

Foundation Alert

Chemicals: PVC-Ethylene margins at US\$423, a 2-year low

Event

- PVC-Ethylene margins have dropped to US\$423/ton, a level last seen on July 10, 2020.

Impact

- PVC price has declined to US\$930/ton on July 21, 2022 due to weaker demand from end users and surplus material supplies across Asia.
- Since June 1, 2022, PVC prices for South East Asia region declined by US\$350/ton.
- A steep drop in upstream ethylene, EDC and VCM values coupled with a sharp fall in import offers from overseas suppliers also pushed prices lower in Asia.
- In Pakistan, PVC prices were assessed at the USD 950-1030/mt CFR levels, a slump of US\$220-250/ton from last week. Producers from Indonesia and China have offered PVC resin suspension grade at the US\$950/1,030/ton CFR levels, for shipment to Pakistan in August 2022.
- However, PVC retail prices in the domestic market are currently ~US\$1,646/ton.
- Whereas, since June 1, 2022, Ethylene price reduced by US\$150/ton to US\$1,005/ton.
- Resultantly, PVC-Ethylene margin is now at US\$423/ton, a 2 year low.

Outlook

- PVC pricing sentiment remains on downward trajectory due to subdued demand amid volatile energy markets, growing inflationary pressures and a seasonal slowdown in major markets. The weakening of major global currencies against the US\$ would also weigh negatively on the PVC pricing in Asia.

Table 1: Change in PVC prices across the globe

US\$/ton	1-Jun-22	20-Jul-22	Decline
USA	1745	1025	(720)
Turkey	1670	1290	(380)
South East Asia	1280	930	(350)
China	1190	920	(270)
Europe	1945	1765	(180)

Source: Foundation Research, July 2022

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Expected return <-10%	Underperform.