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MONTE CARLO (ICIS news)--Diminishing availability of credit will cause a reversal in polymer demand against a recessionary backdrop, a key market commentator said on Monday.

Speaking on the sidelines of the European Petrochemicals Association (**EPCA**) meeting, **International eChem** chairman Paul Hodges said that demand for end-products would be severely impacted by decreasing access to easy credit.

“The fundamental issue today is the decline of credit based on leverage,” Hodges said. “Many investors have now realised that they have overpaid for their assets, and they want their money back.

“This process is leading to a downturn in demand. The original slogan for credit cards was, ‘Take the waiting out of wanting’. Now, as this leverage is unwound you are going to put the waiting back into the wanting. What you are going to see is demand falling off a cliff.

“There is over-capacity in the polymer industry, which is worse than we have ever seen before. In our new ‘Feedstocks for Profit’ study we have looked at a scenario of low GDP as this over-capacity extends.

"We’re looking at polyethylene where people are saying demand could be down 7-8%. You move to, in our view, a number of key conclusions.”

First, those producers reliant on exports would face extreme difficulties, Hodges said. Products with a strong domestic market might see unfavourable prices, but exporters may find their markets severely eroded.

Second, the current global market would move towards a more regional state. “Easy movement of product from Europe to Asia isn’t going to take place,” he said.

In such a time of adjustment and change, the industry would need finance.

In past periods of economic downturn and overcapacity, he explained, banks had generally been capable of extending credit until the bottom of the cycle.  In this case, however, “the banks aren’t there”.

“We have never been here before” he said. “And nobody knows what is going to happen.”

*Click **here** for Will Beacham's radio interview with Hodges*
*Bookmark Paul Hodges’ **Chemicals and the Economy Blog***
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