China Led Oversupply Reshapes Global Chemical Markets

Across global chemical markets, the Iran-related supply shock triggered sharp but largely temporary price spikes across olefins, polyolefins, methanol, MEG and aromatics.

As Middle Eastern supply normalizes, weak downstream demand and continued Chinese capacity additions are reasserting downward pressure, especially in olefins and polyolefins.

MEG and some logistics-sensitive products such as PET remain relatively supported by tighter regional supply and elevated freight costs. Overall, structural oversupply, weak margins and aggressive Chinese exports remain the dominant market themes.

Olefins

1	**Supply Shock** US–Iran conflict sharply lifted prices initially
2	**Demand Reversal** Weak downstream demand and returning supply reversed much of the rally
3	**Structural Oversupply** Chinese capacity additions remain the dominant structural challenge
4	**Weak Margins** Low operating rates likely to persist without substantial capacity shutdowns

Methanol & Ethylene Glycol

Methanol

Supply Exposure

Among the most exposed products due to Iran's critical role in Asian methanol supply.

Price Surge

Prices surged during the Hormuz disruption; outlook depends on export recovery and downstream MTO economics.

Demand Dynamics

Chinese imports may recover, while weaker margins could limit demand from MTO producers.

Ethylene Glycol & MEG

Tight Supply

MEG supply remains relatively tight in parts of Asia due to reduced Middle East exports.

Active Buyers

India and Southeast Asia remain active buyers, while Chinese customers maintain a more cautious stance.

Elevated Prices

Prices may remain elevated until trade flows fully normalize from the disruption.

Aromatics & PET

Aromatics

Geopolitical shocks drove a sharp price spike, followed by correction as demand softened and Asian supply rose.

Price Spike & Correction

Strong geopolitical-driven surge followed by demand-led correction

Upside Risks

Feedstock volatility & Middle East refining disruptions remain key threats

Capped Gains

Rising Asian supply and soft end-use demand limit sustained price increases

PET

PET markets face structural headwinds from logistics costs and shifting trade terms across regions.

Freight & Lead Times

High freight costs and longer lead times disrupting supply chains

FOB Shift

Indian & Chinese sellers moving to FOB terms, transferring logistics risk to buyers

European Outlook

Higher landed import costs offer price support, but weak demand limits upside

Caustic Soda & MTBE

Caustic Soda

Chinese Export Relief

Chinese exports are helping fill supply gaps across regions facing tighter availability.

Demand Risks Persist

Weaker industrial consumption offsets supply relief, keeping the market in a delicate balance.

Regional Imbalance

Tighter supply in some regions contrasts with softening end-use demand globally.

MTBE

Export Opportunity

Chinese MTBE exports have benefited from overseas supply shortages and elevated gasoline values.

Weak Domestic Demand

High inventories, lower gasoline consumption, and rising EV penetration suppress Chinese home market uptake.

Europe & South America Focus

Producers are redirecting excess volumes to Europe and South America to find better margins.

Chemical Carrier Freight Rates