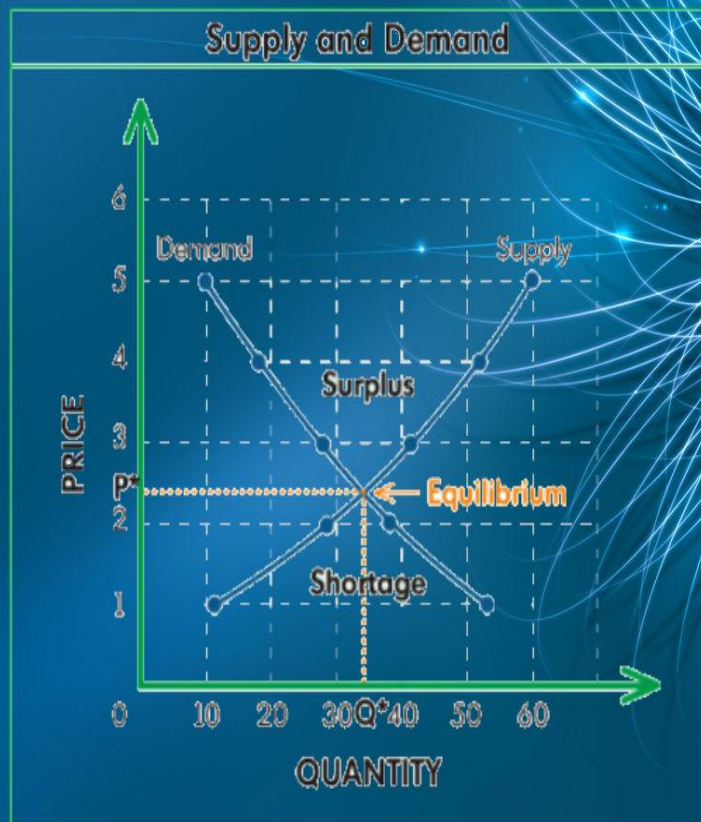


Polyester Market foresees high capacity & tight margins

By: Fibre2Fashion.com



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Polyester margins have come under pressure due to reduced demand growth rates.

Production capacities for polyester and related products in its value chain are predicted by industry analysts to increase rapidly. But at the same time, demand is observed to be slack from the beginning of 2012, and seems to continue in the same trend. Polyester fabric market has also slowed down, which will affect the yarn market. Polyester fibre and filament capacities are predicted by industry analysts to grow exponentially by the end of 2012. Industry players are gearing up by increasing their capacities, which would be available in the market by the end of 2012 or 2013.

Products included in the Polyester Value Chain:

- Crude Oil
- Naphtha
- Paraxylene (PX)
- Purified Terephthalic Acid (PTA)
- Ethylene
- Monoethylene Glycol (MEG)
- PET Chips
- Polyester Staple Fibre (PSF)
- Polyester Filament Yarn (PFY)

Asia's production capacity for polyester was more than 41 million tons in 2011. Though compared with the 2010 figures, this was less; still Asian markets have demonstrated resilience when EU and US were going through economic uncertainties. India's capacity for polyester chips is increasing. Currently it is 9, 00,000 tons annually, and is expected to reach 1800 tons per day in the next six months. Production capacity of PTA is 4.05 million metric tons, and MEG is 1.30 million metric tons. Production capacity for PX is approximately 1.95 million tons, and PSF is 900 million kg annually. PFY production capacity stands around 1375 million kg. Production capacities for these products are anticipated to double by the end of 2012. China is one of the biggest players in the polyester market. By 2013, China is expected to add 506 million tons of polyester POY (Partially Oriented Yarn) capacity.

Crude Oil:

Crude oil prices are going through a decline. Sluggish economy and a slow economic recovery signals low demand for oil. US have the major oil supplies in the world. Supply from strategic petroleum reserves force decline in prices due to oversupply.

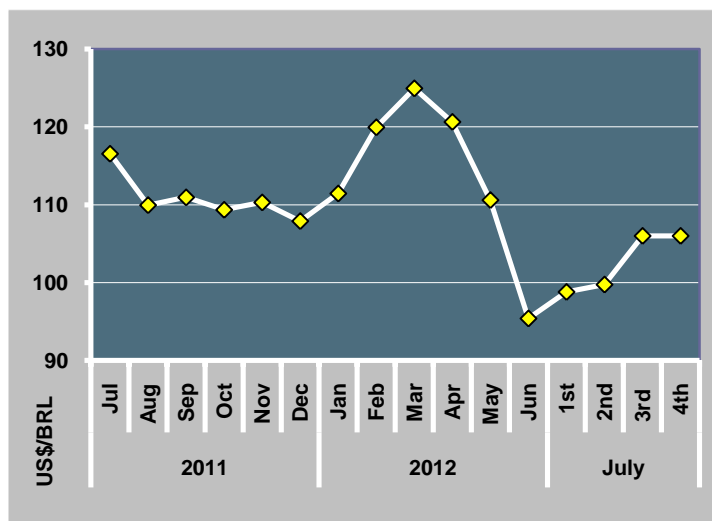
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Current Crude Oil Market

Crude Oil	(US\$/barrel)
Nymex Crude	87.10
Brent	106.40
WTI Cushing	87.10

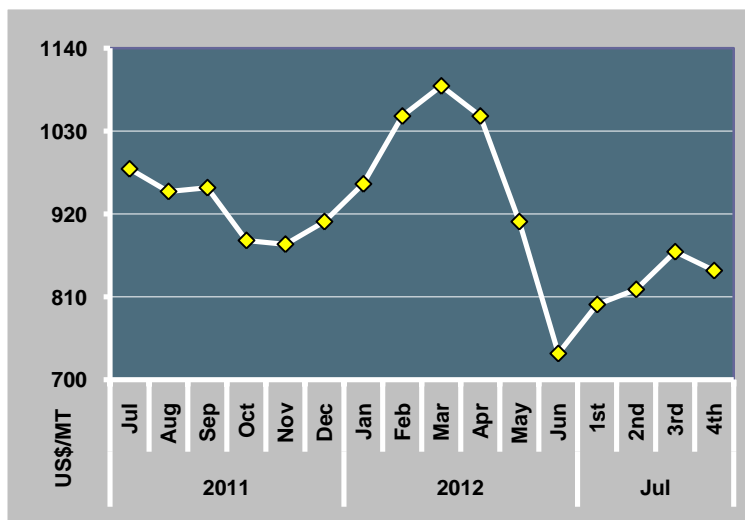
Source: Fibre2Fashion study

Crude Oil price trend



Source: Fibre2Fashion study

Naphtha:



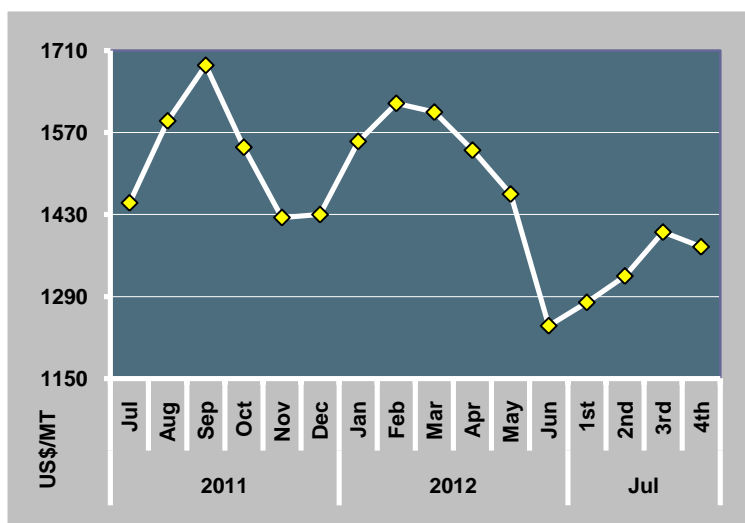
Source: Fibre2Fashion study

The underperforming energy market has caused a sluggish demand for naphtha. Lack of demand from Asian markets was a major reason behind the slowdown in European naphtha market. Selling offers for naphtha in N W European and ARA market was in the range of US\$ 840/ton to US\$ 845/ton. In Japanese market, naphtha price was at US\$ 850/ton, while in Singapore spot market, it hovered at US\$ 92.60/barrel.

Paraxylene (PX):

Operating rates for PX are likely to decline over 2013-15 due to the operation of many PX plants in Middle East and Asia.

Paraxylene price trend



Source: Fibre2Fashion study

Purified Terephthalic Acid (PTA):

Strong demands from PTA downstream industry will widen the gap between demand and supply. By 2015 Asia's PTA capacity is expected to reach 69 million ton. This would be a 60% increase compared with the 2011 figures.

PTA market trend

PTA	(US\$/ton)
CFR F.E Asia	1005
CFR S.E Asia	1015
CNF India	1045

Source: Fibre2Fashion study

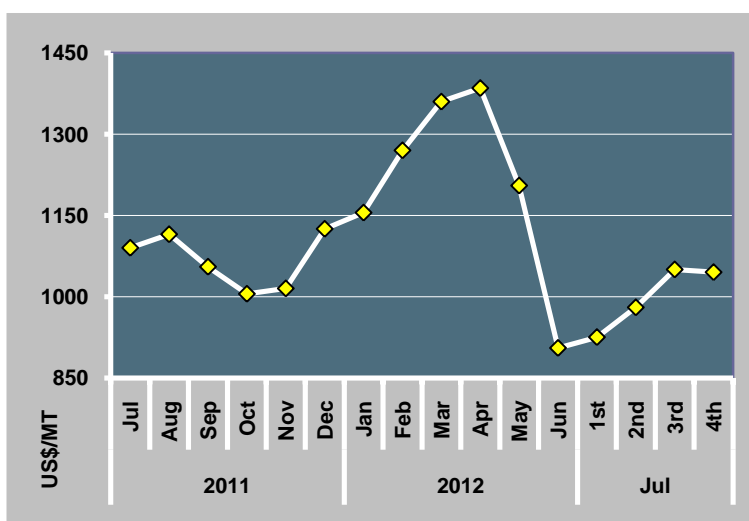
Market for PTA remained poor in the beginning of 2012, but is expected to recover during the second half of 2012 due to tightened supply and under pinned prices.

Ethylene:

Ethylene market trend

Ethylene	(US\$/ton)
Korea (FOB)	1080
Japan (FOB)	1080
N.W Europe (CIF)	1150
India (CNF)	1125

Source: Fibre2Fashion study



Source: Fibre2Fashion study

In Asian market, selling offers for Ethylene improved due to ease of macroeconomic aspects. In U.S market, selling offers for Ethylene prices declined and assessed around 48.00 cents/pound to 48.50 cents/pound. In European international market, selling offers for Ethylene went up offering US\$ 1135/ton while in European domestic market, selling offers for Ethylene surged up and were quoted at € 1055/ton. In N W Europe, Ethylene contract prices settled at € 1035/ton for July delivery, which declined by € 175/ton from June.

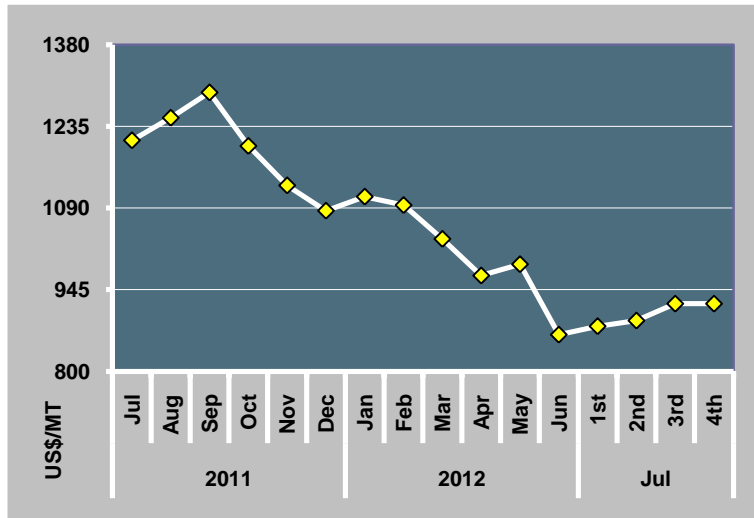
Monoethylene Glycol (MEG):

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.

MEG market trend

MEG	CIF China (US\$/ton)
From Europe/America	950 - 960
From Korea/Taiwan	950 - 960

Source: Fibre2Fashion study



Source: Fibre2Fashion study

Market sentiment for MEG firmed up with the help of firm contractual offers for August, 2012. MEG market is expected to remain firm in near future due to firm demand.

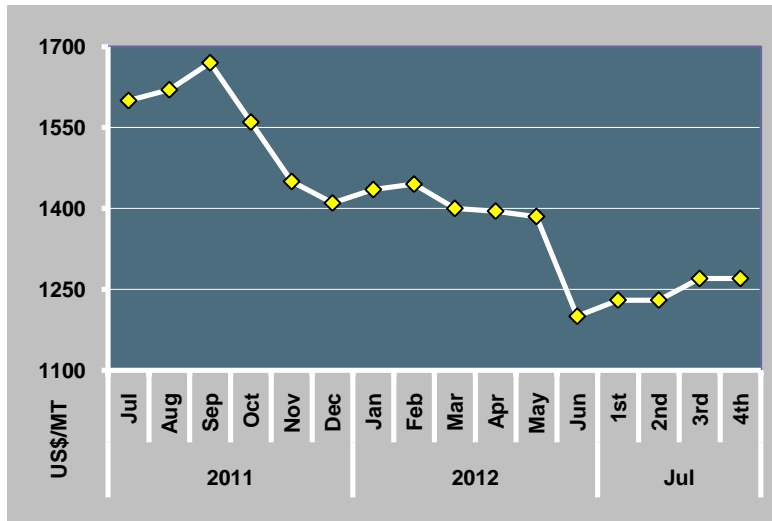
Polyester chips:

Polyester chips market trend

Spot Prices (US\$/ton)		
Polyester chips SD	N. E. Asia (FOB)	1260 - 1280
Bottle-grade chips	N. E. Asia (FOB)	1280 - 1300

Source: Fibre2Fashion study

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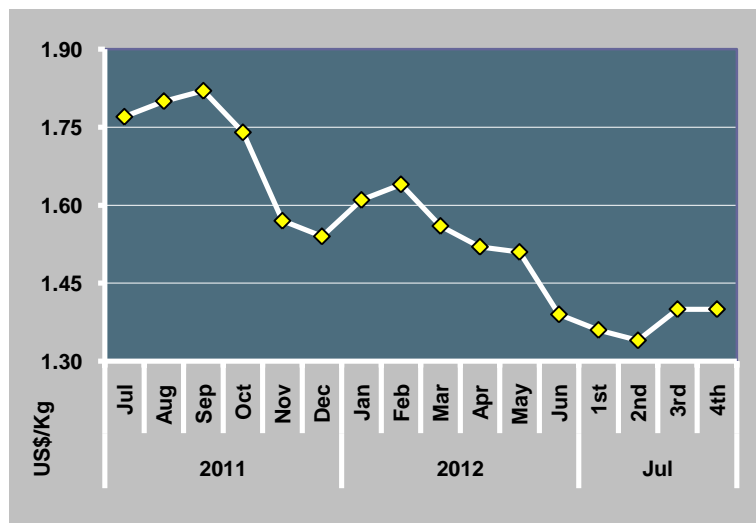


Source: Fibre2Fashion study

Polyester chip prices are expected to remain range bound in line with feedstock market.

Polyester Staple Fibre:

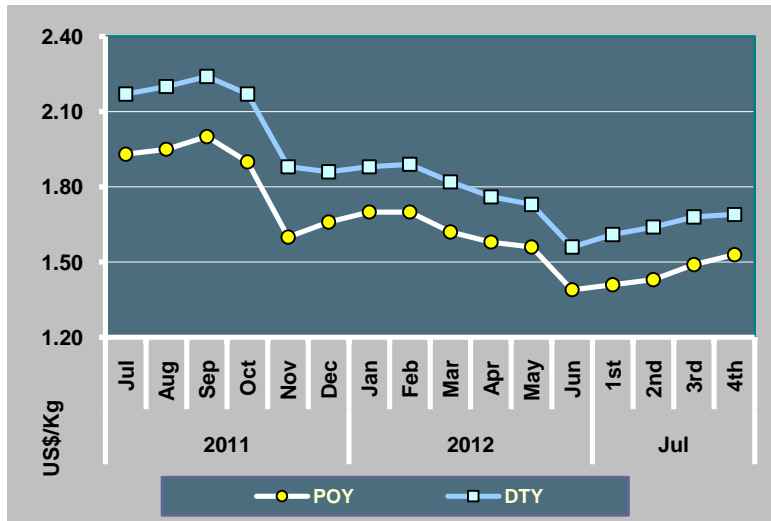
Widely used in pillow covers and bedspreads, PSF replaces conventional cotton fibres, gaining immense popularity. China is the main market for PSF with a market share of 47% in 2004 which is expected to grow and reach 57% by 2014.



Source: Fibre2Fashion study

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Polyester Filament Yarn



Source: Fibre2Fashion study

Prices of PX and MEG would become firm in the coming months, while PTA prices would remain in the range of USD 1100-1150 per ton. Demand and supply imbalance signals that polyester market will not support price increase for 2012. Polyester margins will face severe pressure due to new capacity additions in the next five years.

References:

- 1) Textile Excellence, May 2012.
- 2) Oil-price.net
- 3) Icis.com

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