



Heidi Finch is ICIS's expert on the European crude methyl di-p-phenylene isocyanate (MDI) market. We talked to Heidi about the medium-term future of the market.

Q. What is influencing the European market?

A. The European MDI market is caught between two competing forces – a legislative drive for higher standards of insulation in homes and buildings; and the economic downturn, which has reduced the amount of construction underway across parts of Europe.

Q. So, is one side more dominant?

A. The forces are roughly balanced. MDI can be used with rigid polyols to make efficient insulating foam. Demand has held up reasonably because of its good insulating performance compared with other materials.

That said, we would normally expect demand to pick up in late spring/early summer, but this has not happened. This is due, in part, because of the economic climate.

Q. Is the construction sector the only outlet for MDI insulation?

A. No, it is also used in polyurethanes (PU) in the automotive sector and the domestic white goods sector, both of which are slow at the moment.

Q. Are supply and demand balanced?

A: There have been some production problems in Europe. The last plant expansion was by BorsodChem in Hungary at its MDI M2 plant in October 2011, although its MDI M1 unit remains idled for economic reasons.

Q. Upstream of MDI, benzene has been very volatile recently. Is this affecting prices?

A: The benzene price does have an impact on the profitability of MDI and sellers have been trying to use

recent increases in the benzene price as a way to stabilise costs and to try to recoup lost ground. They argue that price rises are necessary to ensure that their businesses are profitable enough to make investments.

Q. And the buyers?

A. They argue that supply and demand should be used to set the price and are talking of lower numbers towards the end of the year. As usual, it is likely that the outcome will be somewhere between the two positions.



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