

#### ◆ EG Rolls Over

Contract prices for fiber-grade ethylene glycol (EG) are expected to roll over at 28 cts/lb del for the first quarter, sources say. EG producers raised contracts by 5 cts/lb for fourth-quarter 1999. U.S. producers expect demand to grow by 4% this year, driven by strong growth in polyester terephthalate resin. EG spot prices fell slightly in January, to about 26 cts/lb fob. However, spot deals account for less than 1% of total sales. Export prices to Asia dropped by \$50/m.t., to \$570/m.t. fob, for February due to low order volume.

#### ◆ Caustic Dips

North America caustic soda prices have moderated due to lower order volumes during the past several weeks. Spot caustic is as much as \$15/ton below average contract prices, at \$105-\$135/ton fob for Gulf Coast barges. Prices in other regions are higher due to limited rail car availability. Demand is lower because buyers, including several caustic distributors, reportedly overordered prior to the January increase and are consuming or shipping product from their tanks.

#### ◆ Butadiene Goes Short

Huntsman says it has placed butadiene customers on allocation for February because it is running short of crude butadiene. Other Gulf Coast producers also report short raw material supply. Spot butadiene moved up by 1 ct/lb last week, to 21 cts-22 cts/lb del. Sellers say they are pushing for a 2-cts/lb increase for February contracts.

#### ◆ Eka Raises Peroxide

FMC and Eka Chemicals, a subsidiary of Akzo Nobel, are raising hydrogen peroxide (H<sub>2</sub>O<sub>2</sub>) prices by 5 cts/lb for 100% basis product immediately for spot customers and as contracts permit. The increase is the result of strong

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## markets economics

#### Vinyl

### Sellers Say PVC Will Rise Again

NORTH AMERICAN POLYVINYL CHLORIDE (PVC) PRODUCERS SAY THEY are confident that prices will move up 2 cts/lb for February, to 40 cts-44 cts/lb del for general purpose. Sellers added 2 cts/lb to January contracts and are likely to try for another 2-cts/lb hike for March. PVC prices have doubled from their low point in late 1998 of 20 cts-23 cts/lb, and margins have improved.

Domestic demand for PVC is strong, notwithstanding the seasonal winter slowdown, sellers say. Some producers say they are struggling to keep pace with orders due to the low availability of vinyl feedstocks. Short supply of chlorine and vinyl intermediates ethylene di-chloride (EDC) and vinyl chloride monomer (VCM) has pushed up prices. EDC and VCM prices are expected to move up at least 1 ct/lb for February, to 18 cts-19 cts/lb fob and 23 cts-24 cts/lb fob, respectively.

Chlorine contracts increased by \$50/ton, to \$185-\$205/ton fob, for the first quarter. Sources say buyers can expect another increase April 1. Ethylene contracts rolled over at 26.75 cts/lb del for January and are expected to do the same in February. However, falling inventories on the Gulf Coast lifted spot ethylene by 3 cts/lb during the past two weeks, to 26 cts-27 cts/lb del.

North American PVC export prices have stagnated at \$700-\$750/m.t. fob due to lower demand in the weeks leading up to the Chinese New Year. Export prices are expected to start growing by the end of the month, however. Mitsubishi Chemical anticipates that PVC export prices will reach \$1,000/m.t. fob by the end of the year.

—JARRET ADAMS

#### Polyester

### More Capacity Will be Needed

AN IMPROVING SUPPLY-DEMAND BALANCE FOR POLYESTER RESINS and intermediates will require 18 additional polyethylene terephthalate (PET) units, 12 purified terephthalic acid (PTA) units, and five *para*-xylene plants through 2007, says Tecnon (London).

The highest growth is for PET packaging resin, where demand is expanding by 12%/year, says Tecnon. PTA demand is growing at similar rates, but margins for PTA production have been poor. Utilization rates for PTA are expected to reach 90% by year-end, which should lift prices and margins, say industry sources. However, overcapacity in other polyester segments—including polyester filament, staple, and film—will keep operating rates and margins low, says Tecnon.

*P*-xylene margins are also expected to remain poor, unless demand grows by more than the 6%/year forecast for the next few years. Utilization will drop below 80% this year and stay there until 2002 due to the large volume of capacity that came onstream last year. More than 3 million m.t./year is scheduled to begin production between mid-1999 and mid-2000

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demand from the pulp and paper makers, Eka says, and would raise H<sub>2</sub>O<sub>2</sub> prices to 40 cts/lb del for customers in that industry. H<sub>2</sub>O<sub>2</sub> producers, including Degussa-Hüls and Solvay Interlox, recently announced similar increases (CW, Feb. 9, p. 30).

#### ◆ Interplastic Hikes UPRs

Interplastic (St. Paul, MN) says it is raising prices of its unsaturated polyester resin (UPR) and vinyl ester resins by 3 cts-4 cts/lb February 19, an increase of 5%-10% depending on the product. The company says the increase is intended to offset escalating raw material and production costs. Reichhold Chemicals and AOC announced similar price hikes earlier this month.

#### ◆ Asian Styrene Rises ...

Tight styrene supply worldwide is lifting Asian prices. Korean sellers offered spot product at \$750-760/m.t. fob in January. One deal was done in January, for February lifting, at \$780/m.t. fob Korea. Few Korean producers had spot product to offer as of early February, apart from Dongbu, which has curtailed polystyrene production. Dongbu surprised the market late last month by selling a 2,000-m.t. cargo to a trader at \$901/m.t. fob.

#### ◆ ... PS Moves Higher

The recent rise in styrene monomer pricing has prompted Asian polystyrene (PS) producers to reconsider their price targets. PS prices rose from \$820/m.t. c&f Hong Kong in early January to \$950/m.t. by the end of the month. Taiwanese producers have nominated \$1,000/m.t. for general-purpose PS and \$1,050/m.t. for high-impact PS for the first half of February. Dow Chemical has announced a \$150/m.t. increase for customers of its Hong Kong plant. Operating rates are high, sources say.