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Phthalic Anhydride (PA) Market Weekly

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CONTENT

■ Phthalic Anhydride (PA)	3
● Market Review	3
● Price Summary	3
● Import & Export Data	4
● Forecast	6
■ Upstream & Downstream Markets	7
● Crude Oil	7
● O-xylene	7
● Industrial Naphthalene	9
● DOP	10
● DBP	11

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■ Phthalic Anhydride (PA)

● Market Review

This week (Mar. 31-Apr. 6), phthalic anhydride (PA) market mildly rebounded. As of Apr. 6, o-xylene-based PA average market price was at RMB 8,332/T, up by RMB 31/T or 0.37% WoW, and its price in East China ran at RMB 8,300-8,400/T for reference. Naphthalene-based PA average market price was at RMB 8,105/T, up by RMB 111/T or 1.39% WoW, and its price in Hebei and Shandong stood at RMB 8,100/T for reference. Crude oil prices soared, boosting market sentiment. Naphthalene-based PA production slipped and supply was tight. In this case, producers were eager to firm up naphthalene-based PA prices. As naphthalene-based PA prices went up, price gap between o-xylene-based PA and naphthalene-based PA narrowed down. What's more, o-xylene prices were likely to ascend later. As such, o-xylene-based PA prices were pushed up as well. Yet, downstream demand was lackluster. Combined with low prices of industrial naphthalene, PA market was hard to keep firming up.

Supply: For naphthalene-based PA, production stayed low because producers that were replacing the catalyst were still in halts and those in Shandong that shut down provisionally did not resume production yet. And with regards to o-xylene-based PA, production stepped down overall as some producers in South and East China restarted and individuals shut down.

Demand: In downstream DOP industry, individual enterprises restarted and DOP supply posed limited fluctuations as a whole. It's another feedstock iso-octanol market declined and stabilized, without strong bullish support from cost side. Terminal enterprises consumed feedstock inventories reserved before for production. The trading atmosphere was tepid. And in downstream UPR industry, enterprises just took cargoes on rigid demand. Meanwhile, market players held differentiated perceptions towards UPR market, and low-priced cargoes still existed. On the whole, PA demand was muted as a whole.

Cost and Profit: Feedstock o-xylene and industrial naphthalene prices moved range-bound, so PA market just bounced back slightly. Hence, o-xylene-based PA industry was still in the red, while naphthalene-based PA profits were decent.

[BACK TO THE CONTENT](#)

● Price Summary

PA market mildly rebounded. As of Apr. 6, o-xylene-based PA average market price was at RMB 8,332/T, up by 0.37% WoW and down by 0.81% MoM, while naphthalene-based PA average market price was at RMB 8,105/T, up by 1.39% WoW and down by 0.77% MoM.

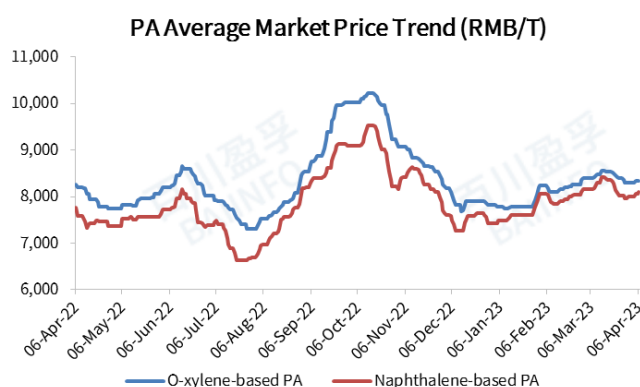
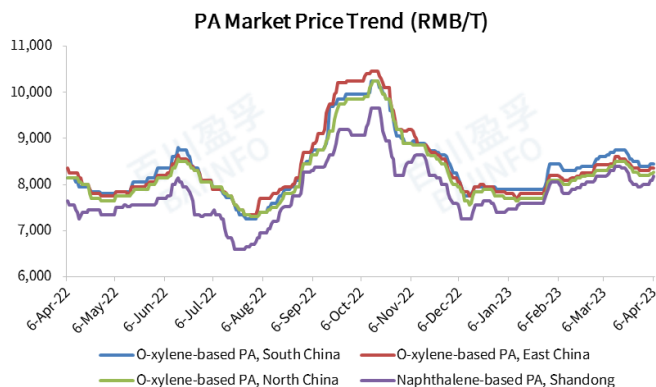
PA Average Market Price (Unit: RMB/T)

Product	06-Apr-23	30-Mar-23	WoW	MoM	YTD
O-xylene-based PA	8,332	8,301	0.37%	-0.81%	6.94%
Naphthalene-based PA	8,105	7,994	1.39%	-0.77%	9.01%

Domestic PA Market Price (Unit: RMB/T)

Region	31-Mar-23	03-Apr-23	04-Apr-23	05-Apr-23	06-Apr-23	Changes	Remarks
O-xylene-based PA, South China	8,400	8,400	8,450	8,450	8,450	↑ 50	delivery price, VAT included
O-xylene-based PA,	8,300	8,300	8,350	8,350	8,350	↑ 50	without package and freight

East China							charge, VAT included
O-xylene-based PA, North China	8,200	8,200	8,225	8,225	8,250	↑ 50	without package and freight charge, VAT included
Naphthalene-based PA, Shandong							without package and freight charge, VAT included
	8,000	8,000	8,100	8,100	8,100	↑ 100	



[BACK TO THE CONTENT](#)

● Import & Export Data

According to customs statistics, in Feb. 2023, China imported 694.63 tonnes of PA, down by 93.43% YoY, with the average import price at USD 1,217.52/T. And China exported 7,439.53 tonnes of PA, up by 3273.17% YoY, with the average export price at USD 1,119.66/T. From Jan. to Feb., 2023, the cumulative imports were 1,918.34 tonnes, a decrease of 88.20% YoY and the cumulative exports were 10,619.23 tonnes, an increase of 2640.09% YoY.

PA Import in Jan.-Feb. 2023

Month	Imp. Qty (T)	Imp. Val (USD)	Imp. Price (USD/T)	Imp. YoY
Feb-23	694.63	845,727	1,217.52	-93.43%
Jan-23	1,223.71	1,164,626	951.72	-78.45%

PA Export in Jan.-Feb. 2023

Month	Exp. Qty (T)	Exp. Val (USD)	Exp. Price (USD/T)	Exp. YoY
Feb-23	7,439.53	8,329,774	1,119.66	3273.17%
Jan-23	3,179.70	3,266,073	1,027.16	1804.01%

China's PA Import & Export by Countries/Regions in Jan. 2023

Countries/Regions	Imp. Qty (T)	Imp. Val (USD)	Exp. Qty (T)	Exp. Val (USD)
Japan	990.049	851,984	0	0
South Korea	177	185,732	0	0
Taiwan, China	52.654	115,439	0	0
Germany	2	5,570	0	0
Italy	2	5,747	0	0
Russia	0.001	37	0	0

United States	0.002	117	0	0
Bangladesh	0	0	80	88,200
Jordan	0	0	54	49,187
Pakistan	0	0	138	133,730
Thailand	0	0	56	57,771
Turkey	0	0	135	155,250
United Arab Emirates	0	0	162	163,677
Egypt	0	0	108	108,000
South Africa	0	0	120	125,629
United Kingdom	0	0	84	94,569
Greece	0	0	30	29,166
Spain	0	0	57.025	61,663
Argentina	0	0	25	26,000
Brazil	0	0	138	140,820
Chile	0	0	298	313,617
Colombia	0	0	689	694,077
Costa Rica	0	0	54	56,516
Ecuador	0	0	208	211,721
Mexico	0	0	245.675	266,888
Peru	0	0	297	286,740
Canada	0	0	75	71,250
Australia	0	0	126	131,602
Total	1,223.71	1,164,626	3,179.70	3,266,073

China's PA Import & Export by Countries/Regions in Feb. 2023

Countries/Regions	Imp. Qty (T)	Imp. Val (USD)	Exp. Qty (T)	Exp. Val (USD)
Israel	0	11	0	0
Japan	0.407	1,863	0	0
South Korea	113.5	122,295	0	0
Taiwan, China	578.578	701,014	0	0
Italy	2	6,724	0	0
United States	0.144	13,820	0	0
Bangladesh	0	0	108	115,020
India	0	0	3,194	3,602,074
Indonesia	0	0	327	374,329
Jordan	0	0	41.025	41,452
Malaysia	0	0	240	258,770
Saudi Arabia	0	0	252	286,651
Sri Lanka	0	0	40	44,678
Thailand	0	0	56	63,668
United Arab Emirates	0	0	760	840,416
Vietnam	0	0	53	62,176
Egypt	0	0	270	299,805

Kenya	0	0	128	147,554
Morocco	0	0	112	113,680
South Africa	0	0	114	132,021
Spain	0	0	27	29,142
Russia	0	0	16	20,839
Brazil	0	0	583	624,868
Chile	0	0	329	370,122
Colombia	0	0	552	624,944
Ecuador	0	0	159.5	186,180
Mexico	0	0	78	91,385
Total	694.629	845,727	7,439.525	8,329,774

[BACK TO THE CONTENT](#)

● Forecast

PA market is anticipated to keep firm next week. Feedstock market trend needs more attention. Price assessment of o-xylene-based PA in East China is estimated as RMB 8,300-8,500/T.

Cost: Next week, o-xylene market is possible to run strong, with prices possibly going up, and industrial naphthalene market is expected to edge up amid stability. In general, cost support is strong.

Supply: Naphthalene-based PA production would stand low then on account of little production resumption and some units' maintenance expected in Hebei. O-xylene-based PA production might be hard to substantially move up ahead in line with feedstock supply crunch and blocked shipments. By and large, PA production poses limited fluctuations and supply is still thin as a result.

Demand: Demand moves range-bound. Downstream enterprises focus on making purchases on rigid demand. Thus, they adopt cautious approaches towards PA price hikes. In addition, profits are meager in downstream plasticizer and UPR industries, still restricting PA market.

PA Price Trend Forecast Next Week

Influencing Factors	Weight	Reminder
Output	★★★★	Low production
Downstream Demand	★★★★★	Rigid demand
Inventory	★★★★	Naphthalene-based PA: no inventory pressure; O-xylene-based PA: some inventory pressure
Import & Export	★★	Rare exports
Market Sentiment	★★	Weak demand and thin supply
Cost & Profit	★★★	Naphthalene-based PA: decent profits; O-xylene-based PA: losses
Logistic	★★★	Cargoes are mainly consumed locally.
Others	★★★	Impact from crude oil and aromatics industry chains

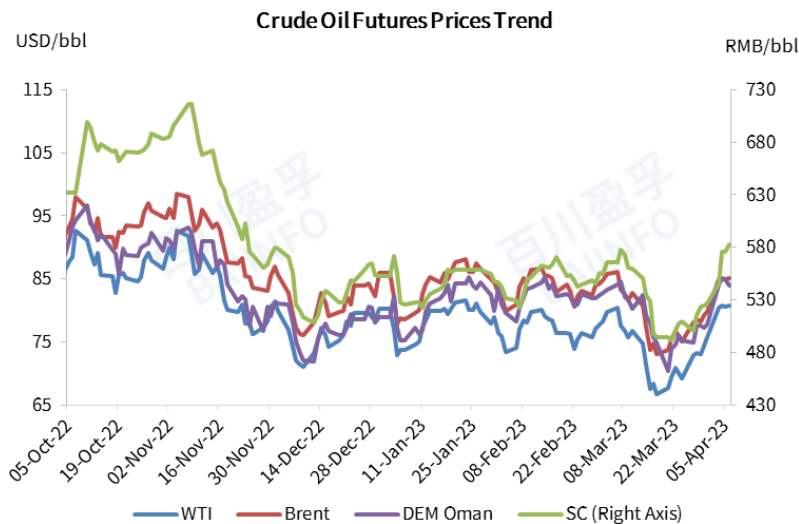
[BACK TO THE CONTENT](#)

■ Upstream & Downstream Markets

● Crude Oil

Market Review

This week, the agreement of Iraq exports was not concluded. Besides, OPEC+ issued that they would further cut production unexpectedly, shrinking supply. However, weak economic data in the US depressed oil price rising. International crude oil prices soared this week. Early this week, OPEC+ insisted to stabilize output and in Mar., OPEC crude oil output dropped as schedule. The suspending of crude oil exports from Kurdistan region would last one more week. Thus, supply of crude oil turned tight, driving up the price. Later this week, Saudi Arabia combined with many countries announced that they would further production reduction. Investors were worried about supply. After that, the concern about soft economic data in the US brought panic mood in the market. Moreover, supply was recovered in the Iraq, limiting oil price growth. By Apr. 5, WTI and Brent values were at USD 80.61/bbl and USD 84.99/bbl respectively. Overall, in a short term, international crude oil prices will fluctuate at high level. WTI values are forecasted to be at USD 74-80/bbl, while Brent values are forecasted to be at USD 78-84/bbl.



Forecast

WTI values are forecasted to be at USD74-80/bbl, while Brent values are forecasted to be at USD78-84/bbl. This week, Guided by the news of multi-national joint production cuts, oil prices pulsed up, constituting the bottom of the support, but the poor economic outlook for Europe and the United States, market concerns about recession still existed, fear of curbing demand for crude oil, the macro side will also pressure oil prices, so there is resistance to the upside and continuous upward trend. Market players need to pay attention to the impact of OPEC production cuts and the economic outlook for Europe and the United States. Overall, the production cut plan to tamp the bottom of oil prices, while the United States is expected to continue to depot, benign for oil prices, but the uncertainty of the economic outlook will still make the oil market more volatile, and macro risks may suppress oil prices. In the short term, international crude oil prices are expected to fluctuate at high price level.

[BACK TO THE CONTENT](#)

● O-xylene

Market Review

This week (Mar. 31-Apr. 6, 2023), o-xylene market maintained stability. As of Apr. 6, o-xylene price stayed flat at RMB 8,600/T in East China. Last week, international o-xylene price stabilized, but it still differed around RMB 400/T with domestic price. In addition, o-xylene devices in Liaoyang shut down for maintenance this week, dragging down market operation rate. On cost side, xylene prices were driven up by rising crude oil prices this week, so o-xylene producers' profits were shrunk. Although cost side and supply side supported o-xylene market, the market was still suppressed by lukewarm terminal demand and decreasing downstream o-xylene-based PA prices.

On cost side, domestic xylene price ran up as a whole. As of Apr. 6, mainstream xylene market prices were around RMB 7,800-7,980/T in East China, up 2.8% WoW. This week, crude oil price surged to high level in this month, boosting domestic xylene market. Thus, xylene offers at all markets rose, supporting market players' mood. All refineries also raised their offers, but traditional downstream market followed price uptrend cautiously. Terminal market was still in slack season so that trading atmosphere remained sluggish amid tepid demand. Some refineries still stopped producing xylene, forcing down the output sharply. This week, isomeric xylene resources were delivered at ports intensively, causing the inventories at ports much higher than consumption. Inventory of isomeric xylene resources at ports soared. Xylene market moved sideways at a high level amid high cost and weak demand. Trading orders were seldom seen to follow up. Generally, although crude oil prices are predicted to consolidate, xylene market may still be hard to move up impacted by bearish factors from downstream market. In East China, mainstream xylene market prices are expected to fluctuate around RMB 7,780-7,950/T.

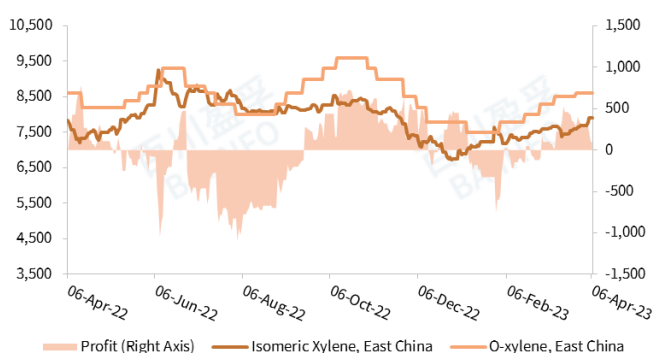
O-xylene Average Market Price (RMB/T)

Product	06-Apr-23	30-Mar-23	WoW	MoM	YoY
O-xylene	8,600	8,600	-	3.61%	10.26%

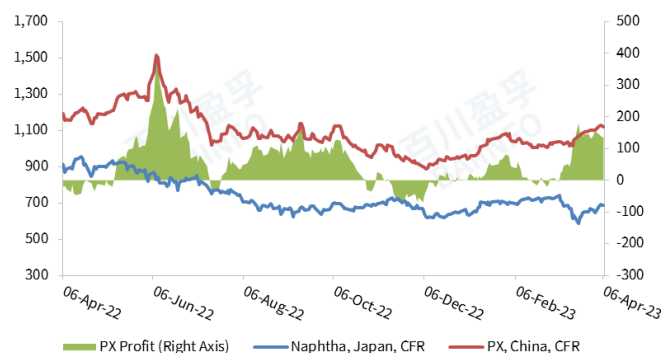
Domestic O-xylene Market Price (Unit: RMB/T)

Region	21-Mar-23	03-Apr-23	04-Apr-23	05-Apr-23	06-Apr-23	Changes	Remarks
East China	8,600	8,600	8,600	8,600	8,600	-	without package and freight charge, VAT included

O-xylene Profit Analysis Chart (RMB/T)

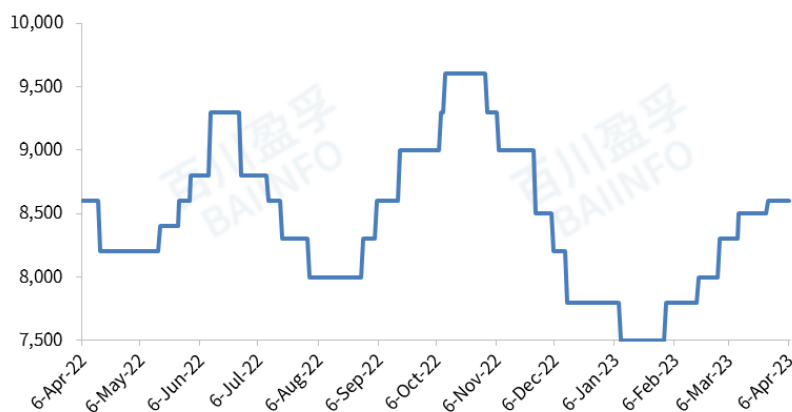


PX Profit Analysis Chart (USD/T)



[BACK TO THE CONTENT](#)

O-xylene Average Market Price, East China (RMB/T)



Forecast

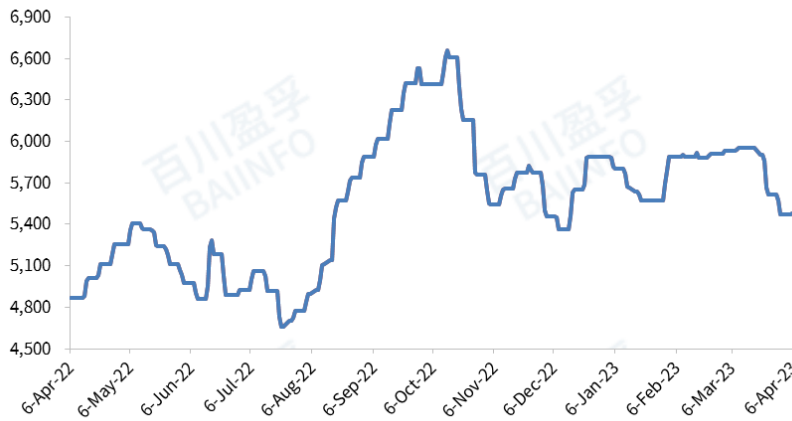
On cost side, market players are still worried about economic recession. International crude oil price may be hard to extend an uptrend, but profits of o-xylene market still stays low even though cost pressure is reduced. In addition, o-xylene prices at domestic and overseas markets differ, which may support o-xylene market to some extent. On supply side, o-xylene devices in Northeast and South China are overhauling, and the inventory at ports is limited. Hence, supply of o-xylene is tightened. Although o-xylene price at overseas market is higher than that of domestic market, o-xylene resources are mainly supplied to domestic market, with few being exported. On demand side, cost side supports PA market, but o-xylene-based PA price is hard to rise amid slack terminal demand. Thus, o-xylene-based PA market is unprofitable. Some o-xylene-based PA inventory is accumulated so that operation rate may drop. Generally, o-xylene market in East China is likely to run in a strong condition, supported by cost side and supply side but weakened by demand side. O-xylene reference market prices are expected to be around RMB 8,600-8,800/T, however, detailed price adjustment of main refineries needs further attention.

[BACK TO THE CONTENT](#)

● Industrial Naphthalene

This week (Mar. 31-Apr. 6, 2023), industrial naphthalene market was stagnant to go upward. As of Apr. 6, industrial naphthalene market price averaged at RMB 5,483/T, up RMB 10/T in total or 0.18% WoW. On cost side, coal tar price is anticipated to nudge up amid stability, supporting industrial naphthalene market. Next week, many coal tar processing enterprises in East China will shut down for maintenance, but some enterprises in Shanxi and Inner Mongolia will resume production. Then, the overall operation rate of coal tar processing enterprises may fluctuate limitedly. Naphthalene-based PA market price is likely to keep steady, as market operation rate fluctuates slightly and demand side doesn't improve. Thus, the support from naphthalene-based PA market to industrial naphthalene market may be restricted. Meanwhile, refined naphthalene and naphthalene-based superplasticizer markets extended weakness, which was bearish to industrial naphthalene market. In the following week, industrial naphthalene market price may go up slightly by around RMB 50-100/T.

Industrial Naphthalene Average Market Price (RMB/T)



[BACK TO THE CONTENT](#)

● DOP

This week, DOP market hovered moderately. As of Apr. 6, DOP average market price was around RMB 10,180/T, up RMB 19/T or 0.19% WoW. In Jiangsu and Zhejiang, DOP reference market prices were around RMB 10,150-10,250/T. On cost side, [Octanol] DOP producers procured high-priced octanol resources cautiously. Some downstream plants restarted producing, and they purchased raw materials on rigid demand. Therefore, trading atmosphere of octanol market stayed flat. [PA market] O-xylene-based PA market was strongly supported by higher cost, and market players kept the prices firm under sharply dropping profits, which meant o-xylene-based PA market supported DOP market. On supply side, DOP supply oscillated slightly. On demand side, downstream buyers mainly consumed DOP inventories and purchased on rigid demand. Market players held cautious mood. It was heard that crude oil price saw a strong uptrend, as producing countries had reduced production. Accordingly, prices of bulk commodity were forced up. Nevertheless, as European and American economies were facing pressures in the short run, traders had to surrender their profits. Generally, DOP market may fluctuate next week, lacking support from cost side and demand side. DOP reference market prices in East China are expected to be around RMB 10,000-10,200/T.

DOP Average Market Price (RMB/T)

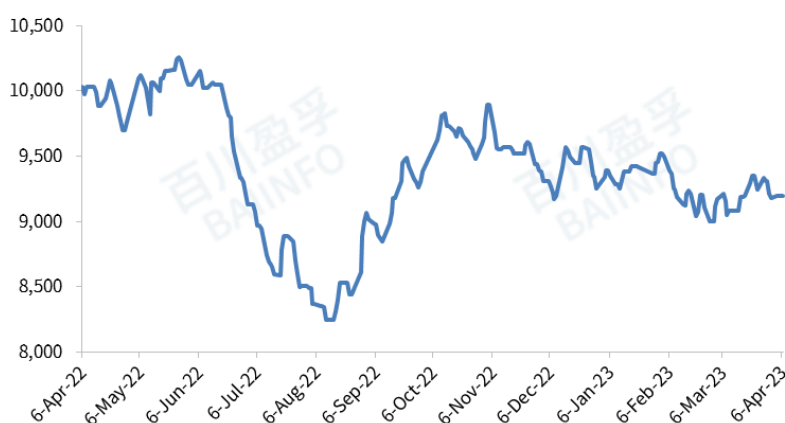


[BACK TO THE CONTENT](#)

● DBP

DBP producers pushed up their offers. As of Apr. 6, DBP average market price was RMB 9,249/T, up RMB 39/T or 0.42% WoW. Mainstream trading prices in major producing areas were as follows: DBP reference market prices in Hebei were around RMB 9,150-9,250/T, while in Shandong were around RMB 9,200-9,300/T. On cost side, [N-butanol] partial n-butanol producers overhauled, but high trading prices were seldom seen. Downstream plants were resistant to high-priced n-butanol resources. Most n-butanol orders were traded at low prices. Next week, n-butanol market price is predicted to run down by around RMB 200-400/T. [PA market] Moreover, o-xylene-based PA devices stopped operating for maintenance and o-xylene-based PA prices rose to a high level, so producers were supported to keep the prices firm. However, downstream players' resistance may restrain the price uptrend of o-xylene-based PA market. On supply side, many DBP devices at domestic market operated normally, without maintenance plan in the short term. Domestic DBP supply is likely to remain stable. On demand side, downstream buyers purchased DBP intermittently, with lots of orders being small-sized orders based on rigid demand. That meant demand side was bearish to DBP market. Generally, international crude oil price is around USD 80/bbl. On cost side, PA market may stay firm at a high level, and short-term n-butanol price shows downward risk. DBP market is largely weakened by n-butanol market. DBP price next week may rise after a downtrend, with reference market prices in main producing areas around RMB 9,000-9,300/T.

DBP Average Market Price (RMB/T)



[BACK TO THE CONTENT](#)

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