

price
know-how

December 2012

Are polymer prices likely to increase in the New Year?

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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.

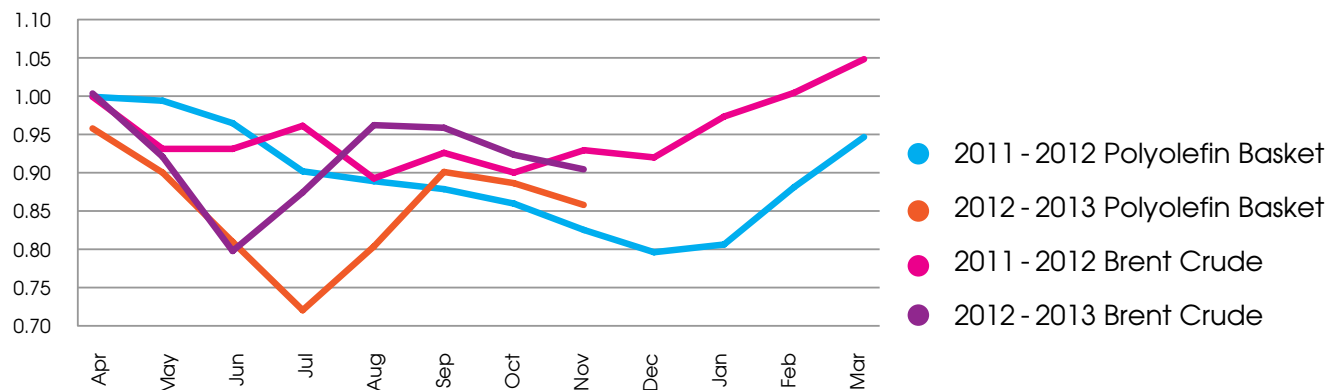
It is also believed that the report will support customers in explaining polymer price trends to their own customers, employees and shareholders.

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

The Plastribution Team

Are polymer prices likely to increase in the New Year?

Price Index - April 2012 Reference



Monomer Prices (£ GBP per tonne)

Data provided by PIE www.pieweb.com

Feedstock	Change (Contract)
C2 (Ethylene)	£0.00
C3 (Propylene)	-£13.66
Styrene	£12.06
Benzene	£41.79
Brent Crude	-£1.63

Following a very quiet end to 2012 in which rather than any price crash there was more of a soft landing. What are the prospects for a fresh round of increases starting early in 2013?

Important factors that will determine what happens will include inventory, costs and demand. In terms of producer inventories the lack of seasonal offers suggests that producers are probably not holding large stock, and the stock that they do have could be worth more after the Christmas break. As depicted in the graph above Western European polymer producers are unhappy with current margins and are impatient to recover margins.

Finally demand is normally strong in the first quarter due to converters replenish stocks that have been diminished at the year-end and also due to the lack of holidays in January and February.

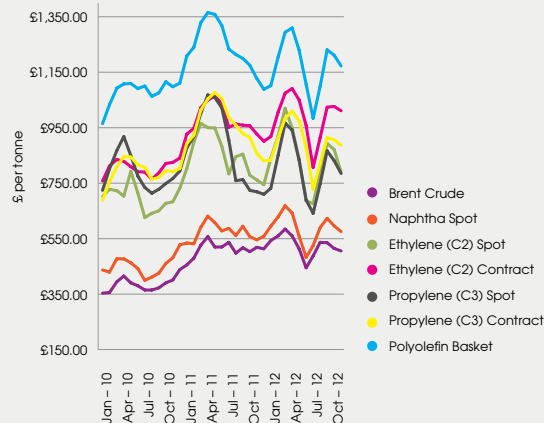
In fact producers have already sent clear signals to the market, by either posting increases in December and/or closing order books early. At this time increases in polyethylene & polystyrene look highly likely, but the polypropylene market looks slightly less robust.

With regard to engineering thermoplastics the broader economy is the most influential factor, and here the signals are far from positive with some pundits even daring to speak of a triple dip recession.

In summary it looks possible that a significant increase will be applied early in 2013, and at the moment it looks as if history will be repeating itself!

price know-how Polyolefins

Data provided by PIE
www.pieweb.com



↘ Supply
↗ Demand

LDPE

The action of producers reducing output rates in September, processors taking in additional volumes and attempts to pre-buy ahead of anticipated January increases are all serving to tighten the market quickly.

↘ Supply
↗ Demand

LLDPE

A similar situation to LDPE, and in some cases small price increases have already been applied, or product is being held for sale at better prices in Q1.

↘ Supply
↗ Demand

HDPE

The HDPE market has been tough from a sellers perspective, and there has been some evidence of special deals on blow moulding materials.

However two producers have stopped lines in December, so already producers are preparing the ground for hefty Q1 increases in order to restore some element of profitability.

↗ Supply
↘ Demand

PP

On the basis that producers did not allow converters to have the full benefit of the C3 monomer reduction suggests that even in this diversified product group the producers are looking to push through some hefty increases in January

Other Polyolefins

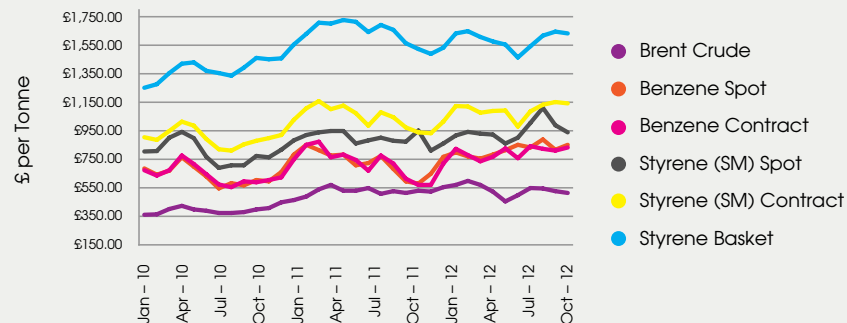
Reduced demand in the photovoltaic sector is still having broader implications across the EVA market, and these displaced volumes are likely to dilute attempts for Q1 price increases.

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. New entrants to the market are likely to increase market penetration of these high performance materials.

Plastomers continue to follow the monomer price trend.

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Styrenics

Data provided by PIE
www.pieweb.com



↗ Supply
↘ Demand

PS

For producers costs increased with higher benzene costs pushing through into higher styrene monomer costs. Despite strong resistance from converters.

↗ Supply
↘ Demand

ABS

Styrene & Butadiene costs are rapidly increasing in Asia, and this is likely to impact on the costs of imports potentially enabling European producers to lift prices in Q1

↘ 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 will continue to apply.

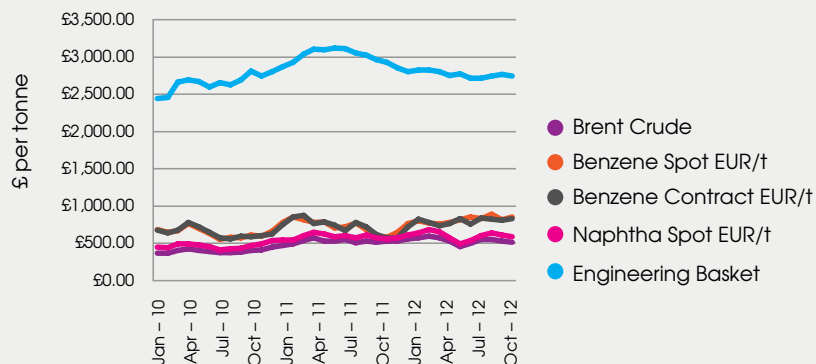
Other Styrenics

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 still looks challenging.

The reduction in demand from the automotive sector is adding further pressure to reduce prices, however high feedstock costs may result in producers taking more drastic action to correct the supply demand balance by idling capacity.

↗ Supply
↘ Demand

PA66

The pressure of weak demand is a serious concern for polymer producers, with falling feedstocks costs only providing limited relief.

Plans to restrict output and so achieve better fundamentals are clearly in hand and are likely to stabilise the market early in 2013.

↗ Supply
↘ Demand

POM

The market remains in balance, but the prevalence of imported Asian material is increasing and so it looks as if prices will come under increasing pressure as the New Year gets underway.

↗ Supply
↘ Demand

PC

The impact of some ambitious price increase announcements is yet to be seen, however producers will be eager to mitigate the impact of increased benzene costs on Bisphenol-A.

Again rumours abound about reducing output to restore the supply/demand balance back in the producers' favour.

↗ Supply
↘ Demand

PMMA

So far PMMA producers have not taken any action to recover increased feedstock costs.

However with outputs curtailed in Asia due to maintenance shutdowns and idling of capacity they will be looking carefully at opportunities to restore margins in Q1.

↗ Supply
↘ Demand

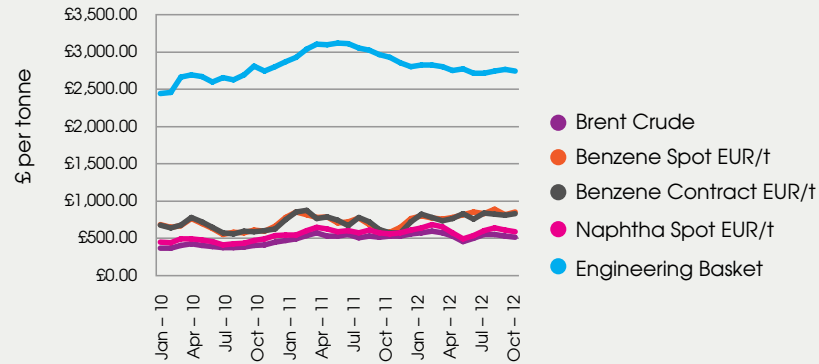
PBT/PET

The price situation for PBT and PET compounds continues to look quiet as producers are forced to remain competitive in order to secure sufficient volume, and the idling of compounding capacities in Asia is likely to limit downward price pressure. The situation on feedstock remains stable.

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Engineering Polymers

Data provided by PIE
www.pieweb.com



- ➔ Supply
- ➔ Demand

PPS

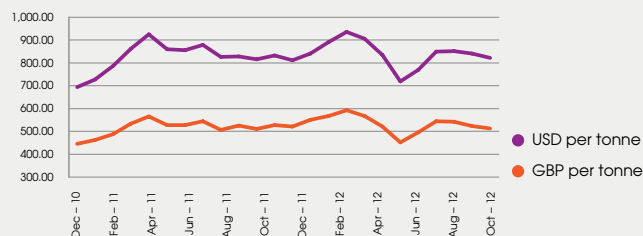
The situation on remains stable.

Other Engineering Polymers

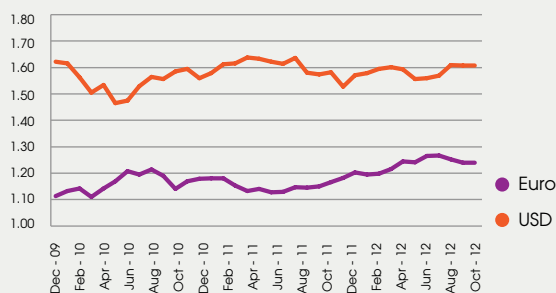
The increase in feedstock costs will create upward pressure on prices, and increases are either in progress or will be implemented in the coming months.

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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)	Q3 2012	0.6	⬆️
GDP	Real GDP (Y on Y)	Q3 2012	2.4	↻
UK Output	Manufacturing (M on M)	Aug	-1.1	⬇️
UK Output	Manufacturing (Y on Y)	Aug	-1.9	➡️
Sales	New Car Registrations (Y on Y)	Oct	8.3	↻
Sales	Retail Sales (M on M)	Sep	-0.8	⬇️
Labour	Unemployment Rate	Sep	7.8	⬇️
Prices	CPI (Y on Y)	Oct	2.7	↻
Prices	RPI (YoY)	Oct	3.2	↻
Interest Rate	Bank of England Base Rate	Nov	0.5	➡️

In GBP terms oil prices have fallen quite significantly, until the end of June, but 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 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 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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