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Argus Isocyanates

Isocyanate prices and global coverage

Issue 24-7 | Wednesday 14 February 2024

HIGHLIGHTS

US

Producers put forward price increases for PMDI and MMDI but these are not yet coming through in February

US TDI market fundamentals remain unchanged

Europe

Rising feedstock cost, and tighter supply putting upward pressure on PMDI

A vessel carrying 46,000t of MDI departed Antwerp bound for the US

Announcement

There is no Asia market commentary in this week's issue because of the lunar new year holiday in China.

Contract prices delivered

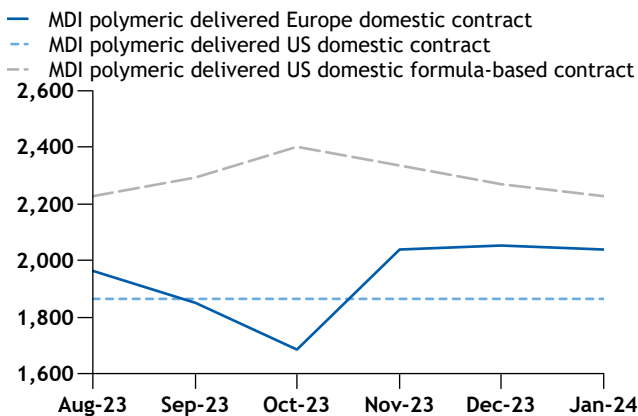
	Timing	Low	High	Mid-point	Month-on-month delta ±
USA					€/lb
Polymeric MDI	Jan 24	82.0	87.0	84.50	0.00
Polymeric MDI, formula*	Jan 24			101.00	-2.00
Polymeric MDI	1Q24	90.0	100.0	95.00	-5.00
Monomeric MDI	Jan 24	105.0	110.0	107.50	0.00
TDI	Jan 24	95.0	105.0	100.00	0.00
Europe					€/t
Polymeric MDI	Jan 24	1,800	1,950	1,875.0	0.00
Monomeric MDI	Jan 24	2,200	2,350	2,275.0	0.00
TDI	Jan 24	1,960	2,010	1,985.0	-100.00

* Delta calculated from the contract price rather than assessed.

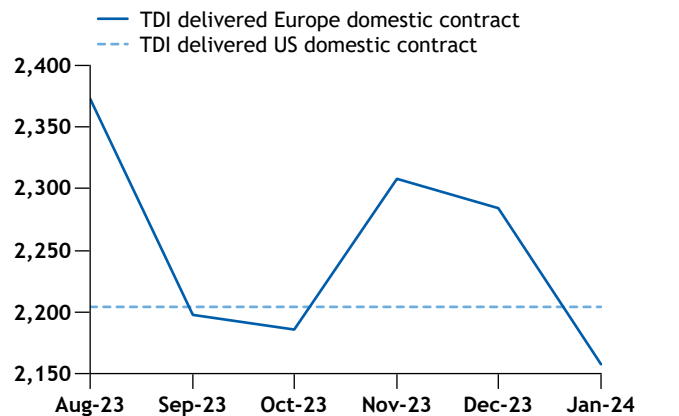
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MDI contract prices

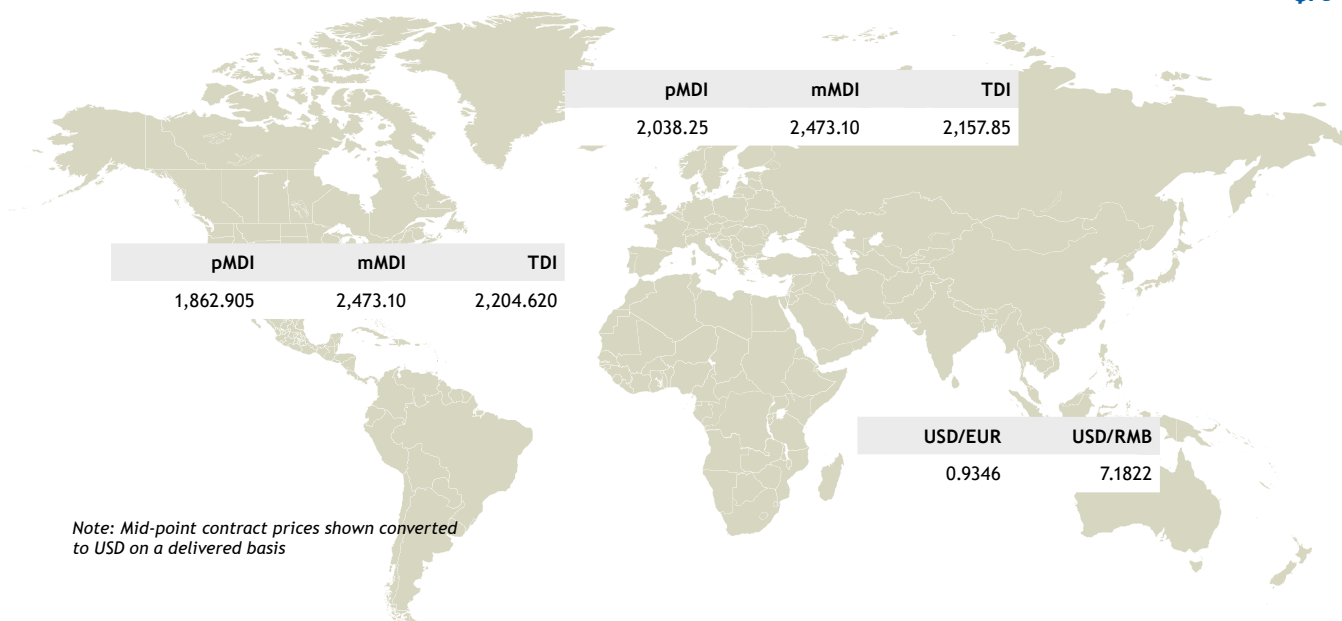


TDI contract prices



PRICE COMPARISON OVERVIEW

\$/t



NEWS

US MDI inventories run down in 2023

US MDI sales outpaced production for most of 2023, running down stocks for much of the year before a December build.

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US toluene imports up nearly four-fold in December 2023

US toluene imports increased nearly four-fold in December 2023 from a year earlier with steady demand from buyers for solvent and gasoline blenders.

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US benzene hits 18-month high on tight supply

US benzene (BZ) this week reached an 18-month high on tight prompt supply, shipping delays and steady demand.

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Carlisle Companies sales dip in 4Q

US building materials supplier Carlisle Companies reported a drop in fourth-quarter sales as weak residential demand outweighed gains in the construction materials unit.

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European chlorine production down in 2023

European chlorine output declined towards the end of 2023, with plant utilisation dropping to 61pc in December from 62pc in November. Total production for the year was down by 10pc from 2022, despite a slight uptick in output in the second half of the year compared with a year earlier.

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US inflation eases less than forecast

US inflation came in slightly above most forecasts in January, suggesting the Federal Reserve may have to keep borrowing costs higher for longer to attain its inflation target.

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RELATED MARKETS

Crude

WTI and Ice Brent crude futures rose on 13 February after Opec lowered its expectations for supply growth for two of the largest producers outside of the cartel, Russia and the US. Opec has kept its global oil demand growth forecast for 2024 and 2025 unchanged.

Tensions between Venezuela and Guyana simmered over territorial disputes. The US dismissed the risk of armed conflict between Venezuela and Guyana following escalating tensions between the two South American nations over Guyana’s resource-rich Essequibo province.

Limiting crude price gains was a US inflation report that came in slightly above most forecasts in January, suggesting the Federal Reserve may have to keep borrowing costs higher for longer to attain its inflation target.

Nymex WTI price

\$/bl



Naphtha

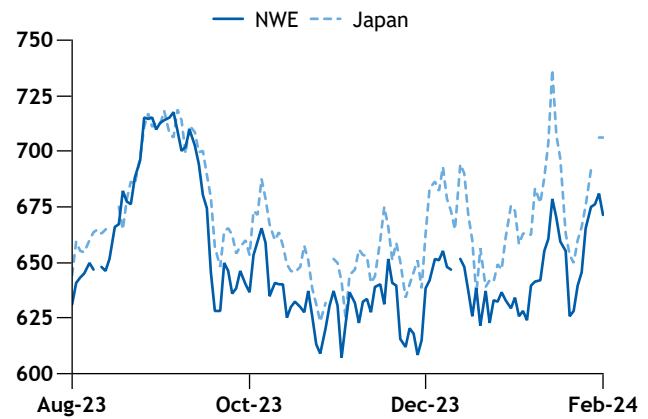
US Gulf coast naphtha prices have been rising gently since 8 February. US buyers for both heavy and light naphtha were seeking lower sulphur barrels amid strong gasoline cracks.

European naphtha prices rose in the week to 13 February buoyed by firm petrochemical demand and an anticipation of higher gasoline blending activity. Petrochemical margins in Europe have risen in recent weeks amid increased demand, as lower imports from east of Suez have seen polymer and butadiene markets tighten. Prompt naphtha supply was tighter in the region due to increased demand from petrochemical crackers. Naphtha stocks in the ARA area fell by 7.6pc to 281,000t in the week to 7 February.

In Asia first-half April delivery naphtha prices fell on 14 February while Ice Brent crude values rose, as the crack spread narrowed after rising for six consecutive sessions.

Naphtha prices

\$/t



Benzene

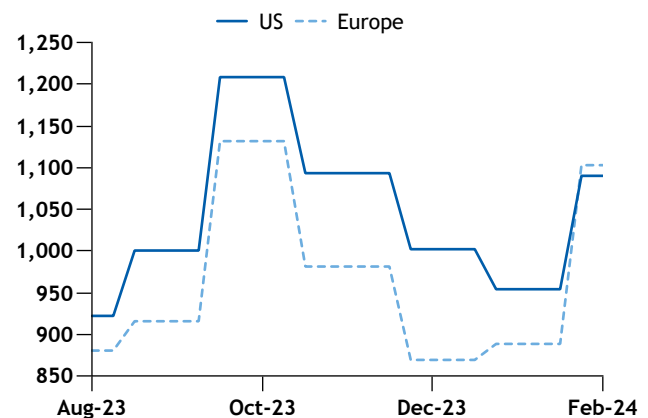
Prompt spot US benzene increased by 42¢/USG to 397-424¢/USG in the week to 8 February as supply tightened on planned and unplanned production outages, coupled with delays to imports given logistics problems.

Spot benzene prices in Europe rose for a fifth consecutive week as the market rebalanced following a prolonged period of oversupply. Recent heavy exports to the US, reduced imports, cutbacks in cracker production and improved short-term demand helped curb benzene length in Europe.

Asia benzene prices rose in the week to 8 February, supported by the last stretch of pre-holiday purchasing in China. Arbitrage trades with the US also supported prices. Demand continued in China with re-stocking ahead of the lunar new year holiday. Stocks in east China dropped by 37pc to 33,500t.

Global Benzene Spot Prices

\$/t



RELATED MARKETS

Toluene

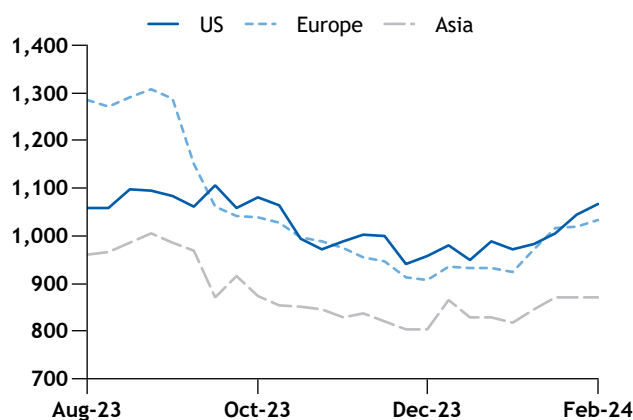
US Gulf coast toluene spot prices increased in the week to 9 February alongside stronger energy prices and present demand for aromatics as a solvent. Nitration-grade toluene (NGT) offers saw a spike on Friday, coming in near the \$4/USG mark. Some 30,000t of toluene was booked for export from South Korea to the US earlier this month, with a likely arrival in mid-late March.

Outright toluene prices in Europe increased in the week to 9 February as gasoline values firmed and premiums steadied. TDI-grade toluene spot prices were assessed at an average of \$1,032.50/t, up by almost \$14/t from the previous week's average.

Asia Pacific toluene prices were stable owing to muted discussions because of the lunar new year holiday. Domestic Chinese prices were marginally higher at 6,950-7,280 yuan/t, equivalent to \$854-894/t on an import parity basis.

Global Toluene Spot Prices

\$/t



Chlor-alkali

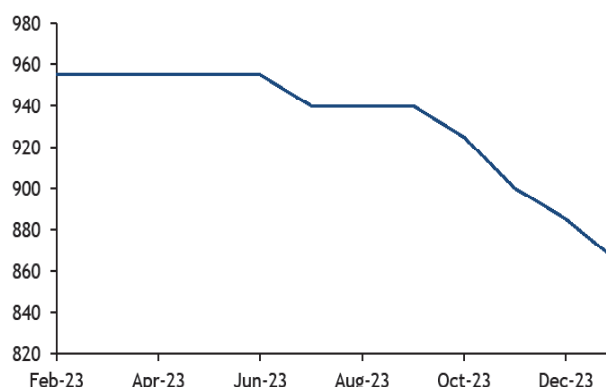
The US chlorine market remains better supplied compared with caustic soda, despite continuing maintenance and outages among producers. Merchant chlorine availability remains ample. Producers looking to halt the decline in chlorine pricing in the run-up to the water treatment season. But buyers argue that there is room for further price relief in the months ahead, with demand for key segments such as vinyls, isocyanates and HCl remaining subdued.

In Europe there is seasonally stronger chlorine consumption as customers are restocking ahead of more activity in spring. Consumption along the supply chain remains well below normal and some producers still have dampened output.

In China domestic merchant liquid chlorine prices fell into negative territory in the week to 9 February for the first time since the middle of last year because of inventory build-up with more downstream manufacturers winding down. Adverse weather conditions owing to heavy snow, especially in the north, have hampered movement of chlorine.

US spot chlorine price

\$/t



Crude	Effective date	Price	\$/bl ±
ICE Brent	13-Feb	82.88	+0.97
Nymex WTI	13-Feb	78.00	+1.15

Naphtha	Effective date	Price	\$/t ±
65 para NWE cif	13-Feb	680.750	+4.500
Japan c+f	13-Feb	706.375	+14.500

MARKET COMMENTARY

US

Minimal change has been heard in the US isocyanate market as downstream demand is muted in the offseason.

Some price increases have been put forward by sellers in the polymeric MDI (PMDI) and monomeric MDI (MMDI) markets but these increases are not yet being realised in February, according to market participants, although some suggest upward pressure will continue into the second quarter this year.

PMDI and MMDI supply and demand fundamentals are unchanged so far this month and the proposed price rises are due to cost pressures rather than changes to supply or demand. Argus will assess February prices on the third Wednesday of the month as per the methodology.

In feedstocks, benzene spot prices continue to rise as supply tightens on planned and unplanned outages in the US. These outages at several refinery operators with accompanying benzene-producing assets - particularly benzene from reformers - continue to keep availability in the barge market snug. Additionally, delays in imports, given logistics constraints in the Red Sea and Panama Canal, are adding to the supply constraints.

The TDI market has been steady in February and currently no price movements have been heard in the market. Supply is heard to be plentiful and there was a slight demand pickup for TDI into the comfort sector this month as mattress and furniture sales commence for President's Day which this year falls on 19 February. But this increase in demand is understood to be a small seasonal uptick that is not market moving.

In trade flows, US PMDI imports fell in December 2023 compared to the month before. December imports were 9,600 metric tonnes (t) down from 19,250t based on the latest data from Global Trade Tracker (GTT). This decline in December imports puts the month lower than the 2023 monthly average of 22,000t and is a 54pc drop from the year before when 21,000t were reported in December 2022. About 86pc of PMDI imports into the US came from China in December 2023. Typically the end of the year is a time when the market slows down as many participants are on holiday and closing out the year so stocks are kept light and imports slow.

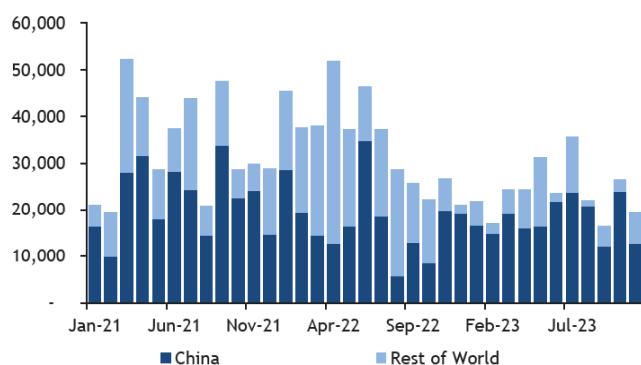
US PMDI exports were 22,900t in December, broadly flat to November according to the latest GTT data. Exports in December are in line with the monthly average seen so far in 2023 of around 22,000t. The majority of US PMDI exports went to Canada and Mexico in 2023 accounting for 57pc and 27pc of the year's total, respectively.

US contract prices

	Timing	Low	High	Mid-point	Month-on-month delta ±
					€/lb
Polymeric MDI	Jan 24	82.0	87.0	84.50	0.00
Polymeric MDI, formula*	Jan 24			101.00	-2.00
Polymeric MDI	1Q24	90.0	100.0	95.00	-5.00
Monomeric MDI	Jan 24	105.0	110.0	107.50	0.00
TDI	Jan 24	95.0	105.0	100.00	0.00
					\$/t
Polymeric MDI month	Jan 24	1,807.79	1,918.02	1,862.905	0.000
Polymeric MDI formula*	Jan 24			2,226.670	-44.1
Polymeric MDI quarter	1Q24	1,984.16	2,204.62	2,094.390	-110.230
Monomeric MDI	Jan 24	2,314.85	2,425.09	2,369.970	0.000
TDI	Jan 24	2,094.39	2,314.85	2,204.620	0.000

* Delta calculated from the contract price rather than assessed.

US PMDI imports



MARKET COMMENTARY

Europe

There is upward pressure in the European polymeric MDI (PMDI) market as rising feedstock costs, limited imports and unusually strong exports are lending support.

Red Sea troubles continue to disrupt the supply chain from Asia, and buyers nervous of delays are seeking to build cushion stocks, temporarily boosting demand.

Houthi rebels in Yemen continued their attacks on shipping in the Red Sea, deterring many shipowners from transiting through the region. Most vessels are instead passing the Cape of Good Hope, increasing shipping times and freight costs as well as tightening the overall freight market.

Overall PMDI demand is unchanged month on month, but some market participants expect an uptick from March onwards, as the summer construction season gets underway.

Production limitations could curb supply from the Middle East to Europe. At least one Middle Eastern supplier is sold out for the remainder of this month, with some volumes bound for Europe and more for Turkey.

Meanwhile an unusually large shipment of MDI loaded at Antwerp earlier this month, according to vessel tracking data, which suggests that a cargo of about 46,000t of MDI loaded last week and is set to arrive in the US Gulf Coast in early March. Only 13,000t of MDI were imported to the US from the Amsterdam-Rotterdam-Antwerp area in the whole of 2023, US customs data show.

The European January PMDI contract was some \$175/t above the US January contract price, suggesting that the shipment is unlikely to be an arbitrage trade.

Monomeric MDI (MMD) continues steadily, maintaining its premium over PMDI. Feedstock benzene continues to track higher, further supporting the MDI market.

The European TDI market is well supplied, with no production constraints reported and no strong rise in demand. Nonetheless, some suppliers have put forward higher prices for February. Some buyers of both polyols and TDI may accept such price rises as part of a package deal to secure polyols which are less freely available than TDI, market participants say. Argus will assess prices next week, in line with the methodology.

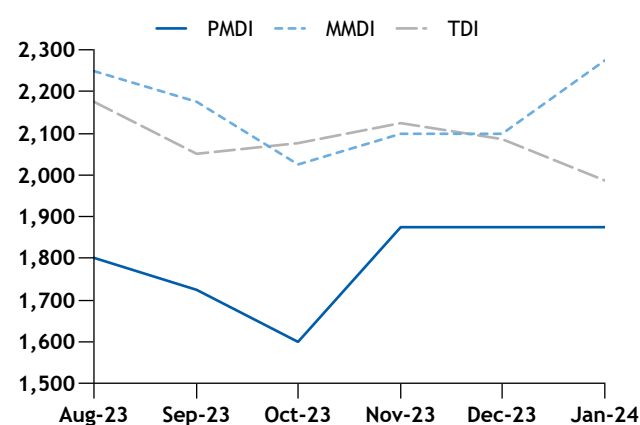
TDI-grade toluene prices have risen since the start of the month, lifting production costs for TDI.

Downstream demand for isocyanates remains challenging, with little change expected in the first half of the year. Offtake into the automobile sector has slowed as Red Sea-related supply chain disruptions to some raw materials used by the sector has forced production limitations in the short term.

Europe contract prices					\$/t
	Timing	Low	High	Mid-point	Month-on-month delta ±
€/t					
Polymeric MDI	Jan 24	1,800	1,950	1,875.0	0.00
Monomeric MDI	Jan 24	2,200	2,350	2,275.0	0.00
TDI	Jan 24	1,960	2,010	1,985.0	-100.00
\$/t					
Polymeric MDI	Jan 24	1,956.7	2,119.8	2,038.25	0.000
Monomeric MDI	Jan 24	2,391.6	2,554.6	2,473.10	0.000
TDI	Jan 24	2,130.7	2,185.0	2,157.85	-108.710

European Isocyanate Contract Prices

€/t



SHORT-TERM FUNDAMENTALS

2024 MDI Capacity Curtailed																'000t	
Company	Location	Country	Name-plate Capacity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2024 Capacity Curtailed	2024 Effective Capacity
BASF	Geismar, LA	United States	400	0	0	0	0	0	0	0	0	16	0	0	0	16	384
Covestro	Baytown, TX	United States	330	0	0	0	0	14	0	0	0	0	0	0	0	14	316
Dow	Freeport, TX	United States	275	0	0	0	0	0	0	0	0	0	0	0	0	0	275
Huntsman	Geismar, LA	United States	150	0	0	0	0	0	0	0	0	0	0	0	0	0	150
Huntsman	Geismar, LA	United States	150	0	0	0	0	0	0	0	0	0	0	0	0	0	150
Huntsman	Geismar, LA	United States	200	0	0	0	0	0	0	0	0	0	0	0	0	0	200
Americas Sub-total			1,505	0	0	0	0	14	0	0	0	16	0	0	0	30	1,475
BASF	Antwerp	Belgium	650	0	0	0	27	0	0	0	0	0	0	0	0	27	623
Covestro	Brunsbüttel	Germany	200	0	0	0	0	0	0	0	0	0	0	0	0	0	200
Covestro	Krefeld	Germany	200	0	0	0	0	0	0	0	0	0	0	0	0	0	200
Dow	Stade	Germany	230	0	0	0	13	13	0	0	0	0	0	0	0	25	205
BorsodChem	Kazincbarcika	Hungary	330	0	0	0	0	0	0	18	28	0	0	0	0	46	284
Huntsman	Rosenburg	Netherlands	160	3	0	9	7	0	0	0	0	0	0	0	0	19	141
Huntsman	Rosenburg	Netherlands	280	6	0	15	11	0	0	0	0	0	0	0	0	33	247
Dow	Estarreja	Portugal	150	0	0	0	0	0	0	0	6	0	0	0	0	6	144
Covestro	Tarragona	Spain	220	7	7	7	0	0	0	0	0	0	0	0	0	21	199
Europe Sub-total			2,420	17	7	31	57	13	0	18	34	0	0	0	0	177	2,243
Karoon PC	Bandar Imam	Iran	40	0	0	0	0	0	0	0	0	0	0	0	0	0	40
Sadara	Al Jubail	Saudi Arabi	400	0	0	0	0	0	0	13	0	0	0	0	0	13	387
Middle East Sub-total			440	0	0	0	0	0	0	13	0	0	0	0	0	13	427
BASF	Chongqing	China	400	0	0	0	0	0	0	0	0	0	0	0	0	0	400
Covestro	Shanghai	China	500	0	0	0	0	0	0	0	0	0	0	0	0	0	500
SHG Lianheng	Shanghai	China	590	0	0	0	0	0	0	0	0	0	0	0	0	0	590
Wanhua Fujian	Fujian	China	400	0	0	0	0	0	0	0	0	0	0	0	0	0	400
Wanhua	Ningbo	China	1,200	72	0	0	0	0	0	0	0	0	0	0	92	164	1,036
Wanhua	Ningbo	China	600	11	0	0	0	0	0	0	0	0	0	16	51	79	521
Wanhua	Yantai	China	1,100	0	0	0	0	0	0	0	0	90	0	0	0	90	1,010
China Sub-total			4,790	84	0	0	0	0	0	0	0	90	0	16	143	333	4,457
Covestro	Niihama	Japan	70	0	0	0	0	0	0	0	0	0	0	0	0	0	70
TOSOH	Shunan	Japan	400	0	0	0	0	0	16	8	0	0	0	0	0	24	376
BASF	Yeosu	South Korea	250	0	0	0	0	0	0	0	0	0	0	0	0	0	250
Kumho Mitsui	Yeosu	South Korea	410	0	0	0	0	0	0	0	0	0	0	0	0	0	410
Rest of Asia Sub-total			1,130	0	0	0	0	0	16	8	0	0	0	0	0	24	1,106
Global Sub-total			10,285	100	7	31	57	26	16	39	34	107	0	16	143	576	9,709
Global Monthly Nameplate Capacity				837	783	837	810	837	810	837	837	810	837	810	837		
Global Monthly Effective Capacity				737	776	806	753	811	794	798	803	704	837	794	695		

Plant capacity and availability information is an estimate made by Argus and should not be treated as confirmed or verified by producers

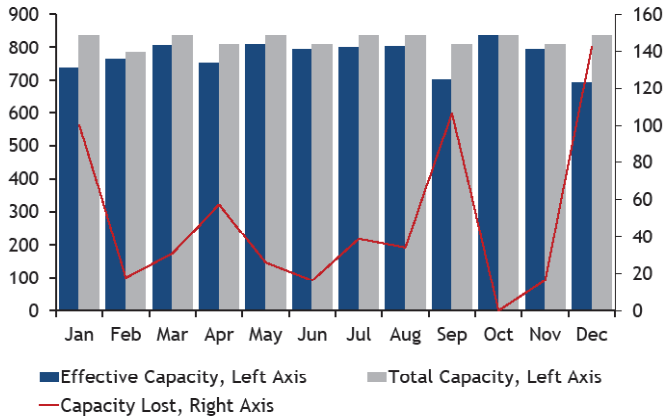
SHORT-TERM FUNDAMENTALS

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Company	Location	Country	Name-plate Capacity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2024 Capacity Curtailed	2024 Effective Capacity
BASF	Geismar, LA	United States	160	0	0	0	0	0	0	0	0	7	0	0	0	7	153
Covestro	Baytown, TX	United States	225	0	0	0	0	0	0	0	0	9	0	0	0	9	216
PQ Rio Tercero	Rio Tercero	Argentina	27	0	0	0	0	0	0	0	0	0	0	0	0	0	27
Americas Sub-total			412	0	0	0	0	0	0	0	0	16	0	0	0	16	396
Covestro	Dormagen	Germany	330	0	0	0	0	0	0	0	0	14	0	0	0	14	316
BASF	Ludwigshafen	Germany	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BorsodChem	Kazincbarcika	Hungary	250	0	0	0	0	0	0	14	21	0	0	0	0	35	215
Europe Sub-total			580	0	0	0	0	0	0	14	21	14	0	0	0	48	532
Karoon PC	Bandar Imam	Iran	40	0	0	0	0	0	0	0	0	0	0	0	0	0	40
Sadara	Al Jubail	Saudi Arabi	200	0	0	0	0	0	0	7	0	0	0	0	0	7	193
Middle East Sub-total			240	0	0	0	0	0	0	7	0	0	0	0	0	7	233
GNFC	Bharuch	India	50	0	0	0	0	0	0	0	0	0	0	0	0	0	50
GNFC	Bharuch	India	17	0	0	0	0	0	0	0	0	0	0	0	0	0	17
South Asia Sub-total			67	0	0	0	0	0	0	0	0	0	0	0	0	0	67
Cangzhou Dahua	Cangzhou	China	70	0	0	0	0	0	0	0	0	0	0	0	0	0	70
CangzhNu Dahua	Cangzhou	China	50	0	0	0	0	0	0	0	0	0	0	0	0	0	50
Cangzhou Dahua	Cangzhou	China	30	0	0	0	0	0	0	0	0	0	0	0	0	0	30
Covestro	Shanghai	China	300	0	0	0	0	0	0	0	0	0	0	0	0	0	300
Gansu Yinguang	Gansu	China	80	0	0	0	0	0	0	0	0	0	0	0	0	0	80
BASF	Shanghai	China	220	0	0	0	0	0	0	0	0	0	0	0	0	0	220
Wanhua	Xinjiang	China	150	0	0	0	0	0	0	0	0	0	0	0	0	0	150
Wanhua	Fujian	China	250	0	0	0	0	0	0	0	0	0	0	0	0	0	250
Wanhua	Yantai	China	300	0	0	0	0	0	0	0	0	25	12	0	0	37	263
China Sub-total			1,450	0	0	0	0	0	0	0	0	25	12	0	0	37	1,413
Mitsui	Omuta	Japan	120	0	0	0	0	0	0	0	0	0	0	0	0	0	120
TOSOH	Shunan	Japan	25	0	0	0	0	0	0	0	0	0	0	0	0	0	25
BASF	Yeosu	South Korea	160	0	0	0	0	0	0	0	0	0	0	0	0	0	160
Hanwha	Yeosu	South Korea	50	0	0	0	0	0	0	0	0	0	0	0	0	0	50
Hanwha	Yeosu	South Korea	50	0	0	0	0	0	0	0	0	0	0	0	0	0	50
Hanwha	Yeosu	South Korea	50	0	0	0	0	0	0	0	0	0	0	0	0	0	50
OCI	Gunsan	South Korea	50	0	0	0	0	0	0	0	0	0	0	0	0	0	50
Rest of Asia Sub-total			505	0	0	0	0	0	0	0	0	0	0	0	0	0	505
Global Sub-total			3,254	0	0	0	0	0	0	20	21	54	12	0	0	108	3,146
Global Monthly Nameplate Capacity				276	258	276	267	276	267	276	276	267	276	267	276		
Global Monthly Effective Capacity				276	258	276	267	276	267	255	254	213	263	267	276		

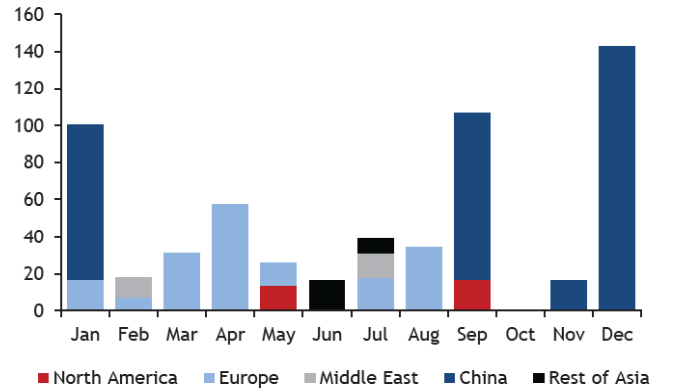
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SHORT-TERM FUNDAMENTALS

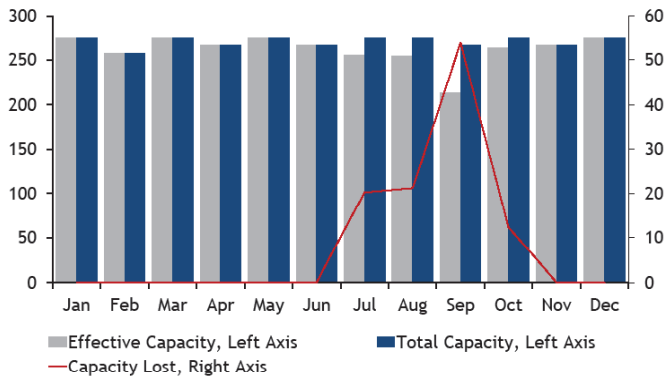
2023 Global MDI Capacity Lost '000t



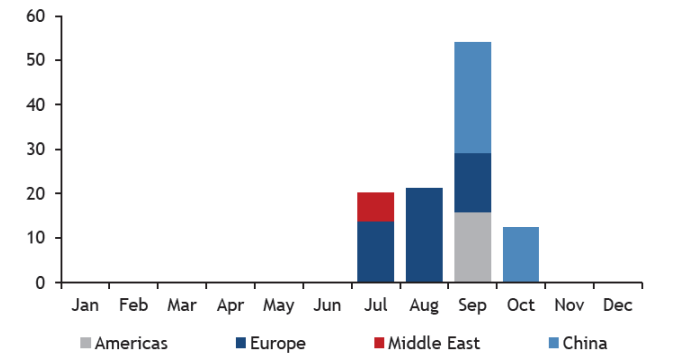
2023 Regional MDI Capacity Lost '000t



2022 Global TDI Capacity Lost '000t



2023 Regional TDI Capacity Lost '000t



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