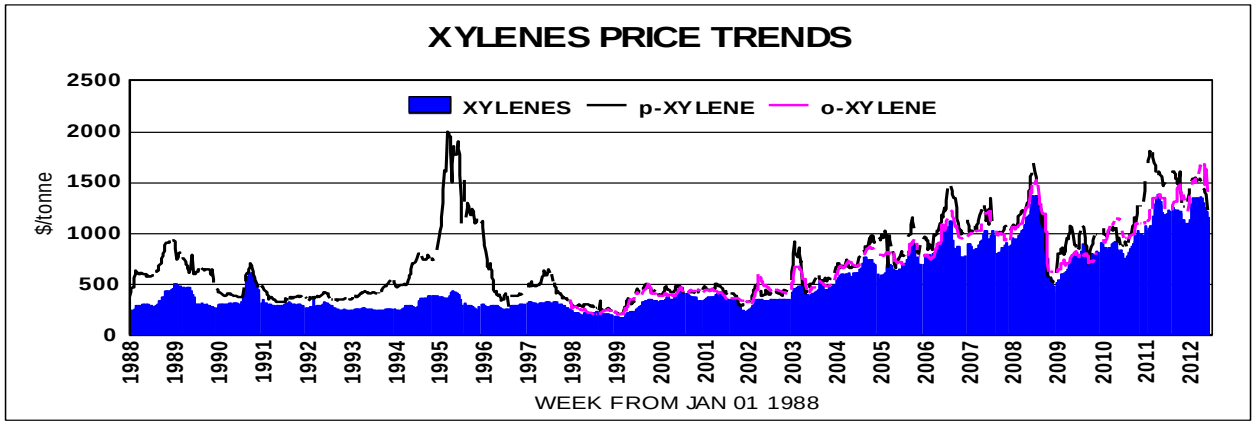
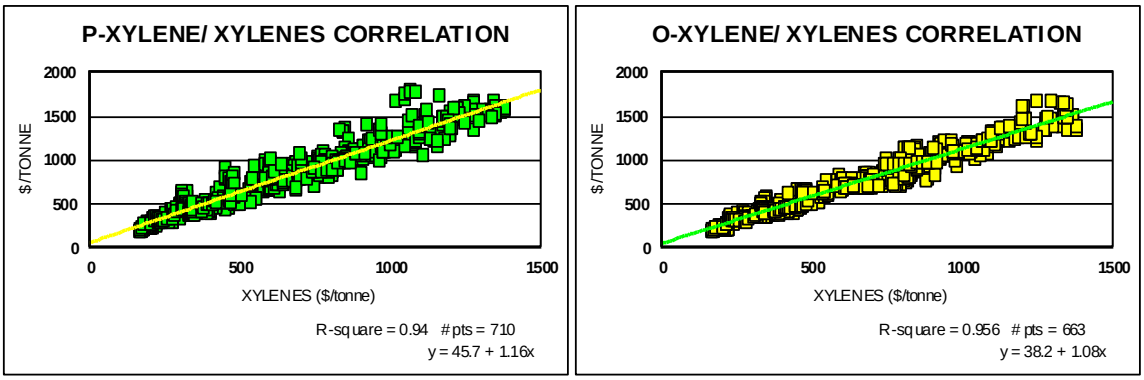
C6: THE PRICE OF PARA and ORTHO XYLENE

In the last Commentary (C5: The impact of crude oil price on aromatics prices), we showed the good correlation between the price of crude oil and mixed xylene isomers. In this comment we discuss the impact of oil prices on *para*-xylene and *ortho*-xylene. These two isomers have a large demand in the petrochemical industry; *para*-xylene for the production of polyester and *ortho*-xylene for the production of phthalic anhydride plasticiser. The nexus between the price of oil and the prices for xylene isomers is thus of considerable interest to participants in the petrochemical industry and most organisations have their own analysis. Here is a simple analysis based on the published spot prices as reported by *European Chemical News* and *ICIS Chemical Business* from 1989 to 2012.



Prior to 1998, the price of para-xylene clearly bore little relationship to the underlying price of xylenes, whereas from 1998 onwards there is a more harmonius relationship of both *para*-xylene and *ortho*-xylene. This is shown in the following correlations:



Despite often high prices for para-xylene, the correlations show good positive relationships (R^2 about 0.95) for both isomers for this recent period with xylenes and by implication with the prevailing price of crude oil; The corresponding crude oil correlation has a correlation factor of 0.88 for *para*-xylene.

This should be contrasted with the much poorer correlation of benzene with crude oil price (C5: The impact of crude oil price on aromatics prices). It would thus appear that despite some transitions, *para*-xylene prices are much more influenced in the long term by the prevailing price of crude oil rather than other factors in the petrochemical business cycle.