



Weekly Chemicals Market Brief

Middle East Supply Disruptions Continue to Reshape Global Trade

Structural Overcapacity and Weak Demand Limit Price Recovery

China Emerges as a Major Alternative Petrochemical Supplier

Regional Competitiveness Increasingly Depends on Feedstock Security

Changing Trade Flows Create Opportunities for Chemical Tankers



Global Petrochemical Market

The prolonged US-Iran conflict is disrupting global petrochemical supply chains, tightening feedstock availability and raising freight costs amid weak demand and persistent overcapacity.

186M

Tonnes Overcapacity

Projected global chemical overcapacity in 2026, keeping operating rates and margins under pressure.

25%

Middle East Share

Region's share of global commodity chemical and plastics exports, making disruptions highly significant.

2026

Outlook Year

Price increases have proved difficult to sustain as weak consumer demand limits cost absorption.



REGIONAL DEVELOPMENTS

Middle East & China

Middle East - Supply Disruption

Damage to petrochemical facilities in Iran, Saudi Arabia, Qatar and the UAE has compounded shipping restrictions. Some producers have resumed operations and redirected exports through Red Sea ports, but normalisation remains uncertain.

China - Export Growth

China has emerged as an alternative supplier to Asian markets. PE exports more than tripled year on year to over 1.8 mln tonnes in H1 2026. A further 6.2 mln tonnes of PE and 4.6 mln tonnes of PP capacity is expected in 2026, sustaining export pressure on regional producers.



REGIONAL DEVELOPMENTS

India, Europe & NE Asia

India - Diversifying Sourcing

India is diversifying chemical imports, with methanol sourcing expanding from 21 to 25 countries, while growing re-export opportunities are offset by rising import competition and volatile feedstock costs.

Europe - Competitiveness Deteriorates

Europe's petrochemical industry faces declining competitiveness from high energy costs, weak demand and rising import dependence, increasing pressure on margins forcing capacity shutdowns.

Northeast Asia - Feedstock Security

South Korea and Japan are strengthening feedstock security through diversified crude and naphtha sourcing, extended export restrictions and increased stockpiling to reduce Middle East supply dependence.



TANKER MARKETS

Implications for Chemical Tanker Markets

Middle East disruptions are reshaping chemical trade flows and supporting tanker demand through longer voyages, despite weak cargo volumes and logistical challenges.

New Trade Routes

Americas, Europe & Africa replacing Middle East as key origins

Emerging Flows

India re-exports & Chinese petrochemical shipments add cargo movements

Key Uncertainty

Cargo volumes, vessel supply & weak demand determine net impact



MARKET OUTLOOK

Near-Term Outlook Remains Uncertain

A potential US-Iran agreement could ease supply disruptions and lower chemical prices, although infrastructure damage and geopolitical risks may delay full recovery until 2027.

