

price know-how

December 2017

Feedstocks move up in December resulting in upward pressure on polymer prices

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www.plastribution.co.uk

IMPORTANT INFORMATION

The know-how hub

Earlier this year we released a new content library known as the '**know-how hub**'. The Hub is a registration-based source of premium content containing over 80 articles covering insights, opinion, market intelligence and innovation. It's a resource that we intend to grow over time to include ebooks, videos, webinars, white papers, analysis reports and more.

Price know-how

As important insightful content, we have taken the decision to move our monthly Price know-how across to the Hub with effect from 1 Jan 18.

This means that Price know-how will no longer be available directly through the know-how section of our website, but instead will be available via the Hub at **www.plastribution.co.uk/know-how-hub**.

As a subscriber to Price know-how, you will not need to register to gain access to the Hub as you will be automatically signed-up from 1 Jan 18 and will be able benefit from the wide selection of articles and insights available. You can unsubscribe from the Hub at any time.

How does the Hub work?

Following registration, you will be able to select your specific areas of interest so that relevant content can be tailored to suit your preferences; this level of interaction will enable us to 'push' new related content to you as and when appropriate. Alongside a quick search facility, you will also be able to filter your search for content based on 'industry', 'material supplier' or 'product'; a 'recently viewed' button also allows you to keep check of the information you've previously looked at.

Please note that in order to maintain the integrity of hub and its content, we will be unable to register email addresses that are not linked to a company, i.e. personal accounts such as yahoo, gmail, hotmail etc., and private email addresses.



We value your continued support. If you have any queries regarding this notice, please contact **Duncan Scott** on **01530 560560**, or email **duncan.scott@plastribution.co.uk**.



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

Price know-how Glossary

Monomers

C2 – Ethylene

C3 – Propylene

SM – Styrene Monomer

Naphtha

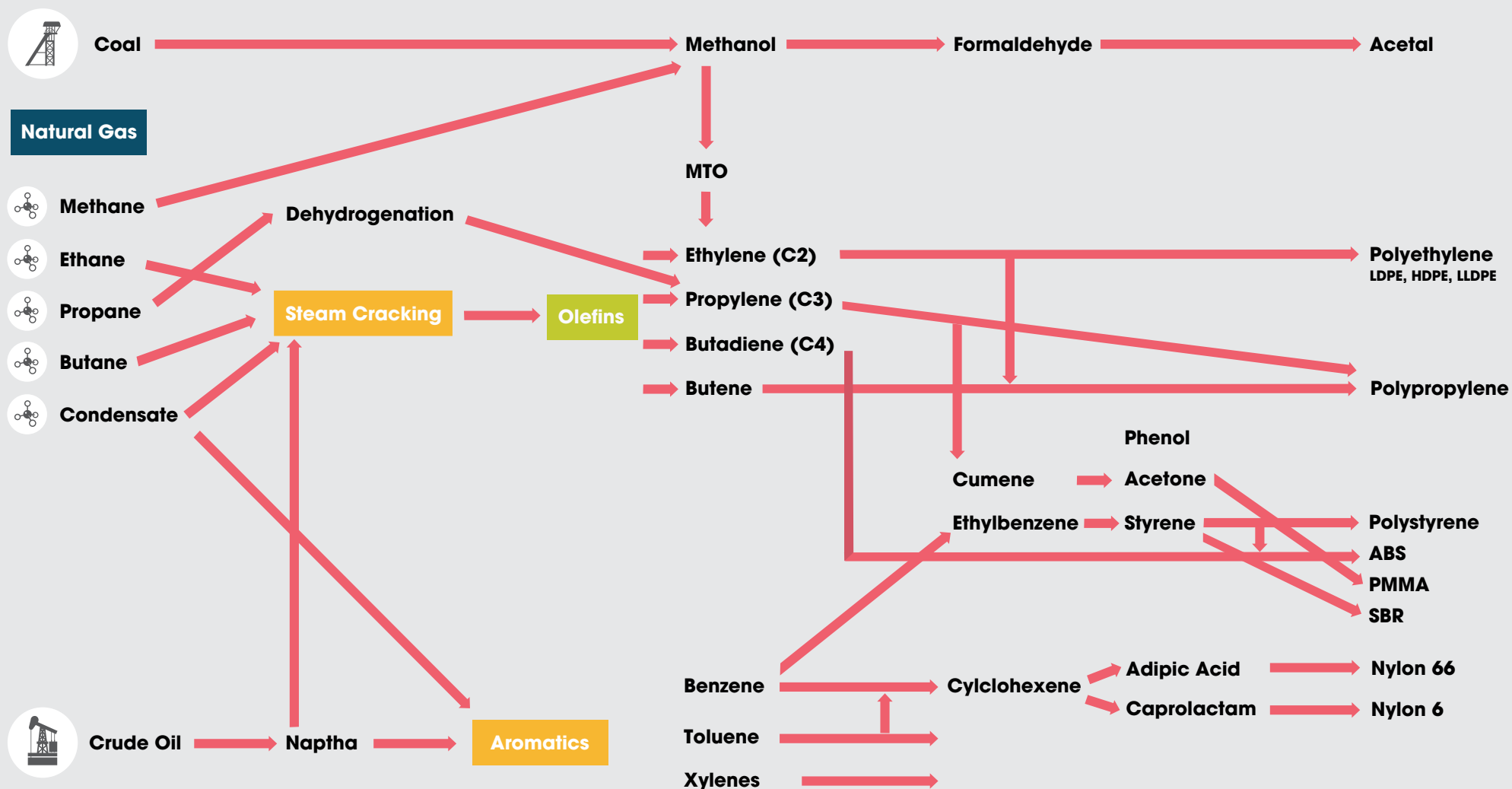
Derivative from the crude oil refining process, which is then typically passed through a (Steam) Cracker to produce various feedstocks including C2 and C3.

Force Majeure (non-legal definition)

Since accepting an order circumstances outside of the supplier's control, and which could not have been foreseen, now prevent the supplier from fulfilling the contract either in part or in full. By declaring Force Majeure the contract is to supply is cancelled.

From Hydrocarbons to Polymer

A simple diagram explaining the production routes from the major hydrocarbon sources through feedstock to the most common polymer groups.



Main drivers of polymer prices

Feedstock

- Oil
- Gas
- Shale
- Naptha

Polymer Producers

- Monomer Pricing
 - Styrene
 - Propylene
 - Ethylene
 - Benzene
 - C4
- Polymerisation Margins
 - Inventory
 - Planned & un-planned outages

Market

- Currency
- Short term demand
- Short term reductions in capacity
- Arbitrage of Polymer
- China & SE Asia supply/demand
- Trader Activity

External Factors

- Political
- War
- Natural Disaster
- Changes in consumer markets
- Geographical shifts in supply/demand

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The resource, which is free to access via our website (www.plastribution.co.uk/know-how-hub), is a registration-based source of premium content containing insights, opinion, market intelligence and innovation.

“The know-how hub allows us to offer tailored content that will be constantly evolving, thereby providing subscribers with a high value opportunity to access a wealth of useful information.”

Mike Boswell, Managing Director, Plastribution



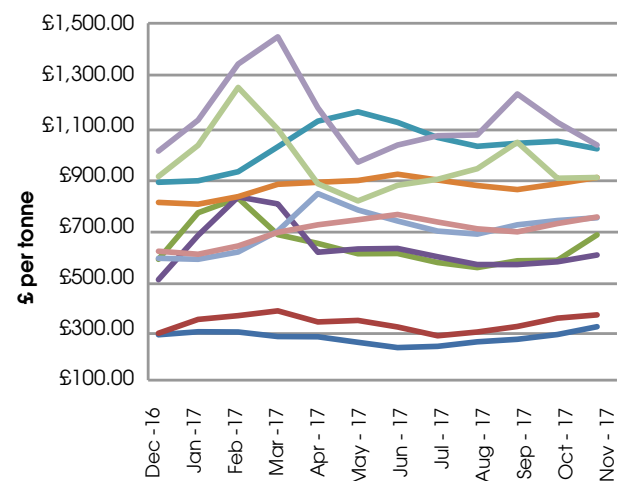
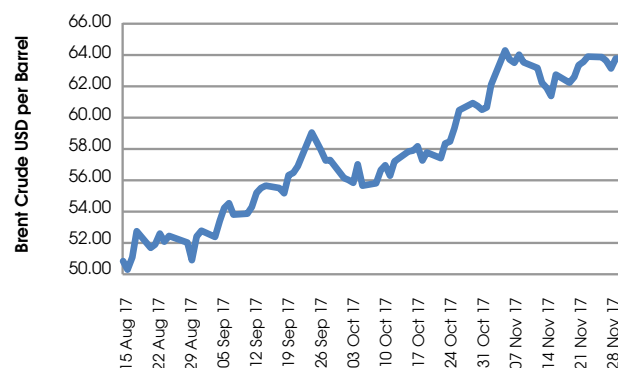
Feedstocks move up in December resulting in upward pressure on polymer prices.

Whilst the upward crude oil price trend has been intact for a few months, the consequences for standard polymer pricing in December were not really anticipated. In an unusual move, polymer producers have pushed prices forward in a month where typically sales are low and price increases exceptional. However, following poor demand from Continental Europe back in October, it appears that with some encouragement by means of 'special offers', significant volumes were sold in November; leaving producers with relatively low inventories moving into December. Given the impact of increasing oil prices on margins, polymer producers have made an unseasonal move, confident that the upward price trend will continue into January.

The surging Benzene price is also supporting calls for further price increases for Engineering Polymers, where already the supply/demand balance is typically now in the favour of the producers. In the case of POM/(poly) acetal, it appears that the likely imposition of anti-dumping duties on imports into China is fuelling demand as buyers attempt to build stock in advance of higher tariffs being imposed. PC, Nylon and PMMA prices continue on an upward trajectory.

The bounce in Styrene Monomer pricing is likely to halt the fall in polystyrene pricing and there is already evidence that ABS prices are now on the increase.

All in all, December is shaping up to be an interesting end to 2017.



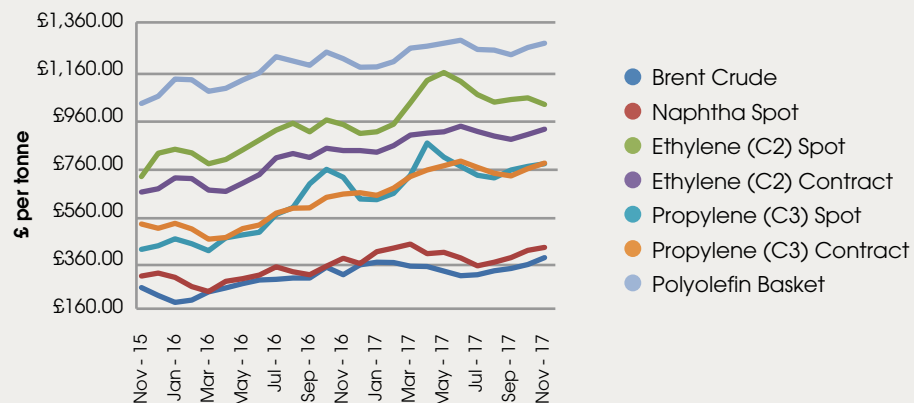
● Crude Oil ● C2 Spot ● Styrene Spot
 ● Naphtha ● C2 Contract ● Styrene Contract
 ● Benzene Spot ● C3 Spot
 ● Benzene Contract ● C3 Contract

Monomer Prices (£ GBP per tonne) November-17

Feedstock	Change (Contract)
C2 (Ethylene)	£28.67
C3 (Propylene)	£28.67
Styrene	£85.12
Benzene	£129.92
Brent Crude	£17.70

price know-how Polyolefins

Data provided by PIE
www.pieweb.com



Supply Demand

LDPE

Many producers started November with the intention of rolling prices over from October levels, in line with the rollover in Ethylene prices. However, as the month progressed some conceded a little, offering discounts in an attempt to stimulate demand. By the end of the month these deals had largely dried up as producers had balanced their stock position.

Ethylene feedstock settled at +€32/T for December. Price announcements have varied between rollover and plus €32/T depending on the producer strategy. Price increases are expected for January.

Supply Demand

LLDPE

Feedstock costs rolled over in November, however many buyers secured price reductions as suppliers fought to secure business. Plentiful supply of C4 LLDPE from traders added to the pressure in the film market. Availability of injection moulding grades continued to be balanced/tight and here pricing was much firmer.

Whilst Ethylene feedstock has increased for December, many producers have rolled over pricing. Price increases are expected for January.

Supply Demand

HDPE

Despite the rollover in feedstock costs in November, polymer prices softened as producers reduced prices in a bid to stimulate demand and normalise stock levels before year end. Towards the end of the month, many of these deals had dried up.

For December, most producers have announced price increase in line with the increased Ethylene price. Price increases are widely expected for January.

Supply Demand

PP

Feedstock costs rolled over in November, and whilst many producers initially tried to roll over prices, it soon became clear that processors were expecting reductions. Some producers began to offer deals to stimulate demand.

Propylene costs increased €32 in December. The stance taken by producers has varied between absorbing the increased costs by rolling over prices, to implementing the full feedstock increase. Price increases are expected for January.

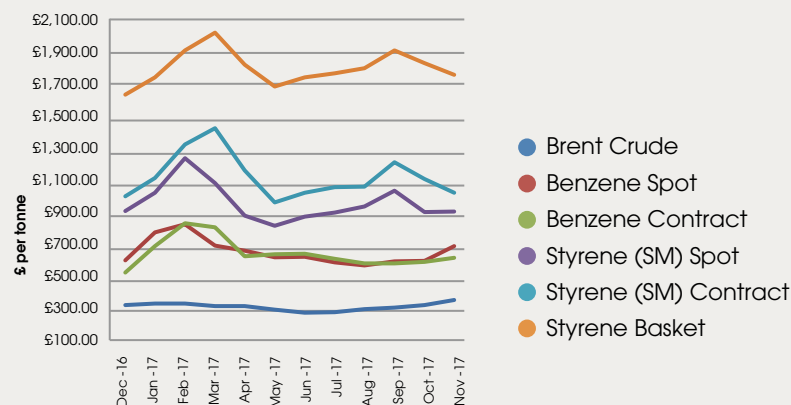
Other Polyolefins

EVA prices rolled over in November in line with the feedstock settlement. Supply remains balanced/tight.

The price stance for December has varied from rollover to implementing the feedstock increase.

price know-how Styrenics

Data provided by PIE
www.pieweb.com



→ Supply ↻ Demand

PS

November styrene monomer prices dropped by €90/T and PS followed with reductions of around £80/T. Rumours of increases in December shifted demand upwards, and many producers began to restrict supply toward the end of the month.

As predicted, December has seen an increase in Styrene monomer and Polystyrene (+€95/T). Supply is normal, but demand is likely to be high, as several major producers have planned maintenance in Q1 2018.

→ Supply ↻ Demand

ABS

November ABS followed a similar pattern to PS, albeit with less price volatility as rises in butadiene and ACN muffled the impact of the SM fall.

December is indicating further increases on the horizon, as feedstocks are on the rise again. Supply and demand should balance.

→ Supply ↻ Demand

PC/ABS

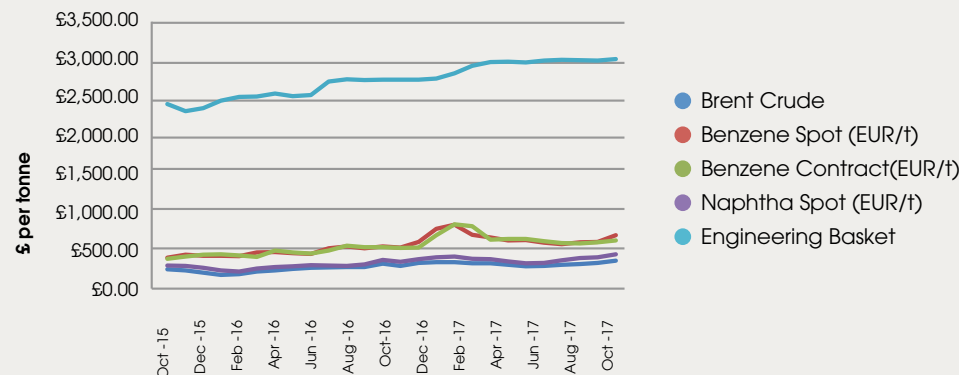
As usual, PC/ABS price is following the trend of ABS, although demand is not as strong.

Other Styrenics

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

price know-how Engineering Polymers

Data provided by PIE
www.pieweb.com



Supply Demand

PA6

All the main players have announced triple digit price increases on the back of higher feedstock costs. Availability still remains tight.

Supply Demand

PA66

Demand is exceeding supply with many producers currently sold out and some suppliers reported to be oversold. Further price increases have been announced. Material is expected to remain tight for the remainder of the year and could well affect supply into 2018.

Supply Demand

POM

Continued bottlenecks in the supply chain are affecting supplies with evidence of extended lead-times. Many producers have announced price increases, with possibly more to follow into the New Year.

Supply Demand

PC

The current market for PC is one of extended lead-times and allocations. In conjunction with the shortages and the sudden rise in the cost of Benzene, customers are anxious to try and secure material. The supply situation is unlikely to change in the short to medium term and prices are certain to rise still further.

Supply Demand

PMMA

There are still on-going shortages of MMA globally and, as expected, further price increases have been implemented on the back of short monomer supply. Many customers are on allocation and the restricted supply situation is likely to continue well into 2018.

Supply Demand

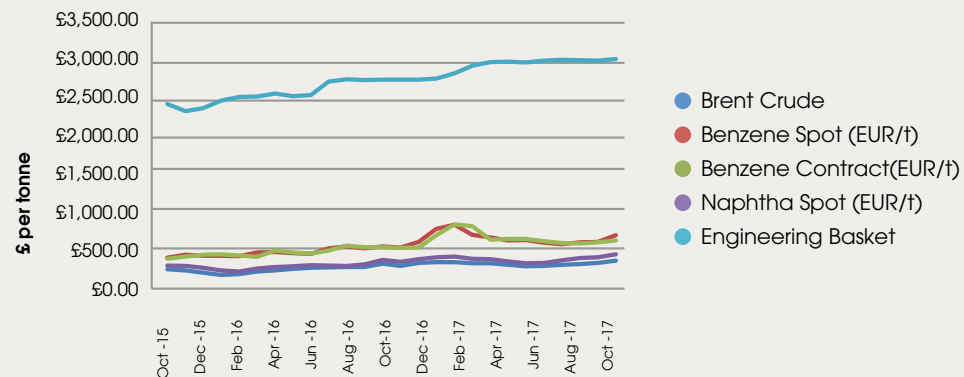
PBT/PET

Significant cost increases expected because of the bottlenecks in the supply chain.

price
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Engineering Polymers

Data provided by PIE
www.pieweb.com

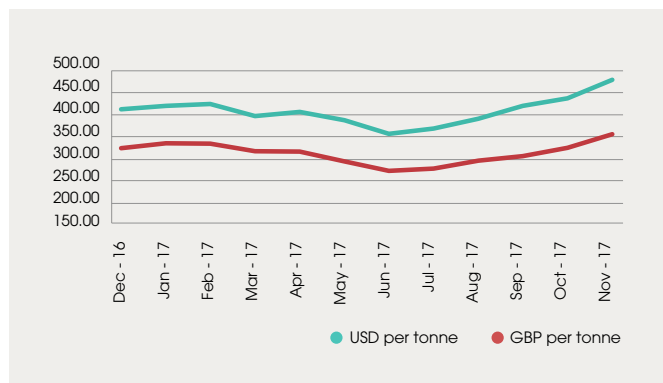


Other Engineering Polymers

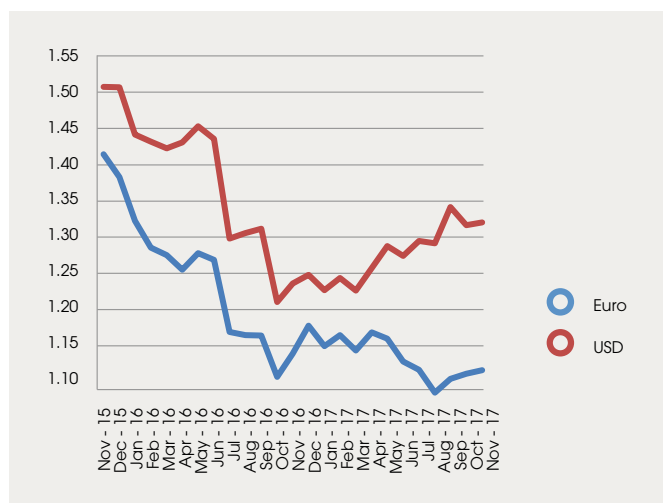
The situation for most other engineering polymers is one of price increases and tight supply.

price know-how Fundamentals

Brent Crude Oil Price per tonne



Exchange Rates



UK Economic Data

Topic	Item	Date	%	Trend
GDP	Real GDP (Q on Q)	Q3 2017	0.3	↗
GDP	Real GDP (Y on Y)	Q3 2017	0.8	↗
UK Output	Manufacturing (M on M)	Sep	0.7	↘
UK Output	Manufacturing (M on Y)	Sep	2.7	↘
Sales	New Car Registrations (Y on Y)	Oct	-12.2	↓
Sales	Retail Sales (M on M)	Oct	0.3	↗
Labour	Unemployment Rate	Sep	4.3	→
Prices	CPI (Y on Y)	Sep	3.0	→
Prices	RPI (Y on Y)	Sep	4.0	↗
Interest Rate	Bank of England Base Rate	Dec	0.5	→

1. Oil Price

Oil prices remain relatively stable.

2. Exchange Rates

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.

The UK election result has created significant economic uncertainty and since the end of May the Pound has weakened against the Euro. The apparent stability against the USD is related to concern over US economic stability under the Trump regime.

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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