

AECCI VIEWPOINT

Stay Informed, Stay Ahead!



AECCI-International Arbitration Center

China PP import and export complexities require much deeper and wider analysis

Whether you are a polypropylene (PP) exporter outside China, one of China's emerging PP exporters, or a buyer of PP anywhere, the sensitivity around your decision-making has increased.

The reason for this increased sensitivity is because very minor changes in China's operating rates could make a huge difference to China's export or import position – because China had built so much capacity.

For example, consider the main chart on today's post, showing three scenarios of China's PP net imports/net exports in 2023-2025 based on just small difference in operating rates:

- Scenario 1 would see net imports in 2023 at 1.8m tonnes, falling to 0.7m tonnes in 2024 and 0.2m tonnes in 2025.
- Scenario 2 assumes that China would be a 1.1m tonnes net import. But next year, the country would swing to net exports of 0.8m tonnes with 0.9m tonnes of net exports in 2025.
- Under Scenario 3, net exports in 2023 would be 0.2m tonnes, rising to 2.2 tonnes in 2024 and 2.3 tonnes in 2025. To put 2.2m-2.3m tonnes of net exports in context, this would likely mean China would export more than Singapore in 2024-2025. Last year, Singapore was the fourth biggest PP exporter in Asia and the Middle East.

In the good old days, it was almost as simple as putting your resins on a ship and sending them to China, in the comfortable knowledge that China would easily absorb the shipments. And there was very little competition from China's exports.

From a buyer's perspective, you knew that no matter how much capacity was being built, global PP markets would remain pretty snug because of soaring Chinese demand growth and a lack of sufficient Chinese capacity.

Now analysis needs to be much more nuanced, involving many more scenarios on China's demand growth and import and export flows.

It is not all doom and gloom, there are many other strong opportunities outside China. It is just that, as we said, life has become a lot more complicated.



Round Table Session by AECCI-IAC



AECCI has organized the round table session in presence of all empaneled arbitrators who joined us on 13th April 2023 with hon'ble Shri Jaheer Bukhari Sir. As an organization committed to promote arbitration as a means of resolving disputes, we were pleased to have

this opportunity to engage in a productive and fruitful discussion with all of you.

Date: 13th April 2023

Venue: Countryard By Marriott

Headlines of the Day


Here's the latest business news of 14 April 2023

- PP market has taken on greater importance because of the record levels of global oversupply, which is mainly down to events in China.
- India is looking to reduce non-essential imports through quality control orders and by incentivizing Production Linked Incentive schemes
- A strong trade performance on the services front helped boost the overall export numbers in 2022-23, even as the impact of a global economic slowdown was visibly felt in the case of merchandise trade.

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India's export rise 6% to record \$447 billion in FY2022-23

India's overall exports (including merchandise and services) are estimated to have increased by 13.84 percent to a record \$770.18 billion in 2022-23, while overall imports are expected to have surged 17.38 percent to \$892.18 billion over the previous year, data released by the Ministry of Commerce and Industry on Thursday showed.

A strong trade performance on the services front helped boost the overall export numbers in 2022-23, even as the impact of a global economic slowdown was visibly felt in the case of merchandise trade. Services exports are estimated to have grown by 26.79 percent, as compared to merchandise exports at just over 6 percent during the fiscal.

In March, even as trade performance on the services front remained robust with a trade surplus of \$13.7 billion, merchandise trade deficit widened to a three-month high of \$19.7 billion. The services trade data is yet to be released by the Reserve Bank of India (RBI) for March, so the figures include estimations for the last month of the previous fiscal.

"Based on services exports estimates and actual numbers of goods exports, we have surpassed our target of \$750 billion to hit \$770.18 billion. Growth is significant as there were recessionary conditions elsewhere... despite global headwinds, we have not only achieved the target, but also surpassed it," Commerce Secretary Sunil Barthwal said at a briefing.

While the IT and ITES sectors account for a bulk of services exports, the government is making efforts to expand the list to include non-IT services. "We will be focusing on financial services, the fintech sector is coming up. Also, focus will be on transport services, we will see how market share can be improved. There is a whole gamut of non-IT/ ITES services which we would be looking at. We are also hoping for tourism to improve further," an official said.

As per the data, 17 of the 30 major export sectors grew during the last financial year. The percentage increase in volume was higher than the growth in export value in 17 principal commodities in April-February FY23, which suggests price decline. Their export value was \$33.9 billion, comprising 8.3 per cent of the total export value which was \$408.53 billion.

Experts said though services trade surplus has helped support India's trade equation, weak global demand will have an impact on exports growth. "Although India's merchandise exports rose by 6% to touch a record US\$ 447.5 billion in FY2023, non-oil exports declined marginally by 0.5% following the slackening external demand due to the global slowdown in H2 FY2023 as well as the moderation in global commodity prices. These concerns are set to exacerbate in FY2024 and are expected to lead to a deeper contraction in India's merchandise exports during the fiscal. This will weigh on the performance of the manufacturing sector and act as a drag on GDP growth," Aditi Nayar, Chief Economist, ICRA said.



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