

More supply rationalization underscores earnings uplifts

- More shutdowns and closures in Japan further improve chemical industry margins
- Margin improvement should begin to materialize by 4Q25 onwards
- Tactical short-term picks: PTTGC, IRPC; Long-term buys: SCC, IVL

More fuel into margin recovery fire

A wave of closures and disposals is reshaping the global petrochemical sector as companies around the world rethink their exposure to markets as they adjust to capacity build-up in China and higher costs in Europe. The EU is being hit the hardest by the rationalization, while the US and the Middle East are considered relatively immune. Petrochemical makers in Asia are also reducing capacity but at a slower pace compared with the EU. After having long suffered depressed margins and industry losses, Thai petrochemical companies are now poised to benefit from the ongoing global industry rationalization and consolidation, mainly for the uncompetitive, high-cost, aging production plants in Japan and Europe.

Japan to shut down uncompetitive units

The Japanese chemical industry is in the midst of a major restructuring today. After a prolonged plateaued growth phase, margins have teetered into the negative territory, leaving producers vying for market competitiveness. Consequently, cutbacks, layoffs, and plant closures have followed, as the sector grapples with profitability. Notable trends visible in Japan include supply cuts on low-margin businesses and streamlining operations by large chemical players.

Mitsui Chemical, Sumitomo Chemicals to cut their productions

Japanese manufacturers are being forced to rationalize their operations due to factors such as the expansion of production in China. Mitsui Chemicals and Idemitsu Kosan have begun deliberations to shut down one of the two ethylene production units they jointly operate at a complex in Chiba Prefecture by the fiscal year 2027. Sumitomo Chemical has also announced that it will restructure 30 business units, including its polyolefin operations in Japan. The plan is to cut production capacity by 40%, marking the first suspension of domestic facilities by a Japanese manufacturer in decades.

Thai chemical plays to further benefit from global industry rationalization

Thai petrochemical companies have survived and now likely to benefit from global supply cuts in a number of chemical products from upstream to downstream chains. Notably SCC could gain upsides for its soon-to-start up LSP complex in Vietnam to partially reduce annual loss of THB10b and regain margins for its two olefin plants MOC/ROC in Thailand. PTTGC and IRPC could see profit turnarounds from losses on the gradually and structurally improving margins for olefin products. IVL will gain some benefits from the cuts in supplies of PTA/PX/PET and upstream olefins to fully enjoy the strong demands in US market.

Long-term picks: SCC, IVL; Tactical picks: PTTGC, IRPC

Our top picks for Thai chemical sector will be SCC, IVL, PTTGC, and IRPC on their strong fundamentals and product portfolios. But on tactical trading purposes, we prefer PTTGC and IRPC as two trading plays thanks to their current operating losses that could turn into profits.

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Exhibit 1: Global chemical plant shutdowns

Owners	Owners' nationality	Assets to be restructured	Location
DOW Chemical	US	Plans to shut down three upstream sites in Europe 1) Ethylene cracker in Böhlen, Germany 2) Chlor-alkali & vinyl assets in Schkopau, Germany 3) Siloxanes plant in Barry, Britain	Europe Germany Germany UK
ExxonMobil	US	Steam cracker and close chemical production at Gravenchon to stop its annual loss of €500m (USD582.75m) since 2018	France
Huntsman	US	Close polyurethanes facility in Deggendorf and Moers, Germany, and reduction of other sites and facilities in Europe	Germany
Shell	Netherland	Sales its energy and chemical park in Singapore (refinery, ethylene cracker, downstream assets) to CAP (Indonesia-based firm)	Singapore
BP	UK	Plans to sell Ruhr Oel refinery, cracker and downstream assets at Gelsenkirchen	Germany
TotalEnergies	France	Shut oldest steam cracker in Antwerp by end-2027 due to significant surplus of ethylene in Europe	Belgium
Eni	Italy	Complete the closure of Italy's two last steam crackers (Brindisi, Apulia, and Priolo, Sicily) and closed a polyethylene plant in Ragusa, Sicily.	Italy
Orlen	Poland	Scale back plans for olefins petrochemical project and delay to 2030	Poland
SABIC	Saudi Arabia	Close one of its two naphtha-fed crackers in Geleen, the Netherlands	Netherland
Eneos	Japan	Partially halting an ethylene production facility in Kawasaki refinery by the end of 2027 due to falling demand Halt production of lubricants and some petroleum products at Yokohama plant near Tokyo by March 2028	Japan Japan

Sources: Reuters; Bloomberg

Exhibit 2: South Korea's primary products cut

	Production cuts (m tonne)	% of Korea total capacity (%)
Olefins		
Ethylene	1.50 - 2.00	15-20%
Propylene	0.80 - 1.00	12-15%
Butadiene	0.15 - 0.20	10-12%
Polyolefins		
High-density polyethylene (HDPE)	0.60 - 0.75	18-20%
Linear low-density polyethylene (LLDPE)	0.40 - 0.50	15-18%
Polypropylene (PP)	0.70 - 0.85	12-15%
Aromatics		
Benzene	0.30 - 0.40	10-12%
Paraxylene	0.50 - 0.65	15-18%
Styrene monomer	0.20 - 0.25	12-15%
Synthetic Rubbers		
Styrene-butadiene rubber (SBR)	0.10 - 0.15	15-18%
Butadiene rubber (BR)	0.08 - 0.10	10-12%
Base Chemicals		
Methanol	0.20 - 0.25	8-10%
Ethylene glycol	0.30 - 0.35	15-18%

Sources: [Discovery Alert](#)

Exhibit 3: Thailand's petrochemical capacity (Olefins & Aromatics)

(m tonne)	Olefins			Aromatics		
	Ethylene	Propylene	Others	Paraxylene	Benzene	Others
SCC	3.05	1.70				
PTTGC	2.83	0.90	0.10	1.31	0.70	0.41
IRPC	0.43	0.73	0.06		0.11	0.25

Sources: Companies, Globlex Research

Exhibit 4: Thailand's petrochemical capacity (Others)

(m tonne)	Polymers					Polystyrenics	Others
	HDPE	LDPE&LLDPE	PP	PVC	Others		
SCC	1.48	0.90	1.26	0.89			-
PTTGC	0.85	1.10	1.06	0.45	0.41		3.25
IRPC	0.14		0.78			0.40	-

Sources: Companies, Globlex Research

Exhibit 5: IVL's capacity breakdown

(m tonne)	2025E
CPET with Intermediate Chemicals	12.41
Integrated PET	10.06
Specialty Chemicals	0.67
Intermediate Chemicals	1.68
Packaging	0.43
Indovinya	2.05
Fibers	2.42
Lifestyle	1.45
Mobility	0.29
Hygiene	0.69
Total IVL	17.32
Total IVL w/o Oxiteno	16.19

Sources: IVL, Globlex Research

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Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY: Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

Overweight: The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

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