

Brazil chaos leaves PET market at standstill

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Demonstrators take to the streets of Sao Paulo, Brazil. President Dilma Rousseff faces a congressional impeachment vote on Sunday. (Cris Faga/ZUMA Wire/REX/Shutterstock)

HOUSTON (ICIS)—Brazil is a mess. President Dilma Rousseff is likely to be impeached. The International Monetary Fund (IMF) predicts the economy will shrink by 3.8% this year. Inflation is at 9.39% and climbing. Ticket sales for the Summer Olympic Games are a disappointment. The country is battling the Zika virus.

The trickle-down result of this chaos leaves the polyethylene terephthalate (PET) market at a standstill.

The Brazilian government recently announced an eight-month delay in its final ruling on a PET anti-dumping petition filed last year by domestic suppliers.

The petition accuses China, Taiwan, India and Indonesia of harming the Brazilian domestic PET market by selling excess material into the country. After more than a year of investigation, the final ruling was due in late March.

The announced delay is eight months from 22 April, which would be 22 December.

Although officials did not give a specific reason for the delay, some in the Brazilian PET market suspect that uncertainty over the government's future is the reason.

"The government doesn't want to do anything because no one is in charge," a Brazilian-based PET buyer said. "No one wants to hand out this major [ruling] and put their name on it because the government is not together."

Another source was more specific, suggesting, among other things, that Brazil likely lacks enough municipal employees to enforce the law.

"There are two possibilities," the second PET buyer said. "First, they are delaying it because Brazil has very few people [working]se in the public areas. They don't have enough people to finalise" the law.

The second possibility?

"They found some margins," the source continued. "Yes, they found that there likely was some anti-dumping, but it is possible they are not convinced yet that the dumping caused injuries and damages to local industry."

The source also added that the delay could be good for pre-form buyers and bad for PET suppliers, as the market will not be subject to price pressure from more expensive imports.

"Let's imagine that the government implements anti-dumping duties today," the source said. "Imports from those countries would be instantly higher. And that would give [domestic suppliers] an opportunity to raise prices."

PET suppliers, however, reject this idea, adding that the countries named in the petition have nearly stopped exporting PET to Brazil.

"At this moment, [the delay] won't affect the market much, because the amount of PET being imported [by the named countries] is very little," a supplier said. "The government is just standing still. Nothing is really happening."

Brazil's PET market has already had to deal this year with a disappointing summer season caused by colder-than-normal temperatures, and an earlier-than-usual Carnival season. Both [reduced PET demand](#) at a time when suppliers were hoping to improve margins.

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