CHEMICAL MARKET ANALYTICS
BY OPIS, A DOW JONES COMPANY

Polyolefins business outlook: walking through a challenging season

23 May 2023

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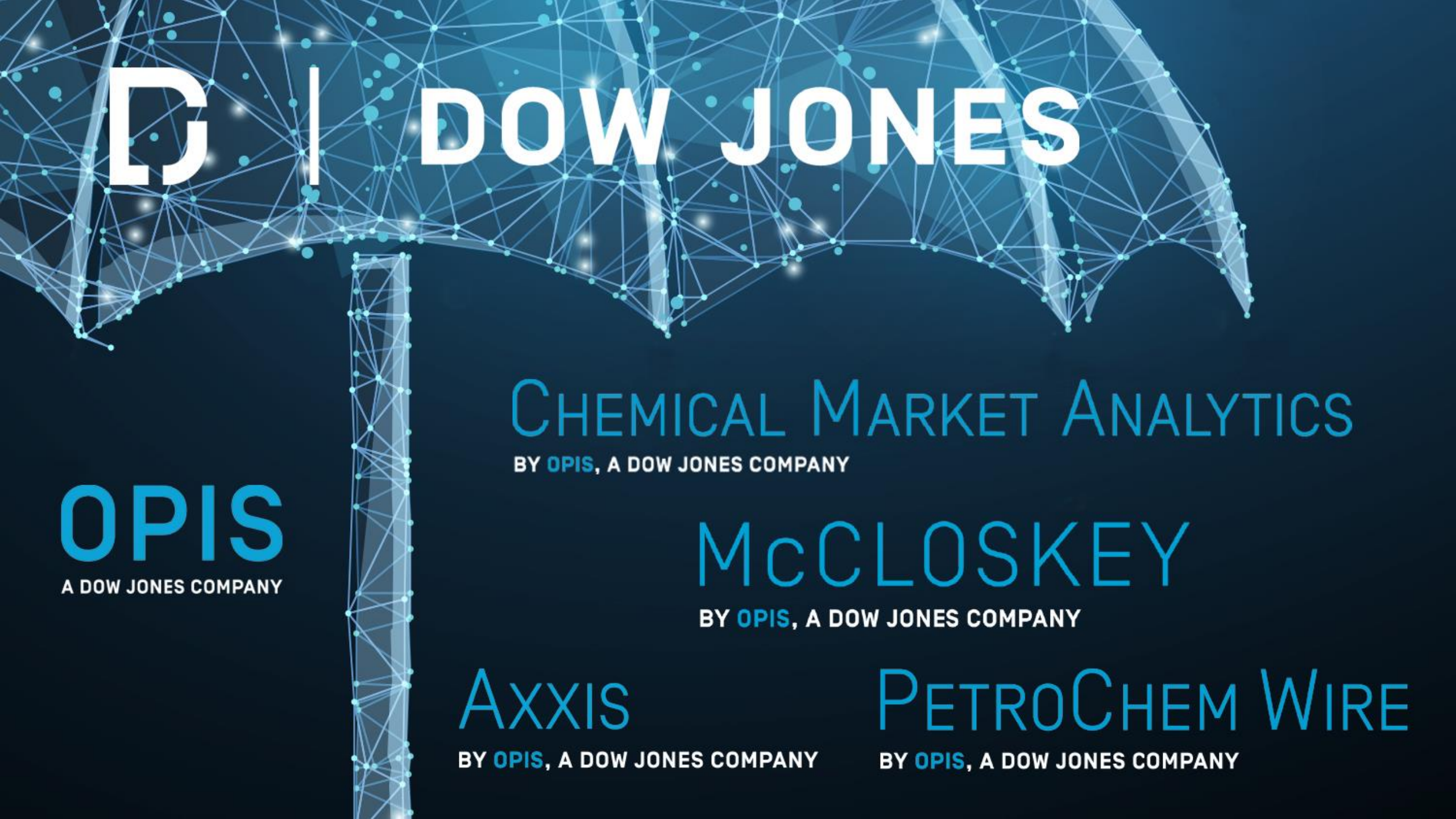
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All Fibers More Than One Third of PP Consumption, Less Than 3pct of PE

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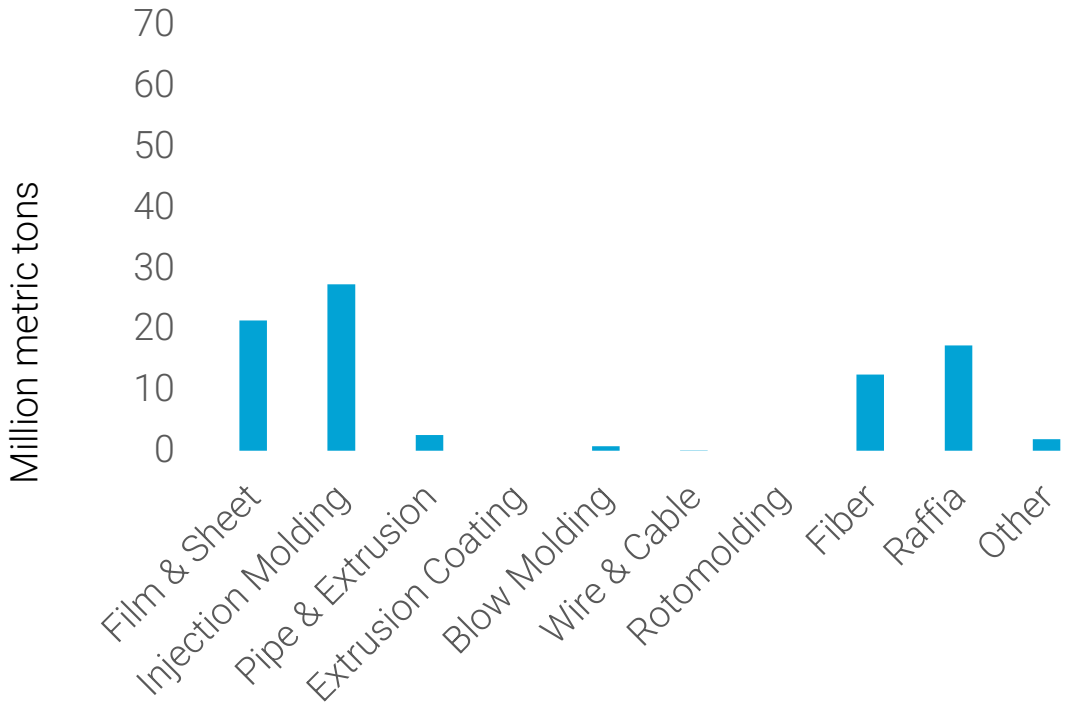
World PP demand by segment, 2022



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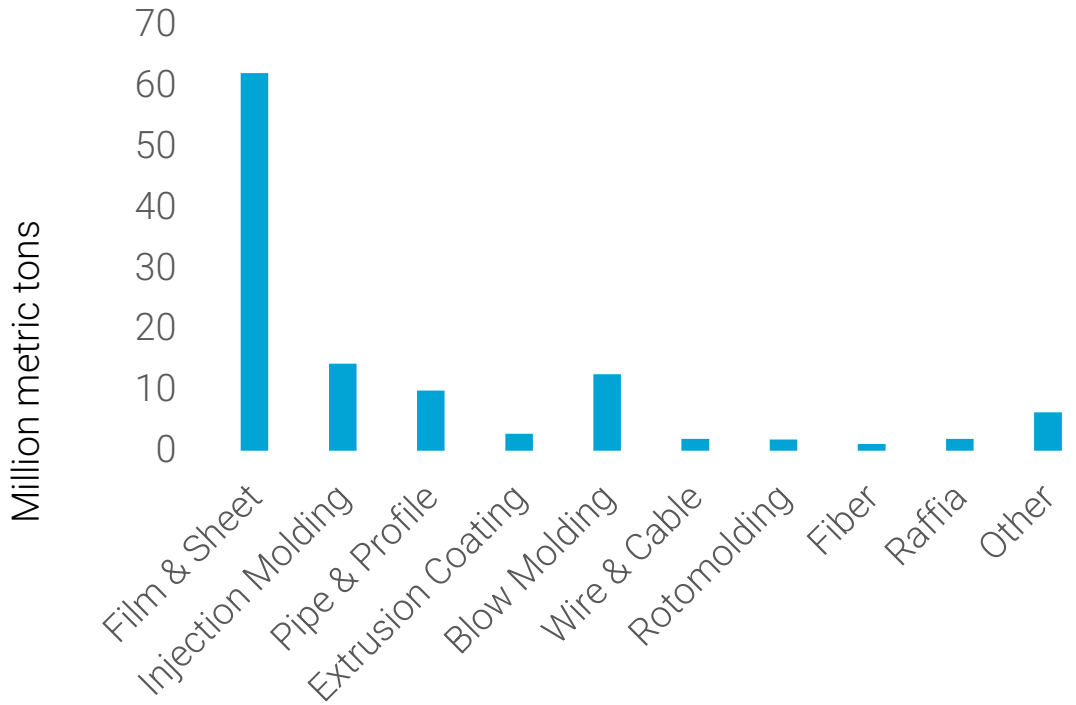
World PE demand by segment, 2022



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Underlying Risk Factors Affecting the Global Polyolefin Business

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Geopolitical Risk

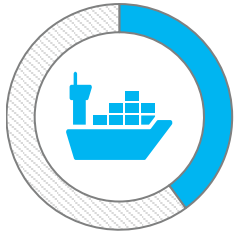
Russia-Ukraine conflict, China-Russia alliance, China-Taiwan potential conflict continue to be a risk for prices and supply chain disruptions

China demand slowdown

Zero covid policy and weak economy reduced demand in 2021 and 2022; 2023 off to slow start

Inflation

Rising costs are hampering affordability of goods and services



Logistics issues

Port conditions near pre-COVID operations

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Sectorial Impact of Inflation & Energy Crisis

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Agriculture

Irrigation & Reservoirs

Crop Protection

Storage & Transportation

Building & Construction

Residential & Commercial

Infrastructure

Digital & New Energy Solutions

Consumer Goods & Appliances

FMCG (Fast moving Consumer Goods)

Durables

Industrial Packaging

Commodities

Non-Commodities

Medical & Health Care

Drugs

Equipment/ Accessories

Healthcare Facilities

Transportation

Private

Mass

New Mobility

● Negative Impact; ● Neutral; ● Positive Impact

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Global PP Over-Supply Building in 2022-2024

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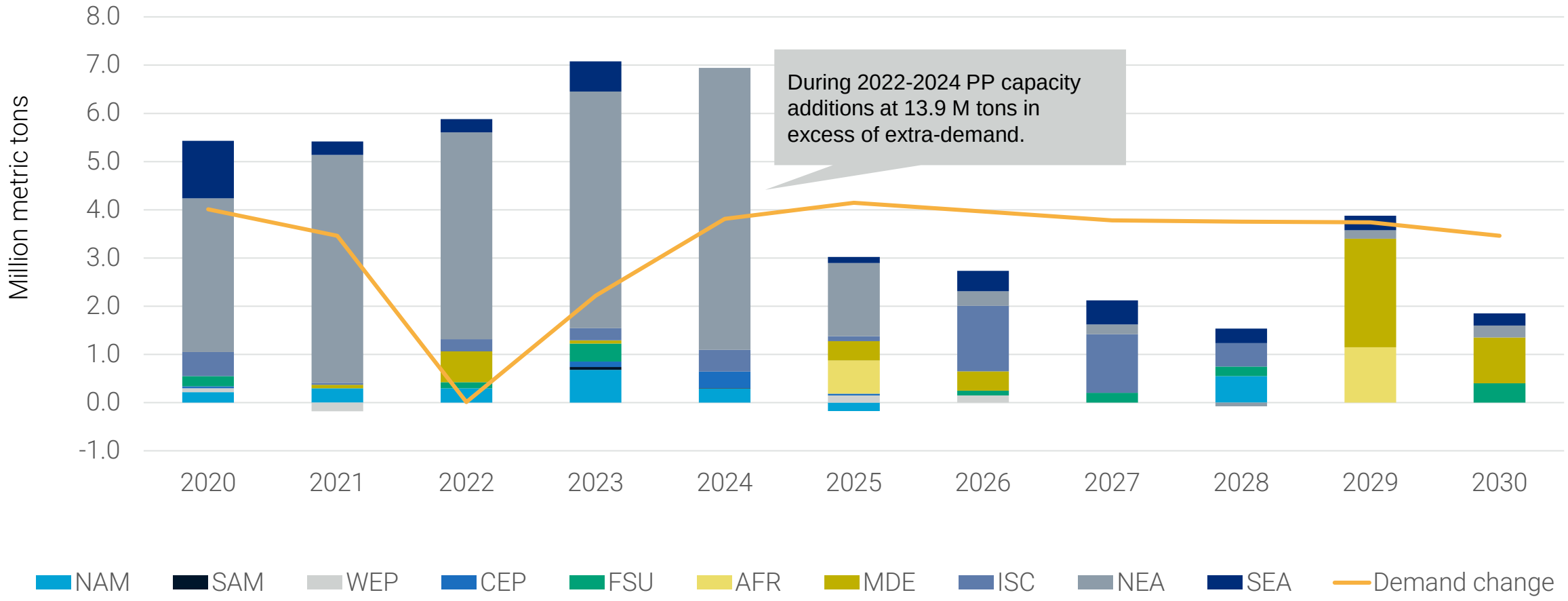
Global PP Incremental Capacity vs. Incremental Demand



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PP Operating Rates Pressured

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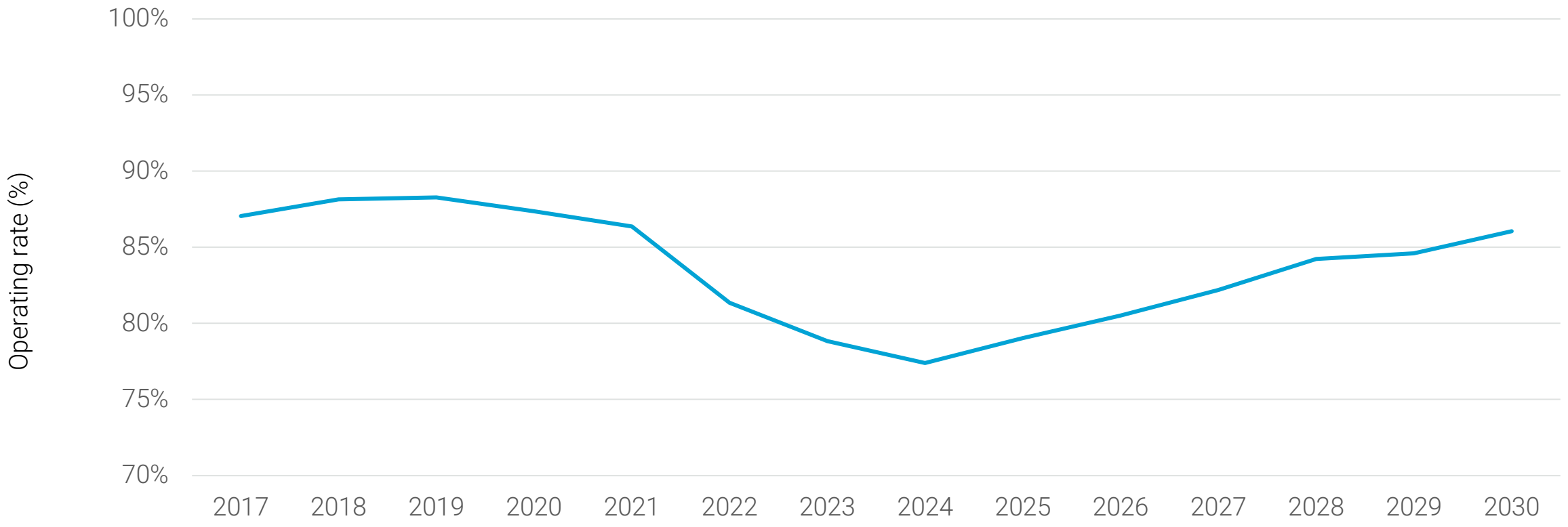
PP Average World Plant Operating Rate



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PE Market Oversupply Exacerbated By Demand Slowdown

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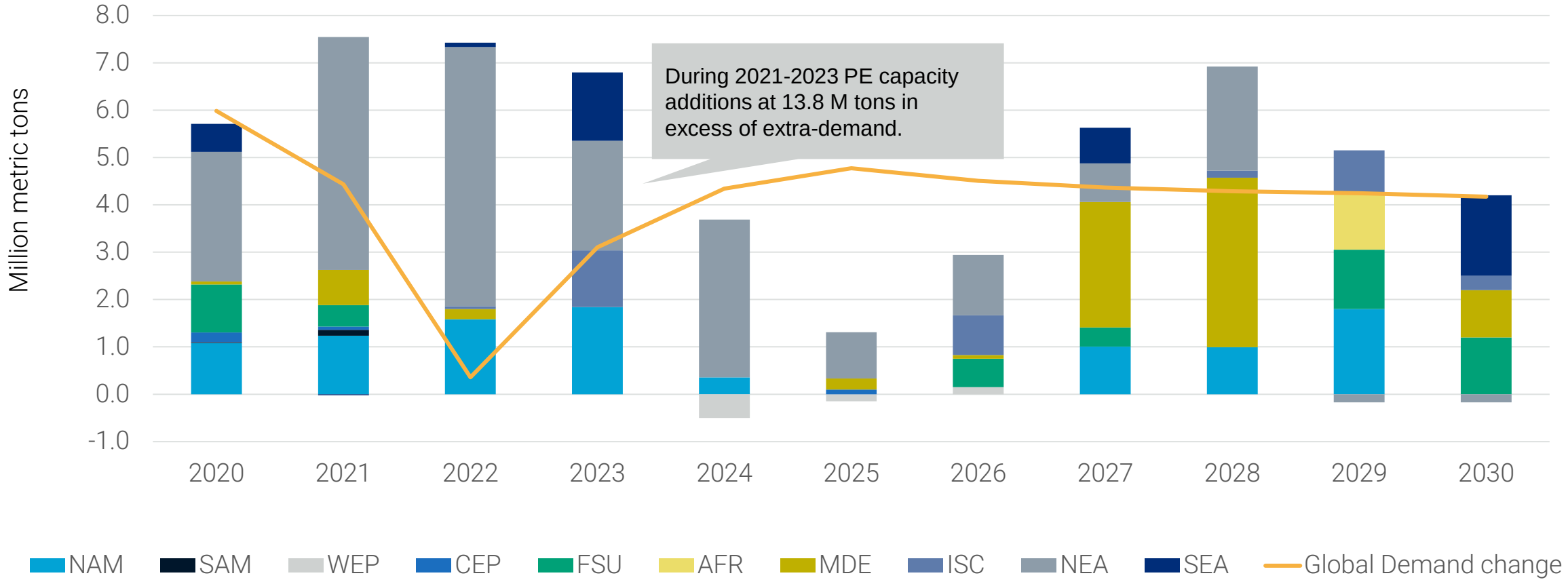
Global PE Incremental Capacity vs. Incremental Demand



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PE Operating Rates Drop Especially HDPE/LLDPE

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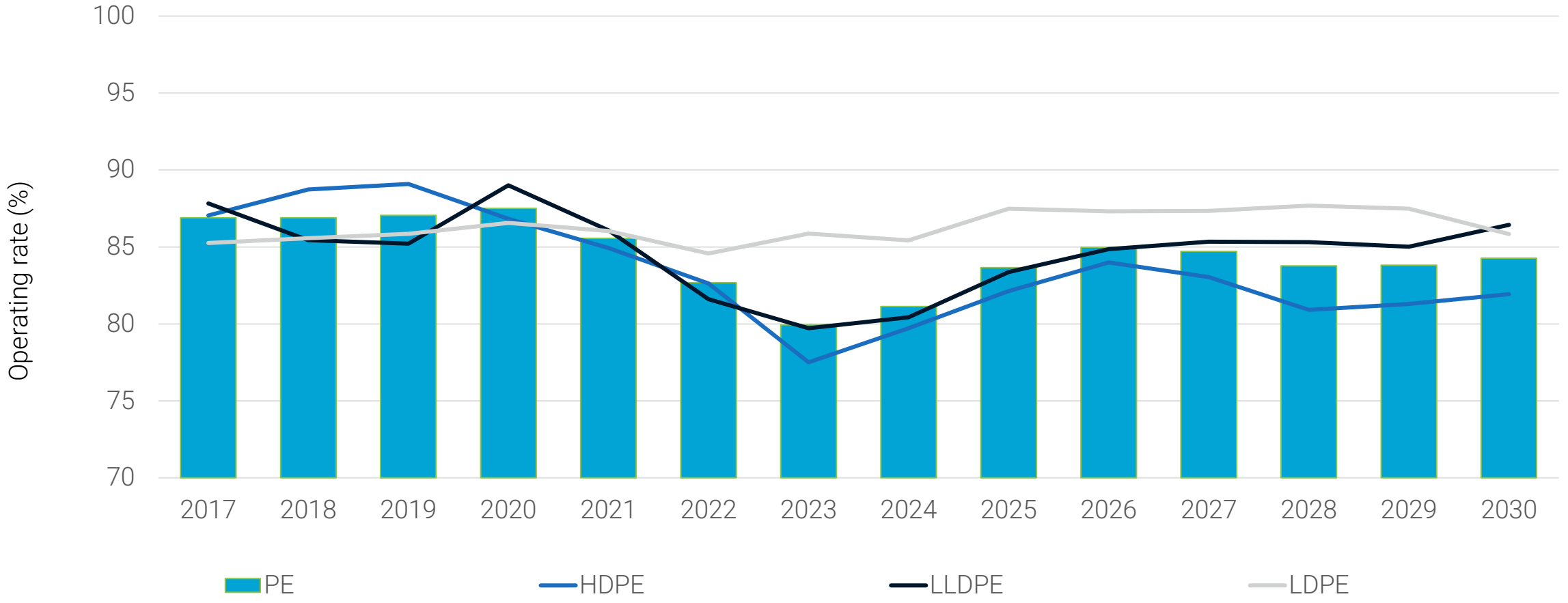
PE Average World Plant Operating Rate



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PP Demand Deceleration Forced Lower Global Prices

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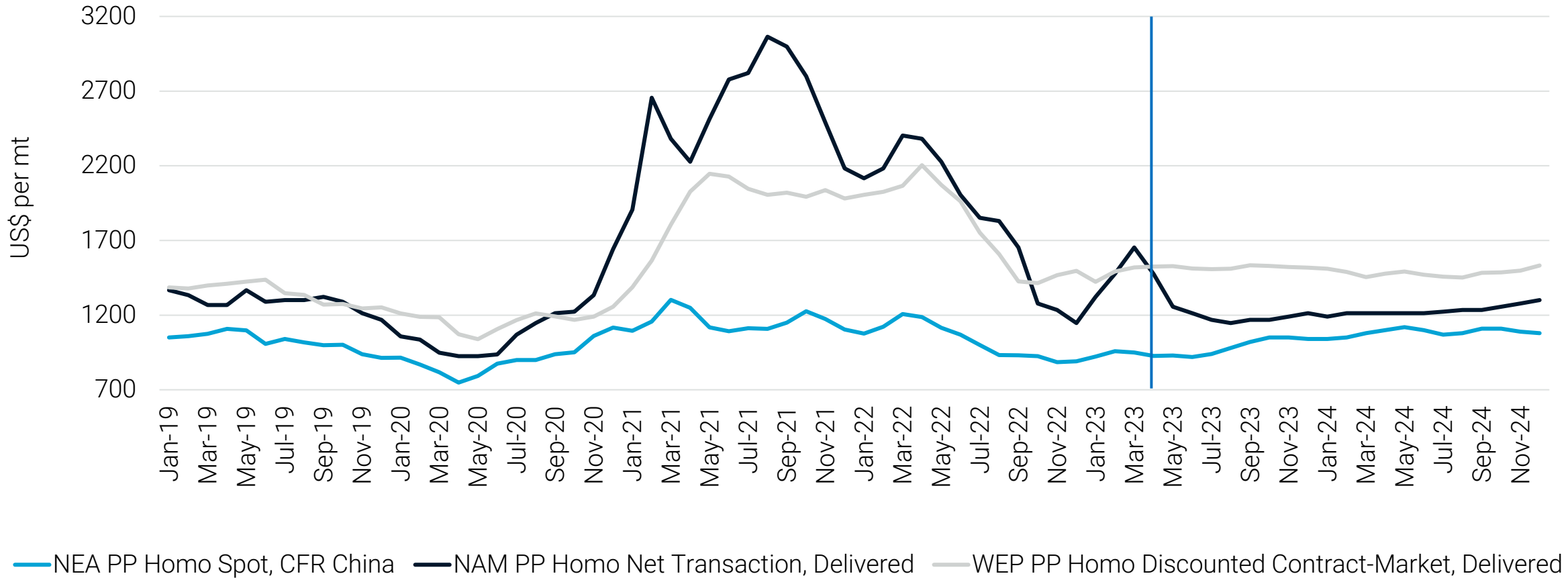
World PP Homo Prices



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PE Prices Stays Rangebound Thereafter In The Short Term

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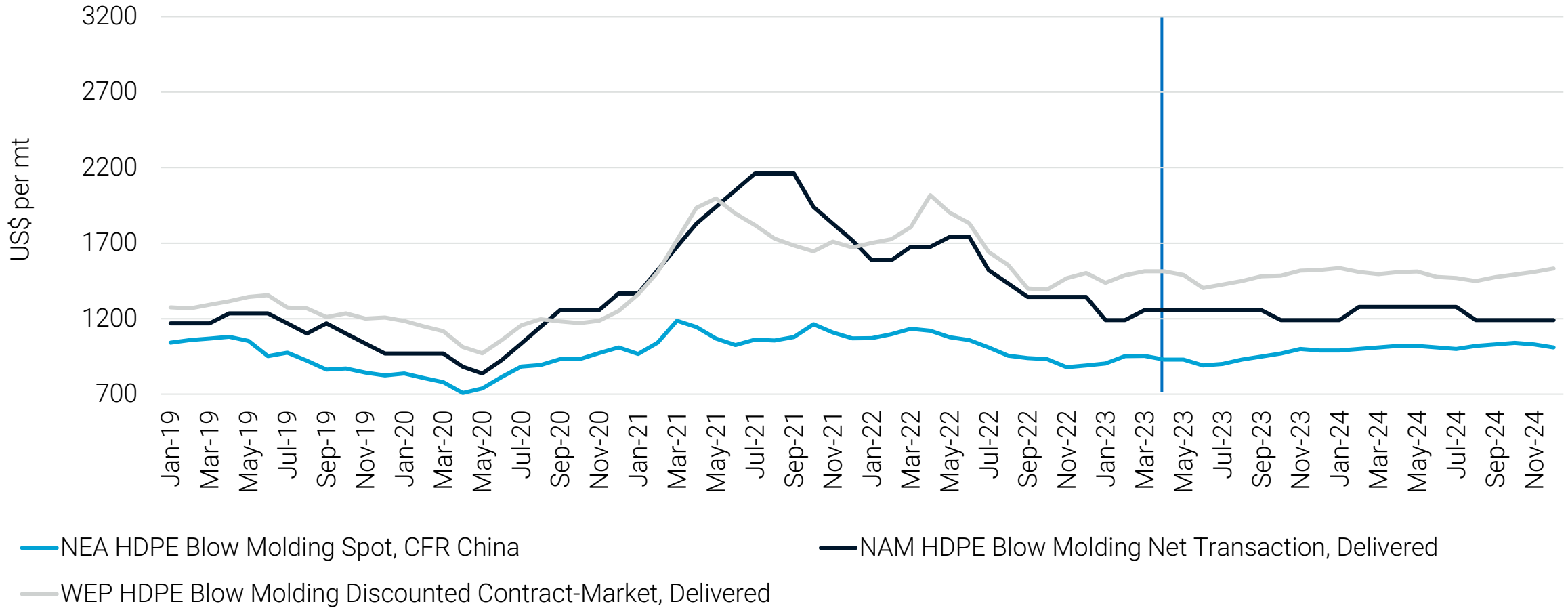
World HDPE Prices



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Polyolefins Long Term Demand Assumptions

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- Emerging regions' per-capita consumption may not mirror that of advanced regions due to efficiency gains
- Shift In China from infrastructure, real estate, manufacturing investments now focus will be services
- China's manufacturing outsourcing based on labor cost & S-C innovation will be displaced by growing insourcing
- Companies will continue to innovate in technology and material science while meeting ESG goals
- Efficiency in resource management, machinery, smart design, leads to optimum usage of PE-PP resins
- Increasing displacement of virgin resin by PCR and non-plastics. Europe to lead

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Summary and Conclusions

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Polyolefins Summary

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Demand outlook decelerated under weak economic fundamentals, combined with excess capacity additions (buyers' market)

Supply chain eased, reintegrating markets, favoring regional price realignment and pressure on margins

ESG goals will promote efficient use of materials and resources, more displacement by recycling

Focus on operational efficiency and cost optimization, rationalization possible

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