

# **Chemicals Industry Outlook 2H 2024**

*10:30 – 12:30 PM  
31 July 2024*

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## Segmental outlook 2H 2024

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- *Ethylene & MEG*
- *Polymer*
- *Paraxylene & MTBE*

### 02 Fertilisers & Methanol Segments

- *Methanol*
- *Urea & Ammonia*

### 03 Q&A

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## **Olefins & Derivatives**

*Ethylene & MEG*

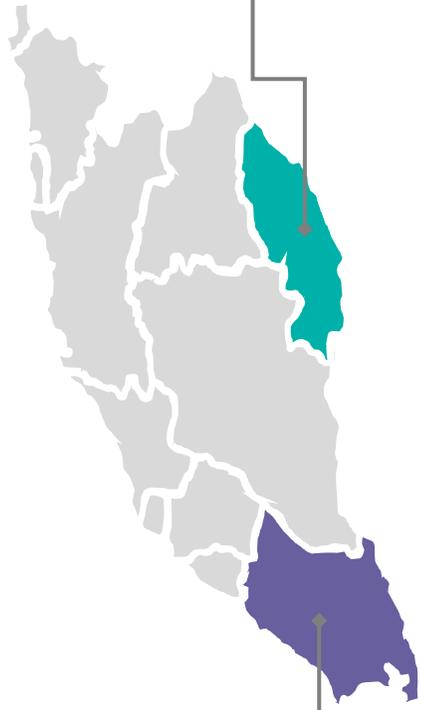
**Foo Mun Chuan**

# Olefins, Glycols & Derivatives: Product Portfolio & Applications (Ethylene & MEG)

Total Product Portfolio

**3,400 KMTPA**

**1,360 KMTPA**



**2,040 KMTPA**

## KERTeH IPC

**1** PC Ethylene Sdn Bhd (PCESB)



**400 KMTPA**

- Ethylene

Technology: ABB Lummus

End product:



**2** PC Olefins Sdn Bhd (PCOSB)



**600 KMTPA**

- Ethylene

Technology: Linde

End product:



**3** PC Glycols Sdn Bhd (PCGSB)



**360 KMTPA**

- Mono Ethylene Glycol (MEG)

Technology: DOW METEOR

End product:



## PENGERANG INTEGRATED COMPLEX

**1** PRefChem Ethylene



**\*\*1,300 KMTPA**

- Ethylene

Technology: ABB Lummus

End product:



**2** PRefChem MEG



**\*\* 740 KMTPA**

- Monoethylene Glycol (MEG)

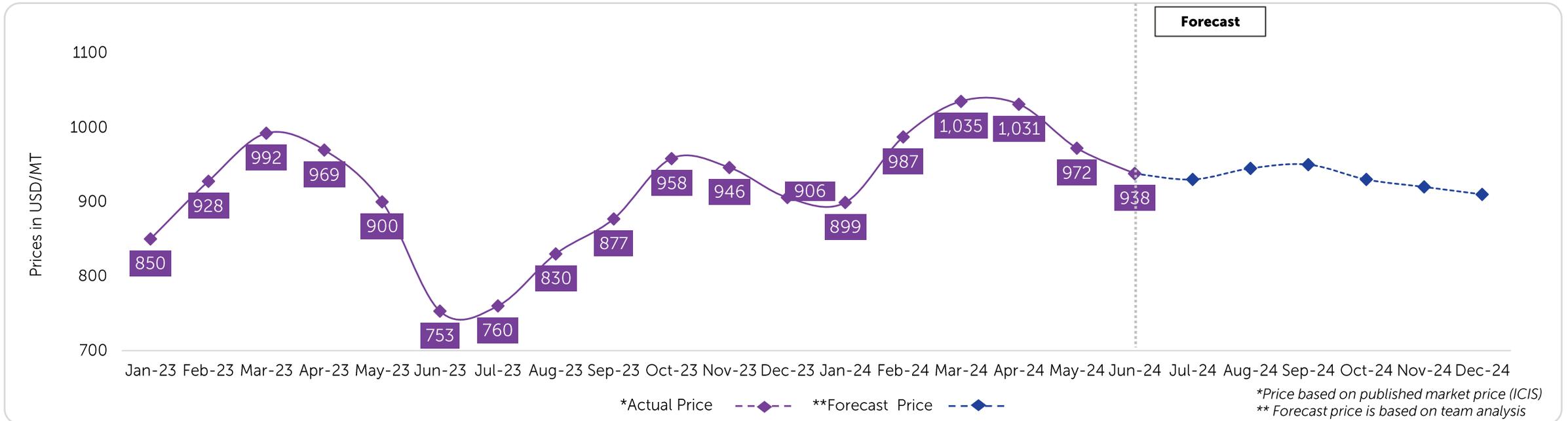
Technology: Shell Master

End product:



\*\* Based on total design capacity

# Ethylene outlook: Price to improve slightly in Q3 2024 in view of restocking activities in preparation for Golden Week festivities, prior to tapering off on year-end demand slowdown. Market players remain cautious with buying, selling, and inventory management due to ongoing logistics challenges



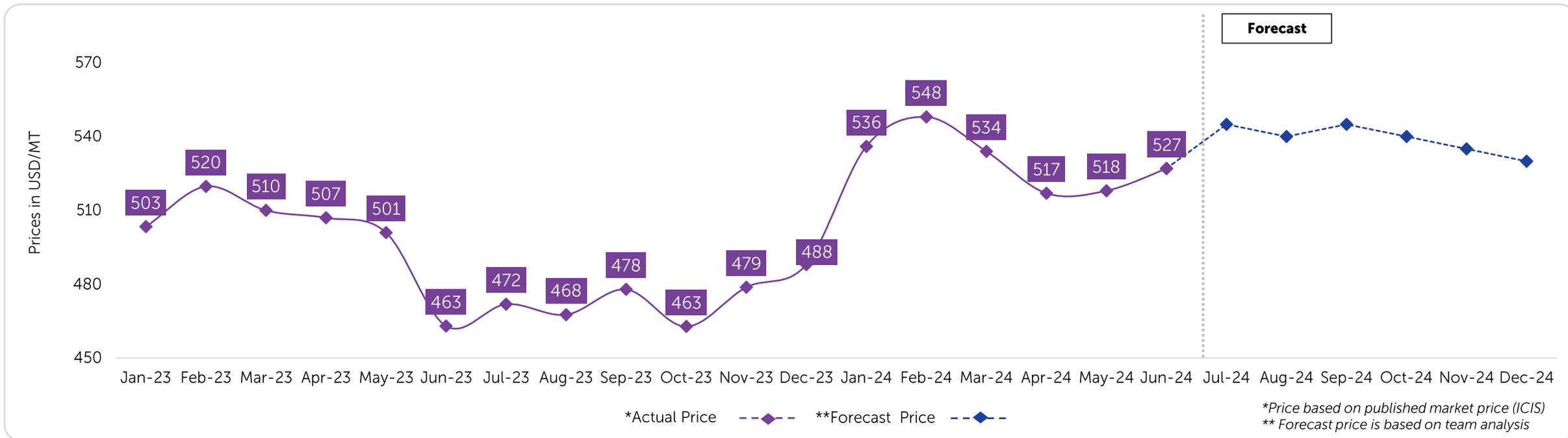
## 1H 2024 Overview

- Prices strengthened in 1Q due to tight supply in SEA as there were outages in the region, coupled with rising crude & naphtha prices in view of Panama Canal restrictions.
- Prices declined in 2Q as supply returned in the SEA region amidst weak downstream demand, as well as open arbitrage with NEA.

## 2H 2024 Outlook – Stable

- Supply is expected to be long as most regional crackers return from their maintenance, as well as new capacities expected to come onstream in NEA by end 2024 and in early 2025.
- Prices are expected to increase in Aug and Sept as derivative units restart after turnarounds but forecast to soften after when the labor force in downstream markets winds down for major festivities, namely Golden Week in China.
- Producers are not keen to maintain high inventory in view of freight costs and margin difficulties, limiting purchases on a need-to basis only. As a result, demand is expected to be curtailed.

# MEG outlook: Stable outlook anticipated for 2H 2024, with supply unlikely to increase due to limited imports, heavy turnaround plans and slow release of new capacities

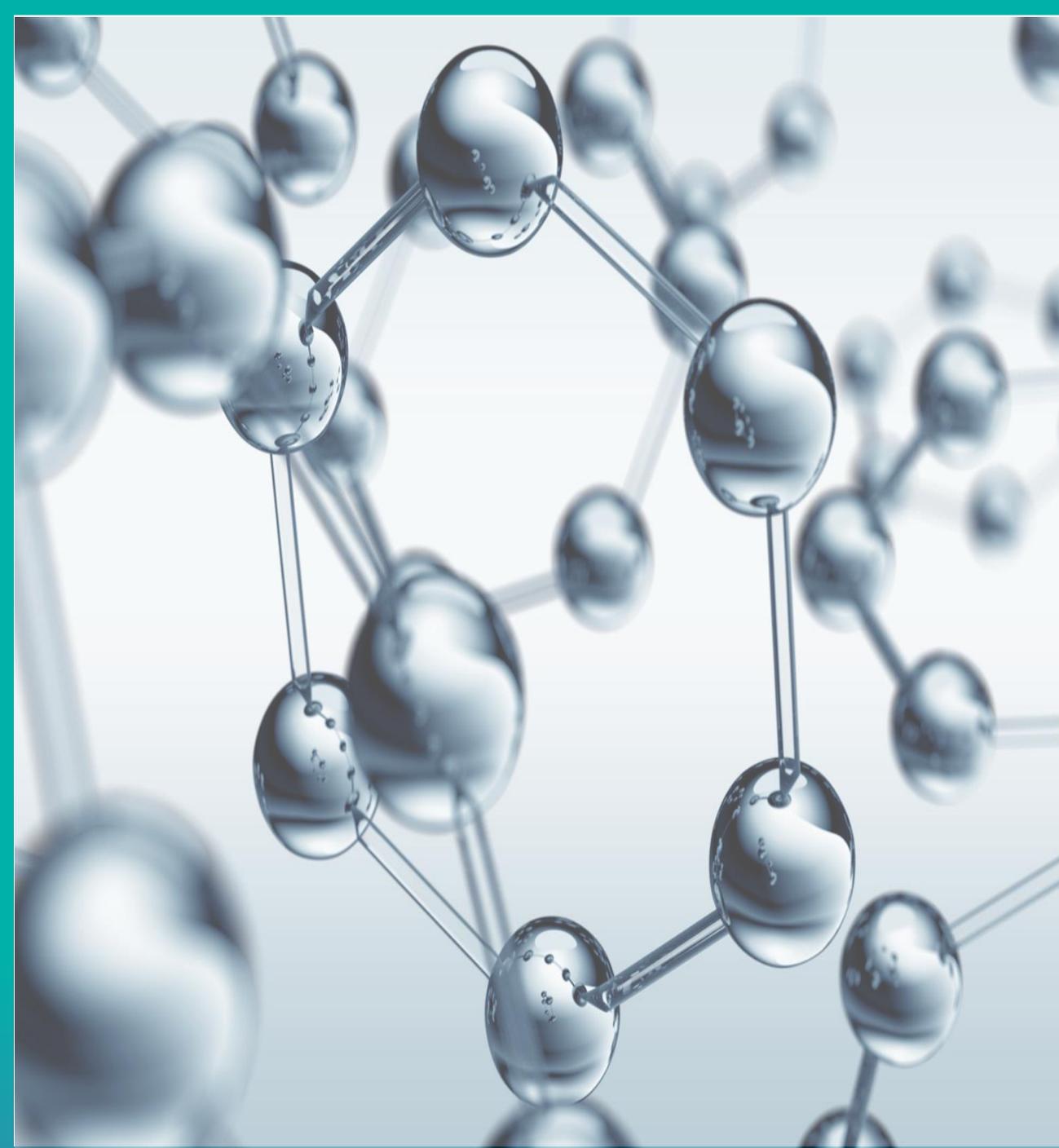


## 1H 2024 Overview

- Overall, MEG prices during the 1H 2024 was higher by 6% from the average prices in the first half of 2023.
- Prices increased due to the robust demand from polyester industry with average operating rate climbed to 93%.
- Limited new MEG capacity, supply constraints, falling port inventories, and decreased import from Saudi Arabia provided balance to MEG's supply and demand.

## 2H 2024 outlook – Stable

- Continuous limited imports into China from Saudi Arabia as curtailed output at local Saudi Arabia plants and possible no intention to scale up operation in the near term.
- Imports from US to China are likely to rise in the fourth quarter as Formosa USGC restarted in late June.
- Restocking of cargoes are anticipated in September prior to Golden Week holiday, supporting a slight increase in prices, followed by softening prices reflecting to the subdued end year demand.
- Polyester operating rate to be reduced to cut losses, stable to soft demand expected in July and August as it is lull season for polyester.



## **Olefins & Derivatives**

*Polymers ( LDPE, LLDPE, HDPE)*

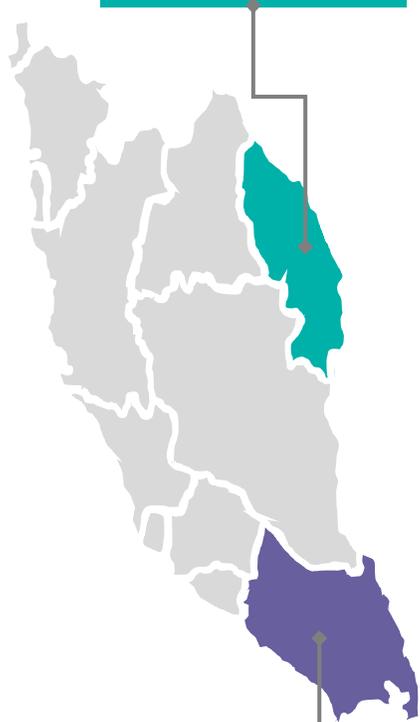
**Shazali B Wosnin**

# Polymer Products Portfolio & Applications

Total Product Portfolio

**1,320 KMTPA**

**495 KMTPA**



**825 KMTPA**

## KERTEH IPC

**1** PETRONAS Chemicals LDPE Sdn. Bhd. (PCLDPE)

**255 KMTPA**

- Low Density Polyethylene (LDPE)

**Technology:**  
SABTEC Clean Tubular

**End product:**



**2** PETRONAS Chemicals Polyethylene Sdn. Bhd. (PCPSB)

**240 KMTPA**

- High Density Polyethylene (HDPE)
- Linear Low Density Polyethylene (LLDPE)

**Technology:**  
Innovene G Ineos Technologies

**End product:**



## PENGERANG INTEGRATED COMPLEX

**1** PRefChem LLDPE

**\*\*350 KMTPA**

- Linear Low Density Polyethylene (LLDPE)
- Metallocene (mLLDPE)

**Technology:**  
Innovene G Ineos Technologies

**End product:**



**2** PRefChem HDPE

**\*\* 400 KMTPA**

- High Density Polyethylene (HDPE)

**Technology:**  
LyondellBasell Hostalen ACP

**End product:**



**3** PRefChem PP Spherizone

**\*\* 450 KMTPA**

- Homopolymer
- Random Copolymer
- Terpolymer
- Impact Copolymer

**Technology:**  
LyondellBasell PP Spherizone

**End product:**



**4** PRefChem PP Spheripol

**\*\* 450 KMTPA**

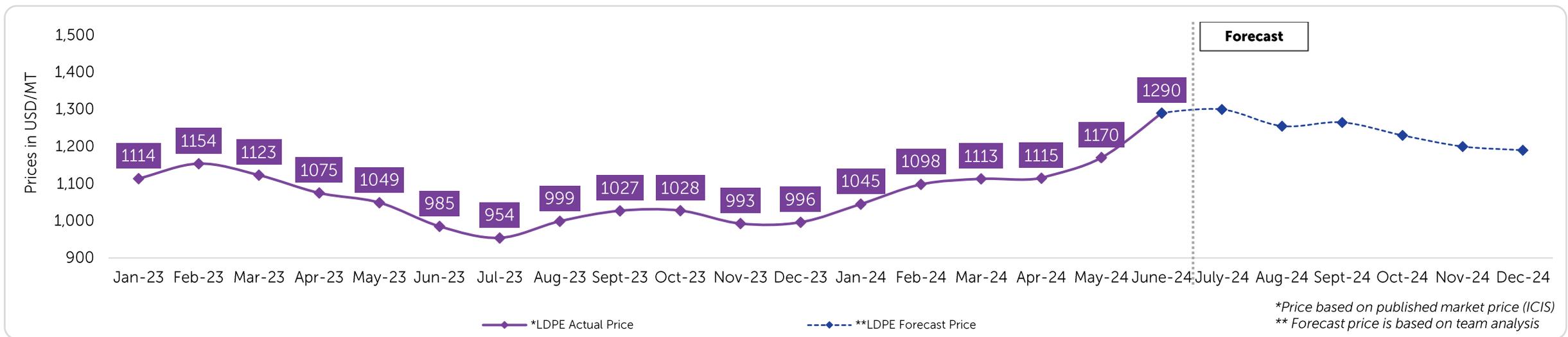
- Homopolymer
- Random Copolymer
- Terpolymer

**Technology:**  
LyondellBasell PP Spheripol

**End product:**



# LDPE Outlook: Prices surged in 1H amidst the Red Sea tension and supply tightness though market sentiment is expected to be muted in 2H ahead of the seasonal lull



## 1H 2024 Overview

- In the first half of 2024, the average price of LDPE increased to USD 1,139, compared to an average of USD 1,083 during SPLY.
- The significant price increase was primarily driven by the turnaround season in 2Q which curtailed LDPE supply in SEA and China coupled with firmer Ethylene prices.
- The ongoing Red Sea tensions, which started at the end of 2023, further exacerbated price pressures due to elevated freight costs from logistical constraints. (Avg. Freight 2023: USD 1,200, 2024: USD 3,500 per FEU from MEA to Asia)
- Overall demand remained subdued as converters resisted the price hike, anticipating a potential price decline in the second half of the year.

## 2H 2024 Outlook – Stable to soft

- General economy is anticipated to see slight improvement towards the end of 2024 with anticipated easing of inflation and increase in consumer spending amidst festivities such as China's Golden Week, Black Friday, Christmas and early restocking for 2025's Chinese New Year which may cushion the steep decline in prices.
- Converters are expected to replenish their inventories to cater to the peak manufacturing season needs in 3Q and 4Q, to meet the increased demand for packaging and agricultural film.
- The absence of capacity addition in SEA and the limited capacity addition in China will further provide slight support to the prices.
- Red Sea conflict is expected to prolong, pushing the freight cost up as vessels must divert to a longer route to their destination.
- Typical lull season in 4Q will further dampen the existing lackluster demand as converters purchase on a need-to basis.
- EVA converters are likely to keep operating rates low through the remainder of the year due to negative margins with exception in September in anticipation of traditional peak demand season in PV industry which may push for more EVA production resulting in lesser LDPE supply, consequently lending support to LDPE's price.

# LLDPE outlook: Firmer feedstock and tight supply supported price recovery in 1H, but the momentum is slowing on growing buying resistance in 2H amidst sluggish demand



## 1H 2024 Overview

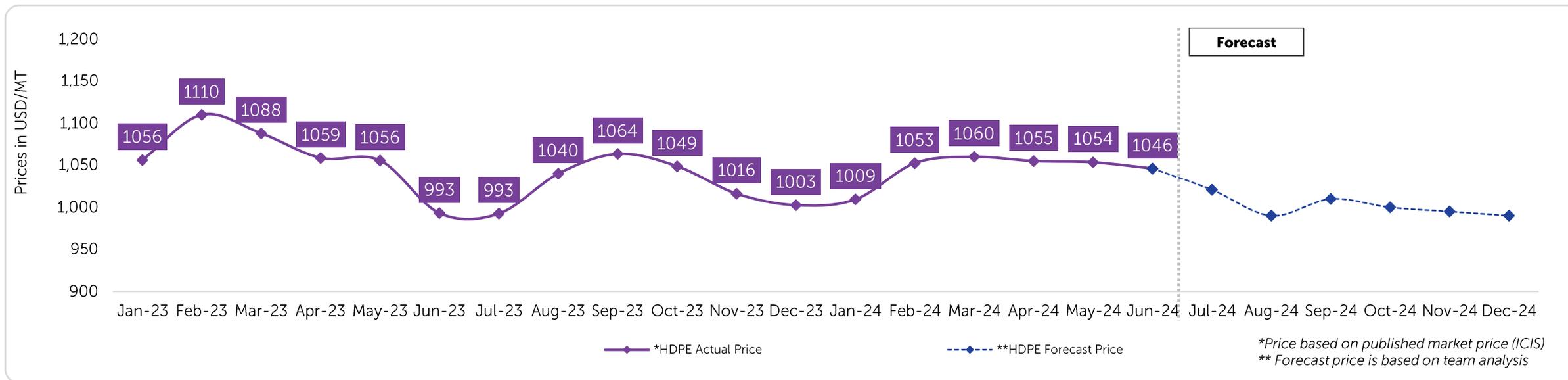
- In the first half of 2024, LLDPE average price was at USD1,048/MT; comparable with SPLY's average at USD1,044/MT.
- Prices recovered in 1Q in tandem with stronger Ethylene feedstock prices (1Q-24: \$974/MT vs 1Q-23: \$923/MT) and alongside the traditional pick-up season as players restock post holidays.
- Announcement on Indonesia's import quota enforcement in early 1Q has also induced temporary spike of import demand in the country.
- The improved price level was stable throughout 2Q, supported by turnaround season and global supply chain disruption stemming from the geopolitical unrest in Middle East.

## 2H 2024 outlook – Stable to soft

- Downstream demand is expected to weaken entering 2H, however pre-holidays packaging demand and China's peak agricultural season at the end of 3Q shall cushion steep price fall.
- Price hikes attempts are anticipated to be met by strong resistance by buyers amidst thinning margins and weak local currencies vs. US dollar.
- Anticipation of FED's interest rate cuts and improvement of inflation rates entering 2025 to provide confidence in end-products' markets.
- Persisting geopolitical tension in Red Sea continues to keep freight rates elevated, limits deep-sea cargo availabilities, and increases converters' dependency on domestic supply.
- Regional supply to lengthen with anticipated regional production restarts as most producers have completed their maintenance activities in May - June.
- Further impact from increased regional supply, i.e., Vietnam's Long Son Petrochemical (0.5 mil MTPA) and Malaysia's PRefChem (0.35 mil MTPA) shall be moderated by delays of 1.0 mil MTA China's new capacity startup\* to end 4Q ~ early 2025.

\*1.0 mil MTA China's NEW capacity addition:  
Sinopec Tianjin (300KMTA), Shandong Yulong (500KMTA), Shandong Jincheng (250KMTA)

# HDPE outlook: Market is anticipated to be softer in 2H2024 on supply surplus due to new capacities coming onstream in SEA and China.



## 1H 2024 Overview

- Average HDPE prices were lower in 1H 2024 by USD 14/MT from 1H 2023, i.e., USD 1,046/MT vs USD 1,060/MT, on weaker downstream finished goods demand and stiff price competition among sellers.
- The prices were fairly stable mainly due to supply tightness following insufficient production capacity and plant shutdowns, together with traditional peak season demand in 1Q.
- Elevated feedstock prices, depreciation regional currency vs USD, tepid downstream consumption and increased logistic cost were the factors that imposed a cautious buying sentiment on converters in the 1H of 2024.

## 2H 2024 outlook – Soft

- HDPE price is forecasted to be soft until the end of the year, with slight uptick in Sep'24, due to restocking activities prior to the agriculture peak season, festivities and holidays which traditionally will boost the packaging demand.
- prior to China's Golden week holiday.
- Downstream demand is expected to soften until the end of 2024, due to slow downstream consumption, causing a surplus of material in the market.
- Regional competition will increase with significant new capacity addition in SEA (500KMTA Vietnam's Long Son Petrochemical, 250KMTA Philippines's JG Summit and Malaysia's PRefChem 400KMT).
- China's HDPE imports continue to decrease with rising domestic production volume (1.3 mil MTA).
- The gradual improvement in the global inflation rate is also expected to improve the confidence in end-product markets, giving some support to HDPE price. (IMF's April 2024 forecast, inflation is expected to drop from 5.9% in 2024 to 4.5% in 2025.)



## **Olefins & Derivatives**

*Aromatics & MTBE*

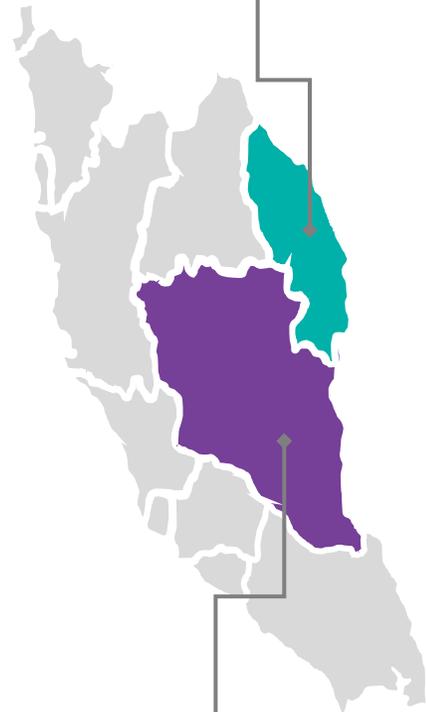
**M Nizam B M Yusof**

# Aromatics and MTBE : Product Portfolio & Applications (Paraxylene & MTBE)

Total Product Portfolio

## 3,400 KMTPA

680 KMTPA



330 KMTPA

1



PC Aromatics Sdn. Bhd.  
(PCARO)



680 KMTPA

- Paraxylene
- Benzene



Technology:  
Honeywell  
UOP



End product:



2



PC MTBE Sdn. Bhd.  
(PC MTBE)



330 KMTPA

- MTBE



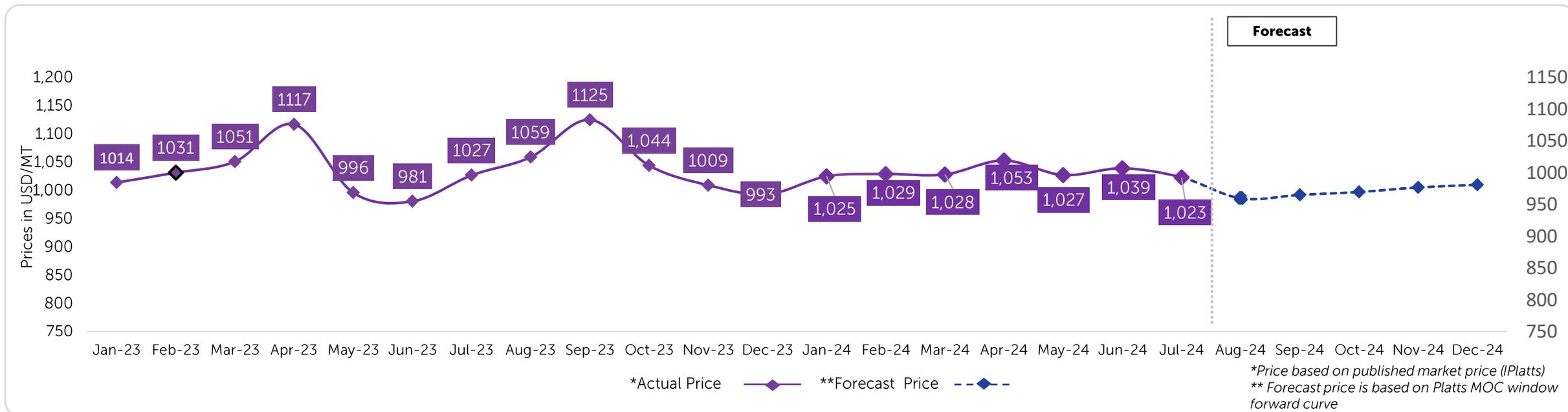
Technology:  
Honeywell  
UOP



End product:



# Paraxylene outlook: Aromatics margins is expected to be pinched in the absence of gasoline factor and stable downstream demand



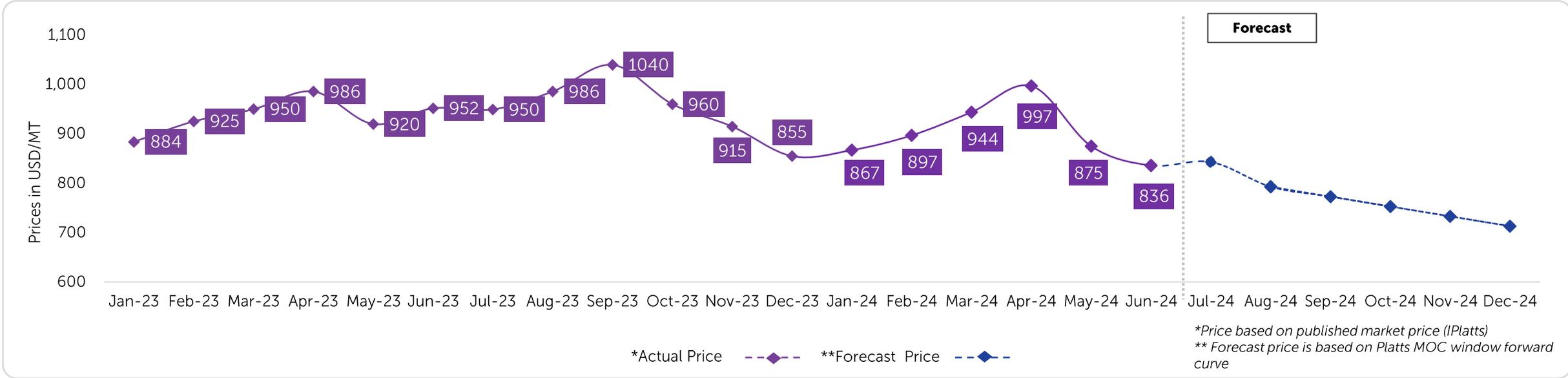
## 1H 2024 Overview

- Aromatics weakened due to higher motor gasoline (mogas) inventory in the US. The mogas crack spread remain below mid-teens vs all time high cracks at USD 30.00/bbl in 2023.
- Supply is ample as naphtha were not optimised into gasoline, instead into Aromatics and Olefins. Paraxylene-Naphtha spread average at USD 350/MT vs USD 400/MT from March to November 2023.
- Downstream demand for PTA was stable.

## 2024 2H Outlook – Bearish

- Weakening gasoline demand owing to continuous China exports via their full-blown production quotas, which uses cheaper Russian crude as feedstock.
- PTA prices expected to be pressured by typhoon season impacting logistics movement, leading to high inventories that may require producers to cut back production and clear inventories.

# MTBE outlook: MTBE is expected to be bearish in view of weakening gasoline demand



## 1H 2024 Overview

- MTBE was impacted by higher US mogas inventory which was building up since January 2024 as normal determining factors such as driving season having a minimal impact.
- The mogas crack spread vs dated Brent hit new high at close USD 30/bbl in 2023. However, it remained below mid-teens in view of market being more prepared with sufficient inventories, which posed threat to the gasoline market.
- Average MTBE Butane spread remained below USD 300/MT due to stable LPG prices and bearish gasoline market.

## 2024 2H outlook – Bearish

- Ample supply is expected due to excess production of Mogas and components out from China.
- Despite increase in energy prices, long MTBE situation expected to keep prices under pressure.
- The implementation of Electric Vehicle will be a continuous threat to MTBE as part of gasoline component.



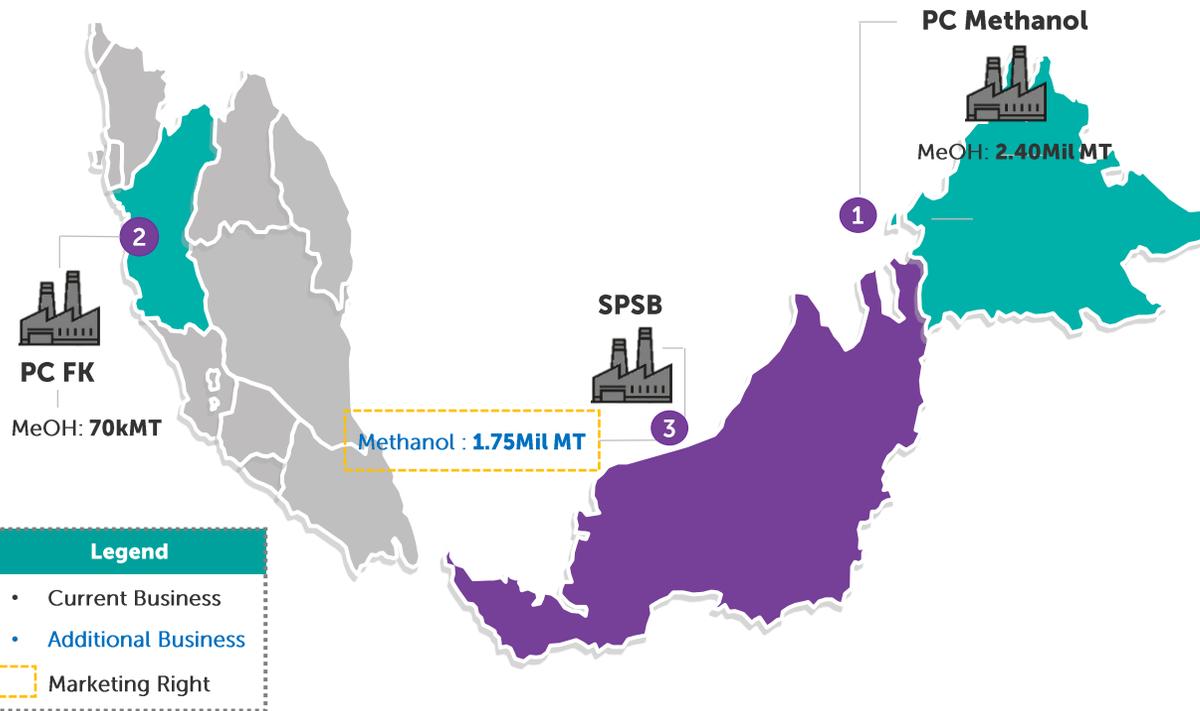
## **Fertilisers & Methanol**

*Methanol*

**M Nizam B M Yusof**

# Methanol Product Portfolio & Applications

Total Product Portfolio  
**4,174 KMTPA**



<p><b>1</b></p> <p><b>PC Methanol Labuan (PC Methanol)</b></p> <p> 2,400 KMTPA</p> <ul style="list-style-type: none"> <li>○ Methanol</li> </ul> <p> Technology: Lurgi</p>	<p><b>2</b></p> <p><b>PC Fertilizer Kedah Sdn. Bhd. (PCFKSB)</b></p> <p> 70 KMTPA</p> <ul style="list-style-type: none"> <li>○ Methanol</li> </ul> <p> Technology: Haldor Topsoe</p>	<p><b>3</b></p> <p><b>Sarawak PETCHEM Sdn. Bhd. (SPSB)</b></p> <p> 1,750 KMTPA</p> <ul style="list-style-type: none"> <li>○ Methanol</li> </ul> <p> Technology: Lurgi</p>
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## Product Application

Formaldehyde	Acetic Acid	Feedstock Chemicals	Fuels

# Methanol outlook: Softening of prices along with slower recovery in downstream demand, weighed in new capacity in US and SEA

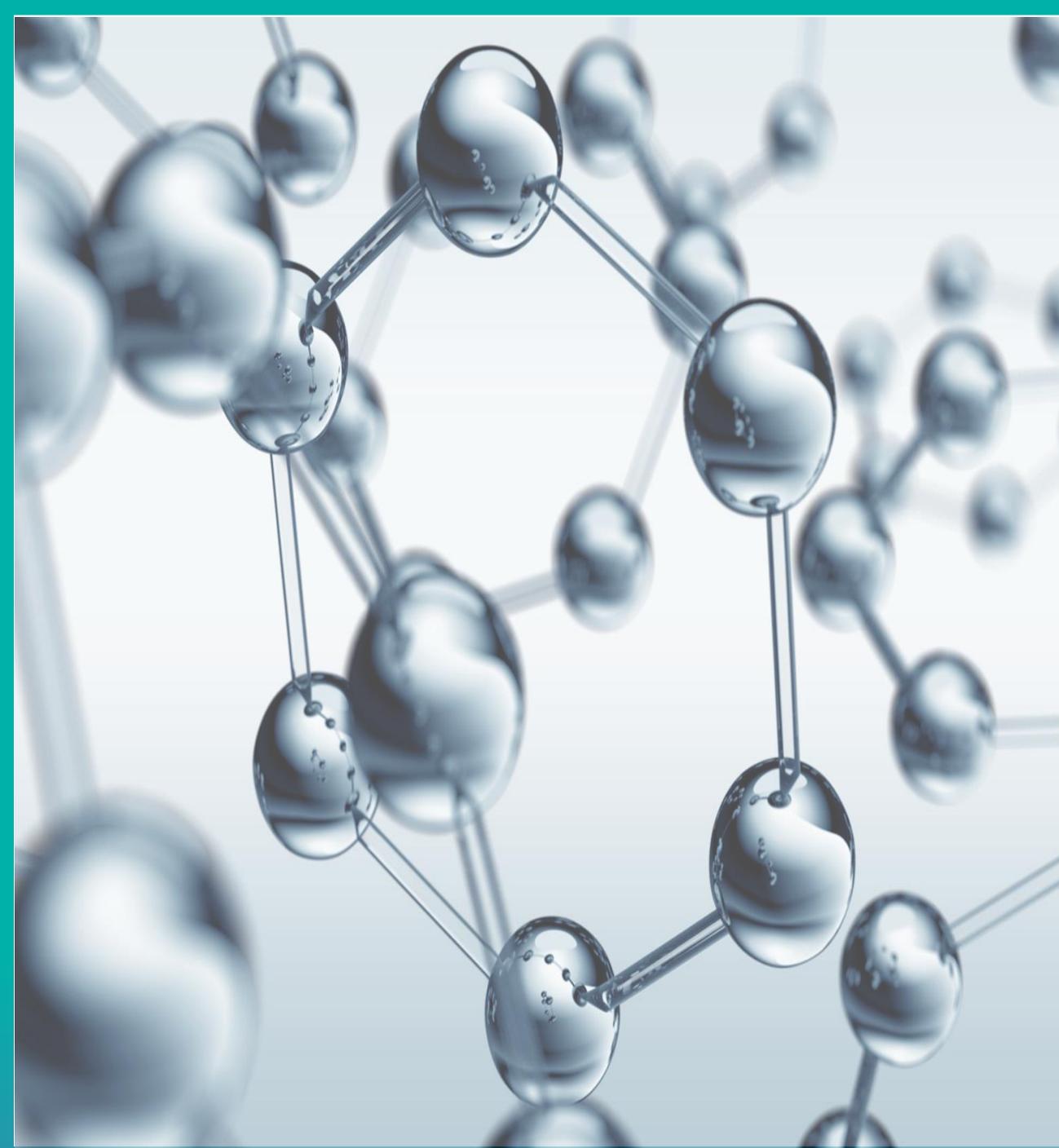


## 1H 2024 Overview

- Methanol prices started the year strong and averaged at USD 352/MT in 1H 2024 – mainly due to multiple supply disruptions far reaching from Middle-East, all the way to Southeast Asia.
- Recovery of Iranian supply post-winter curtailment was extended until April 2024, while PT Kaltim Methanol Industri (KMI) undertook planned maintenance for 45 days in January, creating a tight supply environment.
- However, this did not support prices as downstream demand started off on poor sentiment from the MTO & Formaldehyde application.

## 2024 2H Outlook – Soft

- Multiple capacity additions globally in the US (1.8 Mil) and Southeast Asia (1.75 Mil) adding to the long supply in remaining 2024.
- High interest rate, inflation and poor consumer spending have made new construction projects expensive for builders, contributes to the downturn in China’s over-leveraged property.
- MTOs in China yet to ramp up operating rates, depending on the Olefins Methanol economics for the remaining 2024.
- Slower European economic recovery continue to weigh down the demand for both US and ME origin cargo.
- The potential support from Biodiesel and marine fuels is expected to gain traction in the long run depending on the regional legislation.



## **Fertilisers & Methanol**

*Urea & Ammonia*

**M Indrazulkarnain B Salleh**

# Urea & Ammonia Product Portfolio & Applications

Total Product Portfolio  
**3,050 KMTPA**

**PETRONAS** Chemicals Fertiliser Kedah Sdn. Bhd.  
Gurun, Kedah est. 1999

696 KMTPA Granular Urea  
400 KMTPA Ammonia (intermediate)  
14 MLPA AdBlue  
\*60 KMTPA Melamine (2025)

**PETRONAS** Chemicals Ammonia Sdn. Bhd.  
Kerteh, Terengganu est. 1997

NH3: 450 KMTPA  
CO Gas: 246 KMTPA

**PETRONAS** Chemicals Fertiliser Sabah Sdn. Bhd.  
Sipitang, Sabah est 2016

Granular Urea: 1,200 KMTPA  
NH3: 740 KMTPA (Intermediate)

**ASEAN** Bintulu Fertilizer (ABF) Sdn. Bhd.  
Bintulu, Sarawak est. 1985

Granular Urea: 750 KMTPA  
NH3: 450 KMTPA (Intermediate)

**Legend**  
• Current Business

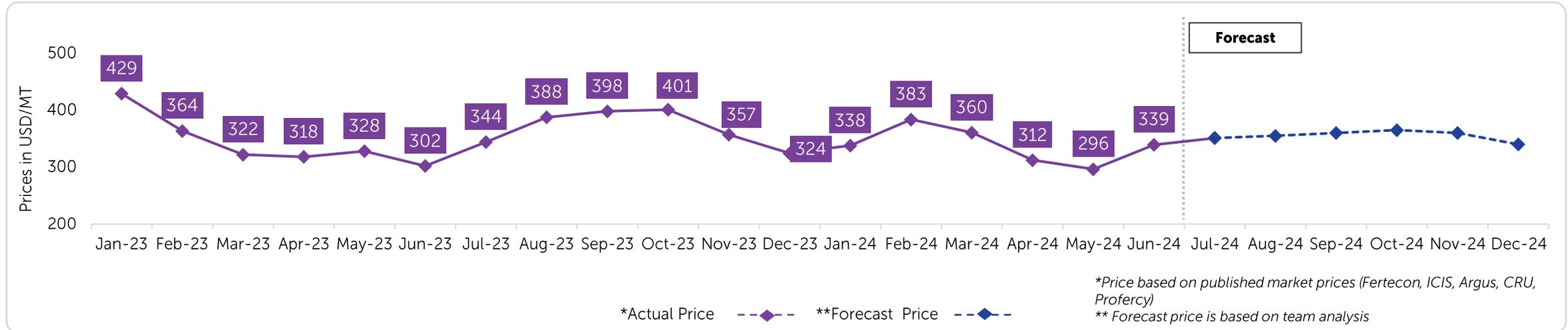
**Legend:**  
\*KMTPA : Kilo Metric Tonnes Per Annum  
\*MLPA : Million Litres Per Annum

<p><b>1</b> Asean Bintulu Fertilizers (ABF)</p> <p> KMTPA</p> <ul style="list-style-type: none"> <li>Urea – 750</li> <li>NH3 – 450 (Intermediate)</li> </ul>	<p><b>2</b> PETRONAS Chemicals Fertilizer Kedah Sdn. Bhd. (PCFKSB)</p> <p> KMTPA</p> <ul style="list-style-type: none"> <li>Urea – 696</li> <li>NH3 – 400 (Intermediate)</li> <li>Adblue – 14mil Litre PA</li> <li>Melamine - 60</li> </ul>	<p><b>3</b> PETRONAS Chemicals Fertilizer Sabah Sdn. Bhd. (PCFSSB)</p> <p> KMTPA</p> <ul style="list-style-type: none"> <li>Urea – 1,200</li> <li>NH3 – 740 (Intermediate)</li> </ul>	<p><b>4</b> PETRONAS Chemicals Ammonia Sdn. Bhd. (PCASB)</p> <p> KMTPA</p> <ul style="list-style-type: none"> <li>NH3 – 450</li> <li>CO Gas - 246</li> </ul>
<p> NH3 : UHDE</p>	<p> NH3 : Haldor Topsoe</p>	<p> NH3 : Haldor Topsoe</p>	<p> NH3 : Haldor Topsoe</p>
<p>Urea : Stamicarbon Granulation : UHDE</p>	<p>Urea : Snamprogetti</p>	<p>Urea : Snamprogetti Granulation : UHDE</p>	
	<p>Melamine: Casale</p>		

## Product Application

Urea	Ammonia	Melamine
<p><b>Agriculture</b></p> <ul style="list-style-type: none"> <li>Straight Fertilizer</li> <li>NPK</li> </ul> <p><b>Industrial</b></p> <ul style="list-style-type: none"> <li>Urea Formaldehyde</li> <li>Wastewater Treatment</li> <li>Melamine</li> <li>Animal Feed</li> <li>Diesel Exhaust Fluid</li> </ul>	<p><b>Agriculture</b></p> <ul style="list-style-type: none"> <li>Urea</li> <li>Phosphate (DAP/ MAP)</li> <li>Nitrate</li> </ul> <p><b>Industrial</b></p> <ul style="list-style-type: none"> <li>Caprolactam</li> <li>Acrylonitrile</li> <li>Anti Corrosion</li> </ul>	<ul style="list-style-type: none"> <li>Floor Tiles</li> <li>Melamine Glue</li> <li>Dinnerware</li> <li>Dashboard/ Arm Rest</li> <li>Coating</li> <li>Kitchen Cabinet</li> </ul>

# Urea outlook: Stable outlook anticipated for 2H 2024, with India tender demand unlikely to increase and most transaction is focus towards LATAM market



## 1H 2024 Overview

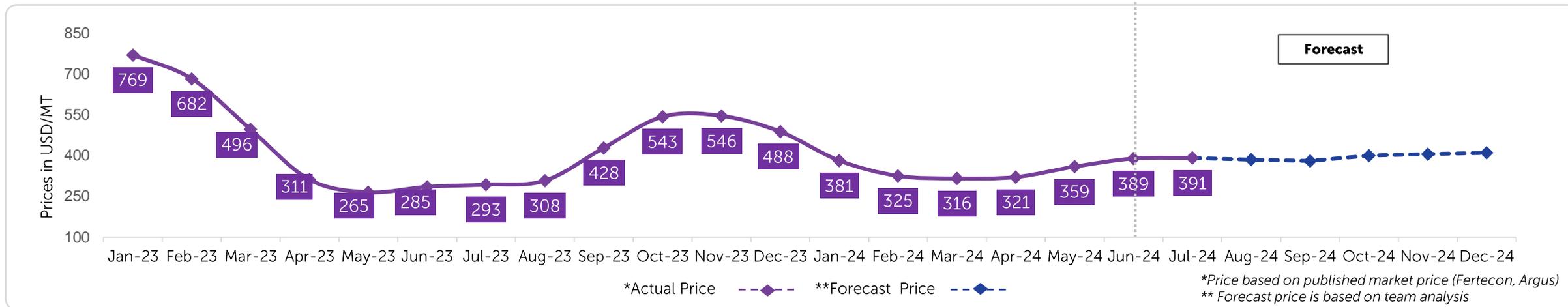
Urea prices averaged at USD338/MT in 1H of 2024 which is lower by 2% compared to 1H 2023. Though China's export restrictions still in place, demand from Indian purchase tender was lower with adverse weather conditions have delayed the application season.

## 2H 2024 Outlook – Stable

Neutral weather would boost application demand, despite the lower crop prices.

- India: Lower dependency on purchase tender volume with the start-up of additional domestic capacity in 2024 (1mil MT) coupled with higher inventory.
- LATAM: Demand in place for 2H of the year with expected volume of 4mil MT, which will help stabilise the Urea market price.
- Middle East: Market focus towards LATAM coupled with small demand from Asia Pacific market. No new plant capacity from the producers until 2028.
- China: Maintains strict export policy and regulation, since its implementation in Oct 2021. The producers will focus on domestic demand for corn planting in 2024 to address that food security and will only support G2G requirements.

# Ammonia outlook: A gradual recovery in global Ammonia is anticipated, as the market shock has subsided, and while price volatility persists, no significant price surges that may lead to demand destruction are foreseen



## 1H 2024 Overview

Ammonia prices averaged at USD348/MT in 1H 2024, 26% lower compared to 1H 2023. Slow recovery of downstream demand across the world, as the widely expected pent-up demand recovery from the industrial sector did not materialize.

## 2H 2024 Outlook: Stable

Stable feedstock prices in 2H 2024 with Natural Gas price forecasted to be at USD10/MMBTU amid unhindered supply.

- Middle East: The recent incident in the Red Sea caused elevated freight market, resulting in a price disparity between Middle East and Southeast Asia. This, in turn, has led to a reduced netback to Southeast Asia price (SEA FOB).
- India: India will need to import Ammonia ahead of Kharif season to ensure stock availability, to ensure the Phosphate production available.
- US: The commencement of operations at the new US plant, Gulf Coast Ammonia (GCA) with a capacity of 1.3 mil MT Q4 2024, is anticipated to drive increased exports while concurrently leading to further decline in US imports.
- Russia: Ammonia exports from the Black Sea may take place following the opening of a terminal in Taman. The export volume are expected to increase by approximately 300kmt in 2H 2024 and can reach up till 5mil MT by 2026. This will add to more merchantable Ammonia volume into the market.
- Lower Caprolactam and Acrylonitrile running rate in West & East of Suez with the running rate of 65-70%.



**Thank you**