

Adapting to change: Asia's polyester value chain in a volatile market

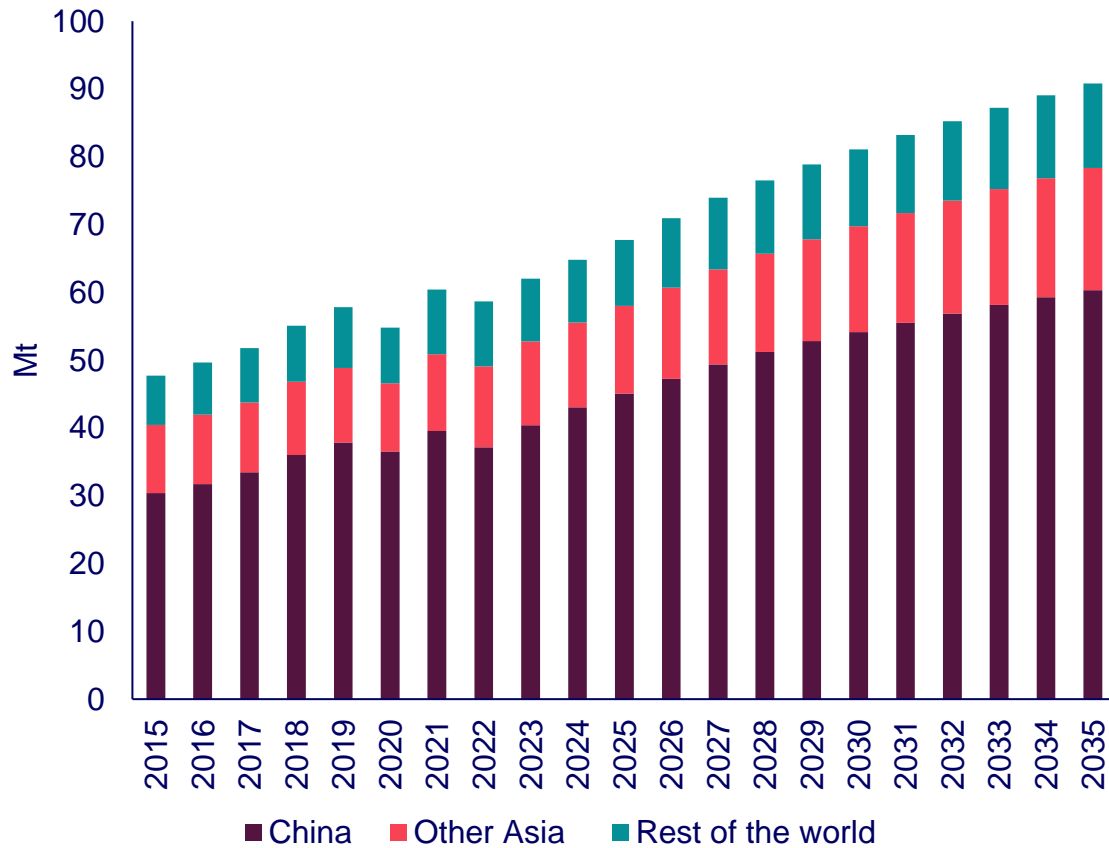
May 2025



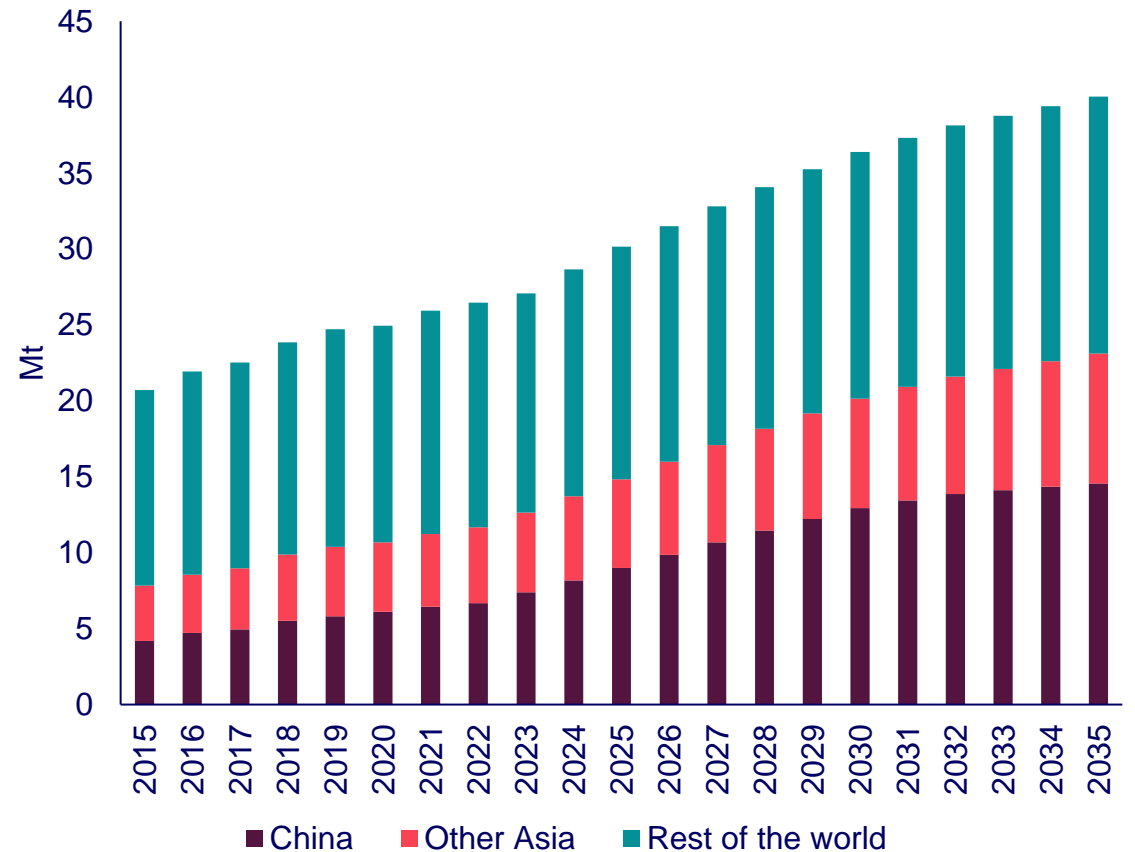
Asia will drive global fibre and PET demand growth into the 2030s

GDP growth, population and investment underpin polyester demand growth

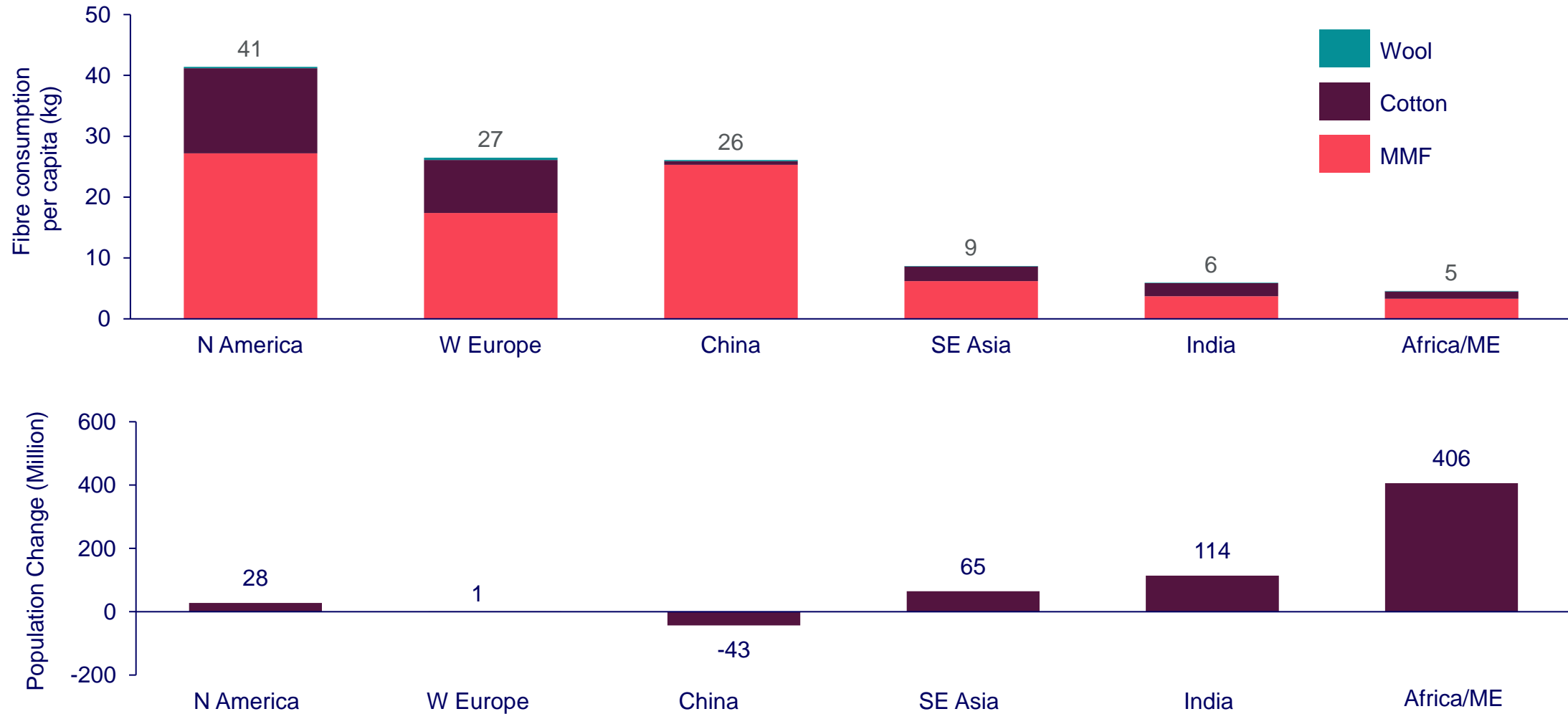
Textile Mill Consumption - polyester fibres



Total demand of PET



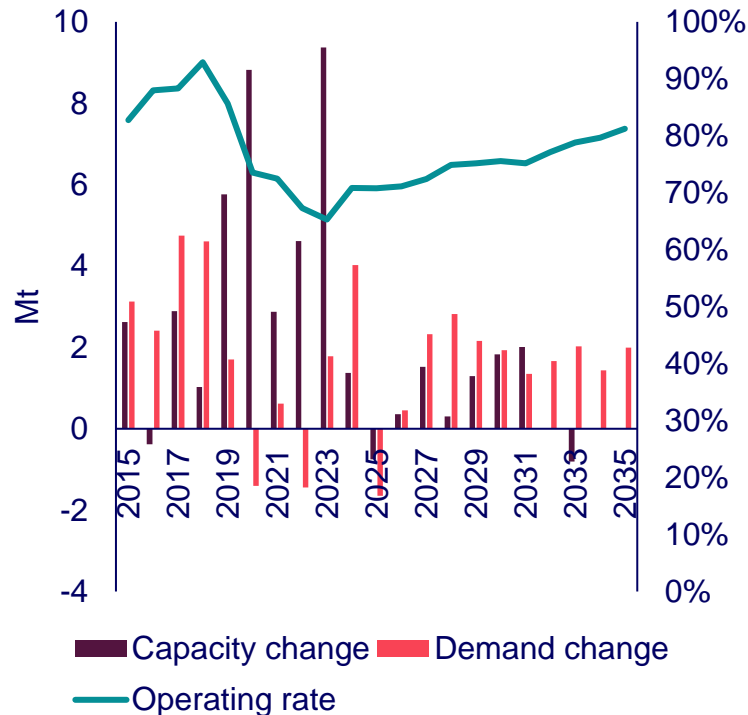
Regional per capita fibre consumption and population change 2025-2035



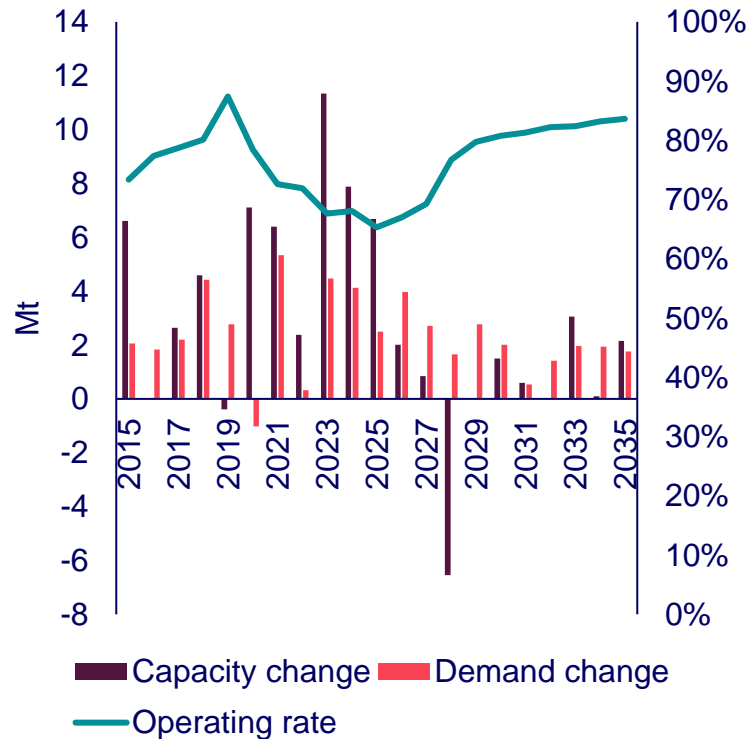
The current investment cycle, driven by the push for supply chain control, is nearing its end.

However, we can expect a resurgence in capacity expansion if China maintains its investment approach.

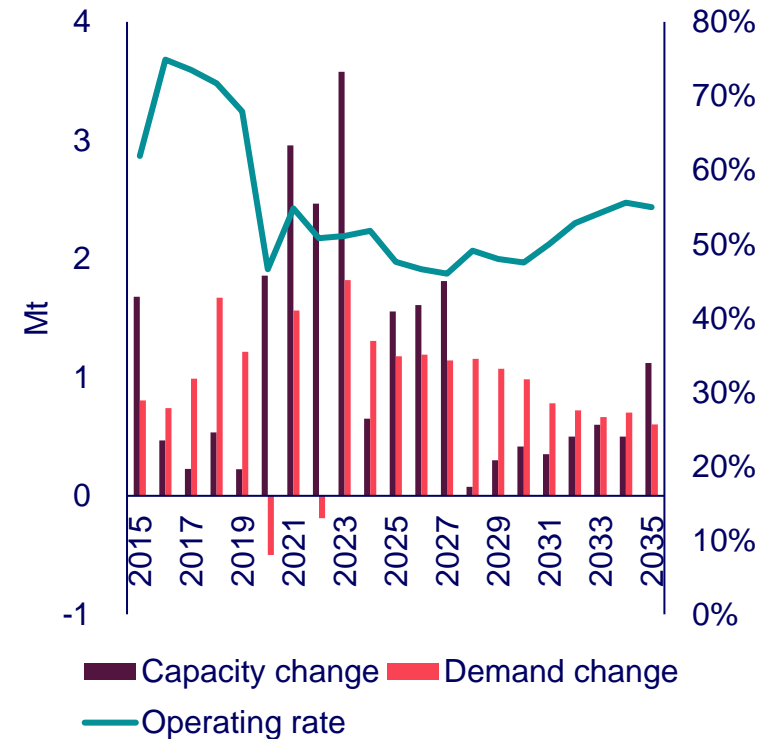
PX capacity and demand changes



PTA capacity and demand changes



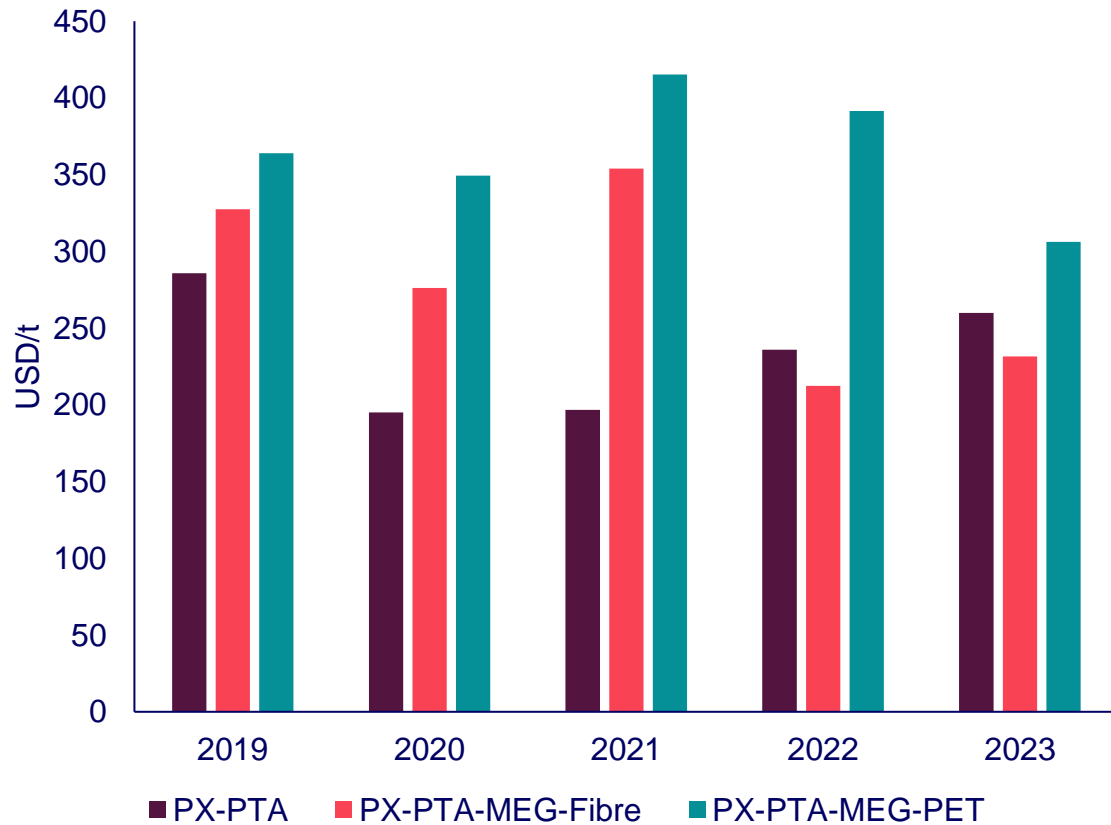
MEG capacity and demand changes



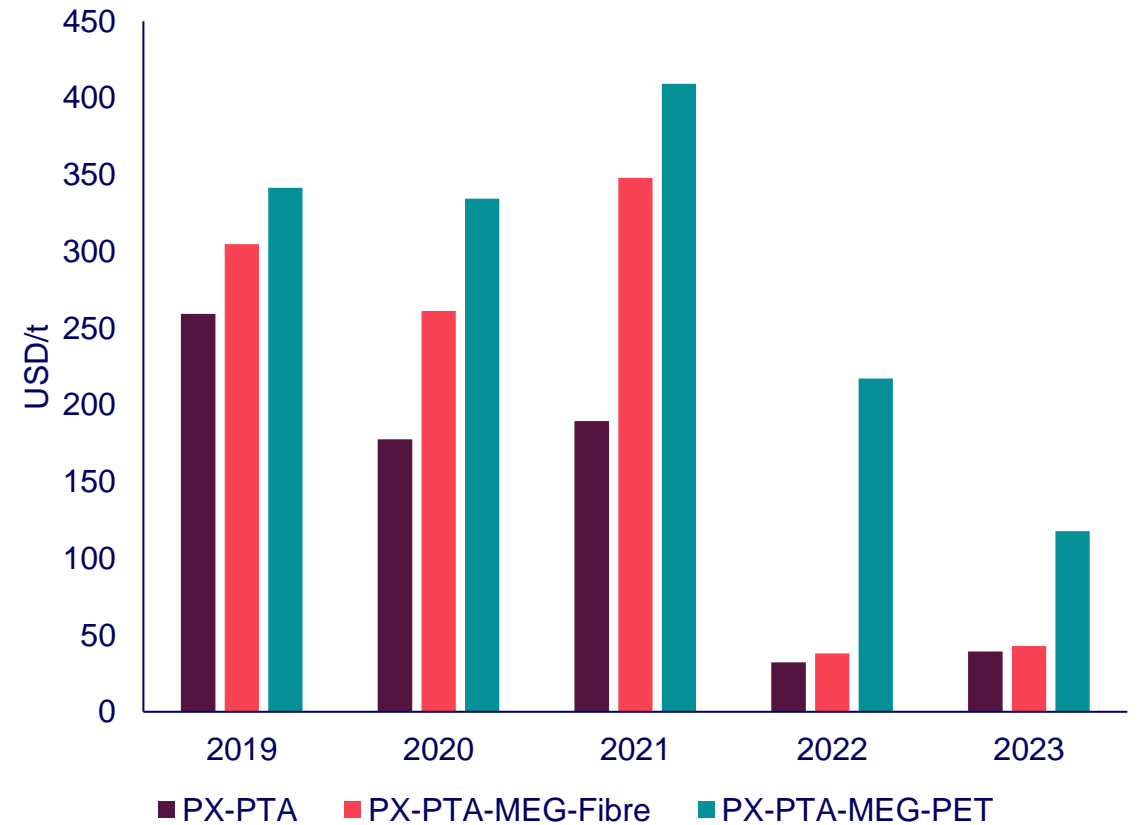
The paraxylene margin, being the largest portion in the polyester value chain, dictates the performance of integrated producers.

Our PX, PTA, and MEG asset benchmarking tools can model the costs and margins of any integrated Asian polyester producers.

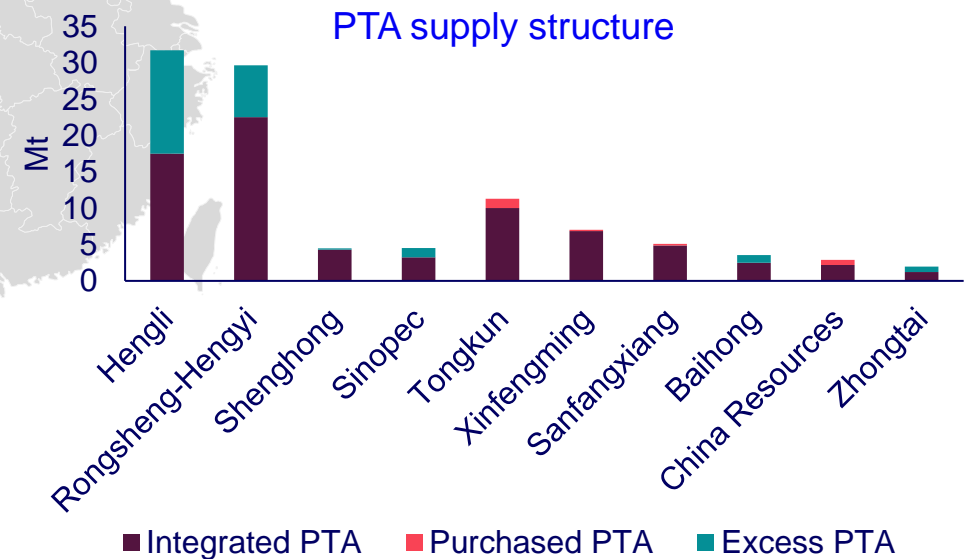
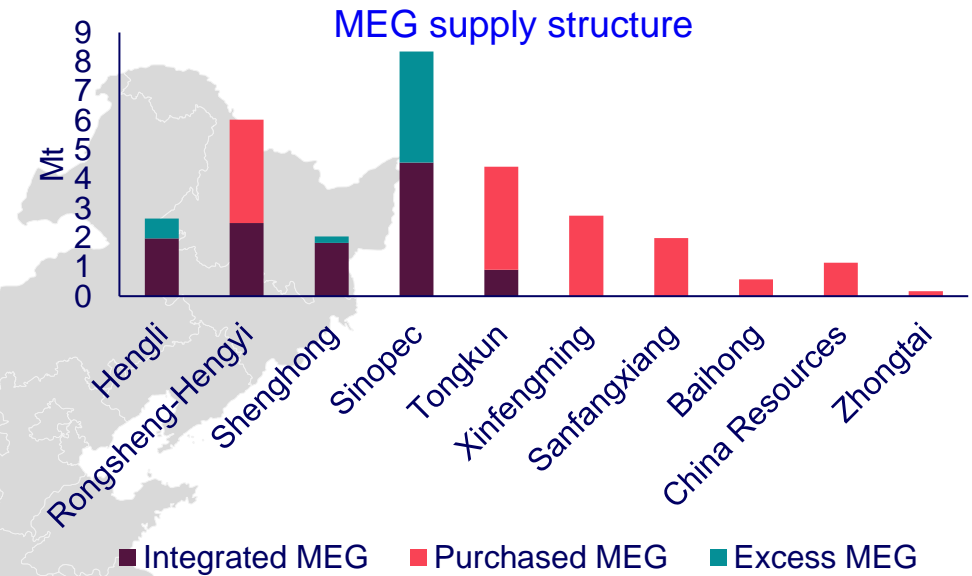
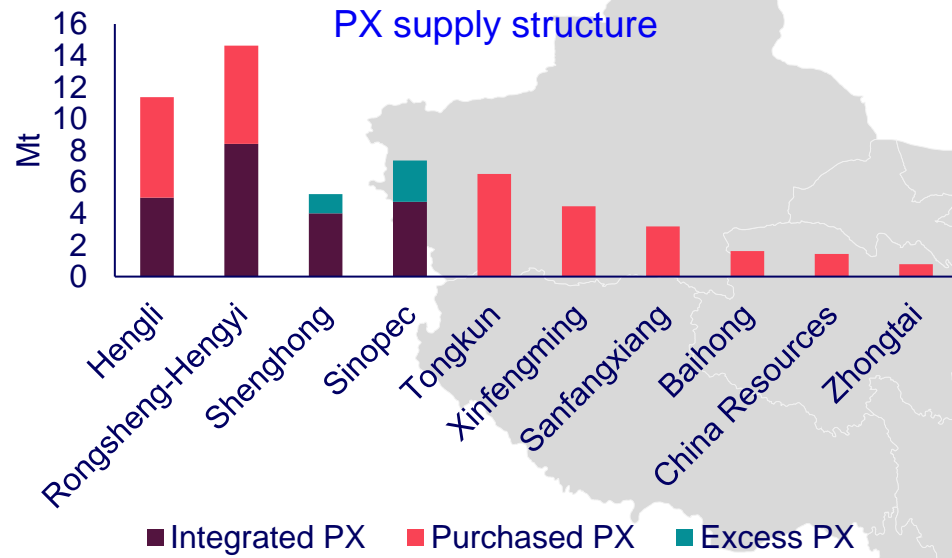
Integrated margins (PX: naphtha forward)



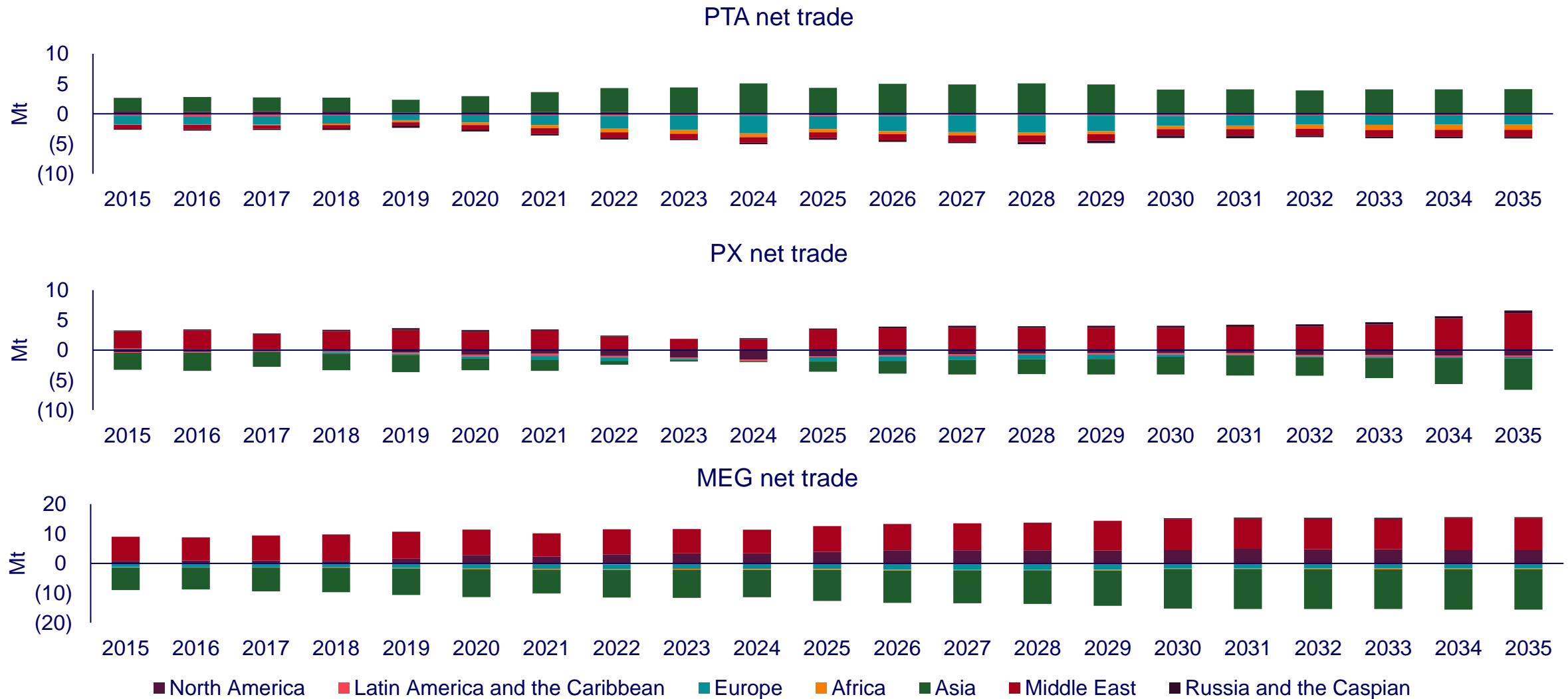
Integrated margins (PX: reformat forward)



China's integration drive: still short of full raw material self-sufficiency.



The PTA export/MEG & PX import dynamic in Asia: China's self-sufficiency drive

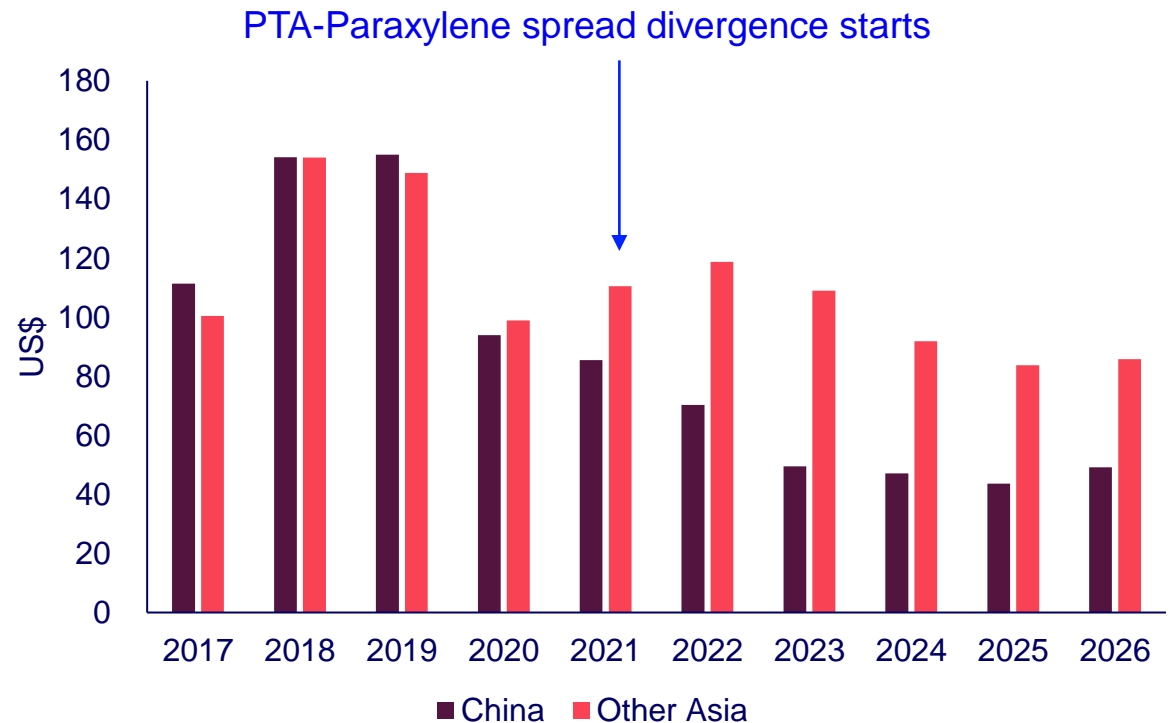


China's growing influence on prices along the Asia polyester value chain

Oversupply, robust spot business, and mature financial instruments foster a spot pricing system.

- Oversupply and a large polyester market have nurtured a robust spot market, which supports a spot pricing system in the broad Asia market.
- China's growing futures and options products include paraxylene, PTA, MEG, PSF, and PET resins, which serve as real-time indicators of shifts in market supply and demand.
- China's pricing system has changed the Asia market
 - The demise of the Asia paraxylene contract
 - The divergence of PTA-paraxylene spreads between China and other Asian economies.
- China's pricing mechanism is expected to maintain its long-term influence on the Asian polyester market. As oversupply conditions intensify, this influence may become more pervasive, potentially catalysing industry consolidation across Asia.

A dual price system in the Asia PTA market



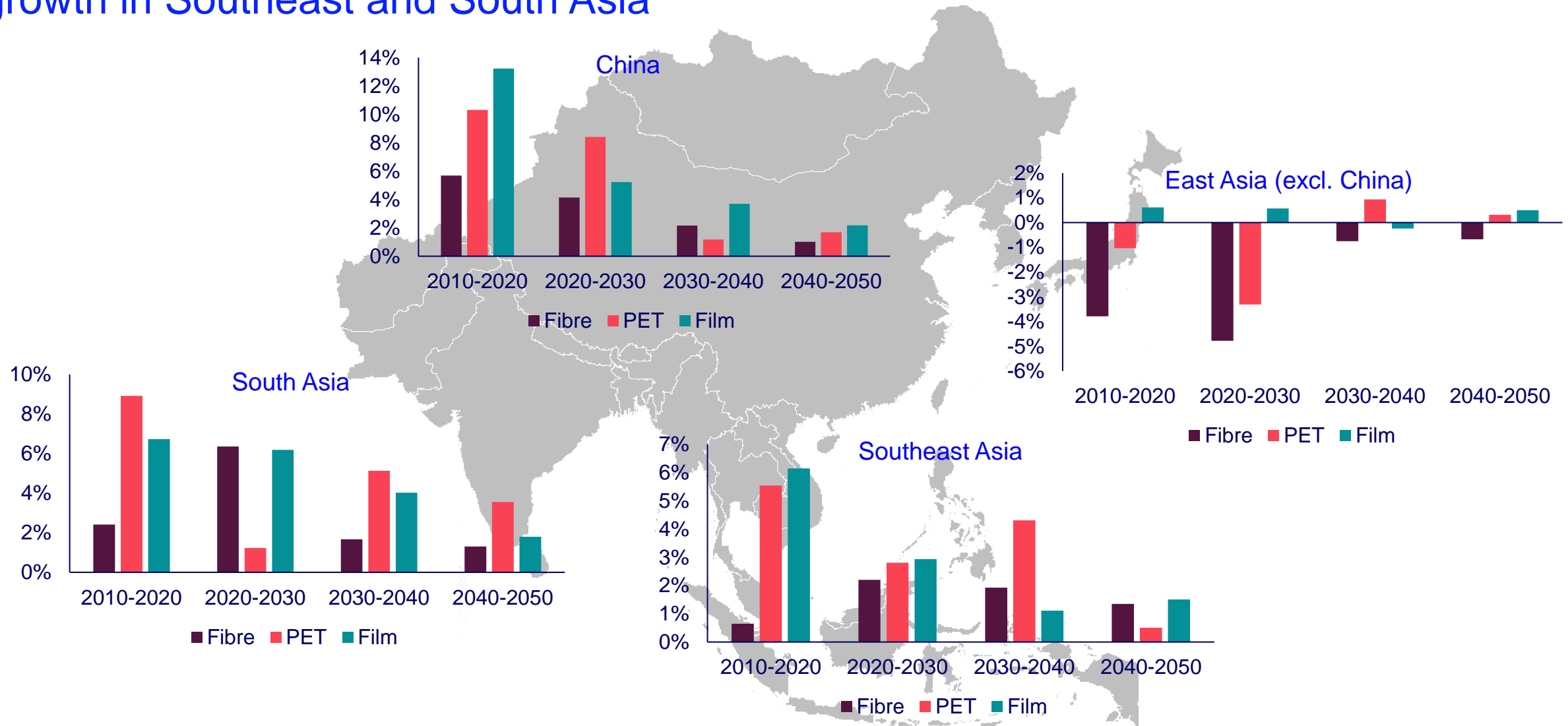
Globalisation and regionalisation: Asia polyester's dual reality

Globalisation endures, but tariffs spark regionalisation opportunities in the Asia polyester market



- Even with the current trade war, globalisation persists as the primary trend shaping the Asia polyester market, where China's position as the global manufacturing hub will be pivotal.
- Nevertheless, the imposition of tariffs is encouraging a parallel trend of regionalisation, leading to potential investment in export-oriented polyester production within centres that possess exclusive access to specific markets.
- The market will witness more north-to-south investments led by Northeast Asian producers.

Asia shows diversified polymer production growth CAGRs, with more outstanding growth in Southeast and South Asia



Q&A

Arthur Luo

Head of APAC Polyester

Biography

- Arthur, Head of APAC Polyester at Wood Mackenzie (joined 2017), is a senior market expert leading analysis for the PX, PTA, and related derivatives value chain. He provides strategic direction and insights into the Asian polyester market, with a focus on China's pivotal role and long-term trends.
- Before joining Wood Mackenzie, Arthur was a crude oil and petrochemical trading strategist at a large Chinese trading house. Prior to that, he was a crude oil analyst at a market research centre in Shanghai.
- Arthur holds a master's degree (research) in Economic History from the London School of Economics and Political Science in the UK. He also earned another master's degree in East Asian Studies from Lund University in Sweden and two bachelor's degrees in Political Science and Economics from Huazhong University of Science and Technology and Wuhan University.

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