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Argus Olefins Outlook

Formerly Argus DeWitt Olefins Outlook

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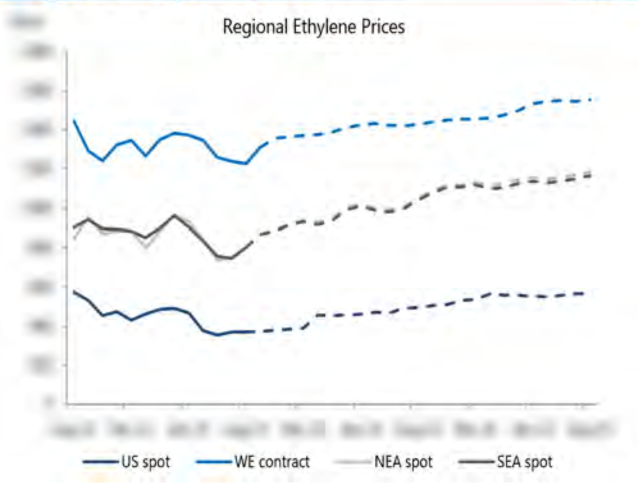
Ethylene

Producers need to find a balance between protecting steam cracker cash margins and stimulating demand. The anticipated ethylene demand recovery is now likely delayed until 2Q/3Q 2024. Production cost increase with higher crude and natural prices. North America ethylene producers continue to operate at rates higher than the global average. Weak fundamentals continue to exert pressure on Asia-Pacific ethylene prices.

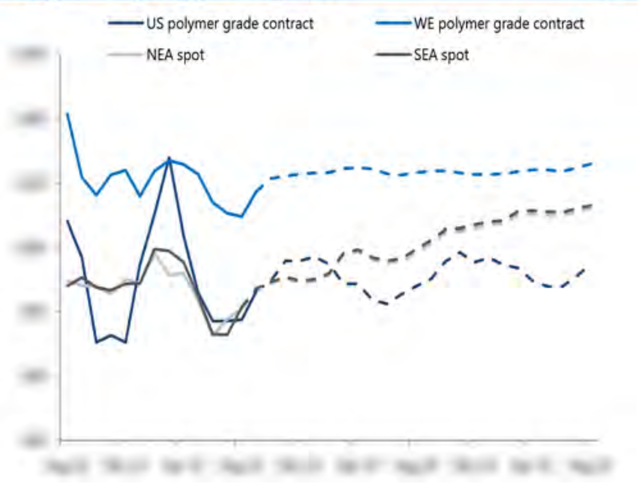
Propylene

New capacity additions coupled with reduced demand pressures margins. With new capacity ramping up in Q3 and economic headwinds expected to impact downstream markets in the near term, propylene supply should be ample to meet lower-than-expected demand. Increasing supplies from higher PDH operating rates and new start-up will further weigh on Asian propylene prices.

Regional ethylene prices $/t



Regional propylene prices $/t



What's Changed

- Asia-Pacific olefins prices bottomed out on the back of rising feedstock naphtha values and downstream buying interest.
- Short term demand better than forecast in Europe, but market sentiment remains bearish.
- Producers in Europe take units off-line to manage low demand.
- Spot propylene dipped in July and remained weak amid tepid demand.

Price forecast

US

	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25
Contract ethylene US ¢/lb	30.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Contract ethylene $/t	672	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spot ethylene US ¢/lb	16.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spot ethylene US $/t	369	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Poly Gr contract propylene ¢/lb	35.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Poly Gr contract propylene $/t	776	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Poly Gr spot propylene ¢/lb	32.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Poly Gr spot propylene $/t	720	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ref Gr propylene US ¢/lb	10.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ref Gr propylene $/t	231	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HDPE IM fas Houston bagged ¢/lb	40.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HDPE Film fas Houston bagged ¢/lb	42.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LLDPE butene fas Houston bagged ¢/lb	37.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LDPE Liner fas Houston bagged ¢/lb	41.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PVC Pipe fas Houston bagged ¢/lb	44.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PP homo ¢/lb	55.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Europe

	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25
Contract ethylene $/t	1,226		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Contract ethylene €/t	1,120		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Poly Gr contract propylene $/t	1,095		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Poly Gr contract propylene €/t	1,000		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HDPE blow moulding €/t	1,145		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LLDPE €/t	1,295		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LDPE €/t	1,395		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PVC pipe €/t	1,160		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PP homo €/t	1,255		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Table does not give prices for periods currently in negotiation.

Price forecast

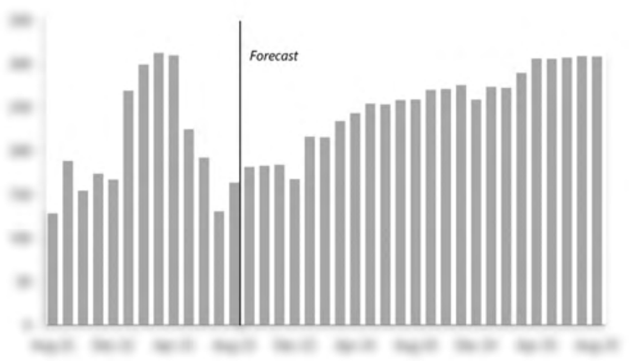
Asia-Pacific	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25
NEA spot ethylene *$/t*	800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SEA spot ethylene *$/t*	800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEA spot propylene *$/t*	810	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SEA spot propylene *$/t*	815	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HDPE Film *$/t*	985	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HDPE IM *$/t*	925	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LLDPE *$/t*	955	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LDPE *$/t*	965	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PVC pipe *$/t*	825	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PP raffia *$/t*	865	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Market assumptions	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25
Crude WTI *$/bl*	82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North Sea Dated *$/bl*	86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dubai *$/bl*	87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Natural gas Henry Hub *$/mmBtu*	2.56	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Naphtha ARA *$/t*	629	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Naphtha cfr Japan *$/t*	649	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exchange rate assumption $/€	1.09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

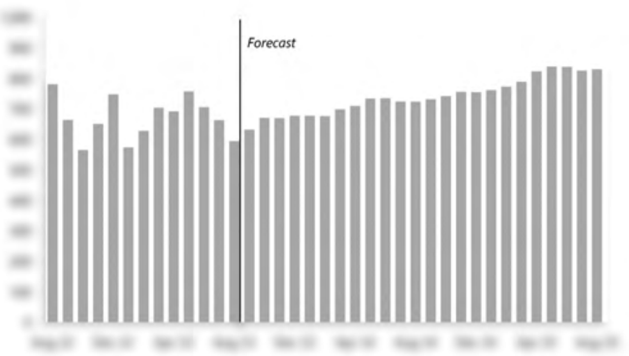
Table does not give prices for periods currently in negotiation.

Ethylene feedstocks

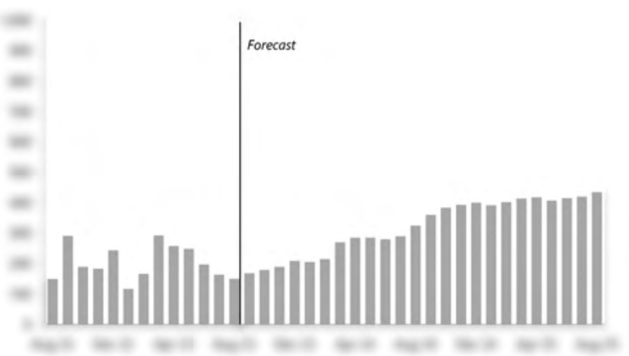
US ethylene spread to ethane $/t



Europe ethylene spread to naphtha $/t

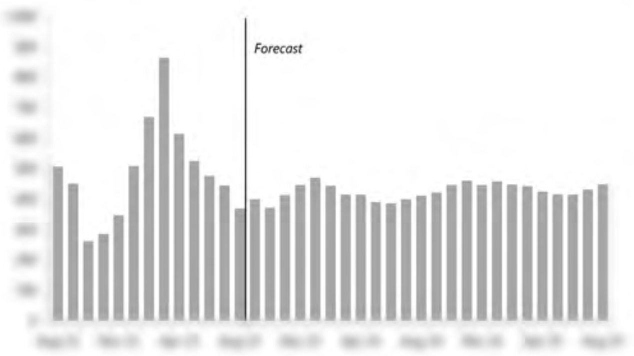


Northeast Asia ethylene spread to naphtha $/t

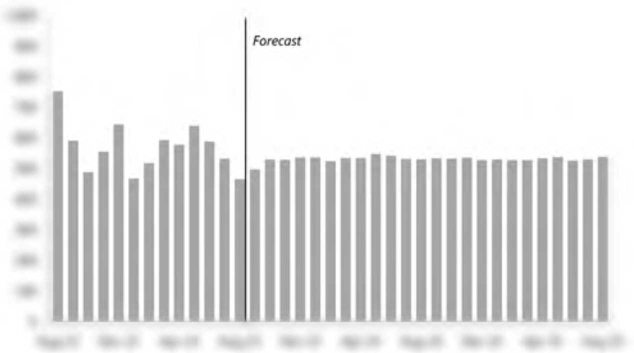


Propylene feedstocks

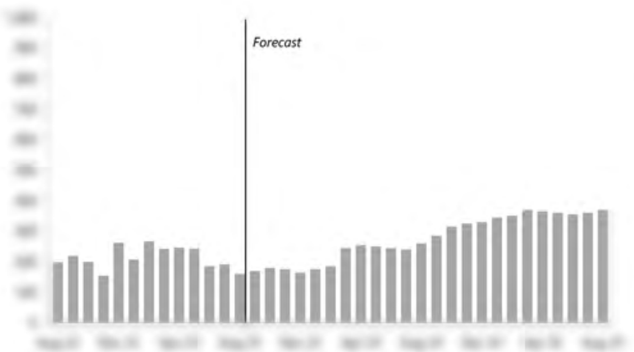
US propylene spread to propane $/t



Europe propylene spread to naphtha $/t



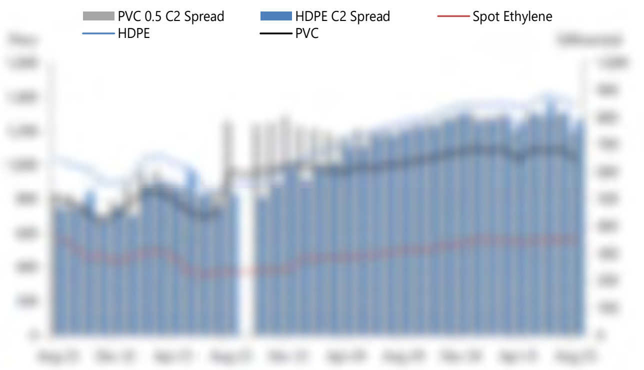
Northeast Asia propylene spread to naphtha $/t



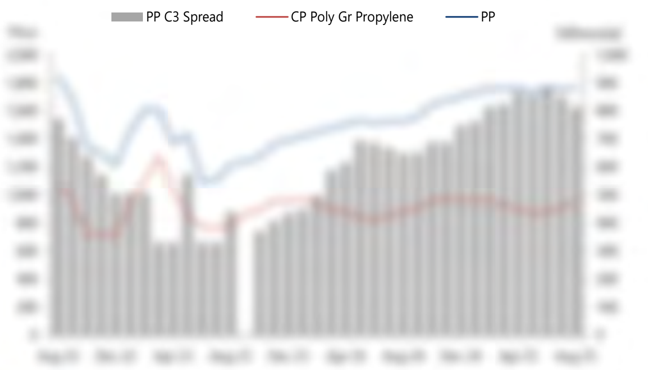
Regional polymer spread

More forecast insight now available in Polyethylene Outlook and Polypropylene Outlook

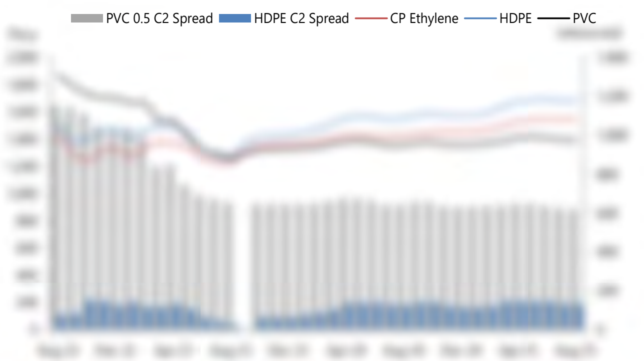
US HDPE and PVC spread to C2 $/t



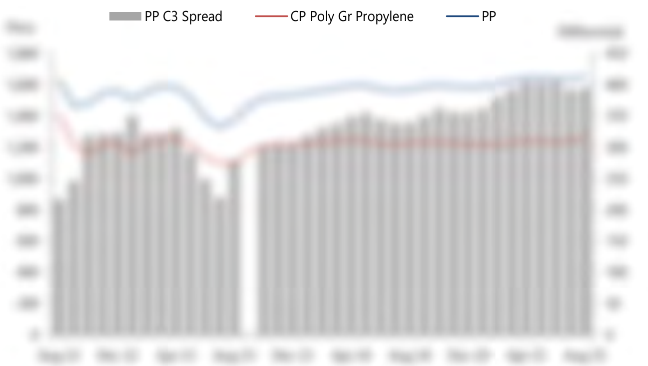
US polypropylene spread to propylene $/t



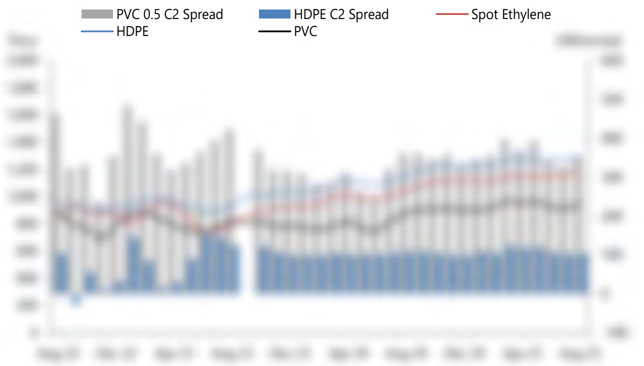
Europe HDPE and PVC spread to ethylene $/t



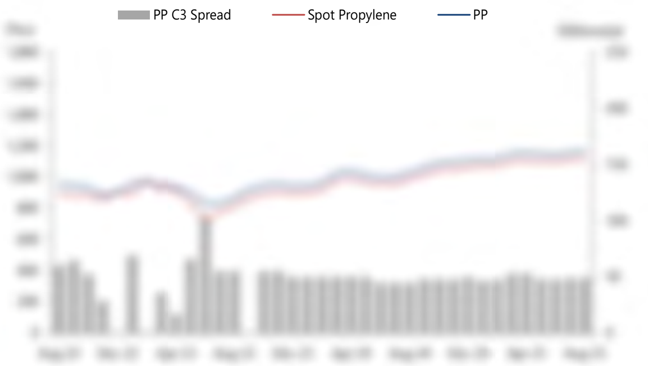
Europe polypropylene spread to propylene $/t



Northeast Asia HDPE and PVC spread to ethylene $/t



Northeast Asia polypropylene spread to propylene $/t



Key sensitivities

Global

The anticipated ethylene demand recovery is now likely delayed until 2Q/3Q 2024. Production cost increase with higher crude and natural prices. With new capacity ramping up in Q3 and economic headwinds expected to impact downstream markets in the near term, propylene supply should be ample to meet lower-than-expected demand.

Americas

North America ethylene producers continue to operate at rates higher than the global average

Europe

Inflation remains stubbornly high and consumer confidence low impeding any demand recovery. Low demand along with price and margin pressure will force producers to maintain low operating rates.

Asia-Pacific

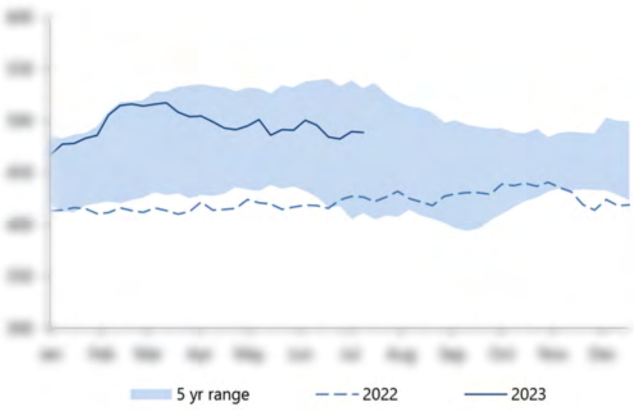
Asia-Pacific crackers, MTO and PDH units will adjust run rates. Meanwhile, the arbitrage trade between the US and Asia remains on the radar. The recovery speed of China's domestic consumption and property industry continues to impact the market, as do emerging new crackers and PDHs across the region.

Global crude and feedstocks

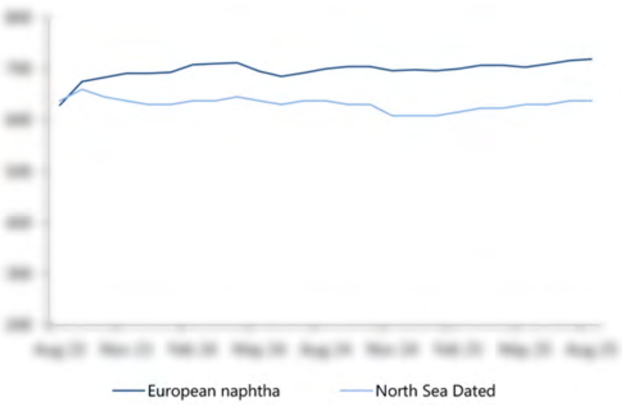
Crude and refined products outlook

Global crude and feedstocks

Weekly crude inventories — EIA *mn bl*



Europe naphtha vs North Sea Dated *$/t*



LPG outlook

European natural gas outlook

Global crude and feedstocks

Macroeconomics

Americas outlook

Near term

Cracker margins to remain under pressure over the next three to six months as natural gas (ethane) prices move higher. Natural gas prices are forecasted to reach $3.74/mmBtu by January 2024. Despite slim cracker margins, integrated polyethylene producers will continue to maintain integrated margins in the $200/t to $300/t range.

Operating rates will likely be managed lower to control inventory as demand remains sluggish. Producers reported operating cracker asset at 85pc to 90pc during the 2Q and likely maintained this level of operation heading into the 3Q. July contract propylene price rolled at June's level of $0.35/lb amid soft demand. US propane inventories were 37pc higher than year-ago levels in mid-August, despite strong export demand. Domestic propane prices increased only marginally in July amid subdued derivative demand, which negatively impacted PDH cash margins.

Long term

The global over supply of olefins and slower economic growth will restrict exports and therefore operating rates in the US despite the lower cost base. A better economic outlook is likely delayed until 2024. Improved demand in 2024 and 2025 should invigorate demand for ethylene and propylene and their derivatives. Propylene demand is expected to recover in North America during the latter half of 2024 and return to the long-run average growth rate of 2.5pc in 2025. However, we anticipate propylene spreads will continue to be pressured by global capacity additions and new derivative capacity. US polypropylene exports to South America continue to see more competition as Asia-Pacific and Middle Eastern producers seek more profitable outlets for their own production.

Ethylene

Propylene

Polyethylene

Americas outlook

Polypropylene

PVC

Europe outlook

Near term

Demand into August has been better than forecast but derivative price spreads will remain low. Low stocks through the supply chain coupled with expectations of feedstock driven price rises into September is driving a stronger order intake. But confidence remains low and many fear that strong summer demand with cannibalize September and October orders. Producers will balance maintaining low stocks against the need to balance the crackers operating rate and co-products. If demand does recover through the year, a squeeze on stock may lead availability issues and a spike in pricing. At this stage however it is difficult to see the markets improve in the near-term with monomer pricing tied to or even below feedstock cost movements and a perceived cracker margin floor.

Long term

Global ethylene and propylene balances remain long due to excess new capacity and weak demand. Buyers will retain pricing power and seek to maintain low pricing. European producers will have a stronger cost position than in previously downturns, albeit with higher utility costs. Production rates will stay reduced to maintain a market balance. Longer term improvement should become evident toward the back end of this forecast.

Ethylene

Propylene

Europe outlook

[illegible]

Polyethylene

[illegible]

[illegible]

Polypropylene

[illegible]

[illegible]

PVC

[illegible]

[illegible]

[illegible]

Asia-Pacific outlook

Near term

Olefins prices remain under pressure in the near term because of weak demand recovery and worsening over-supply mainly from regional crackers/PDHs restarting and new capacities. The risk of further production cuts in downstream markets due to worsening margins may further curtail demand, while potential peak season starting from late August might lead support to market sentiment.

Long term

With the household consumer spending rebounds and property market bottoms out, olefins consumption is expected to grow steadily through 2024. That could help drive up demand across the whole region, despite inflation and currency depreciation. While negative cracker margins may continue into 2023 and late 2024 as supply growth continues to surpass demand. More old and small capacities are to be phased out amid competition.

Ethylene

Propylene

investment of cracker projects and PDH particularly in China during 2020-24, driven by achieving carbon neutral and self-sufficiency regardless of market fundamental, will bring about low overall operating rates and weak margins among Asian propylene plants for an extended period likely through 2025-26.

Polyethylene

The near-term polyethylene market is expected to firm with rebounding crude and futures despite of gloomy consumption recovery in summer. Participants are expecting the consumption to improve in late August and early September with upcoming traditional peak season. In China, PE value went on an upward momentum attributed to high production losses and rising cost, while the export arbitrage was narrowing with increasing prices and weak consumption recovery. Supply in Southeast Asia was also tight due to production losses, and peak manufacturing season for finished goods in August-October drove up buying activities for PE. In South Asia, market sentiment improved with the belief of PE prices temporarily bottoming out. Downstream sectors consumption was high for finished goods used in celebration for Diwali in November.

In midterm, the expanding PE supplies continue to outweigh regional demand. Low PE prices have eroded producers' margins and prompt them to consider further production cuts and shut for maintenance. However, Asia capacity is still expanding despite poor margins. Shandong Jinhai's 400,000 t/yr HDPE achieved smooth operations in April. New production capacity of 650,000 t/yr from Ningxia is expected to start up in Q3, and another 1.15mn t/yr of new PE capacity is scheduled to start up in late 2023. Indian refiner Hindustan Petroleum-Mittal Energy started its 800,000 t/yr LLDPE/HDPE swing plant in July and is expected to start its 450,000 t/yr HDPE in the third quarter.

In the long term, solid economic recovery across the region will help boost regional demand and rebalance supply-demand fundamental as negative margin and high feedstock cost cannot sustain production all the time.

Polypropylene

PP outlook is expected to firm with rebounding crude and futures while the overall fundamentals keep gloomy with oversupply and weak consumption. In China, domestic consumption is steady. There would be some planned turnarounds in the coming weeks while increased run rates at PDH plants weighed on the PP sentiment. The export arbitrage opened with improved buying interested from overseas. Sentiment in Southeast Asia is bullish with increasing buying interest and export demand. Peak manufacturing season for finished goods in August-October could raise the regional PP prices. While expectation on new capacity start up still weigh on the market. In India, downstream consumption remained firm for finished goods used in celebration for Diwali in November.

In the medium term, expanding capacity will continue to exert pressure on PP margins. PetroChina Guangdong has achieved successful trail runs at its new 500,000 t/yr PP unit, new capacities including Vietnam's Long Son Petchem's 400,000 t/yr PP unit in September, Nayara Energy's 450,000 t/yr PP plant at the end of the year and more than 3mn t PP capacity expansion in China will further lengthen supply availability.

Unsustainable negative margin will be forcing producers to consider to either reduce operating rates or delay the start-up of new PP units to balance the market. Global inflation, weak currency, and cautious consumption behavior further dampen market sentiment, while expectation on regional economic recovery supports the long term recovery of PP downstream demand.

PVC

The Asian PVC price bottomed out with bullish trade sentiment in early August. Although Chinese converters purchased on an as-needed basis as domestic downstream demand remained moderate, the export market tended to be active, but the arbitrage window for ethylene-based PVC out of China slightly narrowed as prices rose significantly. In India, PVC restocking activity remains firm among local converters despite monsoon season starting in June, taking advantage of current low price.

In long term, expanding supply might exert further pressure on PVC value, while the expectation of fully reopening supports the long term recovery of construction industry. Wanhua Chemical has started up its new 400,000 t/yr PVC plant in early April. China is expecting another 300,000 t/yr new PVC plant late this year invested by Ningbo Zhenyang. Indian Reliance Industries will build a new 1.5mn t/yr plant, slated to begin production in 2026.

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