Chemical Markets After the Ceasefire

Middle East Supply Tightness Eases Post-Ceasefire, but Renewed US-Iran Tensions Threaten a Return to Previous Situation Risking Global Chemicals Markets.

1. **War-Driven Supply Tightness**
2. **Price Surge**
3. **Slight Return to Normalcy & Then Re-Escalation**

The Aftermath of Ceasefire

Shock

Immediate price surge after Iran conflict

Correction

Demand weakened and prices fell

Peak

Sharpest spike in nearly 20 years

Normalisation

Supply recovered and market stabilised

March-April 2026

Chemicals prices surged; supply was disrupted given the attacks on chemicals plants and refineries.

May-June 2026

Prices reversed as buyers could not absorb high prices, demand softened.

Post-Ceasefire

ME Supply normalized, prices eased. Although, renewed US escalations can again increase the prices.

China: A Key Stabiliser in Global Chemical Markets

China helped global petrochemical markets with large capacity, flexible feedstocks, increased exports and softer domestic demand.

Vast Capacity

High-volume production adds supply flexibility for other consumer nations.

Diversified Feedstock

Coal, oil, and gas inputs improve resilience against supply shocks.

Weak Domestic Demand

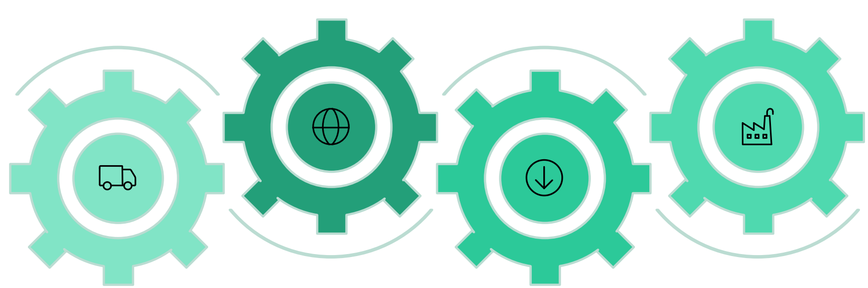
Softer demand frees up cargoes for exports.

Asian Recovery

Supply returned after May, easing exports

New Capacity

Fresh PE and PP plants due in 2026



Export Surge

March–April shipments eased regional shortages

Price Softening

Domestic prices fell across most products

Polyolefins: A Majorly Focussed Market

Middle East petchem disruptions persist amid US-Iran conflict.

PE/PP trade flows to Asia blocked as Middle East supply is constrained.

US & Chinese PE/PP Sellers Step In Supplying to Asian Markets.

Vietnam shifts to lower-cost Chinese coal-based PE despite quality trade-offs versus naphtha-based PE.

~30%

SE Asia PE

Middle East supply share

~25%

NE Asia PE

Middle East supply share

~193M

Overcapacity

Global chemical overcapacity in 2026

Feedstock Stress & Government Interventions

Demand Shift

Supply Tightening

Middle East Reliance

Regional Exposure

Government Support

South Korea

Curbed naphtha and petrochemical exports; added import subsidies.

India

Cut duties on 40+ chemicals; C3/C4 diversion is squeezing propylene.

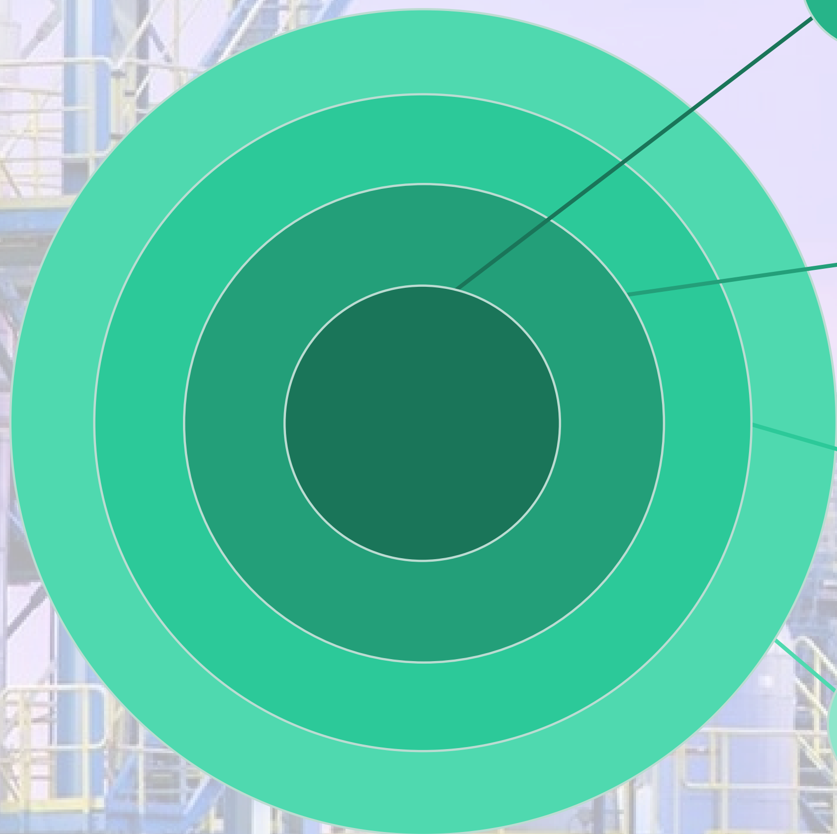
Indonesia

May cut duties on plastics feedstocks and LPG to zero.

China

Ethane imports rose; naphtha and LPG imports fell as cracking shifts to ethane.

India's Economy & Petrochemical Momentum



Q4 26: 7.3% Growth

Economic expansion driven by strong market performance.

Drivers: Domestic Demand

Increased consumer spending fuels the upward trend.

Risks: Oil & External

Volatility in oil prices and external factors pose challenges.

FY27: Growth Moderation

Anticipating a slowdown in the upcoming fiscal year.

9.5 mln tonnes/year Ethylene

Expansion by 2027.

US Tariff Cuts: 50% → 18%

Supports Indian chemicals exports.

Chemicals Market Demand

Expected at ~3-3.5% in 2026-2027.

India's Strategic Positioning

Flexible Feedstock

Switch between feedstocks to manage costs

Resilient Supply Chains

Strengthen links to withstand disruptions

Technology Innovation

Accelerate tech-led efficiency and cleaner processes

Circular & Green Initiatives

Invest in recycling, hydrogen and circularity

Europe's Vulnerability

Europe's import dependence and high energy costs weaken competitiveness, though supply shortages may temporarily boost local prices and margins.

Visible Impact

The immediate and observable effects on chemical plant margins & operating rates.

Cost Pressures

Rising expenses and financial strain on the business, declining margins & sudued demand.

Supply Reliance

Dependence on external suppliers like ME and US for easy, specialty chemicals & baseoils.

Declining Market Share

A falling market share against rival regions given the high cost of production in Europe.