



Butadiene (Asia-Pacific)

By Ai Teng Lim
04-Feb-2022

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Please click [here](#) for full details on the criteria ICIS uses in making these price assessments.

The FOB China and/or Chinese domestic yuan (CNY) prices in the weekly analysis on 4 February will not be assessed. ICIS has introduced a new enhancement so that quotes that are not assessed due to holidays will be displayed as “n/a”. Domestic yuan assessments that are fed from other publications will still reflect a rollover in prices. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Thin discussions**
- **Offers supported on cost pressures**
- **Buyers away for holidays**

Asian spot prices for butadiene (BD) were flat, as trade discussions ground to a halt on extended holiday closures in Asia.

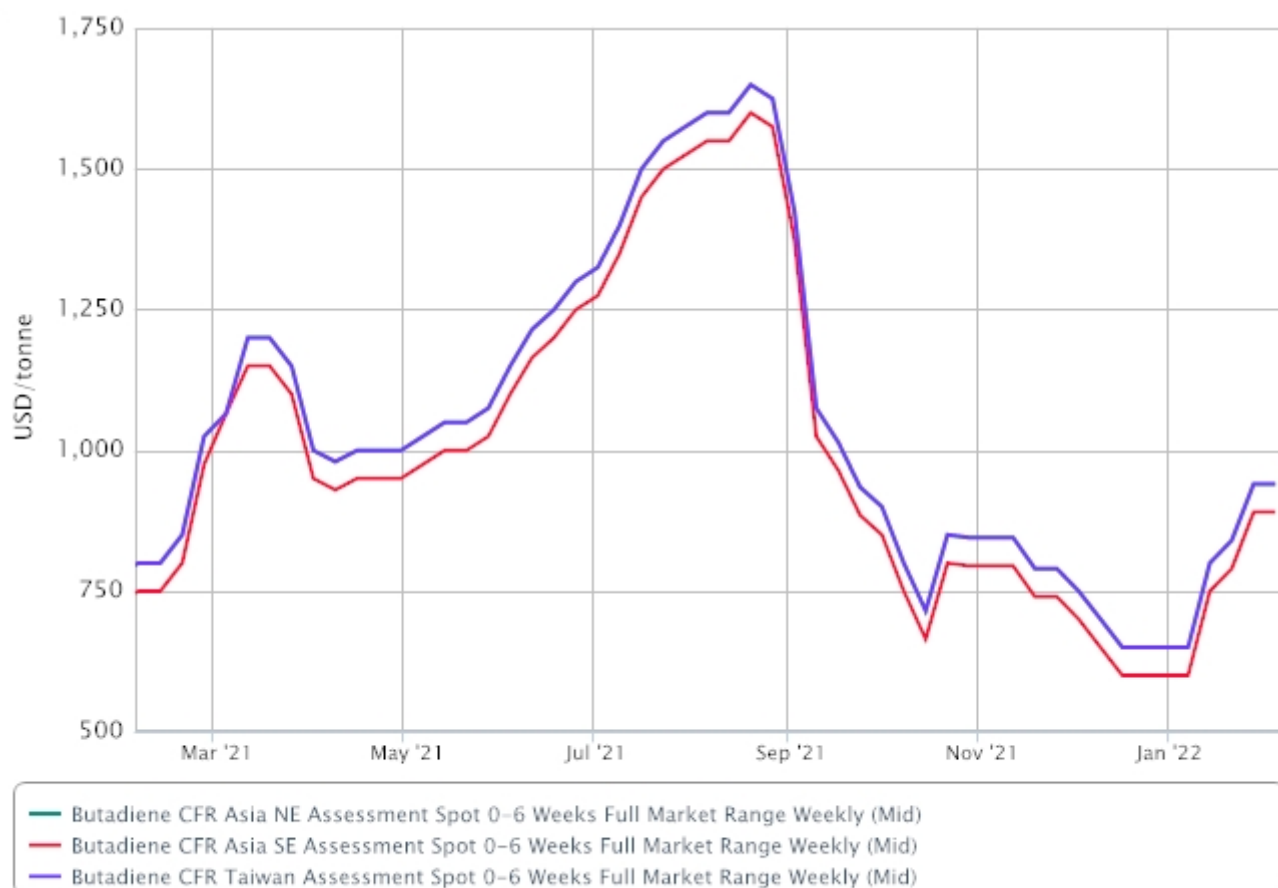
For instance, China is shut from 31 January to 6 February, and many players in Korea are also away during the period for extended celebrations.

Overall, sentiment remains buoyant among sellers, with many heard determined to defend existing asking prices, if not chase higher targets in due course. Sellers highlighted that with cracker margins still heavily squeezed by [strong naphtha prices](#), there is no room to price BD down.

Even if BD sales tempo fails to pick up, sellers were heard more inclined to lower operating rates to minimise surplus BD volumes, rather than drop existing BD offers.

On the buy-side, most held back from fresh negotiations, but acknowledged that with naphtha on a firm uptrend, the likelihood remains that this could drive up BD pricing too. As such, some were heard mulling the merits of purchasing some BD volumes soon, before prices rise higher.

That said, market players said that trade discussions would likely pick up pace only in the coming week, when more players are back.



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OUTLOOK

- Eyes on how post-holiday trade momentum may pan out
- Upstream cost pressures to build on BD producers
- Downstream demand prospects hazy on [global economic uncertainties](#)

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	-	n/a	-	n/a	n/a
CFR NE Asia	USD/tonne	n/c	900.00-980.00	n/c	600.00-700.00	40.82-44.45
CFR Taiwan	USD/tonne	n/c	900.00-980.00	n/c	600.00-700.00	40.82-44.45
CFR SE Asia	USD/tonne	n/c	850.00-930.00	n/c	550.00-650.00	38.56-42.18

China

FOB China and domestic ex-tank prices in China are not assessed due to Lunar New Year market closures in China.

In the days before the holiday closures began, domestic China prices, on a DEL (delivered) east China basis, did see some fresh gains on buoyant offers.

Price (CNY/tonne)	30 January*	21 January
DEL east China	7,000-7,200	6,200-6,400

*China is shut for Lunar New Year holidays from 31 January to 6 February.

Northeast Asia

CFR northeast Asian assessments were left unchanged, in a thinly-discussed, holiday-laden trading week.

There were no fresh buy-sell pricing indications heard for cargoes available to trade on a fixed price basis.

CFR Taiwan assessments were also flat with unchanged CFR NE Asian assessments.

Monthly Contract DEL, \$/tonne	Jan 22	Dec 21	Nov 21	Oct 21	Sep 21	Aug 21	Jul 21
Taiwan FPCC	-	780	885	870	1,175	1,545	1,380
Korea YNCC	835	645	800	790	1,050	1,650	1,470

Southeast Asia

CFR SE Asian assessments were also rolled over in the absence of concrete discussions.

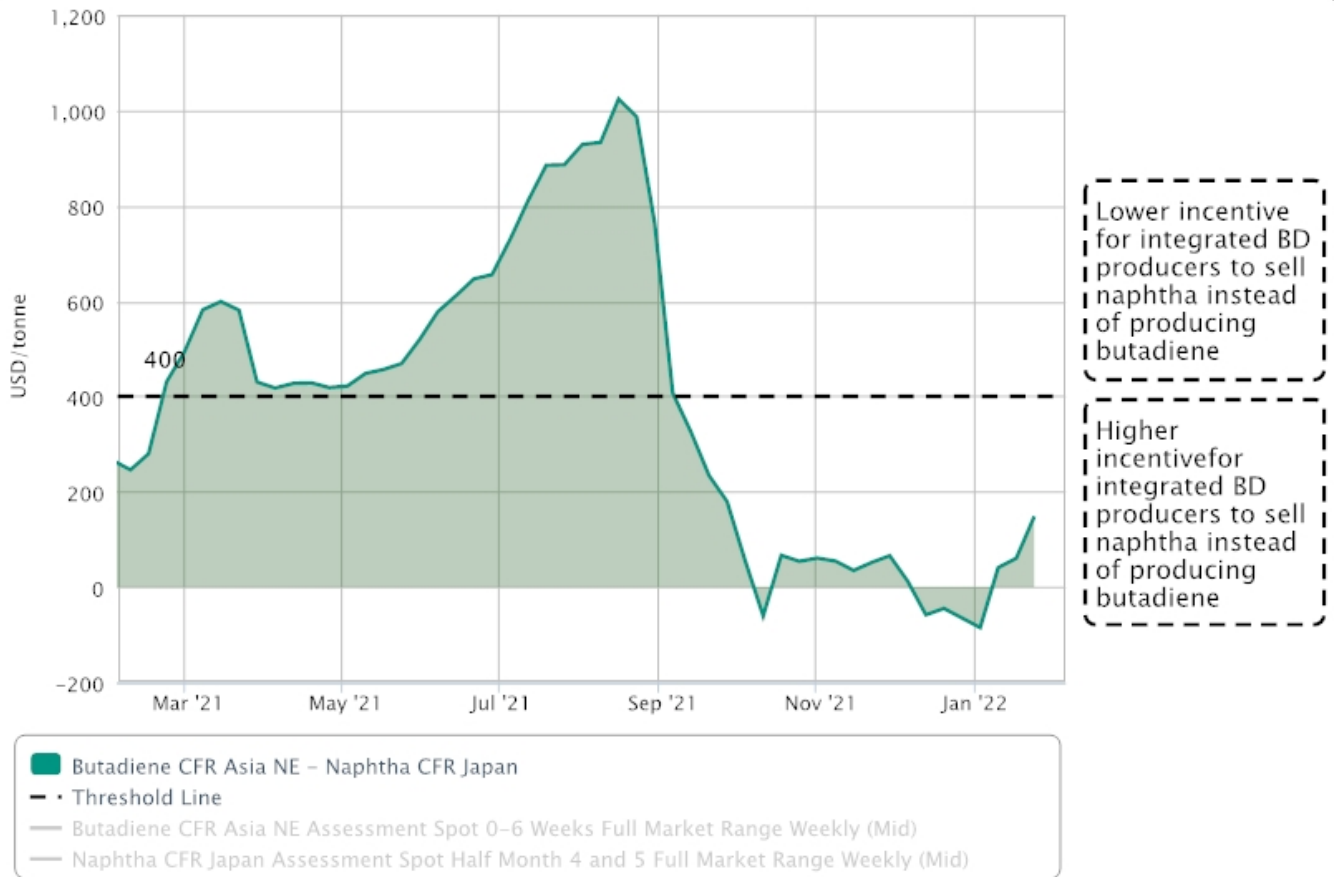
SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

		Price Range	One Week Ago	/
Butadiene				
Ex-Tank E China	CNY/tonne	+200	6600-6800	+100
			6100-6300	-

UPSTREAM

Asia-Pacific naphtha prices rose to a new high not seen since late 2014, driven by strong gains in global crude oil futures. Concerns of disruptions to tight supply overshadowed stable-to-soft demand as downstream olefins margins stayed weak. The product's intermonth spread widened in backwardation, with prompt-month prices firmer than forward months.

[Feedstock spread between Naphtha CFR Japan and Butadiene CFR NE Asia](#)



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Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

The Asian spot market for styrene-butadiene-rubber (SBR) is flat on a holiday lull, but players expected demand and supply fundamentals to strike a [better balance](#) in 2022.

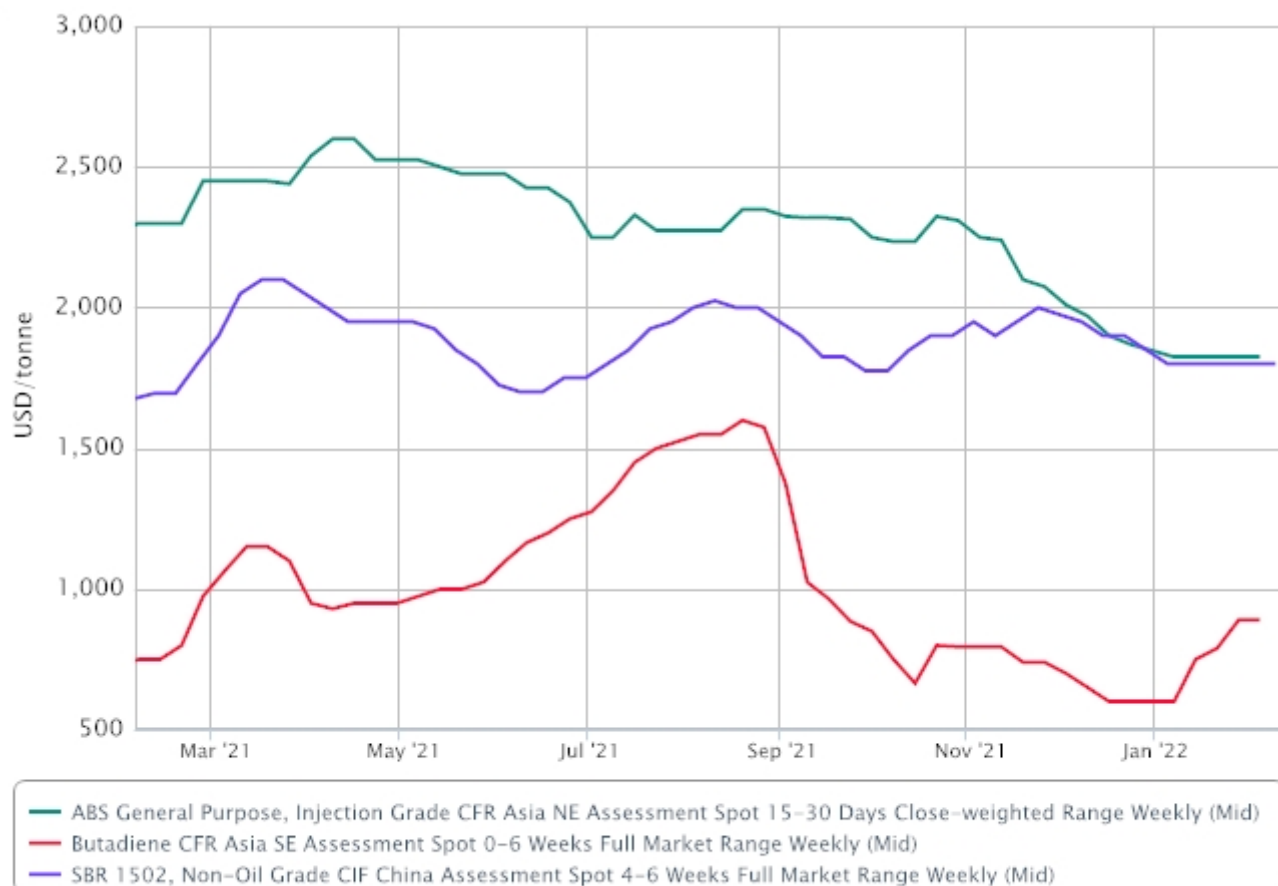
The chart below shows the spread between BD and SBR in Asia.

[Spread between Butadiene and Styrene Butadiene Rubber Asia](#)



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Spot acrylonitrile butadiene styrene (ABS) import prices in northeast Asia were flat for a fourth week after a decline from 22 October 2021. Discussions across Asia were subdued with major markets such as China and Taiwan still away for the Lunar New Year holidays.



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PRODUCTION

The regional BD market remains structurally over-supplied, with more [new capacities](#), including a 200,000 tonne/year unit in China's Zhejiang province, expected to come onstream within first half of 2022.

Click [here](#) for the Asian BD Live Disruptions Tracker.

OTHER REGIONS

In the US, BD production fell in Q4 2021 on operational issues.

Auto sales in the US are also expected to face [headwinds](#) in 2022 from low dealer inventories and supply chain issues.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

Global automotive output is expected to grow 8.8% in 2022 compared with 2021, although it will still be down 10% from 2019 levels. (Q1 2022 is expected to fall by 4.7% year on year). The global auto industry continues to suffer because of key material shortages and the impact of the pandemic. Chips and electric steel supply issues are likely to persist. Polyamide, a key input material, is anticipated to be in short supply as ammonia production is cut due to high energy costs. In addition, a disruption caused by a typhoon was reported at a Malaysian and Singapore MEG plant.

US automotive output is expected to grow 8.3% in 2022 compared with 2021, although it will be down 2% from 2019 levels. (Q1 2022 is expected to grow by 0.9% year on year). The inventory sales ratio was 0.242 in November 2021, the lowest on record.

EU automotive demand (including the UK) is outpacing supply. Inventories are at an all-time low. EU automotive output is expected to grow 17.0% in 2022 compared with 2021, although it will still be down 26% from 2019 levels. (Q1 2022 is expected to shrink 9.8% year on year). The chip shortage is likely to last well into 2022 and will result in weaker-than-expected vehicle sales and poor demand for key polymers used in the automotive industry.

A modest improvement in China's automotive industry is expected. Output is expected to grow 4.9% in 2022 compared with 2021 (Q1 2022 is forecast to grow by 0.9% compared with Q1 2021). However, pockets of coronavirus infections amid a 'zero COVID-19' approach will likely weigh on demand. Xi'an, the capital of Shaanxi Province, has been under lockdown since 22 December. However, it is worth noting that Shaanxi Province accounts for just 2.7% of the country's passenger cars. In terms of stock, the inventory coefficient was at 1.43 in December 2021, a year on year decrease of 20.6% (although it increased 5.9% month on month). Indian automotive output in 2022 is expected to grow 2.0% compared with 2021, although it will be down 4.6% from 2019 levels. (Q1 2022 is expected to shrink by 7.7% compared with Q1 2021). Despite a healthy order book, passenger vehicles continue to be affected by the chip shortage and increased lead times.

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

Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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