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Commodity Insights

# PVC: All roads lead to India

Stuti Chawla

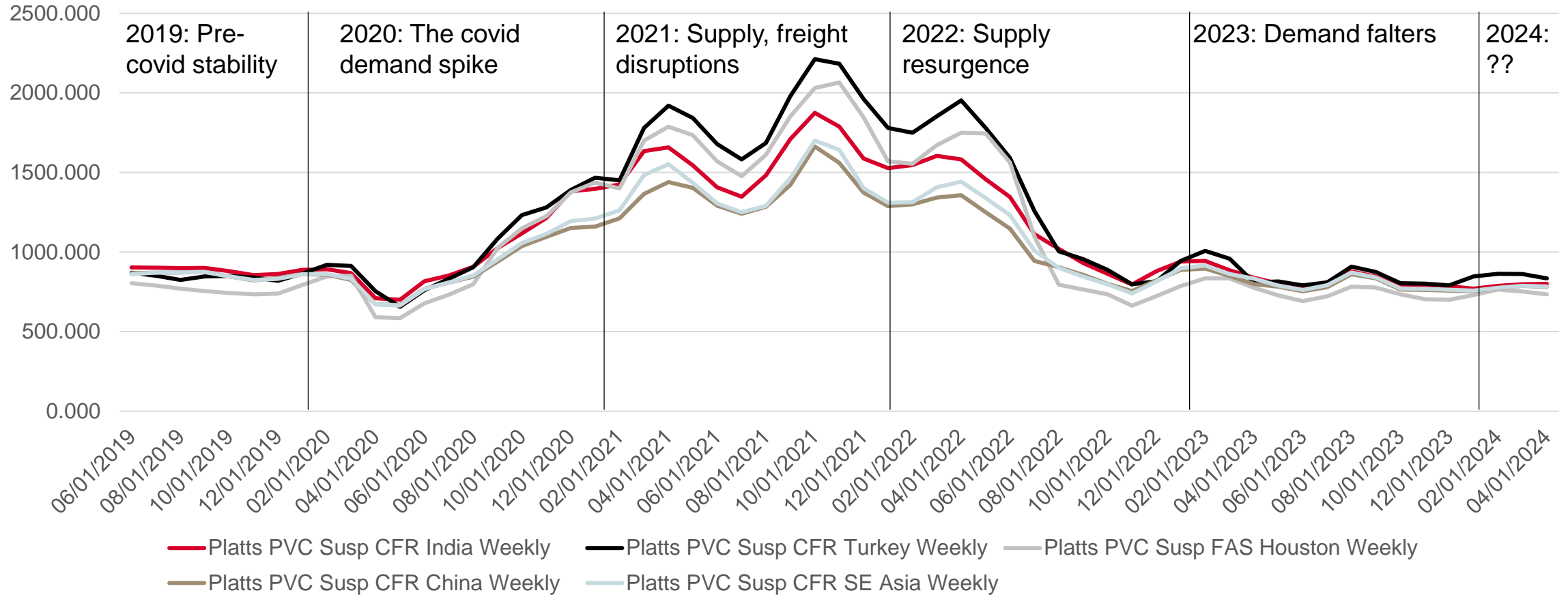
Associate Director

Chemical Pricing

[May 2024]

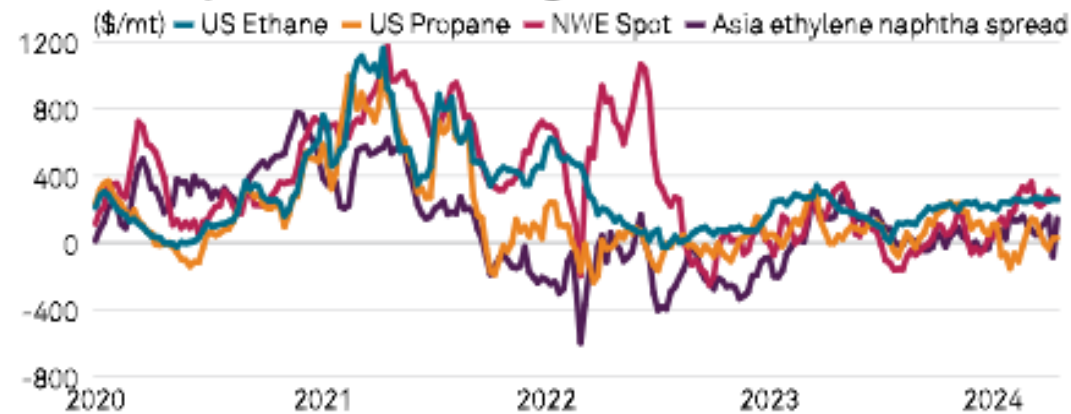
# PVC prices at pre-COVID levels since 2023

Unit: \$/mt



# Asian steam crackers may cut run rate as ethylene-naphtha spread drops below \$200/mt

Global ethylene cracker margins



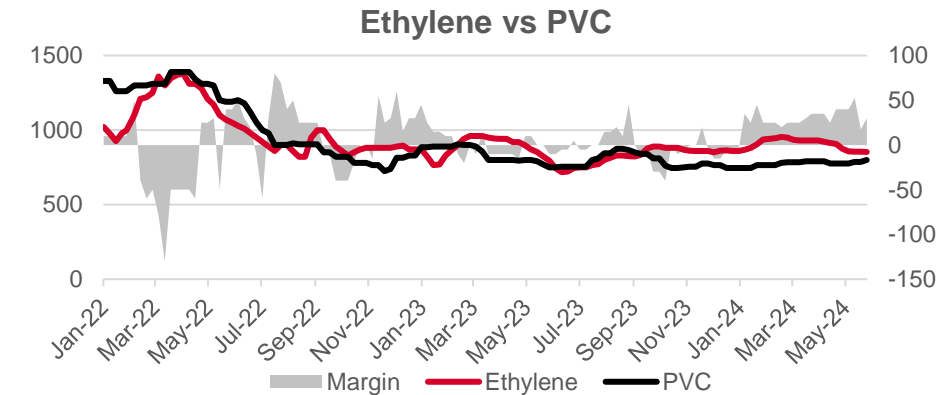
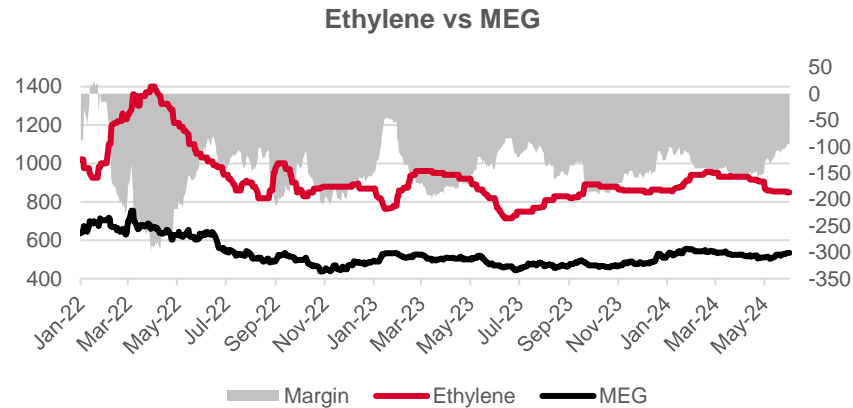
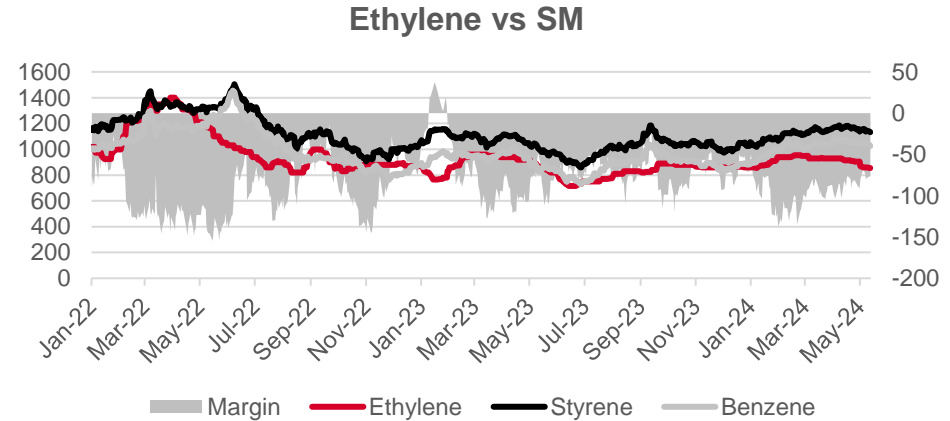
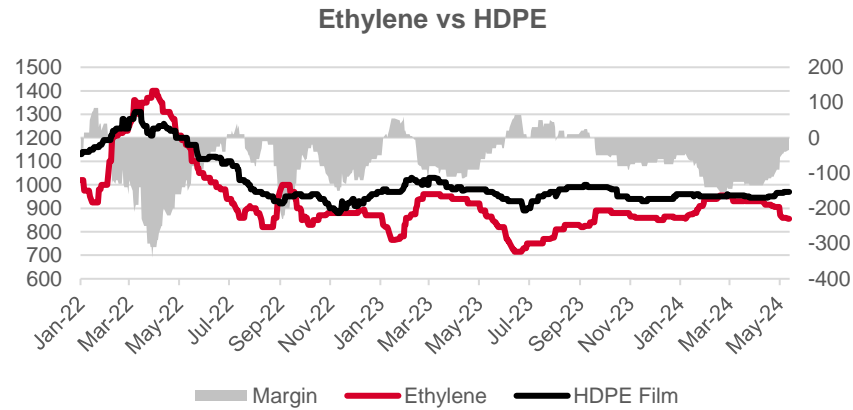
Source: S&P Global Commodity Insights

Ethylene prices seen under pressure till 2025

Capacity overbuilds to weigh on prices

Capacity rationalization starts in Europe

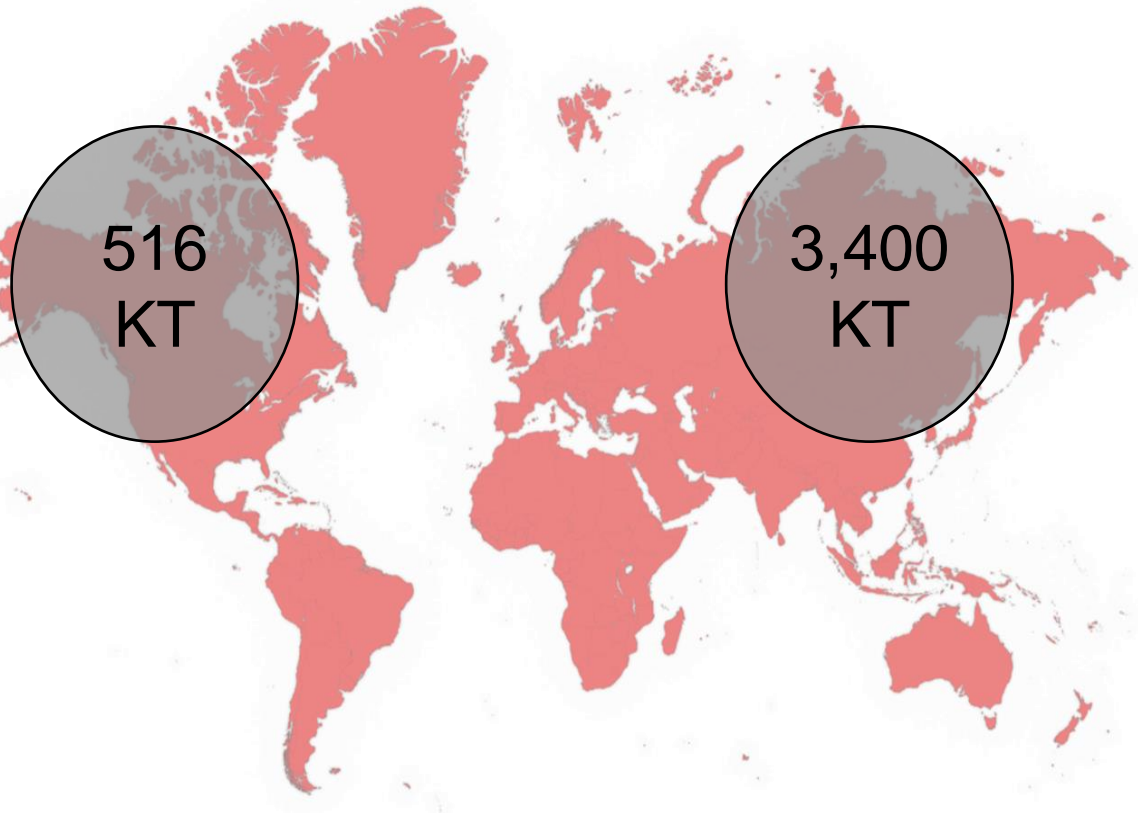
# Ethylene derivatives remain in red in 2023, PVC still an exception



HDPE margin:  $HDPE - Ethylene + 150$   
 MEG margin:  $MEG - Ethylene * 0.6 + 120$   
 SM margin:  $SM - Benzene * 0.79 - Ethylene * 0.29 - 150$   
 PVC margin:  $PVC - VCM + 150$

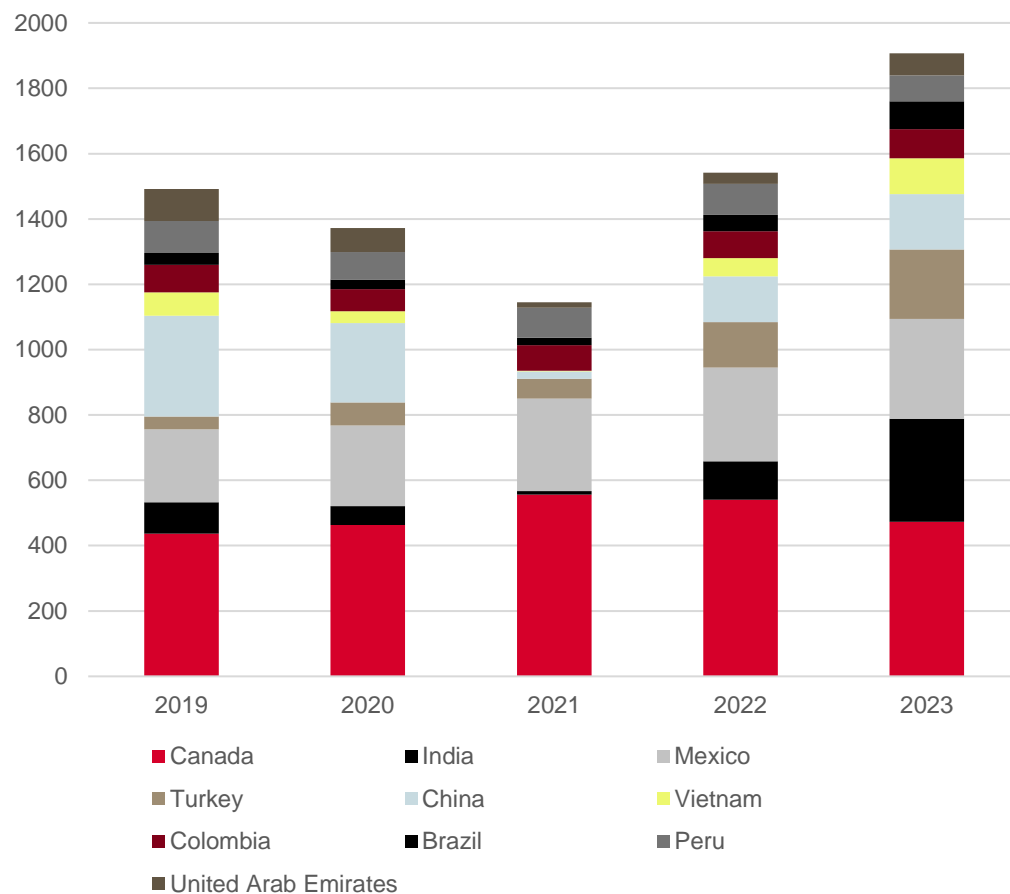
Source: S&P Global data

# Supply side issues: 2023-24 Capacity additions in US, China



Country	Company	Capacity (KTA)	Start Date
US	Formosa Plastics	136	2023
US	Shintech	380	2024
China	Inner Mongolia Zhonggu	300	2023
China	Ningbo Oceanking	300	2023
China	Shaanxi Jintai	600	2023
China	Wanhua (Fujian) Chemical	400	2023
China	Wuhai Zhonglian	500	2023
China	Xinjiang Huatai	1000	2024

# US Exports to Asia pick up in 2023 as freights ease



Top Destinations	2023 Total Export (in '000 MT)
Canada	473
India	315
Mexico	306
Turkey	213
China	169
Vietnam	110
Colombia	89
Brazil	85
Peru	80
United Arab Emirates	67
<b>Total</b>	<b>3012</b>

# Signs of demand recovery in the US



Inflation resumes downward trend in the US

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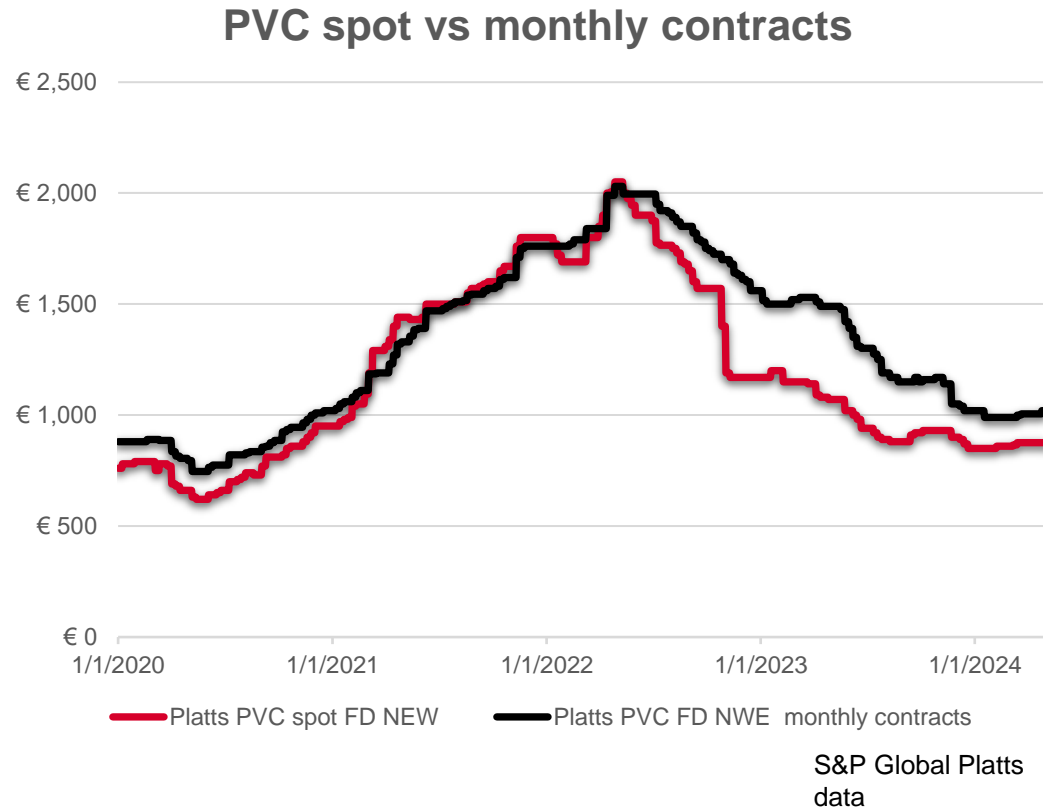
Home sales data positive

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Hopes of interest rate reduction

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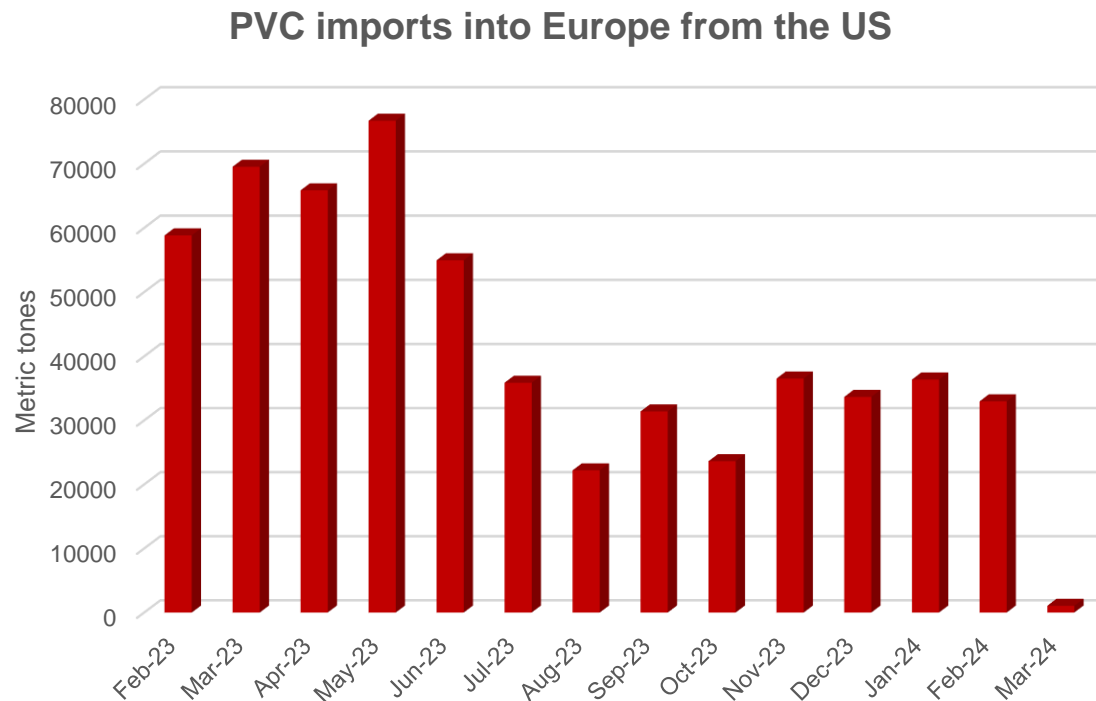
# Freight issues temper European spot discounts vs contract



- Red Sea freight disruption masks Europe's un-competitiveness vs US/Middle East
- Ethane costs approx. 50% lower than EU naphtha-based production
- Europe faced with rationalization, mergers, ADD to protect against volatile oil, weak demand – inflation, interest rates remain high
- ADD investigation on US PVC announced in EU/UK
- Ineos Antwerp ethane cracker set to start in 2026 & looks to US acquisitions to help mitigate high European costs



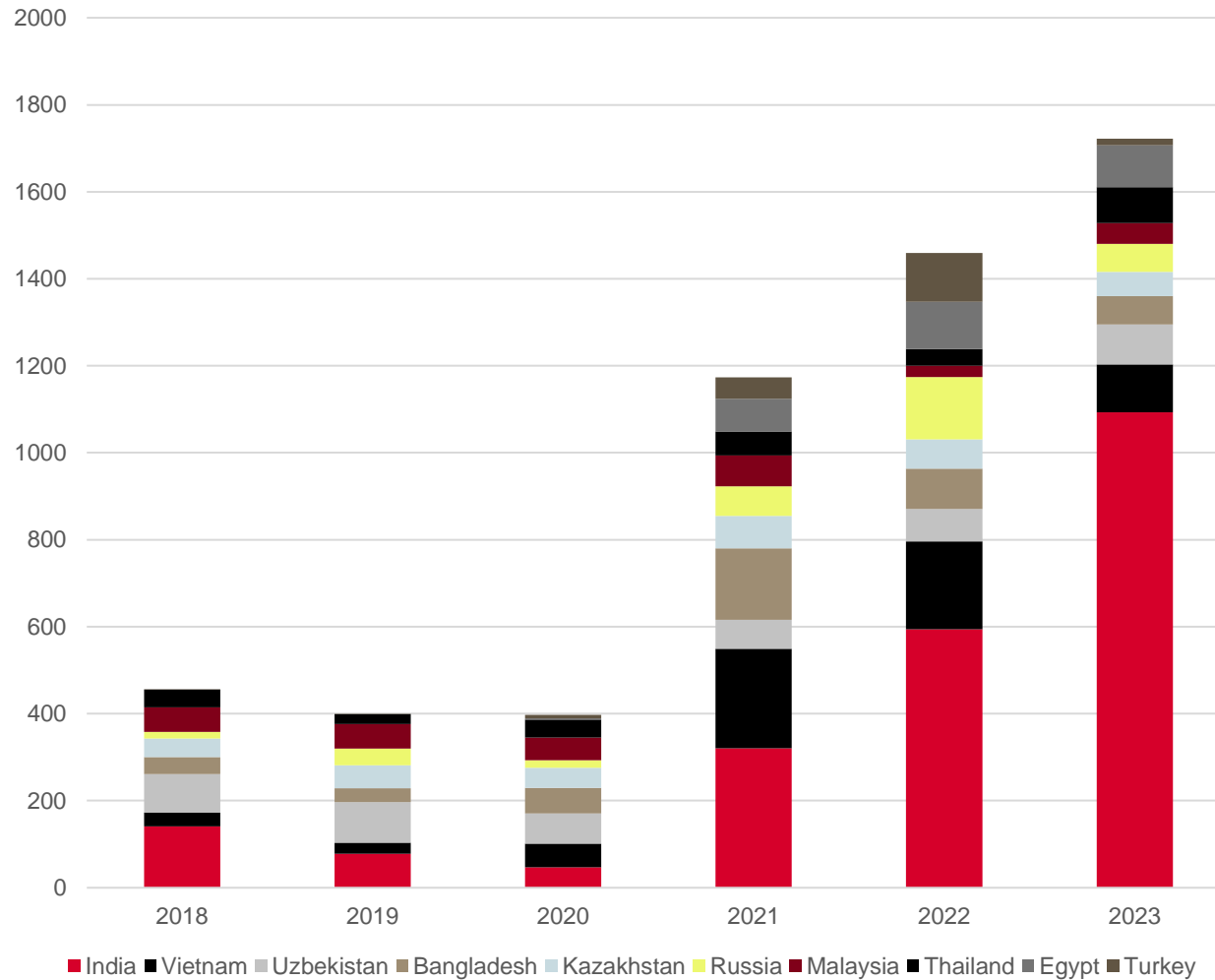
# US imports into Europe drop ahead of expected ADD decision in May



- US imports decline through 2024 in anticipation of ADD decision
- European commission expected to announce ADD decision on US and Egyptian imports in May
- The UK Trade Remedies Authority investigating US imports into the UK following Inovyn ChlorVinyls application in January

S&P Global Market Intelligence GTAS data

# China: On its way to becoming the world's largest exporter

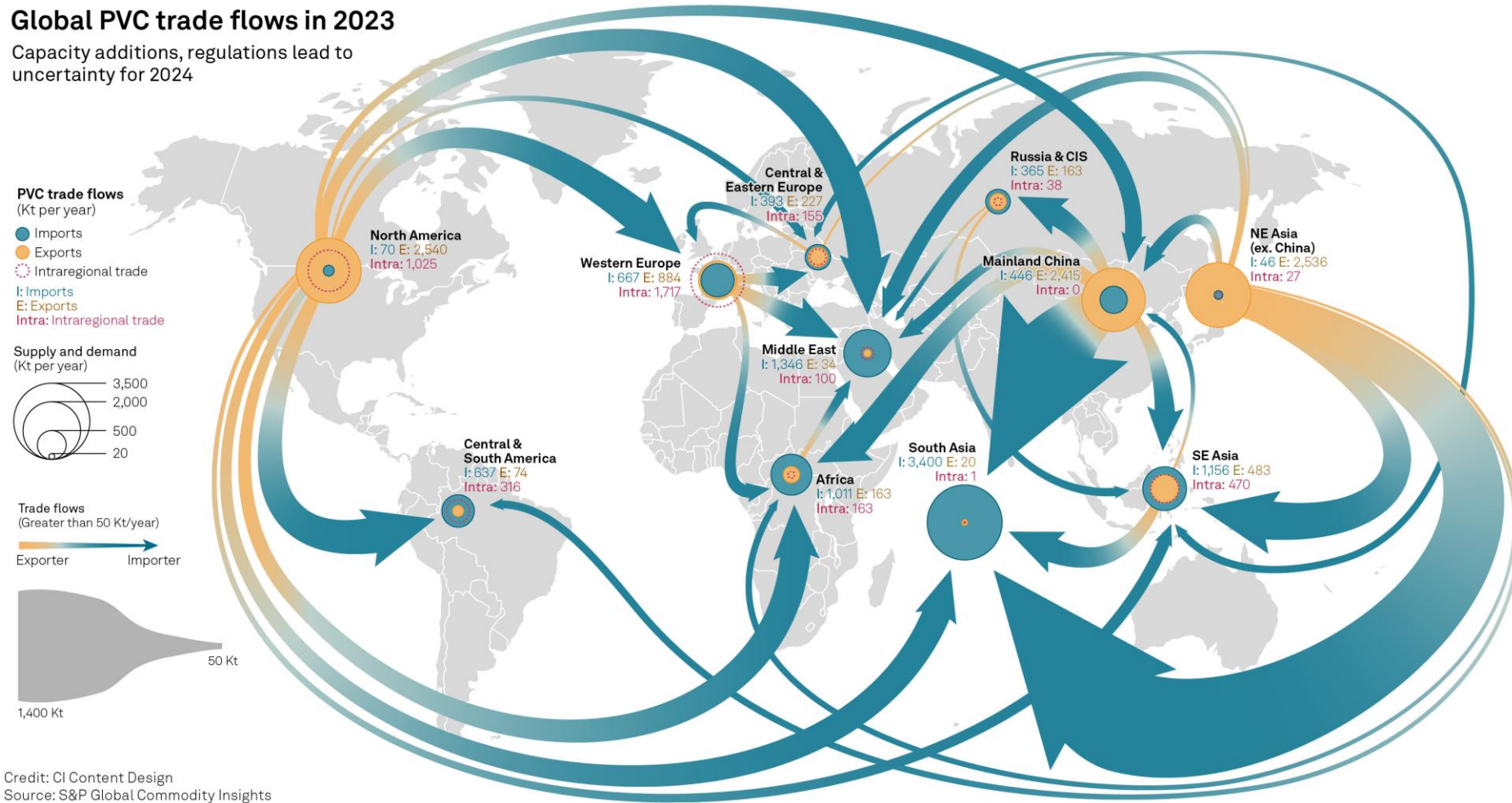


Top Destinations	2023 Total Export (in '000 MT)
India	1093
Vietnam	110
Egypt	96
Uzbekistan	92
Thailand	83
Bangladesh	65
Russia	64
Kazakhstan	56
Malaysia	47
Turkey	15
<b>Total</b>	<b>2274</b>

# Demand: Trade flows 2023

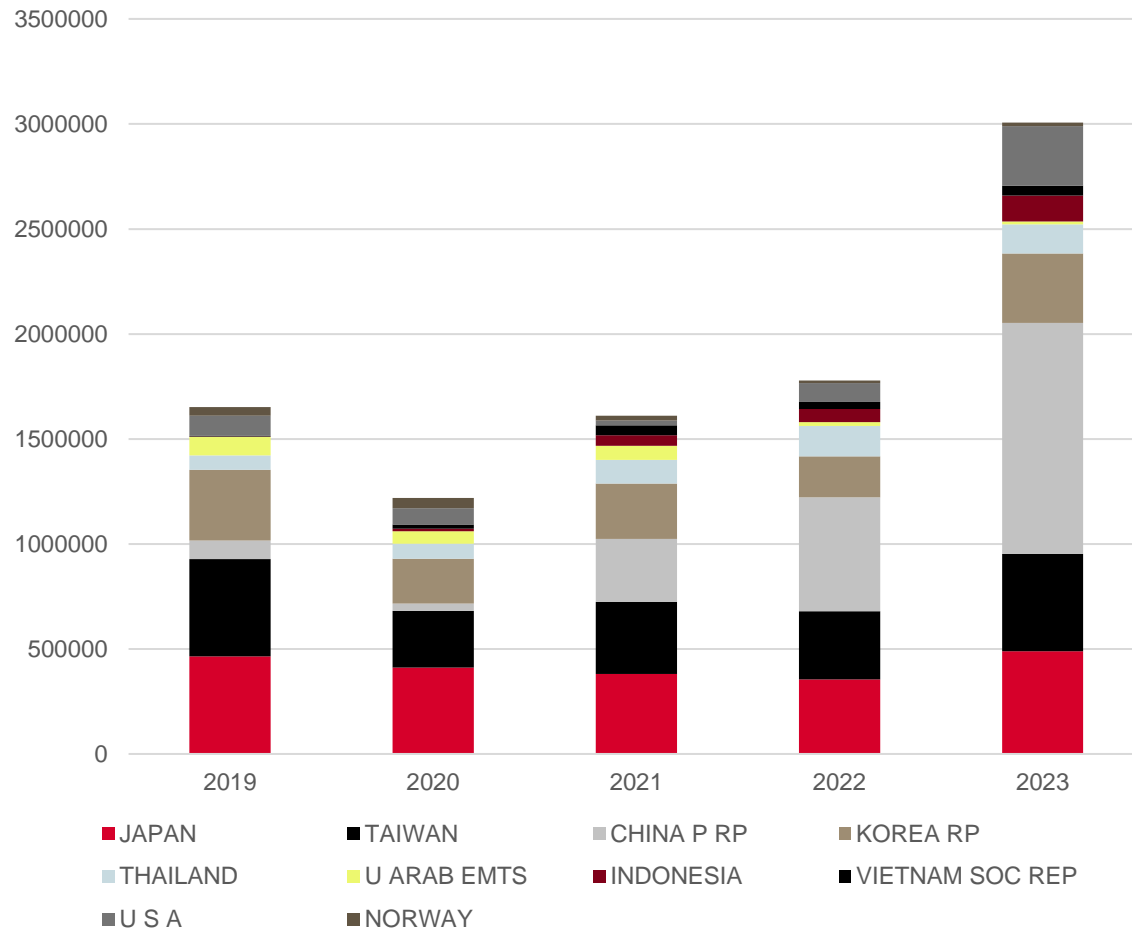
## Global PVC trade flows in 2023

Capacity additions, regulations lead to uncertainty for 2024



Source: S&P Global Commodity Insights

# India emerges as the world's largest PVC importer



Top Origins	2023 Total Import (in '000 MT)
CHINA P RP	1,100
JAPAN	489
TAIWAN	464
KOREA RP	330
U S A	283
THAILAND	139
INDONESIA	123
VIETNAM SOC REP	47
NORWAY	17
U ARAB EMTS	14
<b>Total</b>	<b>3,204</b>

# All roads lead to India, but for how long



Per Capita PVC consumption  
one-third of global average

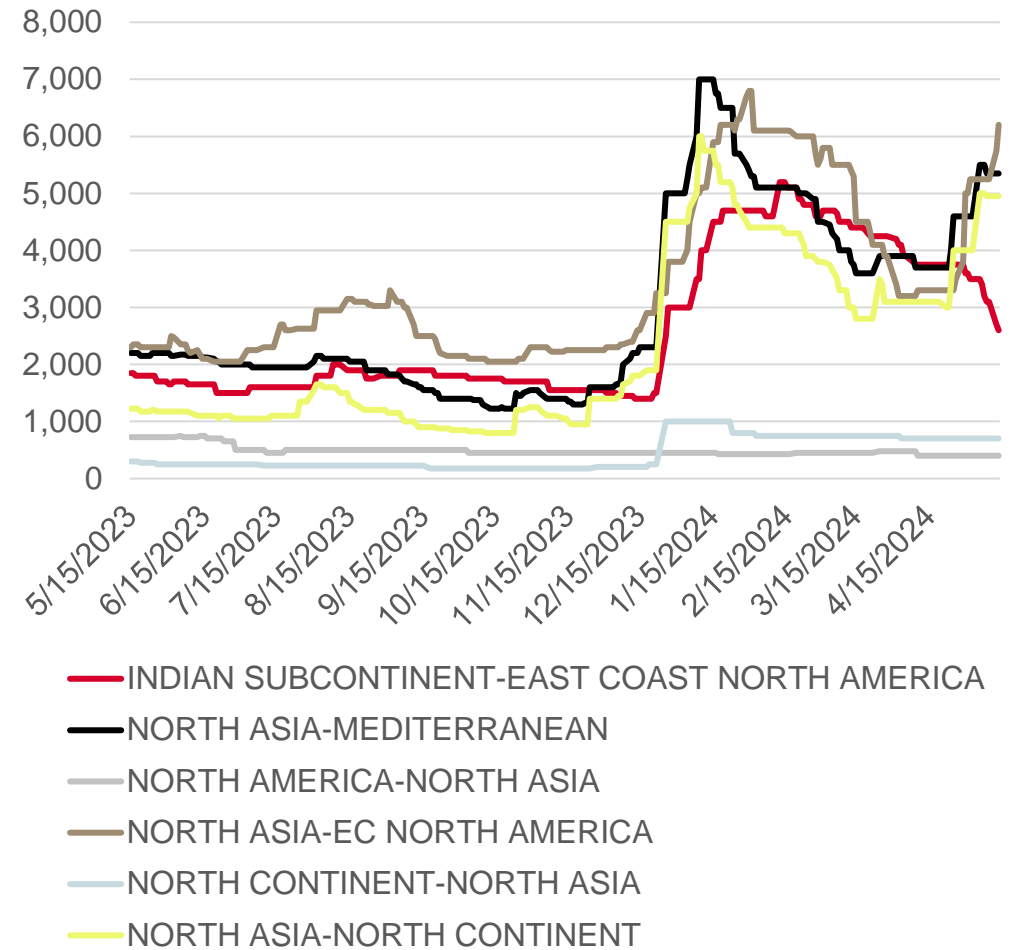
GDP growth pegged at 6.8% for  
FY25

Demand-supply deficit to persist

Capacity additions at least 2  
years away

Company	Capacity (KTA)	Timeline
Reliance	1200	2026
Adani	1000	2027
Indian Oil	60	TBD

# Arbitrage gets tougher as container freights rise



# Factors to watch for in the near term



China's domestic demand recovery



Hopes of revival of end product as global economy recovers



Capacity increases in US, China may keep prices subdued



Ethylene margin seen under pressure



Demand seen rising in India, Turkey



Container rates to determine arbitrage



Run rates to determine pricing near term

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# Sustaining Tomorrow: APIC 2024

Download SPGCI Special Report on Chemicals



May 2024



# Thanks

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