



Powered by data. Driven by insight.

HOW IS LATIN AMERICA GOING TO BE IMPACTED BY THE NEW US PE PRODUCTION?



By George Martin



US PE

HOW IS LATIN AMERICA GOING TO BE IMPACTED BY THE NEW US PE PRODUCTION?

BY **GEORGE MARTIN** MARCH 2019

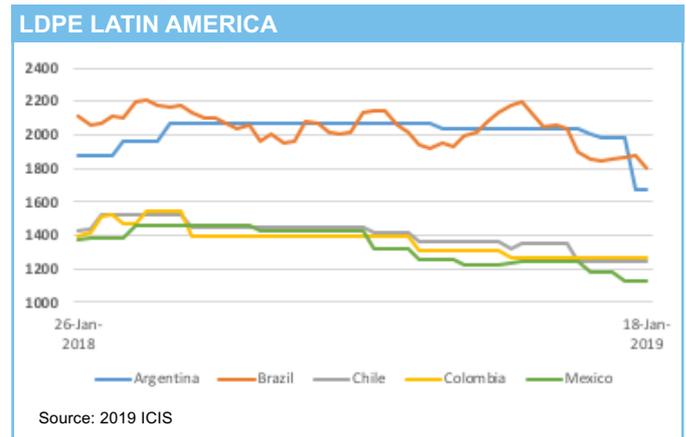


2018 was a tough year in Latin America

- Currency devaluations hit Latin America
- A year of political changes in the region
- Mexico flooded by US Gulf production surge
- NAFTA doubts slowed Mexico, USCMA still to get approval from Congress
- US-China price war brought uncertainty to the market

2018 PE Headlines

- The US added PE capacity in 2018, with impact on Latin America on the second half of the year
- Prices were high in Q1 following Harvey, but that impact subsided in Q2
- New US production affected Mexico first
- Mercosur protections shielded Argentina and Brazil prices



US POLYETHYLENE PRICE REPORT

ICIS price reports provide independent, objective and trusted intelligence for over 180 chemical commodities across America, Europe and Asia.

USE ICIS INFORMATION TO:

- Follow fluctuations and understand factors driving them
- Input into your own internal analytical models
- Clarify settlements and contracts
- Inform negotiations



Find out more about ICIS price reports



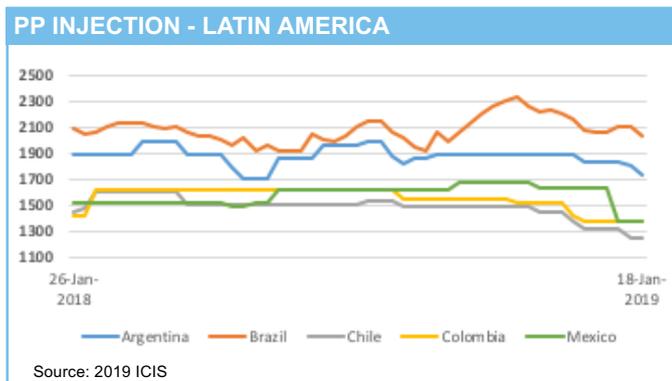
Courtesy of Braskem Idesa

Latin America PE expansions: Still unlikely

- Braskem Idesa remains the only new ethylene and PE production
- There is a fierce price war in Mexico with oversupply from domestic production and imports
- Pemex has regained PE production with ethane imports
- Vaca Muerta holds promise for Dow's ethylene and PE expansion in Argentina

Latin PP was a 2-tier market in 2018

- High propylene prices and reduced PP US exports kept prices high in Mexico
- Low crude oil prices made for cheaper Asia prices
- Prices went down faster in South America because of lower offers from Asia and the Middle East
- Prices headed down everywhere in January 2019, in some cases, by much



Latin PE Trends Heading into 2019

- Supply: Not likely to change in the region
- Demand: Mostly flat to slightly higher in some countries
- Will prices rise in 2019?

There will not be new production in Latin America in the short term.

Growing with GDP, but slow to come back in countries with dire economic situations, such as Venezuela, and in a minor scale, Argentina.

Prices will be down in the short term. Ample inventories in the US Gulf will keep prices down. Only hope for higher prices may come from accidents or acts of God.

PP Trends Heading into 2019

- Supply: Some expansion from debottlenecking in Mexico. No new PP production in Latin America
- Demand: Affected by struggling economies. Minimal growth
- Price direction?

Indelpro has added capacity through debottlenecking at its altamira plant. Expects to source ethylene from the US Gulf. Bolivia project unlikely. C3 shortages in Chile, Argentina/Colombia unchanged.

As with the case of PE, demand will grow with population gains and GDP, but will be slow to return in Argentina or Venezuela.

Down in the short term. Crude oil prices will likely play a role on the possibility of future price increases worldwide.