

price
know-how

May 2013

Has there been an over-correction in feedstock (and polymer) prices and is Benzene leading the way to recovery?

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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

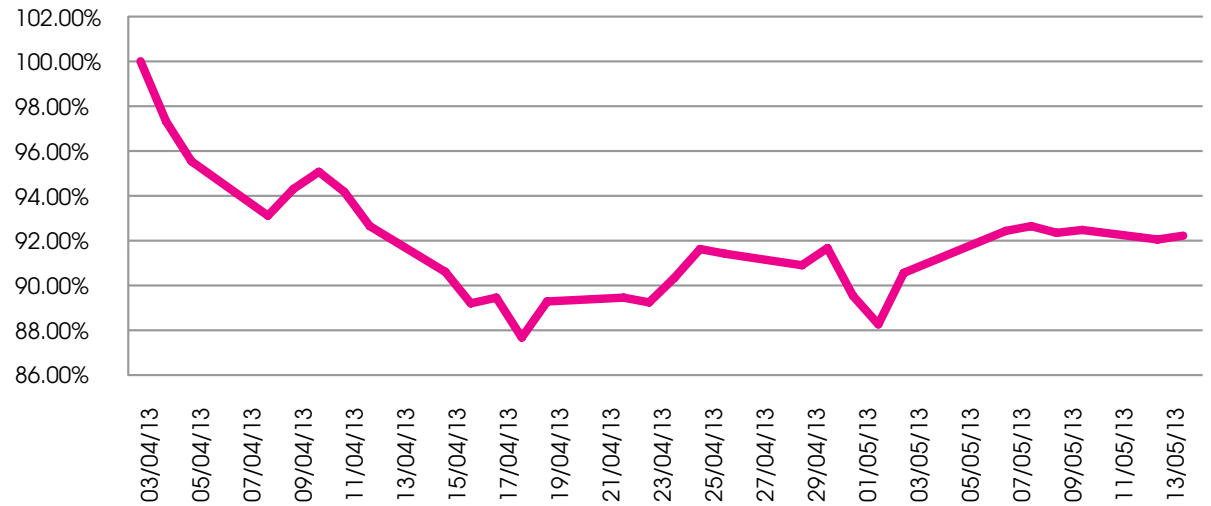
Has there been an over-correction in feedstock (and polymer) prices and is Benzene leading the way to recovery?

The combination of the crude oil market stabilising and the recent increase in contract Benzene prices have apparently served as a stimulus to increase polymer-buying activity.

At the time of writing this report, many suppliers have responded to a surge in demand by either prematurely closing order books, or implementing mid-month price increases. To what extent these factors have coincided with processors needing to return to the market in order to replenish depleted inventories is unclear.

Of course, now the speculation will turn to how long a price uptrend is sustainable, and here account should be taken of producers having relatively low inventories and the operation of polymer plants at low output rates.

Brent Crude Price Index (Currency Adjusted)



Has there been an over-correction in feedstock (and polymer) prices and is Benzene leading the way to recovery?

Certainly the scene is set for June, when it is anticipated that the current mid-month price increases will be followed through with an additional increase that most likely will be substantiated by C2 and C3 monomer price increases.

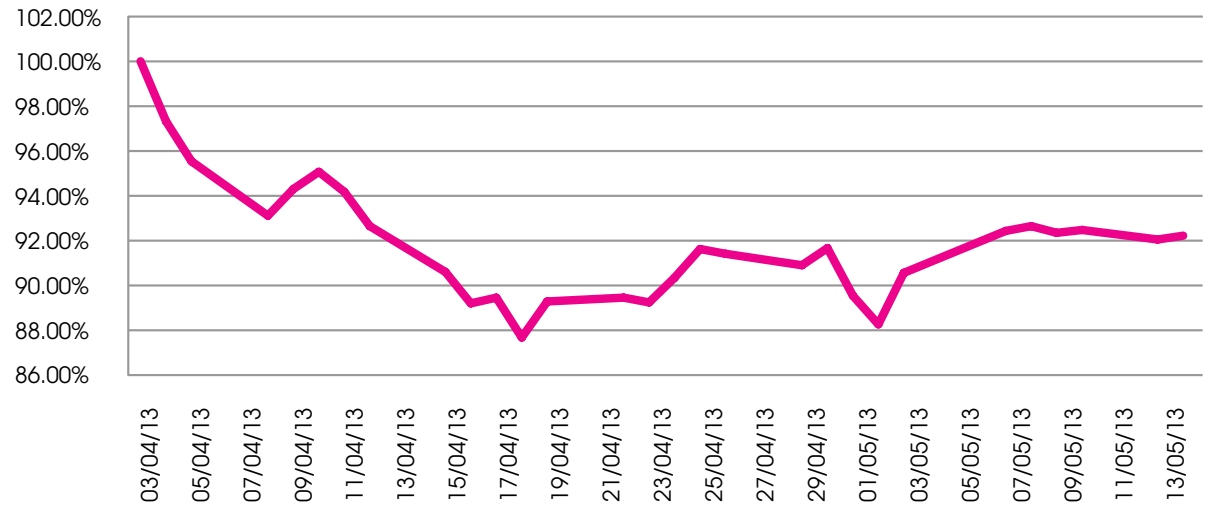
As is noted below, increased benzene costs have implications for Styrenic and many Engineering Polymers, and it is certain that producers of these plastics will also wish to recover diminished margins.

Monomer Prices (£ GBP per tonne)

Data provided by PIE www.pieweb.com

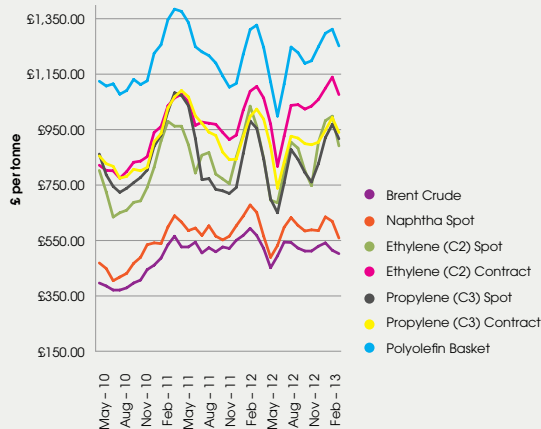
Feedstock	Change (Contract)
C2 (Ethylene)	-£85.09
C3 (Propylene)	-£68.07
Styrene	-£9.36
Benzene	£54.46
Brent Crude	-£27.00

Brent Crude Price Index (Currency Adjusted)



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Polyolefins

Data provided by PIE
www.pieweb.com



Supply
Demand

LDPE

The reduction in feedstock initially led to price reductions. However, it appears that this trend has reversed and price increases are now likely.

Availability seems tight, particularly on film grades.

Although demand appears strong, this is more likely as a result of attempts to pre-buy than of underlying demand levels.

Supply
Demand

LLDPE

As with LDPE, feedstock reductions were largely passed on, although some producers attempted to pass on only partial reductions and improve margins.

Availability of film grades tightened during the month. Powder and injection grades continued to be tight.

The outlook is for price increases due to rising feedstock costs.

Supply
Demand

HDPE

Feedstock reductions were passed on at the start of the month in varying degrees dependent on the manufacturer.

However, increases now look likely based on increasing feedstock costs. This may cause a surge in demand, although underlying demand levels remain flat.

Availability of some injection moulding grades is tight.

Supply
Demand

PP

Feedstock reductions were passed on in varying degrees, depending on the commercial situation at individual suppliers. Delays remain on certain grades as a result of cutbacks in production levels.

Other producers have excess inventory and are more flexible on pricing.

The anticipation of rising prices next month has caused a temporary upsurge in demand

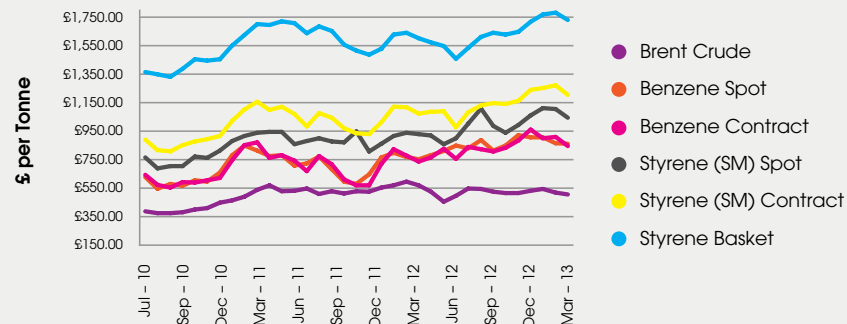
Other Polyolefins

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 price increases are anticipated for June.

price know-how Styrenics

Data provided by PIE
www.pieweb.com



Supply Demand

PS

Although there was a reasonable decrease in polystyrene prices in April, demand was lack lustre. Despite monomer plant outages, availability remained unchanged with customers still holding out for a further reduction in May.

However, due to an 11th hour rally of the price of benzene, styrene monomer pricing was little changed and polystyrene pricing rolled over.

Supply Demand

ABS

April pricing eased somewhat due to softening feedstock pricing. Demand remains reasonable and availability good and this trend is expected to carry on into May.

The Pound has rallied against the Dollar, which will further help with pricing from Far Eastern sources.

Supply Demand

PC/ABS

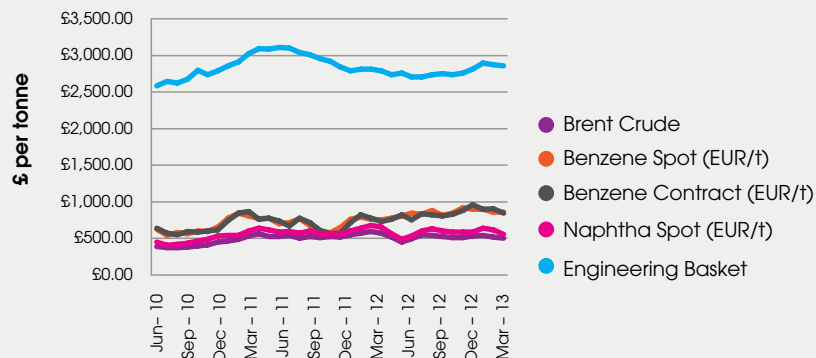
Many of the European automotive producers are reporting strong demand, and this, coupled with likely increases for PC prices, is likely to result in increasing costs for processors.

Other Styrenics

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

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**Engineering
Polymers**

Data provided by PIE
www.pieweb.com



Supply
Demand

PA6

With the recent reversal of the benzene price drop, this is likely to increase the pressure on caprolactam pricing and hence PA6 compounds.

However, with demand flat and holidays in May, it is still uncertain if increases will be successful.

Supply
Demand

PA66

The situation on PA66 is broadly similar to PA6, with the higher benzene pricing likely to filter through to cyclohexane and adipic acid, along with the on-going allocation of the latter.

It is more likely that producers will push hard for price increases for PA66 as opposed to PA6, particularly as demand in the automotive market remains strong.

Supply
Demand

POM

Demand for POM is increasing due to some major converters now having to place new orders, as stocks generally have reduced.

This will more than likely cause a short term demand increase for May, coupled with reduced availability due to maintenance shutdowns. The most likely outcome will be a rollover of prices though.

Supply
Demand

PC

Following the slight reduction in benzene pricing in April, it has now increased again, strengthening producers' calls for price increases, particularly as there is reduced production of BPA in Europe.

However, this has to be offset against lower demand, as holidays in Europe in May will have an effect and there is still an oversupply situation.

Supply
Demand

PMMA

Demand is most likely to remain very strong, although some customers did buy more stock to try and beat the recent price rises.

However, due to the strong on-going requirements from the automotive and extrusion markets, further price rises cannot be ruled out. However, it is likely that prices will be dominated by rollover.

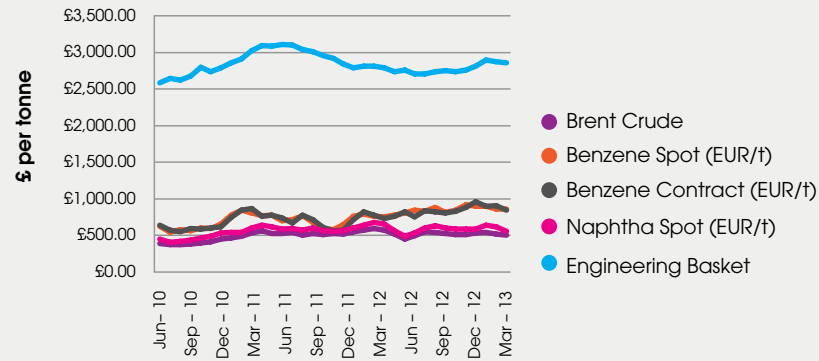
Supply
Demand

PBT/PET

With a flat market and little movement on raw material pricing, it is almost inevitable that prices will rollover in May.

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- ➔ Supply
- ➔ Demand

PPS

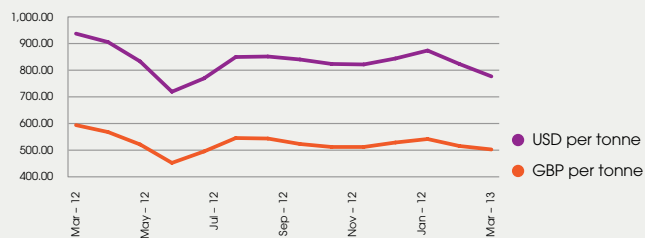
Demand and pricing remain unchanged; there is a very balanced situation here.

Other Engineering Polymers

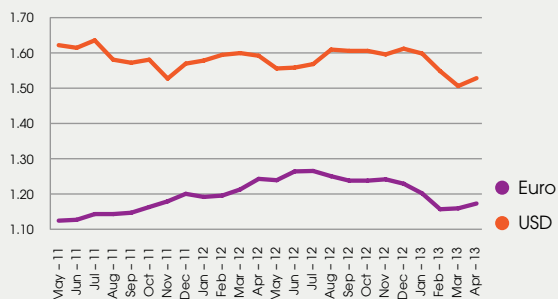
The situation for most other polymers remains flat, with little change on either pricing or availability.

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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)	Jan	-1.9	↘
UK Output	Manufacturing (Y on Y)	Jan	-2.3	↘
Sales	New Car Registrations (Y on Y)	Mar	8.3	↻
Sales	Retail Sales (M on M)	Mar	-0.7	↘
Labour	Unemployment Rate	Jan	7.9	↻
Prices	CPI (Y on Y)	Jan	2.8	↔
Prices	RPI (Y on Y)	Jan	3.3	↻
Interest Rate	Bank of England Base Rate	May	0.5	↔

The fall in oil prices has so far been short-lived. Geo-political tensions, particularly in the Middle East, are currently causing concern about the security of oil supply, and this is helping to maintain Brent Crude prices above the physiologically important \$100 per barrel threshold.

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.

Sterling remains relatively weak against both the Euro and the USD, which makes UK manufacturing more competitive, but also places inflationary pressure on raw materials, which tend to be Euro and Dollar denominated.

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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