

PLASTICS MARKET UPDATE

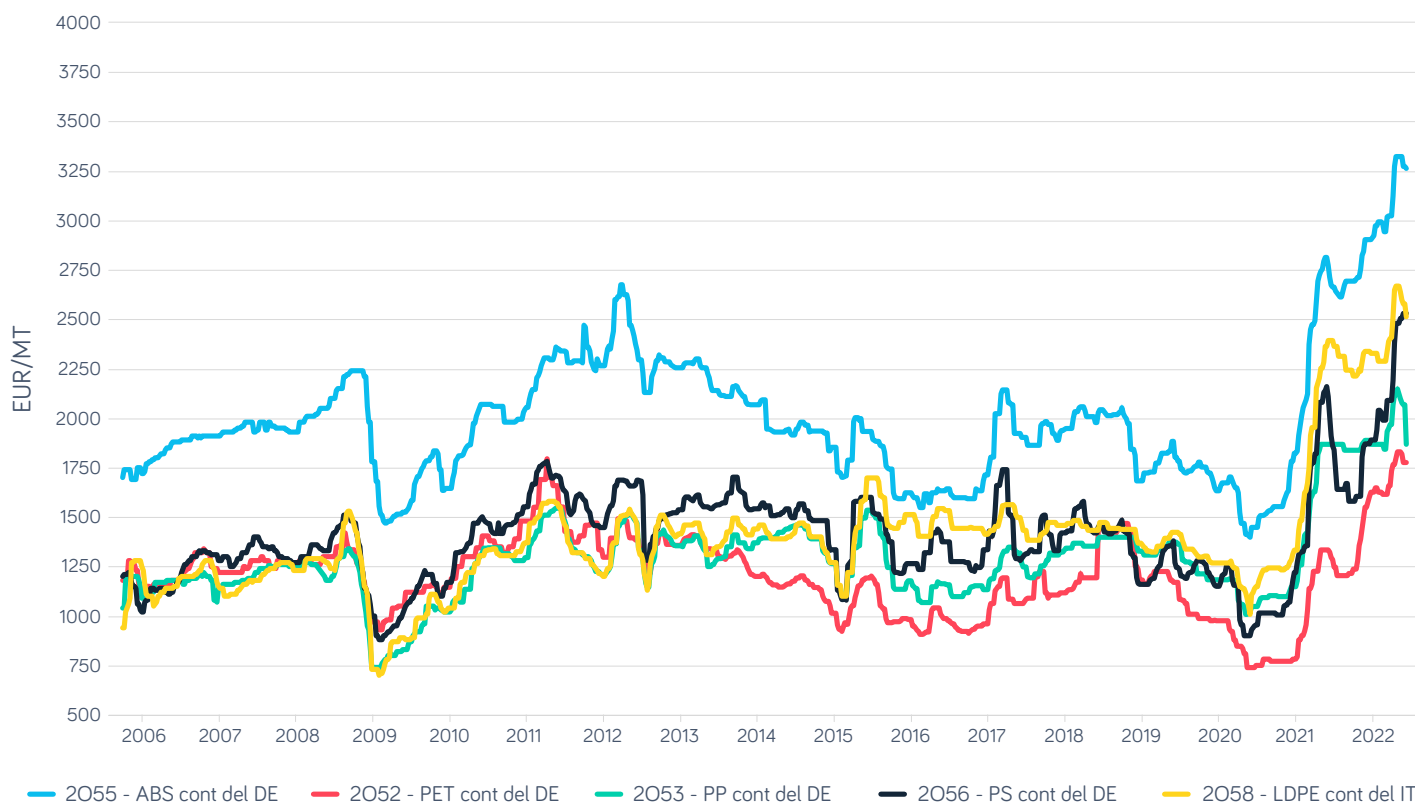
Will Plastic Prices Carry On Rising Through Unprecedented Levels?

The mountainous rise of ABS has led to increased prices for plastics across the board, including: PET, PP, LDPE and PS.

Will Plastic Prices Carry On Rising Through Unprecedented Levels?

Acrylonitrile butadiene styrene (ABS)

Large volume transactions | contract price; free delivered | Germany



Since spring of 2020 prices of plastics in general have moved sharply upwards, with ABS crossing over 3300 EUR/MT. Since all plastics experience similar fluctuations in price, the mountainous rise of ABS has led to increased prices for plastics across the board, including: PET, PP, LDPE and PS. The volatility varies across plastics and lately, PP has shown less volatility in the dip compared to PS in particular.

WEBINAR REPLAY

Will Plastic prices carry on rising through unprecedented levels?

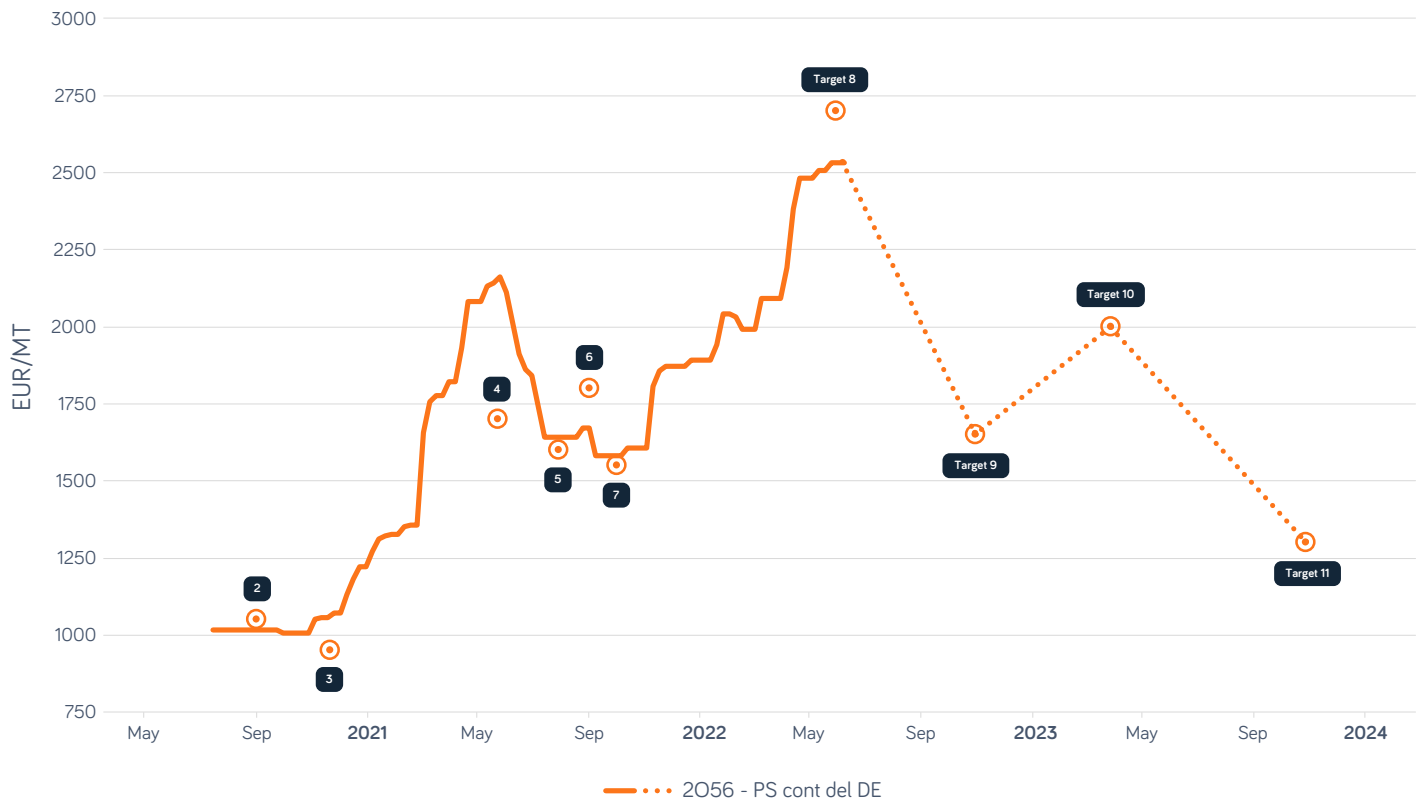
Expected price developments for ABS, PET, PE, PT, and PS.

Watch now

Plastic Price Expectations

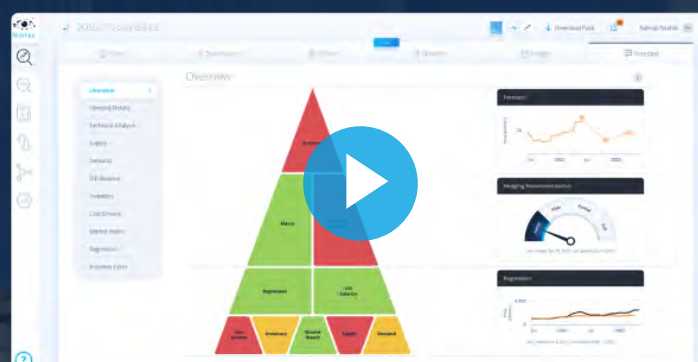
Polystyrene (PS) Forecast

Large volume transactions | contract price; free delivered | Germany



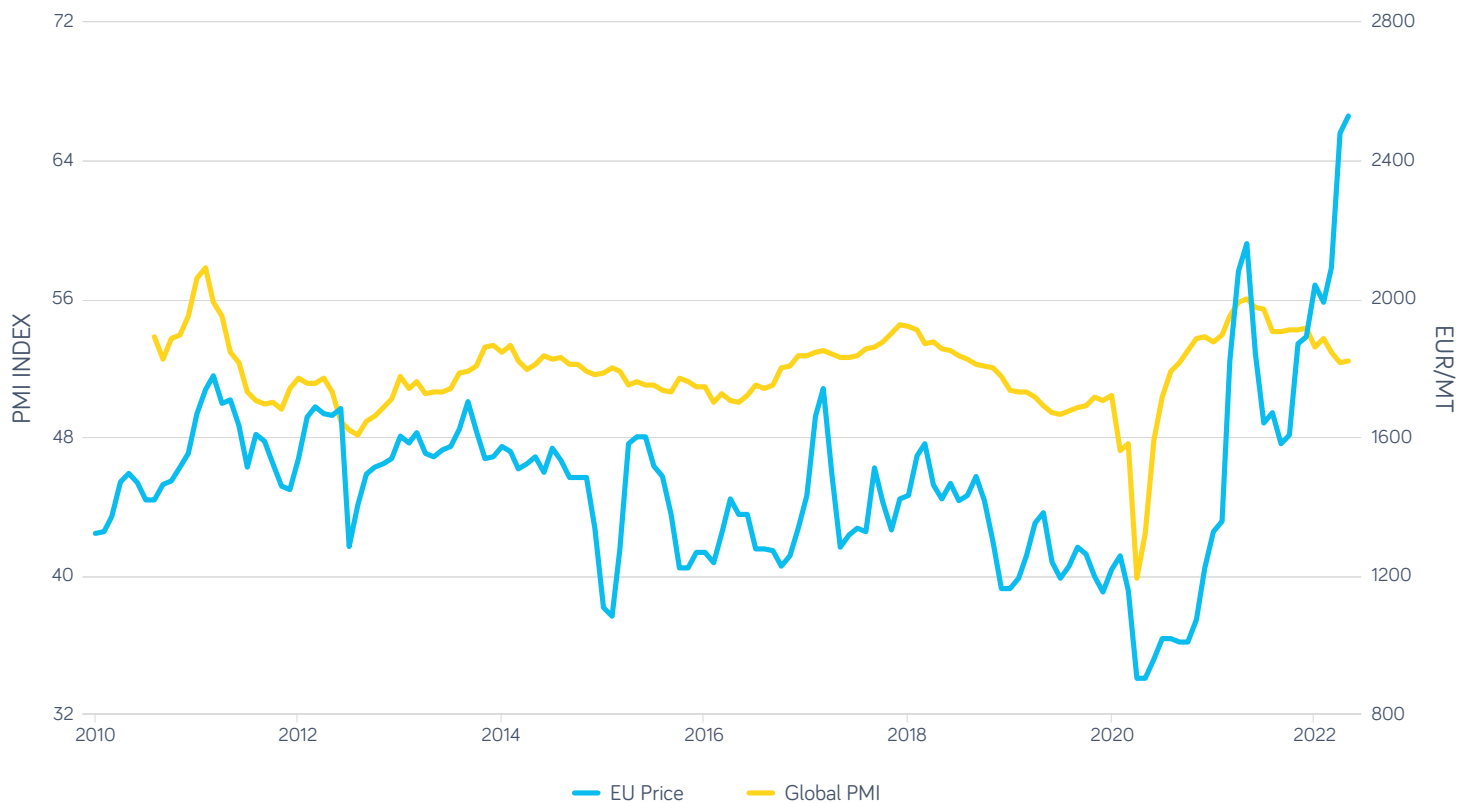
Our forecast for plastic prices shows a peak price in Q2 of 2022. For PS plastic in particular, we expect the high target for this peak to be around 2700 EUR/MT, with a low target of 2200 EUR/MT. This forecast is built upon global market trends and technical analysis of the market. In November 2021, prices broke above the moving average – meaning we suggested a partial hedge before confirming this upswing with further technical analysis in December of the same year. This same analysis continues to indicate an increase in price towards Q2 peak.

Following May, we expect a continual downtrend into 2023 and beyond for plastic prices. Since there is currently limited upside potential, we do not recommend hedging plastics currently.



What is Underlying These Expectations?

Global PMI vs PS Price



There are two main factors driving our current forecast details and hedging recommendations: the macroeconomy and technical analysis. As a proxy for the global economy, our models draw from the global PMI. The macro-economy is our leading indicator – meaning it moves before other prices move to reflect it. Recently, the global PMI has seen a huge, fast upturn from April 2020 through to May 2021 followed by a significant loss of momentum heading into 2022. Global PMI score went from 40 to 56 from spring 2020 to spring 2021, and has since dropped slowly back down to around 51. This shows significant weakness in the global economy since May 2021, meaning prices are likely to dip alongside it. When comparing the historical price of PS to the global economy, it seems obvious that fluctuations in macro-economics cause subsequent fluctuations in plastic prices of the same direction and similar magnitude.

Interestingly, although this rule may be true for most cases, we have recently seen increases in plastic prices such as PS without an accompanying increase in global PMI. This may be a warning that plastic prices are about to hit a peak and follow the rest of the global economy in a downturn for the foreseeable future.

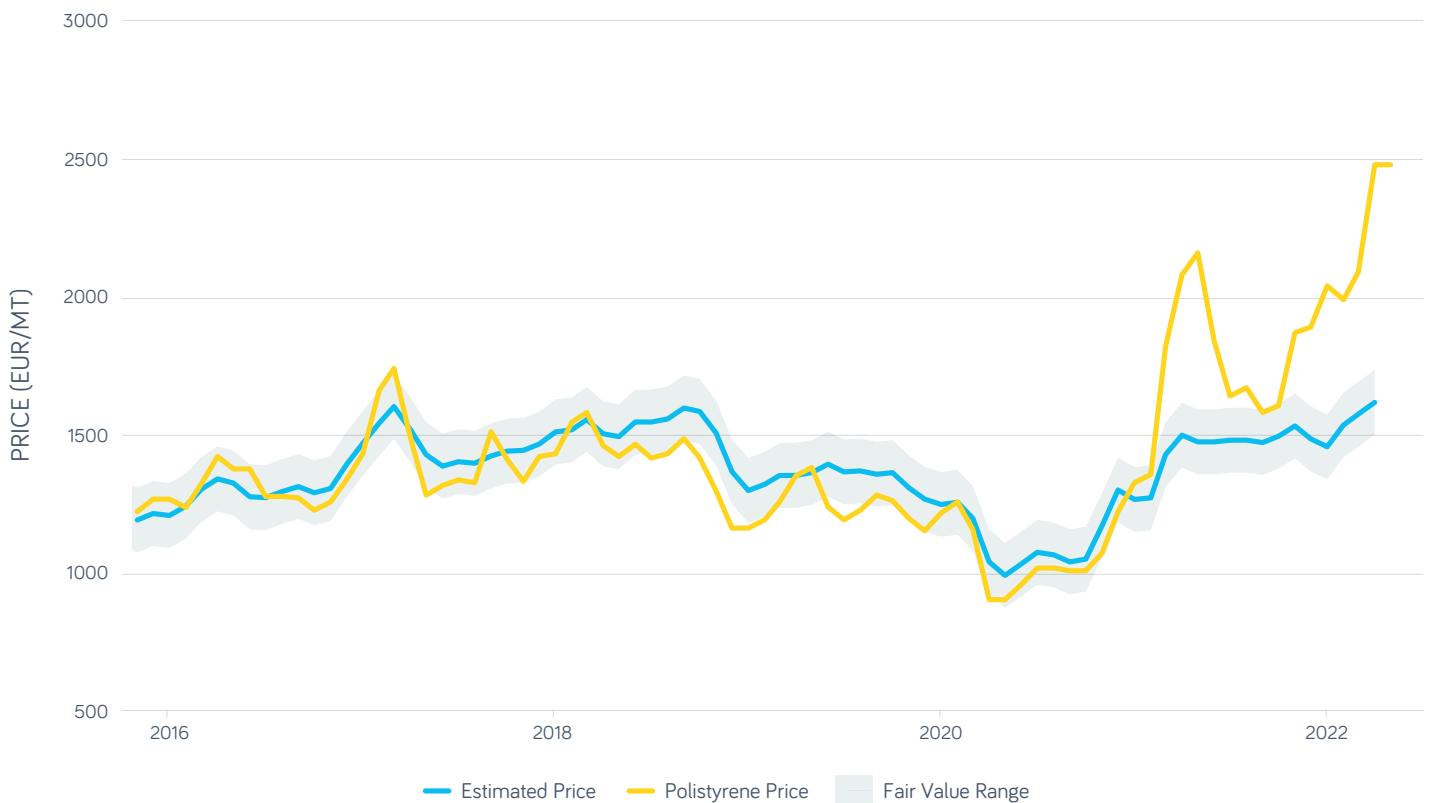
UPCOMING WEBINAR

Global Packaging and Energy Market Update H2 2022

Register

Fundamental Factors

Polystyrene Regression Model



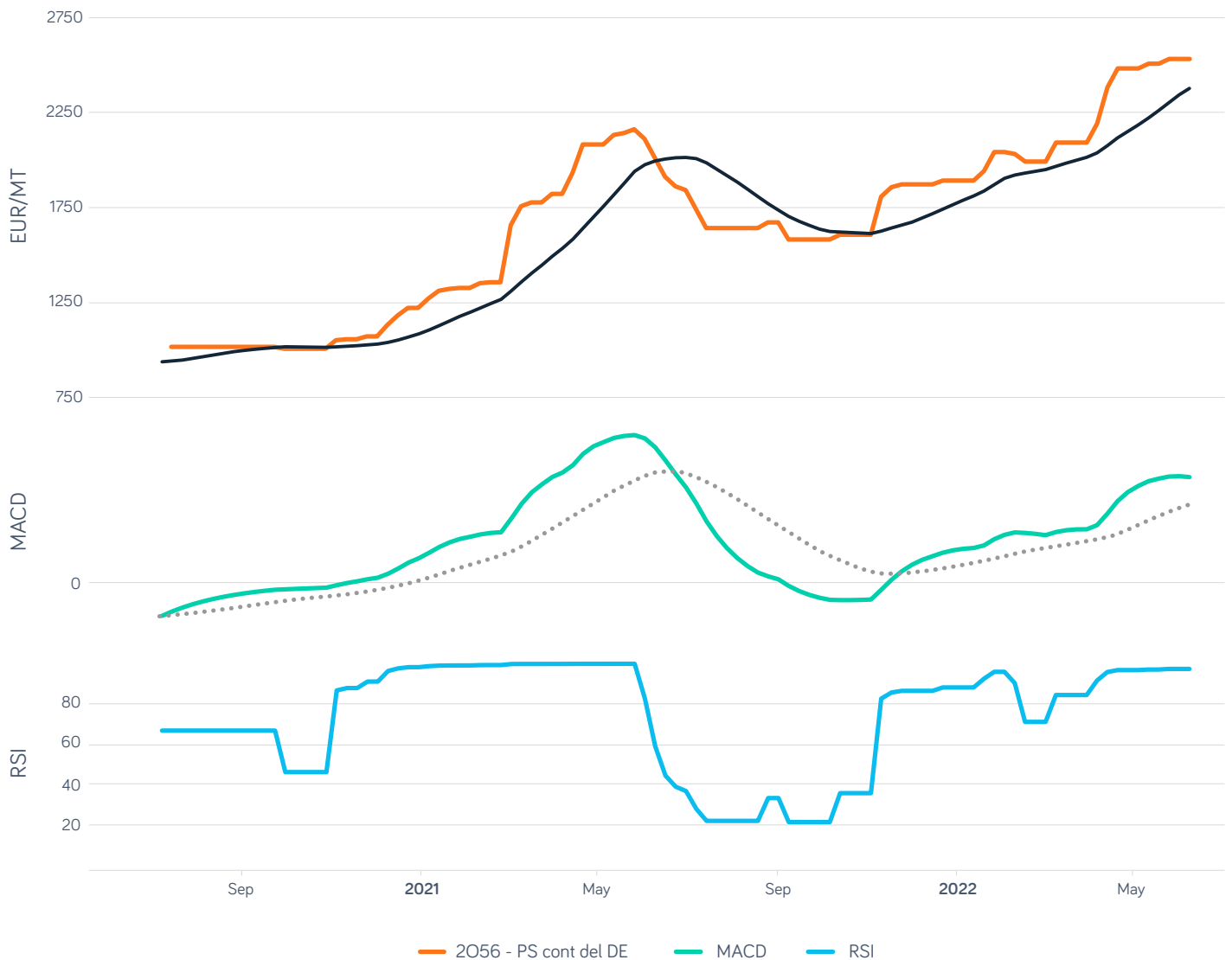
Underlying the technical analysis – which props up our forecast predictions – are a series of fundamental factors. One of these is our regression models, allowing us to see a comparison of where current prices should be based on the current situation compared to where prices actually are. Around the line where current prices should be is a grey band, called the ‘fair value range’. Currently the price of plastics such as PS are above the fair value range, meaning it is a ‘bubble’. One of the few financial certainties is that these bubbles invariably burst, leading to a correction of prices back down to the fair value range. The current bubble mimics the previous bubble which occurred a short time ago in late 2021 and which underwent a stark correction in a matter of months.

Cost drivers have also increased over the past year for plastics. However, polystyrene prices have not increased in the same magnitude as PS prices, meaning that costs have not made new highs and so cannot be contributing hugely towards the disproportionate increase in PS price. This has caused the theoretical gross profit of PS producers to be far too high – good for them but bad for us.

- ✓ Review of the price movements of the last six months
- ✓ Key price drivers and impacts
- ✓ Price outlook for the next six months
- ✓ How the challenges within these markets are impacting the rising prices of some food commodities

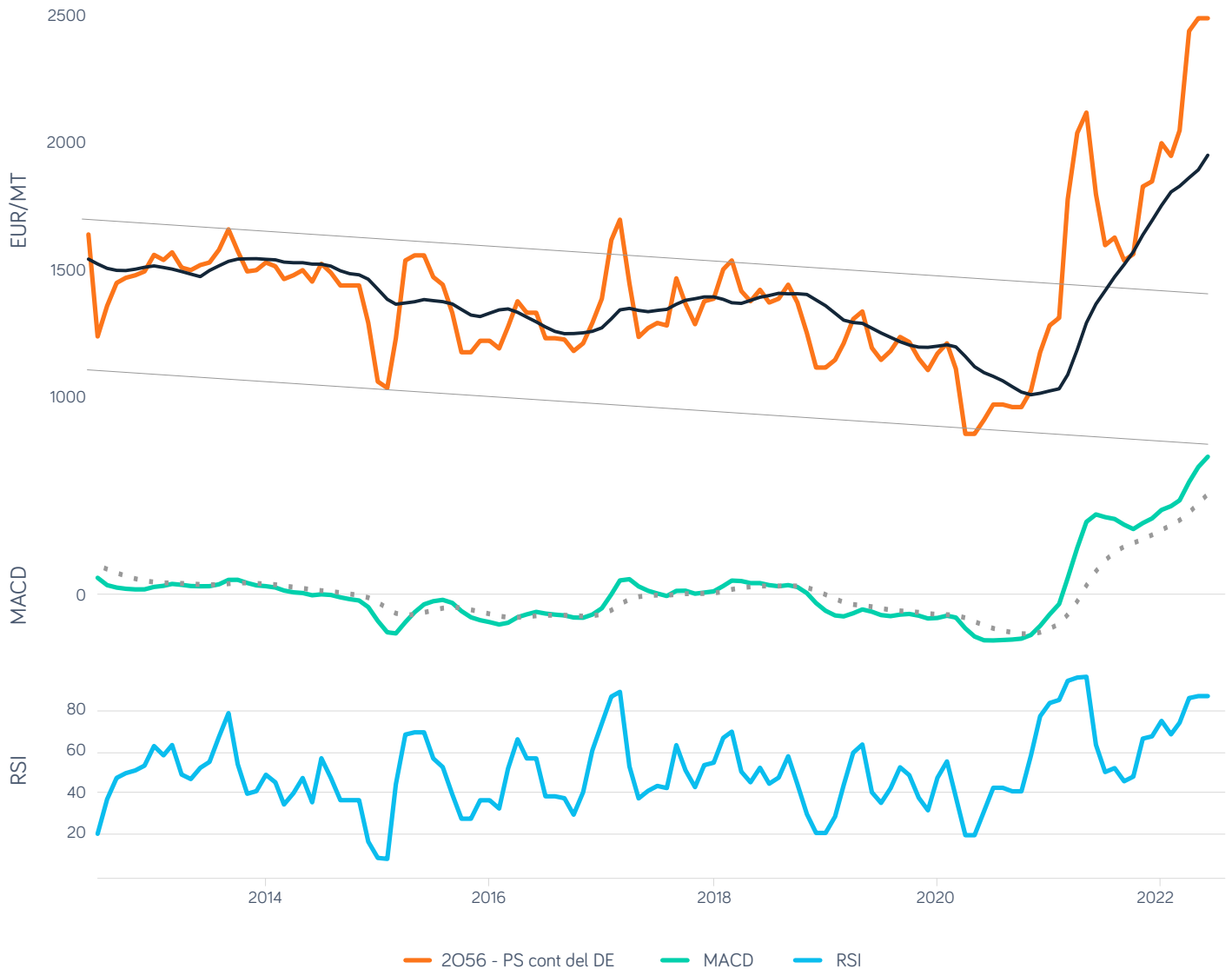
Technical Analysis

PS Short term



Our technical analysis (involving MACD, RSI and raw price moving average – metrics used by most firms and investors) shows both long term and short-term outlooks. Breaks above and below the moving average indicate shifts in trend. For the short-term outlook on plastic prices, we are seeing an uptrend since October 2021 due to a break above the moving average, hence why our predictions are that prices should increase until Q2 of 2022. Additionally, the RSI (relative strength index) verified this break above the moving average and is currently moving above 80. This means we should tread carefully, since RSI scores above 80 tend to indicate a subsequent reduction in price.

PS Long term



Our long-term graph gives us a similar indication. Long term outlooks also show an RSI level above 80 beginning in Q2 2022, further confirming our expected dip in prices into late 2022.

Taken together, we can see a few patterns emerging:

- ① The macro-economy is on a downturn, suggesting the plastic prices may soon come with it.
- ② Regression analysis suggests that the price of plastics is far above the fair value range and in a bubble. When this bursts, prices will have to go down.
- ③ RSI levels and moving averages for both long term and short term graphs indicate that prices will fall after Q2 2022.


WHITEPAPER

The Strategic Imperative of Better Forecasting



For procurement organisations, effective forecasting is a necessity. Getting it right – or wrong – has implications for functions throughout the business.

[Download](#)



Strengthen your buying strategy and control exposure to price risk

The Mintec Commodity Price Forecast Service delivers future price predictions and hedging recommendations by identifying key turning points and commodity trends.



Commodity Forecasting & Hedging Price Risk Exposure

A sophisticated and proven forecasting methodology that has delivered results to clients for over 15 Years. As a result, overall organisational performance is transformed, delivering sustainable organisational excellence and procurement cost savings.



Hedging Recommendations

Give buying teams better purchase options by advising them of the best time to hedge with clear explanations for each of four options



Optimize Purchase Timing

Forecasts improve the timing of purchases to reduce material costs and price risk



Increase Predictability of Earnings

Enhance budget planning and deliver higher-quality updates to key stakeholders



Increase Negotiating Power

Shared market knowledge with a reduced dependence on suppliers' information

www.mintecglobal.com/forecasting

Unanswered Questions Surrounding Geopolitics

The geopolitical state of the world holds one of the firmest grips on macro-economy. Since the Russia-Ukraine war started in February 2022, there have been questions regarding the banning of Russian oil and whether this would make any change to markets. Although we can't say for sure, such a huge event is bound to affect markets everywhere, meaning the future may be slightly more uncertain.

Keep up to date with the latest
plastics, packaging and energy news:

www.mintecglobal.com/top-stories/tag/other