Welcome to the Argus Polypropylene Outlook – focusing on a 24-month spot market view. This report will be updated monthly with a focus on the spot trading activity for PP in North America, Europe, and China. The Outlook is based on inventories, trades, operating rates, price trends, supply/demand outlooks, etc. These slides are an example of the data that will be updated/reported on a monthly basis in a 25-slide format.

This is a sample of the Argus Polypropylene Outlook report.

The full report and associated datasets are only available to subscribers.
To request a free trial or more information visit view.argusmedia.com/polypropyleneoutlook.
Polypropylene Outlook
Weakness in global markets expected through 2023

What’s changed
Demand remains weak with buyers waiting for a price bottom. Producers in the US are not willing to participate in export markets due to low margins. Latin American buyers are looking to Asian suppliers, but increased freight rates have caused concerns. European buyers remain cautious in import procurements as prices could continue decreasing. PP supplies in China continue to increase with new plant startups, depressing returns for Middle Eastern exporters. As such, exports to Amsterdam region could encourage global producers to aggressively pursue higher netbacks in the region.

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<th>PP Prices, $/ton</th>
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<td>Apr-23</td>
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<td>USA PP H IM (contract)</td>
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<td>EU PP Homo (contract)</td>
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<td>China CFR Raffia</td>
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US Forecast

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<td>Apr-23</td>
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<td>Operating Rate</td>
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<td>Domestic Sales, ktons</td>
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<td>Days of Inventory</td>
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<td>Exports, ktons</td>
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Month-on-month change

Change in monthly average price, Mar vs Feb

PP price forecast

- US PP Homo
- CFR China Raffia
- EU PP Homo Del
North America: Price outlook
Spot prices to follow PGP price movements

FORECAST
Export prices continue to ease, but for the most part producers are unwilling to sell at the prices that would be necessary to participate in the global market. Buyers in Mexico and Latin America are pushing for lower prices, but for now, producers are holding firm. Market participants expect a larger drop in prices in May if PGP prices continue to ease.

PRICE
Spot prices are expected to follow PGP price movements with little opportunity for margin increases. However, exports will be limited in volume at least through Q2 2023 as producers continue to focus on controlling inventory levels, which are continuing to rise.

SENSITIVITY
South American buyers of imported polypropylene (PP) continued to turn to Asian material with good prices and delivery conditions, confirming the trend seen in recent months. But higher Asian freight prices are causing concern.
March data from the American Chemistry Council (ACC) showed PP production rose to 1.422bn lb in March and plants operated at around 74pc of total capacity. Year-to-date production is down by 0.5pc from 2022 levels. Plants were generally heard to be running fairly well, though there were reports of PDH problems at the Canada PDH plant that could last as much as 45 days, thus volume from Canada is likely to decline. Other units were heard to be running, but at lower rates, as producers try to balance supply and demand.

Demand is weak across multiple segments, though the durables segment appears to be facing the greatest challenges. Economic indicators continue to point to the possibility of a recession. The US leading economic index, produced by the nonprofit Conference Board, fell by 1.2pc in March, representing the 12th month of decline.

PP exports from Asian producers are likely to increase into the Latin American and European markets, putting pressure on plant operating rates in the US as margins in the export market are expected to improve.
North America: Trade detail
Exports moderated in February due to poor margins

- Exports are expected to continue declining in Q2 due to poor margins, even as resin producers struggle to control inventory.

- February 2023 exports declined slightly to 159 ktons but remained well above the monthly average of 130 ktons for 2022.

- February 2023 exports to Mexico declined 12pc to 69 ktons.

Note: Recent months of trade data may be incomplete due reporting lag.
**FORECAST**

PP producers’ attempts to defend April prices against the €40/t decline in contract propylene failed as producers conceded ground throughout the month. April prices are expected to show a €40 decline as supply continues to lengthen. Buyers’ appetite for incremental imports could remain limited, unless the pricing gaps between regions widens. Imports will continue to put pressure on domestic spot prices.

**PRICE**

Contract / spot pricing gap could narrow in the coming weeks if domestic spot prices for PP copolymer grades fall as this could limit traders’ appetite for long-haul imports with shipping times of six weeks or more in a market that is already contending with heightened basis risk and demand uncertainty. The open arbitrage on imports from the eastern hemisphere may consequently put spot prices for prompt delivery under pressure in the coming weeks.

**SENSITIVITY**

Logistics around refinery, petrochemical, and polymer sites has been impacted by the strikes in France. Crackers were operating at reduced rates despite refinery closures, but one with a 270 kt/yr associated PP plant was reportedly shutting down. The impact for polymer production will widen if the strikes are sustained.

PP producers will be kept on their toes by lower-priced imports making their way into Europe in May and further out in June. Availability of Middle East exports is expected to improve, with plant maintenance closures concluding in that region.

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**Western Europe: Price outlook**

Downward price pressure will continue until demand rebounds in 2024

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**Western Europe PP Margin via PDH production**

*No discount rates applied to contract pricing*
Northeast Asia: Price outlook
Short term margins are under downward pressure

MARGIN
Naphtha-based PP margins are moving in a downward direction. PDH PP margins are volatile. The uncertainty of feedstock costs have PP producers remaining cautious of any increase in operating rates.

PRICES
Imported PP raffia prices are expected to remain stable at $930-960/t cfr China in Q2. Export prices for PP raffia were assessed at $1,010-1,050/t fob China, up by $20/t from the previous month.

FORECAST
Long term outlook is under pressure from expanding capacities. Over supplies on PP will continue to widen the gap with LLDPE.

*No discount rates applied to contract pricing
Global PP Capacity
Oversupply is expected to fully recover by 2030

Global PP Capacity and Production

Key Developments

Portugal  Repsol
Repsol said work has begun on a EUR 657 M expansion project at its industrial complex in Sines, Portugal. The project, which Repsol noted will be the “largest” industrial investment made in Portugal in the last 10 years, involves construction of a new 300,000 tonnes/yr linear polyethylene (PE) unit and a 300,000 tonnes/yr polypropylene (PP) facility.

China  Dongguan Grand Resource
Dongguan Grand Resource has completed the start-up of two additional PP reactor lines in China. This is the second plant start up for Dongguan Grand Resource using UNIPOL(R) PP Technology and will add 600 kilotons per annum (KTA) of polypropylene resin capacity and increase its total nameplate capacity to 1,200 KTA.

USA  Citroniq Chemicals / Lummus Technology
Lummus Technology and Citroniq Chemicals signed a letter of intent (LOI) for the development of Citroniq’s green polypropylene projects in North America with a projected investment of over US $5 billion and a combined PP annual capacity of over 3.5 billion pounds.
Trans-Pacific container lines are trying to push up sagging spot rates

- The container shipping industry will report a $10 billion loss in 2024 as new contracts are signed at significantly lower rates and a flood of new ships results in effective capacity growth of 25pc this year, according to the latest estimate from consultancy Drewry.

- Container freight rates on the north-south trades connecting North America with Central and South America are plummeting in early 2023 due to a combination of reduced demand and increased capacity, according to forwarders operating on those trades.