



## **OUTLOOK 2013: polyethylene (PE) imports to grow in Latin America during 2013**

The natural demand growth for polyethylene (PE) in Latin America derived from economic development and demographic changes is not finding a corresponding increase in production, and this will bring more opportunity for sellers of imported product in the region during 2013.

The only project that is moving ahead in Latin America is Braskem/IDESA Ethylene XXI in Mexico, and this will not come on line until the last quarter of 2015, if the project remains on schedule.

The global economic crisis is slowing down the prospects of nations such as Brazil, a member of the so called "BRIC" (Brazil, Russia, India and China) countries noted by their rapid ascendance in economic development.

The development of other Latin American countries has also hit some snags. The region as a whole will grow slower than initially expected.

The region, including Mexico and the Caribbean, is expected to see GDP growth of about 3.9% in 2013, according to IMF forecasts. Similar growth figures are usually expected for commodities, as a minimum.

Market participants in Mexico remain optimistic about the prospects for 2013. Mexico has made some strides in competitiveness, attracting industrial production to serve domestic needs and also to export products to the US from its strategic location.

Plastic processors have had a decent year in 2012 and expect demand to grow further in 2013.

Brazil, the largest petrochemical producer in the region, had stumbled in the first half of 2012 and it is struggling to keep its currency steady, but market participants remain optimistic for 2013.

Demand for polyolefins has not declined as much as other segments of the economy, a Brazilian distributor said.

With the international events that Brazil will host in coming years (2014 Soccer World Cup, 2016 Summer Olympics) it is certain the country will have a good level of economic activity, the source said.

The greatest preoccupation in Argentina stems from the government's protectionism, which has made imports less available in Argentina.

The expropriation of the Repsol assets of YPF has created an international storm that threatens to further isolate Argentina from capital markets, at a time when the government is seeking investments in the oil, gas and mining sectors.

Argentina has implemented price controls, but in general, the prices chemical producers are allowed to pass along are higher than found in the international market.

Conditions will be steady in Colombia, a country that remains dependent on PE imports from Brazil, Asia and the US Gulf. With monthly price adjustments based on US Gulf benchmarks and currency fluctuations, prices in Colombia will follow international guidelines.

Expect to see Venezuela increasing its imports program, as demand in that nation has gone up without a corresponding increase in production of PE. Joint ventures with Braskem remain in the bookshelf, waiting for favourable conditions.

Venezuela's presidential elections last November suggest that conditions for industry will be unchanged for a while. Production will likely remain spotty and insufficient to cover domestic needs.

Net importers on the Pacific coast such as Chile, Peru and Ecuador are expected grow in sync with their demographic changes.



If demand from China does not improve in 2013, Latin American markets may see a surge of imports from the Middle East sailing west.

*By George Martin*



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