

MEG Market & Supply Crunch: till 2013



By: Fibre2Fashion.com

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Global demand for MEG is expected to grow by 7% a year. With strong predictions for demand, the industry is witnessing shutdowns of MEG units abruptly. What will be the consequences? How much would these turnarounds affect the pricing?

Monoethylene glycol (MEG) is commonly used in the production of polyester fibres used for making clothes. The industry is currently going through turbulent times. Beginning of the year saw over supply, while as months passed, a series of plant shutdowns have tightened market supply of the product. The question that springs up now is that, will the supply be adequate enough to meet with the demand.

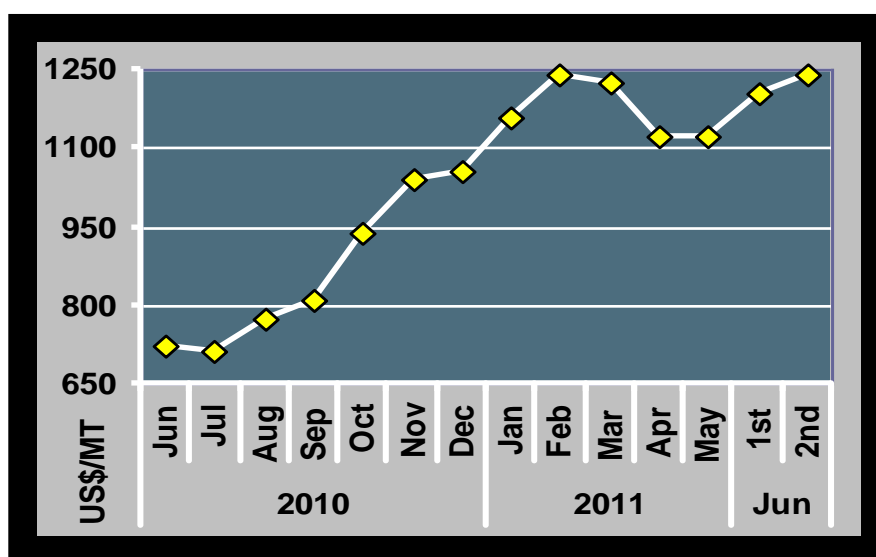
MEG is generally considered as a safe and attractive source of investment for traders, comparatively over other products such as PTA, and DEG. After experiencing an oversupply, production of MEG is restricted by manufacturers all across the globe. Due to oversupply of the product, prices of MEG in Asia were expected to fall. Consequently, MEG manufactures are planning for a turnaround.

Top 5 Producer of MEG

Company	Capacity
SABIC	3.1
Dow Chemical	2.42
Formosa Plastic	1.83
China Petrochemicals	1.49
Shell Chemical	1.16

(Capacity in Million Ton)

Price trend for MEG

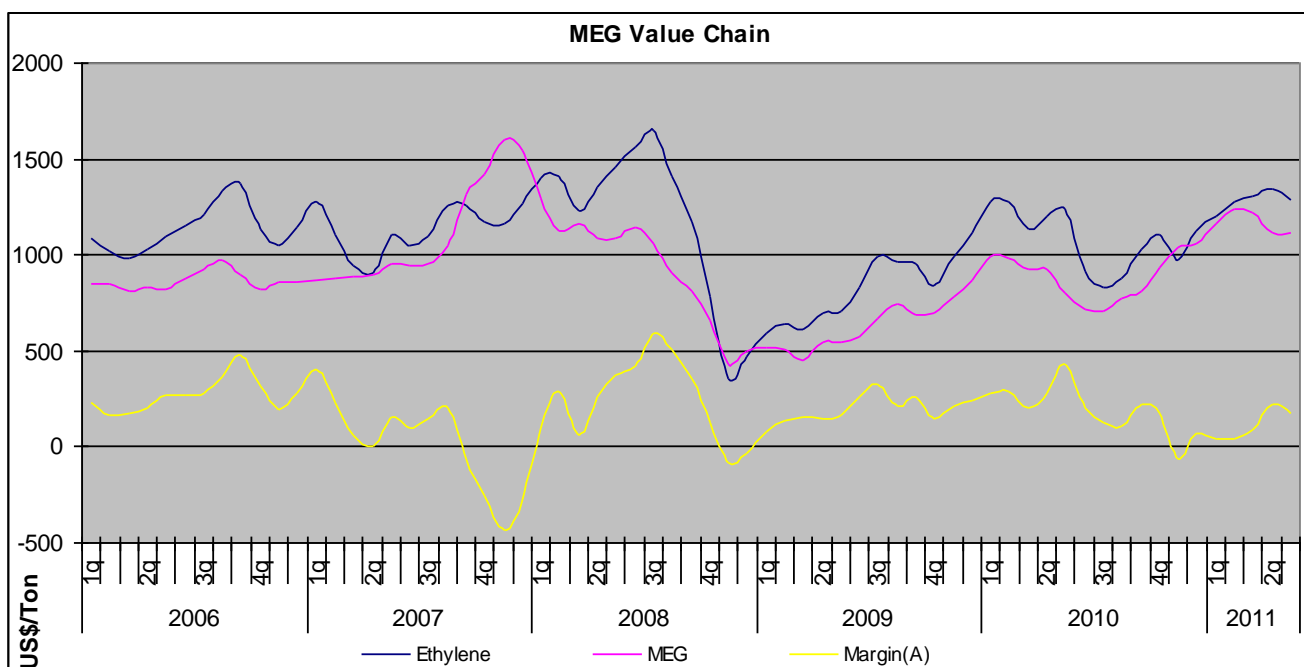


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Sabir, the world’s largest MEG producer is considering shutting down eight of its major MEG units. Earlier in April, Rabigh shut its 7, 00, 000 ton a year capacity MEG plant in Saudi Arabia for two months. Yanpet has shut its 3, 50, 000 ton a year capacity plant for more than a month. These shut downs were temporary, but two big manufacturers of Asia have shut down their operations without any further notice. Shell has shut down its 7, 50, 000 ton per year plant and Nan Ya, a Taiwanese manufacturers has shut down two out of four of his major units.

Industry experts predict that tight supply of MEG would only support the market. Low stocks would result in good margins, and polyester production units would keep high operating rates. They believe that this will tighten the demand of MEG. PTA and MEG are the major feed stocks for polyester production. Plans of shutting down the Nan Ya plan have boosted the prices, but fell later when the plan was postponed.

Price trend of MEG (2006-2011)



Source: Fibre2Fashion study

Price trend of MEG (2006-2011, values in USD/Ton)

Years	Months	Ethylene	MEG	Margin(A)
2006	Jan	1085	853	232
	Feb	1020	854	166
	Mar	985	811	174
	Apr	1035	829	206
	May	1095	823	272
	Jun	1150	878	272
	Jul	1210	930	280
	Aug	1335	970	365
	Sep	1370	895	475
	Oct	1135	820	315
	Nov	1050	855	195
	Dec	1140	860	280

Source: Fibre2Fashion study

Years	Months	Ethylene	MEG	Margin(A)
2007	Jan	1275	870	405
	Feb	1105	875	230
	Mar	945	885	60
	Apr	905	900	5
	May	1105	950	155
	Jun	1045	945	100
	Jul	1100	955	145
	Aug	1255	1050	205
	Sep	1255	1320	-65
	Oct	1170	1420	-250
	Nov	1165	1600	-435
	Dec	1270	1545	-275
2008	Jan	1400	1300	100
	Feb	1410	1125	285
	Mar	1230	1165	65
	Apr	1350	1090	260
	May	1460	1085	375
	Jun	1565	1145	420
	Jul	1650	1055	595
	Aug	1415	910	505
	Sep	1170	815	355
	Oct	785	655	130
	Nov	355	435	-80
	Dec	465	500	-35
2009	Jan	595	515	80
	Feb	645	510	135
	Mar	610	450	160
	Apr	695	545	150
	May	710	545	165
	Jun	830	570	260
	Jul	995	670	325
	Aug	960	750	210
	Sep	950	690	260
	Oct	840	695	145
	Nov	995	785	210
	Dec	1115	870	245
2010	Jan	1275	995	280
	Feb	1275	985	290
	Mar	1135	930	205
	Apr	1205	930	275
	May	1240	805	435
	Jun	920	720	200
	Jul	835	710	125
	Aug	880	775	105
	Sep	1030	810	220
	Oct	1110	935	175
	Nov	975	1040	-65
	Dec	1130	1055	75

Source: Fibre2Fashion study (values in USD/Ton)

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Years	Months	Ethylene	MEG	Margin(A)
2011	Jan	1205	1160	45
	Feb	1280	1240	40
	Mar	1310	1225	85
	Apr	1345	1120	225
	May	1290	1115	175

Source: Fibre2Fashion study (values in USD/Ton)

Trend forecast for global demand of MEG:

Global demand for MEG is expected to grow by 7% with India, and China leading the way. Demand during 2011 is anticipated to be the same as in 2010. India is poised for a double digit growth and China's consumption of MEG is expected to account for almost 43% of the global demand. Following an increase in the demand in US and Europe, MEG market is expecting a rise in demand in the Asian regions as well. Market would remain robust during 2011.

Global MEG Capacity

	2008	2009	2010	2011	2012	2013	2014	2015
North America	5,170	4,810	4,752	4,084	4,084	4,084	4,084	4,084
South America	413	413	413	413	413	413	413	413
Europe	2,326	2,250	2,114	2,054	2,054	2,054	2,054	2,054
Middle East / Africa	6,008	7,487	8,847	9,239	9,254	9,254	9,255	10,805
Asia / Far East	9,125	9,657	11,623	12,059	12,207	12,912	14,435	14,535
World	23,041	24,616	27,747	27,849	28,012	28,717	30,241	31,891

Source: Fibre2Fashion study

Global MEG Production

	2008	2009	2010	2011	2012	2013	2014	2015
North America	3,849	3,317	3,128	3,122	3,183	3,314	3,354	3,313
South America	246	256	196	255	260	259	275	263
Europe	1,779	1,396	1,378	1,345	1,386	1,336	1,408	1,374
Middle East / Africa	5,172	5,967	6,849	7,815	7,989	8,259	8,232	9,624
Asia / Far East	7,574	7,835	8,898	9,309	9,982	10,864	12,237	12,358
World	18,620	18,771	20,449	21,846	22,800	24,031	25,507	26,933

Source: Fibre2Fashion study

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Global MEG Consumption

Countries	2008	2009	2010	2011	2012	2013	2014	2015
North America	2,739	2,609	2,693	2,762	2,815	2,869	2,913	2,965
South America	312	293	324	453	527	602	681	736
Europe	2,104	1,807	1,982	2,093	2,200	2,280	2,450	2,553
Middle East / Africa	610	719	724	781	922	1,020	1,158	1,267
Asia / Far East	12,462	13,241	14,146	15,138	16,133	17,050	18,084	19,233
World	18,227	18,669	19,869	21,226	22,597	23,823	25,286	26,753

Source: Fibre2Fashion study

MEG price forecasts till 2015

	MEG Price (US\$/Ton)
2011	1220.00
2012	1325.00
2013	1440.00
2014	1567.50
2015	1707.50

Source: Fibre2Fashion study

ICIS reports Ramesh Ramachandran, CEO and president of MEGlobal saying, "If the dynamics stay intact, there is nothing that we see now [to show] that 2011 will not be as good as 2010. And that is across the chain; our optimism is dependent on our customers remaining profitable." (Source: ICIS.com)

Demand is predicted to be good for MEG for the next five years. Analysts predict that an additional production of 1.5 ton per year will be required to satisfy the soaring demand. Abrupt turnarounds are feared to put pressure on it prices. Around one third of MEG is used in polycondensation process in the textile industry.

A strong growth is projected for petrochemicals, and world needs more crackers to keep up with the demand. With a demand seen increasing in the key markets the industry would soon need new capacities.

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