

price
know-how

October 2012

Polymer prices continue to react to both feedstock price volatility and market sentiments.

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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.

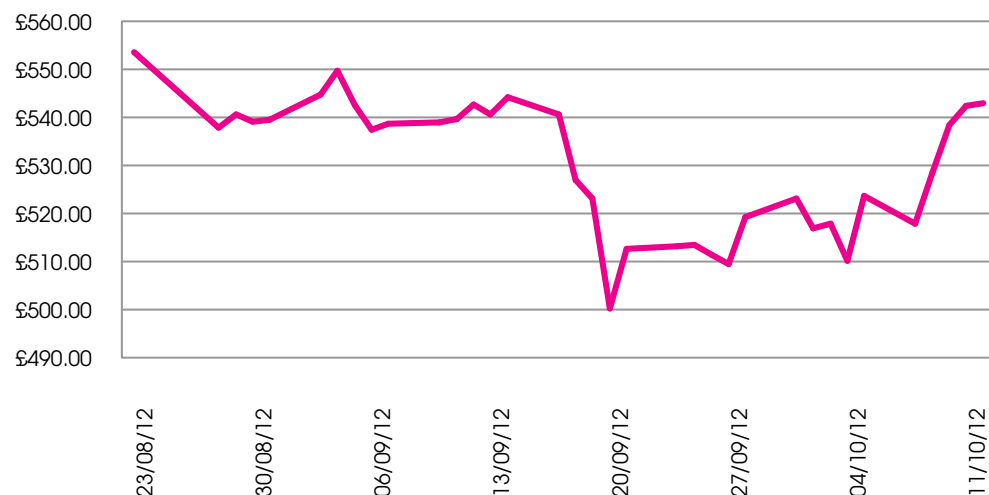
It is also believed that the report will support customers in explaining polymer price trends to their own customers, employees and shareholders.

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

The Plastribution Team

Polymer prices continue to react to both feedstock price volatility and market sentiments.

Brent Crude £ per Tonne



Monomer Prices (£ GBP per tonne)

Data provided by PIE www.pieweb.com

Feedstock	Change (Contract)
C2 (Ethylene)	-£7.99
C3 (Propylene)	-£15.97
Styrene	£0.00
Benzene	-£22.36
Brent Crude	-£1.63

As can be seen in the table above monomer costs have either rolled over or fallen at the beginning of October. In the case of polyolefins this indicator coupled with weak demand has led to prices concessions of greater magnitude that simply passing through the cost saving.

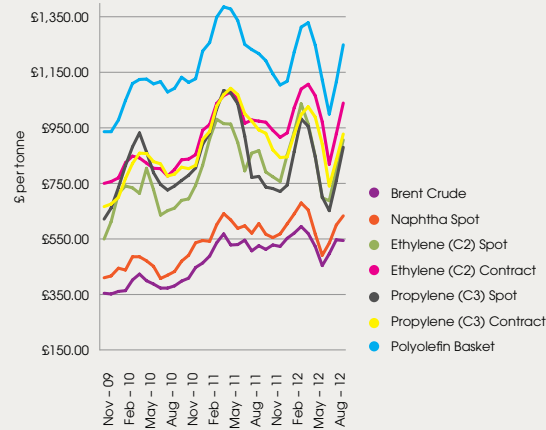
However in the case of other polymers many are producers are still trying to recover the margin lost to feedstock cost increases that occurred in August and September. Where things go from here is far from clear, and whilst price increases are often a rarity as we approach the year-end, it is notable that in the last few days crude oil prices have rallied by over £20 per tonne and this, if sustained, will create upward pressure to increase monomer prices at the beginning of November.

Some may say that Q4 prices are seldom increased, as producers look to 'optimize inventory' for the low demand in December, others of course will refer to the extreme volatility and the unprecedented events that took place in July.

The situation on shipments from the Middle East remains a matter of serious concern. Not only are the ports struggle to handle the increasing cargo volumes during normal times, but the occurrence of a number of key religious festivals is resulting in reduced productivity and even more port congestion, and some vessels are simply not stopping to collect cargo in order to avoid lengthy delays. So far the impact on supply has largely been mitigated by a combination of low demand and local inventories, but the situation may soon become unsustainable.

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Polyolefins

Data provided by PIE
www.pieweb.com



➔ Supply
➔ Demand

LDPE

The slow down in demand at the end of September has meant that supply and demand has become quite balanced, and whilst some grades are tighter than others converters are able to fulfil.

➔ Supply
➔ Demand

LLDPE

Whilst shipments from the Middle East have slowed due to issues with port congestion, so far availability has not been affected as local stocks have coped with the fairly lacklustre demand.

➔ Supply
➔ Demand

HDPE

A combination of European plant outages and delayed shipments from the Middle East have resulted in some grades from certain suppliers becoming quite tight.

However due to a combination of slow demand from converters and the option to source alternative grades there are no serious issues affecting availability.

➔ Supply
➔ Demand

PP

The PP market going forward looks quite settled, and availability across the whole grade range is easily meeting demand.

PP has a stronger reliance on consumer durables than PE and as such is more reflective of challenging global economic conditions.

Other Polyolefins

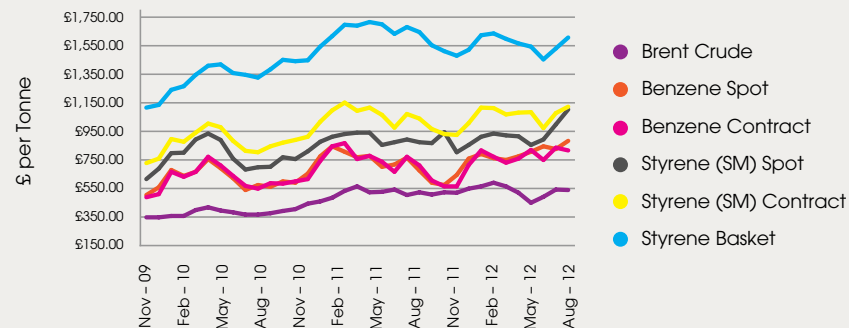
EVA prices have recently increased on the back of significant VA (Vinyl Acetate) and Ethylene (E) price increase.

mPE producers will continue to promote the advantage of the higher performance of these grades to offset increases through down-gauging and increased operating rates.

Plastomers continue to follow the monomer price trend.

price know-how Styrenics

Data provided by PIE
www.pieweb.com



Supply Demand

PS

In the PS market producers are continue to achieve a good supply / demand balance and hence the application of a small price increase for October.

This is helping producers to manage volatility of benzene prices, which is a significant feedstock for the production of styrene monomer. This coupled with the effects of further polystyrene capacity rationalization in Europe is likely to put the producers in the driving seat over the coming weeks.

Supply Demand

ABS

The prices increases announced by producers were successfully implemented.

The need for further increases has been negated by the rollover on styrene monomer costs and a slight reduction in acrylonitrile and butadiene costs.

Supply Demand

PC/ABS

Following recent forecasts from the large European automotive OEMs it now looks as if demand in the coming months is likely to dip significantly, and as other markets remain quiet it looks as if lead times will reduce and with that downward price pressure.

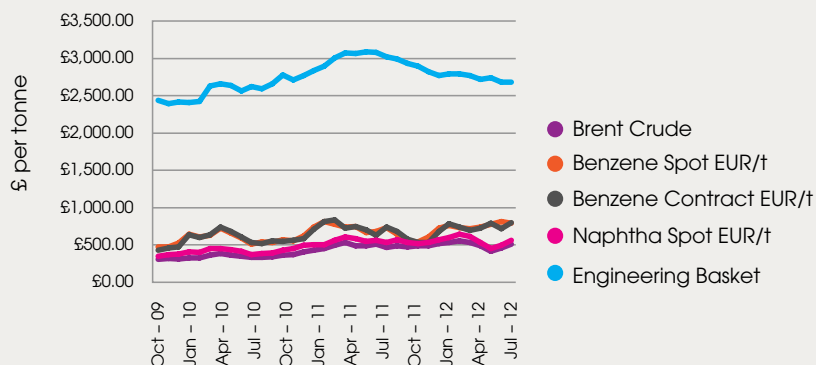
Other Styrenics

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

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Engineering Polymers

Data provided by PIE
www.pieweb.com



➔ Supply
➔ Demand

PA6

The market for PA6 looks quite challenging. The reduction in demand from the automotive sector is likely to eliminate the possibility of price increases, and the recent reduction in benzene cost reduces the strength of recovering costs as a justification.

↻ Supply
➔ Demand

PA66

Whilst there remains a very strong desire to implement a significant price increase to recover earlier increases in feedstock, this is a tough challenge in a market where demand is quite already quite weak, and will be further impacted by any reduction in vehicle manufacturing.

➔ Supply
↘ Demand

POM

The market remains in balance. Plans for price increases have been shelved for the time being, and look unlikely to reappear in the foreseeable future.

Imports from Asia into Europe remain at quite a low level despite significant strengthening of the Euro against the USD.

➔ Supply
➔ Demand

PC

The market still appears to be well balanced, and producers are working hard in an attempt to match output with demand.

The fall in benzene prices gives some relief to the tight margins affecting PC producers. Supply from Asia remains quite limited.

➔ Supply
➔ Demand

PMMA

Following the recent PMMA price increases polymer producers now have to live with increased feedstock costs.

However further weakening demand in the automotive sector is likely to keep prices in check for the time being.

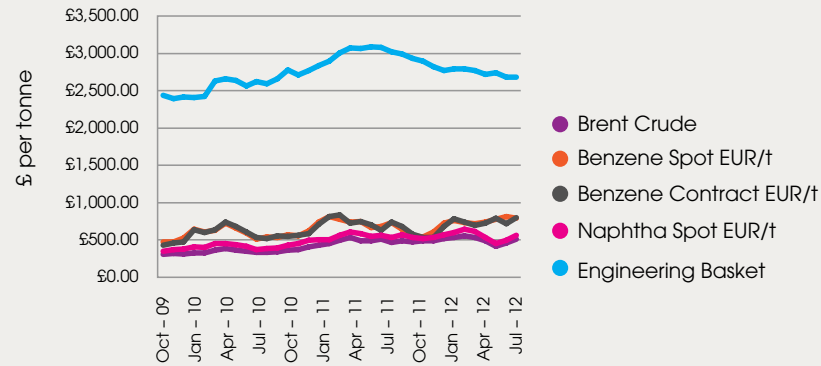
↻ Supply
↘ Demand

PBT/PET

Despite some feedstock cost pressure, the price situation for PBT and PET compounds continues to look quite as producers are forced to remain competitive in order to secure sufficient volume.

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**Engineering
Polymers**

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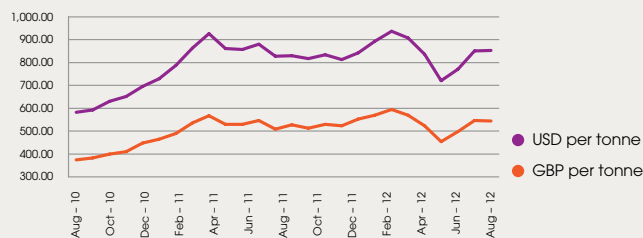
- ➔ Supply
- ➔ Demand

PPS
The situation on
remains stable.

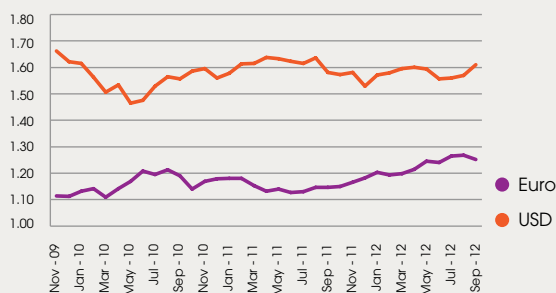
Other Engineering Polymers
The increase in feedstock costs will create upward
pressure on prices, and increases are either in progress or
will be implemented in the coming months.

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Fundamentals

Brent Crude Oil Price per tonne



Exchange Rates



UK Economic Data

Topic	Item	Date	%	Trend
GDP	Real GDP (Q on Q)	Q2 2012	-1.6	↘
GDP	Real GDP (Y on Y)	Q2 2012	1.9	↘
UK Output	Manufacturing (M on M)	June	-2.9	↘
UK Output	Manufacturing (Y on Y)	June	-2.2	↘
Sales	New Car Registrations (Y on Y)	Sep	7.5	↗
Sales	Retail Sales (M on M)	Aug	-0.2	↘
Labour	Unemployment Rate	July	8.1	↗
Prices	CPI (Y on Y)	Aug	2.5	↘
Prices	RPI (YoY)	Aug	2.9	↘
Interest Rate	Bank of England Base Rate	Oct	0.5	↔

In GBP terms oil prices have fallen quite significantly, until the end of June, but in the since the beginning of July prices have rallied (see introduction). Subject to this trend on oil prices continuing there will be pressure for price increases across the whole spectrum of petrochemical products including polymers.

The Sterling / Euro exchange rate is a key factor in determining polymer prices, since most materials are Euro denominated. At current price level each Euro Cent change in prices 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 with significant imports from Asia and Euro weakness 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 weak Stirling 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 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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