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Argus Chlor-Alkali and Derivatives

Weekly price supplement and market update

Issue 25-40 | Friday 3 October 2025

MARKET UPDATE

Americas

- Spot caustic soda export activity muted
- Berkshire Hathaway to purchase OxyChem for \$9.7bn
- Fed rate cuts could stimulate future US PVC demand

Europe

- Quarterly negotiations begin
- Regulatory decision on Ercros deal delayed
- Seaborne markets well supplied

Asia Pacific

- Export prices stabilised
- Asian caustic soda market has quietened
- Overall demand remained sluggish

AMERICAS

Tepid offshore spot demand this week largely sustained flat prices for US caustic soda exports, but imminent planned turnarounds and maintenances along the US Gulf coast kept forward price ideas elevated.

Argus this week assessed spot caustic soda exports prices flat from \$390-440/dry metric tonne (dmt) fob US Gulf coast – marking the third consecutive week of price stability in a market characterized by waning demand and tightening availability.

European importers continued to comprise the bulk of spot demand for US Gulf coast volumes this week, but no spot trade was confirmed as suppliers largely prioritize inventory management during a period of anticipated spot supply limitations.

US spot export destinations remain limited outside of Europe and Central America because of closed arbitrages in the Pacific basin and plentiful stocks in Brazil mitigating spot requirements.

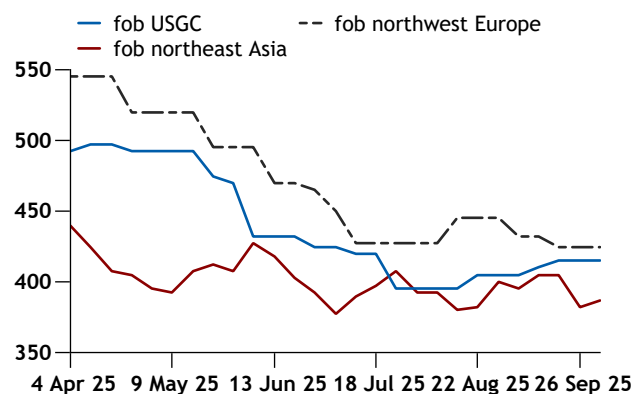
Spot bids and offers to Brazil this week were indicated in a \$20-30/dmt range, indicating a widening trench between buyer and seller price ideas. A regional distributor this week said Brazilian caustic soda demand is weak and ample supplies placed further pressure early-month spot and contract negotiations.

MARKET PRICES

Key prices						
		Units	Timing	Low	High	±
Americas						
Caustic soda (26 Sep)	fob USGC contract	\$/dmt	Sep 25	600	635	na
Caustic soda	fob USGC export	\$/dmt	week 40	390	440	nc
Caustic soda	North America barge	\$/dmt	week 40	440	500	nc
Europe						
Caustic soda (26 Sep)	fd northwest Europe contract	€/dmt	Q3 2025	580	720	na
Caustic soda	fob northwest Europe export	\$/dmt	week 40	400	450	nc
Caustic soda	cfr Med and Black Sea import	\$/dmt	week 40	520	570	-10.0
Asia-Pacific						
Caustic soda export	fob northeast Asia	\$/dmt	week 40	380	393	+4.0
Caustic soda import	cfr southeast Asia	\$/dmt	week 40	460	470	+17.5
Caustic soda 50pc	ex-factory China	Yn/dmt	week 40	2,540	2,740	+20.0
Caustic soda 50pc month range (26 Sep)	ex-factory China	Yn/dmt	Sep 25	2,520	2,780	na
Caustic soda solid export	fob China	\$/t	week 40	500	510	nc

Global caustic soda export prices

\$/dmt



Domestically, barge values were stable for the fifth consecutive week from \$440-500/dry short ton (dst) fob US Gulf coast. No sales were confirmed, and supplier availability is also limited because of anticipated maintenances this month.

Mississippi River conditions were stable late this week, although a coastal flood advisory just south of New Orleans, Louisiana, is forecast to remain in place from 2-5 October, according to the National oceanic and Atmospheric Administration's (NOAA) water prediction service.

Minor coastal flooding from 1-2 feet is expected through the weekend as a result, according to NOAA.

Barge shipments from New Orleans to as far north as St Paul, Minnesota, are expected to halt early next week as carriers seasonally limit northbound shipments during the quarter. Major barge carrier American Commercial Barge Line (ACBL) said in early September its final load date for deliveries from Dubuque, Iowa, and St Paul is 6 October from New Orleans.

Customers delivering barges from Louisiana, Missouri, to Clinton, Iowa, have until 20 October to load from New Orleans, the company added.

The domestic market this week saw a shift in supply-side ownership this week, with US-based holding company Berkshire Hathaway agreeing to buy OxyChem from independent oil producer Occidental Petroleum for \$9.7bn in cash.

The sale is expected to close this quarter, the companies said on 2 October. Occidental said it plans to use \$6.5bn of the proceeds to pay down debt to below its target of \$15bn. Divesting its chemicals unit also will allow Occidental to increase focus on its oil and natural gas business.

OxyChem is a major chemical producer, manufacturing products used in water treatment, pharmaceuticals and construction. The company has a large footprint in the US chlor-alkali industry, with an estimated caustic soda production capacity of 3.08mn dry metric tonnes/yr and 3.01mn metric tonnes/yr of chlorine capacity, according to *Argus Chlor-Alkali Analytics*.

OxyChem is also a major consumer of ethylene for PVC manufacturing and produces hydrochloric acid for use in the oilfield, food processing and steel markets.

Chlorine market participants remain pessimistic on market direction as water treatment demand subsides on cooler autumn weather. The market remains well supplied, with producers willing to give price concessions to smaller customers, bringing their prices in line with larger buyers.

HCl market participants reported little activity this week, with demand for HCl-based drilling fluids into the oilfield showing persistent slowness as both oil and natural gas prices remain lower.

Polyvinyl chloride (PVC) demand continues to lag prior years as participants remain hopeful any further cuts to the US Federal Reserve's target interest rate could stimulate demand for new homes – and the significant amounts of PVC they need – by mid-2026.

The Fed in mid-September cut rates by 25 basis points, the first of several interest rate cuts projected to be enacted by the end of 2025. Interest rates on a 30-year mortgage have remained above 6pc since September 2022 and have posed a strong headwind to new housing permits and construction, according to data collected by the St. Louis Federal Reserve.

Housing starts and permits this year consistently marched lower from last year, contributing to a slump in construction spending.

PVC participants said producers may be gearing up to sell off inventory by the end of the year in an already oversupplied market, which may cause another temporary dip in prices.

Even if the Fed interest rate cut reduces mortgage rates, it remains to be seen if consumers participate in the housing market. Souring consumer sentiment and rising unemployment may dampen potential homebuyers' appetite to spend money on big-ticket items like homes and cars, which also use PVC.

Additional global overcapacity has pressured PVC export prices lower and contributed to a persistent oversupply, creating significant uncertainty about the near future of the market.

EUROPE

Quarterly contract negotiations in northwest Europe have begun with producers attempting to raise caustic soda prices to varying degrees. One major supplier had informed customers of a high double-digit increase from October, while others are taking a less formal approach and are pushing for increases on a case-by-case basis. For example, one is working to raise prices in Germany to at least the mid €600s/dmt for some lower-priced customers, with all producers citing incremental margin pressure from an expected rise in power prices during winter and ongoing weak demand conditions for both sides of the ECU. Third-quarter contracts were at €580-720/dmt fd in northwest Europe and in a narrower range of €620-670/dmt fd in Germany. Buyers are dismissing the idea of accepting higher raw material prices based on producer margins and are not foreseeing caustic soda supply or demand fundamentals supporting an increase either. They are therefore looking to achieve rollovers.

Caustic soda availability across northwest Europe remains adequate at this early stage of the final quarter of the year. There is no doubt that most producers will be operating at lower rates in order to manage falling chlorine consumption during the cooler months and a small number of scheduled outages are also lowering supplies. These include Vynova's Tessenderlo unit, which has just begun maintenance, while a German chlor-vinyl producer is understood to have lifted a force majeure it had declared after technical issues occurred after a planned shutdown. Caustic soda demand is fragile too, but it is not yet clear if any slowdown will keep pace with lower chlorine consumption or whether some caustic soda supply limitations are ahead.

The caustic soda market remains quiet in central and eastern Europe. Supply and demand are stable following the summer maintenance season. October and fourth-quarter pricing discussions are under way, with mixed approaches. Some suppliers are seeking small increases and targeting prices in the mid-€600s/dmt fd, while others are considering to negotiate rollovers or even small decreases if it allows them to gain market share. Behaviour varies by location within the region, with some markets more competitive than others. Many on both sides of the market are still concerned with profitability and fourth-quarter operations, as higher running costs are anticipated over the winter. While some producers are expecting somewhat healthy levels of production, for others the chlorine balance is still a major issue and have not discarded having to cut back on production, even if caustic soda demand is stable. Buyers do not accept these arguments, as they see no significant fundamental shifts to justify price increases and are instead seeking decreases, particularly those that settled at the higher end of the price range. Buyers believed this is supported by weak fourth-quarter demand, particularly those that had settled on the higher ends of the price range. *Argus* previously assessed September price levels in the region at €560-620/dmt fd and third-quarter contracts slightly higher, at €580-630/dmt fd.

Iberian producers are seeking to make gains on caustic soda prices, following declines seen in the second half of September. Proposed increases are being seen in the mid-double digits, although acceptance levels are still unclear. *Argus* understands some deals are being settled around the €700/dmt fd mark. Other suppliers, namely those that had chosen not to drop prices in the previous weeks, are again maintaining their offers in the high €600s/dmt fd, arguing that, as in September, market fundamentals have not changed. Indeed, buyers too see that fundamentals have not changed and will be arguing for price levels to be maintained at the September range. *Argus* assessed September monthly contract prices in southern Europe at €600-680/dmt

fd, with Italian market prices at the lower end of this range. Seaborne prices are seemingly not moving in an upwards direction either, further supporting buyers' arguments. In Italy, conditions are looking unchanged from the end of September, with good availability from multiple sources and no price nominations seen yet. Regarding demand, market participants are expecting an uptick from the food and agricultural sector with the start of the olive season across the region, but this is yet to translate into an actual increase in sales. Supply has been stable, with a small downstream issue affecting production in Portugal over the weekend, which has since resumed. Imports continue, with vessel arrivals from multiple sources, including northwest Europe and the UK.

Argus understands a decision regarding Bondalti's takeover bid of Ercros has been again delayed. The Spanish competition and markets authority CNMC is now expected to announce a decision by mid-October, after having requested additional information to relevant stakeholders. The second stage of investigation has now been ongoing for approximately 10 months, with the initial bid by Bondalti having been made public in March 2024. A competing bid by Italian group Esseco was withdrawn following CNMC's decision regarding potassium hydroxide-related conditions earlier in the summer.

The seaborne markets remain sufficiently well supplied given comfortable stock at some producers and weakening buying interest from customers. Export prices are stable for now at \$400-450/dmt fob and some producers are working to conclude at no less than the mid \$400s/dmt fob, but there appears to be a good number of offers for a rather limited number of enquiries. In the Mediterranean and Black Sea area, there is continued talk of conclusions in the low \$500s/dmt cfr and we have widened our range to \$520-570/dmt cfr, including duty, following sufficient evidence of such conclusions. Discussions are still around the low to mid \$500s/dmt cfr and importers appear confident they will have no trouble securing sufficient material for the remainder of the year.

ASIA PACIFIC

Northeast Asian caustic soda export prices were assessed at \$380-393/dmt fob following one fixture of northeast Asian-origin cargo likely to be heading to Australia, and to reflect the prevailing range of offers that were floated in the market. Caustic soda markets were largely muted in the beginning part of the month as some of the buyers have opted to stay on the sidelines until China's national day holiday is

over next week. The market is anticipating more inventory build-up and price pressure when business resumes after the holiday. There were still indications of export availability of October lifting cargoes.

Offers remained mixed. While those from China were quoted at around \$380-390/dmt fob, offers from other sources were firmer, above \$400/dmt fob. Export availability from northeast Asia is expected to increase. This is due to the start-up of newly expanded export-capable sites, as well as sites coming back to production after scheduled maintenance, which will also improve availability into the export market.

Furthermore, the market is expected to see a shift in trade flow from northeast Asia to the US west coast. This is due to tariffs coming into effect, applied on northeast Asian origin caustic soda imports into the US. An increase in trade flows through Canadian ports is expected due to their import duty-free status.

In southeast Asia, readily available spot supplies dropped buyer price expectations. Seller competition remained fierce as major regional traders are still offering prompt October arrival parcels, although price levels ticked higher week-on-week. Cfr southeast Asia prices were thus assessed higher at \$460-470/t, following two fixture of around 3,000dmt each of northeast Asian origin concluded this week at \$470/t cfr.

The cargoes are scheduled for late October arrival and were sold to a buyer based in Vietnam. The cargo was secured by the seller last month at around \$390/t fob northeast Asia. Negotiation activity was minimal this week due to holidays in northeast Asia. Buyers were mostly inactive, anticipating price drops in northeast Asian fob prices.

In China, trading activity was thin earlier in the week ahead of the Golden Week holidays. Prices for 32pc concentration caustic soda softened in Shandong amid ample inventories for buyers in the domestic alumina sector. Meanwhile, soft demand from non-alumina customers compounded the oversupply, prompting some suppliers to convert their 32pc concentration caustic soda into 50pc concentration material as they looked to supply the export market.

Spot supply from recently commissioned capacity expansions in Shandong, which were initially slated as term contract volumes, will remain ample for the rest of the year until suppliers can allocate these volumes for term contracts in 2026. Domestic Chinese caustic soda supplies are expected to rise, as inventories build amid the extended Golden Week holidays this week. Delivered contractual prices to alumina for October 50pc grade liquid caustic soda at Shanxi fell by Yn200/t to Yn2,940/t, while October delivered prices for Guangxi held stable at Yn3,650-3,730/t.

Overall Chinese production rates remained at around

83pc as of late September. Mainstream spot prices of 50pc grades also remained relatively stable week-on-week, at Yn2,540-2,740/dmt (\$371/dmt) ex-plant, while ex-tank prices of 32pc grades softened slightly week-on-week to close at Yn755-890/dmt.

In related markets, merchant liquid chlorine prices were stable to lower week-on-week as suppliers looked to de-stock ahead of the holidays. Ex-tank prices in Shandong were stable week-on-week, settling at between -Yn200/t and -Yn100/t (-\$21/t), while ex-tank prices in east China fell week-on-week to between -Yn200/t and -Yn50/t (-\$18/t).

In India, domestic caustic soda prices were assessed stable this week at 35,000-36,000 rupees/dmt (\$399/dmt), excluding tax and delivery, as producers were trying to hike their offers as the monsoon seasons ends, and to compensate for the worsening chlorine netback. The latest offers were firm at around \$400/dmt fob, with no new export deals reported.

Chinese caustic soda flake export prices were assessed largely unchanged at \$500-510/t fob, Chinese flake producers took a firmer stance on offers, trying to hike their offers higher before the extended national day holiday and the mid-Autumn festival. This was also linked to attempts to maintain a more bullish sentiment in the market, despite slowing offtake from both domestic and export markets.

However, market is experiencing strong resistance to price increases because of strong price competition from south Asian-origin flakes, which were offered at around \$500-510/dmt fob level too, especially in the African and southeast Asian markets. China's mainstream ex-plant flake prices were assessed a little firmer this week as businesses is winding down before the extended national day holidays. Ex-prices in Shandong settled firmer at Yn3,500-3,600/t, while Inner Mongolia and Xinjiang ex-plant prices remained firm at Yn3,220-3,250/t.



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10-year forecast and a five-year history covering caustic soda, chlorine capacities, trade, supply and demand balances, plus details on demand growth for leading derivatives.

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Argus Chlor-Alkali and Derivatives is published by Argus Media group

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ISSN: 2514-7773

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