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Higher feedstock costs spur polymer price rises

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Standard thermoplastics prices have seen strong gains over the last two months as a result of rising crude oil prices and upstream costs.

In September, L/LDPE prices increased by €100-115tonne with HDPE price increases varying between €60-90/tonne, less than half what producers had initially asked for.

PP prices increased by €60/tonne, which was also around half of the €120/tonne which producers had called for at the start of the month.

Polystyrene prices soared in line with the €170/tonne rise for the styrene monomer reference price. Base PVC prices increased on a pro-rata basis to the €70/tonne rise in the cost of ethylene. PET prices nudged higher driven by rising upstream costs.

Standard thermoplastic prices continued on an uptrend during the first two weeks in October following a further rise in raw material costs and a tightening supply situation.

L.LDPE prices were settling with triple-digit increases over September levels, well above the €65/tonne rise for the ethylene contract price and driven by more stringent supply restrictions. HDPE availability is not quite so tight as in the L/LDPE sector and so price increases were closer to the rise in cost of ethylene.

PP prices also registered gains in excess of the €60/tonne rise in the cost of propylene as producers trimmed run rates even further.

PS, PET and PVC upstream costs also increased in October, yet producers mostly failed to achieve much-needed margin gains because of persistently weak demand.

Demand low

Overall, demand failed to recover after the summer holidays during September and into early October. Given the pre-buying which took place in August and their well-stocked warehouses, converters bought just sufficient material to meet immediate production needs. There was no noticeable stimuli from most key end use markets due to sluggish economic activity and the negative impact of inflation on consumers' disposable incomes.

Supply tightens

There has been a noticeable tightening in availability of L/LDPE and PP this month as producers reduced operating rates even further so as to avoid a build-up of excess stocks. Producers of other polymer classes have also maintained reduced plant operating rates. In the PET sector, the first plant shutdown was observed in September; other plant shutdowns could follow because of inadequate margins. Supply has also been restricted by lower availability of competitively-priced imports.

A selection of the latest supply-related developments are summarised below;

- A fire broke out at the open storage area on the site of PE and PET recycling company Drava International at Osijek in Croatia on 4th October
- Unipetrol RPA announced the shutdown for maintenance of its LLDPE and HDPE facilities in the Czech Republic and also announced force majeure for ethylene in late September
- Inovyn announced a shutdown for maintenance of PVC production at its Belgium facility late September
- Kem One announced the shutdown for maintenance of PVC production at its French plant late September
- Ellba restarted styrene production at its Netherlands plant on 21st September following a shutdown for maintenance.

November outlook

While crude oil prices have increased (Brent crude up from $84/barrel 6th October to $91/barrel 13th October), following the Israel-Hamas war, there remains much uncertainty regarding the further development of crude oil and upstream polymer costs. Overall demand in Europe is likely to remain weak until the end of the year, which could lead to a softer price trend. Producers, on the other hand, will keep a cap on plant operating rates in order to ensure a good market balance between demand and supply. Overall, polymer markets are likely to fluctuate depending on what happens to feedstock cost.

L/LDPE

In September, L/LDPE producers initially approached the market with planned price hikes of €200/tonne compared with the €75/tonne rise in the ethylene contract price. Buyers refused to pay such a hefty price premium over the cost increase. Most LDPE contracts settled with a rise of €100/tonne with LLDPE prices up by €115/tonne.

Demand remained well below expectations yet producers were still able to achieve higher than cost increases because of production cutbacks and fewer imports, which led to a more balanced market.

In October, L/LDPE suppliers approached the market with a larger increase than the €65/tonne rise for the ethylene contract. In early trading, L/LDPE contracts settled with triple-digit increases; reflecting tight supply because of reduced run rates and limited availability of competitively-priced imports. However, processors are not rushing to buy due to the unsatisfactory demand from their customers.

HDPE

In September, HDPE producers approached the market with planned price increases of €100/tonne against a rise of €75/tonne for the ethylene contract. Film extrusion prices increased by more than the cost rise; blow moulding prices increased in line with ethylene costs while injection moulding prices were up by less than the cost rise because of weak demand.

During the first two weeks in October, HDPE prices were settling close to the rise of €65/tonne for the ethylene contract price, except for HDPE pipe grades due to some production shortages. HDPE supply remains well--balanced as reduced output and lower availability of competitively-priced imports are closely aligned to the low level of demand. There is no sign of a demand upturn in early October because of the unsatisfactory order intake from end markets.

PP

For September, PP producers announced a planned price hike of €100-120/tonne compared to the €60/tonne rise for the propylene reference price. However, buyers managed to knock back the planned price increases to a level close to the cost rise. Demand remained very sluggish across most end use markets. Supply was further restrained because of planned and unplanned plant outages and production curbs.

PP prices saw strong gains during early October trading as producers pushed hard for price hikes in excess of the €60/tonne rise for the propylene contract price settlement in order to restore their margins. PP supply tightened as producers trimmed their operating rates even further. Imported material is also less widely available. Meanwhile, demand remans low due to a lack of purchasing activity in upstream markets and a reluctance by processors to replenish their inventories.

PVC

In September, PVC suppliers announced price hikes of €60/tonne; compared to a pro-rata €37.5/tonne increase in the cost base due to the higher ethylene cost. Sellers felt the urge to hike prices because of low margins, higher upstream costs and reduced pressure from imports. However, buyers refused to pay such a high premium and base PVC prices were up on a par with the pro-rata rise in the cost of ethylene. Producers maintained output restrictions to avoid excess supply while imports were down on August levels.

PVC producers were seeking price increases early October well above the €32.5/tonne pro-rata increase in ethylene in order to avoid a further erosion to their margins. However, sluggish demand persists which is likely to put a cap on planned price increases. Weakening export prices and the possible emergence of competitively-priced imports may also restrain planned hikes this month.

PS

In September, PS producers announced planned price hikes of €170-180/tonne after the styrene monomer reference price settled €170/tonne higher. General-purpose polystyrene prices mostly increased in line with the SM cost rise.

PS availability is well balanced with the low demand given limitations on styrene supply and production cuts. The widely hoped for recovery in demand after the holidays failed to materialise as many converters bought additional volumes in the previous month as spot prices rose.

PS producers announced planned price hikes of between €80-90/tonne at the beginning of October, which was in excess of the €60/tonne increase for the styrene monomer reference price. While the limitations on styrene availability has eased, producers continue to operate polystyrene production plants at reduced operating rates. Meanwhile, demand remains subdued due to a lack of end user stimuli.

PET

Price expectations firmed for September because of higher upstream costs as opposed to more robust demand. The paraxylene contract price settled up by €20/tonne in August and the September paraxylene cost settlement was up by a further €50/tonne. The monoethylene glycol (MEG) contract price for September settled up by €30/tonne.

Contract price settlements varied widely, but on average bottle-grade PET prices were up by €10-15/tonne in September. Demand remained very low yet there was plenty of material available, despite European producers further restraining output.

In October, PET producers initially targeted price increases in excess of the rise in feedstock costs to restore their margins. However, persistent demand weakness restricted the planned price hikes. The modest price increases are being supported by supply restrictions as a result of PET plant shutdowns and reduced plant operating rates.