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## PET bottle chip market outlook in Q4 2016

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PET bottle chip industry stepped into off season since entry of Oct. According to CCFGroup statistics, most soft drink plants have wrapped up their contract in 2016, leaving limited volume to be handled, meanwhile, some factories have commenced to arrange 2017 budget. In the third quarter, with no new capacity put on stream, China PET bottle chip supply and demand structure improved remarkably, producer margins saw substantial increase and factory stock level reduced markedly on year. How will the market evolve in the fourth quarter then?

### Supply increase limited, demand may retain steady growth

#### PET bottle chip capacity, output and exports in 2013-2016



Based on CCFGroup statistics, PET bottle chip industry run averaged at 80% in the first three quarters of 2016, which put output at 4.92 million tons, flat on year. Demand totaled 3.45 million tons in Jan-Sep and is assessed at 4.5 million tons in 2016, improving somewhat from a year earlier. Meanwhile, the good export performance also helped stoked up demand. PET resin exports hiked 197kt or 16% in Jan-Aug on year, to be assessed at 2.05 million tons as a whole in 2016. Jul-Aug saw comparatively rapid stock consumption while Sep-Oct may witness decline in trading volume as purchases slowed down.

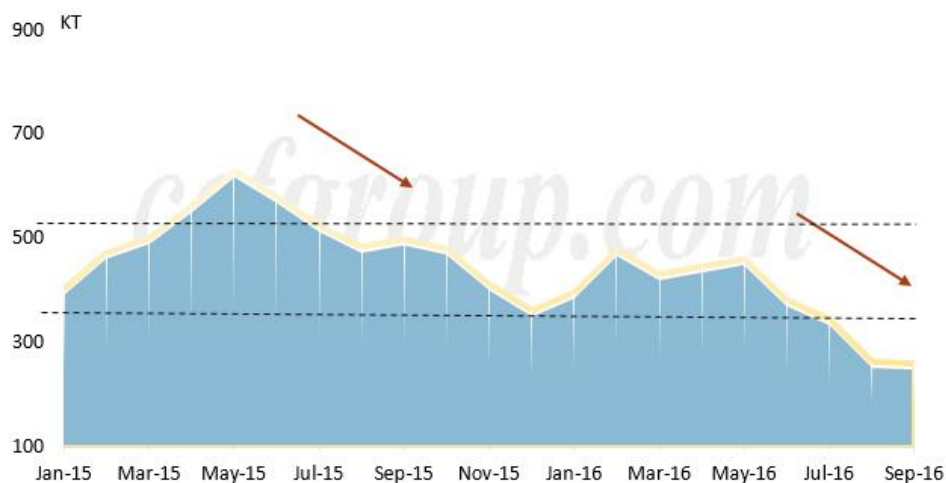
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## China PET bottle chip factory stock in 2015-2016



### Trading range narrows to hover at low in Q4

During Jan-Oct, PET bottle chip trading value bottomed out and rushed up high before a retreat, then stayed in correction after, with moving range at 5700-7000yuan/mt. CCFGroup price index of water bottle chip was calculated at 6421yuan/mt in Jan-Sep while downstream purchasing point averaged at 6353.7yuan/mt, leaving a 67.3yuan/mt gap in between. Most deals were concluded at 6500yuan/mt or at slightly below, while above 6500yuan/mt trades were comparatively scarce. Since entry of Oct, PET bottle chip cash flow shrank and trading range squeezed as demand flattened and feedstock cost expanded, despite tolerable order intake condition.

### Cost side lacks momentum and market outlook stable-to-soft

Crude oil futures market is range bound at the moment but OPEC oil freeze deal might stoke oil value in the long run. PX market may keep wobbling in view of capacity expansions in Q4 plus mediocre market expectation toward 2017 performance. PX-naphtha spread may not likely to squeeze further. PTA supply/demand pattern is expected to stay healthy shortly as industry run sustained not high and there are maintenance plans in Oct, still players shall be alert of the impact brought by early Spring Festival. MEG market will remain in destocking process but market prices will still be weighed down by the nagging supply glut. Given no unexpected impact from macro side, feedstock cost could keep supportive shortly, but PET bottle chip is short of upward momentum, pressured by the slackening demand.

With PET bottle chip delivery cycle getting to an end in Oct, plus new capacity to be online, PET bottle chip price is slated to hover at low point before the start of year-end refilling activities, and is unlikely to touch early-2016 lows, coupled with \$50/bbl-level hovering oil and comparatively tight PTA supply. Besides, since most new units are scheduled to start up in end 2016, and currently only Zhuhai's 300kt/year unit is certain to come up, market fundamental is unlikely to deteriorate markedly in the fourth quarter, but order intake will shrink on seasonal change. Exports may not see drastic growth as Chinese producers' competitiveness was pared by the sharply rising freight rates and lower offers from rivals, yet significant slide is also not likely to happen.

For more info, welcome to join CCFGroup's 4th International PET & RPET Industry Forum (2016) in Hangzhou New Century Grand Hotel during Nov 2-3, 2016. <http://pet.ccfgroup.com/2016/>

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