

Foundation Alert

Chemicals: PVC-Ethylene margins hit record US\$1,115/ton

Event

- PVC-Ethylene margins have reached a record US\$1,115/ton on October 8, 2021.

Impact

- PVC price has reached US\$1,650/ton on October 8, 2021 pushed up by stronger demand trends in Asia.
- PVC prices rose in China due to concerns over supply after the government ordered some provinces to cut power consumption leading to tighter supply and higher prices across Asia.
- Several provinces including Xinjiang, Ningxia, and Shaanxi, where major carbide-based PVC producers are based, were asked to shut, or reduce industrial operations due to higher-than-planned energy consumption in the 1H CY21. China is the world's largest PVC producer, and about 80% of its total 25-26 million mt/year PVC capacity uses coal-based carbide as feedstock, with the rest using ethylene-based feedstock.
- Whereas Ethylene price is hovering around US\$1,060/ton.
- Resultantly, PVC-Ethylene margin is now a record US\$1,115/ton (last 4 week avg of US\$941/ton and 1yr avg of US\$844/ton).

Outlook

- Higher PVC-Ethylene margins bode positively for EPCL profitability.

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If	
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Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.