Argus *Global Polypropylene*

Polypropylene prices and global coverage

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HIGHLIGHTS

US
PP market eyes rising PGP prices

Latin America
Demand weakens as inventories remain high

Europe
Price ideas remain divergent between buyers and sellers

Russia and CIS
Prices fall for copol grades, slightly increase for raffia

Turkey
PP demand continues strengthening

Middle East
Prices rise in line with global increments

China
Sentiment weakens with rising new Covid-19 cases

Southeast Asia and Vietnam
Prices remained firm on reduced supplies

India
Firm demand bolsters prices in cfr and local markets

Pakistan
Steady demand despite lockdowns

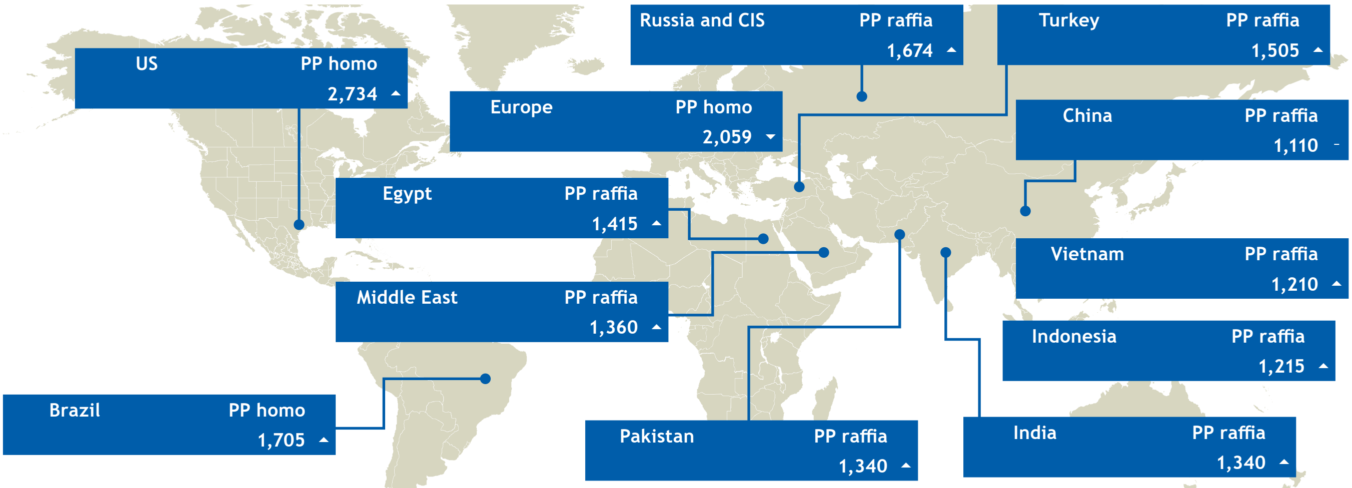
Fundamentals to watch
PP futures dropped alongside rising new supplies

Fundamentals to watch
Westlake buys recycled plastic products maker
Saudi Arabia's Sabic swings to $2bn profit in 2Q
LG Chem's cracker rate cut surprises Asian operators
Japan's Toray ups profit forecast on polymer recovery
Japanese car output rebounds sharply in June
P&G partners Eastman to reduce virgin plastic use
Gulf of Oman incident unlikely to affect freight: Bimco

Contract prices			$/t
	Timing	Contract marker	±
US			
Copolymer	Jul	2,778	+44.00
Homopolymer	Jul	2,734	+44.00
Western Europe			
Copolymer	Jul	2,470	-21.0
Homopolymer	Jul	2,370	-32.0

Spot prices			$/t
	Basis	Price	±
Brazil			
Homopolymer	cfr	1,670-1,740	+20
Copolymer	cfr	1,750-1,800	+15
West Coast South America			
Homopolymer	cfr	1,720-1,880	+95
Copolymer	cfr	1,750-1,800	+10
Northwest Europe			
Homopolymer	del	2,000-2,117	-47
Raffia	del	1,994-2,112	-47
Russia and CIS			
Raffia	cpt	1,640-1,708	+12.0
Block copolymer	cpt	1,867-1,930	+13.0
Turkey			
Raffia Mideast Gulf origin	cfr	1,480-1,530	+80
Non-woven fibre Mideast Gulf origin	cfr	1,550-1,580	+50
Fibre Mideast Gulf origin	cfr	1,580-1,600	+80
Block copolymer Mideast Gulf origin	cfr	1,640-1,680	-15
Block copolymer South Korea origin	cfr	1,750-1,850	-25
Egypt			
Raffia Mideast Gulf origin	cif	1,400-1,430	+65
Fibre Mideast Gulf origin	cif	1,500-1,550	+160
Middle East			
Raffia	del	1,350-1,370	+20
BOPP film	del	1,380-1,400	+20
Saudi Arabia (CMP)			
Copolymer	fob	1,100-1,110	0
Raffia	fob	1,070-1,090	0
China			
Copolymer	cfr	1,130-1,140	0
Copolymer domestic	import parity	1,074-1,125	-11
Raffia	cfr	1,100-1,120	0
Raffia domestic	import parity	1,067-1,093	-4
Raffia	fob	1,190-1,200	0
Southeast Asia dutiable			
Copolymer	cfr	1,220-1,240	+20
Raffia	cfr	1,200-1,220	+20
Southeast Asia duty free			
Copolymer	cfr	1,280-1,300	0
Raffia	cfr	1,270-1,280	-10

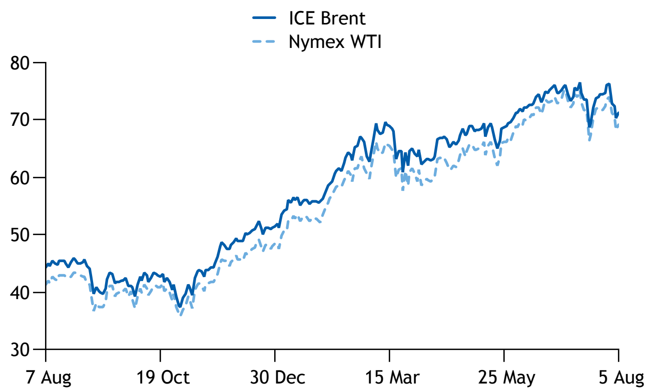
GLOBAL SNAPSHOT



Key prices								$/t
	Timing	US contract marker	Western Europe spot ddp	Russia and CIS spot cpt	Turkey spot cfr (Mideast origin)	China spot cfr	Southeast Asia dutiable spot cfr	India spot cfr
PP copolymer	Jul	2,778		1,867-1,930	1,640-1,680	1,130-1,140	1,220-1,240	
PP homopolymer	Jul	2,734	2,000-2,117					
PP raffia			1,994-2,112	1,640-1,708	1,480-1,530	1,100-1,120	1,200-1,220	1,330-1,350

FEEDSTOCKS

Crude futures $/t



Spot prices				$/t
	Basis	Price		±
Vietnam				
Raffia	cfr	1,200-1,220	▲	+15
Indonesia				
Copolymer Mid-east Gulf origin	cfr	1,220-1,240	▲	+20
Raffia Mideast Gulf origin	cfr	1,210-1,220	▲	+20
India				
Raffia	cfr	1,330-1,350	▲	+20
Pakistan				
Raffia	cfr	1,330-1,350	▲	+50
Bangladesh				
Raffia	cfr	1,330-1,350	-	0
Sri Lanka				
Raffia	cfr	1,350-1,370	-	0

Crude				$/bl
	Effective date	Price		±
Ice Brent	6 Aug	70.70	▼	-5.63
Nymex WTI	5 Aug	69.09	▼	-4.86

Crude oil

The Ice Brent front-month contract was bearish this week as the spread of the Covid-19 Delta variant weighs on demand recovery prospects. The contract closed at $71.41/bl on 5 August, down from $75.54/bl a week earlier.

The Nymex WTI front-month contract fell below the $70/bl threshold this week as the US reported a build in crude stocks and the Delta variant clouds demand outlooks. US crude inventories rose by 3.6mn bl to 439.2mn bl in the week to 30 July amid a drop in exports, according to the EIA. The Nymex WTI front-month contract closed at $69.09/bl on 5 August, down from $73.62/bl on 29 July.

Naphtha

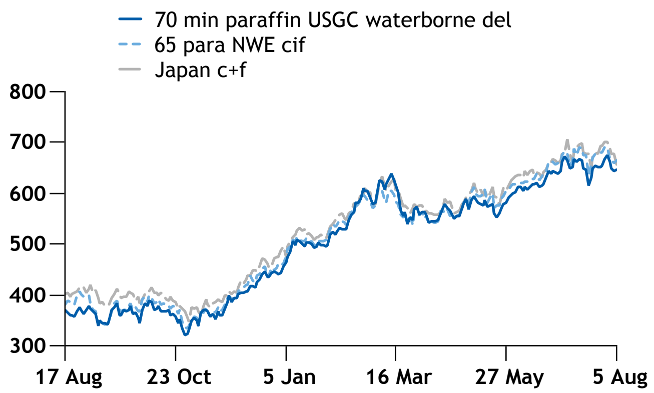
On the US Gulf coast, naphtha prices softened this week as increased prompt supplies depressed buying indications. The export arbitrage out of the Gulf coast to typical outlets was shut, reflecting not only an increased number of barge offers but also failed vessel bookings.

Naphtha margins in northwest Europe remained in positive territory and hit a 10-month high this week amid robust fundamentals. Demand remained strong from gasoline blenders. And offtake from the petrochemical sector remains robust, with demand from key arbitrage region Asia-Pacific

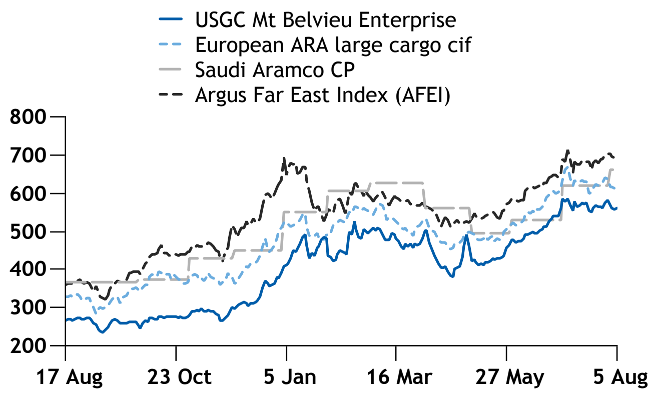
Naphtha			$/t
	Effective date	Price	±
70 min paraffin USGC waterborne del	5 Aug	645.76	-28.11
65 para NWE cif	6 Aug	662.50	-29.25
Japan c+f	6 Aug	674.00	-26.75

Propane			$/t
	Effective date	Price	±
Mt Belvieu Enterprise	5 Aug	560.08	-22.79
ARA large cargo	6 Aug	624.25	-13.50
Saudi Aramco CP	6 Aug	660.00	+40.00
Argus Far East Index (AFEI)	6 Aug	692.00	-10.25

Naphtha spot prices $/t



Propane key prices $/t



also firm. Naphtha averaged €570/t ($674/t) in July, well up on the €527/t average for June, setting the stage for higher settlements of August's ethylene and propylene monthly contract prices. But with a drop in underlying crude values, prompt naphtha prices stood at €562/t on 5 August - slightly lower than the July average.

Asia-Pacific naphtha margins see-sawed during this week's trading sessions. Asian petrochemical producers continued to buy cargoes for delivery in September, with some buyers also seeking volumes for October delivery. Selling interest was seen out of the Mideast Gulf for August-loading cargoes, and out of India this for September loads. Several Asia-Pacific naphtha cracker operators were surprised by LG Chem's decision to cut operating rates on eroding margins, as margins remain positive. LG Chem will cut operating rates from the start of August at its crackers in South Korea, partly because of the weaker margins. But at least three Asia-Pacific naphtha cracker operators have said they still plan to run at maximum rates.

Propane

US Gulf coast propane prices fell in most trading sessions this week amid the downside in underlying crude values. The EIA reported a smaller-than-expected 1.45mn bl build in inventories for the week to 30 July, taking stocks to 66mn bl. The September LST/FEI propane arbitrage stood at $118/t but buying interest on a spot fob basis appeared scant. Panama Canal delays and less competitive pricing in the US leave fewer opportunities for spot cargo exports, with sellers incentivised to keep incremental barrels in the US market.

In northwest Europe, spot trading was scant for propane in most trading sessions this week, with buying interest on some days but sell-side participants mostly remaining on the sidelines. The US arbitrage remains shut and deliveries to northwest Europe appear frozen, with the most recent shipment on 14 July.

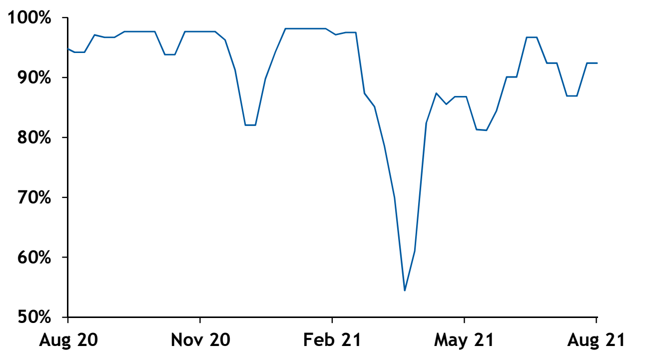
Propane spot prices in Asia-Pacific edged lower this week amid decreases in underlying crude prices, but propane margins widened during most trading sessions. Trading on the open window was focused on cargoes arriving in the first and second halves of September, with market participants closely monitoring delays along the Panama Canal that have postponed some August-arrival vessels. The AFEI propane value stood at $692/t on 6 August, down from $702.25/t on 30 July. State-controlled Saudi Aramco set its August propane contract price at its highest in more than six years, raising it to $660/t, up by $40/t from July. The Opec+ group's deal to collectively raise crude output by 400,000 b/d a month from August is likely to increase LPG production and exports from the Mideast Gulf. But any gain will largely come from Saudi Arabia, where domestic petrochemical demand is strong and technical issues at a fractionator continue.

PDH margins

China PDH margins fell further to $40/t this week, decreased by $16/t against last week following propylene price falls. Domestic propylene supplies in China remained long along with bearish PP sentiment and resulted in weak import interests. Propylene prices fell by $10/t to $990/t cfr northeast Asia. Feedstock propane prices rose by $5/t to a weekly average of $694/t in northeast Asia.

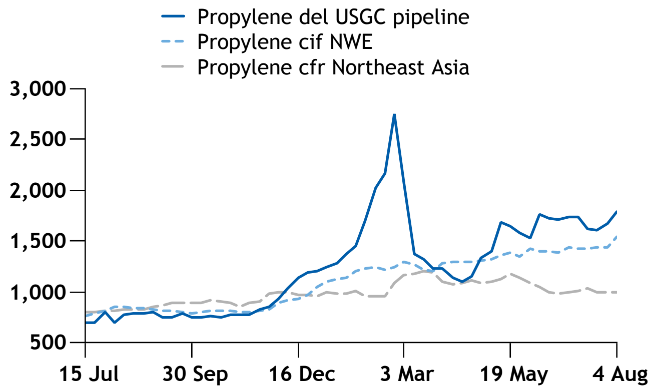
New PDH start-ups							
Status	**Plant**	**Location**	**Grade**	**Capacity '000t/yr**	**Start-up**	**Remarks**	**Source**
	Fujian Meide Petrochemical	China	Propylene	660	Jan	Plant operating at full capacity	Industry
UPDATE	Ningbo Fuji (Oriental Energy)	China	Propylene	660	End Feb	Plant expected to be shut in mid-August for planned maintenance	Industry
UPDATE	Jinneng Technology	China	Propylene	900	End Aug		Industry
UPDATE	Anqing Taiheng	China	Propylene	300	Aug	Plant expected to achieve on-specification production by mid-August	Industry

China PDH operating rates %



Propylene					
	Basis	**Effective date**	**Price**		**±**
PGP USGC contract ¢/lb	Jul	21 Jul	76.00	▲	+2.00
PGP USGC contract $/t	Jul	21 Jul	1,675.51	▲	+44.1
PGP NWE contract €/t	Aug	2 Aug	1,173.00	▲	+108.00
PGP NWE contract $/t	Aug	2 Aug	1,392.12	▲	+128.2
cfr NE Asia $/t	spot	4 Aug	990.00	▼	-10.00

Propylene spot prices $/t



China PDHs

Average operating rates for Chinese PDH producers were stable at 92pc this week. Zhejiang Satellite will likely restart its 450,000 t/yr PDH unit in mid-August after shutting for a turnaround since 20 June. Ningbo Fuji is planning to have a scheduled turnaround at both of its PDH units in mid-August along with its downstream PP units. But new supplies are emerging in China. Jinneng Technology's 900,000 t/yr PDH unit will start up at the end of August. Its 450,000 t/yr PP unit achieved on-specification output on 27 July. The producer will have 450,000 t/yr of excess supplies for sale when the new PDH unit is on line. Anqing Taiheng is expected to achieve on-specification output at its 300,000 t/yr PDH plant by mid-August. Propylene output from the PDH unit will supply Sinopec Anqing's derivatives acrylonitrile and butanol plants. Sinopec Anqing is currently net short of 158,000 t/yr of propylene that it secures mostly from producers in east China's Zhejiang and Jiangsu provinces. After supplying to Sinopec Anqing, excess output from the Anqing Taiheng PDH unit is expected to be offered for merchant sales in east China.

Propylene

News of a Mont Belvieu, TX propane dehydrogenation (PDH) unit going off line pushed the latest spot deal for August delivery back above 80¢/lb level on 29 July. Propylene stock and supply levels are not yet at levels that cushion price volatility with strong derivative demand. Argus forecast a price decline, but also noted the fragility of the supply/demand balance. US Gulf Coast is in the midst of its tropical storm season, so supply remains vulnerable from weather-related events. The American Fuel & Petrochemical Manufacturers (AFPM) reported at the end of July that survey respondents said that US PGP inventory declined by 24pc from the first to second quarter. This was a substantial drop, explained by second quarter PDH unit outages during a period of strong derivative growth for polypropylene, acrylonitrile, propylene oxide and cumene.

Market highlight

- China's propylene supplies are expected to lengthen with imminent new PDH and cracker start-ups, weakening import interests

The propylene market in Europe remains tightly balanced with unplanned outages limiting production but a steady flow of imports from a variety of sources is augmenting supply. The spot market has calmed following the activity surrounding the unplanned shutdown of a cracker complex in the Netherlands, but spot remains at 8-9pc premiums to what is now a higher August contract price. The August MCP settled on 2 August at €1,173/t, an increase of €58/t over July. The increase was lower than producers had targeted, given the volume of capacity lost to unplanned outages, but the difficulty of negotiations with so many people on holiday and time constraints led to a compromise. Operational problems in the Netherlands caused by flood damage to the main naphtha feedstock pipe are ongoing but the pipeline company and local authorities have agreed a solution. They have been making progress in laying a temporary pipeline across the river but the originally longer-term project, to use a borehole to put a pipeline under the river, is also progressing well and may negate the need for the temporary feedstock line. Water levels are still a factor and operations could be hindered by further rainfall, but they hope to have the new supply line in place by the end of August. There have been other issues with a German cracker and an Italian unit returning late from planned maintenance although one of these is now ramping up. In France there is a unit down on an unscheduled stoppage and there have been multiple smaller hiccups around Europe, tightening product balances. Flood damage in Belgium, the Netherlands and Germany continues to cause logistical issues with speed restrictions on waterways, washed out rail lines and another high-water surge making its way down from the Alps.

Asian propylene prices fell following subdued buying interest in China with ample domestic supplies and weaker derivatives PP sentiment. But trading firms were hesitant to lower their selling ideas below $1,000/t with potential supply tightness in August and September, particularly in South Korea and Taiwan. LG Chem will shut its 1mn t/yr Daesan based cracker with 550,000 t/yr of propylene production capacity from the end of September for 45 days. The Daesan cracker is running at 80pc, while the new 800,000 t/yr Yeosu cracker with 400,000 t/yr of propylene output is running at a high 90pc. SK Advanced's 600,000 t/yr propane dehydrogenation (PDH) unit experienced issues on 31 July and has been shut since then. The producer plans to restart the PDH unit by end of this week. Hyundai Chemical, the joint venture between Hyundai Oilbank and Lotte Chemical, will start up its new 350,000 t/ yr PP unit in early September in Daesan. This will lead to reduced sales of propylene from Hyundai, underpinning the supply shortage in South Korea. Hyundai Chemical's 750,000 t/ yr heavy feed cracker, with 400,000 t/yr of propylene output, is scheduled to start up by the end of this year. Taiwan's CPC will start a scheduled turnaround at its Dalin 400,000 t/yr residual fluid catalytic cracker in mid-September lasting 60 days. Supplies in China remained long along with bearish PP sentiment. Average operating rates for Chinese PDH producers were stable at 92pc this week. Gulei Refinery's new cracker with 500,000 t/yr of propylene output is poised to start up soon in early August. The company will have excess supplies of about 290,000 t/yr after factoring in its 350,000 t/yr PP unit and 200,000 t/yr propylene oxide plant. Shandong Luqing Chemical's new cracker with 340,000 t/yr of propylene production will start up in mid-August. The cracker will come with an integrated 340,000 t/ yr PP unit.

PRICING ANALYSIS

US

US PP prices for August are uncertain as the market awaits further clarity on monomer prices. News of a Mont Belvieu, Texas, propane dehydrogenation (PDH) unit going off line pushed spot PGP prices to 82¢/lb during the week, adding volatility back into a market that had begun to see prices come off. The PDH unit is expected to return to operations in mid-August, which should bring spot PGP prices back down, barring another supply disruption. But if prices remain above the 76¢/lb July PGP contract, the August contract will likely see another increase.

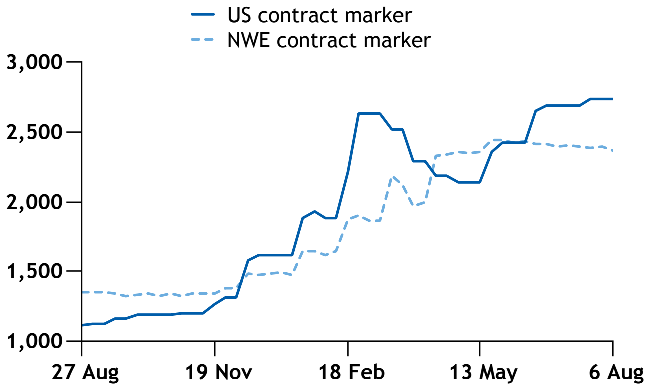
Any increase in August PGP contracts will be passed along to PP buyers. But in addition to the monomer costs, US PP producers are seeking additional margin expansion of around 5¢/lb in August. Market participants have said additional margin expansion is unlikely if PGP prices move higher, but pricing clarity is not likely until closer to the end of the month.

US PP supply in August is beginning to improve, with unplanned outages ending and maintenance issues being resolved. LyondellBasell this week restarted the second of two units at its Lake Charles, Louisiana, PP plant which had been down since a 13 July lightning strike, which forced the shutdown of all plant production lines. The first unit restarted on 20 July, while the second restarted last weekend. Also this week, LyondellBasell lifted its force majeure at its Bayport, Texas site. Other problems at Texas units have been resolved and no major fresh problems surfaced.

July PP production and sales data are not yet available, but anecdotal evidence suggests that operating rates may have fallen from strong June levels due to a handful of unplanned outages.

US contracts				¢/lb
	Timing	Argus Δ (month-on-month change)	Contract marker	Low / High ±
Copolymer contract marker	Jul	+2.0	126	+2.0/+7.0
Homopolymer contract marker	Jul	+2.0	124	+2.0/+7.0

US vs west Europe PP homopolymer prices $/t



Demand remains strong, with few signs of a slowdown, despite the high prices. Demand is strong across all sectors, including packaging and durable goods. New orders for manufactured durable goods in June increased by $2.3bn, or 0.9pc from May, while new orders for manufactured non-durable goods increased by $5.1bn or 2.1pc over the same period, according to data from the US Census Bureau. The latest data show a trend, with orders up in 13 of the past 14 months, but the rate of growth appears to be slowing, with orders in May up by 3.2pc from the previous month.

Inventories of manufactured durable goods in June increased by 0.9pc from May for the fifth consecutive monthly gain, suggesting that inventories throughout the chain are beginning to recover.

Imports are arriving, and are still cost-advantaged, despite high overseas shipping costs and rising inland freight rates. Buyers have orders arriving on a steady basis throughout August and September.

June PP import data, released this week, showed US PP imports in June jumped to 70,112t, up by 23.7pc from May levels, with homopolymer imports up by 9.9pc and copolymer imports climbing by 39.7pc. Imports are at their highest since at least 2014. South Korea was the source of the greatest amount of imports, representing 31pc of the total, and up by 61pc from May to June. The other top five sources for PP imports included Taiwan, Canada, Singapore and Colombia. Canada has no local production, so any imports from that country are re-exports from another country.

PP exports in June fell slightly to 138,399t, down by 0.3pc from May levels, with homopolymer exports down by 6.3pc and copolymer exports rising by 8.9pc from May levels. The top five destinations for US exports were Mexico, Canada, Belgium, Malaysia and China.

Latin America

Latin American PP demand is weakening due to high inventories in Brazil and lower consumption in other countries.

Import offers to Latin America are priced in a wide range from several producing regions.

PP homopolymer from Brazilian manufacturer Braskem was offered to west coast South America at $1,880/t. In Colombia, PP copolymer was offered in the $1,750-1,800/t range, and PP random at $1,850/t.

In Mexico, Chinese material was offered at $1,900/t, but local buyers are still opting for more expensive imports from the US, at $2,200/t. In Central America, PP random was at $1,900-1,920/t.

Imported material in Brazil was around $1,670-1,740/t, mostly from Asia.

Brazil's Braskem said during a second quarter earnings call this week that it boosted its domestic resin sales by 10pc in the quarter as demand recovered from last year's Covid-19 induced slump. Braskem sold 792,000 metric tonnes (t) of resin domestically in the quarter, up from 719,000t in the same period last year.

Exports fell by 46pc to 178,000t over the same period, reflecting lower volumes of resins for shipment abroad as domestic demand normalizes with the recovery from last year's Covid related restrictions and demand shock.

Asian freight prices, the most important issue affecting PP buyers in Latin America in the past few weeks, seem to have stabilized in the $480/t-$550/t range this week.

As demand has declined, Braskem and refineries have cut operating rates to help balance the market. Braskem reduced operating rates at all its naphtha and gas crackers. Petrobras shut FCC units in July at the Replan refinery in Sao Paulo and the Rlam refinery in Bahia because they ran out of tank space to store LPG added with excess propylene. No propylene export cargoes are planned in August.

Braskem's PP domestic prices are stable from July levels in the first week of August.

Brazil's PP July imports fell by 44pc to 31,000t, a decline attributed to higher PP import taxes of 14pc, high inventories, expensive freight rates and by a R$/USD depreciation of 2.4pc from June. China represented 19pc of total imports to Brazil in July, with material priced at $1,748/t CIF. Saudi Arabia represented 15pc of the total, with material priced at $1,768/t CIF. Colombia, usually the top partner for Brazil, was responsible for 13pc of imports, priced at $2,217/t CIF.

Brazil has been a net importer since September 2020.

Exports in July totaled 24,100t, down by 37pc from July 2020. Exports from January to July fell by 46pc to 135,400t from the same period of 2020, with 78pc sent to South American countries, mainly to Argentina, Chile, Peru and Colombia. The trade balance from January to July favored PP imports by 186,081t or by $252.3mn.

The domestic PP market in Argentina remains depressed for all sectors, especially for construction. Petrocuyo will run at 42pc of its 310,000 t/yr PP capacity until mid-August when the YPF Ensenada refinery should conclude maintenance and resume operations, returning propylene supply to Petrocuyo's 180,000 t/yr Ensenada PP unit. There is no room to raise PP domestic prices in August. Petrocuyo is running its 130,000 t/yr PP Mendonza unit at regular rates and does not plan to import propylene to feed the Ensenada unit.

Europe

The European polypropylene (PP) market has seen mixed signs at the onset of August as price ideas diverge between buyers and sellers, particularly in the spot market. Availability remains thin for PP copolymer grades, keeping fundamentals supported for those grades. But supplies for PP homopolymer increased over July for most sellers, which has pushed many buyers to take a more aggressive stance on securing lower prices.

Some plants continue to face production constraints for all PP grades. PP production at a site in the Netherlands remains affected in the aftermath of flooding, which disrupted supplies of feedstock naphtha to a cracker complex there and is expected to last for most of August. Another plant in Germany also faced an unplanned outage the previous week – unrelated to the flooding incidents – and it is not yet known whether the technical problems at the site have been rectified.

Negotiations for August PP contract prices commenced for many market participants this week, against the backdrop of a €58/t increase in feedstock propylene's monthly contract price. Early indications from producers suggest they are looking to pass on this increase to buyers – to preserve margins. While this could be achievable for some producers, it is not expected to be widespread as buyers look set to push back on any further increases. Some buyers may also push for decreases in their PP contract prices – especially those buyers that did not see decreases in July or were instead faced with increases in that month. Suggestions were heard from some market participants that August could see a repetition of the phenomenon observed in July, where many contracts ended up at or close to a rollover in prices. And so far, some sellers have managed to keep their August PP pricing at a rollover on some contracts.

Western Europe contracts				€/t
	Timing	Argus Δ (month-on-month change)	Contract marker	Low / High ±
Copolymer contract marker	Jul	0.0	2,100	-50.0/+50.0
Homopolymer contract marker	Jul	-10.0	2,015	-80.0/+50.0

Northwest Europe spot				€/t
	Basis	Price		±
Homopolymer	del	1,700-1,800	▼	-25
Raffia	del	1,695-1,795	▼	-25

There were some signs of a summer slowdown in PP demand from some segments, but overall demand has been strong throughout this year. Demand for packaging and consumer goods segments remains strong, but the eurozone manufacturing sector's PMI in July grew at its slowest rate since March, as production struggled to meet demand – further downstream from consumers. The IHS Markit manufacturing PMI reading was 62.8 in July, compared with 63.4 in June. All surveyed countries had a reading above 50 – indicating expansion – and Germany recorded its highest rate of growth in three months.

The auto sector was below forecast in July and although the official numbers are not yet available, the ongoing shortage of semiconductors and higher Covid-19 cases in some export markets has hampered production and dampened demand. Over the first half of 2021, EU demand for new cars increased by 25.2pc to almost 5.4mn units registered. But this is still 1.5mn units below the pre-Covid volume recorded over the first six months of 2019.

Despite some contraction in July, PP producers' margins remain strong and well above historical averages – even if producers concede further ground in August. Some views were heard that producers are now mostly looking to maintain or increase their market share and maximise total revenues, as opposed to maximising profits per unit sold that could lead to sub-optimal total returns. But mixed views were heard on the market trajectory further out in September, with some producers hopeful that there will be no further contraction in PP margins as they expect market fundamentals to be balanced. Others may seek to prioritise an increase in sales amid these times of extraordinary strength in margins.

Some spot activity was heard this week on PP but with lower prices heard for all grades. A spot trade for PP copolymer was heard at €1,850/t ddp – despite the grade being in tight supply. Some market participants suggested that this was within the spot price range prevailing for the grade, but many sellers had spot price ideas for PP copolymer grades at around €1,900-2,000/t ddp, if not higher. Some sellers' ideas for PP homopolymer spot prices hovered at €1,800-1,850/t ddp. But they were met by significant resistance from buyers, who were keen to push prices down to €1,700/t ddp. The PP homopolymer spot price was assessed in a narrower range this week, at €1,700-1,800/t ($2,000-2,117/t) ddp northwest Europe, stable on the low end and down by €50/t on the high end.

In July, decreases of up to €80/t were reported for freely negotiated contract prices of PP homopolymer. But settlements in most cases were at a rollover to a slight decrease of €20/t. Some instances of increases up to €50/t were also reported but these were limited, and most instances of increases were confined to the low two-digit range. The final assessment of the *Argus* delta for July PP homopolymer was at a €10/t decrease.

The lower assessment of the *Argus* delta for July PP homopolymer marked the first instance of a widespread decrease in contract prices for the grade this year, after they reached record high levels in June.

PP copolymer grades also faced settlements in a wide range, with decreases of up to €50/t being secured by some buyers in July, especially those with high underlying prices. Some producers also managed to secure increases of €30-50/t, but the overall pricing picture for the market pointed towards a rollover in contract prices for PP copolymer grades, the level at which the final assessment of the *Argus* delta for July was made.

Russia and CIS

Prices for polypropylene (PP) copolymers in Russia fell this week because of high supply, while prices for PP raffia grade rose slightly.

PP raffia grade was offered for Rbs120,833-125,000/t ($1,651-1,708/t) cpt Moscow compared with Rbs120,000-125,000/t cpt Moscow a week ago.

PP raffia grade produced by Lukoil's Stavrolen plant was offered for Rbs122,500/t cpt Moscow compared with Rbs120,000-122,500/t cpt Moscow a week ago. This was amid restricted supply because of an expected planned shutdown from September 23 to the end of November.

Sibur Holding did not change prices and sold the product for Rbs125,000/t cpt Moscow, whereas traders offered it for Rbs121,667-124,167/t cpt Moscow compared with Rbs122,500-124,167/t cpt Moscow a week ago. The product offer from Sibur Holding has not changed yet, despite a fire at Russian state-controlled Gazprom's Novy Urengoy condensate treatment plant on August 5. The fire led to the suspension of the Surgut gas processing plant that produces LPG and NGLs used as feedstock at the Zapsibneftekhim petrochemical complex.

Russia and CIS domestic				*Roubles/t*
	Basis	**Price**		**±**
Raffia	cpt inc VAT	144,000-150,000	-	0.0
Block copolymer	cpt inc VAT	164,000-169,500	-	0.0

The price for PP raffia produced by Bashneft's Ufaorgsintez did not change, and was Rbs120,833-122,500/t cpt Moscow. PP production at Ufaorgsintez will be stopped for the planned maintenance from September 17 to 28, said a source familiar with operations.

PP copolymers this week were offered for Rbs132,500-136,667/t ($1,811-1,868/t) cpt Moscow compared with Rbs136,667-141,250/t cpt Moscow a week ago.

Turkey

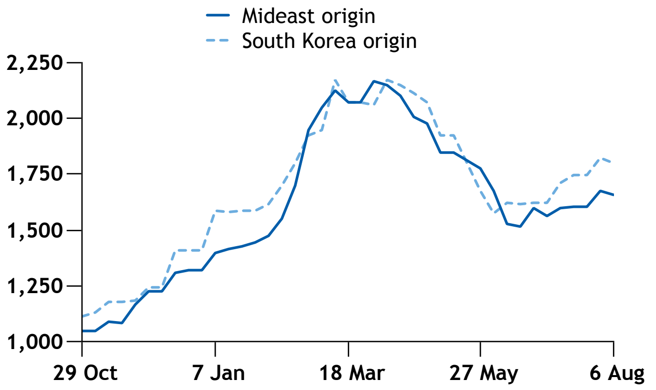
Polypropylene (PP) import prices into Turkey firmed this week, except for Middle East and South Korea-origin PP block co-polymer grades. Demand is increasing gradually for all PP grades and supply is considered healthy, but the container shortages and logistical bottlenecks remain problematic for buyers.

Saudi Arabia-origin PP raffia is assessed at $1,480-1,530/t cfr this week, $80/t higher than last week's assessment. Indian offers were also available at $1,530/t cfr and Russian offers were heard at $1,500-1,520/t cfr. Demand for PP raffia is healthy but not as strong as that for PP fibre in the Turkish market. Supply from Russia is short for all PP grades after technical issues at a major Russian plant, which led to a delay in the allocated volumes from that producer.

Saudi Arabia-origin PP fibre prices are assessed at $1,580-1,600/t cfr this week, $80/t higher than last week, matching the increases in PP raffia prices. Higher netbacks have led Saudi producers to direct more volumes to Turkey, keeping supplies healthy in the market. Iranian offers were heard at $1,600-1,620/t cpt and Egyptian offers were available at $1,670-1,680/t dap, equivalent to 1,580-1,590/t cfr. Russian offers were also heard at $1,600/t cfr. Demand for PP fibre non-woven is also healthy and the assessment is at $1,550-1,580/t cfr this week, $50/t higher.

PP block co-polymer prices decreased this week, in contrast to other PP grades. Saudi Arabia-origin material's prices were assessed at $1,640-1,680/t cfr this week, $10/t lower on the low end and $20/t lower on the high end. South Korean prices were down as well, to $1,750-1,850/t cfr this week, $50/t lower on the low end and stable on the high end. Availability from South Korea remains very limited in

Turkey copolymer prices $/t



the Turkish market – despite supplies being very healthy in South Korea – amid container shortages and highly constrained spot shipping capacity on vessels. High freight rates of around $500/t on the route and logistical uncertainties are keeping Turkish buyers hesitant of committing to imports from South Korea. With supplies from Saudi Arabia also tightening, this could result in shortages of PP block co-polymer grades in the Turkish market in the near future.

Egypt

Polypropylene (PP) import prices into Egypt increased this week. Demand is high after the Eid holiday and supply is strong. But domestic producers are mainly feeding the local market as Saudi producers prefer to sell into destinations with higher netbacks, such as Turkey. PP raffia and fiber prices are still considered low in the Egyptian market, even after the recent increases.

PP feedstock could be a problem once Borouge starts up in the coming months at a capacity of 480,000 t/yr. UAE sells feedstock into Egypt and will need to divert it elsewhere.

Saudi PP raffia is assessed at $1,400-1,430/t cif this week, $100/t higher at the low end and $30/t higher at the high end compared with last week. Saudi PP fiber prices rose sharply, with the assessment at $1,500-1,550/t cif, which is $170/t higher at the low end and $150/t up at the high end.

Middle East

PP prices rose in the Middle East as producers began announcing new offers for August shipment. PP raffia was $20/t higher at $1,350-1,370/t del Middle East. A Saudi producer offered cargoes at $1,390/t del. Biaxially-oriented PP was $20/t higher at $1,400-1,420/t del Middle East. Offers for PP copolymer were heard in the range of $1,400-1,450/t del. In Saudi local markets, PP injection was offered at $1,300/t del Saudi Arabia. PP homopolymer was offered at $1,330/t del Saudi Arabia. PP co-polymer was offered at $1,400/t del Saudi Arabia.

Prices were higher as producers raised prices in line with global price increments. The muted demand in the Middle East is expected to return to firmer levels in September when the summer months are over and cooler temperatures allow for more downstream activity. Negotiations have been continuing with most participants being bullish on prices. A key Saudi producer was heard to be having production issues at its 400,000 t/yr PP plant in Al Jubail. Operating rates were heard to have been lowered significantly. Producers' operating rates remain at close to full capacity, with many eager to raise operating rates to maximize economies of scale. But ethane shortages continue to limit this, especially for production of PP co-polymer.

Export PP raffia prices were assessed at $1,070-1,090/t fob Saudi Arabia China main ports. PP co-polymer was assessed at $1,100-1,110/t on the same basis.

PP demand remained sluggish in Chinese cfr markets. Middle East producers are competing with Chinese exporters again for exports to Asia. Chinese exporters have concluded deals with Asian participants this week. But it has been difficult for them to secure shipping lines. Some participants echoed that shipowners have allocated bigger vessels in Asia for cargoes destined for the Americas because of more favorable freight rates. It is likely that Middle Eastern producers will also continue targeting the Americas on this. The higher freight rates and shipping uncertainty out of China have made Asian buyers favor domestic cargoes or Middle East cargoes over other Asian cargoes.

PP supplies have been lengthening this year with the start-up of OQ's new 300,000 t/yr PP plant in Sohar, Oman. The producer has been making offers to south Asian and southeast Asian markets regularly in the past few months. But the producer is currently undergoing a three-week shutdown due to technical issues, according to market participants. Participants expect the producer to increase operating rates in the coming weeks with the Eid festivities coming to an end. Market participants are also looking forward to the start-up of a 480,000 t/yr PP plant by Borouge in Ruwais, Abu Dhabi. The plant is expected to start commercial operations in the first quarter of 2022.

Sabic will be responsible for the marketing and sales of

> ### Market highlight
> - Middle East producers announce higher offers for August shipment.

Saudi state-controlled Saudi Aramco's PP products from next year. This includes Aramco's joint ventures S-Oil in South Korea and Pengerang in Malaysia. The additional assets in Asia will give Sabic the added flexibility and more room to allocate its resources efficiently in export markets. The implications of this on Aramco's current distributors remain unclear. But participants said that they will likely lose their distribution rights.

China

The Chinese polypropylene (PP) market was flat to weak, albeit with firm prices in other Asian markets. Sentiment weakened in the domestic market on the back of increasing supplies from new plants and bearish demand outlook because of rising new Covid-19 cases. Some road closures and lockdowns in east and central China affected logistics and productions of downstream converters, further dampening buying interest.

The import market was largely illiquid because of cheaper domestic prices and higher prices in other markets. Rising demand in south Asia since last week and some restocking demand in southeast Asia following planned turnarounds in August-September, coupled with disruptions at Middle East producers, have tightened supplies and driven up the respective prices. Offers for South Korean raffia cargoes were at $1,150-1,220/t cfr China, which were deemed to be too high to attract domestic buyers. A few offers for Middle East raffia were at $1,110-1,120/t cfr China. Raffia prices were assessed stable at $1,100-1,120/t cfr China, while co-polymer prices rolled over at $1,130-1,140/t cfr China with scarce discussions.

Overall downstream demand remained muted in the Chinese domestic market, with it unlikely to firm until late August to September. Concerns about a new wave of Covid-19 infections in China led to a more than 250 yuan/t or 3pc fall in the futures market along with subdued spot trade. PP raffia prices fell to Yn8,400-8,600/t ex-works in east China, down by Yn50/t on the low end from last week. Co-polymer prices fell by Yn50-100/t to Yn8,450-8,850/t ex-works in east China.

Inventories of PP and polyethylene at China's state-controlled Sinopec and PetroChina rose by 65,000t to 720,000t on 5 August. The stockbuild was mostly because of producers' clearing work at the end of the month, with current inventories still not deemed to be high.

But new production capacity continued to suppress sentiment in the spot market. Following the start-up of Jinneng Technology's new 450,000 t/yr PP unit at the start of August, PetroChina Liaoyang's 300,000 t/yr PP unit is expected to start commercial production on 10 August. Gulei Refinery's new PP plant, with 350,000 t/yr of output capacity, is also expected to be operational in early August.

Sinopec Zhanjiang's 350,000 t/yr PP plant and Sinopec Guangzhou's 140,000 t/yr PP units were brought on line this week after disruptions. But a total of 2.7mn t/yr of PP capacity is still having maintenance, of which most are expected to increase operations in mid-August. Sinopec Qilu's 70,000 t/yr and Shenhua Ningmei's 200,000 t/yr PP units were down this week for maintenance.

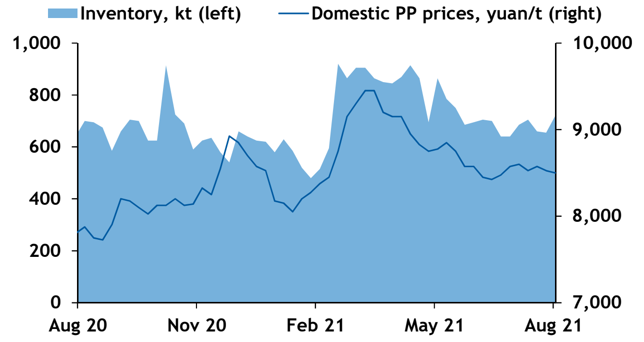
Chinese polypropylene (PP) export prices remained steady since the arbitrage recently reopened, with rebounding demand in south Asia and some countries in southeast Asia and buying interest from overseas increasing. Negotiations remained at $1,190-1,200/t fob.

PP raffia deals were done at $1,190/t on a fob basis, destined for India, Bangladesh and the Philippines. Export opportunities to Vietnam were still lower because South Korea-origin supplies were more competitive compared with those of Chinese origin. Freight rates from China to Vietnam were at $40/t.

Trading sentiment remained stable. Major producers in China increased export prices earlier this week because of rising PP futures. Containers to overseas markets from China's main ports remained tight. Freight rates from China to Indonesia remained at $60/t and at $140/t to India.

China domestic			Yn/t
	Basis	Price	±
Copolymer	ex-works	8,450-8,850	-75
Raffia	ex-works	8,400-8,600	-25

Sinopec, Petrochina inventory vs domestic PP



Market highlight

- Three producers in China are expected to start up their new plants with capacity totalling to 1.1mn t/yr of PP in August.

Southeast Asia and Vietnam

Overall southeast Asian PP sentiment remained weak with rising Covid-19 infections expected to continue to disrupt converters' operations and regional demand for finished products. While PP offers from some international and regional producers were limited in the past few weeks because of planned and unplanned shutdowns, weaker downstream PP consumption was balancing the market and capped any major price gains.

The majority of PP producers do not seem to be facing huge inventory pressure and were keeping spot offers stable or raising them. But as key PP exporting nation Thailand continued to see its Covid-19 cases peaking and unceasing disruptions at converters' manufacturing plants, Thai producers may see their PP stocks rising if domestic sales slow further.

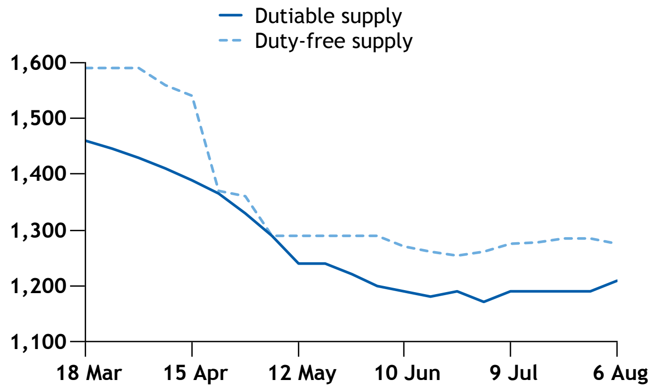
While buying interest and demand for PP continued, buyers resisted higher PP offers, expecting regional supplies to remain ample with shipping bottlenecks continuing to limit PP exports beyond Asia-Pacific. Converters are also likely to seek China-origin PP supplies should there be any supply shortage in the region.

Converters faced a big challenge in workers' management because of widespread Covid-19 infections in most countries, which led to most converters cutting production in their labor-intensive operations. But most converters continued to replenish resin supplies cautiously to ensure constant availability of raw materials. Domestic PP supplies remained preferred by most converters with continued shipping delays and uncertainty in the price outlook.

Indonesian buying interest for dutiable PP supplies could rise among some converters in this year's second half because of the return of Indonesian government subsidies on duties for PP imports. This could lead to import-dependent converters increasing imports of dutiable PP cargoes, when the duties can be waived, resulting in lower net prices against duty-free Asean supplies.

Covid-19 restrictions remained largely in place across southeast Asian countries to combat the Delta variant. But strict lockdowns to curb Covid-19 spreads were difficult to impose by regional governments, with a large population unable to work remotely and highly dependent on daily wages. Vaccinations are progressing quickly in main cities across southeast Asia but are slow in rural areas, which risks cases remaining high during this year's third quarter. The Philippine government reimposed lockdown measures in its capital city Manila with its more than 13mn population from 6-20 August to curb a new surge in Covid-19 infections. This is expected to weaken Philippine domestic demand for finished goods. Indonesia extended its lockdown to 9 August, while Vietnam also extended lockdowns up to mid-August.

SE Asia PP raffia prices $/t



Overall regional demand for PP resins remained weak but vary across converters. Recovering western economies are driving exports of finished products from southeast Asia, with low labor costs and readily available goods manufacturing facilities. But higher container freight rates and difficulty securing freight space slowed exports of finished goods from the region. High Covid-19 infections led to intermittent disruptions at manufacturing plants, which led to weaker requirements for PP resins. Thailand is seeing worsening Covid-19 outbreaks across plastic and other manufacturing factories, which is expected to weaken domestic PP demand in the coming weeks.

Regional PP supplies remained tight but were steadily balanced by a weaker downstream demand. Singapore TPC's 460,000 t/yr PP capacity remained shut for maintenance. Malaysia's Lotte Titan will reduce operating rates at its 640,000 t/yr PP plant in August because of reduced propylene supplies from its upstream cracker. The cracker, capable of producing up to 145,000 t/yr of propylene, will be shut from 6 August for a month-long maintenance. Vietnam's NSRP is expected to shut its 370,000 t/yr PP plant from the end of August for around a three-week maintenance. Vietnam's Hyosung restarted its 300,000 t/yr PP unit in late July, following an unexpected shutdown from 12 July. The producer began offering spot PP supplies for August shipments since last week.

Dutiable PP raffia prices rose to $1,200-1,220/t cfr southeast Asia. PP raffia offers were $1,220-1,240/t cfr southeast Asia for Middle East-origin supplies. New offers for PP block co-polymer were limited but prices were raised by $20/t with reference to price gains for the raffia grade.

Duty-free PP raffia prices fell to $1,270-1,280/t cfr southeast Asia. Vietnam-origin PP raffia offers were at $1,280/t cfr southeast Asia for August shipments. Thailand-origin PP raffia offers were at $1,290-1,300/t cfr southeast Asia. Duty-free PP block co-polymer prices were stable at $1,280-

1,300/t cfr southeast Asia. Thailand- and Vietnam-origin PP block co-polymer offers were at $1,290-1,300/t cfr southeast Asia. South Korea-origin supplies were competitive at $1,280-1,300/t cfr to Indonesian converters with a preferential duty status. Singapore-origin PP block co-polymer offers were the highest at $1,370-1,380/t cfr southeast Asia.

PP raffia prices increased by $15/t to $1,200-1,220/t cfr Vietnam with higher offers emerging. Middle East- and China-origin PP raffia offers were at $1,220-1,240/t cfr Vietnam. A producer restarted its 300,000 t/yr PP unit in late July, after an unplanned shutdown from 12 July, which is expected to increase domestic PP supplies in the coming weeks.

South Asia

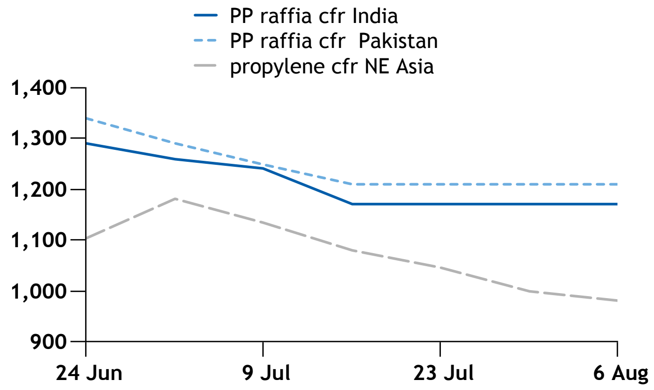
PP raffia rose by $20/t to $1,330-1,350/t cfr India as new offers were announced by key producers. Deals for Saudi cargoes were done at $1,350/t cfr. Vietnam-origin cargoes were offered at $1,345/t cfr. A key Thai producer offered cargoes at $1,360/t cfr. Chinese re-exported PP was offered at $1,190-1,210/t fob with deals possibly done. Domestic PP prices increased by 2,000 rupees/t ($27/t) across all grades except for PP thermo forming, which was raised by Rs2,500/t.

Daily new Covid-19 infections continued to wane in India with 42,625 new infections recorded on 3 August, according to government data. Market participants have been encouraged by the drop in cases that firmed up buying appetite. Downstream operating rates continued to increase, bolstered by the demand for final goods. Domestic price increments this week prompted more buyers to purchase cargoes from the cfr markets on expectations that the markets have turned bullish and prices will continue to increase domestically in the next few weeks.

The freight situation continues to affect cfr markets, with southeast Asian and Chinese producers facing higher freight costs because of container shortages and limited vessel space. Participants echoed that it was difficult for Chinese exporters to secure containers and vessel space because of the limited availability. Shipowners were diverting their larger vessels to routes destined for the Americas on higher freight rates. Some participants were also willing to spend more in domestic markets instead of cfr markets because of shipping bottlenecks currently occurring in Asia. The high freight rates have also eroded the competitive advantage of China-origin cargoes in April and May.

India's state-controlled Haldia Petrochemicals has scheduled a turnaround for 28-30 days at its Haldia complex in West Bengal from 1 August. The complex houses a 330,000 t/yr PP plant. A fire broke out at its 700,000 t/yr naphtha-fed cracker complex on 3 August. The fire was put out

South Asia PP vs propylene prices $/t



shortly after it started at the naphtha tanks at the complex. There were no injuries or significant damage to property, according to sources close to the producer. No delays are expected from the fire. PP supplies in India are expected to lengthen this year with HMEL expected to start up its 500,000 t/yr PP plant in Bathinda in the fourth quarter.

Pakistan's PP raffia prices was $50/t higher at $1,330-1,350/t cfr Pakistan. Supply shortages and limited volumes on offer drove prices higher. A key Saudi producer offered cargoes at $1,350/t cfr with deals most likely done. Taiwanese and Thai cargoes were offered at $1,350-1,360/t cfr. Re-exported cargoes from China were sold at $1,350/t cfr. Other deals for Chinese re-exported cargoes were done at $1,360/t cfr.

Pakistan is currently in a strict Covid-19 lockdown across most of its major cities from 3-31 August. Demand is unlikely to take a big hit as many converters are still continuing operations under the restricted guidelines and buying has held firm despite the lockdown. But downstream activity in Karachi is expected to take a hit during the lockdown as its infection rate is worse than the other cities, according to market participants.

Bangladesh's PP raffia was rolled over at $1,330-1,350/t cfr Bangladesh. An Indian producer offered PP raffia cargoes at $1,330-1,350/t cfr and PP film cargoes at $1,380/t cfr. A Middle East producer offered PP raffia cargoes at $1,390/t cfr. The Covid-19 situation continued to exacerbate as Bangladesh recorded 13,817 new daily Covid-19 infections, according to government data. Buying appetite remained stable this week. Factory workers were returning to the factories to continue working despite the lockdown, according to market participants. Some converters in Bangladesh closed operations last week because of the lockdown. Demand is expected to remain stable but below the normal firm levels.

Sri Lankan PP raffia was stable at $1,350-1,370/t cfr Sri Lanka. Spot offers were limited as sellers continue to avoid making offers because of payment issues arising from US dollar liquidity problems among Sri Lankan buyers. Buying interest remains weak as it continues to grapple with the impact of Covid-19.

FUNDAMENTALS

Global production news

US PP, PE remain tight: Lyondell

US stocks of polyethylene (PE) and polypropylene (PP) remain tight following first quarter production curtailments during the February freeze in Texas, LyondellBasell said in today's earnings call.

"We continue to be hand-to-mouth on several grades in the US and Europe," chief executive Bob Patel said. "In the US in particular, we are not positioned to do a lot of exports; that will require another level of inventory we do not have today."

Discussions on the US July polyethylene contract are ongoing, he said. The US PE and PP markets have seen several consecutive months of increases as a result of tightening supply, and strong demand suggests prices are unlikely to fall during the second half of the year, he said.

US stocks of PP, which is used extensively in the automotive sector, are particularly tight following unplanned outages, Patel said. A lightning strike at Lyondell's Lake Charles, Louisiana plant curtailed production for more than a week during the second quarter, and Lyondell is currently managing contract minimums on PP to its customers, he added.

"As these bottlenecks are removed for automotive production, it will be even tighter," Patel said.

No lengthening of supply from imports is expected. A four-fold increase in container freight since the start of the pandemic has effectively shuttered the arbitrage for polyolefins between China and the US, Patel noted.

As a result, the Houston-based manufacturer reported higher margins in its olefins and polyolefins segments and improved demand for transportation fuels from its refining businesses.

"We operated all of our available capacity near full rates to begin rebuilding depleted inventories and addressing our customers' backlogs," Patel said.

Lyondell reported second quarter profit of $2.059bn, up from $314mn in profit in the second quarter of 2020.

Earnings before interest, taxes and depreciation in the company's Americas olefins and polyolefins segment rose to $1.576bn in the second quarter, up from $210mn in the second quarter of 2020, driven both by higher margins and volumes as Lyondell ramped up rates following the first quarter freeze that shut down operations at several Gulf coast facilities. Higher margins stemmed in part from the resulting US production constraints for polyethylene that bolstered PE prices in the US. Earnings before taxes in polyolefins and olefins in its Asia and European segments rose to $708mn, up from $219mn last year.

Lyondell's La Porte, Texas, plant had a leak at an acetic acid unit 27 July that killed two contractors. An investigation into the cause is underway.

"It will be some time before we reach a conclusive determination of the cause of the incident," Patel said.

LyondellBasell restarts Louisiana PP plant

LyondellBasell has restarted the second of two units at its 843,000 metric tonne/yr polypropylene (PP) plant in Lake Charles, Louisiana, which had been down since a 13 July lightning strike.

LyondellBasell restarted the K-line unit over the weekend, while its J-line unit had restarted on 20 July, it said. The two units went down after a lightning strike caused utility outages and the shutdown of all plant production lines.

With the second line restarted, the plant is now fully operational.

Westlake buys recycled plastic products maker

Westlake Chemical has agreed to acquire Ohio-based Dimex, a producer of recycled plastic products.

Dimex produces products such as landscape edging, industrial matting and marine dock edging that are produced from post-industrial-recycled plastics — typically waste recovered from manufacturers — including polyvinyl chloride, polyethylene and thermoplastic elastomers.

Marietta, Ohio-based Dimex, which generates annual sales of about $100mn, has 300 employees and over 400,000 square feet of processing, manufacturing and warehousing facilities.

The acquisition of Dimex is at least the third acquisition by Houston-based Westlake in three months, including Boral's North America building products business and LASCO fittings.

The Dimex deal is expected to close by the end of the year. Financial terms were not disclosed.

IPL advances Heartland contracting

Inter Pipeline (IPL) negotiated an additional eight take-or-pay agreements for its new 525,000 t/yr integrated propane dehydrogenation (PDH) and polypropylene (PP) Heartland petrochemical complex since April 2021.

This increases contracted offtake capacity from 60pc

Plant maintenance, outages and disruptions

Status	Plant	Location	Grade	Capacity '000t/yr	Duration	Remarks	Source
UPDATE	LyondellBasell	US	PP	843	13 - 31 Jul	Plant shut after a lightning strike. First unit restarted on 20 July, second unit	Producer
	Yanchang Yulin	China	PP	300	29 Jun for two weeks	Maintenance extended	Industry
	Jiutai Energy	China	PP	320	15 Jul for a month	Maintenance	Industry
UPDATE	Pucheng Energy	China	PP	400	13 Jul for 20 days	Maintenance extended	Industry
	China Coal Mengda	China	PP	300	15 Jul for one month	Maintenance	Industry
	Huajin Chemical	China	PP	310	14 Jul for 40 days	Maintenance	Industry
UPDATE	Sinopec Guangzhou	China	PP	140	18 Jul - 2 Aug	Maintenance	Industry
	Sinopec Zhanjiang	China	PP	350	28 Jul - 2 Aug	Maintenance	Industry
UPDATE	Sinopec Luoyang	China	PP	140	28 Jul for a few days	Maintenance	Industry
NEW	Sinopec Qilu	China	PP	70	2 Aug - 20 Sep	Maintenance	Industry
NEW	Sinopec Beihai	China	PP	200	23 Jul for a few days	Maintenance	Industry
NEW	Shenhua Ningmei	China	PP	200	1 Aug for a few days	Maintenance	Industry
	Reliance Industries	India	PP	400	17 - 24 Jul	Unplanned maintenance ended	Industry
	Haldia Petrochemicals	India	PP	330	Aug for one month	Planned maintenance postponed to August	Industry
	The Polyolefin Co	Singapore	PP	460	Mid-Jul for 35 days	Maintenance	Industry
UPDATE	Hyosung Vietnam	Vietnam	PP	300	12 - 31 Jul	Plant restarted	Industry
UPDATE	Lotte Chemical Titan	Malaysia	PP	640	6 Aug for one month	Plant expected to operate at 80pc due to feedstock shortages	Industry
	Nghi Son Refinery and Petrochemical	Vietnam	PP	370	End Aug to early Sep	Maintenance	Industry

to 68pc and the company is continuing negotiations with several other counterparties as it aims to contract 70pc of capacity before the facility becomes operational.

The remaining 32pc would be sold on the spot market, barring any additional contracts, based on a North American PP/Edmonton, Alberta, propane spread. The spread stood at $2,600/t in June, up from an average $1,450/t, according to IPL.

The Heartland project is expected to be on line in the second quarter of 2022.

Brazil's Braskem boosts domestic resin sales

Brazilian petrochemical manufacturer Braskem boosted its domestic resin sales by 10pc in the second quarter as demand recovered from last year's Covid-19 induced slump.

Braskem sold 792,000 metric tonnes (t) of resin domestically in the quarter, up from 719,000t in the same period last year. Exports fell by 46pc to 178,000t over the same period, reflecting lower volumes of resins for shipment abroad as domestic demand normalizes with the recovery from last year's Covid-19 related restrictions and demand shock.

First half growth in resin sales was 6pc on the year because of the demand normalization, Braskem chief financial officer Pedro Freitas said in an earnings call today.

"Some markets such as agriculture and automotive are showing sign of improved demand," Freitas said.

In the US and Europe, Braskem's second quarter resin sales increased by 26pc and 14pc, respectively, compared to the same period last year. Resin sales to Mexico declined 32pc from a year earlier.

Braskem also benefited in the second quarter from wider spreads for resins in the US and Europe, and higher sales volumes in the US, where sales hit a record 449,000t in the second quarter.

"We believe that petrochemical spreads have peaked during the second half, and although there is a prospect of them falling, margins should still remain at very strong levels," Freitas said.

The company also saw more profitable spreads forPEin the US, for PP in the US and Europe, and for polyvinyl chloride (PVC) in Asia.

Braskem's utilization rate at domestic operations was 76pc during the second quarter, up by 6 percentage points on the year. Domestic utilization fell by 6 points from the first quarter because of a scheduled maintenance shutdown at the company's ABC petrochemical complex in São Paulo state.

Braskem's plants in the US ran at 98pc capacity during the quarter, up from 90pc in the second quarter of 2020, reflecting the current normalization of operations from the worst impacts of the Covid-19 pandemic last year.

In Mexico, the Braskem-Idesa joint venture cracker and derivative units operated at 58pc of capacity in the second quarter, down from 80pc a year earlier, and flat compared to the previous quarter. The year-on-year decline resulted from lower ethane supply from Pemex and lower volumes of

New start-ups

Status	Plant	Location	Grade	Capacity '000t/yr	Start-up	Remarks	Source
UPDATE	OQ	Oman	PP	300	2Q	Plant shut for few weeks due to technical issues	Industry
	Borouge	UAE	PP	480	1Q 2022		Industry
	Dongming Petrochemical	China	PP	200	Mar	Plant started	Industry
	Haiguo Longyou Daqing Lianyi Petrochemical	China	PP	200	Mar	Plant started	Industry
	Haiguo Longyou Daqing Lianyi Petrochemical	China	PP	350	Mar	Shut from 14 July for maintenance for a few days	Industry
	Sinopec SK Wuhan Petro-chemical	China	PP	300	End Mar	Plant started	Industry
	Ningbo Fuji (Oriental Energy)	China	PP	400	Early May	Plant started	Industry
	Ningbo Fuji (Oriental Energy)	China	PP	400	Early Jun	Plant started	Industry
	Sinopec Tianjin	China	PP	200	Mid-May	Plant started	Industry
	Zhejiang Hongji	China	PP	240	End May	Plant started	Industry
UPDATE	Jinneng Technology	China	PP	450	Aug	Plant started	Industry
	Gulei Refinery	China	PP	350	Aug	Started trial runs in late December, achieved on-specification production on 21 March	Industry
	PetroChina Liaoyang	China	PP	300	Aug		Industry
	Shandong Shouguang Luq-ing Petrochemical	China	PP	340	Aug		Industry
	Zhejiang Petrochemical	China	PP	450	Sep		Industry
	Zhejiang Petrochemical	China	PP	450	Oct		Industry
	Tianjin Bohua	China	PP	300	3Q	Delayed from 2Q	Industry
	Shandong Huifeng Haiyi Petrochemical	China	PP	150	2H	Delayed from 2Q	Industry
	Huating Zhongxu Coal Chemical	China	PP	160	2H	Delayed from 2Q	Industry
	Hanwha Total	South Korea	PP	400	Mar	Plant started	Producer
UPDATE	SK Advanced-Polymirae	South Korea	PP	400	20 Mar	Plant shut briefly in mid-July but resumed operations	Industry
	Hyundai Chemical	South Korea	PP	500	End 2021		Producer
	HPCL-Mittal Energy Limited	India	PP	500	4Q		Producer
	JG Summit Petrochemical	Philippines	PP	300	Mid-Jun	Plant expanded from 190,000 t/yr to 300,000 t/yr, operating close to full capacity	Producer
	Hyosung Vietnam	Vietnam	PP	300	End 3Q		Industry
UPDATE	PRefChem	Malaysia	PP	900	End 2021/Early 2022		Industry

imported ethane due to occasional instability in Braskem-Idesa's power supply.

For the remainder of 2021, Braskem wants to expand its ethane imports operation and is working with the Mexican government to finalize a definitive ethane supply agreement for Braskem-Idesa, the company said. Ethane imports for its Mexican operations to complement the local supply were around 16,500 bl/d in June, but quarterly average imports were 8,800 bl/d.

Braskem posted a $1.4bn profit in the second quarter, compared to a loss of $469mn a year earlier.

Saudi Arabia's Sabic swings to $2bn profit in 2Q

Saudi Arabian petrochemicals giant Sabic has reported a much improved financial performance in the second quarter on the back of higher sales and prices.

The company, which is majority-owned by state-controlled Saudi Aramco, earned a profit of SR7.64bn ($2bn) on revenues of SR42.42bn in April-June. This compares with a profit of SR4.86bn and revenue of SR37.53bn in the previous three months and a loss of SR2.22bn on revenues of SR24.62bn in the second quarter of last year.

The stronger performance "was driven by higher sales volumes and prices, supported by a rise in oil prices and a healthy supply and demand balance for most of our key products as the global economy continued its path to recovery", chief executive Yousef al-Benyan said. Sabic expects to increase its market share in the US, China and Africa, "which are promising growth markets", he said.

Sabic sees demand remaining strong in the second half of 2021. It expects margins to "moderate but to remain healthy as oil prices and feedstock costs remain elevated". Sabic's bullish outlook comes after polyethylene (PE) and polypropylene (PP) producers in Europe saw margins hit fresh highs in the second quarter amid robust demand and tight supply.

Argus assessed European PP homopolymer gross contract premiums over feedstock propylene at an average of €955/t ($1,132/t) in April-June, compared with €552/t in the first quarter. Gross contract margins for PE followed a similar pattern, with premiums for HDPE blow moulding and LDPE grades rising to €835/t and €1,225/t in the second quarter, from €505/t and €743/t in the first quarter, respectively.

Despite the strong outlook on demand, these levels are likely to be unsustainable amid higher feedstock costs and as polymer prices face downward pressure in the western hemisphere, driven by a gradual easing of supply constraints and the prospect of new global capacity coming online later this year. PE and PP gross margins in Europe already saw some contraction at the tail end of the second quarter and in July, although they remain well above historical averages.

Sabic is now the petrochemicals arm of Aramco, after the latter completed its acquisition of a 70pc stake a year ago. The companies have since been streamlining their operations to "capture synergies to drive more efficiency and add customer value", Sabic said.

Marketing and sales responsibilities for a number of petrochemicals and polymers have been transferred from Aramco to Sabic, allowing Aramco's trading subsidiary ATC to focus on fuel products.The new streamlined work streams "realised $230mn of value" by the end of the second quarter, according to Sabic.

LG Chem's cracker rate cut surprises Asian operators

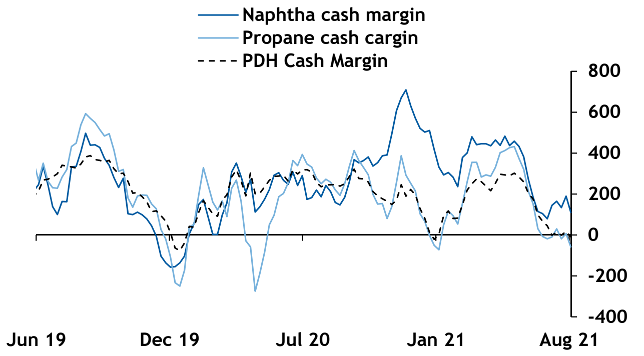
Several Asian naphtha cracker operators were surprised by LG Chem's decision to cut operating rates on eroding margins, as naphtha cracker margins remained in positive territory.

The South Korean petrochemical producer cut operating rates from the start of August at its crackers in Daesan and Yeosu in part due to weaker margins. The company is trying to balance its surplus ethylene supplies after its downstream polyethylene line shut. Difficulties in locating spot vessels and unsatisfied export prices accounted for the decision.

At least three Asian naphtha cracker operators have pointed out they still plan to run their naphtha crackers at the maximum despite the dip in petrochemical margins. Margins are not as strong as before but it is still surprising for a South Korean cracker to start the run cut process, it's usually a Japanese or southeast Asian cracker, said a cracker operator.

The naphtha cracker cash margin, or *Argus* ethylene's price minus *Argus*' cfr Japan naphtha price as a feedstock and other relevant variable and fixed cost, stood at $111/t on 3 August, down from the average of $356/t in first-half 2021 but remained in positive territory. Naphtha crackers saw strong margins in the first half of the year following an uptick in olefin prices on supply shortages and robust derivatives demand. But prices started to decline in June as supplies from new crackers emerged in South Korea and China, eroding the naphtha cracker margin to $79/t by the end of June, the lowest since March 2020.

Naphtha cracker cash margins $/t



Ethylene margins have also shrunk against a surge in naphtha feedstock prices. A combination of strong gasoline prices against a cut in supply from China, low arbitrage arrivals against strong European prices, firm LPG prices, an alternative cracker feedstock have propelled the light distillate margin to exceed a five-year high.

LG Chem's 1.27mn t/yr Daesan-based cracker operations were reduced to around 80spc. The older 1.16mn t/yr Yeosu-based cracker is running at a low-90pc. Both crackers were running at full capacity prior to the cuts. LG Chem has kept its new 800,000 t/yr Yeosu-based cracker running at the high 90pc.

Japan's Toray ups profit forecast on polymer recovery

Japan's petrochemical producer Toray has raised its April 2021-March 2022 profit forecast on continued demand growth of its polymers amid gradual domestic and overseas economic recovery.

Toray expects demand for its polymers including acrylonitrile butadiene styrene resin, polyolefin and other engineering plastics to continue growing. The forecast prompted Toray to lift its overall 2021-22 profit forecast by 12.5pc to ¥90bn ($824.1mn) from initial expectations in mid-May.

Toray's polymer sales during April-June increased on the year when Covid-19 pressured demand. The company's polymer sales were also supported by stronger auto production and economic recovery in China.

Mitsubishi Chemical also raised its April-September profit forecast by 79.5pc to ¥79bn from previous expectations in mid-May. The company sold more petrochemical goods including polyolefin, ethylene, propylene and toluene during April-June than a year earlier when its ethylene crackers were under maintenance and demand was suppressed by the pandemic.

India's Adani sets up petrochemical subsidiary

Major Indian conglomerate Adani Enterprises has set up a new subsidiary, Adani Petrochemicals (APL), to invest in refineries, petrochemical complexes, specialty chemical units, hydrogen and related chemical plants.

No details were released of the scale of the investment, types of chemicals or timeline, but APL intends to be in direct competition with India's largest private-sector refiner and petrochemicals producer Reliance Industries (RIL).

Adani's previous forays into the petrochemical sector include an initial deal with German chemical producer BASF in 2019 to invest in a €2bn chemical plant in Mundra, Gujarat. The deal was expanded a year later to include Abu Dhabi's state-owned energy firm Adnoc and Austrian chemical company Borealis. The plan was later put on hold because of the Covid-19 pandemic.

RIL's Jamnagar complex in western India houses the world's largest integrated refining and petrochemical hub with crude processing capacity of 1.24mn b/d integrated to an off-gas cracker with 1.5mn t/yr ethylene capacity. The company has a total paraxylene capacity of 4.3mn t/yr and is one of the world's largest producers of polyester fibre and yarn.

Adani, which already has a stronghold in sustainable energy, deepened its partnership with France's TotalEnergies — previously known as Total — in January, when the French firm acquired a 20pc interest in Adani Green Energy.

Fire breaks out at India's Haldia Petrochemicals

A fire broke out at Indian state-controlled Haldia Petrochemicals' (HPL) 700,000 t/yr naphtha-fed cracker complex in east India's West Bengal state yesterday afternoon.

The fire was put out shortly after it erupted at naphtha tanks at the complex. There were no injuries or significant damage to property, according to sources close to the producer.

The fire was likely started by a spark that lit up open hydrocarbon sources resulting from a leakage while transporting naphtha from pipelines to the tanks, sources said. HPL was conducting a month-long maintenance at the petrochemical complex when the fire broke out.

The turnaround was initially planned for May but was postponed to August because of manpower shortages brought on by Covid-19 restrictions. No delays are expected from the fire, according to market participants.

Packaging and downstream applications

OEM and automotive stocks — *per share*

Company	Ticker	5 Aug	29 Jul	±	
Toyota	NYSE: TM	$ 182.86	$ 181.42	0.79%	▲
Bosch	NSE: BOSCHLTD	Rs 14,865.00	Rs 14,960.00	-0.64%	▼
Continental AG	FRA: CON	€ 114.60	€ 116.16	-1.34%	▼
Daimler	FRA: DAI	€ 75.40	€ 76.15	-0.98%	▼
BMW	FRA: BMW	€ 69.95	€ 84.77	-17.48%	▼
Honda	NYSE: HMC	$ 33.15	$ 32.36	2.44%	▲
General Motors	NYSE: GM	$ 54.44	$ 57.28	-4.96%	▼
Denso Corp	TYO: 6902	¥ 7,683.00	¥ 7,267.00	5.72%	▲
Tesla	NASDAQ: TSLA	$ 714.63	$ 677.35	5.50%	▲
Ford	NYSE: F	$ 13.71	$ 14.39	-4.73%	▼
Motherson Sumi	NSE: MOTHERSUMI	Rs 237.05	Rs 238.70	-0.69%	▼
Magna International Inc	TSE: MG	C$ 105.54	C$ 104.21	1.28%	▲

California electric vehicle sales climb in 2Q

Zero-emission vehicles (ZEVs) surpassed 10pc of total California vehicle sales in the second quarter, even as overall sales numbers climbed.

ZEVs made up 11pc of the 1.1mn light duty vehicles sold through the first two quarters of 2021, according to the latest review of state data by the California Energy Commission. Battery electric vehicles accounted for nearly 70pc of ZEV sales during the quarter, and plug-in hybrid vehicles made up nearly 30pc.

California wants to eliminate new sales of internal combustion vehicles by 2035. But the state has hit snags in rolling out the charging infrastructure that advocates and manufacturers consider essential to ensuring consumers stick with the technology.

The state's Low-Carbon Fuel Standard offers further incentives to residential and commercial electric vehicle charging through credits used to comply with annual greenhouse gas reduction targets. On-road electric vehicle charging in the state generated about 476,000 credits during the first quarter, a 4pc increase from the previous quarter but a 15pc drop from the first quarter of 2020, according to new data released late last week.

Japanese car output rebounds sharply in June

Japan's domestic car production rebounded sharply in June from a year earlier and May, despite continued pressure from a shortage of auto components.

Domestic output of passenger cars by the country's eight carmakers increased by 42pc on the year and by 47pc from May to 687,949 units in June. Japan's new car sales remained strong in June, increasing by 9pc on the year and by 19pc on the month to 198,108 units, according to industry group the Japan automobile dealers association.

But domestic car output is expected to remain impacted not just by a continued global shortfall of automotive chips, but also shortages of some auto components, aggravated by rising Covid-19 infections in southeast Asia.

Japan's biggest carmaker Toyota Motor is planning to halt three production lines for 2-4 days next month, citing a shortage of car components from its plant in Vietnam, in addition to a five-day closure of an assembly line of wholly-owned subsidiary Toyota Auto Body from today. The firm is also closing another production line for five days starting from 2 August because of a shortage of some car parts.

Toyota's global car output increased by 36pc on the year to 4.5mn units in January-June, but this was 3pc lower from the same period in 2019. Of all the new car sales globally during January-June, the proportion of electric vehicles increased to 26pc from 21pc a year earlier.

FMCGs

FMCG stocks *per share*

Company	Industry	Ticker	5 Aug	29 Jul	±	
Unilever	Consumer goods	NYSE: UL	$ 57.20	$ 57.52	-0.56%	▼
Procter & Gamble	Consumer goods	NYSE: PG	$ 142.50	$ 139.48	2.17%	▲
Nestle	Food and beverages	SWX: NESN	SFr 113.04	SFr 113.70	-0.58%	▼
Coca-cola	Food and beverages	NYSE: KO	$ 56.50	$ 57.05	-0.96%	▼
Pepsico	Food and beverages	NASDAQ: PEP	$ 154.31	$ 156.81	-1.59%	▼
AB InBev	Food and beverages	NYSE: BUD	$ 61.84	$ 64.79	-4.55%	▼
Johnson & Johnson	Pharmaceuticals	NYSE: JNJ	$ 173.69	$ 172.18	0.88%	▲
Mondelez	Food and beverages	NASDAQ: MDLZ	$ 61.86	$ 63.33	-2.32%	▼
Colgate-Palmolive	Personal care	NYSE: CL	$ 78.90	$ 83.52	-5.53%	▼
Danone	Food and beverages	EPA: BN	€ 63.00	€ 60.86	3.52%	▲

P&G partners Eastman to reduce virgin plastic use

US-based consumer goods company Procter and Gamble (P&G) has partnered global speciality materials company Eastman to aid P&G’s ambition to reduce its reliance on virgin plastic use.

P&G will use Eastman’s recycled materials in select products and packaging. The companies will also collaborate on advocacy initiatives aimed at reducing reliance on virgin plastic.

The collaboration aids P&G’s 2030 ambitions of reducing virgin plastic use by 50pc and attaining 100pc recyclability in all its plastic products. P&G recently switched from using plastic bottles to paper bottles under its fabric care subsidiary Lenor.

Eastman's molecular recycling technologies convert plastic waste into reusable plastic materials. Their technology complements traditional recycling by expanding the types and amounts of plastics that can be recycled, according to Eastman.

The companies are also planning on improving the recycling infrastructure to boost collection rates and expand recycling streams to create new materials via Eastman’s recycling technologies.

Supply chain and shipping

Potential Gulf of Oman hijacking incident over: UKMTO

A potential hijacking incident off the coast of the UAE in the Gulf of Oman has now concluded after trespassers that boarded the vessel disembarked, the UK Maritime Trade Operations (UKMTO) said today.

"Boarders have left the vessel. Vessel is safe. Incident complete," the UK navy-linked organisation said.

The incident, which took place about 58 miles (93km) east of Fujairah, came soon after last week's deadly attack on a products tanker in the Indian Ocean off the coast of Oman, which the US, UK and Israel have all since pinned on Iran. Tehran has repeatedly denied involvement, with Iran's foreign ministry calling the incident "suspicious."

The waters around the Gulf of Oman and strait of Hormuz represent one of the world's busiest shipping routes, with at least 20 oil, chemicals and LNG carriers in the area at the time of the incident.

At no point has the UKMTO named the vessel involved in the potential hijacking. But security firm Dryad Global identified it as the Panama-flagged bitumen carrier Asphalt Princess. The vessel's owner is listed as Emirati-listed Glory International.

The vessel departed Iran on 24 June and was destined for Sohar in Oman, according to Vortexa.

The UKMTO is continuing to advise all vessels "to exercise extreme caution when transiting this area."

These recent incidents are just the latest in a series of events affecting tankers in the waters around the Mideast Gulf. These include attacks by Yemen's Houthi forces on Saudi Arabian tankers, and episodes in the strait of Hormuz and the UAE in 2019 which the US also blamed on Iran.

Gulf of Oman incident unlikely to affect freight: Bimco

The potential hijacking incident on [please use a date here to reference 'yesterday'] involving a tanker in the Gulf of Oman is unlikely to have an immediate impact on shipping costs or operations, despite it coming just days after a deadly drone attack on another vessel in the region, according to Bimco's chief shipping analyst Peter Sand.

Polymer freight $/t

Origin	Destination	Rates	
Jubail	Turkey	145-165	-
South Korea	Turkey	490-510	▲
Jubail	Mumbai	45-50	-
Jubail	Karachi	60-65	-
Jubail	China	28-32	-
Jubail	Indonesia	60-65	-

QUOTE OF THE WEEK

"It feels like supply is tightening again."
— *Middle East participant*

Flare-ups in the busy shipping lanes of the Mideast Gulf often prompt talk of higher "war-risk" premiums, but heightened risk in the region is already a factor, Sand said. Any additional premiums would be negotiated between counterparties, but on average the increase in costs "should not be massive", he said.

The incident in the Gulf of Oman involved bitumen tanker the Asphalt Princess. In a recording of communications between the ship and coastguards heard by *Argus*, a crew member said that there were "5-6 Iranians" on board and that the ship was drifting. UK Maritime Trade Operations (UKMTO), a security agency linked to the UK navy, said on 4 August that those who boarded the vessel had left and that the incident was over.

It followed an attack last week on an oil product tanker off the coast of Oman in which two crew members were killed. Iran has denied claims by the US, UK and Israel that it was responsible.

Bimco's Sand does not expect the latest incidents to affect shipping operations but he said they do serve as a reminder of the potential impact that the geopolitical situation in the region can have on the sector. Geopolitics "come in many forms", Sand said. "Hijacking and piracy actions as the most 'flashy', sanctions and other trade restricting measures as the least 'flashy', but the ones with the far-reaching effects."

Participants in the tanker and LPG carrier markets reported no impact on freight rates today. Maritime security firm Dryad said the latest incidents are "not representative of an increase in risk to wider commercial shipping" and that similar incidents have been relatively common in recent years, although it has advised ships operating in the area to review their security measures.

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