



RLA Market Insights – Friday, 22 May 2026

Middle East Supply Shock Reshapes Asian Feedstock Usage Patterns

The Middle Eastern supply shock is creating uneven outcomes for Asian olefin producers, with the impact depending on feedstock exposure, integration level, location and supply flexibility. Producers relying on imported naphtha, LPG, methanol or propane from the Middle East face the greatest pressure, while those with access to domestic, discounted or alternative feedstocks may benefit from tighter supply and higher product prices.

Naphtha-based steam crackers in Asia are under severe strain. Rising crude, naphtha and LPG prices had already weakened margins before the conflict escalated, leading to lower operating rates. The latest cost surge has intensified margin pressure, particularly for standalone crackers dependent on imported Middle Eastern feedstocks. Integrated refinery-cracker complexes are better positioned due to internal feedstock access, but they remain vulnerable if their crude supply is also linked to the Middle East.

China's methanol-to-olefins sector is sharply divided. Inland MTO plants are relatively protected because they rely on domestic coal-to-methanol supply. Coastal MTO units, however, are highly exposed because they depend heavily on imported methanol, especially from Iran and the Middle East. A prolonged Strait of Hormuz closure could severely restrict methanol flows to coastal China, affecting MTO operating rates and olefin availability. Some coastal operators are already increasing domestic methanol sourcing.

Asian PDH producers are also under pressure from higher propane and LPG costs. South Korean PDH units are less exposed to physical supply risk because they mainly source propane from the US, though margins remain vulnerable. Southeast Asian PDH plants face greater feedstock security risks due to their reliance on Middle Eastern propane, while Chinese PDH operators must weigh alternative US supply against tariff-related cost pressures.

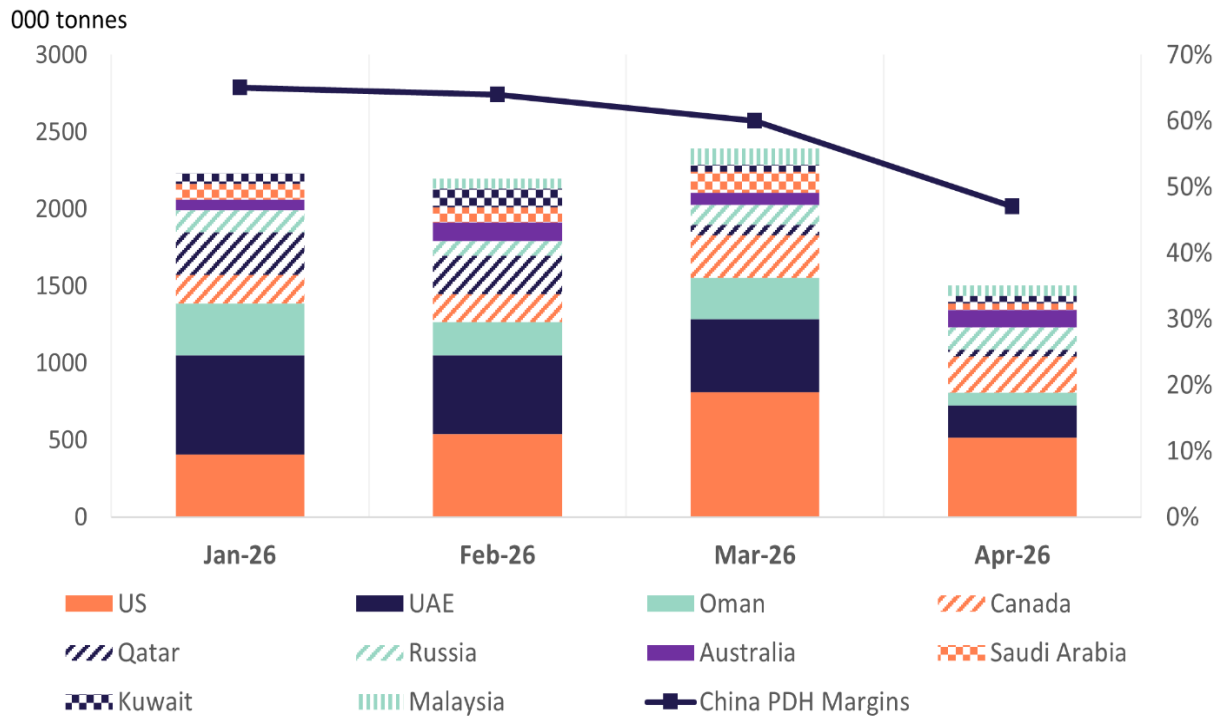
Potential beneficiaries include China's coal-to-olefins producers, ethane crackers using US or local ethane, integrated Southeast Asian refinery-cracker sites with offshore crude, producers in northwest China using domestic crude, and companies accessing discounted Russian feedstocks.

In the short term, Asian olefin producers are cutting run rates, adjusting maintenance schedules, managing inventories and seeking alternative suppliers. PE and PP output is likely to remain constrained, especially where feedstock availability is tight. Over the longer term, the crisis could accelerate feedstock diversification, dual-feedstock investment, storage expansion, regional integration and long-term supply contracting. Sustained high energy costs may also widen the competitiveness gap between US ethane-based producers and Asian naphtha-based assets.

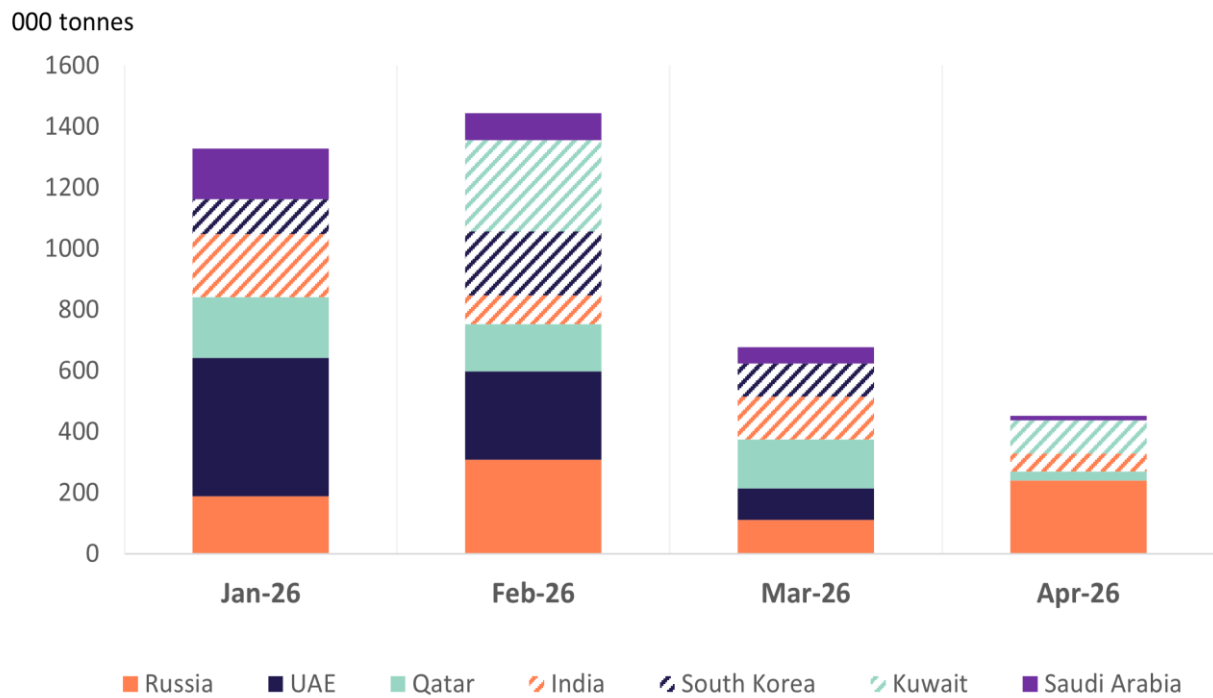
Chinese feedstock imports have been shown in the graphs on the next pages.



China LPG Imports V PDH Margins

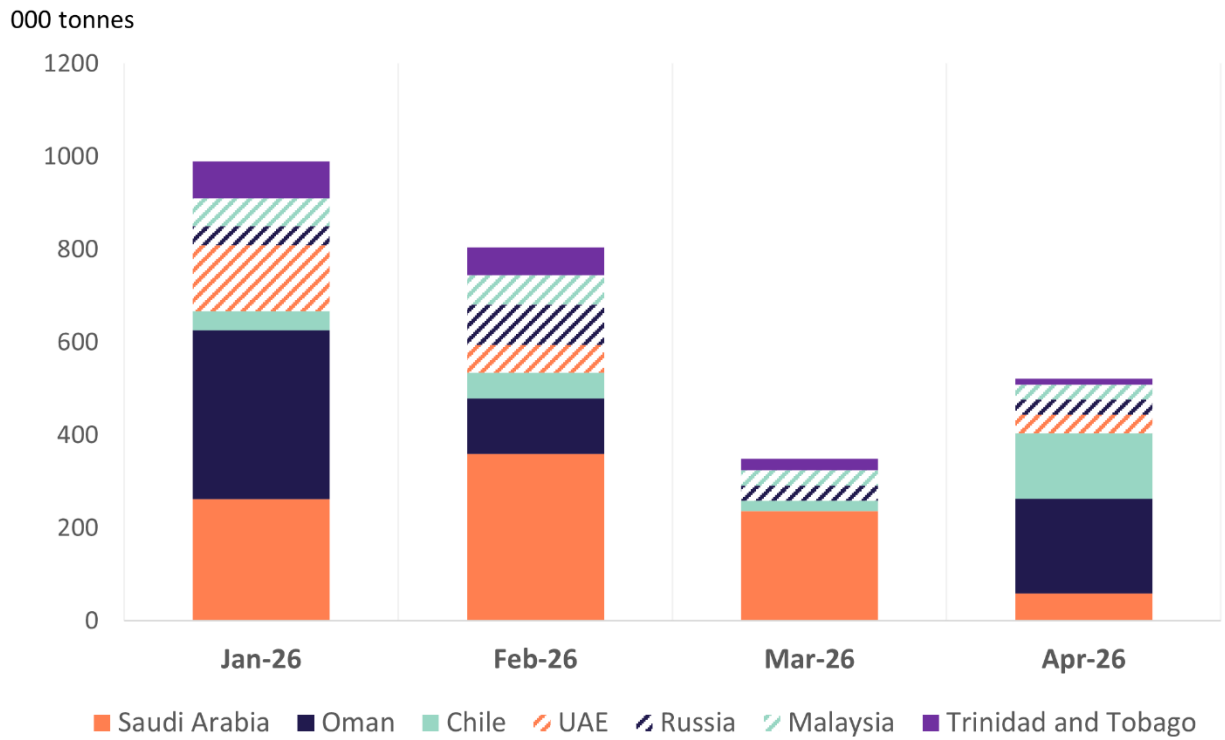


China Naphtha Imports

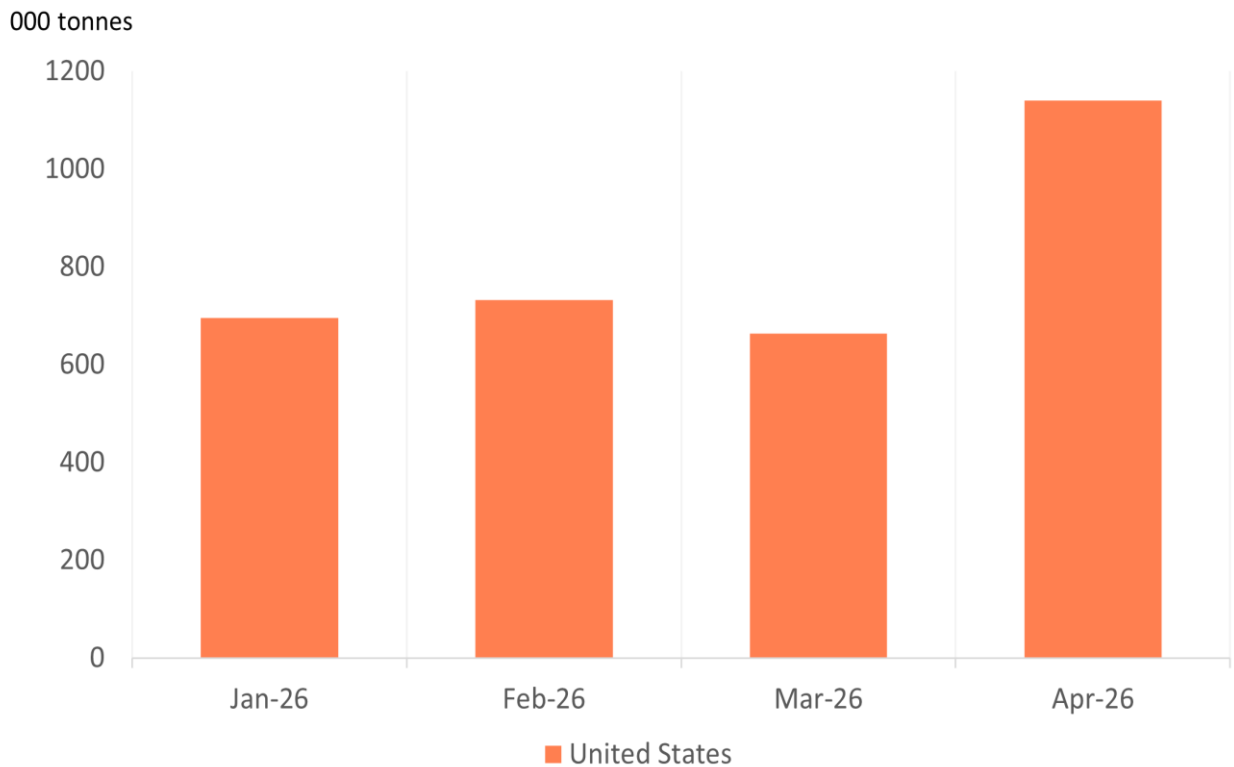




China Methanol Imports



China Ethane Imports





SHORT TERM OUTLOOK – OIL TANKER MARKET

A monthly report covering the next four months including trends in oil supply, demand and trade, tanker demand and supply, spot, and time charter rates for MRs up to VLCCs, comparisons with FFAs plus the latest news on developments impacting the oil and tanker sectors.

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