

Global Polyurethane Feedstocks

Asia Weekly Market Report

02 February 2024 | Issue 253

Price Table

| Spot Price Table | | | | | | | | | | |
|-------------------|-------------------|------------|-----------|--------|-----------|--------|-----------|--------|----------|--------|
| Product | Region of Sales | Unit Price | 11-Jan-24 | | 18-Jan-24 | | 25-Jan-24 | | 1-Feb-24 | |
| | | | Low | High | Low | High | Low | High | Low | High |
| PO/Polyols Chain | | | | | | | | | | |
| Propylene | CFR NEA | \$/mt | 820 | 860 | 830 | 860 | 830 | 860 | 850 | 890 |
| Propylene Oxide | CFR China | \$/mt | 1,090 | 1,100 | 1,090 | 1,100 | 1,090 | 1,110 | 1,090 | 1,110 |
| | Ex-Tank E.China | RMB/mt | 8,900 | 9,100 | 8,900 | 9,000 | 9,000 | 9,200 | 8,800 | 9,200 |
| | Delivered E.China | RMB/mt | 9,100 | 9,250 | 9,100 | 9,300 | 9,200 | 9,400 | 9,150 | 9,250 |
| Polyol (Flexible) | FOB China | \$/mt | 1,125 | 1,150 | 1,110 | 1,135 | 1,120 | 1,160 | 1,120 | 1,160 |
| | Delivered E.China | RMB/mt | 9,100 | 9,300 | 9,000 | 9,200 | 9,100 | 9,400 | 9,000 | 9,200 |
| Polyol (Rigid) | FOB China | \$/mt | 1,180 | 1,200 | 1,180 | 1,200 | 1,180 | 1,200 | 1,180 | 1,200 |
| | Delivered E.China | RMB/mt | 9,500 | 9,700 | 9,500 | 9,700 | 9,500 | 9,700 | 9,500 | 9,700 |
| MDI Chain | | | | | | | | | | |
| Benzene | FOB Korea | \$/mt | 907 | 913 | 937 | 944 | 965 | 972 | 997 | 1,004 |
| | Domestic China | RMB/mt | 7,380 | 7,424 | 7,662 | 7,726 | 7,952 | 8,007 | 8,106 | 8,194 |
| MDI (Monomeric) | Delivered E.China | RMB/mt | 19,500 | 20,000 | 19,700 | 20,200 | 19,700 | 20,200 | 19,700 | 20,200 |
| MDI (Polymeric) | Delivered E.China | RMB/mt | 15,200 | 15,700 | 15,200 | 15,700 | 15,400 | 16,000 | 15,600 | 16,100 |
| TDI Chain | | | | | | | | | | |
| Toluene | FOB Korea | \$/mt | 839 | 847 | 852 | 860 | 879 | 887 | 881 | 891 |
| | Domestic China | RMB/mt | 6,634 | 6,664 | 6,772 | 6,824 | 6,958 | 7,000 | 6,988 | 7,030 |
| TDI | Delivered E.China | RMB/mt | 16,400 | 16,900 | 16,300 | 16,800 | 16,300 | 17,000 | 16,300 | 17,000 |

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

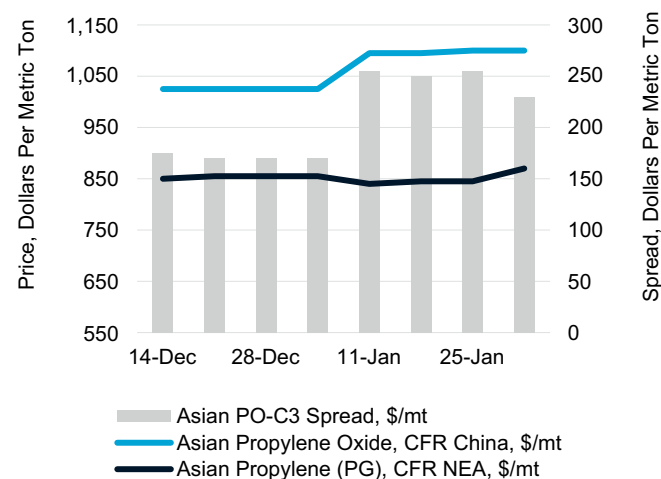
Source: Chemical Market Analytics by OPIS

Contacts

Wong See Yan • SeeYan.Wong@chemicalmarketanalytics.com, +65 6439 6013
Edward Chan • Edward.Chan@chemicalmarketanalytics.com, +852 9093 6763

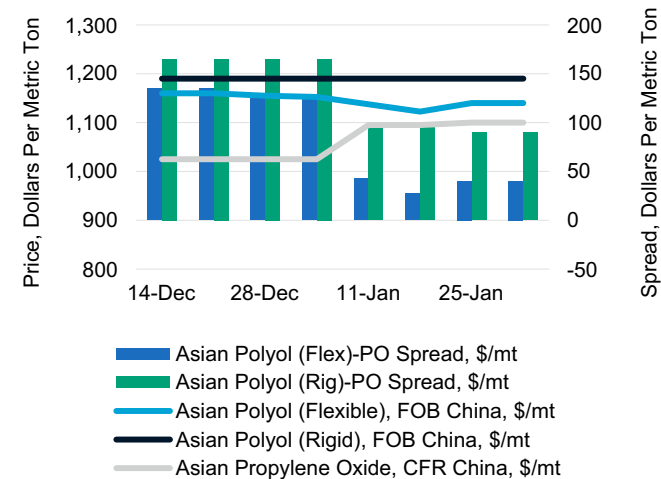
Graphical Summary

Asian PO vs Propylene



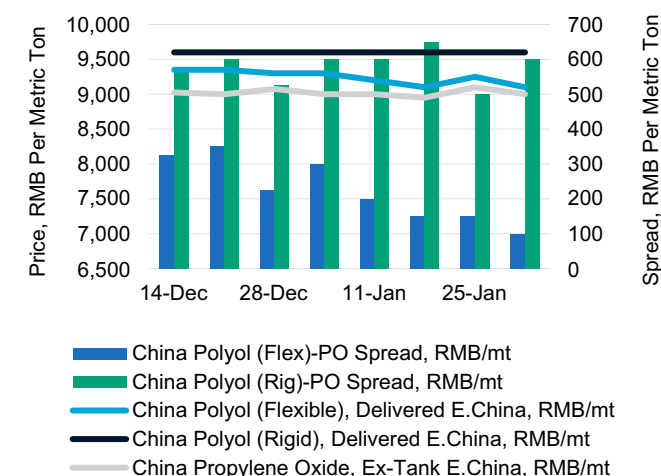
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Asian Polyol vs PO



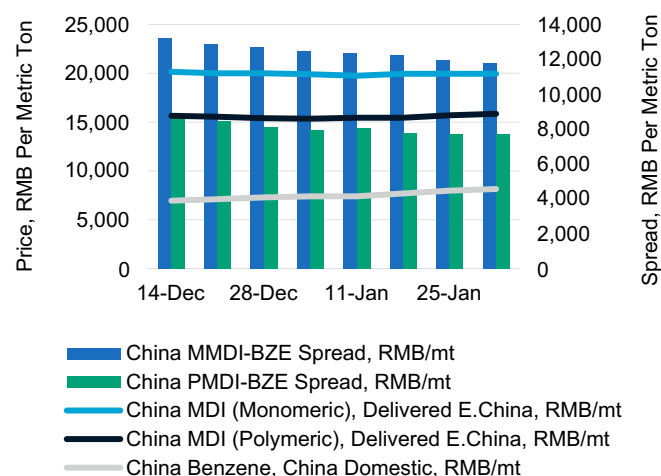
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China Polyol vs PO



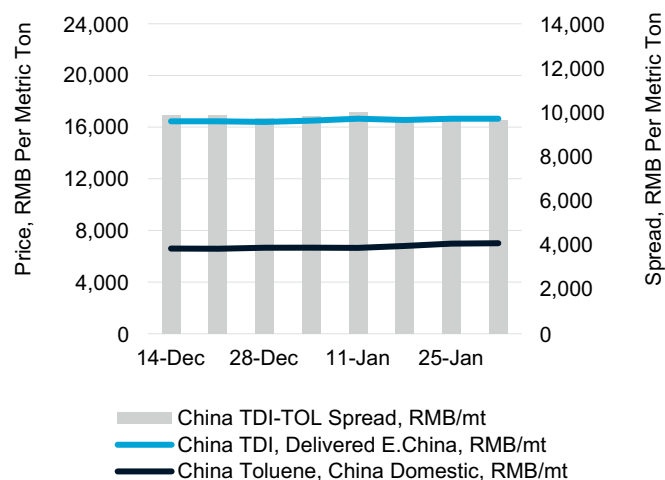
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China MDI vs Benzene



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China TDI vs Toluene



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PO/Polyols Chain

Propylene

In Northeast Asia, stable market sentiment prevailed in the spot propylene market amid the limited market activity in the region. The appetite for imported cargoes declined in mainland China with the recovering propylene production from PDH sectors. In addition, most restocking activity for the upcoming Lunar New Year holiday was completed, so buyers were in no rush to purchase amid unfavorable margins. Cargoes to Southeast Asia were limited despite the wide-open arbitrage window given the limited refrigerated cargo loading facilities and tight vessel situation in the region. Fixed-price buying ideas remained in the low to mid-\$800s per mt CFR Northeast Asia while selling ideas hovered at \$860 per mt CFR Northeast Asia.

Propylene Oxide

The Asian propylene oxide (PO) market continued its downward trajectory this week following tepid buying interests. Downstream producers have reduced operating rates as foam producers have shut ahead of the Lunar New Year holiday. Additionally, PO prices have been pulled lower by the softening raw material prices.

The largest PO consumer segment, polyether polyols, has encountered a moderate demand slowdown as certain producers have started to reduce operating rates in anticipation of the Lunar New Year holiday. Additionally, export demand has been sluggish, impacted by incidents in the Red Sea and a significant surge in freight costs. The propylene glycol (PG) market, the second-largest consumer segment of propylene oxide (PO), has witnessed a dip in demand, influenced by the enduringly weak demand in the Unsaturated Polyester Resin (UPR) sector. This week, the PG price in Northeast China was at RMB8,000-8,200 per mt, unchanged from last week.

This week, the average mainland China PO prices for ex-tank Shandong cargoes fell by RMB100 per mt to RMB8,800-9,200 per mt. The delivered East China prices also declined by a similar margin to RMB9,150-9,250 per mt.

The imported PO market remained tight following supply disruptions in Saudi Arabia. PetroRabigh, has temporarily shut its 92,000 b/d high olefins fluid catalytic cracker (HOFCC) unit for emergency maintenance at its 385,000 b/d Rabigh refinery since end December, following which the 200 kta PO plant has also been shut. Consequently, there will be no volume exported into Asia in January and February. Additionally, supply disruption in the United States has further impacted imports into the region. Due to limited supply, transactions for imported PO have been largely muted in Asia. The imported PO prices were at \$1,090-1,110 per mt CFR China, unchanged from the previous week.

The propylene market was mixed this week. In mainland China, prices in Shandong province were RMB150 per mt lower at RMB6,800-6,900 per mt. Southeast Asia prices were at \$950 - 1,100 per mt, \$30 per mt higher from last week. Propylene in Northeast Asia transacted unchanged at \$830 - 860 per mt.

Liquid chlorine prices were trading at RMB100 to 300 per mt this week, a decrease of RMB50 per mt from last week. The margin for Shandong chlorohydrin PO producers rose by 10% due to lower raw material prices.

It is worth noting that Jishen Chemical in mainland China remains shut, and the company has yet to announce any plans to restart operations. Jincheng Petrochemical shut its plant on 17 July and has no plans to restart it yet. Qixiang Tengda shut its HPPO plant on 10 December and is expected to resume operation in February, after the Lunar New Year.

In South China, Sinochem Quanzhou is currently operating at 90% operating rate. China Tianchen's startup has been delayed by at least six months following a fire incident.

In Jiangsu, Jiangsu Yida was shut from 10 June to early July last year due to a shortage of raw material, but has subsequently shut again, with an unknown resumption date. Nanjing Hongbaoli has been shut since 25 April 2022 for debottlenecking. The project is expected to be completed in 2024, adding 40 kt per year to the existing 120 kt per year PO capacity.

In Southeast Asia, Shell Singapore had a fire at its POSM unit on 10 October and has remained shut pending further assessment. GC Oxirane plans to shut down in February for 30 days maintenance. Dow is currently operating its HPPO plant in Thailand at an 80% operating rate.

In South Korea, SKpic is currently operating its POSM unit at 90%. The company is operating its HPPO unit at 60% operating rate for the whole month of January.

The Asian PO market is expected to stay rangebound as downstream sectors started to shut for the Lunar New Year. Additionally, export demand continues to be impacted by constraints in shipping space and containers availability. Following supply disruptions outside the Asian region, availability of imported PO is expected to tighten further.

Polyether Polyols

The polyether polyols market was slightly down this week in line with the decline in PO prices. Overall market momentum remained subdued this week as more and more market participants have halted their trading activities ahead of the long Lunar New Year holiday. Most buyers have completed their product offtake for the period in previous weeks.

Flexible polyols prices declined and low-priced offers were seen, amidst competition amongst suppliers. Prices saw a slight decrease week-on-week driven by lower upstream feedstock cost and competition amongst

existing and new suppliers. Overall supply was sufficient, and inventory remained at a manageable level. Demand turned weaker amid stoppage of restocking activities from buyers.

The domestic prices of the flexible polyols in East China slightly dropped from RMB9,100-9,400 per mt to RMB9,000-9,200 per mt on a delivered basis by the end of the week. Producers continued to lower offer prices this week to ease inventory pressure while less procurement orders were seen in the market. In the export market, the weekly average flexible polyols prices were at \$1,110-1,140 per mt FOB mainland China.

Rigid polyols market saw a similar momentum, prices were maintained at RMB9,700 per mt in East China and most trading activities halted amid the approaching long holiday. Demand turned weaker and most buyers preferred to take a wait-and-see stance. The rigid polyols prices were at \$1,180-1,200 per mt FOB China, unchanged compared to last week. Meanwhile, the mainland China domestic prices were unchanged at RMB9,500-9,700 per mt.

Looking forward, with more and more market participants stopping their trading activities amid long holidays in the coming two weeks, prices and demand are not expected to see any significant changes and overall market momentum will remain calm.

MDI Chain

Benzene

Asian benzene prices continued their uptrend on the back of firmer energy and naphtha prices. Stronger prices in the United States and increasing export opportunities also supported the market sentiment. There were concerns about narrowing margins for major derivatives due to the recent spike in benzene prices and the possibility of further production cuts. However, this could not change the short-term strong benzene price trend. The weekly average benzene price increased by \$32.4 per metric ton (mt) from last week to \$1,000.55 per mt FOB South Korea.

In mainland China, momentum remained bullish amid widespread expectations of declining commercial inventory and sustained steady consumption. Meanwhile, the bullish international market and short-covering activity provided support to the domestic market and boosted the market sentiment. The weekly average prompt spot price was RMB8,150 per mt; import parity was at \$996 per mt CFR, which was up by \$22 per mt from the level seen last week. The import parity price became lower than the FOB South Korea price by \$5 per mt this week.

Naphtha prices were stronger this week. Meanwhile, the benzene to naphtha price spread was firmer at approximately \$299 per mt, up by \$6 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 continued its upward trajectory driven by continued supply constraints from key producers. There were reports of a few producers in mainland China reducing their volume allocation to distributors, thereby amplifying the buying momentum. Purchasing activities were primarily aimed at building inventory ahead of the Lunar New Year, with the anticipation of further price increases. This week, producers unveiled both January settlement prices and February listing prices, which remained predominantly stable. Wanhua set the January settlement price for polymeric MDI (PMDI) at RMB15,800 per metric ton, mirroring the previous month, and established the February listing price at RMB18,000 per metric ton. BASF maintained a January settlement price of RMB15,800 per metric ton, consistent with the previous month, and set the February listing price at RMB19,000 per metric ton. Covestro, this week, announced its PMDI listing price at RMB15,600 per metric ton, maintaining parity with the previous week.

In mainland China, demand for refrigerators and freezers has been stable. The persistent weakness in the construction sector has led to a reduction in demand for spray foam and one-component foam (OCF). Moreover, the present weather conditions are unfavorable for outdoor projects. Similarly, there has been a notable absence of substantial growth in demand within the coatings and sealants sectors. Demand for MMDI from various sectors has declined as producers began to take their plants offline ahead of Lunar New Year holiday. Demand from the spandex sector has slowed down. Demand from the synthetic leather sector has mostly remained unchanged.

In Southeast Asia, market prices experienced a resurgence driven by heightened trading activities. Wanhua responded to escalating logistical challenges and growing exchange rate risks by declaring a \$250 per metric ton increase in PMDI prices for the Southeast Asia and South Asia markets. This marks the second consecutive price hike announcement, following BASF's announcement of a \$200 per metric ton increase in PMDI prices the previous week. This collective action has contributed to an upward push in prices. As of this week,

prevailing prices stand at \$1,850-1,950 per metric ton CFR in Southeast Asia, reflecting a \$75 per metric ton increase from the preceding week.

The weekly average PMDI price was RMB150 per mt higher at RMB15,600-16,100 per mt. Meanwhile, the MMDI prices were at RMB19,700-20,200 per mt, unchanged than the previous week.

On the supply side, Wanhua's Ningbo 800,000 mt per year facility that was shut on December 3, has restarted on 30 January. BASF Chongqing has restarted after its maintenance shutdown.

Outside of mainland China, all plants have resumed operations from scheduled turnarounds and are running stably.

Moving forward, the MDI prices in mainland China are expected to remain stable and high despite reduced trading activities ahead of the Lunar New Year holiday. Buying activities are likely to be muted. Meanwhile, producers are expected to restrict volume for spot allocations, thus keeping prices boosted. Demand from downstream sectors is expected to remain flat. Additionally, rising feedstock cost is expected to exert pressure on MDI prices.

TDI Chain

Toluene

The weekly average toluene price in Asia is assessed at \$886 per mt FOB South Korea, up marginally by \$3 per mt from the previous week. The toluene spot price posting for the week is \$881.1-890.5 per mt FOB South Korea. The toluene to naphtha spread narrowed to \$184 per mt this week. The weekly average toluene price in mainland China is assessed at RMB7,009 per mt, with an import parity of \$844 per mt CFR.

TDI

The toluene diisocyanate (TDI) market remained largely subdued as buyers refrained from participating. Downstream sectors mostly halted production to allow workers to return to their hometowns. Trading activities were restricted as foam producers temporarily shut down their plants for the extended Lunar New Year holiday. Nonetheless, producers announced January settlement prices and February listing prices this week. Wanhua declared a January settlement price of RMB16,500 per metric ton, consistent with the previous month, but postponed the announcement of February's listing price. BASF disclosed a January settlement price of RMB16,900 per metric ton, an increase of RMB200 per metric ton from the previous month, along with a February listing price of RMB19,000 per metric ton. Covestro, this week, revealed its weekly price at RMB16,800 per metric ton, reflecting a decrease of RMB400 per metric ton compared to last week.

In mainland China, transactions have been stable as buyers replenished based on need-to basis. Demand from the bedding and furniture sectors remained flat while demand from the automotive sector remained steady.

In the Southeast Asia market, purchasing enthusiasm surged after Wanhua declared a \$300 per metric ton increase. Buyers responded to the elevated price offers, anticipating further price hikes in mid-February. This week, prices in Southeast Asia were transacting at \$1,950-2,050 per metric ton CFR Southeast Asia, marking a \$175 per metric ton increase from the preceding week.

Mainland China domestic TDI prices were unchanged at RMB16,300-17,000 per mt delivered East China. Meanwhile, the average mainland China toluene prices rose by RMB30 per mt to RMB7,009 per mt.

On the supply side, all plants in mainland China are operating stably. Outside of mainland China, all plants have resumed operations. Gansu Yinguang is operating its TDI unit at reduced rate due to reduced chlorine supply. The company lowered the operating rate of its chlor-alkali unit due to a slow caustic soda demand.

In the coming week, TDI prices are expected to remain rangebound as buyers stay out of the market. The market is expected to remain stable to high before the Lunar New Year holiday. Traders and distributors are expected to keep price offers on the higher end as they are under no inventory pressure. Supply is expected to remain stable with no new turnarounds announced.

Chemical Market Analytics Customer Service

support@chemicalmarketanalytics.com

North America: +1 888.301.2645 (toll-free within the US)

International: +1 301.284.2000

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