

Polycarbonate: switching to domestic market

The Russian manufacturers of polycarbonate sheets experienced a massive increase in orders from both local and European companies during the coronavirus pandemic. The turnover of certain producers grew multiple times in May-July 2020. The leading experts in polycarbonate market told CREON Group how the industry was performing.

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Converting polycarbonate (PC) in Russia is becoming less and less marginal. However, the coronavirus pandemic has made positive adjustments to the performance of polycarbonate market after several years of stagnation.

In January-June 2020, total consumption of PC granules in Russia grew by 16% compared to the same period last year, and amounted to 49,700 tons.

Kazanogrsintez (KOS, part of the TAIF Group) supplied 33,700 tons of PC to domestic market in the first half of the year, increasing output by 23% as a result of launching additional capacities in 2019. The company plans to complete modernization by the end of this year, therefore the total capacity will grow from 70 to 100 thousand tons of PC per year.

Import of polycarbonate in the first six months of 2020 has also increased. According to plastinfo.ru data, imports amounted to 16 000 tons, which is 66% higher than last year. Traditionally, the largest share of imports belonged to Covestro (69.9%) and Sabic (12%), while Korean Lotte Chemical reduced their share to 5%.

Feedstock price

The price on Kazan PC feedstock in 2019 was 240-250 rubles per kg, whereas the average price this year varies within 140-150 rubles per kg, including VAT. Nevertheless, industry participants noted a significant rise in prices for KOS material in April due to increased market demand. Since April, domestic PC converters began to receive an average of 60-80 requests daily for PC protective screens and other protective equipment. Orders came from Russian retailers, banks, pharmacy, gas station chains, and from foreign customers.

At the same time, European suppliers of PC granules reduced their Euro prices; however the current ruble exchange rate keeps domestic feedstock more affordable for Russian consumers. «Sabic product compared to KOS is considerably more expensive, as their prices are linked to Euro and the current exchange rate makes the difference», - a trader confirms.

A large manufacturer of PC sheets commented on the market situation: "The laws of market are always the same: when export starts, feedstock rises in price. In April the price jumped by 15 rubles at once (previously it was 135 rubles/kg, editor's note), whereas the usual seasonal fluctuations are no more than 2-3 rubles/kg".

At the moment, converting companies surveyed by CREON Group consider the price of KOS materials as most affordable, but they keep in mind alternative supplies from Korea and Iran. "Last year the price was almost twice as high as it is now. At the same time, it should be noted that the Korean PC has almost the same price, and if KOS raises prices in the near future, the Koreans will enter the market immediately. The

situation with Iranian feedstock is similar. For converters this may not be the best solution in terms of logistics, but many are already considering such options”, says a regional producer of PC sheets.

The market is doing well

The COVID-19 pandemic has multiplied the demand for plexiglass and polycarbonate shields. For example, Germany experienced a fivefold increase in demand for polycarbonate in May-June compared to the period preceding the coronavirus epidemic due to the massive installation of protective screens in restaurants, cafes, nursing homes, schools, offices and shops. German companies were willing to fulfill all orders, but the waiting period was extended to 12 weeks. So for Russian producers of solid polycarbonate sheets, the summer of 2020 was tagged with «all deliveries to Europe» slogan, with turnover multiplied.

“Everything was exported: we shipped as many PCs and plexiglas as we had. We increased turnover multiple times in May-June only. July-August was down compared to previous months, now the boom is over and no one knows where to stockpile these sheets now”, - producer of plastic materials from Moscow comments.

“Our converters were sending products for export, while the domestic market remained on a leftover basis, says the industry expert. – “European customers come and go, but the supplies to some local projects are delayed to 2021”.

Overcoming the peak of coronavirus pandemic in most countries along with the usual August lull led to a decline in overall activity in the polycarbonate market. “Exports slumped, and everyone is already fed up with these screens and masks. They had a more temporary, pandemic effect. There has been a decrease in demand for solid sheets as August is always quiet.”- explains one of the large producers of solid and cellular PC sheets.

While waiting for the autumn season, Russian converters are gradually returning to domestic consumers. They are purchasing new equipment and increasing capacity for both solid and cellular polycarbonate, as per industry experts.

It is worth mentioning that COVID-19 pandemic has benefited the industry. Olga Zhuravleva, CREON Group board member, believes that “ironically, the coronavirus was able to do what the polycarbonate market participants couldn’t do for a long time: to get out of stagnation. However, the main question remains, where PC sheet manufacturers plan to sell larger volumes now?”

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