

# Asia PVC Markets: Prospects and Challenges

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## Agenda

- 01 Key PVC markets - Domestic demand and supply growth
- 02 Increased chlor-alkali competitiveness and its effects on market trends
- 03 What are PVC's post-pandemic opportunities in Asia?



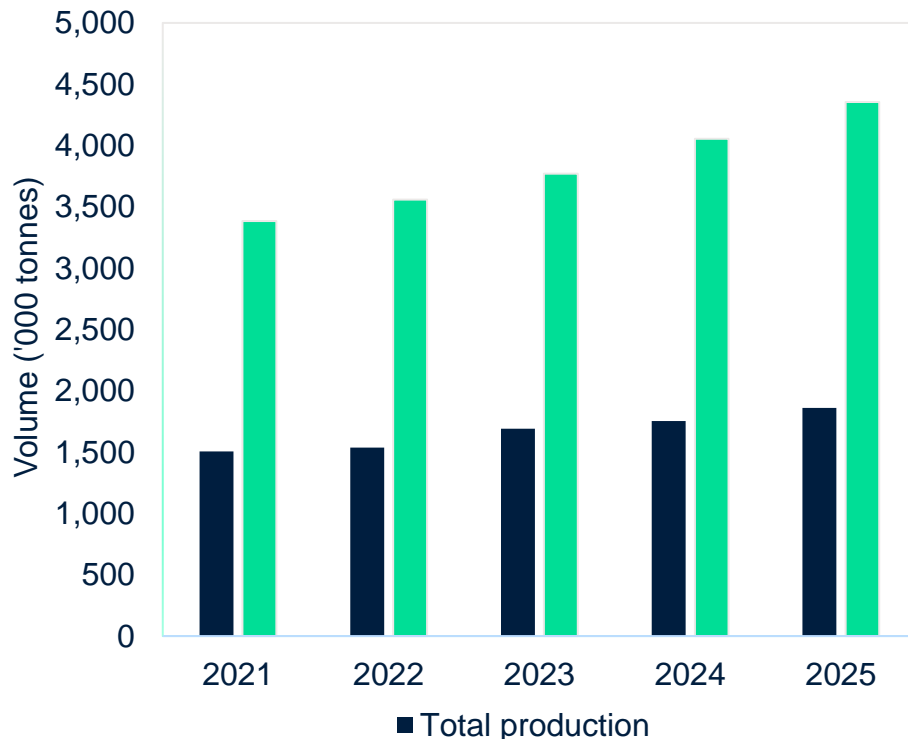
Key PVC markets -  
Domestic demand and  
supply growth



# India to remain import-centric in near term



India PVC production vs consumption

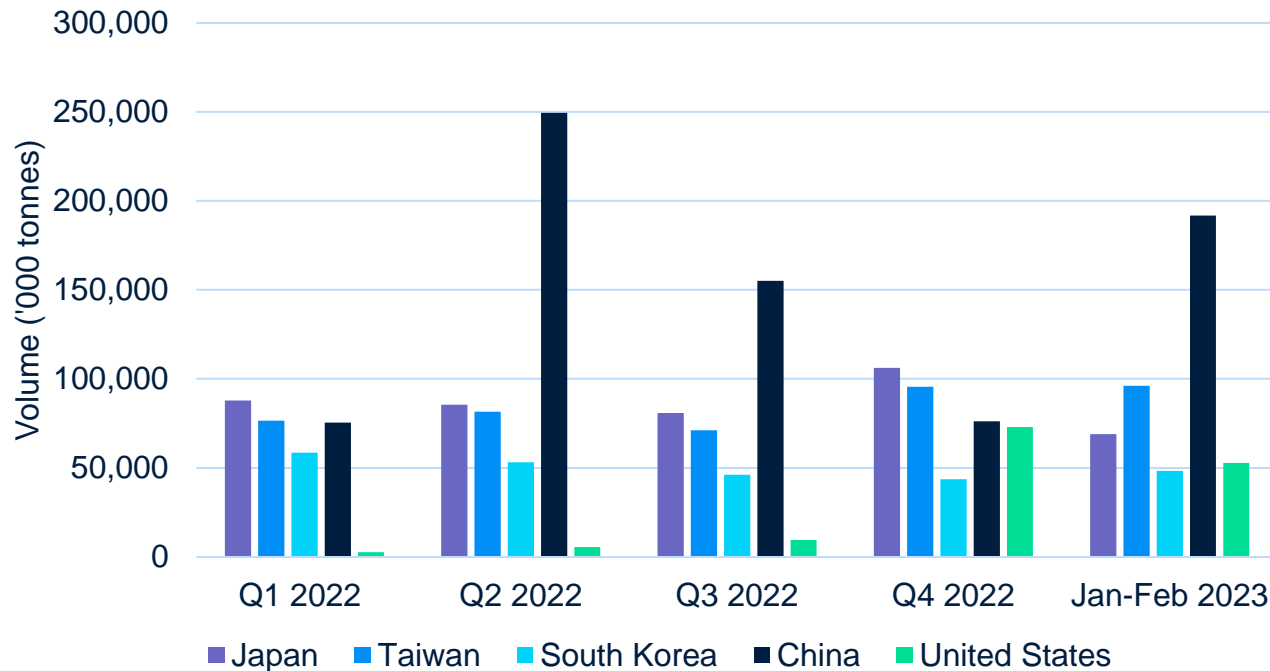


- India to rely heavily on imports in the near term
  - Adani Group (Phase 1 of 1m tonnes/year by 2025)
  - Reliance Industries (1.5m tonnes/year by 2026)
- Policy matters, such as ongoing safeguard investigations, may affect trade flows in the near term
- India to see sustained PVC demand growth of 6-7% in the next decade

# India sees increase in imports from China, US



**Largest exporters to India by volume**



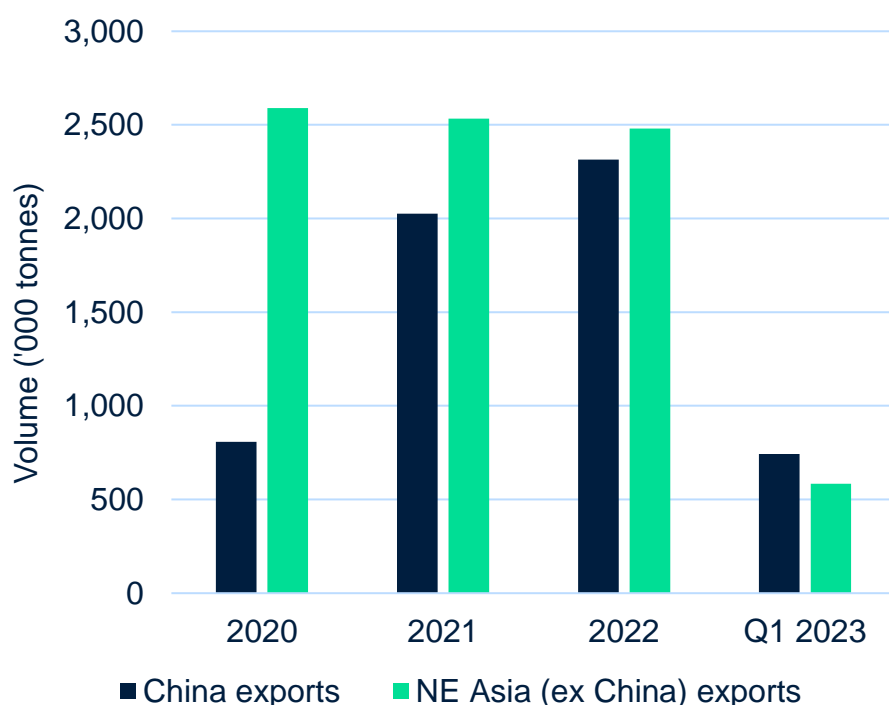
Source: ICIS

- Imports rise in early 2022 on removal of ADDs on US and China cargoes
- India sees large influx of material from China in Q2-Q3 2022
- Imports from US also rise in Q4 2022, early 2023
- China, S Korea, Japan, Taiwan, US account for 80% of total imports into India

# China's rise to prominence for PVC continues



**China vs NE Asia (ex China) PVC exports**



- China's 2022 PVC production is large, yet op rates down 4% year on year to 74% (around 21m tonnes)
- China's 2022 apparent consumption down 2.6% year on year to around 19.3m tonnes
- China's 2022 PVC export volumes tripled from 2020
- Surge in China's exports due to capacity expansions, sluggish end-use during pandemic lockdown, deep-seated issues in real estate

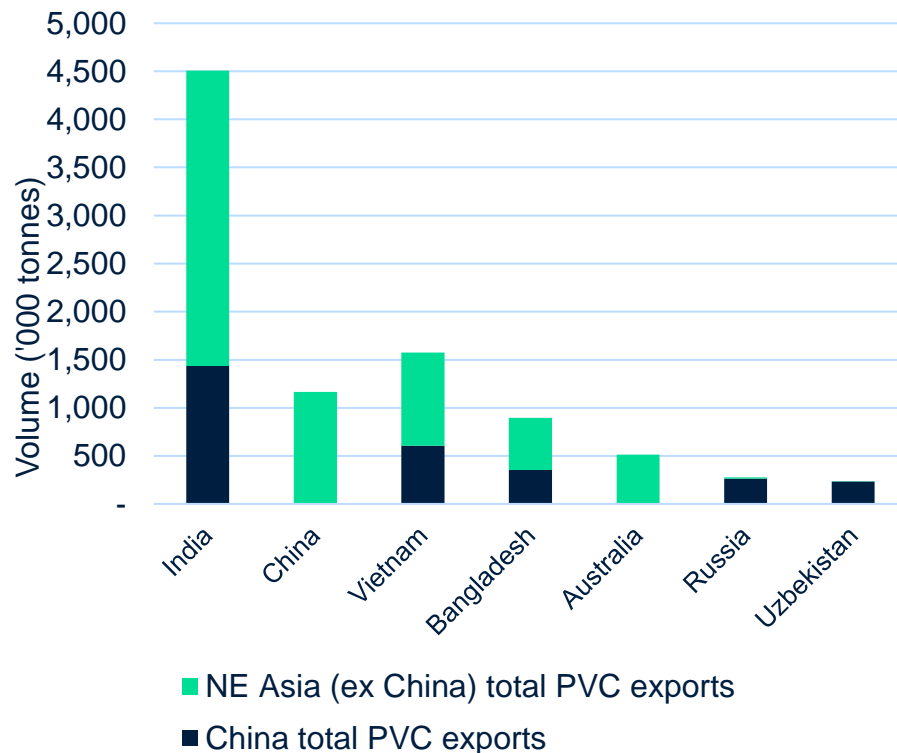
Source: ICIS

Source: CCAIA



## China's PVC exports see increased diversification

**China vs NE Asia (ex China) top export  
PVC destinations 2020-2022**

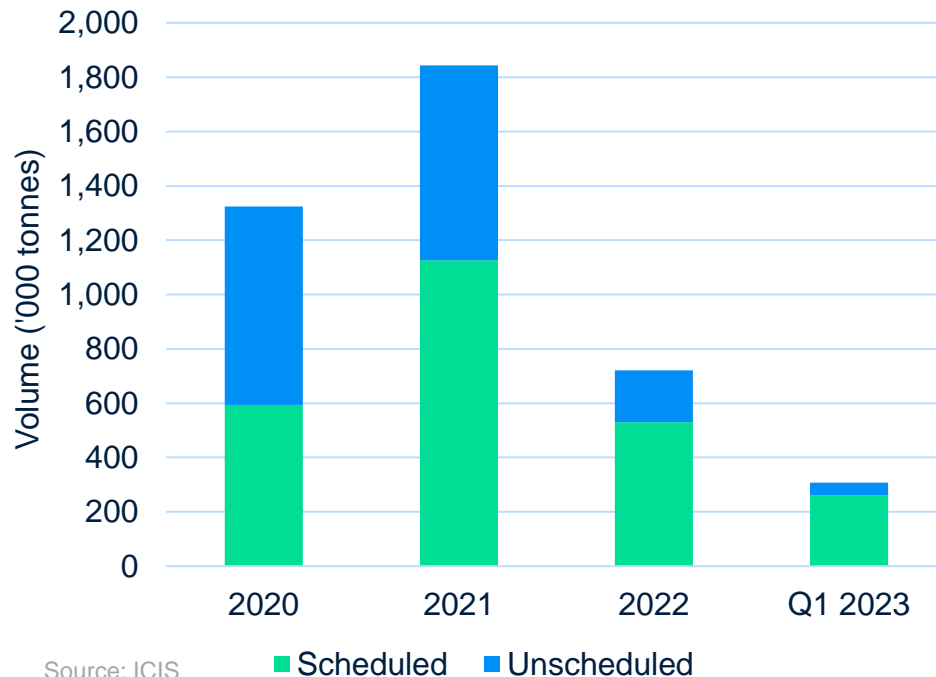


- China's top five export destinations see some differences from Japan, South Korea, Taiwan producers
- China and other NE Asian producers likely to compete in India, Vietnam, Bangladesh
- China in geographic advantage to prioritise central Asia (e.g. Uzbekistan), Russia amid ongoing initiatives like SCO, Belt and Road Initiative



## Fewer hiccups in global production after “black swan” events

**Scheduled vs unscheduled PVC production losses globally (2020-2023)**



- **2020** outages caused by manpower issues as countries struggled with pandemic
- **2021** outages caused by FMs in Europe, US (deep-freeze and flooding)
- **2022** production losses taper as we move to the “new normal”
- **2023** likely to see minimal unscheduled outages



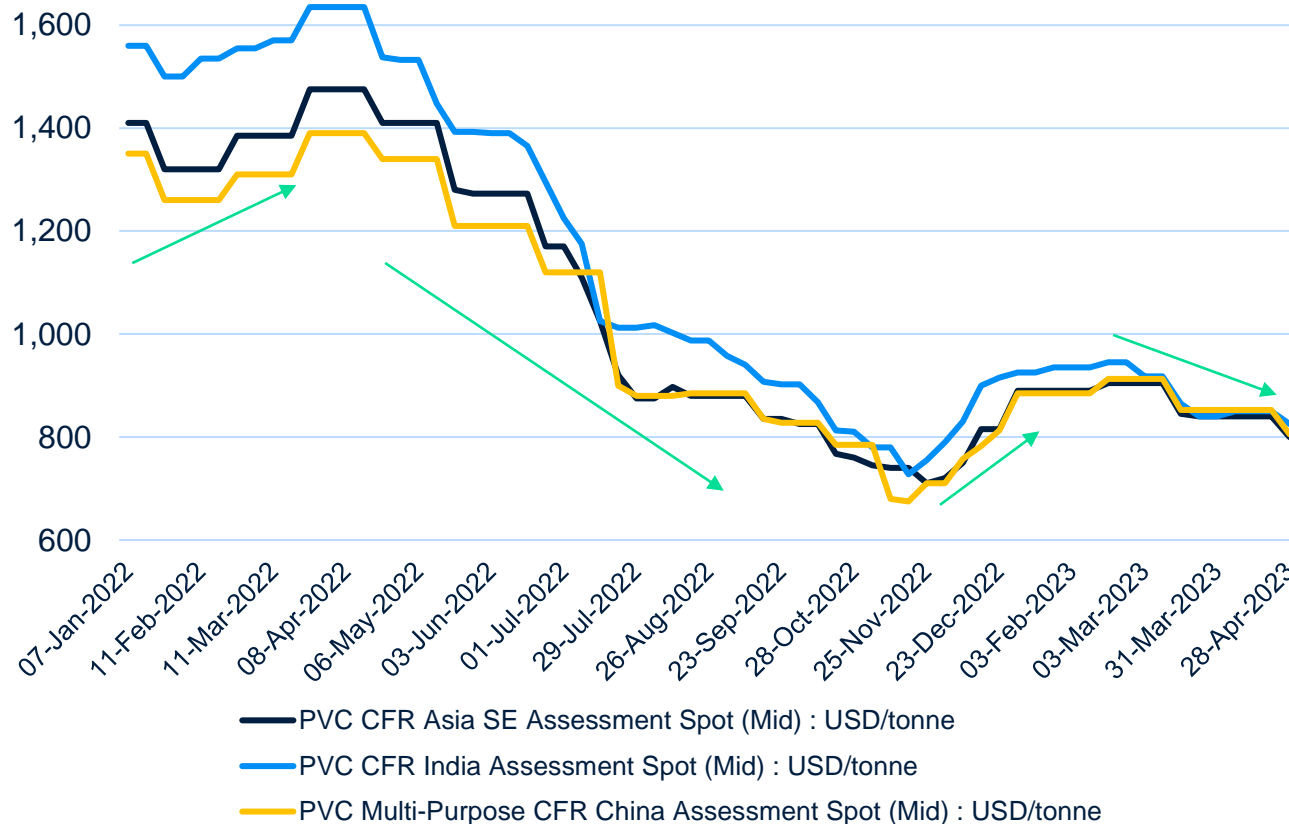
An aerial night photograph of an industrial facility, likely a chlor-alkali plant, situated along a waterfront. The facility features numerous large storage tanks, a tall distillation column, and complex piping, all illuminated by artificial lights. In the foreground, a large cargo ship is docked at a pier. The background shows a dense urban skyline with many lit-up buildings under a twilight sky. The text "Increased chlor-alkali competitiveness and its effects on market trends" is overlaid on the left side of the image.

# Increased chlor-alkali competitiveness and its effects on market trends



# PVC prices across Asia increasingly competitive

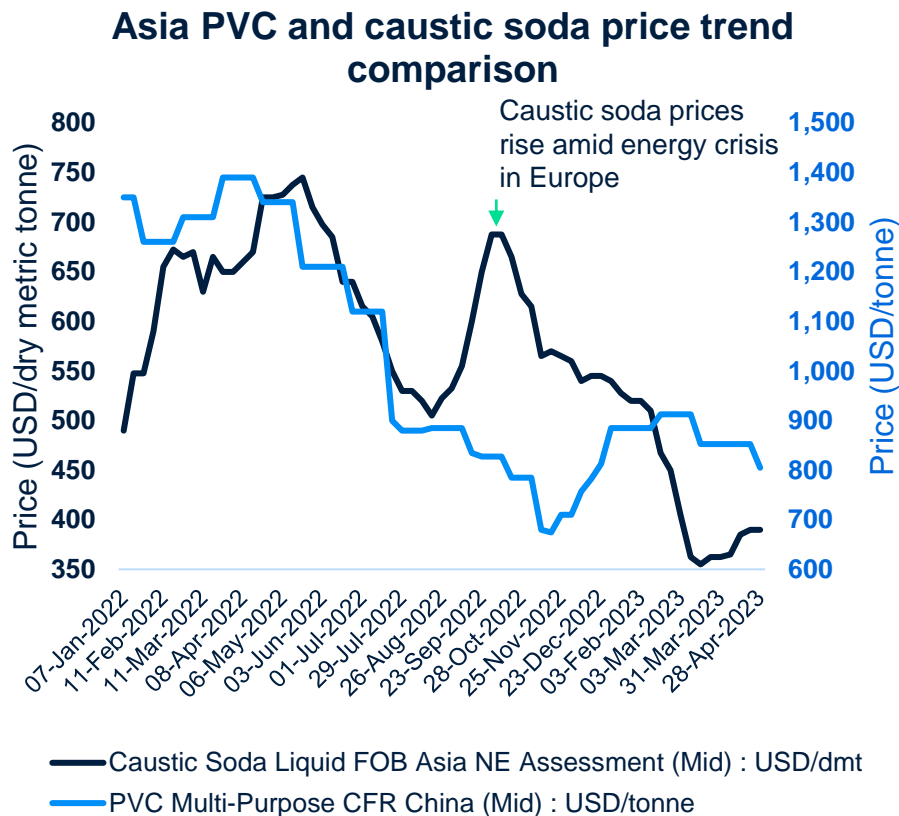
ICIS PVC Price History



- China's COVID-related lockdowns suppress domestic consumption, exports increase for much of 2022
- PVC prices rise in late 2022, supported by brisk restocking from India, relaxed restrictions in China
- Current PVC prices depressed amid healthy supply, underperforming consumption in China



## Will inverse correlation between PVC/caustic soda continue?



Source: ICIS

- PVC and caustic soda are both products of the chlor-alkali process
  - Nevertheless, they see different end-usage applications
- H1 2022: Both PVC and caustic soda netbacks fell amid influx of spot material
- H2 2022: Asia's caustic soda prices rise on arbitrage trade to Europe, but soon falls on mild winter season
- While chlor-alkali margins are different for every producer, netbacks are relatively low at current PVC and caustic soda prices





What are PVC's post-pandemic opportunities in Asia?



# India remains a bright spot despite slowing global growth

## Structural demand

- Nature of India's economy ensures pipe demand growth for the next decade
- Main drivers: Agriculture, infrastructure sectors

## Policy actions

- Schemes like Har Ghar Nal se Jal Yojana, AMRUT 2.0 to boost pipe demand
- Ongoing safeguard investigations may affect trade flows

## Continuous uptake

- Indian plastic pipe (PE, PP, PVC, etc) market to grow at 11% by FY2025
- Pipes to remain largest end-segment in India, accounting for 75% of all PVC demand
- Chlorinated PVC continues to be of interest in India

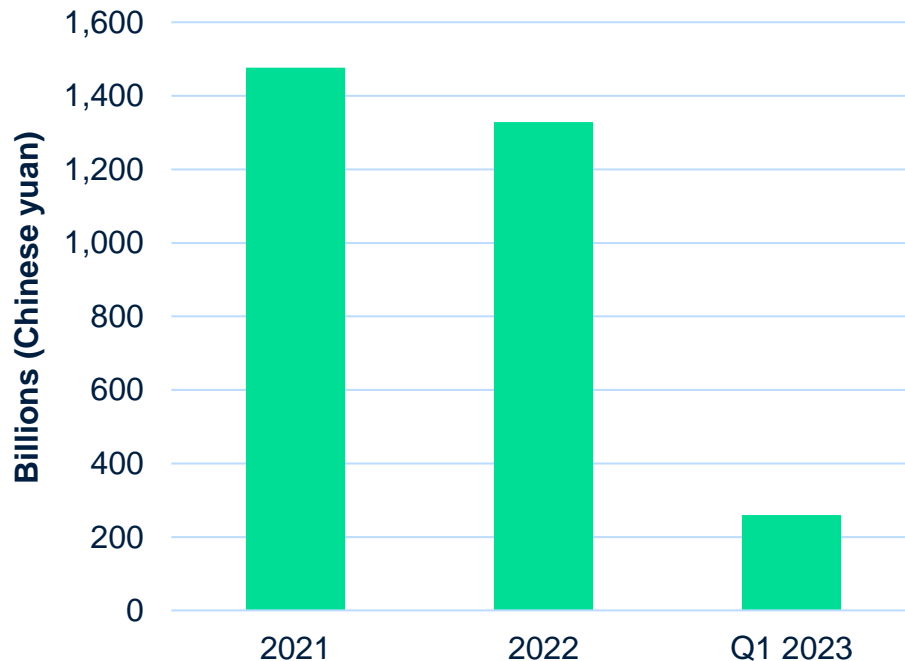
Source: Market





# China's real estate sector sees deep-seated issues

**China infrastructure spending 2021-Q1 2023**



- Deep-seated issues persist, despite several stimulus measures by China's authorities
- China's real estate investment growth in 2022 down 10% year on year
- Q1 2023 continues deceleration, growth down by 5.8%, compared to Q1 2022
- Current policy focus on completing existing real estate/construction projects. Upside, if any, likely to remain capped

Source: National Bureau of Statistics of China



# China's PVC outlook remains cloudy

## Downstream shifts

- China's exports of finished products (e.g. vinyl flooring) to western countries may be suppressed due to inflation
- Converters' gradual move out of China may taper domestic consumption

## Cost concerns

- Carbide-based PVC producers in China to face heightened costs, fluctuating export demand

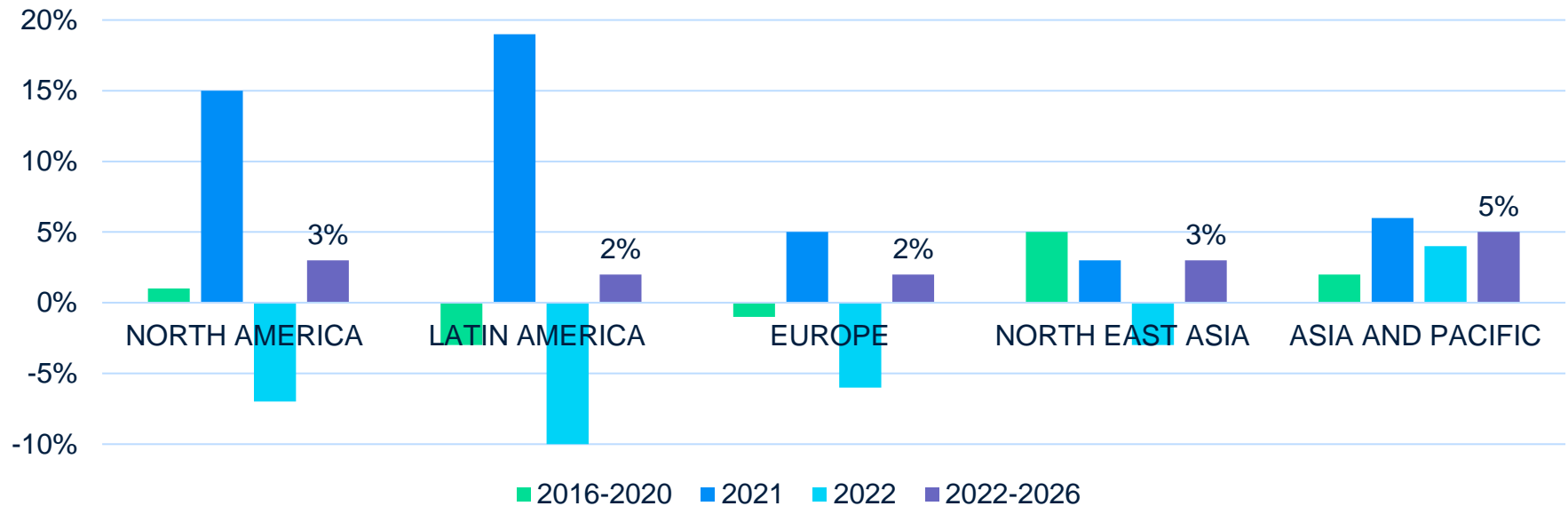
## Cautious economic projections

- China authorities' target GDP growth of 5% for 2023
  - But Q1 2023 GDP growth rate at 4.5% year on year
  - Turbulent outlook for 2023 likely
- China's official April 2023 PMI in contraction at 49.2 (lowest since January)
  - Slowdown after brief period of expansion in Q1



# Despite challenges, Asia Pacific to drive future PVC demand growth

PVC demand growth by region

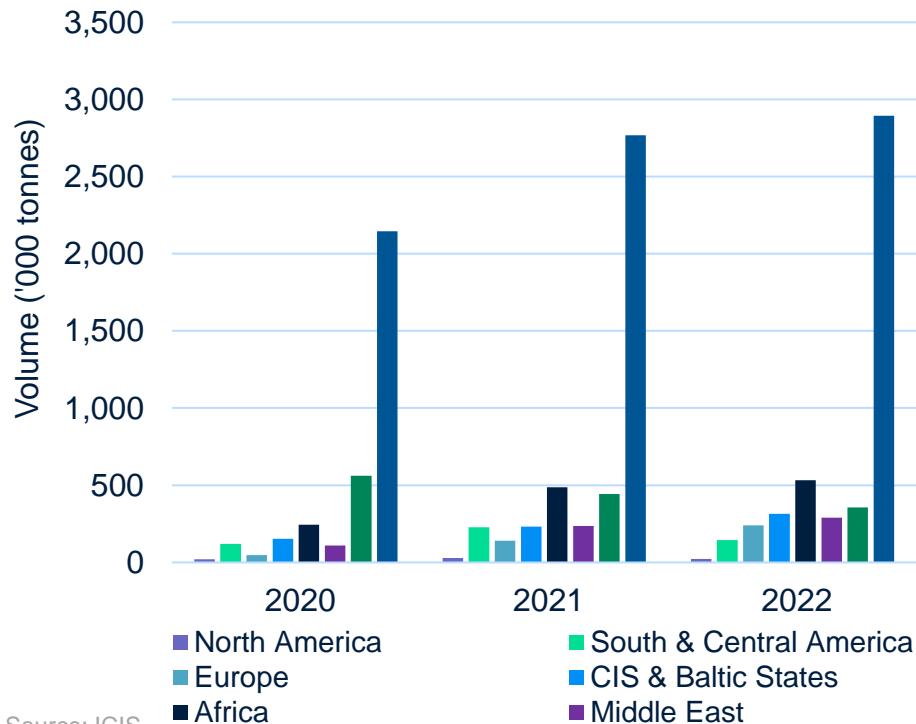


Source: ICIS Analytics

# What could happen to PVC international trade flows over the next few years?



**China, Japan, South Korea, Taiwan global PVC exports**



Source: ICIS

- Regional trade flows may shift amid increased PVC capacities and competition
  - China to see around 1m tonnes of PVC capacity in 2023, majority via ethylene-based route
- Increased domestic capacities in India may taper imports by 2025-2026
- Asia Pacific to remain bulk of regional producers' focus, but more attention may be given to:
  - Europe (mostly Turkey)
  - CIS & Baltic states (Russia, central Asia)
  - Africa (Egypt, Nigeria, Kenya)
  - Middle East

Sources: ICIS, CCAIA

# PVC global production to rise while demand may see headwinds



## Increase in production

- PVC global supply increased since 2022, but uptake capped amid slow macroeconomic recovery
- China likely to look towards export markets if domestic uptake underperforms

## India to see sustained PVC consumption

- India's PVC consumption to be sustained
- Imports may readjust amid potential rising domestic capacities, policy actions such as ongoing safeguard investigations

## Asia Pacific PVC growth supported

- Asia Pacific to see majority of PVC growth
- But Asian producers may give more attention to other regions amid rising regional competition

## Chlor-alkali competitiveness

- Balancing of caustic soda, PVC may prove to be a challenge for integrated chlor-alkali producers



# Thank you!

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