

BY CIARAN TYLER JANUARY 2019

The potential impact of EU legislation banning certain single-use plastics by 2021, combined with concerns over volatility in feedstock prices and shrinking nameplate capacities are key issues for the European polystyrene (PS) market in 2019.

EU PLASTIC BAN

In late October, the EU Parliament voted to approve a directive that would outlaw a range of single-use plastic products within the 28-country bloc by 2021.

The list of proposed plastics to ban include single-use plates and cutlery, two items often made of PS and particularly important to markets in southern Europe during the summer months when water usage is often restricted.

Depending on how the legislation is interpreted and finalised, the ban could impact PS consumption in Europe by over 5%, according to some participants' estimates.

PS converters and sellers in southern Europe, especially Italy, are likely to be hit hard by the ban.

In areas of southern Italy during the summer, due to water usage limitations, members of the public tend to purchase

single-use cutlery and crockery, many of which are made from general purpose polystyrene (GPPS).

However, not all PS businesses are as gloomy about the prospects of a potential ban.

One producer said that a consultation and evaluation period of the single-use plastics targeted by the ban are expected to be carried out, adding that the results of these measures could lead to fewer products than previously thought being prohibited.

Political action against single-use plastics related to marine litter may have also helped spur on chemical recycling projects related to PS production, such as the recent announcement by major styrenics producers in Europe to promote and develop better PS recycling capabilities.

CONVERSIONS

Likely before any impact from the single-use plastic ban is the prospect of tightening supply in 2019, as major European producer INEOS Styrolution carries out a conversion of one of its PS lines at its Wangles site in northern France.

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The new acrylonitrile-butadiene-styrene (ABS) line is anticipated to come online in the first quarter of 2020, and some PS participants expect the full impact of the closing of the PS line to be already felt in early 2019.

According to one producer, the converting of one of INEOS' PS lines at Wingles is the equivalent of almost 4% of European PS nameplate capacity being removed from the market.

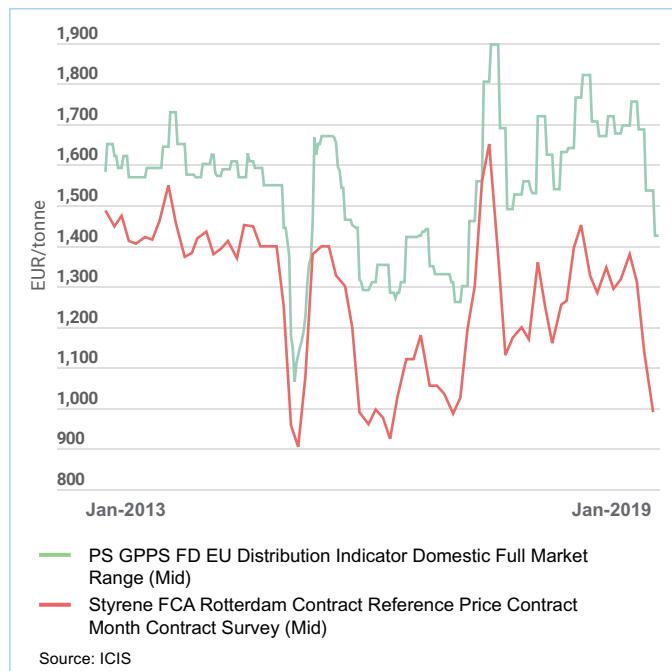
"Operating rates on average are not bad on PS [and at the] highest levels they've been in a long time ... Less supply could bring some upside," the producer said.

However, some buyers are sceptical that a reduction of that size would influence fundamentals much.

These buyers independently said that PS plants' run rates could increase slightly to make up for the loss, adding that imports from outside Europe could also make up for any shortfall in the near term.

Although there was tightness with certain grades of material due to pre-buying activity and some ongoing production cutbacks in the fourth quarter of 2018, water levels on the River Rhine have improved rapidly and BASF's production woes are easing.

Most sources expected availability to have normalised by the end of January.



However, most participants are focusing energies on the ongoing issue of price volatility, often dictated by a rapid rise and then sometimes sharp fall in upstream styrene monomer costs.

FEEDSTOCK VOLATILITY

Volatile upstream costs are nothing new. According to ICIS data, styrene and PS prices have experienced sizeable volatility for at least one quarter of any given year since 2014.

As styrene monomer makes up over 90% of most GPPS, and even some high impact PS (HIPS) grades, PS prices tend to reflect monomer movements.

A number of unpredictable drivers influence styrene prices and ongoing volatility has made business for PS converters and customers further down the value chain difficult.

Many PS resin buyers and PS product/application purchasers would prefer more predictable costs.

According to some buyers, rapid price movements in either direction are difficult to pass on to customers further downstream where much business is conducted via quarterly or bi-annual contracts, rather than monthly like styrene monomer.

This, in turn, can make consistent profitably difficult and sometimes squeeze margins.

Multiple buyers said that the volatility in recent years has made it difficult to justify investments in the market, adding that some end users have been put off choosing PS for some applications and instead sought to develop alternative polymers capable of replacing PS.

"[We could have some] internal product switching from PS to PP [polypropylene] - that may have an impact on ... the second half of next year. If the project goes head, it will probably be a 20% reduction [in our PS consumption]," one buyer said.

The buyer added that there are many discussion within the PS industry about volatility, given the large and "wildly unpredictable" price fluctuations.

"People don't like it because the customer base wants stable and fixed pricing, and we can't offer it in the market today. [This] forced the conversation [about] whether we can use a different material for more stability..." the buyer concluded.



PLASTICS/POLYMERS

RECYCLED POLYETHYLENE TEREPHTHALATE (R-PET)

EUROPE R-PET MARKET CERTAIN ON DEMAND, UNCLEAR ON FEEDSTOCK SUPPLY INCREASE

BY PAVLE POPOVIC JANUARY 2019

Not many doubt that the European recycled polyethylene terephthalate (R-PET) market will experience strong demand once more in 2019.

The question is whether or not any new legislation could drive further change for recycling by lifting the feedstock ceiling from recyclers.

After all, although there is continued market talk of R-PET capacity expanding in 2019, the difficulty many recyclers face is in sourcing upstream post-consumer polyethylene terephthalate (PET) bottles.

A few participants have said this could change if populous European countries such as the UK, France and Spain introduce new collection schemes.

"In general, I think it will be a tight year and not a short year. Capacity expansions are all good and fair, but what about the feedstock? I don't see any substantial increase in [post-consumer PET] collection rates," said a buyer.

"For all the capacity expansions there is a shift on who is using the feedstock, but I do not see more [R-PET] flake being available on the market. So, from that perspective, we are pretty worried."

Governmental and social pressures that began with the EU's circular economy strategy in January 2018 were the source of higher demand for recycled content in the first place.

From January 2019, Germany will also enact legislation for all firms that bring packaged goods into the market.

It will prescribe that these companies have to ensure that a higher rate of recycling than previously set is achieved for related packaging materials.

This only contributes to participants' expectations of sustained strong consumption in 2019.

FOR THE LONG TERM

Following a general trend to boost plastic recycling in 2018, there is even market talk of brand owners having to secure food grade R-PET pellets volumes for years ahead.

"There is a lot of demand out there, and the supply isn't something that you can just hit the accelerator, and go a little faster. All the recyclers are running full speed," said a consumer.

Although not all agree, many in the industry pinpoint deposit schemes as the necessary move some nations must take to increase feedstock supply.

They argue it would increase the quantity and quality of post-consumer PET bottles to a point that R-PET production could meet strong demand.

Various governments are discussing the possibility of adopting these schemes, but there are R-PET participants that question how quickly states could install such collection processes.

Furthermore, until these developments are enacted, sources believe that tightness will reign for recycled product as production will be limited by low post-consumer PET bottles availability.

"Even if there is more product in the market, it will not be enough. Not next year ... The problem for us is [that] we really need appropriate [post-consumer PET] bottle collection," said a recycler.

"The UK's deposit plans are going to help. But, when are they going to kick in?

"The same is true for France. Now, if you just take these two countries, this will then give enough bottles to balance the market. But before [this happens] there will be tremendous demand," the recycler added.



In the face of such conditions, the market is split on the likelihood of buyers switching to competing product virgin PET where and when they can.

Some consumers need to meet marketing targets regarding the quantity of recycled content in their packaging.

However, there are sources that have argued that costs are still more important to purchasers than sustainability.

The fact that such a debate has opened up on the products' relationship shows the evolution that R-PET has undertaken.

But, in the end, it will be relatively insignificant as most in the market expect that conditions will favour R-PET sellers in 2019.

"I think the next three years are going to be very competitive. Who has access to the volumes is king," said a post-consumer PET bottles re-seller.

R-PET can be used in carpet and apparel manufacturing and in the automotive industry. The product is also used for food packaging, including beverage bottles.

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PLASTICS/POLYMERS

TURKEY POLYMERS

TURKEY'S PE, PP DOWNBEAT PLAYERS FACE SLOW YEAR OF REBUILDING

BY BEN LAKE JANUARY 2019

Turkey's polyethylene (PE) and polypropylene (PP) players are bracing for a difficult year ahead after the market shrank in size in 2018, with most converters having reduced their outputs by 50-60%.

Climbing interest rates and the collapse in the lira's exchange rate against other major currencies also meant that some of those who relied on bank credit found themselves bankrupt, having to shut their companies.

There are no obvious jolts anticipated that could prompt a sudden recovery in the Turkish economy, and many players are instead predicting a gradual recovery based on the slowly rising value of the lira.

Municipal elections in March are the only major domestic political event, after Turkish voted were called to major national elections in the past few years.

Opinion is divided on the importance of the local elections to sentiment, but they may well continue to dissuade players from purchases until they are completed.

PE players face an evolving supply landscape as US material continues to take prominence in the market as Iranian volumes struggle to make their way, following the re-imposition of sanctions against the country by the US.

A stricter enforcement of the sanctions means that previously successful strategies no longer allow avoidance of US sanctions on Iran.

If the US-China trade war continues into 2019, then even more US' PE may end up in Turkey, potentially forcing sellers into heavily discounting to ensure sales.

If the trade war cools down, then US' PE sellers may redirect their attention to China. While this would not mean that the US will no longer sell to Turkey, but it may end up affecting the pricing strategy of sellers.

The most pressing question for now, however, is whether the US will continue to heavily discount its material: If demand picks up, will they maintain the current \$40-50/tonne discount to Middle Eastern offers?



Suppliers outside the US are currently unable to compete on prices, making the US a trend-maker in the market.

So far, however, imports statistics show that the Middle East continues to be the largest polymers exporter to Turkey.

Moreover, supply levels have not been tested against buoyant demand, which remains subdued, and players in Turkey wonder if there would be enough US supply to really meet basic requirements was demand to pick up.

PP TO REMAIN TIGHT

PP will face a more straightforward, if no easier, situation.

There is little in the way of extra production coming onstream globally and, as a result, availability will remain limited.

This has not been a big issue for Turkish players so far, given poor demand.

PP players could potentially face repeated spikes in price,

however, once ready material runs out and buyers are forced to purchase.

Then, once demand falls back to subdued underlying levels, prices would follow the same trend.

Demand remains the key factor in both the PE and PP markets, and availability is likely to fluctuate widely in opposite directions.

This fluctuations, however, would make little difference if the market remains constricted.

Following the economic woes in 2018, even the most optimistic sources only expect a gradual economic recovery in 2019, notwithstanding any unforeseen shock to the economy, domestic or global.

Even the most experienced players, with years of polymers trading on their backs, expect 2019 to be one of their toughest years in their careers.

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