Petrochemicals: Structural Reset

China-led capacity additions continue to outpace demand, keeping olefins, PE and styrene structurally long and margins under pressure.

US ethane, Chinese carbide/coal routes and integrated producers are outperforming naphtha-dependent Asian assets, accelerating rationalization in Northeast Asia.

China is shifting from a major demand sink toward a swing exporter, while South and Southeast Asia, especially India, are becoming increasingly important outlets for surplus chemical production.

Olefins: Structural Reset

The Core Dynamic

- The Hormuz disruption exposed Northeast Asia's deep dependence on naphtha imports - but supply chains proved more resilient than feared. The more durable problem is structural: China's capacity additions exceed demand by a wide margin, keeping the olefins complex firmly long.
- Feedstock flexibility - the ability to switch between naphtha, LPG, and ethane — is now the defining competitive variable for producers across the region.

China Capacity

>8mn mt/year of new cracker additions underway

Demand Gap

Weak downstream demand cannot absorb new supply

Key Edge

Feedstock flexibility separates winners from laggards

Polyethylene: Oversupply Persists

Global PE markets face a structural overbuild that will weigh on margins for the remainder of the decade. The cost divide between US ethane and Asian naphtha feedstocks is now a structural - not cyclical - feature of the market.

22.6mn

tonne Capacity Overbuild

Cumulative PE oversupply projected through 2029

~$200

tonne Cost Advantage

US ethane producers vs. Asian naphtha-based plants

#1

China Dominates

Largest contributor to new global PE capacity additions

Asian naphtha-based PE producers face the most acute margin pressure and are most vulnerable to further rationalisation as US ethane economics widen the cost gap.

Styrene & Benzene: Disruption, Then Divergence

Middle East disruption removed ~20% of global styrene trade, but Chinese supply helped offset shortages. Weak demand and excess capacity continue to pressure Asian margins.

Weaker Asian benzene demand redirected trade toward the US, while gasoline blending demand and tight inventories are supporting a firmer price floor.

~20% Trade Removed

Middle East styrene supply disruption as a share of global trade flows

Margin Compression

Asian styrene margins remain under pressure; recovery timeline uncertain

Global Chemical Market Outlook

Capacity Rationalisation

Uneconomic plants face closure as margins remain structurally depressed

Feedstock Flexibility

Multi-feed crackers gain decisive competitive advantage over single-feed plants

China as Swing Supplier

Excess Chinese output reshapes global trade flows across every major chain

South Asian Demand

India and SE Asia absorb surplus, partially offsetting Western demand weakness