

Polyethylene Market: Prices and Production Capacities Growing

The Russian polymers industry is least affected by the coronavirus pandemic. Participants in the polyethylene market believe that integrally COVID-19 provided a kind of support by increasing the demand for disposable plastic products. CREON Group spoke to the leading PE market players about the current situation in the industry and their plans for the second half of the year.

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The start of the Zasibneftehim capacities has fundamentally changed the structure of the Russian polyethylene (PE) market. In total, according to Rosstat, domestic manufacturers produced more than 1.66 million tons of various PE grades in January-June 2020, which is 45.6% more than the same period in 2019 (LPENP). The largest increase in domestic output was in linear low-density polyethylene (LLDPE).

Overall imports of polyethylene to the Russian market decreased in the first half of the year, with the largest decline in the high-density polyethylene (HDPE) segment. A total of 147.400 tons of HDPE from Europe and Uzbekistan were delivered in January-June 2020, which is 14% less; LLDPE imports also fell by 5% to 83.200 tons. Supplies of low-density polyethylene (LDPE) from Belarus and Europe grew by 9% to 51.4 thousand tons.

In the next ten years, the new PE projects announced for commissioning in the RF will significantly increase the gap between production capacities and domestic consumption. The gap could reach 6.3 million tons by 2030, according to the estimates of market experts surveyed by CREON Group.

Scheduled repairs, price increases, shortage

The beginning of 2020 was marked by abnormally low oil prices and the correlating value of raw materials, which led to a drop in polymer prices globally. “After the OPEC++ deal, raw materials prices soared. As a result, a raw shortage for petrochemicals has emerged, in the end the plastic industry has got into the situation of a temporary inverse correlation with raw materials», - comments a representative of Kazanorgsintez.

In the first half of 2020, the average prices of Russian HDPE and LDPE producers decreased by 28% and 12.9% respectively: from 104.300 (\$1.450) to 75.000 (\$1.040) rubles per ton, and from 93.600 (\$1.300) to 81.500 (\$1.130) rubles per ton. Lifting of quarantine restrictions revived demand: the market showed positive dynamics, and global prices for plastics began to grow.

Meanwhile, stopping for long-term scheduled repairs of two manufacturers (Angarsk Polymer Plant and Gazprom Neftekhim Salavat) in late June / early July affected the market balance, which led to an instant increase in LDPE price. Moreover, starting from September, preventive stops for repair are scheduled at three more production facilities: Tomskneftekhim, Ufaorgsintez and Kazanorgsintez. As at the beginning of August, the spot supply of LDPE was limited, and producers were taking their time to sell the volumes produced, anticipating further price growth. Current shipments are carried out at a price of 83.000 – 88.000 rubles (\$1.150-1.220) per ton, depending on the PE grade.

“In fact, no one actually managed to stockpile, so there is a shortage in the market”, comments a manufacturer of packaging materials from Moscow Region. — “I can’t say that the shortage is big, because there are some difficult contracts on, but they’re still fulfilled. Now prices are steadily going up, approaching the European level and will continue to rise further”.

The largest supplier of PE packaging materials to the Russian market also confirms that the prices are high: “The feedstock price is rising. LDPE price goes up, in fact so does the HDPE price: one pulls the other. Sellers want to sell higher, we buy cheaper. However, sourcing in foreign markets with the current exchange rate is also not an option”.

One of the LLDPE suppliers confirms that “there is no chance to expect a drop in prices in the near future”, in view of the fact that producers, in turn, “also need to trade for a return on investment”.

Increased demand in all segments

The segment of polyethylene films is confidently growing since the beginning of the pandemic: “ The period was very active, in April-May we increased the volumes of production”, - said the supplier of packaging materials in Central Federal Region. - In June-July excess volumes were purchased and demand began to decline. This year’s performance is comparable to the previous period; we have simply shifted to the production of higher in demand products: whereas earlier the emphasis was on sales packages, now we have increased in T-shirts and special films. We did not reduce bag production, however, the competition is too high there and many are ready to offer a lower price, and with the raw material there are some difficulties”.

Another large producer of PE films (garbage bags) confirms the growing demand despite rising prices and the shortage of certain grades. Market participants interviewed by CREON associate the shortage with « higher supplies of feedstock to foreign markets like Turkey and the CIS countries ». The prices on raw materials are growing, the deficit remains, and the demand for our product is large, and it will continue to grow due to the seasonal surge of various home service organizations and others. It remains a question for us how we will meet this demand in the absence of feedstock”.

“Polyethylene packaging is still in demand. Retailers buy a little less than in April-May, but it will always be necessary to pack products”, confirms the largest supplier of PE packaging materials to the Russian market.

[Yandex.Lavka](#) online store announced earlier in July transition from paper to plastic bags for delivery, considering paper bags less harmful for the environment.

Consumption of PE pipes increased by 5-7% in the first half of 2020, according to the POLYPLASTIC Group: “The market is gradually recovering from the consequences of the coronacrisis. The increase in demand became noticeable in June after restrictions imposed by the coronavirus epidemic were lifted, and construction resumed. The peak of demand is usually come in August-September. The drop in demand is likely to begin in

November-December”, says Marina Kuzmenko, Deputy Head of Corporate Relations Department at POLYPLASTIC.

“The much anticipated launch of the Tobolsk plant of Sibur at its full capacity allowed many participants in the polyethylene market to survive the quarantine lockdown in terms of feedstock supply. The planned commissioning of new capacities and significant modernization of existing plants over the next decade will allow Russia not only to abandon import of most PE grades, but also to become one of the world’s largest suppliers”, believes Olga Zhuravleva, Board member of CREON Group.

Polyethylene. Polypropylene 2020 & Polymers in Packaging 2020 Conferences: October 20-21, Moscow ([Program and Registration](#)).