

price
know-how

April 2013

Falling oil prices continue to exert downward pressure on polymer feedstocks.

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Welcome to price know-how

A monthly publication looking at key factors that affects UK polymer markets.

The concept of a user friendly market report came from feedback about an article published in PRW (Plastics & Rubber Weekly) about the 2011 market outlook to which Plastribution made a significant contribution.

Whilst some price surveys currently exist they are often difficult to interpret, use foreign currencies, and differing units of measure. Price Know-how aims to be relevant by providing an overview, material group specific reports and more general economic information including exchange rates and GDP growth.

To keep things relevant the report is in £ Sterling with tonnes as the common unit of measure.

The objective of the report is to form the basis of discussion about issues such as pricing and availability and so be a basis on which to consider purchasing strategies.

It is also believed that the report will support customers in explaining polymer price trends to their own customers, employees and shareholders.

As always we would welcome your feedback, and as ever your sales team is available to discuss your specific requirements.

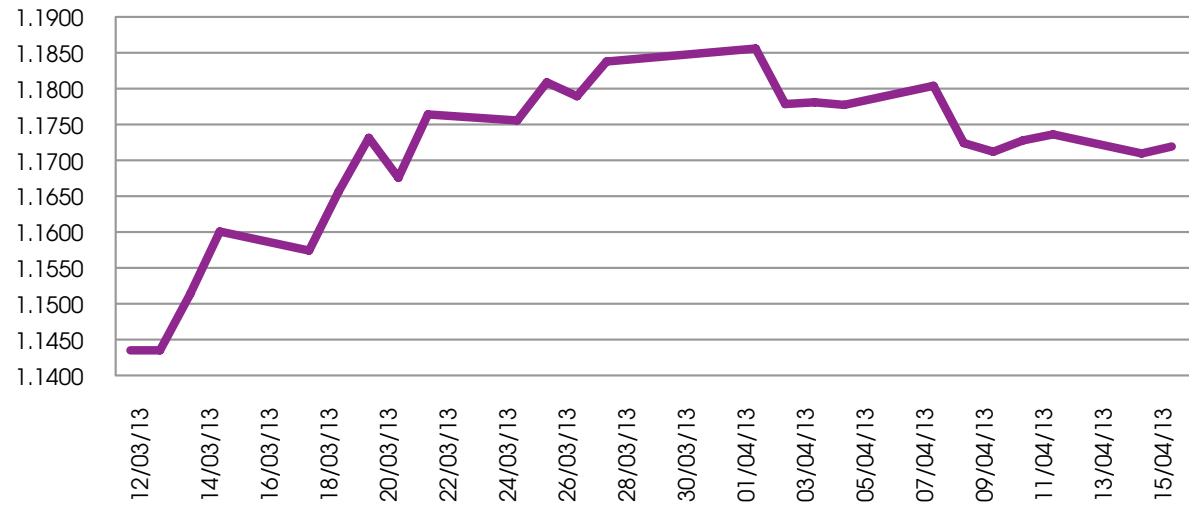
The Plastribution Team

Falling oil prices continue to exert downward pressure on polymer feedstocks.

Whilst the rally of Sterling against the Euro ran out of steam by the beginning of April, the erosion of oil prices is a factor of much greater significance. Not only has the Sterling cost of Brent Crude fallen by more than 15% in less than two months, but for the first time since July 2012 the price has fallen below \$100 per barrel.

Normally in price know-how prices are stated as £ per tonne, but in the oil sectors the terms of reference are, of course, \$ per barrel, and \$100 is an important threshold. Typically prices will bounce back, as they did in mid-July 2007. Many players still predict that on average prices will remain above \$100 in 2013.

GBP vs Euro



Falling oil prices continue to exert downward pressure on polymer feedstocks.

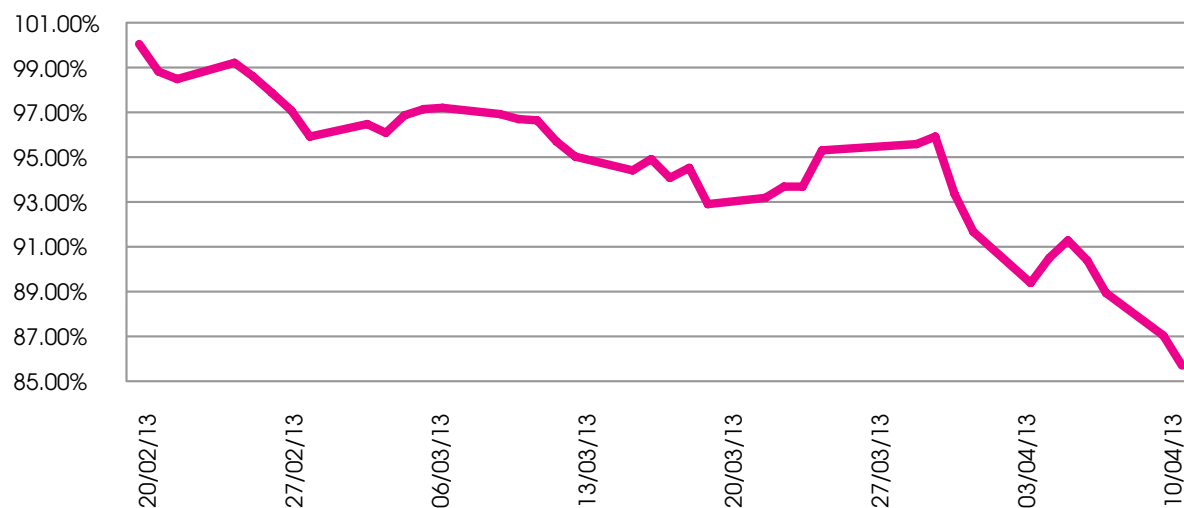
A reduction in monomer feedstocks took place at the beginning of April (see table below) and it is likely that this will take place again at the beginning of May. This deflation in raw material (and energy costs) will exert further downward pressure on polymer prices.

Monomer Prices (£ GBP per tonne)

Data provided by PIE www.pieweb.com

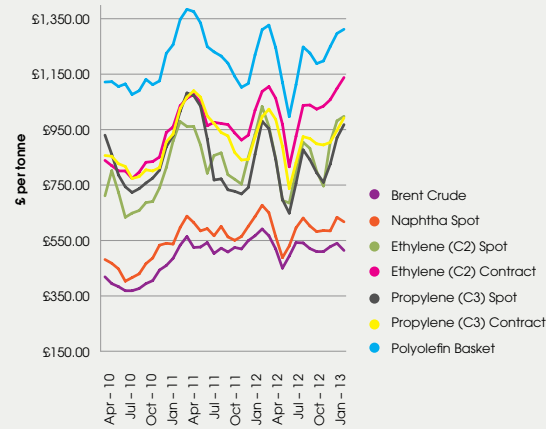
Feedstock	Change (Contract)
C2 (Ethylene)	-£51.62
C3 (Propylene)	-£43.01
Styrene	-£55.06
Benzene	-£53.34
Brent Crude	-£27.00

Brent Crude Price Index (Currency Adjusted)



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Polyolefins

Data provided by PIE
www.pieweb.com



➔ Supply
➔ Demand

LDPE

Producers are attempting to hold on to some of the reduction in ethylene costs to recoup margin lost in March when feedstock increases were not fully passed on. However, demand remains flat, meaning that buyers are in a strong position to negotiate.

Reduced production rates, reflecting weak demand, mean that timing issues are affecting availability of certain grades.

➔ Supply
➔ Demand

LLDPE

As with LDPE, producers are attempting to minimise the extent of price reductions but face stiff resistance from customers. Some supply restrictions are in place, particularly from Middle Eastern suppliers.

Powder and injection grades seem tight. Demand remains flat.

➔ Supply
➔ Demand

HDPE

The HDPE market is split dependent on application sector. Whilst producers would like to hold on to some of the feedstock reduction to return margins to acceptable levels, excessive supply of Blow Moulding grades mean that customers are in a strong negotiating position.

Availability of Injection moulding grades is more balanced, although there are availability issues on some grades. Here prices are firmer.

➔ Supply
➔ Demand

PP

The situation on PP is mixed and is dependent on the availability situation at individual suppliers. Producer cut-backs in response to low customer demand and weak pricing mean that inventory levels at some producers are low with delays on availability of certain grades. These producers are taking a firmer pricing position and wish to pass on only part of the Propylene feedstock reduction. Other producers have excess inventory and must be more flexible on pricing. Demand remains flat.

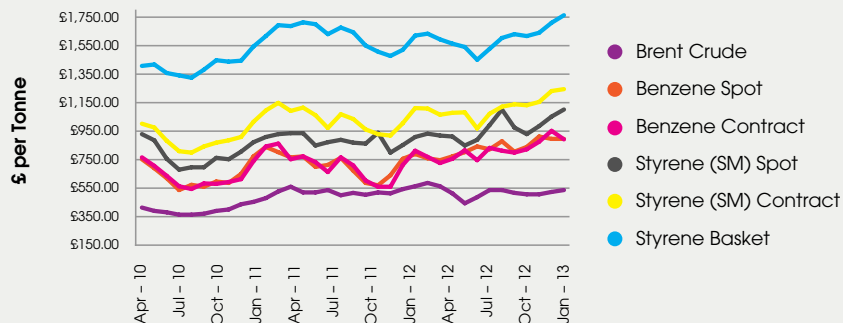
Other Polyolefins

The market situation for other Polyolefins is as reported above for PE and PP.

Reductions are likely as a result of falling feedstock costs, although producers will attempt to minimise the reductions to recoup margin lost in March.

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Styrenics

Data provided by PIE
www.pieweb.com



➔ Supply
➔ Demand

PS

A small price increase for March was implemented off the back of monomer increases.

Demand for April remains flat and coupled with the reduction in styrene monomer pricing, producers passed on the full decrease.

Buyers have been reluctant to buy forwards in the hope of further softening going into May.

➔ Supply
➔ Demand

ABS

March pricing remained static with the small increases in feedstocks difficult to pass on.

ABS prices look to weaken slightly in April in response to lower feedstock costs, and, in the case of far eastern imports, offsetting the exchange deficit.

➔ Supply
➔ Demand

PC/ABS

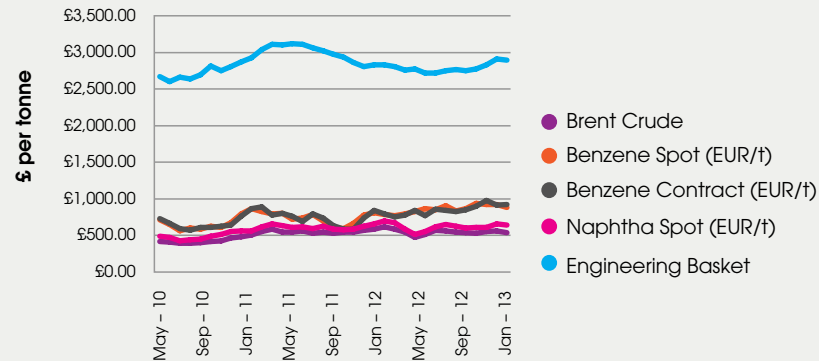
Many of the European automotive producers are reporting strong demand, and this coupled with likely increases for PC prices is likely to result in increasing costs for processors.

Other Styrenics

SAN and specialities such as ASA and SMMA continue to follow the price trend of styrene monomers.

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➔ Supply
➔ Demand

PA6

Producers have called for price increases in April and Q2, citing the continued high cost level of Benzene as the reason.

Demand is reasonable (although not as high as this time last year) and should see a good level of plant utilisation, which will help their demands.

The outlook further into Q2 is for additional increases.

➔ Supply
➔ Demand

PA66

The situation on PA66 is similar to PA6, with producers on the attack in April to force through increases.

Demand across the board is increasing, particularly in the automotive market, and this will aid their cause, although it remains to be seen how successful the producers will be.

➔ Supply
➔ Demand

POM

Demand for POM is normal, but there is still a lot of material coming into Europe from the Far East, which means that prices are being held back.

This is despite the continuing rise in methanol costs. Only once demand picks up will producers be able to think about increasing prices.

➔ Supply
➔ Demand

PC

Due to flat demand, PC producers only succeeded in forcing through a small percentage of the large increases they were demanding. However, they are still calling for further substantial price rises.

Continued plant outages may result in a tightening of availability, which may help the producers to achieve their goals and restore margins.

➔ Supply
➔ Demand

PMMA

Due to strong demand and cost increases for raw materials, producers have called for substantial price rises.

It is fully expected that these increases will be forced through as demand is forecast to rise still further.

➔ Supply
➔ Demand

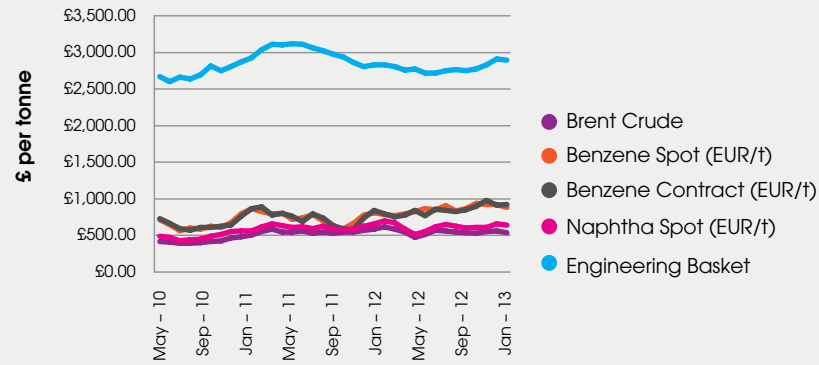
PBT/PET

Producers are keen to increase prices due to higher feedstock costs, although this has failed to happen up to now due to flat demand.

However, orders from the building industry and the automotive E&E markets are increasing, which may mean producers now have a better chance of success.

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- ➔ Supply
- ➔ Demand

PPS

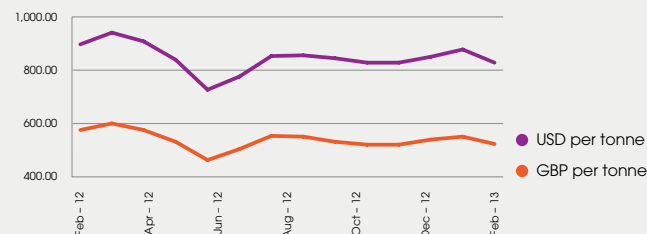
Demand and pricing remain unchanged; there is a very balanced situation here.

Other Engineering Polymers

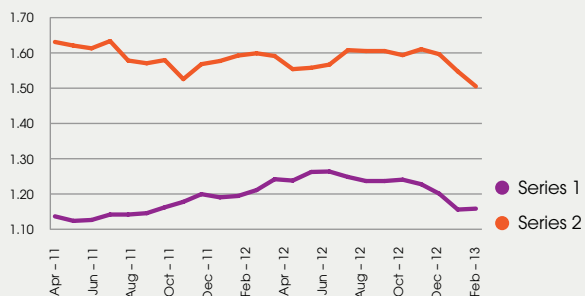
Any increase in feedstock costs will create upward pressure on prices. A number of producers are seeking to implement price increases to restore margins.

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Fundamentals

2012 Brent Crude Oil Price per tonne



Exchange Rates



UK Economic Data

Topic	Item	Date	%	Trend
GDP	Real GDP (Q on Q)	Q4 2012	0.6	↻
GDP	Real GDP (Y on Y)	Q4 2012	2.0	↻
UK Output	Manufacturing (M on M)	Dec	-1.9	↘
UK Output	Manufacturing (Y on Y)	Dec	-2.3	↘
Sales	New Car Registrations (Y on Y)	Mar	7.4	↘
Sales	Retail Sales (M on M)	Feb	2.0	↗
Labour	Unemployment Rate	Jan	7.8	↔
Prices	CPI (Y on Y)	Jan	2.8	↻
Prices	RPI (Y on Y)	Jan	3.2	↘
Interest Rate	Bank of England Base Rate	Apr	0.5	↔

As outlined in the introduction, oil prices have come under strong downward pressure following a long period of stability. In fact, many would argue that oil prices have remained stubbornly high, defying general economic pressures and undermining recovery.

The Sterling/Euro exchange rate is a key factor in determining polymer prices, since most materials are Euro denominated. At current price levels, each Euro Cent change in price represents a £10 per tonne impact on our polyolefins materials basket.

The Sterling/USD exchange rate tends to be more influential on the price of ABS, PC and POM.

Significant imports from Asia and weakness of the Euro is placing pressure on raw material imports such as crude oil into the Eurozone, and is making sales to Asia look relatively more attractive.

Whilst a weak Sterling increases competitiveness of exports from the UK, it also causes inflation on imported goods, including plastic raw materials. Sterling has recently strengthened against the Dollar and weakened against the Euro.

At the same time, the Euro has strengthened significantly against the Dollar. Given that both crude oil and feedstocks are priced in Dollars, this is deflationary pressure is helping to mitigate the effects of rising oil prices.

Methodology

This report is produced based upon the following fundamentals: -

- EURO based pricing for feedstock and polymer pricing
- Conversion of Euro and USD based prices at prevailing exchange rates
- Product baskets weighted according to UK consumption

Acknowledgements

We would like to thank the following organisations for their support in producing this report: -



PIE (Plastics Information Europe) www.pieweb.com

HM Treasury www.hm-treasury.gov.uk

Disclaimers

The information provided in this report are based upon data available from both external and internal sources, and whilst care is exercised in producing this report we give no guarantee of accuracy.

Furthermore we accept no liability for purchasing decisions based upon the information provided as the petrochemical market is complex and volatile.

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