

Argus Turkey Polymer Coverage

Turkey is a key importer of polypropylene (PP), polyethylene (PE) and polyvinyl chloride (PVC). Argus will be launching nine new assessments for the Turkish polymer market on 29 August.

Six benefits you will find in our Turkey coverage:



- 1 Dedicated US-origin cfr Turkey assessments**
 New shale ethane-based production sites on the US Gulf coast enable more US-origin PE to make its way to Turkey. Argus is launching two US-origin cfr Turkey assessments focused on linear low-density polyethylene and high-density polyethylene to capture this trade.
- 2 Dedicated Mideast Gulf-origin PE assessments**
 The Gulf Cooperation Council (GCC) region remains a key seller of polyolefins to Turkey. Argus will launch assessments for Mideast Gulf-origin PE, to capture existing supplies, as well as supplies from new production sites in Oman and the UAE as these start up.
- 3 New Gulf-origin PP assessments, including block co-polymer**
 Argus will offer three assessments for Middle East-origin PP, covering raffia, fibre and block co-polymer grades. Argus' global coverage polymers coverage enables an understanding of the dynamics between regions and competing supplies from the Middle East, Iran, central Asia, Russia and Asia-Pacific into Turkey.
- 4 PVC coverage on Turkey**
 Turkey is a vital market for European PVC exporters, which hold a significant market share. Argus will launch a price assessment for Europe-origin k67 grade PVC to capture this trade.
- 5 Turkish market fundamentals**
 As an in-depth provider of market intelligence, Argus will provide detailed analysis on Turkish market fundamentals, including trade data and economic indicators.
- 6 Global polymer market**
 Turkey is truly a global polymer market and these new assessments will be relevant for market participants around the world.

TURKEY

Polyethylene

A rise in North Sea Dated crude prices this week and a slight pickup in the Chinese and southeast Asian PE markets since late June has caught the attention of the Turkish PE market, raising expectations that prices in Turkey could follow suit. But so far demand is stable, with buyers seemingly content to wait and see if the pickup will be sustained before reacting.

Several factors are adding to a cautious mood in the market, including concern that a change in fiscal policy following the sacking of central bank governor Murat Cetinkaya could lead to further volatility in the Turkish lira. Some market participants are also wary of the threat of US sanctions resulting from Turkey's purchase of a Russian missile defence system. The Turkish defence ministry stated that it began to take delivery of the missile system on 12 July - despite warnings from Washington that this could result in sanctions - although it is not clear what form the US reaction could take.

Specifically in the PE market, the availability of cargoes from the US at \$50/t below Mideast Gulf-origin material – albeit with a significantly longer lead time before delivery – is weighing on buying sentiment. US producers are targeting Turkey as a key export market, leading Middle East producers to consider offering more competitive material. In the LLDPE market, cfr Turkey prices for Mideast Gulf origin material were reported between \$950/t and \$990/t in most cases. Prices for US-origin material were reported as low as \$900-930/t.

Buying interest in the HDPE film market was limited this week, which some sellers attributed to high inventories at the converter level. Most Mideast Gulf-origin offers were at \$1,000-1,020/t cfr Turkey, with offers from central Asia at a similar level. US-origin HDPE was available at \$940-950/t, with a lead time of at least six weeks.

GCC-origin LDPE film offers were at \$1,000-1,020/t cfr Turkey. Mideast Gulf production of LDPE film may be reduced slightly in mid-July and August by a reported shut-down of a major Middle East producer that typically exports large volumes to Turkey.

Polypropylene

PP raffia and fibre prices have fallen significantly since the beginning of June, but sellers are hopeful that a recent uplift in Asia-Pacific propylene and PP prices will support an increase in the coming weeks. Buying interest has increased slightly this month, which suppliers attribute to converters needing material after reducing their stocks when prices

Turkey polymer market		\$/t
	Spot price	± from last week
cfr Turkey (Middle East Gulf origin)		
LDPE liner film	980-1020	n/a
LLDPE butene	950-990	n/a
HDPE film	1000-1030	n/a
PP raffia	1040-1060	n/a
PP fibre	1120-1150	n/a
cfr Turkey (Western Europe origin)		
PVC pipe	875-890	n/a

DISCLAIMER

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were falling. But underlying demand is sedate, with economic slowdown domestically and overseas weighing on converters' operating rates. The June purchasing managers' index (PMI) for Turkish manufacturing was reported at 47.8, indicating a contraction in the sector, although market participants may be encouraged by new export orders increasing for the first time since February.

Mideast Gulf-origin PP raffia prices were mainly reported in a range of \$1,040-1,080/t this week, with PP fibre prices reported in a wide range of \$1,120-1,180/t. Most deals were reported in the lower end of these ranges, which has been reflected in our weekly price assessments. At \$80-90/t, the premium of fibre grades to raffia is lower than in recent months. This has been attributed to increased supply from Israel, Greece and the rest of Europe and a seasonal slow-down in carpet production during the summer.

Mideast Gulf origin offers for PP copolymer were at \$1,100-1,120/t cfr Turkey, while South Korean copolymer offers were at \$1,180-1,190/t cfr Turkey.

Polyvinyl chloride

PVC exports from northwest Europe were limited in June by production issues linked to the late restart of an ethylene dichloride (EDC) unit from planned maintenance. But this had little impact on Turkish import prices, which have declined from \$910-920/t in mid-June to \$875-890/t this week for k67 grades. Demand from the local construction industry remains weak and supply is ample, with offers from Egypt and the US supplementing those from western Europe. The market for k70 grades is tighter, leading to a higher-than-average premium to k67 grades.

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TURKEY

Polyethylene

The PE market showed little change from last week, once discussions got under way after the Democracy and National Unity Day holiday on 15 July. Prices have begun to stabilise, after declining by \$60-80/t since early June, but some falls were still reported, and demand remained fairly muted.

Several factors are weighing upon buying sentiment, including a seasonal slowdown for the summer - domestically as well as in Europe, which is a key export market for Turkish converters - and the upcoming Eid al-Adha religious holiday, which starts from 11 August. The threat of US sanctions in reaction to Turkey's acquisition of a Russian missile system also remains, with Washington yet to set out its response. On the plus side, fears that the dismissal of Turkey's central bank chief Murat Cetinkaya could lead to renewed currency volatility have so far been unfounded, and the lira has strengthened slightly against the dollar in the past two weeks.

Concerns about competition from lower-priced US PE are leading to some reduced offers for Mideast Gulf-origin HDPE film and LLDPE this week. US material has gained significantly greater importance in the Turkish market in the past 6-9 months, during which US producers' export options have been reduced because of the continuing trade war with China. The latest trade statistics show that nearly 16pc of Turkey's PE imports came from the US in January-May, compared with just 3pc in the same period of last year. Total Turkish PE imports have declined by 12pc so far in 2019 compared with a year earlier, although there has been a pickup since the second half of 2018.

A wider range of HDPE film prices was reported, with Middle East-origin prices discussed as low as \$980/t but some traders still quoting levels up to \$1,020/t. US origin material was discussed in a range around \$950/t. Uzbek HDPE film was not widely offered in the spot market this week, although Uzbek-origin HDPE blow moulding was available.

The low end of Middle East-origin LLDPE offers also declined slightly, owing to some inventory pressure for Middle Eastern suppliers and the impact of lower US offers in the market. Offers for US-origin material increased slightly, narrowing the gap with Middle East material, but Middle Eastern producers still report that the additional competition is complicating discussions with established customers. Middle Eastern producers are likely to push ahead to offer at higher levels for August cargoes to Turkey and Asia-Pacific, despite these supply pressures. New offer levels are expected next week before Eid-al-Adha, which is marked in Turkey and the Mideast Gulf countries.

The LDPE market is stable, with limited offers and subdued demand. Prices could face some upward pressure

Turkey polymer market		\$/t
	Spot price	± from last week
cfr Turkey (Middle East Gulf origin)		
LDPE liner film	980-1,020	0.0
LLDPE butene	940-970	-15.0
HDPE film	980-1,020	-15.0
PP raffia	1,040-1,070	+5.0
PP fibre	1,130-1,160	+10.0
cfr Turkey (US origin)		
HDPE film	940-960	N/A
LLDPE butene	910-930	N/A
cfr Turkey (Western Europe origin)		
PVC pipe	870-890	-2.5

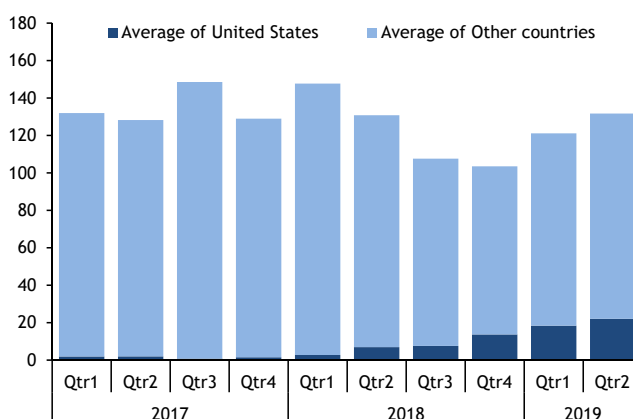
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Turkey polyethylene imports

'000t/month



in the short term, owing to a planned turnaround at a large Middle Eastern production site. Tightness in the Asia-Pacific market – where prices have risen by \$55/t since late June – may also support increases in Turkey, although the presence of a large domestic LDPE producer means that prices are often less sensitive than other grades to the Asia-Pacific market and the comparative fob Middle East netback for sales to the different regions.

Polypropylene

PP demand has firmed slightly this week. Buyers reduced their

stocks in recent weeks while prices were falling and are now starting to re-enter the market, particularly with growing expectation that prices will rise in the coming weeks.

The demand increase has been modest, rather than spectacular, with carpet manufacturers operating at reduced rates of around 70pc because of higher power requirements and lower European demand during the summer. But there are already signs that an upward price trend is emerging. Operating rates are expected to pick up in mid-August after the Eid al-Adha holiday, which may give further impetus, along with planned turnarounds in Iran and Russia.

Prices for Middle East PP raffia into Turkey began the week at \$1,040-1,060/t, but moved towards the higher end of this range – and even to \$1,070/t – towards the end of the week. The low end of PP fibre prices also began to move up, with offers for Middle East-origin material heard at \$1,170-1,190/t, although this met with little support from buyers. The high end of the price range has been increased to \$1,170/t, reflecting feedback from buyers and traders that transaction levels have increased slightly.

Middle East producers said they were merely keen to test higher offer levels this week, before firming those offers early next week. Calculated Middle East netbacks for sales to Turkey are currently lower than those for sales to the China, because prices are similar and the transport costs to

Turkey are higher than to China. The gap is even wider to India, where raffia import prices moved up to \$1,080-1,100/t. This will give Middle Eastern producers impetus to increase their offer levels to Turkey.

PP copolymer offers from Mideast Gulf and Iranian producers were at \$1,080/t cfr Turkey. South Korean origin PP copolymer was floated at \$1,150/t cfr Turkey, but buying interest was limited.

Polyvinyl chloride

Demand is weak in the Turkish PVC market. Prices have fallen by around \$40/t since mid-June, but buyers see this month's decrease in European ethylene and PVC contract prices as an indication that the Turkish could fall further. This means they are buying only for their immediate requirements, which are already muted by underlying economic issues constraining the local construction industry. The latest Turkish trade data show the recent downward trend in Turkish PVC demand – imports declined by 16pc in January-May compared with the same period in 2018.

Offers for western Europe-origin k67 grade material are in a range of \$870-890/t on a cfr Turkey basis, a slight decline at the low end compared with last week. The premium of k70 remains higher than usual, at up to \$80-90/t.

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- Cfr Turkey US origin - deliveries originating in the USA

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TURKEY

Polyethylene

The Turkish polyethylene market is quiet this week, with some higher offers from the Middle East and US, but limited buying interest. Holidays – both within Turkey, where Eid al-Adha starts from 11 August, and in Europe – are expected to limit consumption in August, giving buyers less incentive to take additional material in late July.

Buyers were also cautious in anticipation of the central bank cutting interest rates, which it announced it would do after a meeting of the Turkish monetary policy committee on 25 July. Newly-installed central bank governor Murat Uysal announced that the rate would be cut to 19.75pc from 24pc, citing a recovery in economic activity and a lower-than-expected inflation outlook. The Turkish lira strengthened slightly against the US dollar immediately after the announcement, although there is some concern that the rate cut – the first since the currency crisis that hit the country in the third quarter of 2018 – could weaken the resilience of the lira against future economic pressures.

New offers from the Middle East have started to trickle into the market, as producers are keen to conclude their deals before the Eid al-Adha holiday.

LDPE prices were stable. Saudi origin offers were at \$1,020/t, tracking the high end of the price range, while US origin LDPE offers were at \$980/t. Demand for LDPE imports is limited, with buyers preferring domestically produced material that offers a shorter lead time – an important advantage amid uncertainty about the lira – and is competitively priced when duties and logistics costs on imports are taken into account.

LDPE import supply is expected to tighten in August, despite the muted buying interest. Turnarounds are planned at a major LDPE producer in the Mideast Gulf in the first half of August and at a southeast Asian producer – which supplies Turkey – for 40 days at the end of the month. Turkey is less sensitive to international developments in LDPE than in other polymers, owing to the presence of a large domestic supplier, but it still imports approximately 40pc of its requirements, an average of more than 20,000 t/month.

In the LLDPE market, Mideast Gulf offers were floated at \$980-1,000/t, but buyers continue to target prices at around \$950/t. US producers increased their offers to \$940-950/t. The start-up of ExxonMobil's new 650,000 t/yr LLDPE unit in Beaumont, Texas, this week is weighing on market sentiment in the US, even though the unit may take some time to reach on-specification production. Turkish buyers and traders expect that it will be harder for US exporters to maintain their firmer pricing stance as a result.

Turkey polymer market		\$/t
	Spot price	± from last week
cfr Turkey (Middle East Gulf origin)		
LDPE liner film	980-1,020	0.0
LLDPE butene	950-980	+10.0
HDPE film	980-1,020	0.0
PP raffia	1,040-1,070	0.0
PP fibre	1,120-1,150	-10.0
PP block copolymer	1130-1150	N/A
cfr Turkey (US origin)		
HDPE film	940-960	0.0
LLDPE butene	910-940	+5.0
cfr Turkey (Western Europe origin)		
PVC pipe	870-880	-5.0

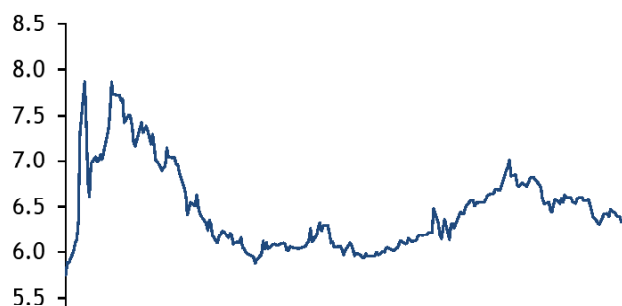
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Turkish lira - US dollar exchange rate

TRY/USD



Mideast Gulf-origin HDPE prices remain unchanged, with most offers at \$1,000-1,020/t levels. US-origin offers increased from last week to \$960-980/t. Buyers had little interest in the higher end of this range, which they do not feel offers sufficient price advantage over Middle East material, to compensate for the risks associated with a longer lead time.

Polypropylene

PP prices were stable this week, with muted interest as buyers awaited offers from Middle East producers for August.

Turkish PP prices are lower than those in China and India on a fob Middle East netback basis, leading to some expectation of increases to realign the regions. But weak buying interest ahead of the Eid-al-Adha holiday is likely to temper this change in early August. Following the holiday, converters are expected to re-enter the market to rebuild their stocks for the autumn, having depleted inventories in the past two months while prices were falling.

Middle East offers remain at \$1,080/t for raffia and \$1,170/t for fibre grades, but there is little demand at these levels.

Supply of raffia grades is ample, with offers from Russia and central Asia supplementing Middle East supply. In the fibre market, offers for large volumes of Iranian-origin material were reported at \$1,100/t on a cpt Turkey basis. This weighed on market sentiment, as buyers challenged their suppliers to match these levels for Middle East-origin material, although no deals were reported at such a low price. An offer from South Korea was heard at \$1,140/t cfr Turkey, but was only offered to traders and not end-users, at limited volumes.

Middle East-origin PP block copolymer offers were at

\$1,130-1,150/t cfr Turkey, while South Korean-origin PP block copolymer was floated at \$1,190-1,200/t cfr Turkey. Random copolymer offers were heard from the Middle East at \$1,150-1,160/t cfr Turkey.

Polyvinyl chloride

PVC prices have declined for the second consecutive week, amid weak demand. Buyers have held back from the market in anticipation that this month's €30-40/t drop in western Europe PVC contract prices would lead to lower offers from European suppliers. Sales are also hampered by weakness in the construction industry. The index of turnover in the construction industry published by statistical agency Turkstat showed a 20pc year-on-year drop in May, on a calendar-adjusted basis. The index is volatile, so it may be misleading to read too much into a single month. But turnover was also down in January-May compared with the same period last year, the first year-on-year decline for the first five months of the year since 2013. Prices for western Europe-origin PVC were assessed at a low of \$870/t.

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