

CHEMSYSTEMS POPS PROGRAM

Report Abstract

Executive Report Global Commercial Analysis

Global Polyolefins Market Dynamics, Polyethylene (LDPE, LLDPE, HDPE), Polypropylene (PP), Supply, Demand, Trade, Economics

March 2011

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Report Abstract

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INTRODUCTION

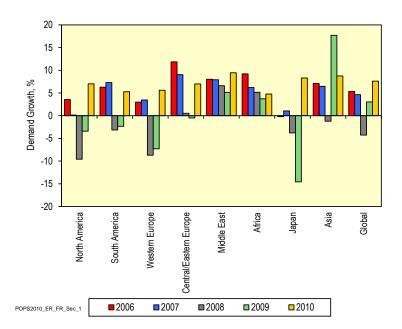
Despite a major recovery in 2010, there are still turbulent times ahead for the global polyolefins industry as it continues to grapple with the residual effects of the economic crisis of 2008 and 2009. Concerns remain over the fragile state of the economic recovery in the United States and Western Europe, and the withdrawal of government backed subsidies; the housing and automobile industries (a major end-use market for polyolefins) continue to struggle in many countries; and the current political instability in North Africa and the Middle East is now placing further pressure on polyolefin market as crude oil prices soar.

Such are the findings of a new study by Nexant which has just published its 2010 Global Executive Report on the polyethylene and polypropylene market as part of its PolyOlefins Planning Services (POPS).

It highlights how today's polyolefins market is very much a tale of two worlds - the developed and developing - as the United States and Western Europe struggle to maintain a modest recovery amidst the booming developing economies in Asia, particularly China and India.

Demand

In 2010, global polyolefin consumption leapt substantially by 6.8 percent following a decline of 0.14 percent the previous year. But even though Western Europe consumption grew positively at 4.7 percent, it was still below the global average, whereas Asian polyolefin demand surged by 6.9 percent.

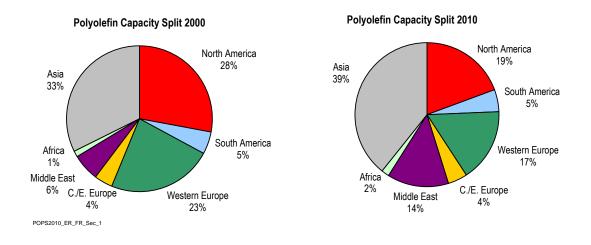


Global Polyolefin Demand 2006-2010



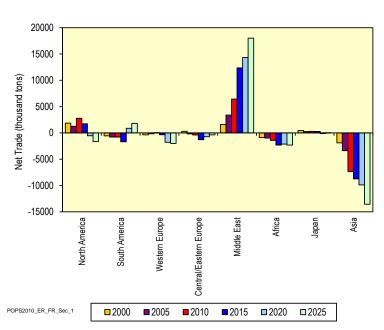
Supply

On supply, the emphasis to invest in locations of advantaged feedstocks or to build in regions of high market growth has led to Asia Pacific increasing its share of world polyolefin capacity from 33 percent ten years ago to 39 percent last year, and the Middle East from six to 14 percent. However, the United States and Western Europe markets combined have fallen substantially from 51 to 36 percent over the same period.



Trade

In terms of trade, the Middle East continues to cement its position as the major global supplier. The region is set to become the major exporting region of polyethylene with exports of over 12 million tons per year forecast by 2015, rising to 18 million tons in 2025: under the same scenario, Asia is set to import over 13 million tons per year in 2025. Although North America is currently a strong exporter, its position will switch to net import by 2018 as consumption outstrips capacity addition. Western Europe will also remain a large polyolefin importer



Polyethylene Net Trade (2000-2025)



The report also finds that:

- Global operating rates will be depressed in 2011 as demand growth is unlikely to off-set new capacity additions due on-stream in the Middle East and Asia.
- Crude oil prices will be under the spotlight as current political unrest in North Africa and the Middle East push oil prices once again over \$100 per barrel, putting pressure on polyolefin pricing and purchasing arrangements.
- HDPE demand for bimodal grades in film and pipe will continue to rise strongly HDPE has shown the highest growth of all polyolefins, up 8.7 percent on 2009.
- Polypropylene, the largest polyolefin market has shown weaker performance compared to HDPE (5.6 percent growth in 2010) due to its close links with the automotive industry whose recovery has been sluggish.
- LLDPE continues to penetrate the LDPE market, displacing LDPE with easy processing LLDPE, while use of single site/metallocene LLDPE continues to rise across the world.

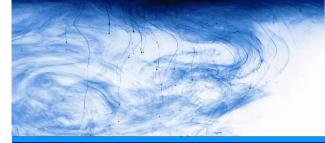
Nexant's comprehensive report has been produced using Nexant's proprietary simulation model, the ChemSystems Online Simulator, and provides global petrochemical consumption, production and trade data forecasts to 2025.

The model analyses the market dynamics of product flows, the economics of production costs, logistics, prices and profitability, as well as consumption of end-use materials into major sectors, to produce an extensive report which fully assesses the industry's current and future performance.

The study shows that although the volatile economic conditions of the past have eased, the journey to recovery is not over, and the road will be less rocky for the developing world than the developed west.

The report *PolyOlefins Planning Service: Executive Report, Global Commercial Analysis* is published by Nexant as part of its ChemSystems POPS program. Subscriptions or single copies of the report are available from <u>www.chemsystems.com</u>. For further information, please contact David Alston, POPS Program Manager at <u>dalston@nexant.com</u>.





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