

March 24, 2023 | Volume 12: Issue 12

THIS WEEK IN THE MARKET

PVC RESIN: PVC prices settled for Feb this week up the predicted 1 cpp, which took net transaction prices to 51-53 cpp for pipe grade and 55-58 cpp for GP grade. A market pundit changed its projection of future prices yet again and now forecasts that resin prices will be flat for Mar and Apr, drop 2 cpp in May before rising 1 cpp in Jun, flatten out for Jul, move up 2 cpp for Aug, be flat for Sep and Oct, then drop 1 cpp each month in Nov and Dec. Converters noted that this projection appeared to ignore the PVC market's seasonal demand pattern.

Converters said it should be evident by now that PVC prices will not be rising by 4-5 cpp any time soon, barring a plant explosion or a hurricane, and wondered if PVC producers were going to stop rolling their price increases forward month after month. Formosa, Shin-tech and Westlake all have price hikes on the table of 4 cpp for Mar and 4-5 cpp for Apr. OxyVinyls, on the other hand, left its 4 cpp price hike in place for Feb and announced a 5 cpp price increase for Mar, but had not issued a price increase for Apr.

PVC prices were not getting any lift from ethylene. Spot ethylene prices have been range bound at the Mont Belvieu, TX Enterprise hub this month at 20-22 cpp, although they jumped higher on Friday. Contract ethylene prices moved down 1.25 cpp for Jan and 0.25 cpp for Feb, for a total reduction of 1.5 cpp. The Mar contract price will settle in early Apr.

The domestic PVC market was also not getting any upward push from export prices. Export prices bottomed out in Dec 2022 at \$600-610/mt FAS USG, after which producers managed to push them up to \$850-865/mt FAS by the end of Feb. Prices started dropping after that and reached \$780-800/mt FAS this week. It should be noted, however, that the impact of export prices on domestic PVC prices is significantly lower now than it was when suppliers were exporting 30% of their production. And even then, the export market could exert an influence on the domestic market but could not determine the direction or magnitude of domestic price moves all by itself. The 30% tail could not wag the 70% dog.

REGRIND/RECYCLE PVC: PVC mixed colors pipe regrind was lower at 28-30 cpp delivered east of the Mississippi on weak demand from the residential and commercial construction sectors despite the start of springtime building season. PVC garden hose regrind (green) was down a few cents in the low-30s cpp. Clear post-industrial PVC regrind made from profiles was in the mid-40s cpp and medical grade PVC regrind from IV pouches and tubes was in the low-50s cpp, down from the low-80s cpp last summer, all delivered east of the Mississippi.

ETHYLENE: Mar MtB-EPC ethylene pounds traded once each at 22.25 cpp, 22.5 cpp, and 22.125 cpp, four times at 22 cpp, six times at 21.75 cpp, and then once at 21.875 cpp. Apr MtB-EPC traded once at 21.625 cpp, twice at 21.5 cpp, three times at 21.375 cpp, twice at 22 cpp and once at each 22.25 cpp and 22.5 cpp. Apr TX-Other traded at 21.5 cpp. In Louisiana, Mar Choctaw traded once each at 18.25 cpp and 18 cpp. Apr Choctaw ethylene traded once each at 18 cpp and 18.25 cpp. Mar Sulphur pounds traded once at 18.25 cpp.

PRICE SNAPSHOT

Domestic Contract

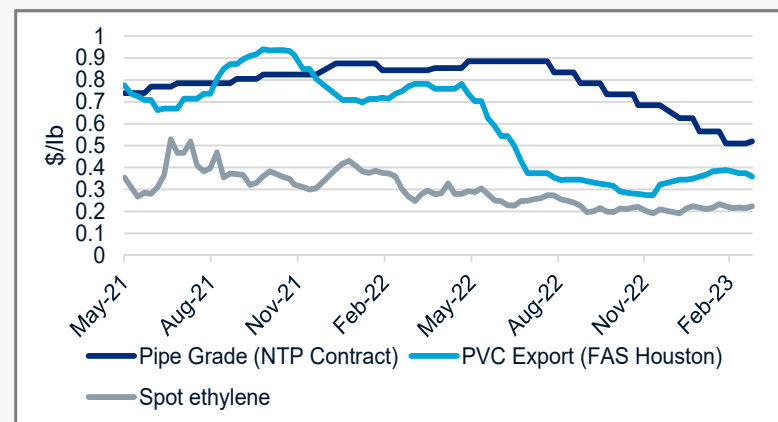
| (\$/lb) | Low | High | Midpoint | \$/mt |
|---------------------|------|------|----------|---------|
| NTP CONTRACT | | | | |
| Feb Pipe Grade | 0.51 | 0.53 | 0.52 | \$1,146 |
| Feb GP Grade | 0.55 | 0.58 | 0.565 | \$1,246 |

POSTED CONTRACT

| | | | | |
|----------------|------|------|-------|---------|
| Feb Pipe Grade | 0.80 | 0.83 | 0.82 | \$1,797 |
| Feb GP Grade | 0.86 | 0.89 | 0.875 | \$1,929 |

Spot Export

| (\$/mt) | Low | High | Midpoint | \$/lb |
|--------------------|-----|------|----------|--------|
| FAS HOUSTON | | | | |
| 3/24/2023 | 780 | 800 | 790 | 0.3583 |
| 3/17/2023 | 820 | 830 | 825 | 0.3742 |
| 3/10/2023 | 820 | 830 | 825 | 0.3742 |
| 3/3/2023 | 840 | 850 | 845 | 0.3833 |



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PVC PIPE MARKETS

MUNICIPAL PIPE: Converters said they were getting job orders and stock orders every day, but that the quantity of orders depends on location and weather. Converters in the South were seeing more activity than those further north where winter was still hanging on, while projects in some areas of the country have been delayed by bad weather. They said their specialty businesses were seeing gangbuster demand in the form of job orders, not stock, which tells them that the regular pipe business is also very busy.

Distributors were filling a lot of orders from inventory and that has prevented converters from seeing the full extent of market demand and gauging whether the traditional spring demand surge has returned this year. They believe demand will get better for them in Apr, as by then distributors' inventories will have wound down.

Prices were still seen in the range of Blocks 420-440. This was the 47th week that Block 440 was in the price range. Converters were divided into two camps, those still working to keep as many orders as possible at Block 440 and those offering Block 420 to anybody anywhere at any time. There was talk that prices below Block 420 had been offered but these were not substantiated.

PLUMBING PIPE: Converters were still selling pipe off of the Jan price sheets this week. Those sheets set pricing of 4" Schedule 40 DWV plain end pipe at \$3.46/ft in the Southeast, \$4.14/ft in the Central & Northeast regions, \$3.16/ft in Texas & Oklahoma, and \$4.79/ft in the West. Effective dates had ranged from Jan 11 to Jan 20.

Discounts off the Jan sheets were still seen in a wide range depending on the area of the country as well as the size of the buyer and the seller. Distributors in Texas & Oklahoma reported that discounts from some converters had risen from 10% to 15%, a move that was not particularly appreciated as it devalued their inventory.

In very competitive areas, such as the Southeast, 15% discounts were pretty much history and discounts as large as 25% were being offered by some regional converters. On the other hand, those converters with what customers view as a better rebate program were not offering the largest discounts.

The price ranges were unchanged this week, though there was some movement within the ranges. Prices were still put at \$2.60-2.80/ft in the Southeast region, \$3.11-3.63/ft in the Central and Northeast regions, \$2.37-2.74/ft in Texas & Oklahoma, and \$3.10-3.65/ft in the West.

CONDUIT PIPE: Converters' efforts to raise prices to the level of their Mar 6 price sheets had failed. The price sheets were intended to push prices to \$646.09/100 ft in the East, \$651.30/100 ft in the Central region, \$593.99/100 ft in the Southwest and \$651.30/100 ft in the Northwest.

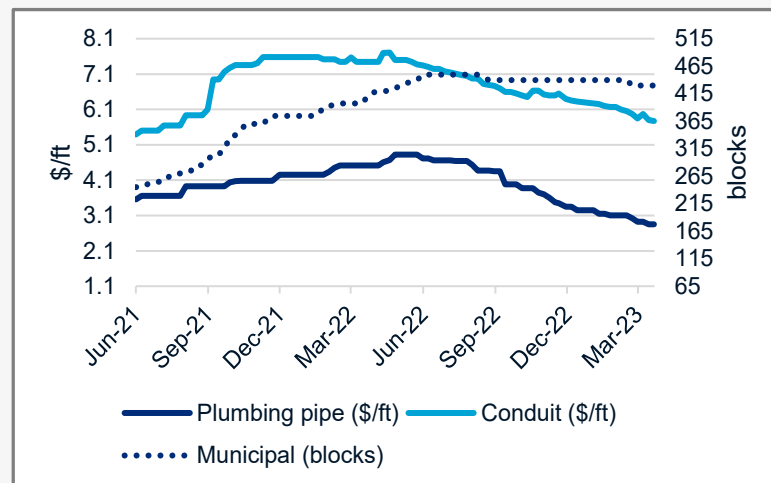
Some converters stated their order intake had dropped by 30% or more since they started

PVC PIPE PRICES

| Municipal Pipe (Blocks) | Low | High | Midpoint |
|-------------------------|-----|------|----------|
| 3/24/2023 | 420 | 440 | 430.00 |
| 3/17/2023 | 420 | 440 | 430.00 |
| 3/10/2023 | 420 | 440 | 430.00 |
| 3/3/2023 | 420 | 440 | 430.00 |

| Plumbing Pipe (East \$/ft) | Low | High | Midpoint |
|----------------------------|------|------|----------|
| 3/24/2023 | 2.60 | 3.11 | 2.86 |
| 3/17/2023 | 2.60 | 3.11 | 2.86 |
| 3/10/2023 | 2.60 | 3.25 | 2.93 |
| 3/3/2023 | 2.60 | 3.25 | 2.93 |

| Conduit Pipe (East \$/100 ft) | Low | High | Midpoint |
|-------------------------------|-----|------|----------|
| 3/24/2023 | 570 | 585 | 577.50 |
| 3/17/2023 | 570 | 590 | 580.00 |
| 3/10/2023 | 585 | 610 | 597.50 |
| 3/3/2023 | 575 | 595 | 585.00 |



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PVC PIPE MARKETS, continued

trying to implement the Mar 6 price sheets. Competitors said they were in the same boat -- they had seen no prebuy prior to the price hike and the spring demand surge was late. They warned that if converters started cutting prices deeply now, they would be cutting their own throats because it wouldn't result in more orders.

A number of converters were quoting a lot of projects but had not seen good stock business yet, which was making it appear as if construction season was starting a bit late this year. One factor could be that big distributors had clamped down and were not buying much conduit yet. Instead, distributors were filling orders from their own inventory.

Converters said they don't think they will see another price increase attempt until demand gets better and pipe starts moving out of their yards. For this week, prices were put at \$570-585/100 ft in the East, \$580-605/100 ft in the South Central region, and \$595-615/100 ft in the North Central region. Prices in the Southwest had broken the \$500/100 ft barrier and were down to \$495-525/100 ft, while prices in the Northwest were at \$570-590/100 ft.

INTERNATIONAL UPDATE

ASIA: FPG Taiwan announced its Apr prices last week with reductions across the board. FPG's price to China dropped by \$60/mt to \$865/mt CFR and its price to India dropped by \$70/mt to \$900/mt CFR, while its FOB Taiwan price dropped by \$60/mt to \$820/mt.

Ethylene crackers across Asia were running at reduced rates, most often heard at around 70%, due to low demand from downstream polymers markets. With the Islamic holy month of Ramadan beginning this week and running until Apr 20, demand will be reduced to parts of India, Turkey, Africa and Southeast Asia. Demand into Turkey was already affected by the recent earthquake there.

US GULF: There was still no word from Westlake or OxyVinyls regarding prices for Apr lifting. Shintech sold out early at what were heard to be very low prices. Prices were put at \$780-800/mt FAS USG this week.

Formosa didn't offer any resin for Mar lifting and won't be offering for Apr due to an upcoming EDC turnaround at its Point Comfort, TX plant in May. Shintech's Freeport, TX PVC plant is undergoing a turnaround now. Westlake will be taking its Plaquemine, LA PVC plant down for a turnaround in May.

MEXICO: Vestolit set its Mar prices at \$920-940/mt for pipe grade and \$1190-1210/mt for GP grade, delivered and with payment terms. Its Mar export price was set at \$900/mt FOB Altamira.

FEB 2023 NEW HOME SALES UPDATE

New Home Sales: Sales of new single-family houses in Feb 2023 were at a seasonally adjusted annual rate of 640,000, according to estimates released jointly on Thursday by the US Census Bureau and the Department of Housing and Urban Development. This is 1.1% above the revised Jan rate of 633,000 but is 19% below the Feb 2022 estimate of 790,000.

Sales in the South were at a seasonally adjusted annual rate of 415,000, which is 3% higher than the revised Jan rate of 403,000 but is 8.8% lower than the Feb 2022 level of 455,000. As usual, the largest number of homes sold was in the South. Sales in the West were at a seasonally adjusted annual rate of 133,000, which is 8.1% above the revised Jan rate of 123,000 but is 33.2% lower than the Feb 2022 rate of 199,000.

Sales in the Northeast were at a seasonally adjusted annual rate of 21,000, which is 40% below the revised Jan rate of 35,000 and is 55.3% lower than the Feb 2022 rate of 47,000. Sales in the Midwest were at a seasonally adjusted annual rate of 71,000, which is 1.4% below the revised Jan rate of 72,000 and is 20.2% below the Feb 2022 rate of 89,000.

Sales Price: The median sales price of new houses sold in Feb 2023 was \$438,200. The average sales price was \$498,700.

For Sale Inventory and Months' Supply: The seasonally adjusted estimate of new houses for sale at the end of Feb was 436,000. This is 0.7% below the Jan rate of 439,000 but is 10.1% higher than the Feb 2022 rate of 396,000. This represents a supply of 8.2 months at the current sales rate. This is 1.2% below the Jan rate of 8.3 months' supply but is 36.7% above the Feb 2022 rate of 6 months' supply.

