



ICIS

Powered by data.
Driven by insight.

2018

US PVC BULLISH

IN NEW YEAR ON RISING DEMAND

Outlook by Bill Bowen

OUTLOOK

US PVC BULLISH IN NEW YEAR ON RISING DEMAND

BILL BOWEN JANUARY 2018

The US polyvinyl chloride (PVC) market anticipates a strong 2018 on rising demand to repair and rebuild the damage from three Category 4 hurricanes that made landfall in the US in 2017 and a rash of wildfires that have consumed nearly 10,000 homes and other structures in California.

That is expected to give the market a boost after two years of steadily rising construction activity, although the tail end of 2017 was disappointing in terms of international demand and Hurricane Harvey's intrusion, which disrupted production and created logistics issues in Texas along the US Gulf Coast.

But it is the very disasters that 2017 brought that are expected to provide a demand boost in 2018. The efforts to recover from these disasters is expected to amount to \$200bn or more in construction and other activity, and US PVC will benefit, perhaps for the next 24 months or more.

That will add to already growing PVC demand in the US that saw domestic sales grow by 4.4% through September, according to numbers from the American Chemistry Council (ACC) using data compiled by Vault Consulting.

"I think the hurricane damage will increase demand in 2018 and through 2019," said Bob Bauman, president of Polymer Consulting International.

PVC demand closely correlates to construction activity with about half of PVC production going to the manufacture of building materials, including siding, decking, wire insulation and door and window profiles, among a host of other products.

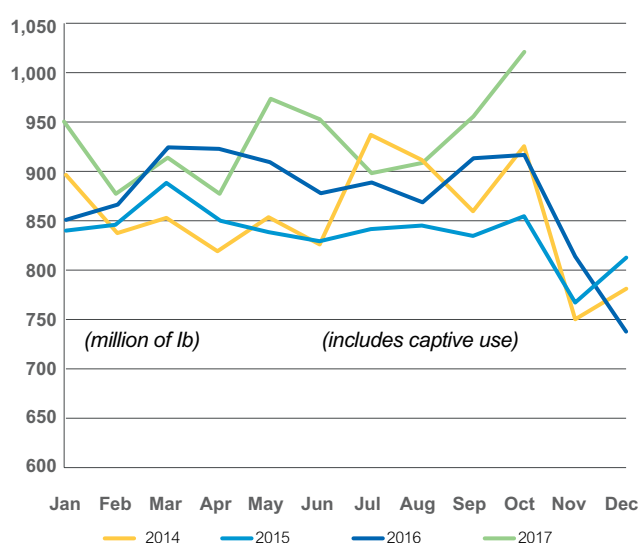
Greater domestic construction activity is welcome news to the industry, which has spent the fourth quarter of 2017 being kicked around by high prices for liquid caustic soda. As producers ramped up production to capitalise on high caustic soda prices – double those of two years ago – co-product chlorine went long and PVC prices sank.

If demand does rise as Bauman forecasts, US exports will likely decrease in 2018 as domestic demand chews up a greater proportion of US production output.

A diminished US export presence is also likely to aid in firming PVC prices in global markets.

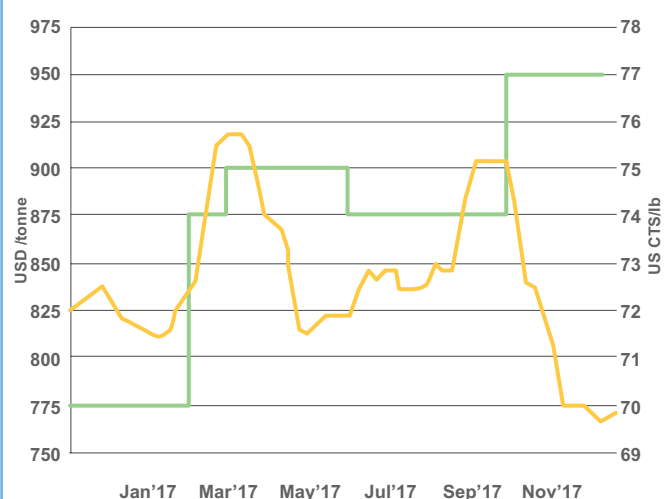
Global production capacity of PVC hit an estimated 55m

US-CANADA DOMESTIC PVC SALES



Source: ICIS

US PVC PRICES



Source: ICIS

tonnes in 2016, the latest full-year data available, according to Kunststoffe industry news. Demand grew by 2% to 41.5m tonnes, and 9m tonnes, or 22%, was sold in global export markets.

Of the 9m tonnes in trade, US producers contributed 2.76m tonnes, or 31% of globally exported PVC, according to Kunststoffe data and the US International Trade Commission (ITC).

That is a significant chunk of global business.

But as domestic US demand increased in 2017, exports went down by about 3%, according to ITC data through October.

US exports are likely to get some relief after about 2020 or so. Two producers have announced expansion plans.

Shintech, the US division of the Tokyo-based conglomerate and the largest PVC producer in the world, has applied for permits to build a new vinyl chloride monomer (VCM) plant in Plaquemine, Louisiana, and

to expand PVC production capacity at its existing plant there by about 635,000 tonne/year.

Formosa Plastics USA said this week said it plans to expand its capacity at its Baton Rouge, Louisiana, production centre by 136,000 tonne/year, adding that amount to the current 470,000 tonne/year of existing capability.

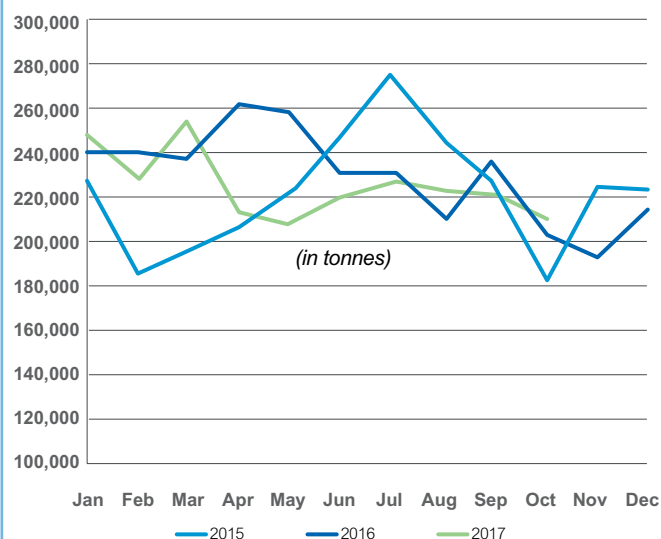
But, even if all goes well through the permitting and construction phases, any new plant and accompanying expansions would take at least two to three years minimum and not be ready before 2020, according to estimates.

Adding to the bullish outlook are new estimates from the World Bank that global economic activity is rising faster than earlier estimated.

That should help prices in for export sales as greater demand consumes more material and shortens supply.

US PVC producers include Shintech, Occidental Chemical, Westlake Chemical and Formosa Plastics.

US MONTHLY PVC EXPORTS



Source: ICIS



ABOUT THE AUTHOR

BILL BOWEN **SENIOR EDITOR MANAGER**

Bill Bowen is an ICIS senior editor covering the chlor-alkali and vinyls chains from the company's Houston office. He is a career business and economics journalist covering trade, energy, economics, development and corporate governance, mostly at newspapers. He joined ICIS in 2013 and also oversees ICIS polymer coverage in the US.

CRITICAL MARKET DATA, TOOLS AND EXPERTISE

ICIS' coverage is unrivalled, publishing pricing data and market information for over 180 commodities, across all key regions. Make fast and confident decisions with access to:

- Contract and spot price assessments, including personalised alerts to notify you of changes
- In-depth analysis and price history to help you track and understand price drivers and trends
- Multiple delivery options to suit your needs

 **Request your free sample report**



ICIS EVENTS

ICIS offer a series of public and in-house training courses and industry-leading conferences. Designed to provide the in-depth information and outlook you need to navigate the market with confidence. With over 28 conferences and 45 training courses each year, you are sure to find an event that meets your specific needs.

 **CONFERENCES**  **TRAINING**