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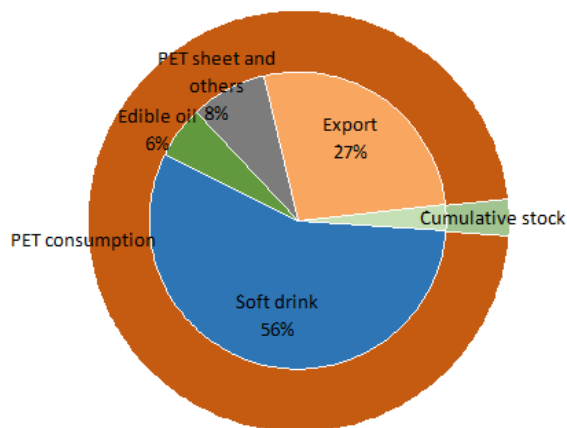
PET bottle chip downstream roundup in Q1 2017

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PET bottle chip demand totaled 1.14 million tons in Q1 2017, slightly up y-o-y. Soft drink still takes up more than half the demand. According to NBS (National Bureau of Statistics), China soft drink output amounted to 45.52 mln tons in Q1 2017, rising 8% on annual basis, but the growth rate was slower than past year. Demand from edible oil and PET sheet maintained steady and small growth. Exports declined somewhat in Q1, mainly because the price rose too quickly in previous stage, and Spring Festival holiday also affected delivery.

PET bottle chip demand distribution in Q1 2017



Source: CCFGroup

Since PET resin price hiked before Lunar New Year holiday, downstream and traders didn't build much stock in advance. After the holiday, downstream refillings primarily emerged in mid Jan, mid Feb and mid-late Mar. The early restocking activities were due to soaring feedstock while the latter ones were because PET resin trended sideways after retreating.

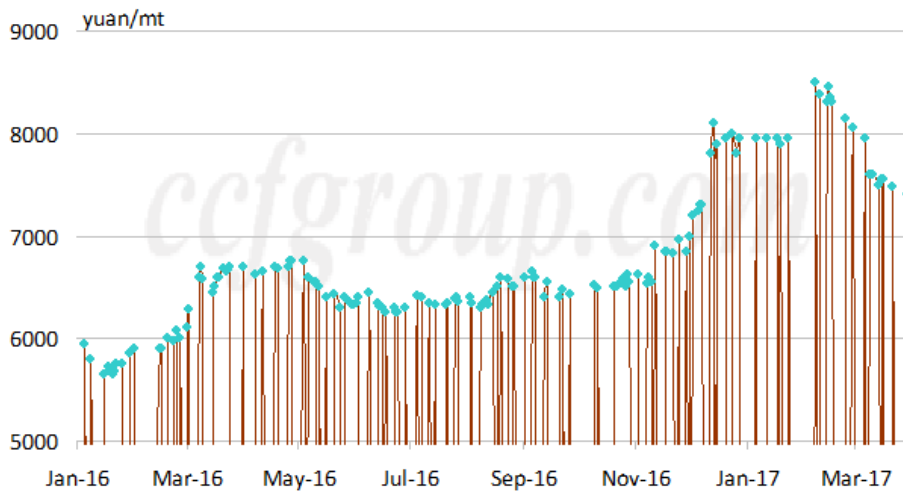
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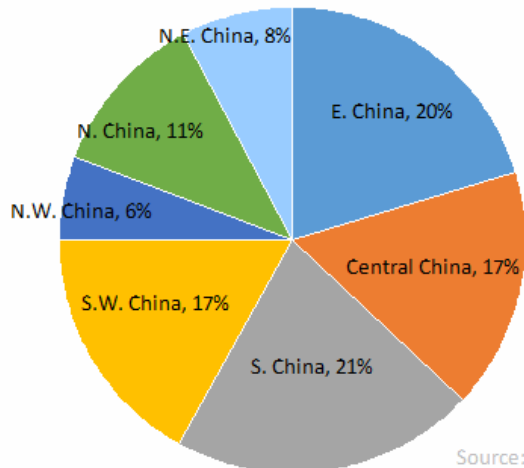
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Purchasing point by large PET downstream plants



East China and south China remains the major PET consumption areas, bolstered by the dense population, vast rigid demand basis as well as relatively developed economy. Consumption ratio in S.W. China is lifting.

PET consumption by region in Q1 2017



Source: CCFGroup

China soft drink operating rate rose gradually in Q1, though have registered slip in between on Lunar New Year holiday impact. After the holiday, to pave way for summer promotion, beverage operating rate once marched above 80%, with some bottled water plants reaching 90% or even full rate. Since price level declined later, downstream purchases slowed down in early Q2, so did soft drink operating rate. Running rate in some beverage plants curtailed to 60-70%. In all, soft drink output y-o-y growth rallied in Q1 and PET rigid demand increase was moderate.

Average O/R of soft drink industry in recent 3 years

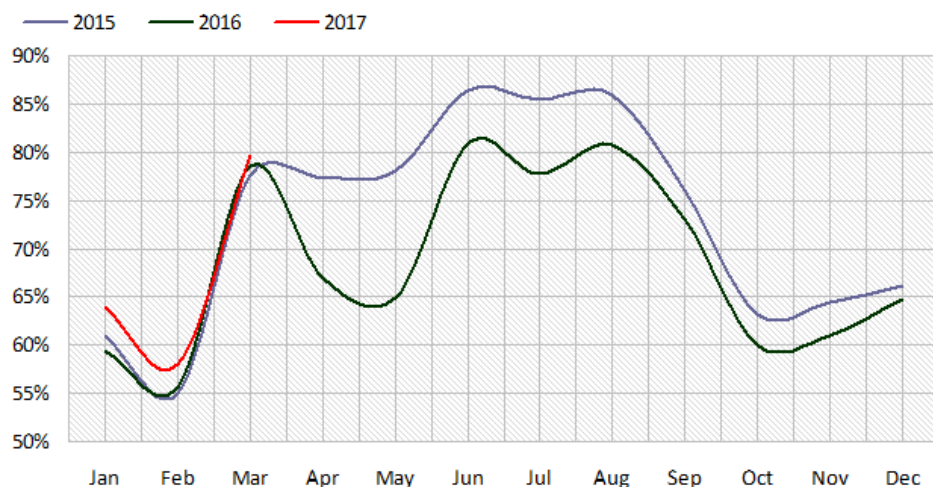


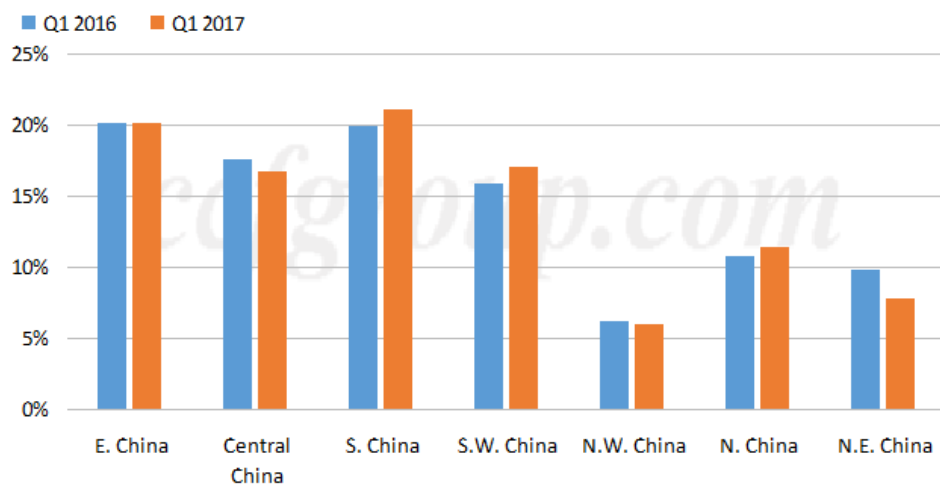
Figure 1. Soft drink operating rate in each province in Jan-Sep 2015-2016

Province	Q1 2016	Q1 2017	Change
Beijing	57%	59%	2%
Tianjin	63%	68%	5%
Hebei	78%	78%	0%
Shanxi	49%	48%	0%
Inner Mongolia	36%	35%	-1%
Liaoning	49%	38%	-11%
Jilin	71%	59%	-12%
Heilongjiang	36%	37%	1%
Shanghai	55%	54%	-1%
Jiangsu	60%	65%	4%
Zhejiang	69%	65%	-3%
Anhui	67%	68%	1%
Fujian	71%	79%	8%
Jiangxi	72%	63%	-9%
Shandong	63%	70%	7%
Henan	89%	84%	-5%
Hubei	89%	90%	1%
Hunan	44%	35%	-9%
Guangdong	62%	65%	4%
Guangxi	47%	61%	14%
Hainan	55%	48%	-7%
Chongqing	77%	66%	-11%
Sichuan	87%	88%	1%
Guizhou	86%	80%	-6%
Yunnan	93%	90%	-3%
Xizang	45%	17%	-27%
Shaanxi	68%	68%	0%
Gansu	50%	51%	1%
Qinghai	43%	57%	15%
Ningxia	60%	40%	-20%
Xingjiang	58%	60%	1%

O/R in E. China maintained range bound in Q1 and output kept steady growth. S. China market fared well and output expansion ranked among top list while N.E. China market typically warms up after Apr due to low temperatures. N. China and S.W. China have drawn a good pic in recent years, with production ratio growing somewhat. But N.W. China's production was subdued by slower local demand and beverage O/R also inched lower.

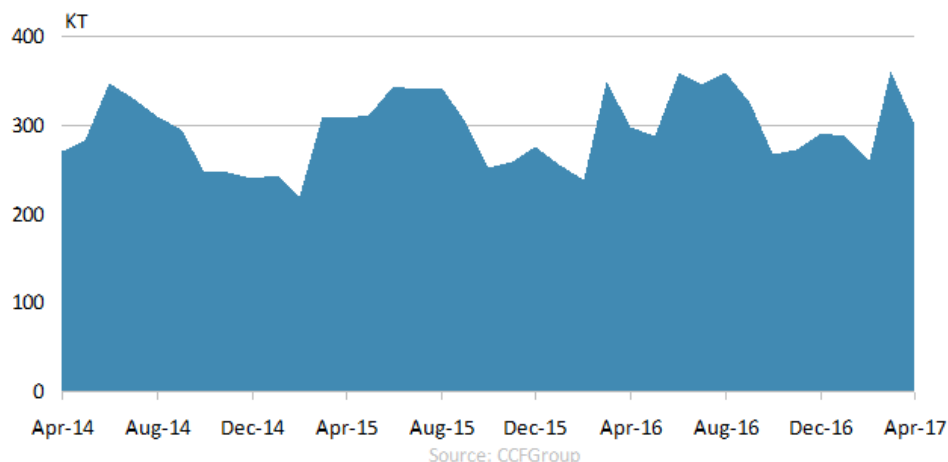
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China soft drink regional output percentage comparison

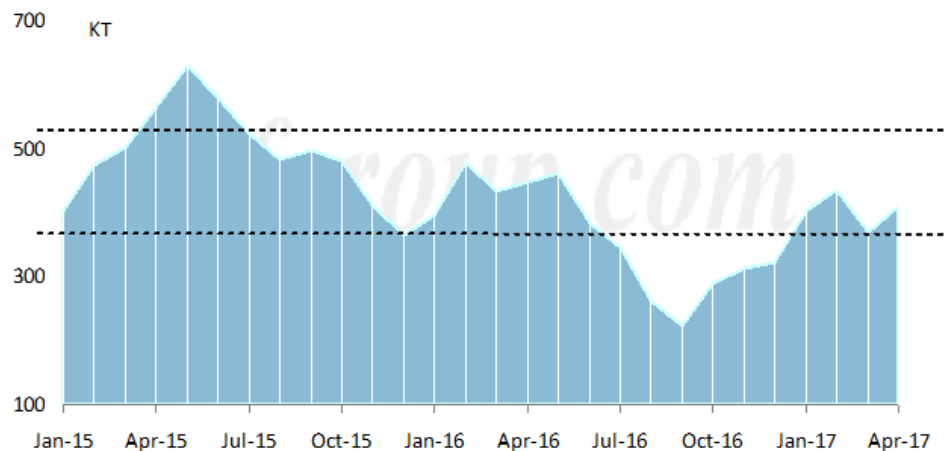


According to CCFGroup statistics, China soft drink consumption for PET resin was assessed at 900-910kt, up 8% on year, which equals to 79-80% of total domestic demand. After Lunar New Year holiday, due to sharp retreat in PET prices, downstream purchases slowed down and PET bottle chip factory stock level modestly piled up.

Soft drink demand for PET



China PET bottle chip inventory



PET resin supply and demand maintained tightly balanced in Q1 since Q1 launched zero capacity, though exports declined. Soft drink overall production grew steadily and PET rigid demand is expected to rally moderately. Later on, with new capacity coming up and more trade barriers occurring, PET

Submitted by Compagnie Serebis Canada

6/18/2017 The Dumping and Subsidizing of
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bottle chip market may face increasing pressure.

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COMPLAINT
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