Butadiene (Asia-Pacific)

By Ai Teng Lim
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Please click here for full details on the criteria ICIS uses in making these price assessments.

All prices in the weekly analysis on 15 April will be assessed based on information collated up to 14 April, with the exception of domestic yuan (CNY) quotes. Please click here for the ICIS publishing schedule.

OVERVIEW

- **Buy-sell gulf stays wide**
- **Low cracker operations crimp BD output**
- **But downstream demand worries also growing**

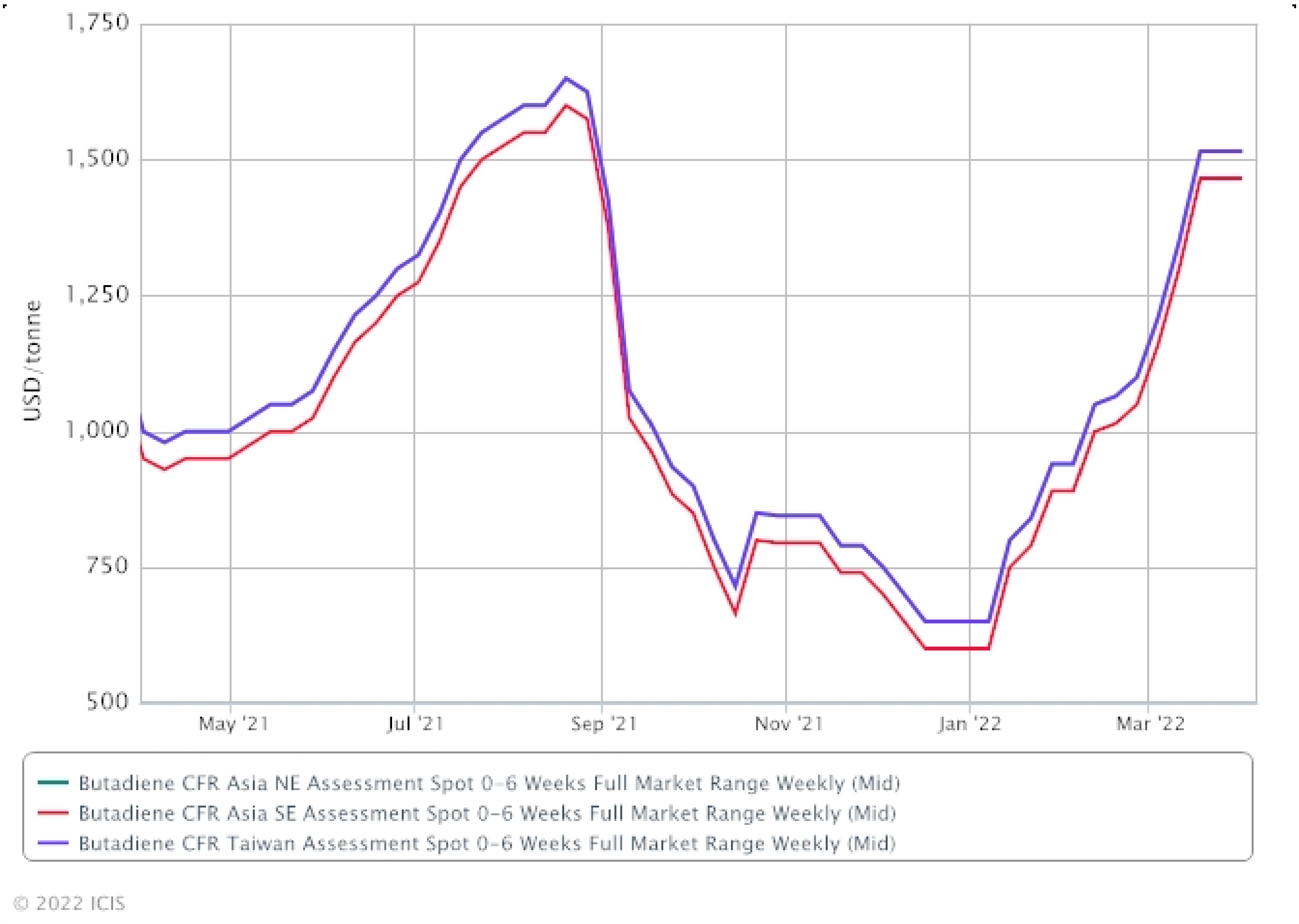
Asian spot trade liquidity for butadiene (BD) remains squeezed by differing buy-sell views.

Most regional suppliers held firm to existing selling expectations, or chased higher targets, citing both the need to rescue and improve depressed cracker margins, as well as the reality that BD's spot allocation will be cut with lower cracker operations.

However, buyers held a different view about the supply conditions, pointing out that sporadically, export cargoes are still available from some regional BD plants, such as those which started operating in the last few months.

As such, those who did not have pressing procurement needs kept to more bearish buying indications, preferring to forgo purchases if selling indications were not aligned.

Participants are also generally more inclined to discussing spot deals on a floating basis, rather than fixed prices, given the vast macro-level uncertainties, from a possibly protracted Russia-Ukraine conflict, to an extended pandemic-related lockdowns in China.



OUTLOOK

- **Sustained low cracker op rates will keep supplies squeezed**
- **But demand may taper more with economic slowdown in China**
- **Fluctuating c rude oil markets also add to uncertainties**

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	-50	1450.00-1600.00	n/c	1150.00-1200.00	65.77-72.57
CFR NE Asia	USD/tonne	n/c	1450.00-1580.00	n/c	1150.00-1270.00	65.77-71.67
CFR Taiwan	USD/tonne	n/c	1450.00-1580.00	n/c	1150.00-1270.00	65.77-71.67
CFR SE Asia	USD/tonne	n/c	1400.00-1530.00	n/c	1100.00-1220.00	63.50-69.40

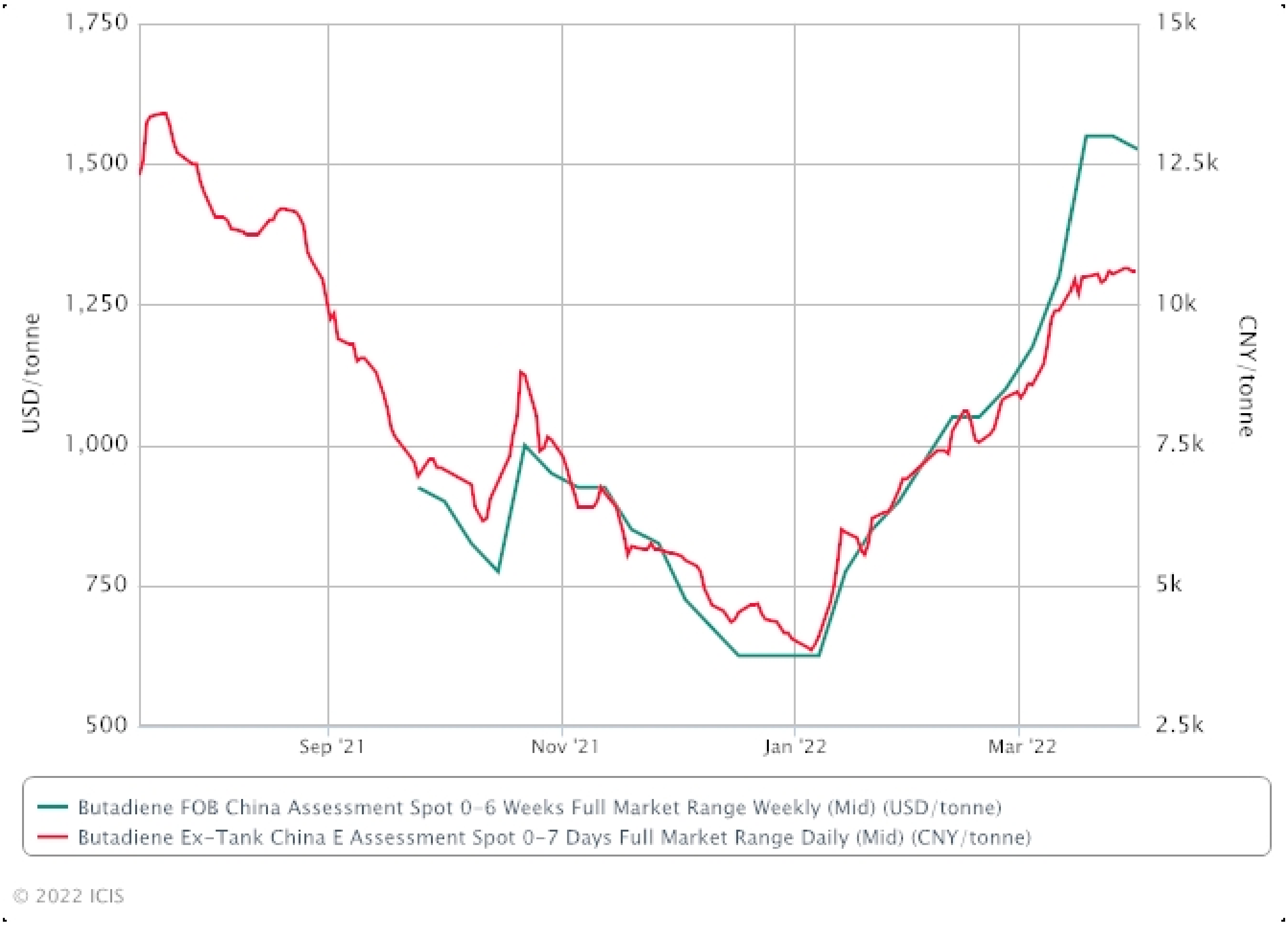
China

The FOB China assessment was stable-to-soft, with the low end dropped to capture the full range of buy-sell indications heard.

While most sellers held firm to existing expectations, buyers' sentiment is weighed down by concerns on downstream demand conditions, amid ongoing lockdown in Shanghai.

Domestic China prices settled on average unchanged week-on-week, as buying tempo slowed down with the lockdowns.

Price (CNY/tonne)	01 April	25 March
DEL east China	10,600-10,900	10,700-10,800



Northeast Asia

The CFR NE Asia assessment held steady, taking into consideration the full spectrum of buy-sell indications and deals heard throughout the week.

Most buyers were heard unwilling to pay more than $1,450/tonne CFR NE Asia for cargoes, given perceived difficulties to transfer the higher BD costs to downstream customers, many of whom were heard facing increased risk of declining end-use consumption.

The low end was kept unchanged to reflect such buy-side sentiment. Some materials were heard also sold at this level, although details such as cargo size and origin remain to be verified.

However, for many other regular suppliers, their pricing sentiment differed sharply, and remained in the high $1,500's to $1,600/tonne CFR NE Asia, market sources said.

Many sellers were heard determined to defend their expectations, and would hold back fresh sales unless buyers are willing to discuss on their terms.

The high end of the CFR NE Asia assessment was kept unchanged in line with this. Some China-origin cargoes were also heard discussed at this level earlier in the week, although market sources said that the deal may have been concluded on floating basis in the end.

The CFR Taiwan assessment was kept unchanged with the stable CFR NE Asia assessment.

Monthly Contract DEL, $/ tonne	Mar 22	Feb 22	Jan 22	Dec 21	Nov 21	Oct 21	Sep 21	Aug 21	Jul 21
Taiwan FPCC	1,355	1,040	795	780	885	870	1,175	1,545	1,380
Korea YNCC	1,335	1,015	835	645	800	790	1,050	1,650	1,470

Southeast Asia

The CFR SE Asia assessment was kept unchanged with the stable CFR NE Asia assessment, in the absence of any concrete CFR SE Asian business.

Some southeast Asia-origin materials were heard sold this week for April shipment, possibly to northeast Asia, but details were not fully verified.

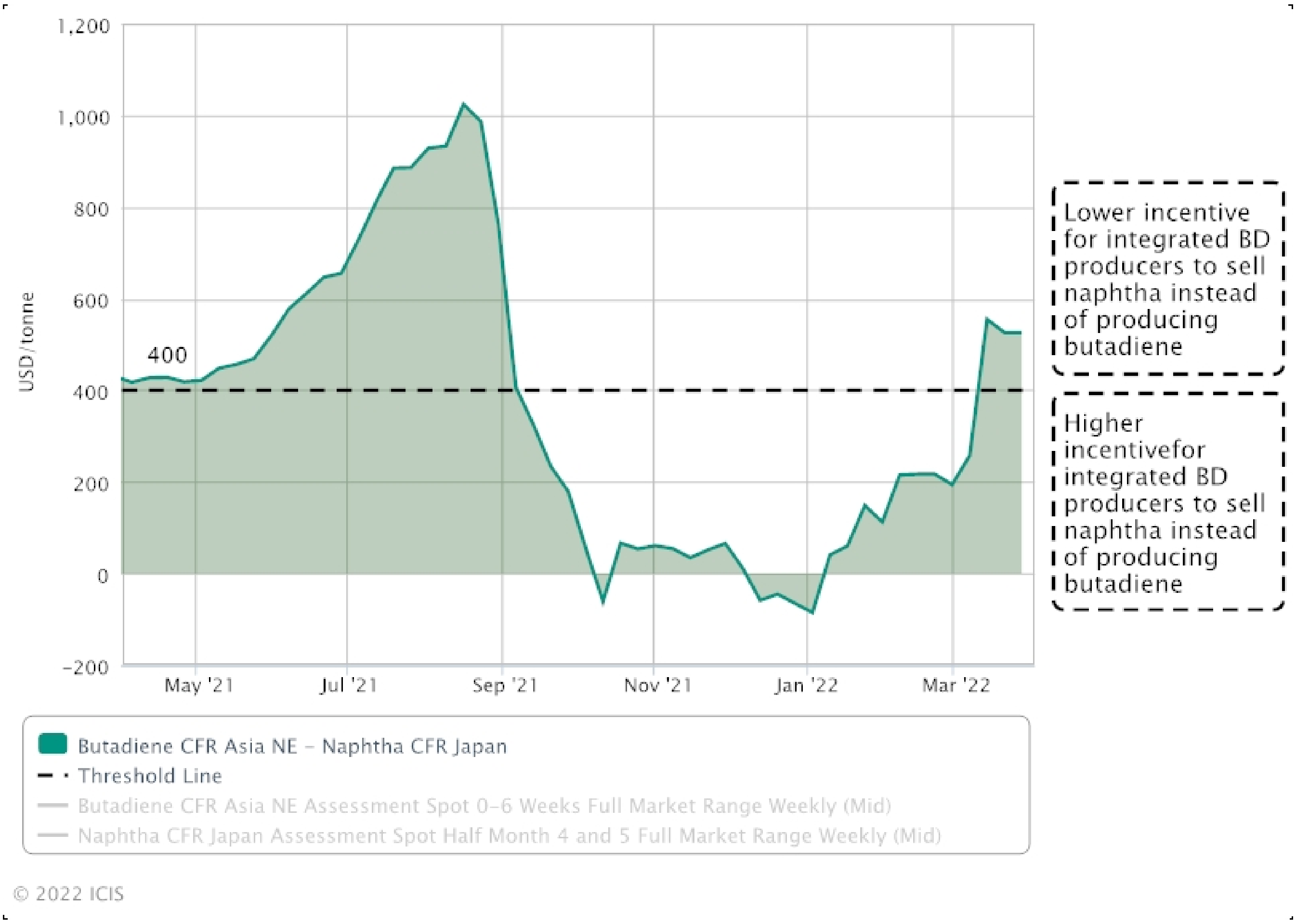
SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	+100	10600-10700	n/c	10500-10600	-

UPSTREAM

Asia-Pacific naphtha tracked lower crude oil futures after the US announced the release of one million barrels a day from its emergency oil reserves. Fragile naphtha demand for petrochemical production amid COVID-19 lockdowns in parts of China dampened market sentiment. Spot cargo trades in northeast Asia fetched lower premiums than before, while the product's inter-month spread narrowed in backwardation.

Feedstock spread between Naphtha CFR Japan and Butadiene CFR NE Asia



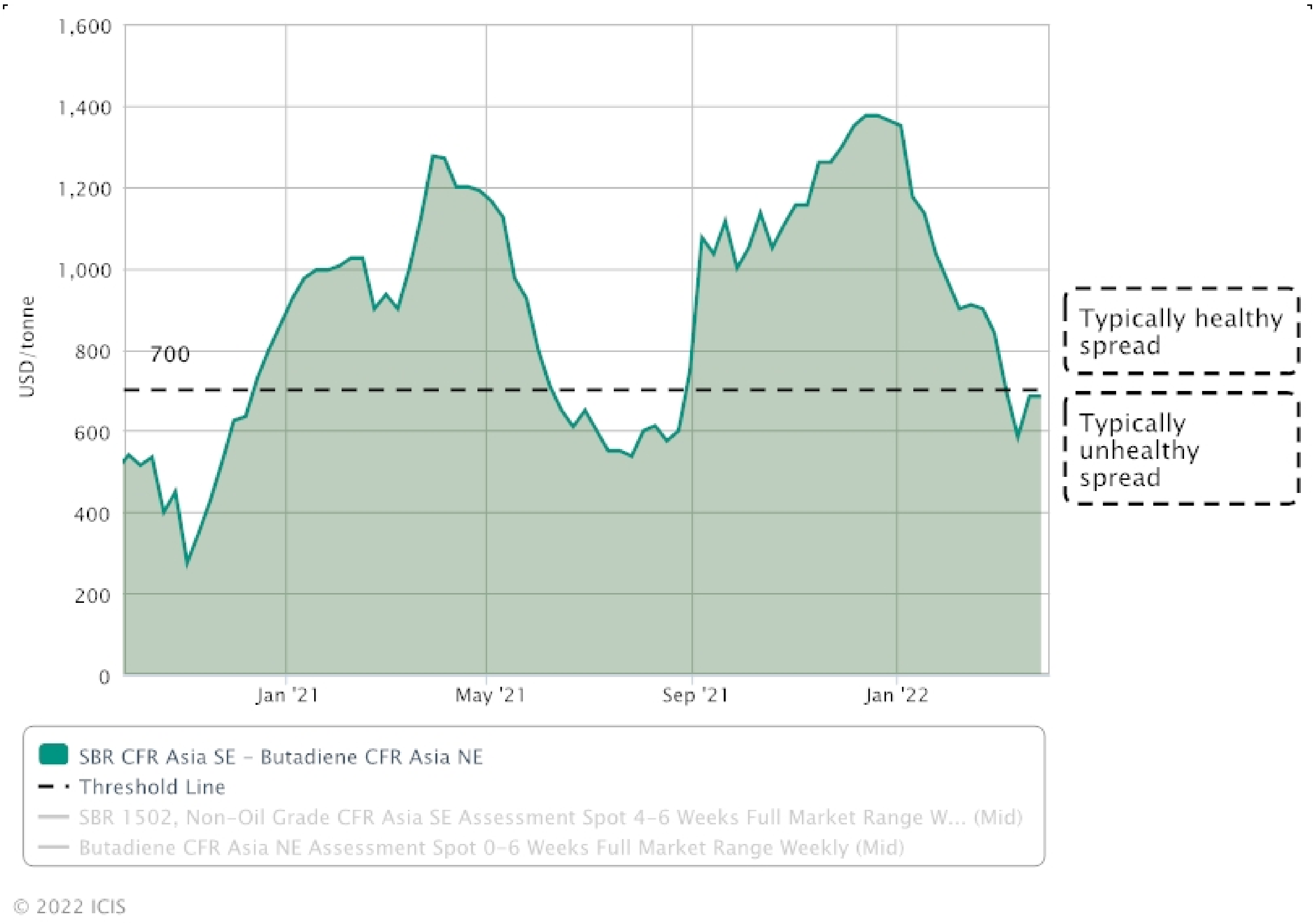
Click here for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

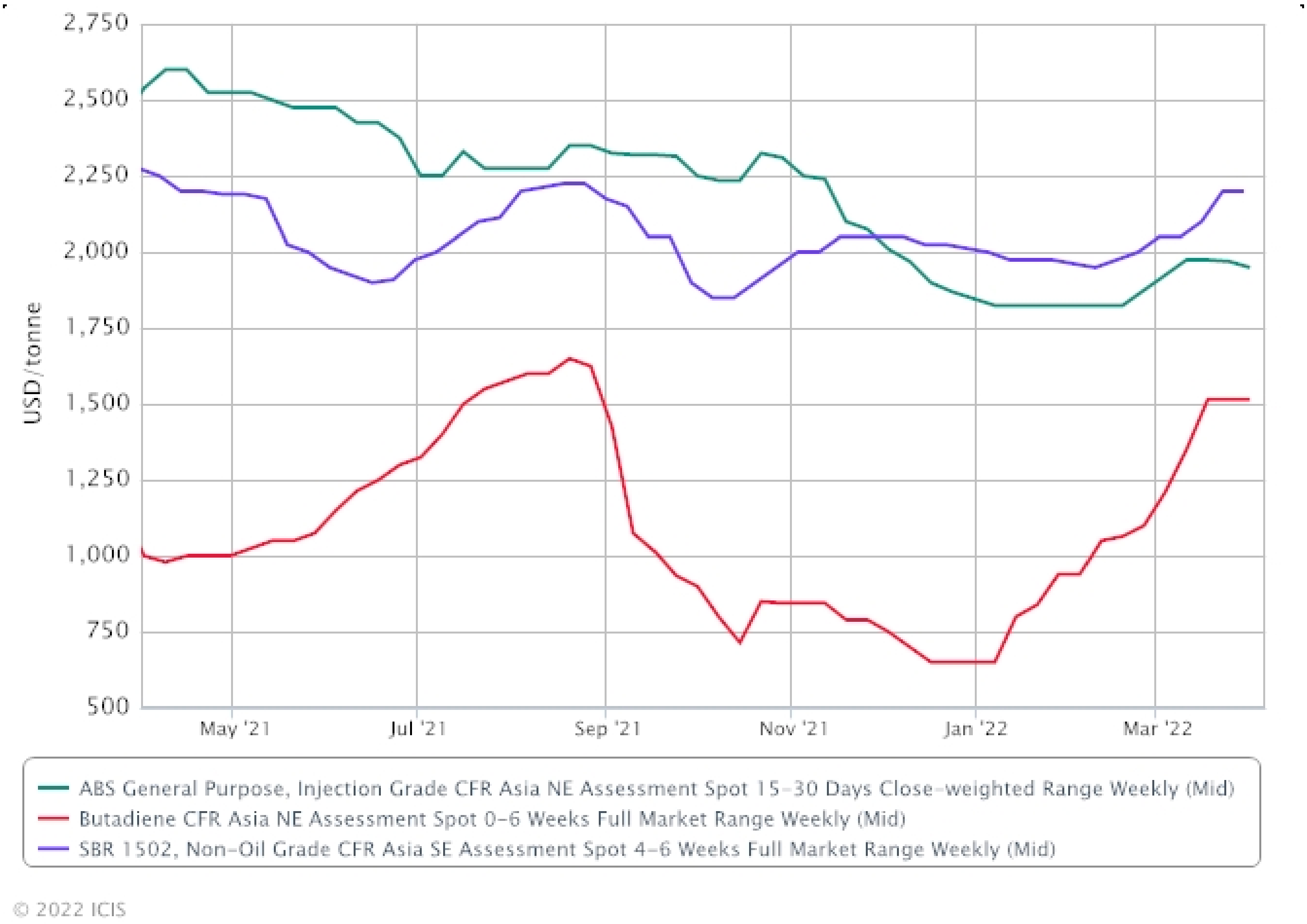
Asian import discussions for styrene-butadiene-rubber (SBR) stalled as wide buy-sell gap fails to narrow.

The chart below shows the spread between BD and SBR in Asia.

Spread between Butadiene and Styrene Butadiene Rubber Asia



The northeast Asia's spot **acrylonitrile butadiene styrene (ABS)** import prices were stable-to-soft, amid scant discussions for bulk imports. Buyers sought local goods in smaller quantities, as end-use consumption and logistics continued to be affected by the ongoing lockdowns to combat the recent surge in COVID-19 infections.



PRODUCTION

The regional BD market is structurally over-supplied, with more new capacities, including a 200,000 tonnes/year unit in China's Zhejiang province, expected to come onstream within the year.

But prompt output remained tight, following a heavy, and ongoing, wave of cracker operating rate cuts in northeast Asia. Supply is also going to be weighed down by several upcoming maintenance in Q2 2022, market sources said.

Click here for the Asian BD Live Disruption Tracker.

OTHER REGIONS

In the US, some changes are expected in butadiene consumption, with demand from the latex-glove sector expected to rise with increased production tempo in this sector.

ANALYTICS

ICIS Crude outlook

The crude price will continue to be driven by the Russia-Ukraine crisis in the short term. ICIS assumes no major further escalation in the conflict - recent peace talks indicate a potential de-escalation in the near term. At present, Russian crude exports have reduced by about 1.5m bbl/day - we expect exports to further reduce in the near term, even with peace talks underway. ICIS also expects China's coronavirus cases to continue to rise in the coming weeks, raising concerns about its oil demand in the near term. The US has announced it will release 180m barrels of crude into the market over six months. This equates to 1m bbl/day of additional oil, which is significant but does not fully cover the lost Russian crude exports. The primary source of sizeable oil production increases which could fill the gap left by reduced Russian exports would be Iran, which could add 1.3m bbl/day within six months of a nuclear deal being agreed. Looking to the summer, ICIS expects the Russia-Ukraine conflict to continue. It is expected that major oil importers such as China and India will look to find a way to purchase Russian crude at a steep discount and by utilising the yuan-denominated financial system, in order to avoid the risk of sanctions from the West, helping to restore some of the lost Russian barrels to the market.

By **Ajay Parmar**, ICIS senior analyst, ajay.parmar@icis.com

ICIS Naphtha outlook

European naphtha supplies remain under threat due to the conflict in Ukraine. Russia supplies Europe with around 50% of its naphtha imports. If sanctions are implemented on Russian naphtha exports or Russia chooses to reduce supply to Europe, this could cause a spike in prices. However, naphtha demand as a petrochemical feedstock has been under pressure recently, as negative cracking margins in Asia have led to reduced cracking runs. Propane is expected to continue to remain a strong alternative to naphtha in the coming months, as summer temperatures are expected to reduce propane demand in the heating market, and therefore reduce pressure on propane prices overall.

By **Ajay Parmar**, ICIS senior analyst, ajay.parmar@icis.com

ICIS Outlook on GDP

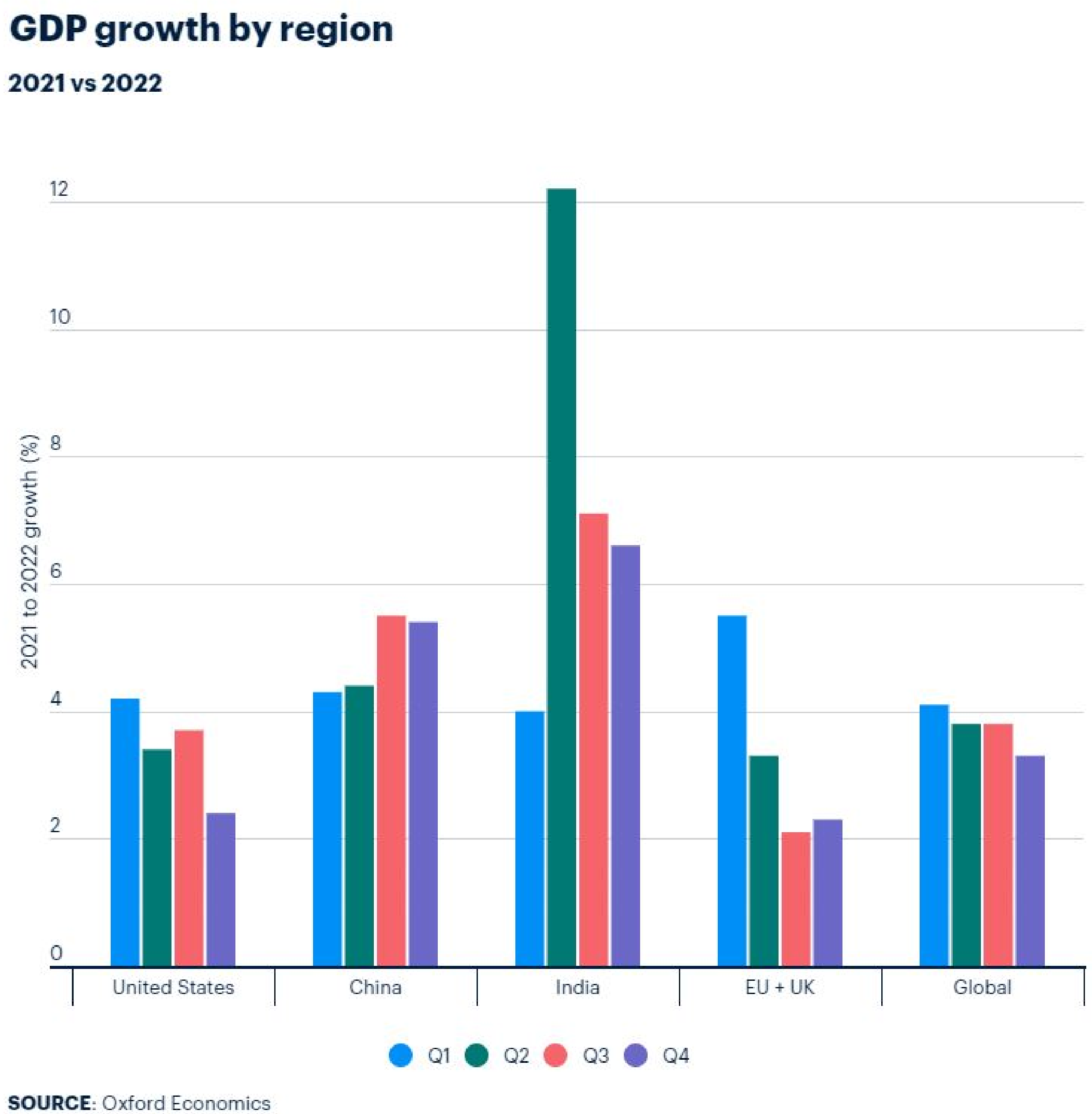
Russia's invasion of Ukraine has far-reaching economic consequences. It has also created a humanitarian crisis as refugees flee to neighbouring countries. Oxford Economics has revised down its global GDP forecast to 3.7% year on year in 2022, and its Q1 forecast has been revised down to 4.1% year on year. Because the situation is still developing, the outlook could deteriorate further. The International Monetary Fund (IMF) has approved $1.4bn in emergency financing under the Rapid Financing Instrument (RFI) to Ukraine. Some of the direct and immediate impact of the conflict includes higher energy and food prices leading to inflation, disrupted trade and a weakening in market sentiment and business confidence. Historically, whenever crude prices have doubled in a year, there is a high possibility that economies will go into recession. ICIS can currently see typical precursors to a recession - which is a shock to the system - high inflation, asset bubbles and a loss of consumer confidence. Even though many countries in Europe are getting rid of COVID-19 regulations, many believe the pandemic is far from over.

The US GDP forecast has been revised down by 1.0% to 3.4% year on year in 2022 by Oxford Economics, although Q1 GDP is expected to grow by 4.2% year on year. US household savings doubled in 2020 compared with 2019, suggesting that consumers will have higher disposal incomes. It is, however, important to note that the doubling of savings was concentrated among higher income households.

The EU GDP forecast has been revised down by 1.1% to 3.3% year on year in 2022 by Oxford Economics, and its Q1 GDP forecast lowered by 0.7% to 5.5% year on year. The EU's heavy dependence on Russian gas further clouds the gloomy outlook. However, the European Commission has tabled an ambitious plan to reduce Europe's reliance on Russian gas by two-thirds by the end of this year. Many countries in the EU are preparing to remove coronavirus regulations despite renewed concerns about mutations.

China's GDP forecast has been revised down by 0.5% to 4.9% year on year in 2022 by Oxford Economics, and Q1 GDP is forecast to grow by 4.3% year on year (although this has been revised down by 1.5%). Renewed pandemic concerns in cities such in Guangdong and Suzhou pose a major downside risk. At present, the country has stopped most non-essential activity. India's GDP forecast has been revised down by 0.7% to 7.3% year on year in 2022 by Oxford Economics, and Q1 GDP is expected to grow by 4.0% year on year (although this has been revised down by 1.4%).

By **Jincy Varghese**, ICIS demand analyst (jincy.varghese@icis.com)


GDP growth by region
2021 vs 2022
12
10
8
6
4
2
0
2021 to 2022 growth (%)
United States
China
India
EU + UK
Global
Q1
Q2
Q3
Q4
SOURCE: Oxford Economics