Acetone / phenol Market data

03/12/12

USES Acetone's principal use is in acetone cyanohydrin, the precursor to methyl methacrylate (MMA) and methacrylic acid. Nearly all MMA is polymerised to produce homo- and copolymers. The second largest use is in bisphenol A (BPA).Acetone is also used directly as a solvent and to make others such as methyl isobutyl ketone (MIBK) and methyl isobutyl carbinol. Other uses include higher molecular-weight glycols and alcohols, pharmaceuticals and antioxidants. Acetone is also recycled to product isopropanol (IPA). The only producer doing this in Europe is Novapex at its facility in Roussillon, France. SUPPLY/DEMANDGrowth in Europe was set at around 3% for 2012, but this has not been revised down. Growth for the year is closer to 1.5%, according to some producers. The outlook for growth in 2013 is unclear but is set at around 12%.Demand for key derivatives, MMA and BPA has been on the decline since spring this year because of weak macroeconomic conditions, also stemming from a slowdown in the construction and automotive sectors globally. Lack of export demand to Asia and the threat of cheap Asian imports entering Europe have also weighed on downstream markets, particularly BPA. Demand for the solvents market has been flat for much of 2012 and buying preferences of downstream customers have been on a hand-to-mouth basis. Pharmaceutical demand, meanwhile, remains steady since this sector is less impacted by poor economic conditions.Acetone demand does not determine phenol production; it is phenol demand that determines how much acetone is produced. For every tonne of phenol made, 0.62 tonnes of acetone is produced as a by-product.Demand for phenol in Europe has been declining since the spring. Phenol producers visibly started cutting operating rates in July. As a result, acetone availability declined, but this was largely counterbalanced by lower demand from downstream markets.PRICESAcetone MMA contract prices during 2012 mirrored price movements in the propylene market. While propylene and benzene are the main feeds for phenol/acetone production, propylene remains a precursor for acetone contract price developments. Contract prices peaked in April declining to a 2012 low in July and have mirrored propylene price developments since.Meanwhile, the acetone spot market continued to act independently to propylene price developments, reacting more closely to supply and demand dynamics.Acetone spot prices experienced a rise of about 75% during the first quarter spurred on by better-than-expected demand and planned and unplanned outages across Europe.After peaking at €1,1501,250/tonne FD NWE in March, spot prices declined just as quickly, hitting a low of €740800/tonne in July, before gaining some upward momentum. The same trend in acetone spot prices was seen in March 2010 and March 2011.TECHNOLOGYNearly 90% of acetone is produced via the cumene route. South African producer Sasol makes acetone via coal and produces it in Secunda, South Africa.OUTLOOKThe major challenge for the industry has always been the rising surplus of acetone and this is not expected to go away soon, particularly in light of new capacities coming on-stream in Asia in 2013 and 2014.However, the surplus story might not surface for a while or at least until demand for phenol starts to improve not only in Europe, but globally. Also, the arbitrage from Europe and Asia needs to open for material to start flowing again.According to statistics office Eurostat, between January to August 2011, close to 50,000 tonnes of phenol was exported to China, while in the same period this year that figure was closer to 28,000 tonnes.Acetone exports from Europe to China also fell. Between January and August 2011, about 55,000 tonnes of acetone was exported. During the same period this year that figure was around 35,000 tonnes. If demand for key phenol derivatives such as polycarbonates does not rise, phenol operating rates will be low, which means acetone output will remain low.This could be a challenge for major buyers of acetone for MMA production, which might not be able to secure all the volumes needed. Another concern is the high costs of feedstocks benzene and propylene, which many industry sources believe will remain inflated.Producers will continue to make on-demand and consumers will buy hand-to-mouth, as long as the global market remains economically uncertain. A major buyer of phenol and acetone believes 2012 has shown that producers and consumers have got used to running plants at low levels and will still do so in 2013.For more news and information on acetone, its derivative products and hundreds of other chemical, visit our database at icis.comEUROPE ACETONE CAPACITY'000 TONNES/year

ICIS News