

price
know-how

February 2013

Weak currency and increasing oil prices continue to create strong upward price pressure on UK polymer prices.

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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.

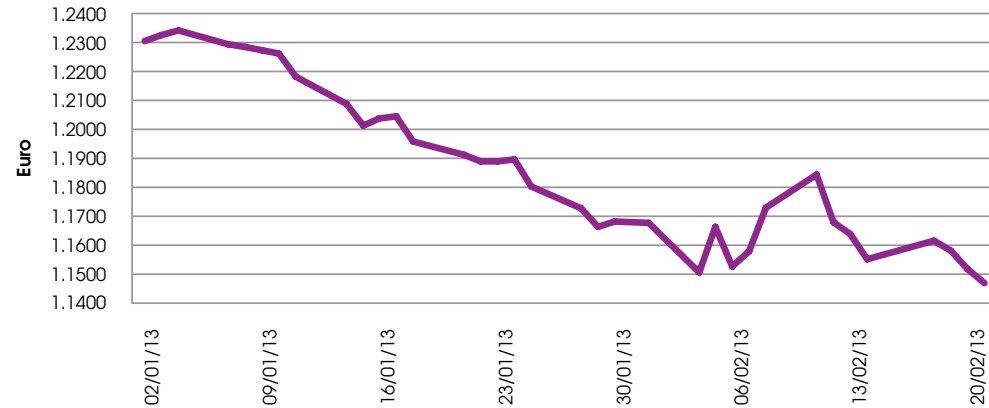
The Plastribution Team

Weak currency and increasing oil prices continue to create strong upward price pressure on UK polymer prices.

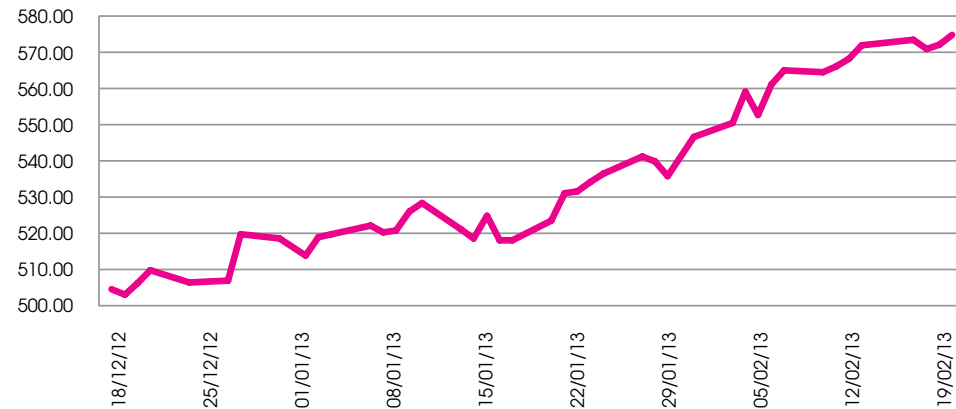
Since the beginning of 2013, the value of the £ versus the € has collapsed by almost 7%. Given that the UK polymer market is principally Euro denominated, this resulted in a significant price increase for UK polymer processors at the beginning of February, as producers of polyolefins and polystyrene looked to recover the negative impact of this devaluation on their margins.

UK polymer prices are now set to face further impact from a combination of increasing crude oil prices and weakness of the £ versus the \$.

GBP vs Euro



Oil Price £ per tonne



Weak currency and increasing oil prices continue to create strong upward price pressure on UK polymer prices.

Over this period, the € vs. the \$ has remained quite stable. Therefore, only the increasing cost of crude oil, which is priced in \$, has fully impacted on the cost structure of the European polymer producers.

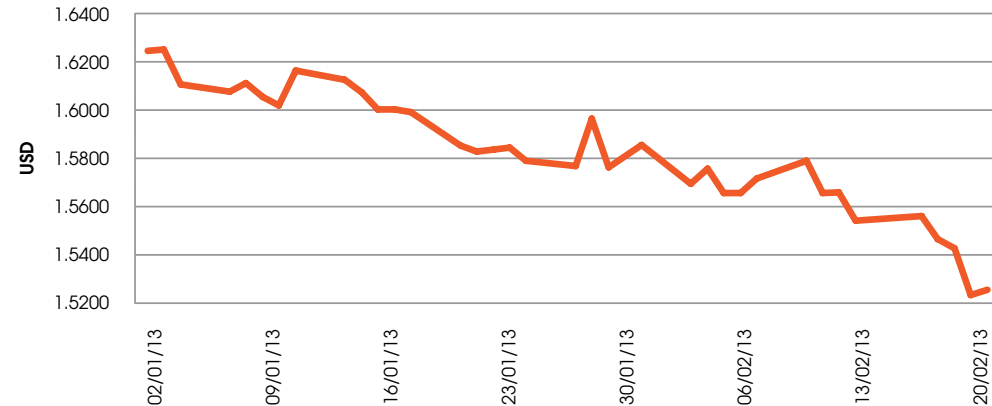
Whilst many plastic processors report soft demand from their customers, and as such question the viability of polymer price increases, polymer producers are likely to adopt a 'take it or leave it' policy to implementing increases rather than suffer the consequences of margin erosion.

Monomer Prices (£ GBP per tonne)

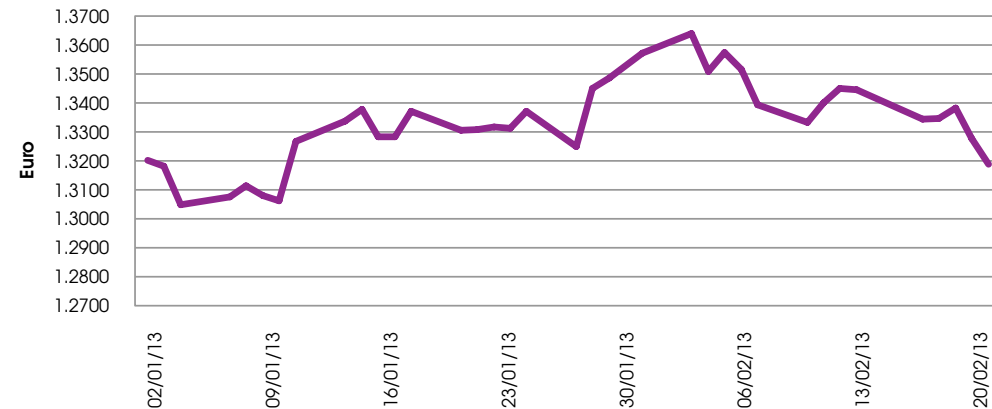
Data provided by PIE www.pieweb.com

Feedstock	Change (Contract)
C2 (Ethylene)	£0.00
C3 (Propylene)	£8.30
Styrene	-£33.21
Benzene	-£93.83
Brent Crude	-£0.43

GBP vs USD

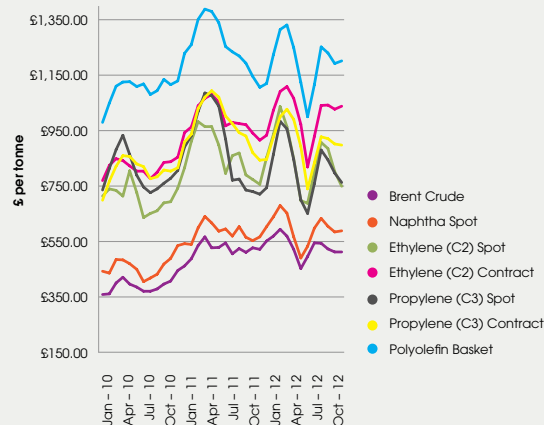


Euro vs USD



price know-how Polyolefins

Data provided by PIE
www.pieweb.com



Supply Demand

LDPE

Producers' aims to significantly increase prices above the requirements for a currency adjustment were hampered by plentiful supplies and fairly weak demand.

Supply Demand

LLDPE

The situation for LLDPE was similar to that for LDPE in February. However, it is anticipated that supply could tighten quickly in the next few weeks.

This will of course provide the solid fundamentals that producers desire to implement price increases.

Supply Demand

HDPE

HDPE prices in the UK were adjusted to reflect the exchange rate differences only.

Plant outages had limited impact and processors were readily able to source sufficient material to meet their requirements.

Producers remain mindful of the likely increases in ethylene costs and, given current tight margins, will look to pass increases on in full.

Supply Demand

PP

UK prices were adjusted upward to reflect both currency and increasing feedstock costs.

Many producers now talk of the PP market starting to tighten. In part, this may be due to the shale gas revolution in the US, where reduced Naphtha cracking is reducing the availability of propylene.

This is resulting in PP being imported to the US from Asia and more recently Europe.

Other Polyolefins

As with all other polyolefins, suppliers looked to recover the currency deficit through price increases.

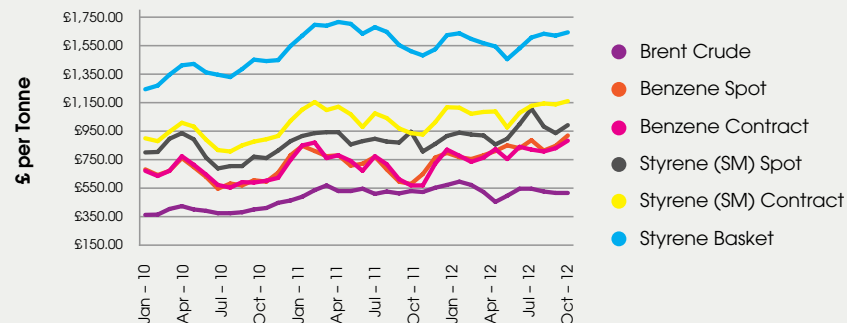
The EVA market appears to be finely balanced, although the availability issues for VAM has not resulted in price increases.

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.

price know-how Styrenics

Data provided by PIE
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Supply Demand

PS

For UK Polystyrene processors, any weakness in styrene monomer costs was insufficient to offset the weakness of the GBP, and so they faced further cost pressure as producers implemented price increases.

For many, the relative price of polystyrene is becoming a matter of increasing concern.

Supply Demand

ABS

Whilst there may be some lag implementing ABS price increases due to the significance of imported stock from Asia, the weakness of the GBP vs. the USD will also create inflationary pressures for UK buyers.

Demand across Europe has picked up, and this will increase the resolve of European producers to implement price increases.

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.

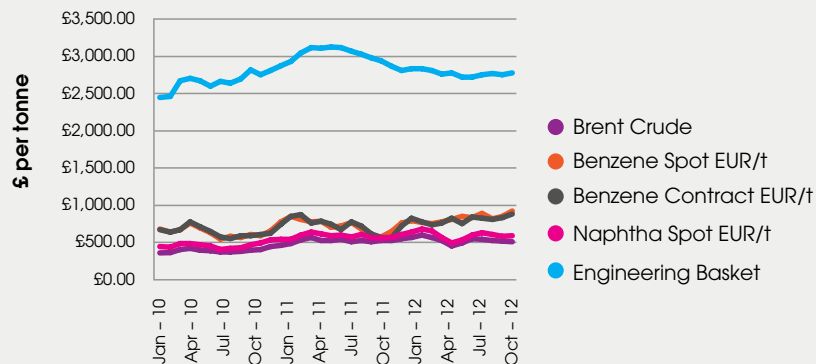
Other Styrenics

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

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Engineering Polymers

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↻ Supply
➔ Demand

PA6

The unexpected fall in Benzene costs rather undermined calls for a general price increase.

Whilst some producers are seeking increases, it is unclear if the market will support such moves.

↻ Supply
➔ Demand

PA66

In overall terms, the market looks rather balanced. It is also expected that the fall in Benzene costs will impact on PA66 feedstocks, along with stabilisation of Butadiene costs.

↻ Supply
➔ Demand

POM

The POM market is very stable. Producers appear happy not to disturb the status quo, and the supply/demand balance is going to be a key factor in maintaining this situation going forward.

↻ Supply
➔ Demand

PC

The pressure for price increases continues to mount, with calls from both European and Asian producers for significant increases.

In some cases, producers have cut output rates in order to establish more favourable economics, with the inevitable consequence of improving market fundamentals in their favour.

↘ Supply
➔ Demand

PMMA

The situation on PMMA remains quite stable. Plant closures in Asia have resulted in reduced availability of some of the lower priced standard resins, but the European producers are easily able to pick up any shortfall.

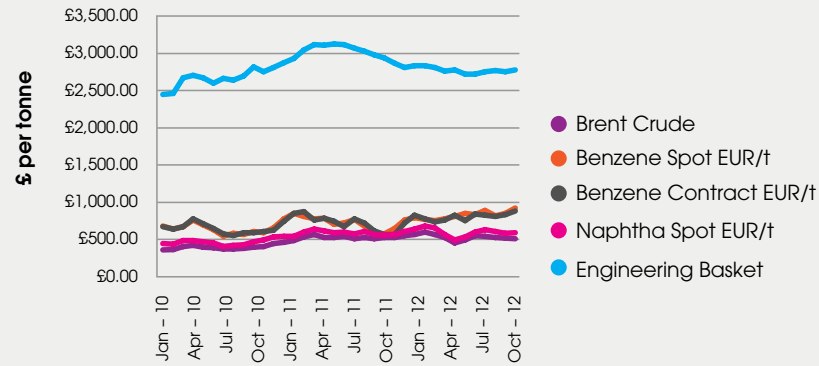
↻ Supply
➔ Demand

PBT/PET

This is another market that looks quite stable. Again, high feedstock prices are causing concern for producers, although the general view is that the market is too fragile to withstand any non-currency based price increases.

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- ➔ Supply
- ➔ Demand

PPS

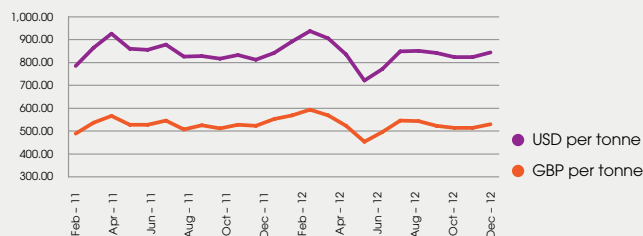
The situation remains stable.

Other Engineering Polymers

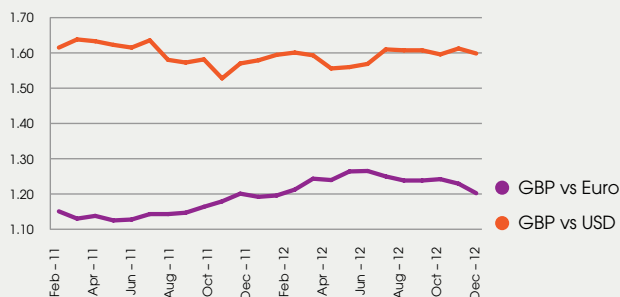
Any increase in feedstock costs will create upward pressure on prices. A number of producers are seeking to implement price increases to restore margins.

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Fundamentals

Brent Crude Oil Price per tonne



Exchange Rates



UK Economic Data

Topic	Item	Date	%	Trend
GDP	Real GDP (Q on Q)	Q3 2012	0.8	⬆️
GDP	Real GDP (Y on Y)	Q3 2012	2.8	↻
UK Output	Manufacturing (M on M)	Nov	-0.4	⬇️
UK Output	Manufacturing (Y on Y)	Nov	-1.8	⬇️
Sales	New Car Registrations (Y on Y)	Nov	9.2	⬇️
Sales	Retail Sales (M on M)	Nov	-0.1	⬇️
Labour	Unemployment Rate	Nov	7.7	⬇️
Prices	CPI (Y on Y)	Jan	2.7	↔️
Prices	RPI (YoY)	Jan	3.3	↻
Interest Rate	Bank of England Base Rate	Feb	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 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 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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