

Europe MMA availability to lessen, growth possible

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Methyl methacrylate (MMA) supply in Europe could balance or tighten in 2016 compared with the length seen in the market in the latter half of 2015.

This will most likely be driven by reduced imports into Europe from Asia and the US, and will coincide with expectations of marginal growth for the MMA sector, underpinned by GDP growth forecasts of a few percentage points. Derivative demand for MMA, for example from the construction industry, is closely linked with GDP.

2015 supply was a tale of two parts.

Supply up until September was constrained because of production problems. From early autumn onwards, the market grew gradually longer as constraints eased, and imports progressively rose.

What is expected to change in 2016, however, is the abundance of supply. That is partly because the majority of Asian producers were running at full rates up until November this year. Since then, producers in Asia have opted to reduce run rates – in some cases to 60% of capacity - because of lower demand. As this is expected to continue in the new year, amid schedule turnarounds, this will have an impact on global supply – although the degree to which is not yet clear.

And the uncertainties do not stop there. Along with supply and demand unknowns, raw material cost evolution remains hazy, as does the exchange rate against the dollar and with some players expecting a year of volatility, there is a sense of unease.

There is talk that there could also be less volume coming in from the US compared with that which came in this year.

Europe is a net importer of MMA.

In a period of healthy demand, for example during the spring months, the market can tighten quickly if even just one plant is not running.

The year has ended with demand slowing as destocking measures are under way as normal. However, as coatings players began reducing stocks six months ago, and those from the plastics sector in October, the first quarter of 2016 is likely to start with slow, cautious, but decent demand as market participants look to replenish stocks.

Supply could be limited by February as one producer is set to begin plant maintenance, and that is expected to reduce supplies to the merchant market for a few months. While there are still likely to be imports from Asia compensating for lost domestic volume, this turnaround will also coincide with the Lunar New Year, after which Asian demand usually picks up.

The second quarter is typically the strongest as demand from the construction industry peaks, and as offtake from the coatings sector has a real pull on material.

Q3 supply and demand usually play out in largely the same way as Q2, followed by Q4 which tends to end slower because of winter demand and destocking.

Demand wise, the star for MMA in 2015 has been polymethyl methacrylate (PMMA). It will be interesting to see how this transpires next year.

The PMMA market in Europe is expecting stability to some slight growth in 2016.

Despite the positive outlook, because of the steep drop in upstream MMA prices in Q4, a decrease is widely expected for Q1 contract prices.

The continued growth of the derivative European automotive sector has fuelled growth in the market and has contributed to a strong performance in 2015 for European suppliers.

In October, the European automotive sector posted its 26th consecutive monthly increase in new car passenger registrations, according to the European Automobile Manufacturers Association (ACEA).

This equates to an 8.2% growth between January and October, or 11.5 million units.

With the key use of PMMA being taillights and headlights, any significant growth in the automotive sector has a direct impact on the market.

It is this sector that has contributed towards the expectations for growth, from both buyers and sellers, involved in the automotive sector, for 2016.

The main threat to this growth is the economic slowdown in China, which threatens to slowdown the growth in the automotive industry. A number of market participants in the PMMA view the situation in China as the biggest threat to the PMMA sector.

There were also some concerns about the impact of the Volkswagen (VW) diesel emissions scandal on the growth of the automotive sector.

For the PMMA industry there is a view that even if VW sales do decrease, buying interest will shift to another manufacturer.

The biggest concern was for tier-one automotive suppliers and suppliers to VW, who were being approached by the car-giant to recoup some of its loss from the scandal.

Some sectors, for example the extruded sheets sector, do not have the same positive outlooks, with Altuglas already announcing plans to close its PMMA extruded sheet business. It remains to be seen if there will be any further closures in this sector.

There could also be some pressure in 2016 with polycarbonate (PC) prices falling heavily in Q4 of 2015. If the gap between PMMA and PC closes this could cause some buyers to assess their options.

European producers are also expecting a continued growth in market share in 2016, which helped by the euro against the dollar exchange rate has been a driver for an increase in demand in 2015.

Supply is expected to remain balanced-to-long despite a presence of Asian imports in the market, noticeable for the second half of 2015.

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