

United States Petrochemicals Market Report, Trends, Forecasts, and Production Capacity Analysis

The report provides analysis on Ammonia, Benzene, Ethylene, HDPE, LDPE, Methanol, PET, Polypropylene, Propylene, Polystyrene, Polyethylene, PVC, and Urea.

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Market Overview

The COVID-19 outbreak will have a significant impact on the growth of the United States petrochemicals market. The lockdown imposed in the United States has brought the economic activity to a standstill weakening the demand for petrochemicals market in 2020. The petrochemicals market in United States will remain challenging with the high supply-demand imbalance and shifting trade patterns. Olefins markets like ethylene and propylene will see a boost in supply due to capacity additions in US and Asian countries. Due to the increased supply capacity, a 1 Million MT/Year export terminal will lead to an increased supply of cheap ethylene from the US to the rest of the world from 2020.

Strong demand in the United States for petrochemicals, led by rapid growth in consumption is a key factor driving the United States petrochemical market. Increasing investments into the petrochemicals market, development of new technologies through joint ventures, and increasing refining capacities are some of the other major factors contributing to the growth of the market.

Some segments of the petrochemicals are highly oversupplied with manufacturers struggling to sustain margins and this is likely to hamper the investment scenario in the country. Low-profit margins on several petrochemicals, US-China trade war, and supply chains issues are few other factors restraining the growth of the market.

Implementation of lower sulphur content for marine fuels from January 2020 will increase the freight costs and in turn, cause a rise in the chemical's prices. US-China trade tensions are adding to the volatility in the global petrochemicals market, resulting in uncertainty in prices of plasticizer and polyesters. Diversion of aromatic feedstocks like mixed xylenes, benzene, and toluene into the gasoline blending pool will impact the profit margins across aromatic chains.

New capacity additions in paraxylene margins, majorly in China has impacted production



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margins and is leading to a reduction in prices. The purified terephthalic acid market will also remain weak in 2020 and the first half of 2021 as supply increases due to new capacity and weak upstream paraxylene prices.

The profit margin in Asia for PET was estimated to be around USD 27/mt in the first half of 2019 but turned out to be negative from July to October 2019 averaging negative USD 1/mt, amid lacklustre demand. The weak demand for PET is likely to continue in 2020 and H1 2020 with profit margin expected to remain negative. Rising supply and weak demand will continue to weigh on the global PET prices in 2020. Chinese PET capacity has reached around 10 million mt/year and the capacity is estimated to further increase in 2020. Vietnam PET capacity is estimated to increase by 650,000 mt/year in 2020 despite weak demand due to COVID-19. United States is likely to remain as the major importer of PET in 2020 due to the delay in the commission of a large-scale PET plant.

Monoethylene glycol prices are expected to further decline in 2020 due to the ongoing production concerns and low demand due to COVID-19. Trade flow shifted in 2019 after China imposed tariffs on US-origin chemicals. With an exception of ethane-based MEG producers in the Middle East and North America, MEG manufacturers across the world are operating in losses. The global MEG capacity stood at 38.1 million mt/year in November 2019, exceeding the global demand by around 10-15%.

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