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**S&P Global**

Commodity Insights

# Polyolefins: Surviving demand challenges in an uncertain economy

Seoul, APIC 2024

May 31<sup>st</sup>, 2024



The narrative of Polypropylene is mirroring that of Polyethylene..for the most part!!



**Oversupplied  
Market**



**Squeezed  
Margins**



**Geopolitical  
Interventions**



**Logistics  
Constraints**

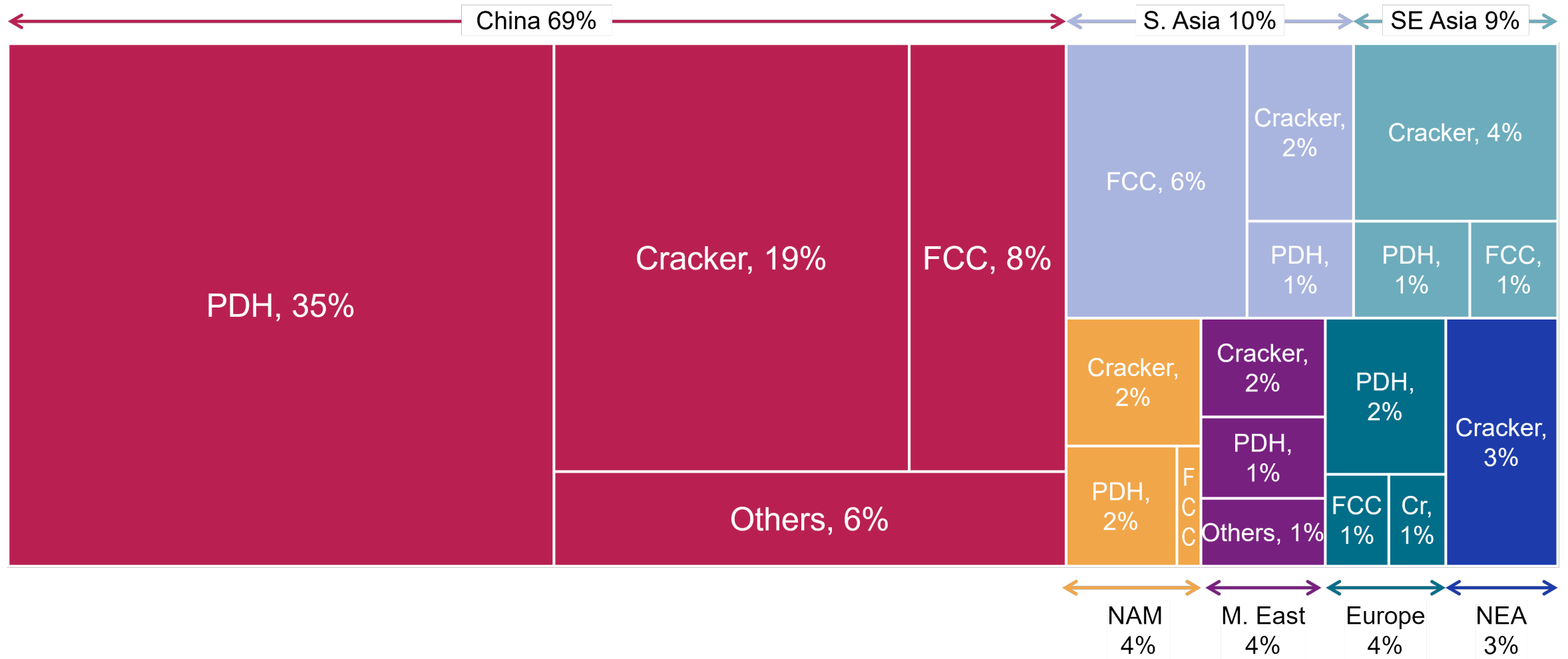


**Sustainability  
Push**

**What's driving the uniqueness of the Polypropylene Market?**

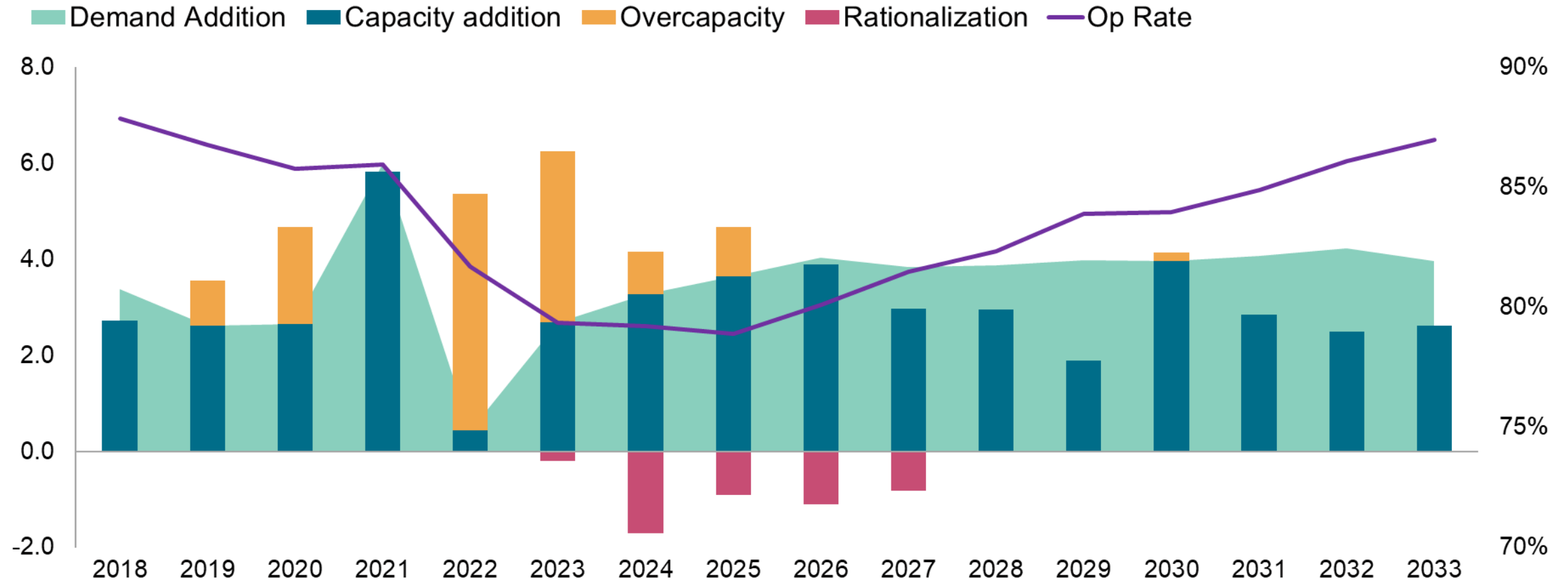
# Investment in the Polypropylene Market is almost entirely concentrated in Asia

Share of new investments between 2019 and 2028

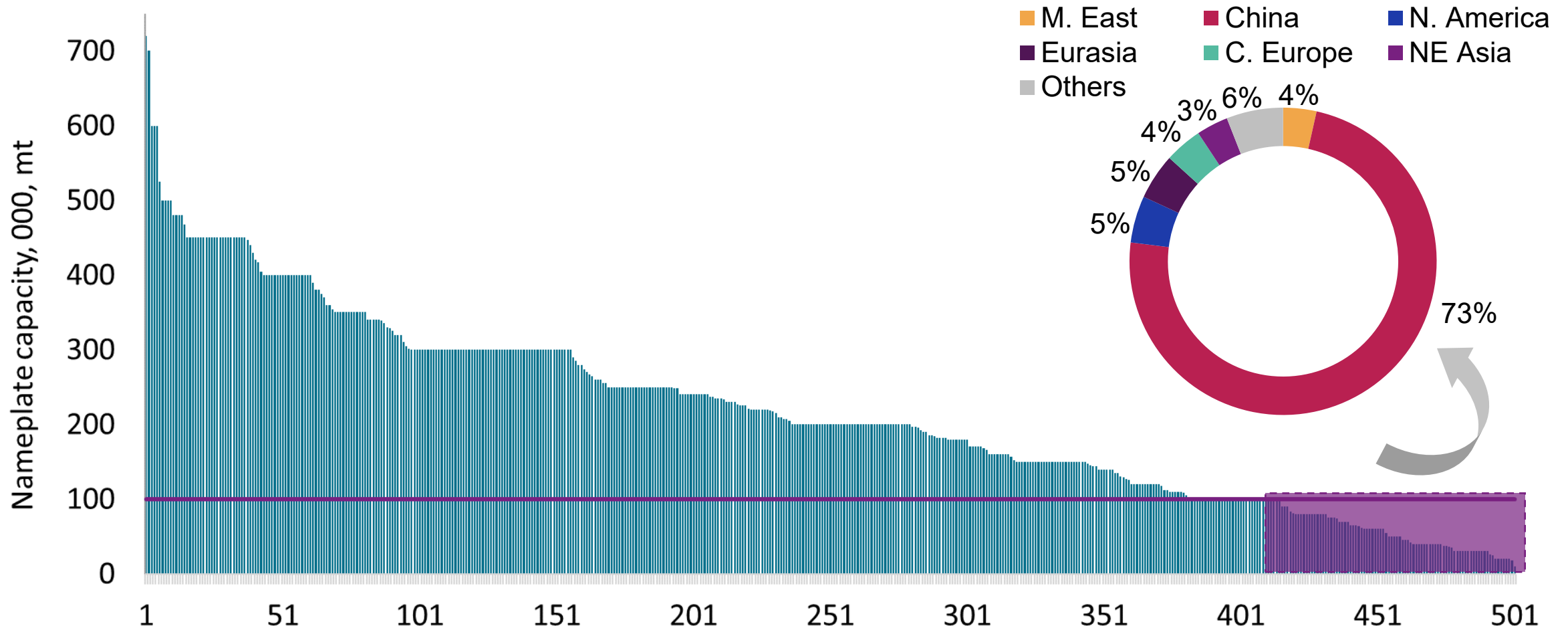


# Capacity overhang to persist through 2026, solely driven by new investments in Asia

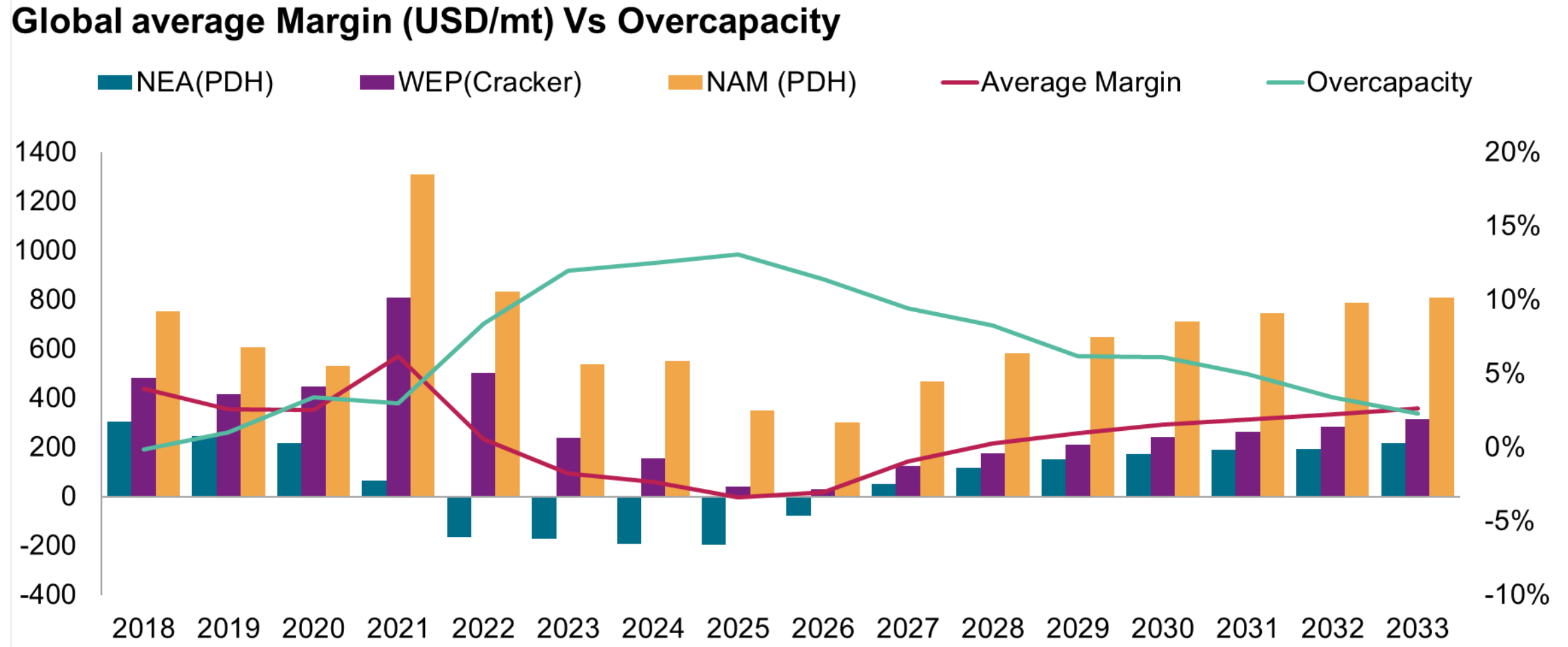
## Capacity addition and demand growth (million mt)



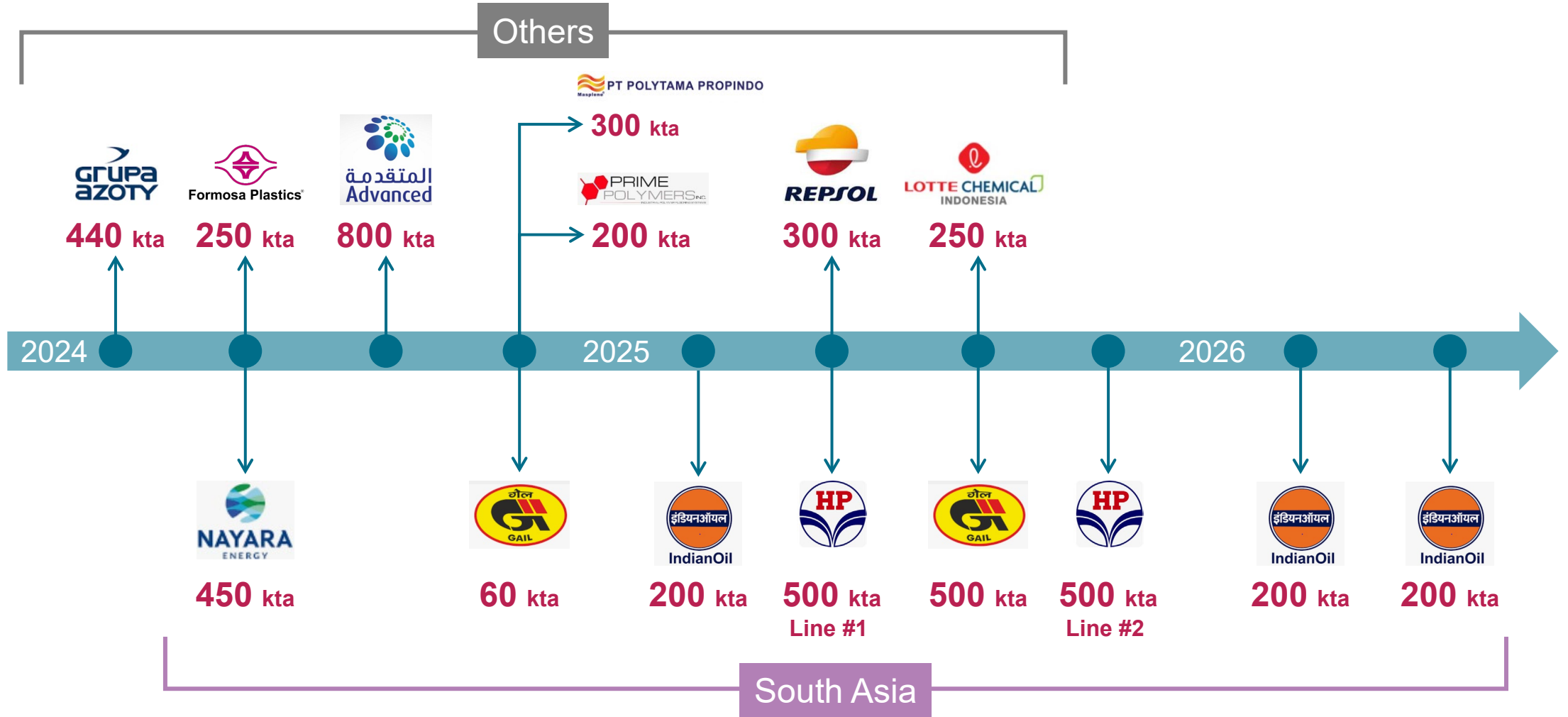
Small-scale, non-integrated assets representing ~10% of global capacity are particularly susceptible to consolidation amid current challenging market



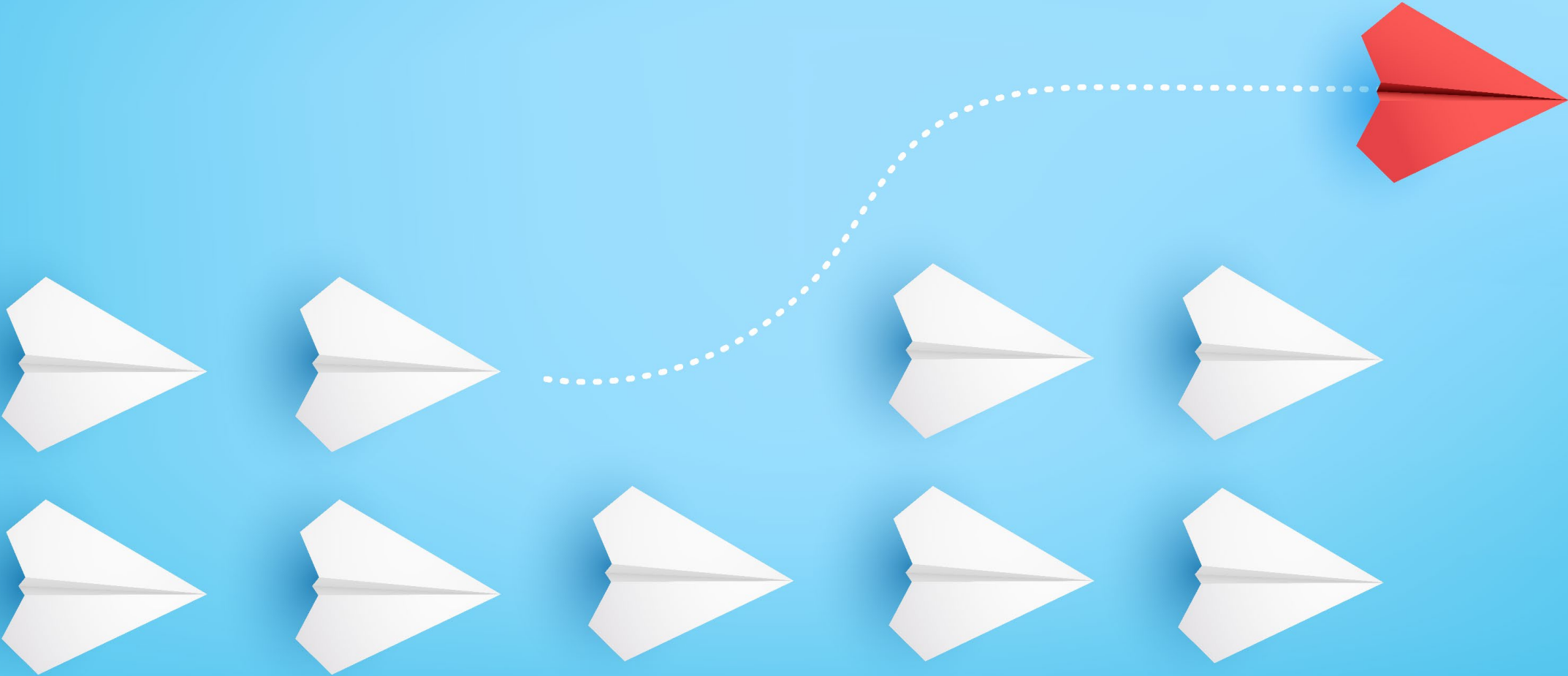
Margins in medium-term are expected to be burdened by oversupply; more for few regions than others



# Major Polypropylene projects beyond China



# Competitiveness Analysis





Competitiveness of any investment primarily hinges on three pillars

## Feedstock Mix



## Target Market

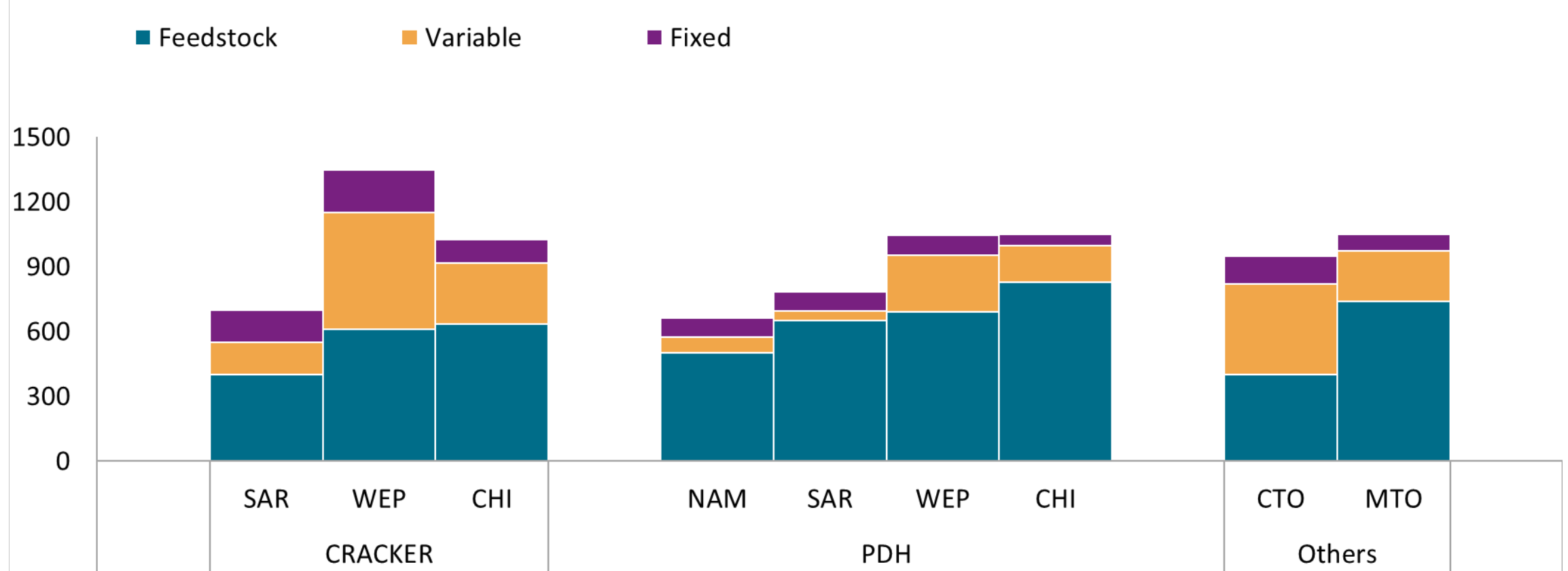


## Product Slate

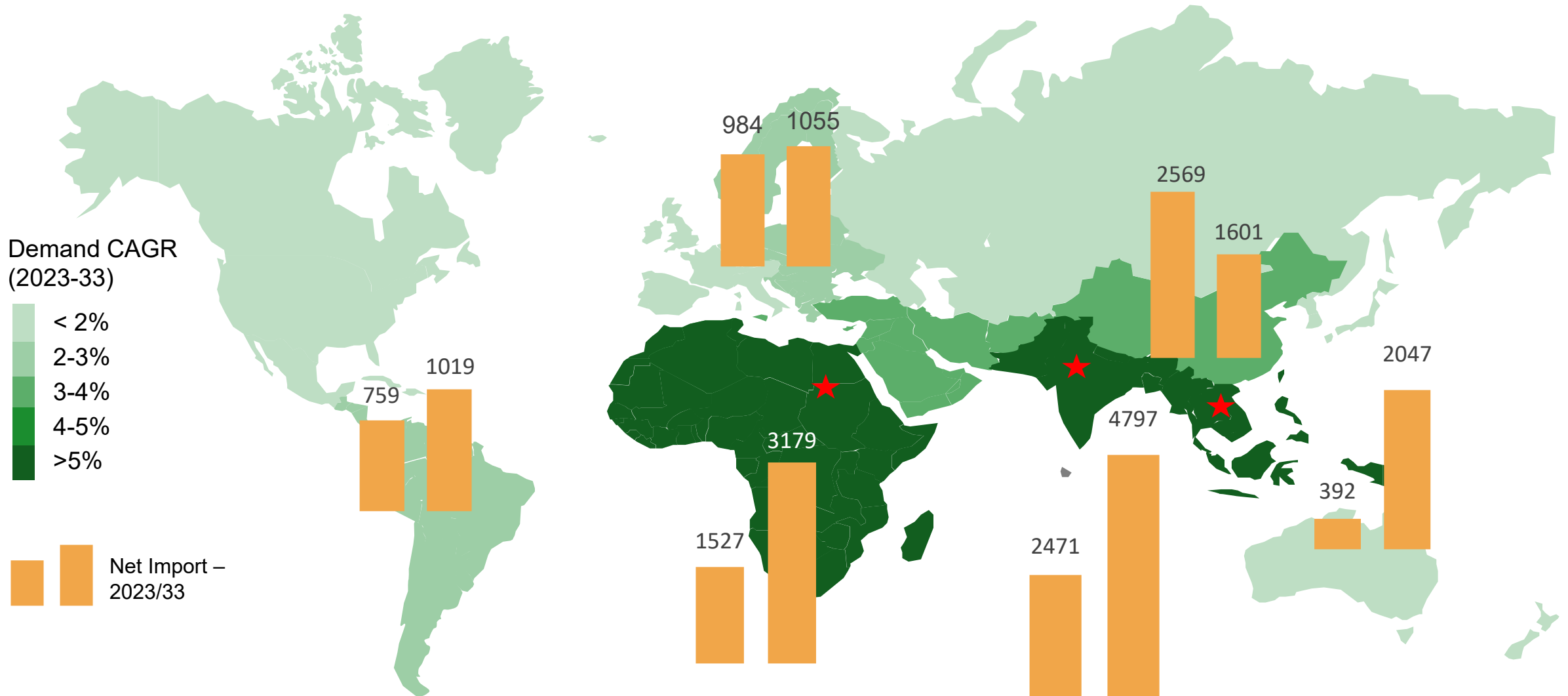


# Feedstock Mx : Price differential between different integrated Polypropylene assets across globe is not very significant

**Polypropylene Cost of production - Integrated complex \$/MT PP**

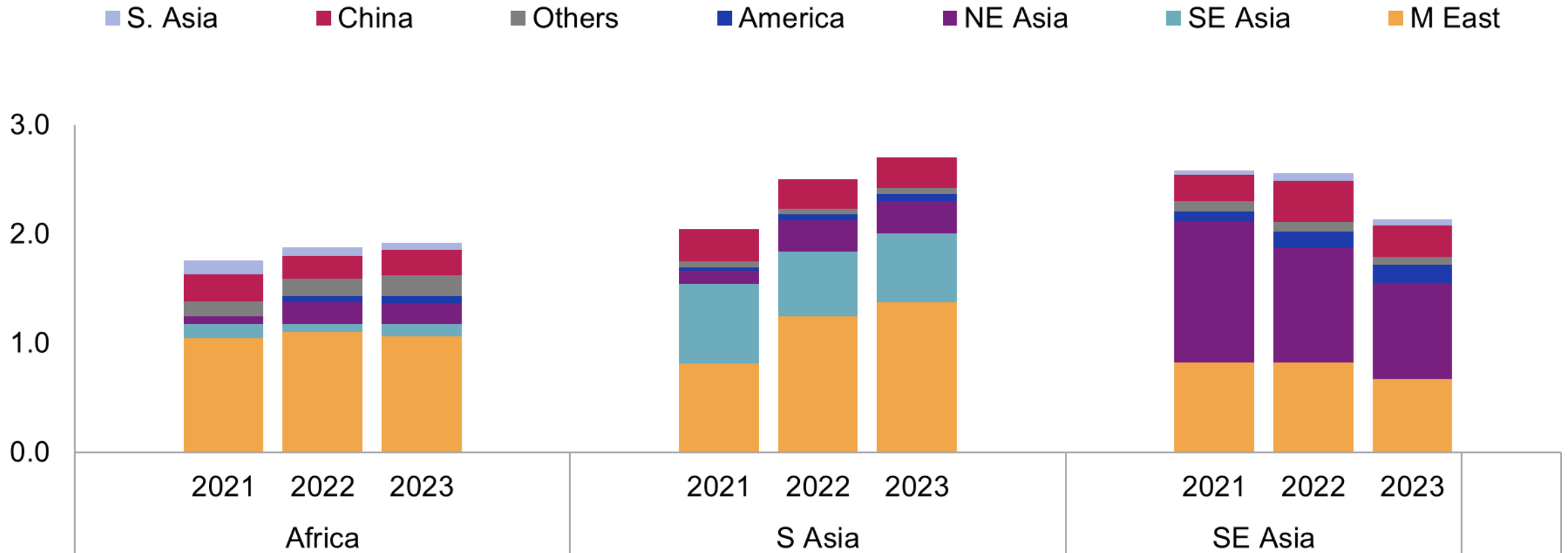


# Export opportunities beyond China: Emerging regions to target



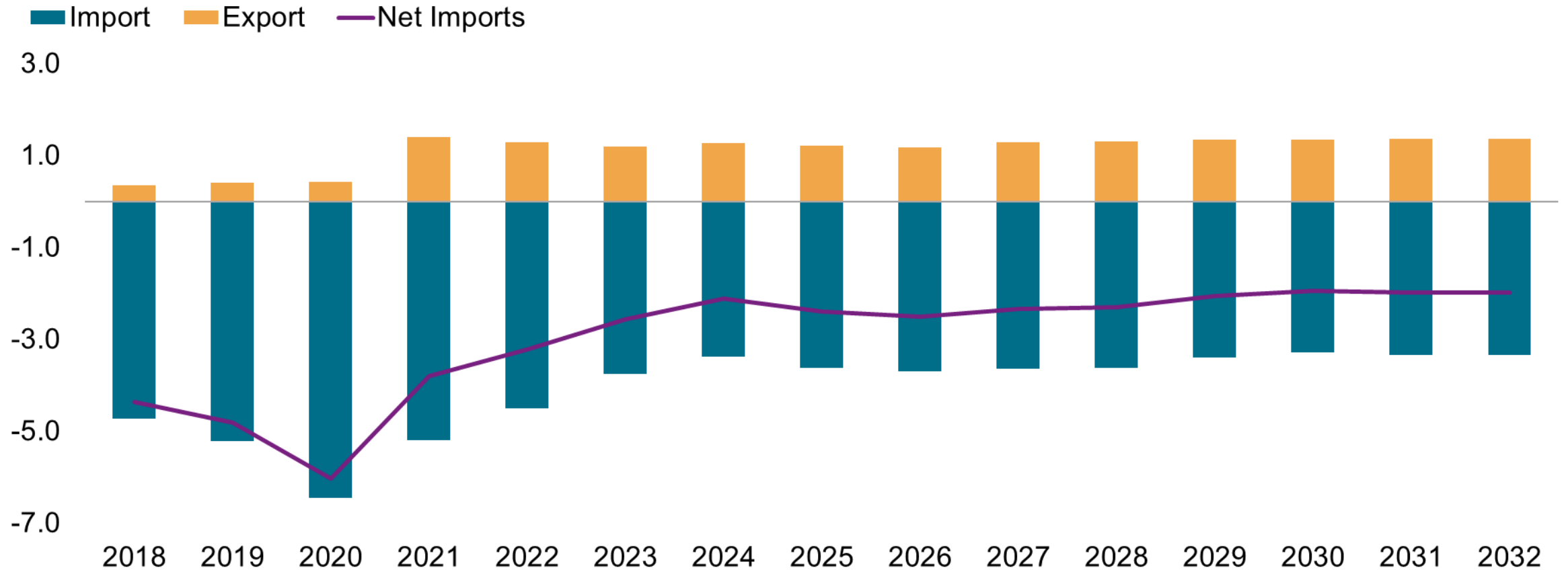
# Middle East accounts for largest share of export volumes going into emerging markets

Imports by origin, million MT



# China's transition to a net exporter a perpetual change or just a temporary opportunity?

## China annual trade (mt)



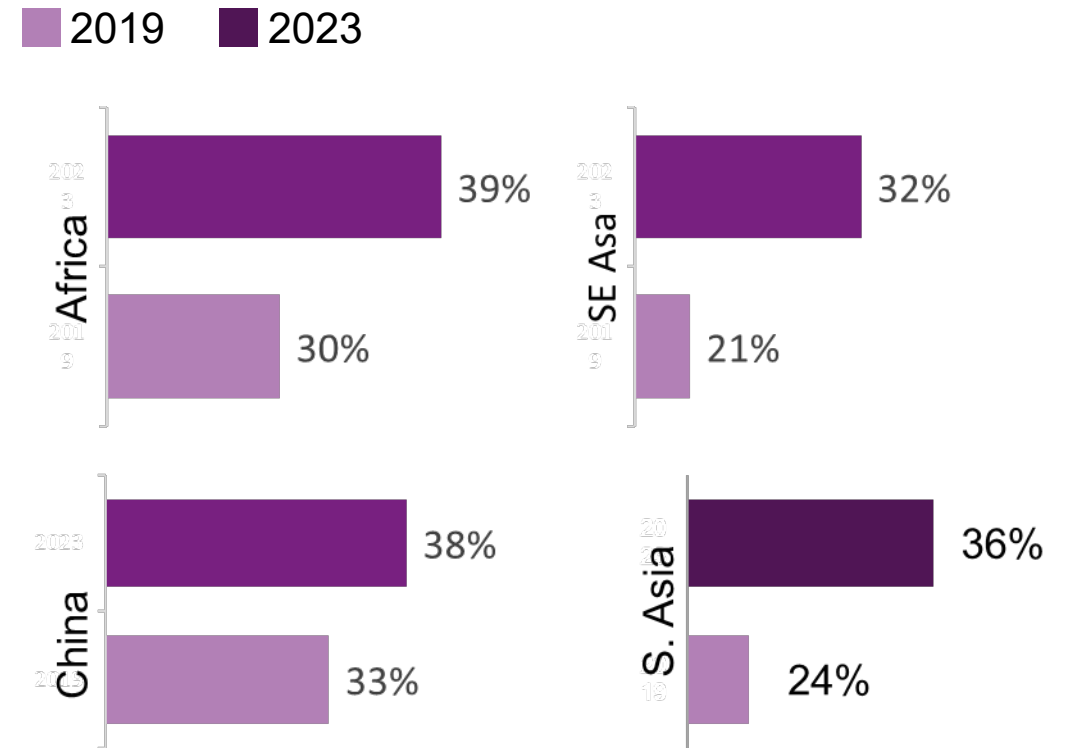
Amidst the current saturated market, specialty grades can offer a necessary safety net for the exporting regions

### Demand by end-use (Emerging market)

| Industry        | Industry growth (2023-33) | ~Market share % |
|-----------------|---------------------------|-----------------|
| Packaging       | 8%                        | 25%             |
| Consumer goods  | 6%                        | 15%             |
| Automobile      | 7%                        | 10%             |
| Medical Devices | 9%                        | 5%              |
| Construction    | 7%                        | 5%              |

### Supply through trade

Share of copolymers in total PP imports



# Summing it up

There's a long road ahead for recovery, with many changes needed along the way

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Potential winners in the new era -

- **Feedstock:** volatile price dynamics ; US & MDE  
Propane likely to be most cost effective
  - **Market:** Emerging market to come in forefront; China to become less attractive
  - **Product mix:** Differentiated specialty grades are a must to hedge risk
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**Circular product** continue to encounter obstacles due to restricted segment access and economic disparities

