2025 September

Argus *Polypropylene Five-Year Price Outlook*

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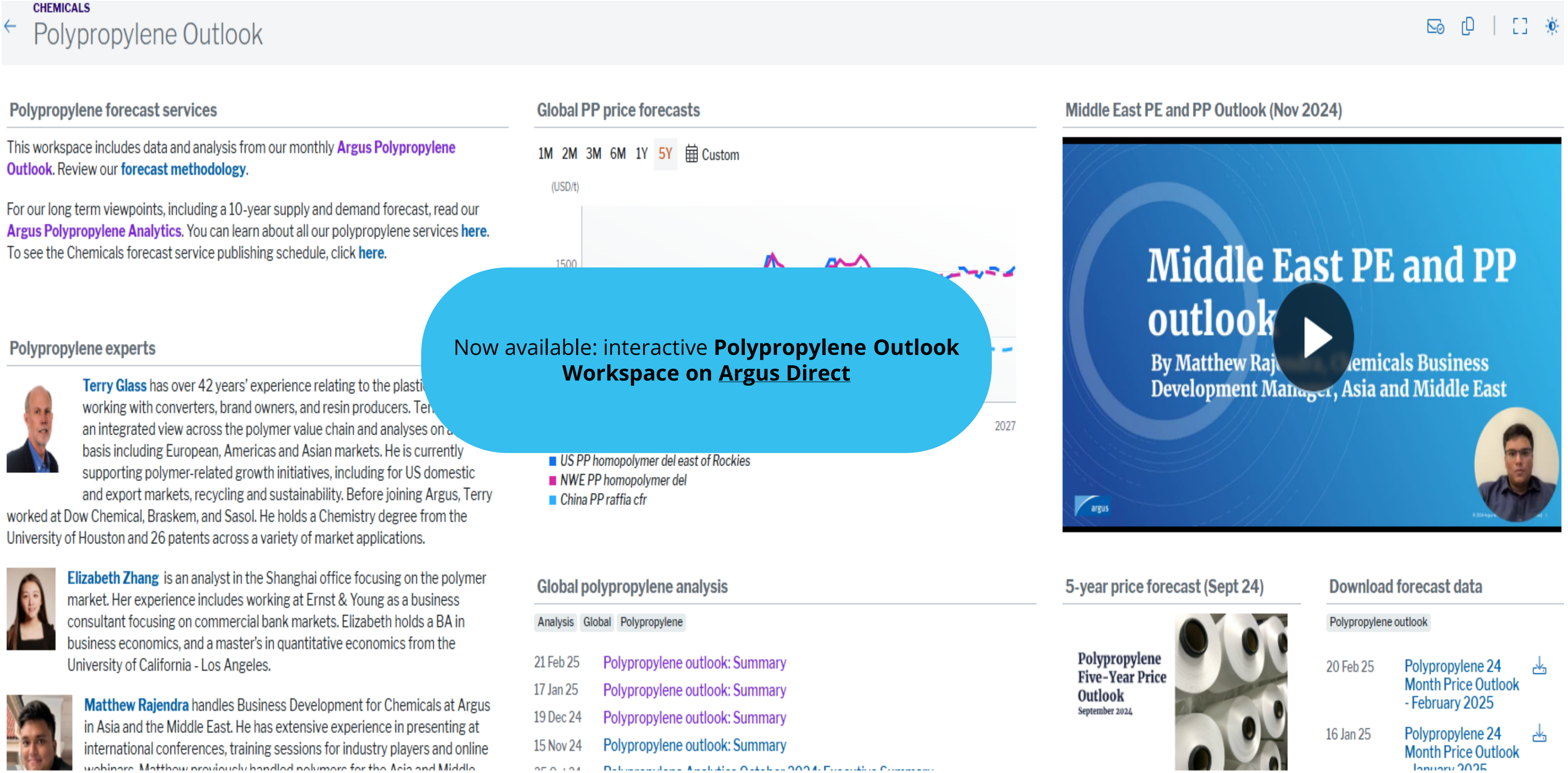

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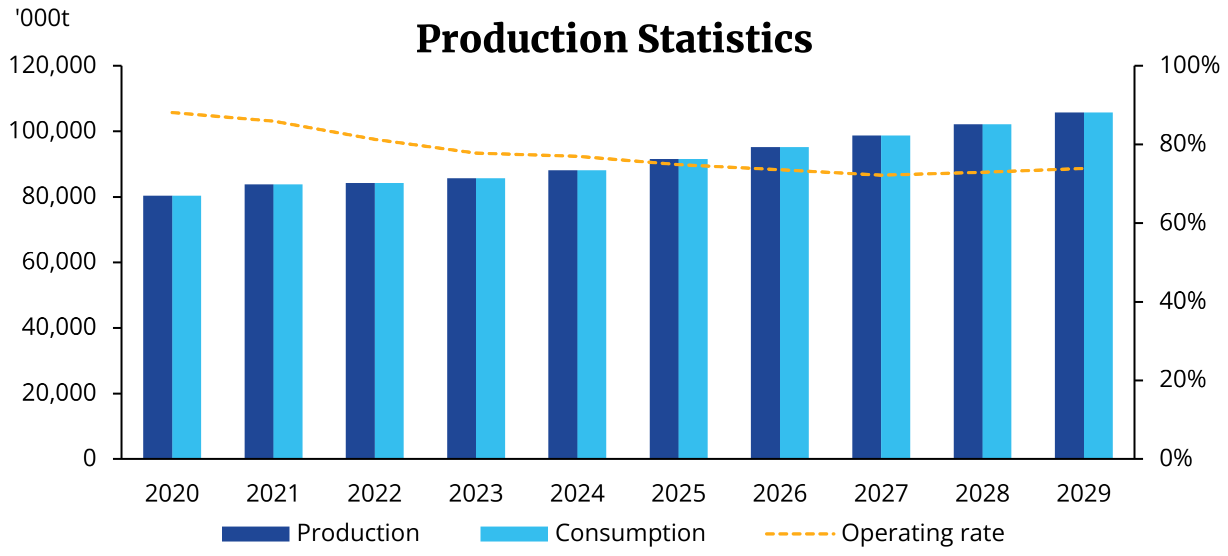
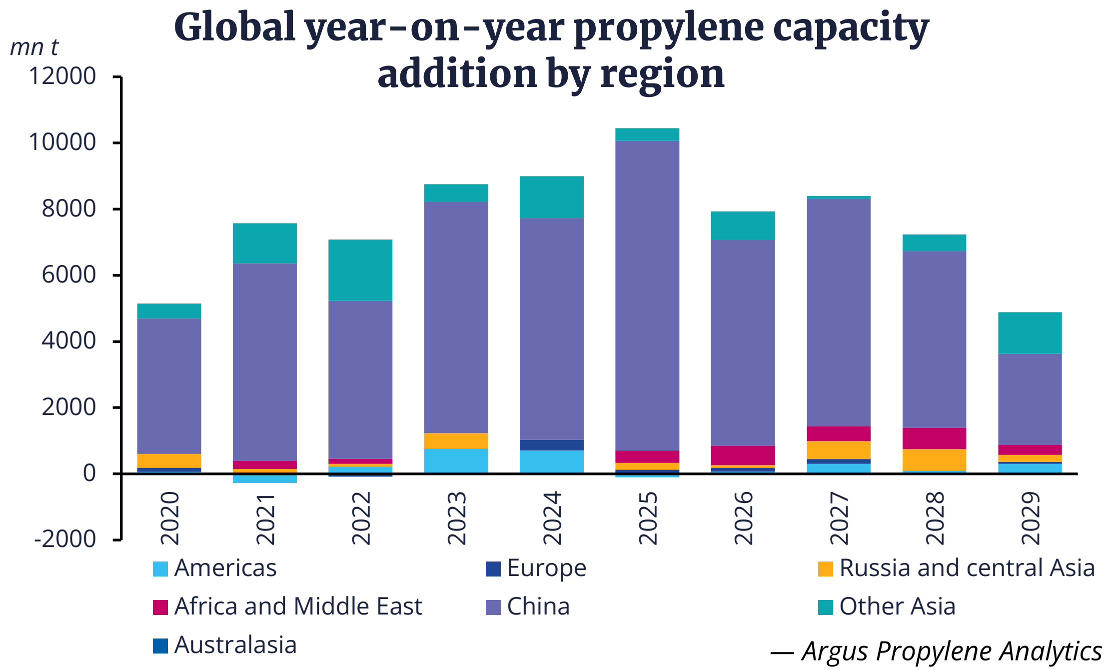
Global polypropylene summary





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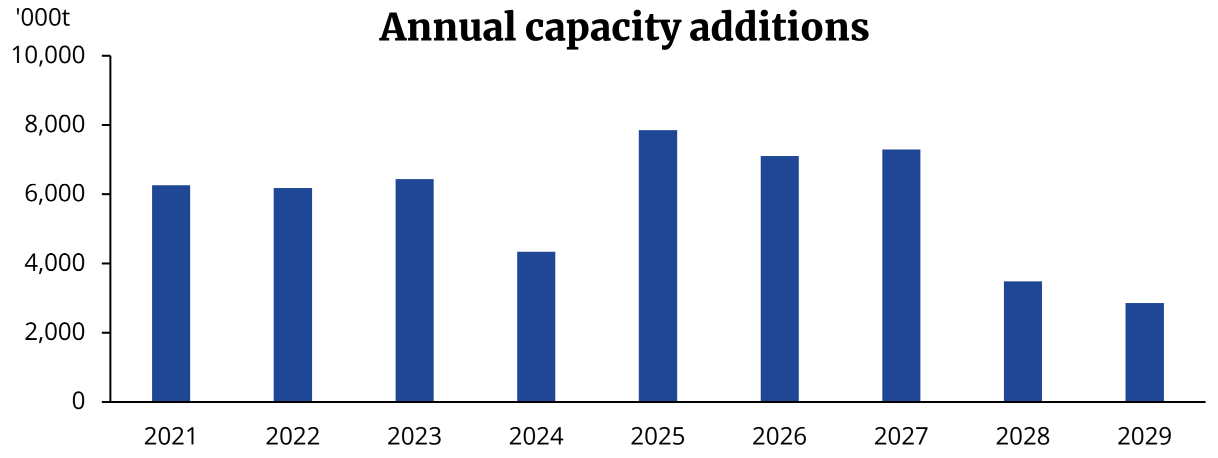
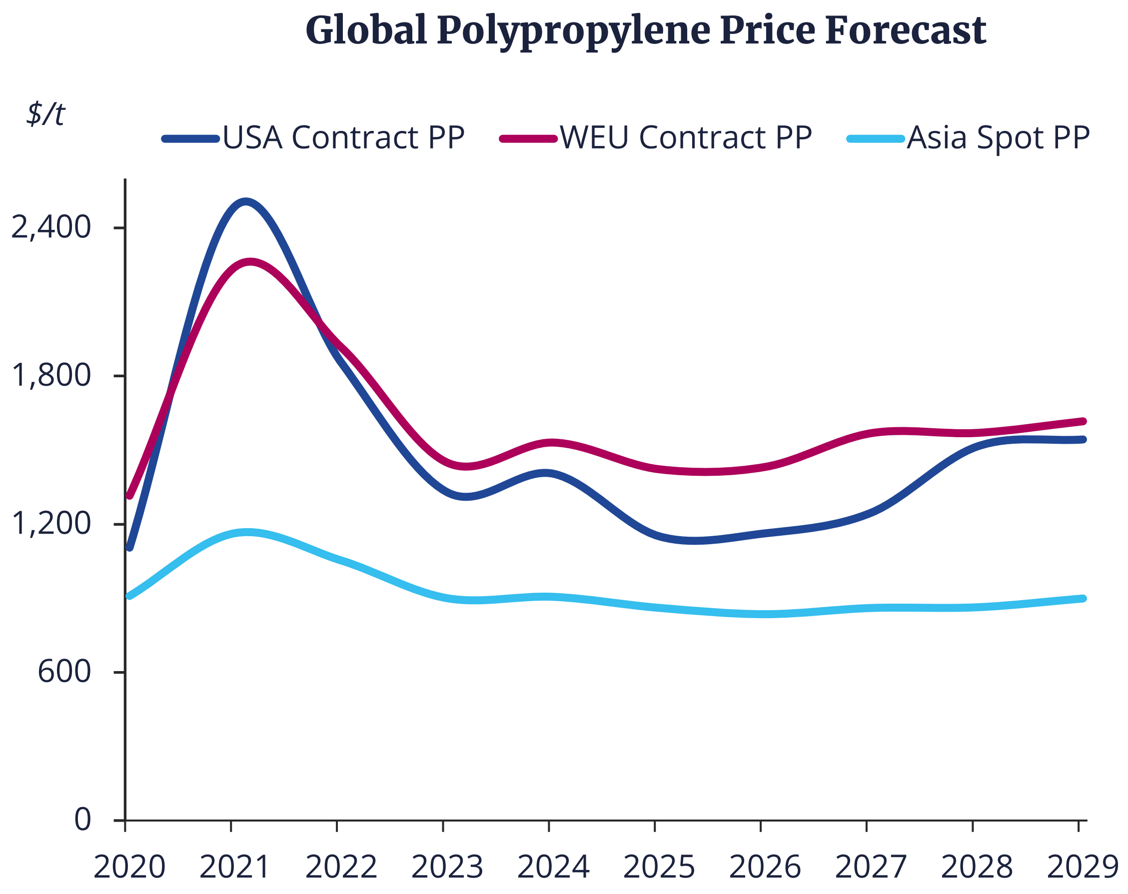


- Polypropylene will encounter increasing margin pressure as Asia PP exports to South America will increase and US domestic production economics become less competitive.
- Annual propylene capacity additions peak this year, dominated by new capacity in China.

In-depth supply and demand insight available in: Argus Polypropylene Analytics

Global price outlook

China exports will set global prices as they expand global trade.



- After experiencing higher propylene-propane spreads in 2020-2024, the current five-year outlook has the propylene-propane spread moving lower, about $200/t on average.
- PP prices will be under pressure globally as China continues to expand capacity and participate to a greater extent in the global trade.
- Non-integrated producers will find it difficult to maintain positive margins for the next five years, suggesting rationalization of assets will continue.
- Northeast Asia prices and spreads come under pressure amid the expansion in 2025-28 but potential policies to optimize the petrochemical industries in South Korea, Japan and China are expected to boost demand to some extent.

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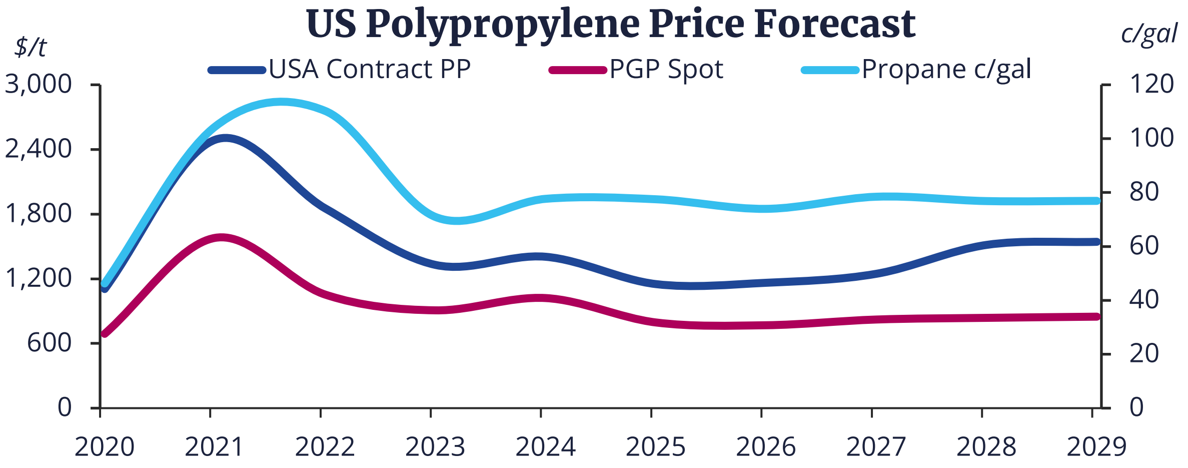
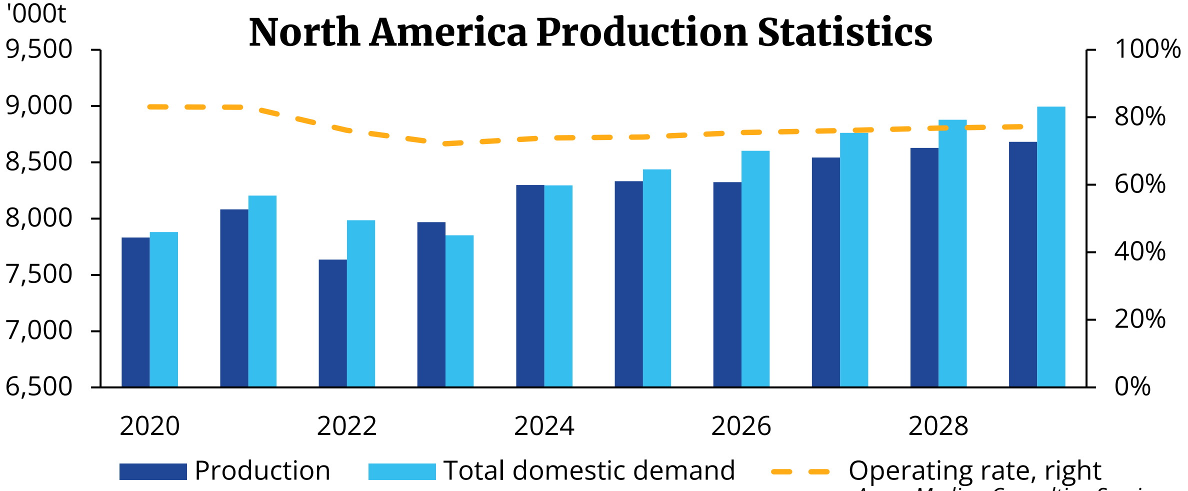
North America prices versus capacity increases

Polypropylene prices tied on PGP / PDH operations through 2029.





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- PP prices are forecast to remain steady on a mix of steady demand and no capacity changes. A slight dip in price is expected in 2027 as the market absorbs additional propylene capacity that will directly affect PP prices. Producers will struggle to gain margin expansion in an oversupplied industry through 2029.
- The PGP-propane price spread is expected to average between $400-500/t throughout the forecast period. This spread is sufficient to cover PDH operator's cost and capital.
- Asia PP exports to South America will increase as US domestic production economics become less competitive.

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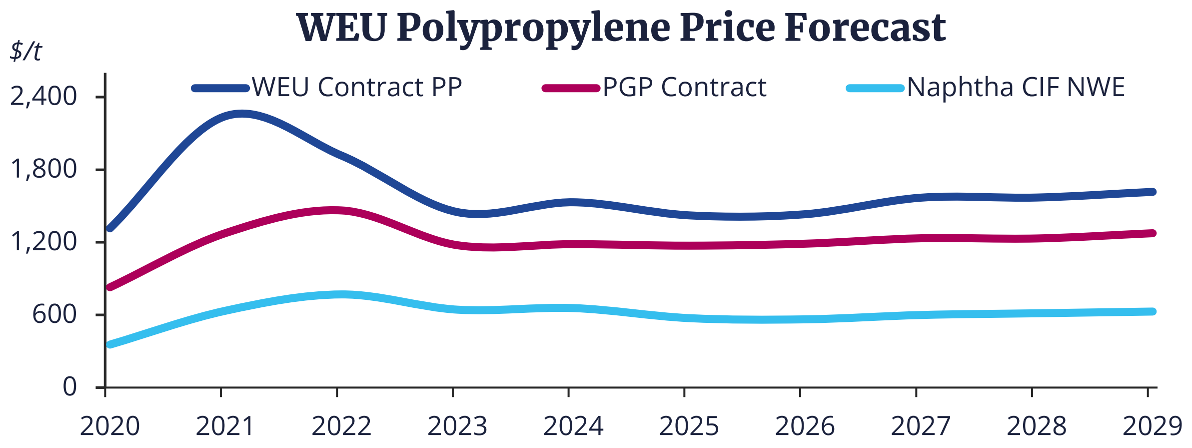
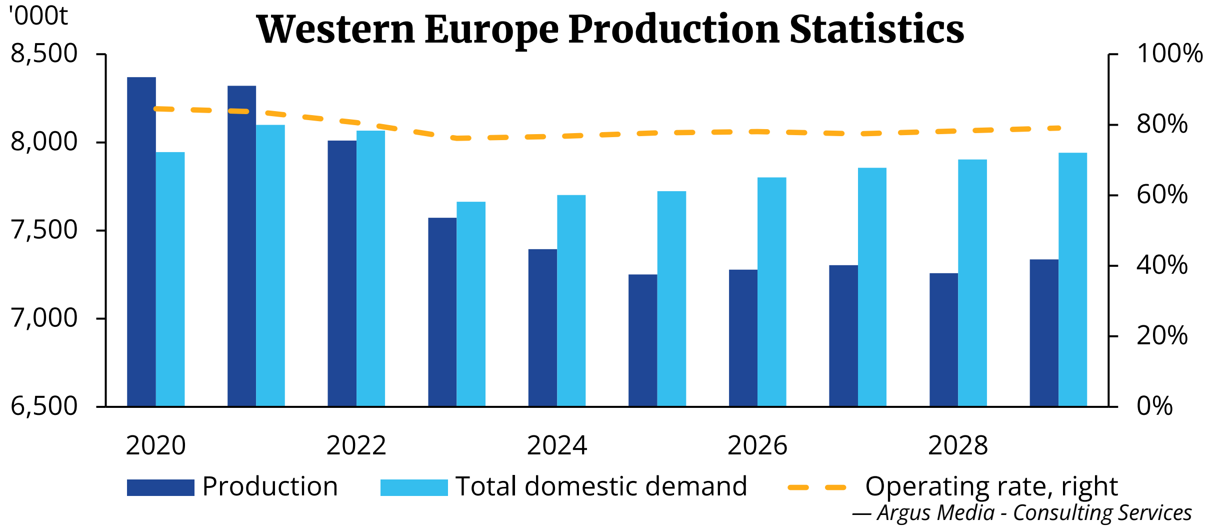
Europe prices versus capacity increases

Further PP closures necessary to offset unfavorable economics.





- Reduced propylene supply will follow recent and announced cracker closures, together with reduced refinery supplies. Europe will remain short – assuming local prices are competitive – until a new PDH starts in Q2 2026.
- European producers will continue exporting co-polymer grades, but they will be vulnerable to homopolymer imports. Overall export volumes for all but the most specialized grades are expected to be lower.
- PP margins may improve slightly as non-competitive assets exit the market due to import pressures from new builds in Asia.
- There are signs that the political support is growing to help the industry make the investments needed to meet the EU carbon reduction targets in 2030 in the face of growing global competition. As European politicians wake up to the increasing risk of deindustrialization in Europe.
- Details of the trade deal between the US and the EU remain unclear. The proposal to reduce import tax for PP from the US to zero would increase imports and have a detrimental impact on European margins.

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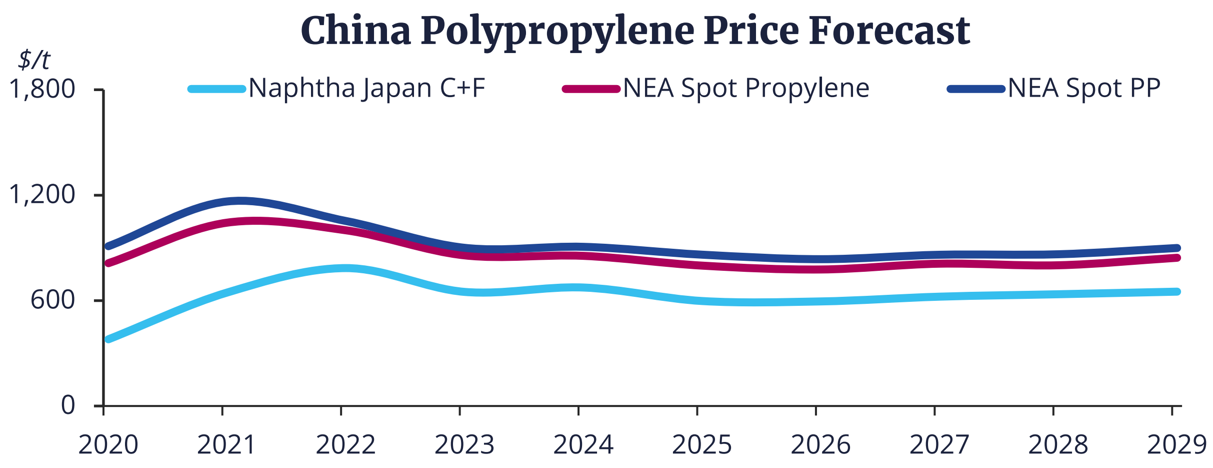
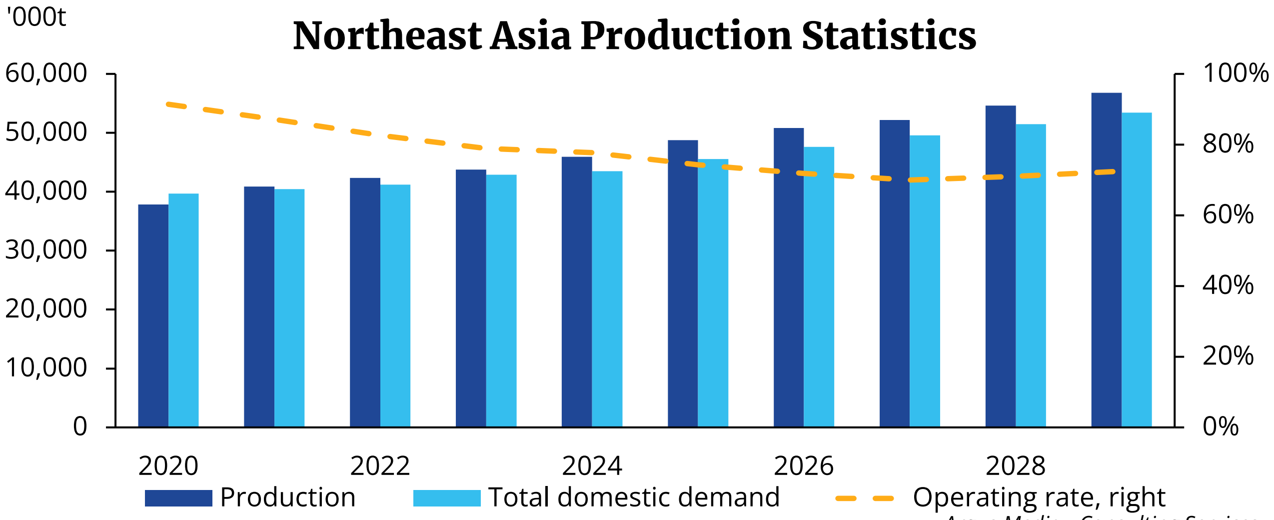
Asia-Pacific prices versus capacity increases

Regional competition will be tied to logistics and stable feedstock supply.





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- PDH expansion will persist to 2028. PDH units with 3.2mn t/yr of capacity started up in China this year. Negative margins led to some cancellation of PDH projects. At least seven projects have probably been delayed or cancelled.
- Export trade is slow because of a narrower arbitrage window and rising freight rates, especially for long-distance shipments. PP exports from China are expected to fall further as exporters come under increasing pressure from lower prices.
- PP producers have already been through four years of down-cycle and how much longer this lasts depends on whether rationalization plans announced by northeast Asian countries have substantive impacts. In the longer term, Asia is expected to rebalance again after 2028-29 as demand catches up and capacity is maintained at an economically optimal level.

Top of mind issues to follow

Trade Deals

US resin producers are at risk with exports to Brazil and China due to tariffs and anti-dumping duties. Tariffs are also likely to impact import of finished goods from Asia to the US, causing Asian converters to reduce operating rates by 60 – 70pc, thus impacting demand for import resins. On a good note: Europe is considering removal of duties for US supplied resin (6.5pc) which would increase imports but potentially hurt European resin producers.

Oil Prices

Lower oil prices are expected to crimp US shale oil production next year as firms prioritize cash returns to investors over output growth. Most oil firms and industry analysts agree that WTI prices need to be in a $60-70/bl range to sustain new investment in shale wells. Political posturing and dangerous maneuvers by the US and Venezuelan militaries in the southern Caribbean could affect the flow of energy commodities along the region's shipping lanes. US ethane exports to China will resume for now with ethane prices moving higher with natural gas prices as US LNG exports increase this year and next. Producers remain confident about ethane supply as production has increased despite limited growth in shale oil output.

Rationalization / consolidation / mergers

Weak margins have forced a reset at major European petrochemical companies due to a combination of high energy costs, intense global competition, and aging infrastructure. This has led to plant closures, divestments, and strategic shifts including Exxon's recent announcement considering the sale or shutdown of its European chemical plants in the UK and Belgium due to high energy costs, competition from Asia, and the impact of US tariffs on the sector. The impact of mergers goes beyond just resin producers to include logistics and transportation (Union Pacific's plan to purchase Norfolk Southern) and the Berry, Amcor merger.

Sustainability / Circular Economy

The European plastics recycling industry is facing a severe crisis and potential collapse due to soaring energy costs, a lack of demand for recycled plastics, excessive regulatory burdens, and fierce competition from imports, leading to significant capacity loss and plant closures. Plastics Recyclers Europe (PRE) has warned of an "imminent collapse" and predicts zero net growth for the sector in 2025, threatening the EU's circular economy goals and climate targets.

Product Substitution

Alternative materials such as paper-based substitutes have gained traction. Yet they bring their own limitations from an environmental perspective. Paper, aluminum and glass have larger carbon footprints despite their recyclability, because of the large resources their original production requires. When this is considered in conjunction with performance limitations, plastic is often still the best material choice for efficiency and environmental impact.

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Terry is responsible for the expansion of Polymer Report services in strategic regions. He has over 40 years' experience relating to the plastics industry, working with converters, brand owners, and resin producers. Before joining Argus, Terry worked at Dow Chemical, Braskem, and Sasol. He holds a Chemistry degree from the University of Houston and 26 patents across a variety of market applications.

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Appendix: Argus acronyms

PP Types	Units	Regions	Process	Financial
HPP – homopolymer polypropylene	'000t – thousands of tonnes	WE – Western Europe	FCC – fluidized catalytic cracking	GDP – Gross domestic product
ICP – impact copolymers	kt – kilo tonnes	Latam– Latin America and Caribbean	HS-FCC – high severity fluidized catalytic cracking	
IM – injection molding	kta – kilo tonnes / annum	ME – Middle East	PDH – propane dehydrogenation	
BOPP – biaxially oriented polypropylene		NAM – North America		
PGP – Polymer Grade Propylene		NEA – Northeast Asia		
		SEA – Southeast Asia		

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