

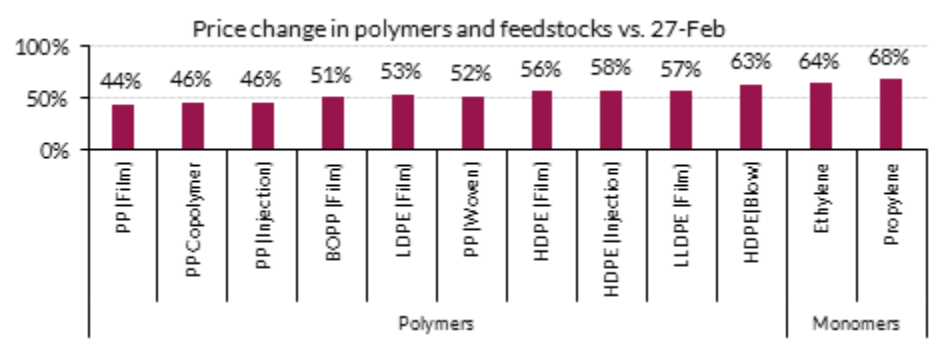
Disruption Tracker: Plastics – China’s overcapacity to the rescue

The rapid expansion of China’s plastic manufacturing capacity over the past decade had depressed utilization and margins. In this crunch, together with release of crude reserves, it has helped stabilize markets, albeit at higher prices. Prices have risen more in EU, as it has trade barriers against China. Price rises are higher upstream: olefins are up ~65%, but downstream PP/PE prices are up 40-60% in India, and prices of finished plastic goods were up a modest 0-14% till April. Larger industrial users where plastics are a small part of cost (construction, autos, appliances, FMCG) can absorb the hikes/find alternatives, but SMEs where plastics dominate costs (e.g. furniture, bags) are priced out..

26 May 2026

Growth

Supply Chains

Exhibit 1: Prices of plastic polymers are 40-60% above pre-war levels


Source: Refinitiv; Axis Bank Research

In this Disruption Tracker (earlier: [22-Apr](#); [28-Apr](#), [4-May](#), [22-May](#)) we assess the impact on plastics/polymers and on sectors that rely on them as inputs (FMCG, construction, autos).

China’s spare refining/petchem capacity and crude inventories helping supplies

The rapid expansion in China’s capacity over the past decade (Fig 18) brought down imports of primary plastic (Fig 3), and low utilization levels brought down spreads. The recent supply crunch has thus been an opportunity: combined with release of its strategic crude reserves, this has stabilized the market, albeit at much higher margins and prices. Export growth is much faster than of production (Fig 16), likely as spare capacity gets used. In April-2026, China’s exports of synthetic polymer resins surged 54% YoY, and imports fell 33% (Fig 4, 5); for polypropylene (PP) and polyethylene (PE) +119% and +400% YoY respectively (Fig 6, 7).

Price rise higher in Europe than in Asia; %-age increase lower downstream

China’s exports have kept price hikes lower in Asia than in Europe (Fig 2), where they face trade barriers. Still, prices for most used polymer grades in India are 40-60% above their pre-war lows (Fig 1, 9, 10); PE is up slightly more than PP, likely reflecting West Asia’s higher global capacity share in PE (12%) than PP (7%: Fig 11, 12). The percent growth fades as we move downstream, likely as other costs add up or old inventory is used: inputs for PE/PP, i.e., ethylene/propylene (olefins) are up 65% due to feedstock (naphtha/LPG) shortage, and factory-gate prices of downstream finished plastic goods are up only 0-14% in India (Fig 8).

Industrial users can absorb price hike; downstream producers’ margin squeezed

High plastic prices are a challenge for SMEs: they have thin margins, hold less inventory, and have limited pull with suppliers. Packaging, construction, and automotive parts are 60% of global plastic demand (OECD: Fig 13); consumer goods (e.g. furniture), textiles and electronics (e.g. appliances) are other major consumers. Users where plastics are a small share of total cost can absorb higher prices/find alternatives ([recycled polymers](#)); but where plastics dominate costs (e.g. carry bags, furniture), demand gets extinguished first.

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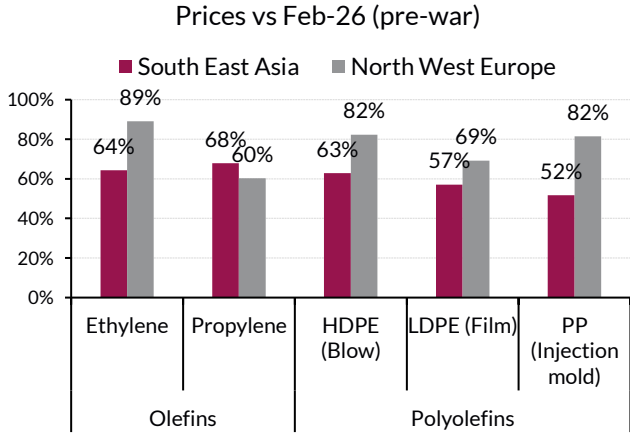
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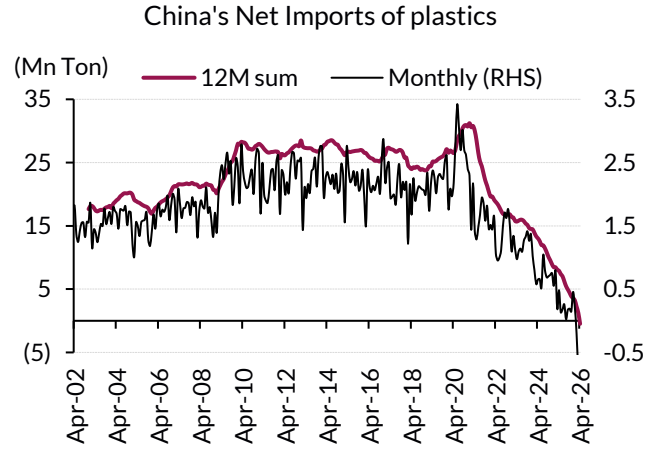
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Exhibit 2: During the war, trade barriers in EU meant prices have risen more in Europe than in Asia



Source: Refinitiv; Axis Bank Research

Exhibit 3: China's imports peaked in 2021: polymer prices and margins have been depressed thereafter



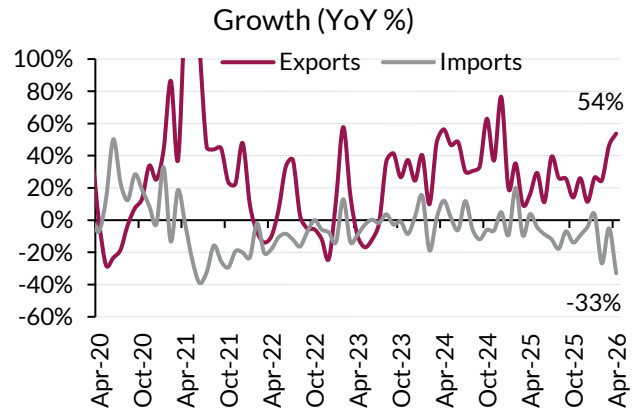
Source: CEIC; Axis Bank Research

Exhibit 4: China's resin exports surged in Mar-April 2026; imports extended declines



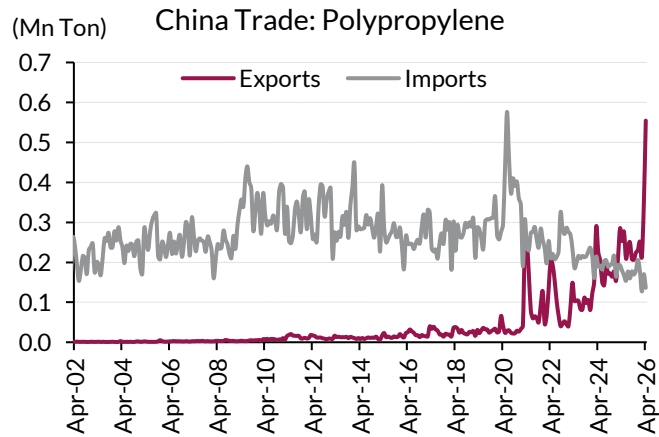
Source: CEIC; Axis Bank Research

Exhibit 5: In April, synthetic resins exports grew 54% YoY; imports fell 33% YoY



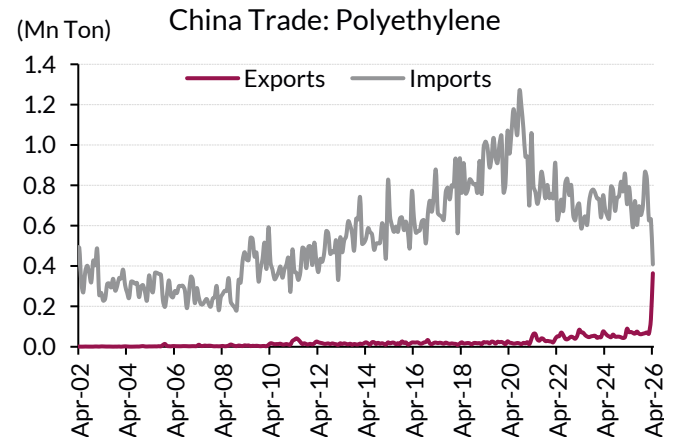
Source: CEIC; Axis Bank Research

Exhibit 6: In Apr, China's exports of polypropylene surged 119% YoY; imports fell 24% YoY



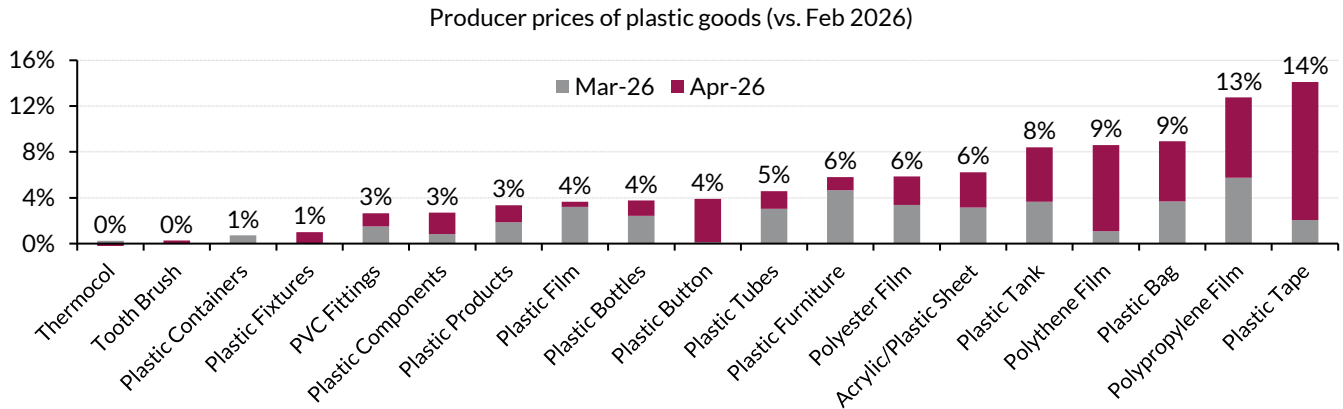
Source: CEIC; Axis Bank Research

Exhibit 7: China's exports of polyethylene rose 400% YoY in April; imports fell 48% YoY



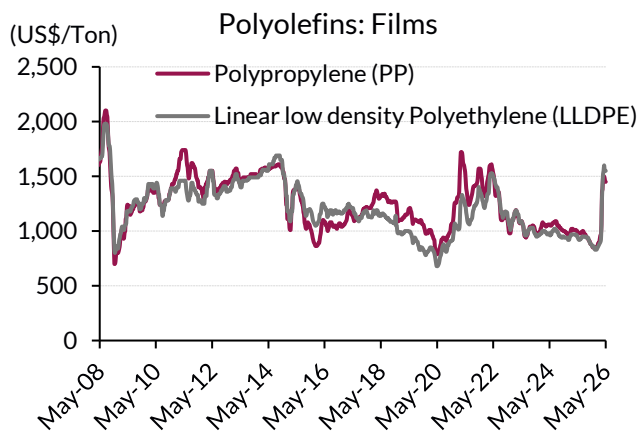
Source: CEIC; Axis Bank Research

Exhibit 8: Factory gate prices of plastic goods up <14%; packaging up MoM



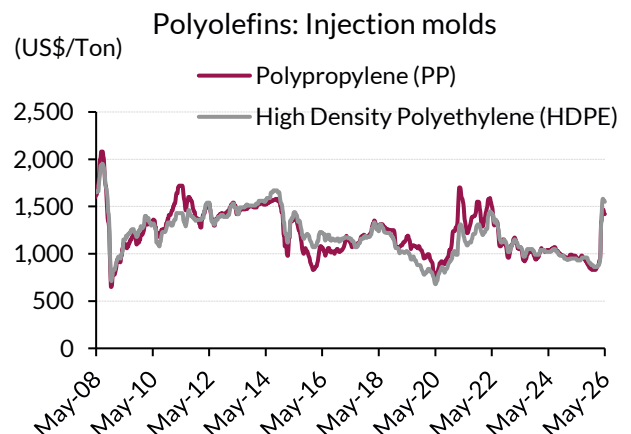
Source: Refinitiv; Axis Bank Research

Exhibit 9: Pre-war, prices of polyolefins in film form were at their lowest (ex-Covid/2008)



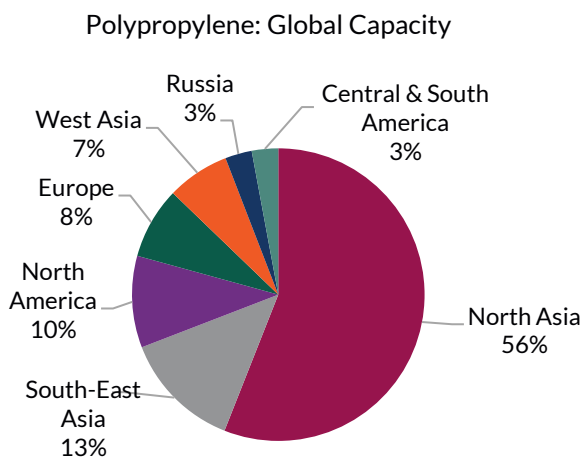
Source: Refinitiv; Axis Bank Research

Exhibit 10: Similarly, prices of polyolefins in injection mold form were also at their lowest (ex-Covid/2008)



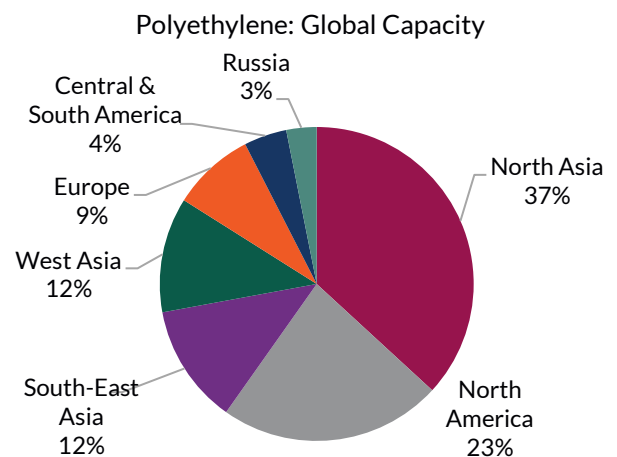
Source: Refinitiv; Axis Bank Research

Exhibit 11: West Asia was 7% of global capacity for polypropylene



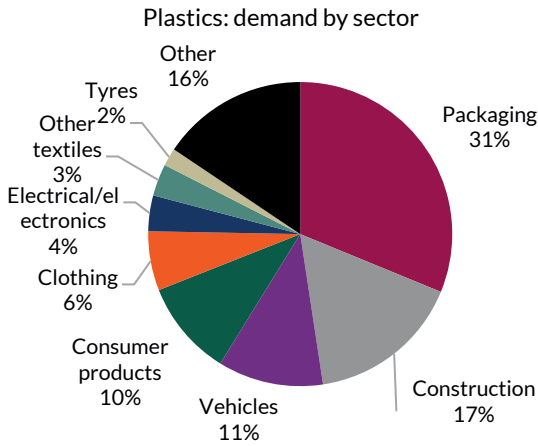
Source: Refinitiv; Axis Bank Research

Exhibit 12: West Asia was 12% of global capacity for polyethylene



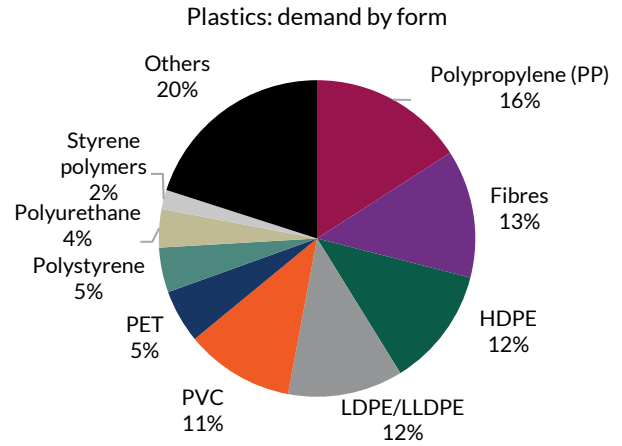
Source: Refinitiv; Axis Bank Research

Exhibit 13: By volume, packaging, construction and vehicles are 60% of global plastic demand



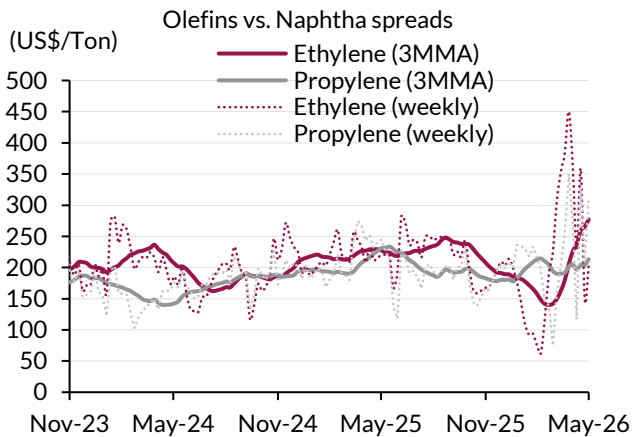
Source: OECD; Axis Bank Research

Exhibit 14: 40% of plastic is used in the form of polyolefins (PP and polyethylene: LDPE/LLDPE, HDPE)



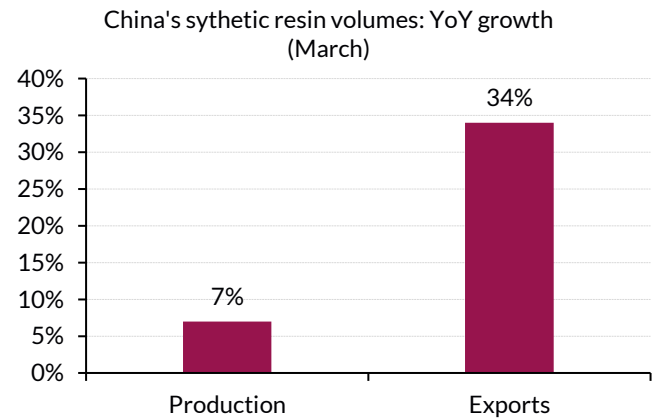
Source: OECD; Axis Bank Research

Exhibit 15: Olefins spread with naphtha elevated/stable -> upstream (producer) margins still protected



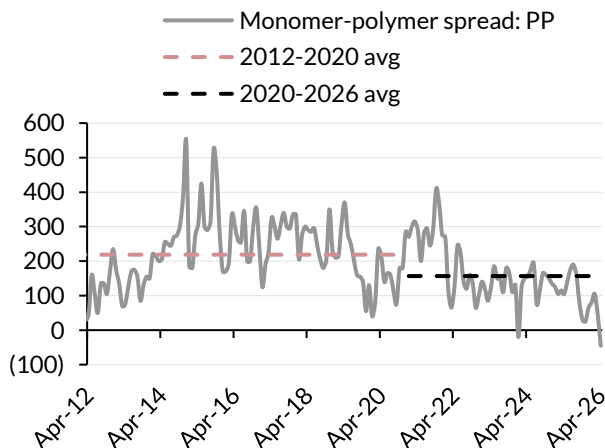
Source: Refinitiv; Axis Bank Research

Exhibit 16: In March, YoY growth in synthetic resin production was just 7% vs 34% growth in exports



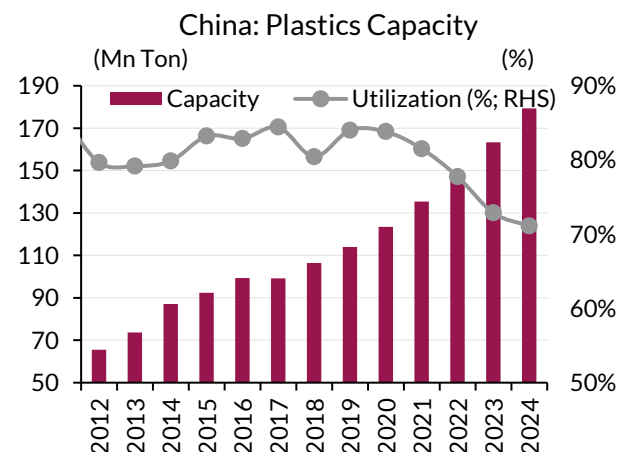
Source: CEIC; Axis Bank Research

Exhibit 17: China's overcapacity has depressed monomer-polymer spreads in Asia



Source: Refinitiv; Axis Bank Research

Exhibit 18: China continued to ramp up plastic manufacturing capacity; utilization fell after 2021



Source: Refinitiv; Axis Bank Research

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