ICIS consultants were at the 2016 K Fair in Dusseldorf, talking to plastics producers, consumers, processors and distributors from all over the world. Below are the key learnings and take aways from these conversations.

Polyolefins
By Fabrizio Galié, Senior ICIS Consultant

Without a doubt, the most frequent question I was asked at K Fair this year was: where do you see petrochemical prices heading during 2017? Whether based in Europe, North America or Asia, buyers and sellers are concerned about what to expect in 2017, after a year when price volatility has remained high.

In spite of good margins overall for many producers and traders during 2016, the general feeling is that any major change in the average crude oil price level will have a severe impact downstream in the industry. Suppliers are wondering whether markets will continue to offer good returns should olefins prices start to increase, and this will depend on the short-term developments in supply and demand.

As for buyers, they generally do not expect any big surprises before the end of the year, but remain concerned about possible hikes in early 2017. With polyethylene (PE) supply set to increase later next year, and polypropylene (PP) investments aimed at further reducing import requirements into China, some European buyers are considering the possibility of securing more of their needs from imports.

Much attention is focused on how and when the new PE capacity in North America and the Middle East will bring fresh volumes to Asia, Europe and Africa, and the impact from China’s growing self-sufficiency.

Looking to the long term, producers and sellers are of course interested in trying to anticipate future trends in polyolefins demand. Participants seem to agree that the fastest demand growth will be in Asia, not only from China but also from many economies in the Asia Pacific region.

Industry players are also focusing their attention on other regions such as Europe and Africa. Most see good potential in some Sub-Saharan markets, and a number of big producers and traders want to expand their activities in countries such as Kenya and Nigeria. Whether they can compete effectively in these areas will depend on their ability to develop logistics.

As for Europe, there is a consensus on lower demand growth compared with the emerging economies, although some see potential in processing capacity developments. Suppliers worldwide may consider developing their portfolio of high-specification grades to offer to Europe and to some developing markets just as soon as these developing markets move from consuming predominantly commodities to consuming more of the high-specification grades.

Fabrizio is a senior ICIS consultant working in the polymers and plastics division. He is also the author of the ICIS polypropylene and polyethylene Europe price forecast reports which provide at-a-glance supply, demand and price trends for the next 12 months. Find out more and download a free sample for polyethylene or polypropylene.
Styrenics
By Rhian O’Connor, ICIS Senior Analyst

For styrenics, the immediate focus of concern was on production problems at BASF’s plant in Ludwigshafen, Germany. There was an explosion at the site on 17th October, two days before the start of K Fair, and both of the company’s steam crackers were shut down as a security measure. BASF has a 550,000 tonne/year styrene unit on the site which uses ethylene and benzene from the crackers. This unit represents around 10% of Europe’s styrene capacity.

Clearly, uncertainty was the prevailing sentiment. The accident did not fundamentally damage either the crackers or the styrene unit, but the shutdown caused some short-term supply issues. A strong spike in spot styrene prices was indicative of the market’s worries. Spot prices moved from $980/tonne FOB Rotterdam on 14th October to $1017.50/tonne on 19th October. In addition, INEOS Styrolution, a downstream producer at the site, declared force majeure on ‘Luran’ styrene acrylonitrile (SAN) on 19th October.

The crackers have now restarted, although low water levels on the Rhine and extra security measures have slowed logistics. However, styrene supply should normalise soon and spot pricing has eased somewhat. The market remains generally long, given new start-up in Asia, and the restart of the Elba unit in Moerdijk, the Netherlands, earlier in the year.

Participants were also looking at increased imports into Europe of both polystyrene (PS) and acrylonitrile butadiene styrene (ABS). In particular, Korean product was very prevalent. One Korean producer said Europe had become more of a focus and the company was trying to win market share. One Taiwanese producer also mentioned its drive for sales in Europe, given Asian overcapacity.

Middle Eastern plants are due to come on stream over the next few years, notably in Iran for expandable polystyrene (EPS) and Saudi Arabia for ABS. However, buyers and sellers mentioned delays to these projects and uncertainty about future supply. The restart of an Egyptian PS unit was seen as having a limited impact on Europe.

However, many buyers saw the potential to import as limited. Several mentioned quality and security of supply as well as the need to get materials approved in many markets such as consumer, automotive and electricals. Most did see an increased drive from Asian suppliers but said they had seen this in the past, pointing out that material often becomes restricted at a later date when the suppliers refocus on their domestic markets.

The final talking point at K Fair was on pricing, with producers’ margins seen as high relative to the past. Many players believe the situation is unsustainable, although few saw a catalyst to push spreads lower. Most buyers continue to look for ways to substitute to other, cheaper polymers. Views on this differed, with one buyer believing that a new wave of research and development would reduce its PS purchases in 2017, by moving to polypropylene (PP) instead. However, other buyers thought that the bulk of substitution had already been done.

Rhian is author of the ICIS Polystyrene Europe price forecast report and also covers the styrenics markets as well as some propylene derivatives. Find out more about the ICIS Polystyrene price forecast report here.