

# Global Polyurethane Feedstocks

## Asia Weekly Market Report

19 April 2024 | Issue 264

### Price Table

Spot Price Table										
Product	Region of Sales	Unit Price	28-Mar-24		4-Apr-24		11-Apr-24		18-Apr-24	
			Low	High	Low	High	Low	High	Low	High
PO/Polyols Chain										
Propylene	CFR NEA	\$/mt	830	860	830	860	840	860	850	890
Propylene Oxide	CFR China	\$/mt	1,050	1,080	1,050	1,080	1,080	1,100	1,080	1,100
	Ex-Tank E.China	RMB/mt	9,000	9,300	9,050	9,200	9,200	9,400	9,000	9,300
	Delivered E.China	RMB/mt	9,200	9,400	9,350	9,500	9,500	9,650	9,400	9,600
Polyol (Flexible)	FOB China	\$/mt	1,090	1,140	1,090	1,130	1,110	1,140	1,100	1,140
	Delivered E.China	RMB/mt	8,900	9,300	8,900	9,200	9,050	9,300	9,000	9,300
Polyol (Rigid)	FOB China	\$/mt	1,190	1,200	1,200	1,206	1,210	1,220	1,204	1,210
	Delivered E.China	RMB/mt	9,700	9,800	9,800	9,850	9,900	10,000	9,850	9,900
MDI Chain										
Benzene	FOB Korea	\$/mt	1,034	1,042	1,066	1,068	1,077	1,084	1,067	1,074
	Domestic China	RMB/mt	8,580	8,634	8,693	8,738	8,740	8,788	8,772	8,842
MDI (Monomeric)	Delivered E.China	RMB/mt	19,000	20,000	19,000	20,000	18,700	19,200	18,500	19,000
MDI (Polymeric)	Delivered E.China	RMB/mt	15,100	16,200	15,600	16,800	15,600	16,800	15,800	16,800
TDI Chain										
Toluene	FOB Korea	\$/mt	898	908	931	938	935	945	933	943
	Domestic China	RMB/mt	7,422	7,459	7,600	7,650	7,575	7,625	7,634	7,678
TDI	Delivered E.China	RMB/mt	15,300	16,000	14,800	15,800	15,300	16,000	15,100	16,000

Benzene and Toluene prices are published based on Asia Aromatics Daily report.

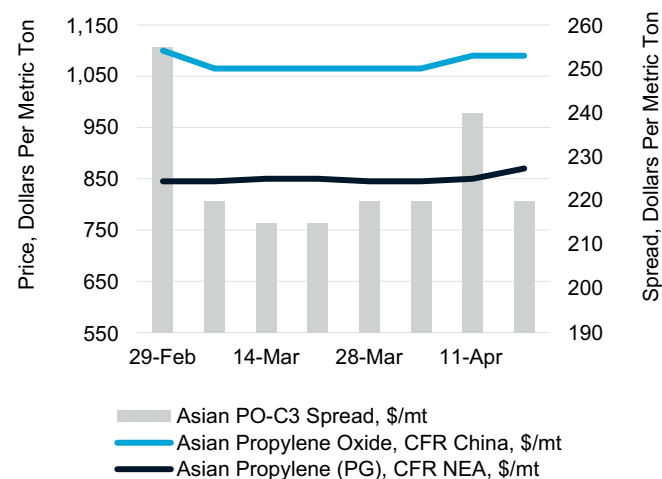
Source: Chemical Market Analytics by OPIS

### Contacts

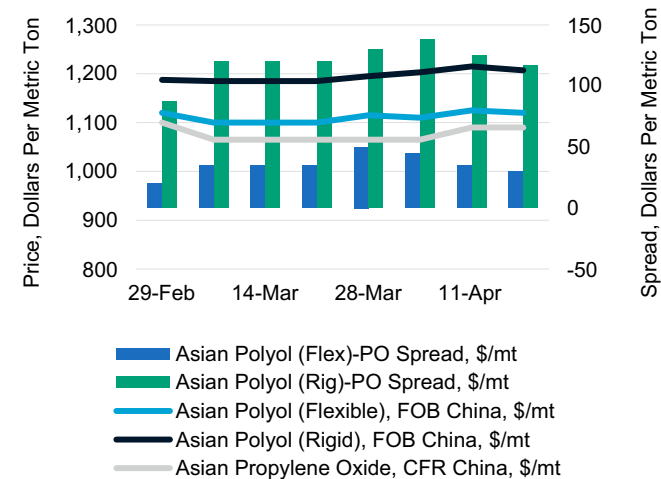
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## Graphical Summary

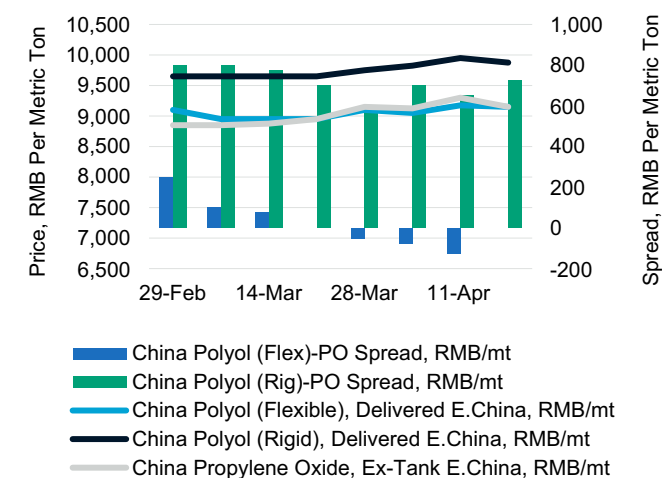
## Asian PO vs Propylene



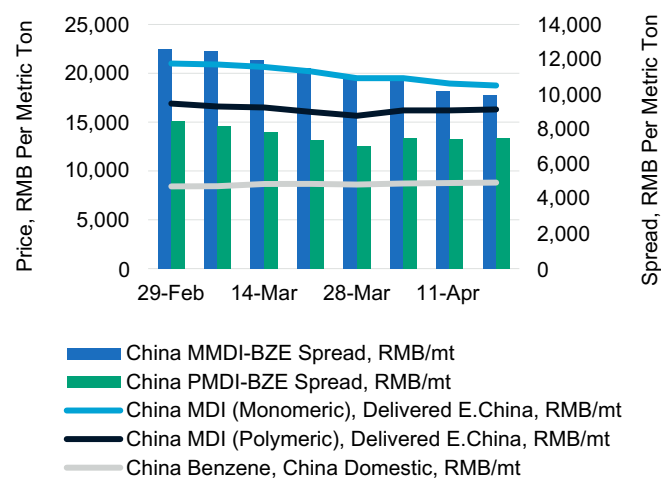
## Asian Polyol vs PO



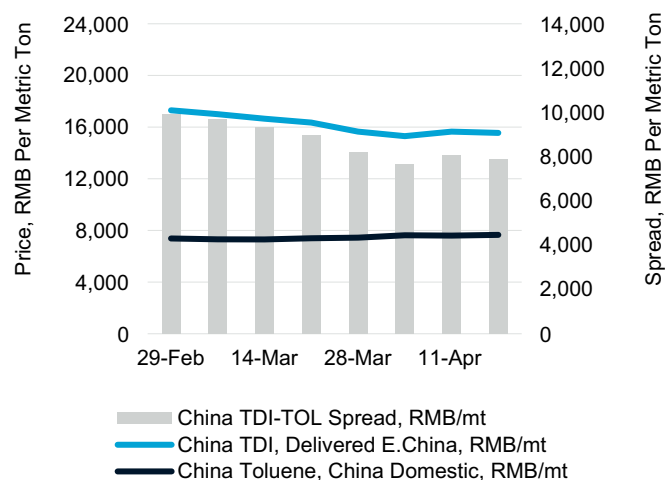
## China Polyol vs PO



## China MDI vs Benzene



China TDI vs Toluene



Source: Chemical Market Analytics by OPIS © 2024 Oil Price Information Service, LLC.

## PO/Polyols Chain

### Propylene

In Northeast Asia, spot propylene market sentiment improved following bullish energy and feedstock price trends in the region. Fixed-price buying ideas increased to \$860 per mt CFR Northeast Asia while selling ideas increased to \$900 per mt CFR Northeast Asia and above. The appetite for imported cargoes increased among a few buyers in mainland China, and a fixed-price deal was done at the mid-point of the assessed price range this week. However, any further price increase was capped due to insufficient affordability in most sectors. Meanwhile, spot demand in the countries outside of mainland China remained scarce with sufficient supply from their domestic sources.

### Propylene Oxide

This week, the Asian propylene oxide (PO) market witnessed a temporary downturn at the onset of the week, followed by a modest rebound mid-week. These fluctuations were primarily influenced by the instability in raw material prices. Moreover, the market sentiment was dampened by news of increased supply in the near term. Lihuayi has commenced offering PO from their newly operational plants; however, the product is yet to meet sales specifications. Meanwhile, purchasing activity from downstream sectors has remained stagnant.

The primary consumer segment of propylene oxide (PO), namely the polyether polyols industry, has remained subdued as demand from downstream sectors remains sluggish. Export demand also has continued to display weakness. Meanwhile, the propylene glycol (PG) market, the second-largest consumer of PO, is seeing ongoing challenges due to weakened demand from the industrial-grade Unsaturated Polyester Resin (UPR) sector. This week, PG market prices in Northeast China held steady at RMB7,800-7,900 per metric ton, unchanged from the previous week.

This week, the average prices in mainland China for ex-tank Shandong cargoes fell by RMB150 per mt to RMB9,000-9,300 per mt. The delivered East China prices were RMB75 per mt lower at RMB9,400-9,600 per mt.

This week, the imported propylene oxide (PO) market continued to face constraints due to a global supply shortage. Restrictions on supplies from the Middle East and the United States persisted, with some volumes being redirected to the European region. Imported PO prices held steady at \$1,080-1,100 per metric ton CFR China, unchanged from the preceding week.

This week, the propylene market showed mixed trends. In mainland China, prices in Shandong province were trading RMB50 per mt higher at RMB6,900-6,950 per mt. Prices in Southeast Asia were trading at \$830 - 850 per mt, unchanged from last week. Propylene in Northeast Asia was trading \$30 per mt higher at \$860 - 900 per mt.

Liquid chlorine prices were trading at RMB400 to RMB500 per mt this week, a decrease of RMB100 per mt from last week. The margin for Shandong chlorohydrin PO producers fell by 6% due to weakening selling prices.

It is worth noting that Jishen Chemical in mainland China remains shut and has yet to announce any plans to restart operations. Jincheng Petrochemical shut its plant in July 2023 and has not indicated plans to restart. Qixiang Tengda is currently running at 70% operating rate. Shandong Daze has remained shut since 14 September 2023. Zhonghai Fine Chemical shut its PO unit on 11 March for maintenance. The unit was expected to resume operation at the end of March, however the startup schedule has been further delayed. Shandong Xinyue is operating its plant at approximately 70% of capacity.

In South China, Sinochem Quanzhou has reduced its operating rate to 60% of plant load amid margin erosion. China Tianchen's startup has been delayed by at least six months now following a fire incident. Yueyang Changning shut its unit for a 5-day maintenance on 20 March and resumed operation on 26 March.

In Jiangsu, Jiangsu Yida was shut between June to July last year due to a shortage of raw material but was shut again immediately upon restart and has remained shut. The restart date is not known. Nanjing Hongbaoli has been shut since the end of April 2022 for debottlenecking. The project is expected to be completed in 2024, with an addition of 40 kt per year to the existing 120 kt per year PO capacity. Jiangsu Ruiheng shut its plant for unplanned maintenance from 31 March. Satellite Chemical shut on 3 April for a 45-day maintenance. Zhejiang Petrochemical is running at 50% operating rate. Nanjing Jinling Huntsman is currently experiencing some technical issues and has halved its plant operating rate. Lihuayi has started the operation of its 300kt per year HPPO unit this week.

In Southeast Asia, Shell Singapore's POSM unit has remained shut since early October following a fire incident. GC Oxirane has restarted from its maintenance shutdown on 10 April.

In South Korea, SKpic's POSM unit is currently operating at 90% of capacity. Meanwhile, the producer shut its HPPO unit at the end of March due to shortage of raw material. The plant is expected to resume production at the end of April.

Prices in the Asian PO market are expected to trend lower in the coming week. Anticipation of increasing market supply is expected to dampen buying confidence in the already oversupplied market. The overall demand from the downstream sectors has remained unchanged. Downstream producers are expected to continue replenishment activities. Meanwhile, there have been discussions of successful start-up of Wanhua's cumene-based PO plant in Yantai which is expected to lengthen PO supply in the coming weeks.

## Polyether Polyols

The polyether polyols market remained in a lull with offer prices witnessing a slight decline across the week. Sellers adjusted offer prices in line with the movement in upstream propylene oxide (PO) prices. Overall market momentum remained subdued although there was a slight improvement in trading activities in some areas. Driven by the softening trend in upstream raw material costs and for the purpose of disposing inventory early in the week, sellers adjusted their offers lower while most buyers continued to take a wait-and-see attitude, mainly consuming their on-hand inventory, and only replenished minimal stock on need basis. Sellers firmed up offers again by the end of the week, driven by the increase in PO prices. Overall supply was ample, and inventory remained at a comfortable and manageable level. Buying atmosphere remained calm in East China despite the sellers had dropped their offers.

The domestic offer prices for flexible polyols in East China started the week higher by RMB25 per mt to RMB9,100-9,300 per mt, but were unable to maintain the level and were adjusted lower to RMB9,000-9,200 per mt. The prices rebounded back to RMB9,000-9,300 per mt on a delivered basis by the end of the week, driven by the uptrend in upstream raw material costs. The market remained in a stalemate as buyers preferred to pursue orders at their desirable lower prices. In mainland China, the weekly average flexible polyols prices were at \$1,100-1,140 per mt FOB mainland China.

Rigid polyols market saw a similar momentum with prices dropping from RMB9,900-10,000 per mt to RMB9,800-9,900 per mt and rebounding back slightly to RMB9,850-9,900 per mt in East China toward end of the week. Trading activities also remained calm despite sellers adjusting offers lower. Most buyers continued to wait at sidelines and purchased minimal inventory. Sellers continued to fulfil contractual pending orders. The rigid polyols prices were at \$1,204-1,210 per mt FOB China. Meanwhile, the mainland China domestic prices were at the level of RMB9,800-9,900 per mt.

It is expected prices will likely remain soft amid lower upstream raw material costs and sufficient supply. Demand is anticipated to remain weak in the short term amid Labour Day holidays and low demand season.

## MDI Chain

### Benzene

Asian benzene prices were slightly weaker this week despite the ongoing strength of the energy market. Asian benzene market fundamentals remained similar with mixed sentiment. Supply has been reduced due to the steady gasoline market and reduced aromatics extraction by refiners, low cracker operations caused by ongoing unfavorable economics, and below full operation by PX-related production. Supply appears unlikely to rise substantially in the short term, particularly during the gasoline season and with scheduled maintenances. Demand has been relatively stable despite squeezed margins for most major derivatives as their operations have already been low for more than one year. Meanwhile, steady demand for exports to the United States continued while import demand from mainland China was subdued due to relatively lower domestic prices. As a result, benzene spot prices remained stable during the past couple of weeks with decent production economics. The weekly average benzene price decreased by \$9.6 per metric ton (mt) from last week to \$1,070.75 per mt FOB South Korea.

In mainland China, unexpected outages at two large units in mainland China continued to support the market, driving spot benzene prices to rise gradually during the week despite the greater volatility in the energy market. In addition, the price increase in the international market combined with heavy turnarounds encouraged speculative traders to take spot buying positions, and consequently spot trading activity increased compared with previous weeks. However, the sustained squeezed margins across major downstream derivatives have weighed on the market sentiment, which capped any further price increase. The weekly average prompt spot price was RMB8,807 per mt; import parity was at \$1,078 per mt CFR, which was up by \$5 per mt from the level seen last week. The import parity price became higher than the FOB South Korea price by \$7 per mt this week after remaining lower during the past week.

Naphtha prices were relatively stable this week. Meanwhile, the benzene to naphtha price spread declined to approximately \$368 per mt, down by \$5 per mt from the level seen last week. Benzene margins remained higher than the average spread of \$248 per mt seen in 2023.

### MDI

In Asia, the methylene diphenyl diisocyanate (MDI) market saw higher prices this week driven by heightened restocking activities. Producers were heard to limit supply allocations amid tight supply situation. The global MDI supply has continued to face constraints as a result of operational or supply disruptions in Europe and the United States. BorsodChem declared force majeure on its MDI unit in Hungary on March 28 due to unspecified technical issues. BASF has also limited MDI supply in the United States due to similar supply disruptions. However, despite these circumstances, Covestro reduced its PMDI listing price by RMB200 per metric ton to RMB16,400 per metric ton this week.

In mainland China, demand for refrigerators and freezers has held steady, buoyed by consistent demand from the export market. Similarly, there has been a persistent need for spray foam. However, demand for MMDI across various sectors has stayed subdued, mainly due to high inventory levels of finished products. Additionally, the TPU sector has continued to face weak demand, prompting producers to exercise caution in increasing operating rates due to shrinking profit margins. Meanwhile, demand from the spandex sector has shown minimal fluctuations. In the shoe sole production sector, producers are operating at 40-50% capacity due to limited profit margins. Demand from the synthetic leather sector has largely remained unchanged.

In Southeast Asia, market sentiment improved this week, boosted by tightening global MDI supply. This week, mainstream prices were at \$2,000-2,150 per mt CFR Southeast Asia, \$50 per mt higher than the previous week.

The weekly average PMDI price was RMB100 per mt higher at RMB15,800-16,800 per mt. Meanwhile, the MMDI prices were at RMB18,500-19,000 per mt, RMB200 per mt lower than the previous week.

On the supply side, Wanhua took its 400,000 mt per year capacity offline in Fujian on 4 March for maintenance. On 4 April, the producer announced the successful restart of the unit.

Outside of mainland China, Tosoh is planning to take its unit down for maintenance in early May.

Looking forward, MDI prices in mainland China are expected to maintain stability, potentially with minor upward adjustments. Producers are expected to push for higher prices amid increasing pressures of rising raw material costs. The ongoing escalation in raw material expenses is forecasted to further challenge producers' profit margins. As a result, producers are likely to continue restricting spot allocations. It is expected that demand from downstream sectors will continue to remain largely unchanged.



## TDI Chain

### Toluene

The weekly average toluene price in Asia is assessed at \$938 per mt FOB South Korea, down marginally by \$2 per mt from last week. The toluene spot price posting for the week is \$933-943 per mt FOB South Korea. The toluene to naphtha spread rose and averaged \$235 per mt this week. The weekly average toluene price in mainland China is assessed at RMB7,656 per mt, with an import parity of \$923 per mt CFR.

### TDI

This week, toluene diisocyanate (TDI) prices slipped despite news of producers limiting supply to distributors. A producer in the northern region was heard to have cut 35% of its market supply for the second half of April. A Shanghai producer also announced to limit supply, citing tight inventory availability. Nevertheless, buying activities have remained subdued so far in April. Buyers were holding back buying activities in anticipation of prices possibly reaching bottom in the near term. This week, Covestro announced its listing price at RMB16,600 per mt which is RMB400 per mt higher than its listing price in the previous announcement.

In mainland China, demand from the bedding and furniture sectors has remained stagnant, with minimal growth observed in recent periods. Meanwhile, the automotive sector has experienced a deceleration in growth, exhibiting slower expansion compared to previous periods. Despite this slowdown, the automotive industry continues to display resilience, albeit at a moderating pace.

The Southeast Asian market has remained subdued, seeing diminishing demand from downstream sectors. Prices in the Southeast Asian market were trading at \$1,970-2,050 per metric ton CFR Southeast Asia, unchanged from the preceding week.

In mainland China, domestic TDI prices were RMB100 per mt lower at RMB15,100-16,000 per mt delivered East China. Meanwhile, the average toluene prices in mainland China rose by RMB56 per mt to RMB7,656 per mt.

All other plants in mainland China are maintaining stable operations.

Outside of mainland China, Hanwha plans to take its TDI plant down for maintenance from 13 April.

In the upcoming week, TDI prices are expected to remain stable. Buyers are expected to remain cautious in restocking amid anticipation of potential price declines in the near term. Producers, driven by increased pressure from rising feedstock costs, are poised to enact price hikes. Consequently, purchasing actions are expected to decelerate as buyers navigate the price dynamics during negotiations with producers.



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