



Butadiene (Asia-Pacific)

By Ai Teng Lim
04-Mar-2022

[Overview](#) | [Outlook](#) | [Prices](#) | [Upstream](#) | [Downstream](#) | [Production](#) | [Other Regions](#) | [Analytics](#)

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

OVERVIEW

- **Buying appetite up for imports**
- **Offers rise on upstream cost pressures**
- **Plant closures weigh on regional output**

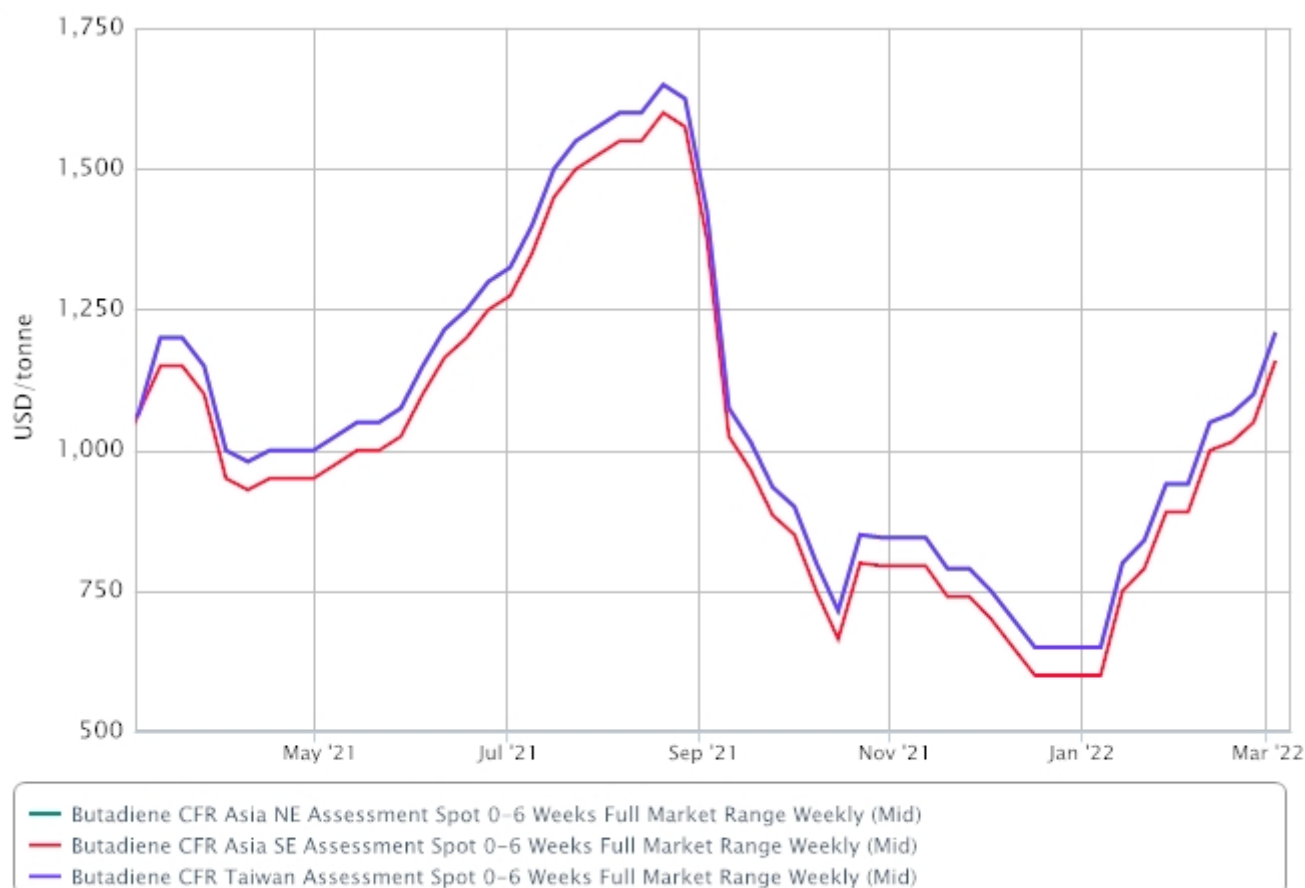
Asian butadiene (BD) spot prices extended gains as discussions firmed amid sustained [bullishness](#) in domestic yuan-denominated pricing in China. Buying interest also improved as some end-users sought to fill supply voids due to ongoing and upcoming production cuts at various upstream crackers.

Given how upstream crude and naphtha prices have soared with the escalation of the [Russia-Ukraine crisis](#), US dollar denominated import offers rose across the board, with sellers seeking to chase higher targets and rescue depressed cracker margins.

Most said that because they faced no inventory pressure they were prepared to hold back on sales if bids did not meet their expectations.

From the buy-side, while some did raise bids, most were heard broadly well covered for near-term requirements and did not see the need to rush out and buy at levels beyond what they deemed affordable in view of their own downstream markets.

However, news of another wave of [cracker operating rates cuts](#) in March and April triggered concerns that BD output in the region will be further squeezed, prompting a select few buyers into rushing to secure some replacement volumes.



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OUTLOOK

- **Upstream pricing a key factor**
- **Low cracker operating rate cuts may stoke buying interest**
- **Buy-sell gap may remain wide**

ICIS has analysed the potential impact of disruptions to Russia chemicals and polymers exports from international sanctions and logistics issues. While Russia's capacities on a global scale are relatively small, they can still have a significant impact on regional markets if these exports are disrupted. Russia has ramped up export capacity in some key products in recent years. See if supply disruptions could impact your markets:

<https://infogram.com/russia-exports-graphic-1hzj4o3e1v9j34p>

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	+100	1150.00-1200.00	+50	850.00-950.00	52.16-54.43
CFR NE Asia	USD/tonne	+100	1150.00-1270.00	+120	900.00-980.00	52.16-57.61

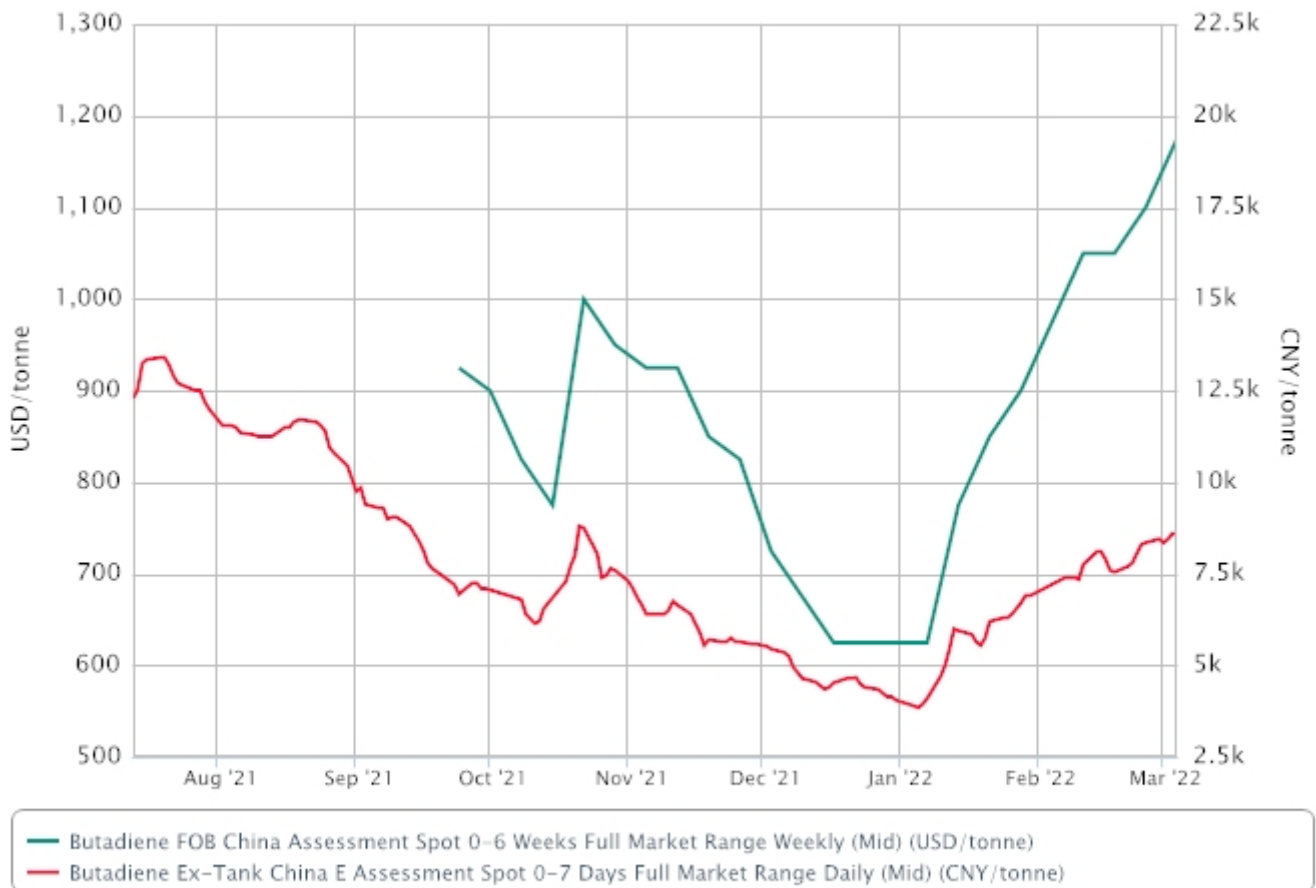
CFR Taiwan	USD/tonne	+100	1150.00-1270.00	+120	900.00-980.00	52.16-57.61
CFR SE Asia	USD/tonne	+100	1100.00-1220.00	+120	850.00-930.00	49.90-55.34

China

The FOB China assessment was raised with the high end capturing selling indications heard. The low end was adjusted up on a notional basis in line with the change at the low end for the CFR northeast Asia assessment in the absence of any concrete discussions on a FOB basis.

Domestic China prices continued to trend up, alongside a persistent bull run in crude futures.

Price (CNY/tonne)	04 March	24 February
DEL east China	8,650-8,800	8,500-8,600



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Northeast Asia

The CFR northeast Asian assessment spiked on firmer buy-sell discussions and deals, heard through the course of the week.

Selling indications rose progressively in the week, tracking a sharp upswing in crude futures seen this week.

Buying indications rose in line, but the majority still lagged selling indications and the ensuing gap weighed on overall trade liquidity.

The low end reflects the highest buying indications heard.

That said, buying appetite picked up towards the end of the week, as some buyers sought to secure volumes to fill a void that could arise with an upcoming wave of cracker operating rate cuts. A deal did materialise at the end of the trading week, for a H1 April shipment parcel. This formed the high end of the published range.

The CFR Taiwan assessment was raised in tandem with the change in the CFR NE Asian assessment.

Monthly Contract DEL, \$/tonne	Feb 22	Jan 22	Dec 21	Nov 21	Oct 21	Sep 21	Aug 21	Jul 21	June 21
Taiwan FPCC	1,040	795	780	885	870	1,175	1,545	1,380	1,205
Korea YNCC	1,015	835	645	800	790	1,050	1,650	1,470	1,245

Southeast Asia

The CFR SE Asia assessment was adjusted in line with the change in the CFR NE Asian assessment in the absence of any fresh transactions for SE Asia-bound shipments.

A southeast Asia-origin cargo was sold this week, via tender and on a floating basis for H2 March shipment, market sources said.

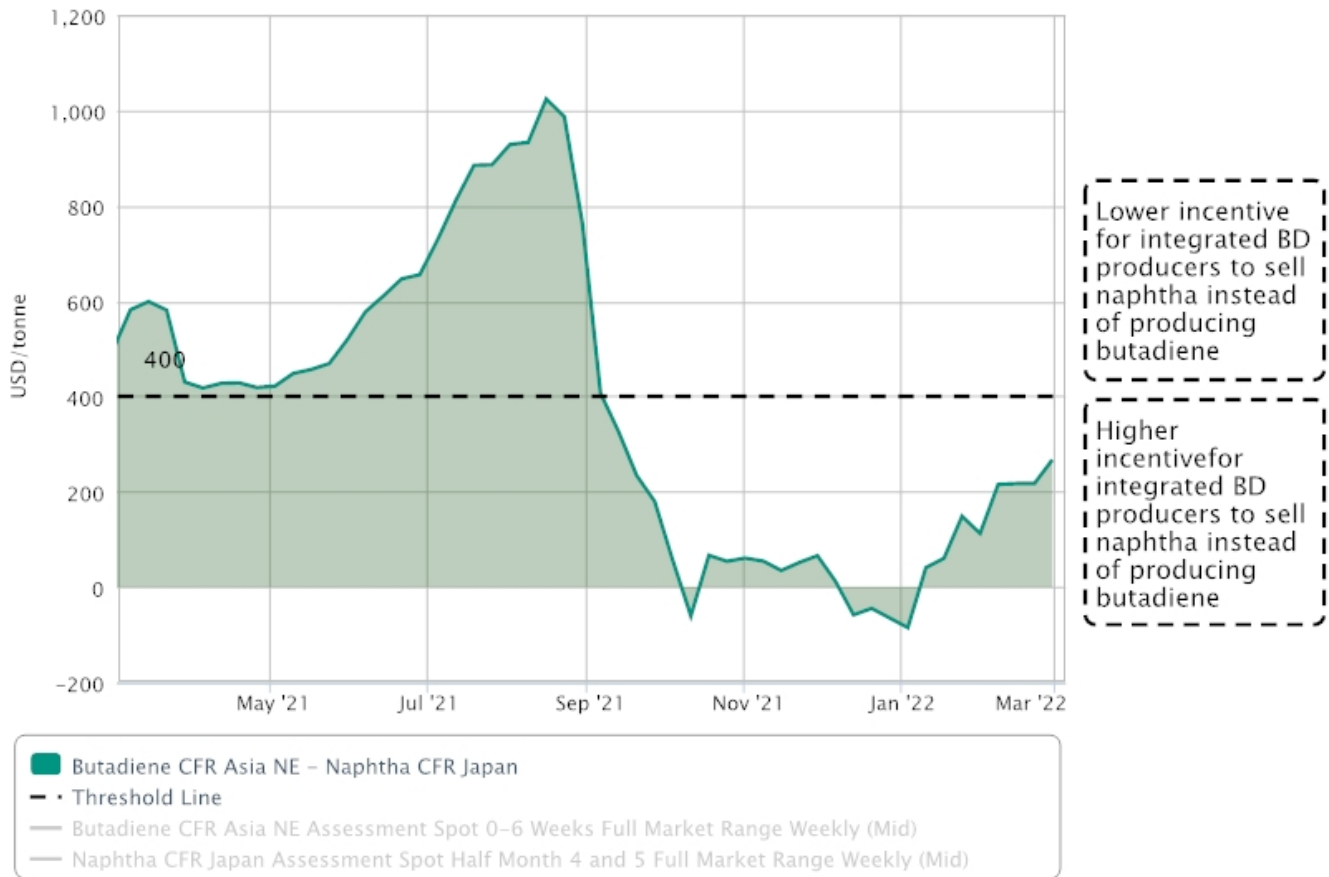
SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	n/c	8550-8600	-50	8300-8400	-

UPSTREAM

Asia-Pacific naphtha prices surged to over a decade high alongside spikes in crude oil futures, driven by tight supply worries amid the Russia-Ukraine conflict. Bullish market sentiment and volatility in the week pushed up naphtha's crack spread to an all-time high.

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



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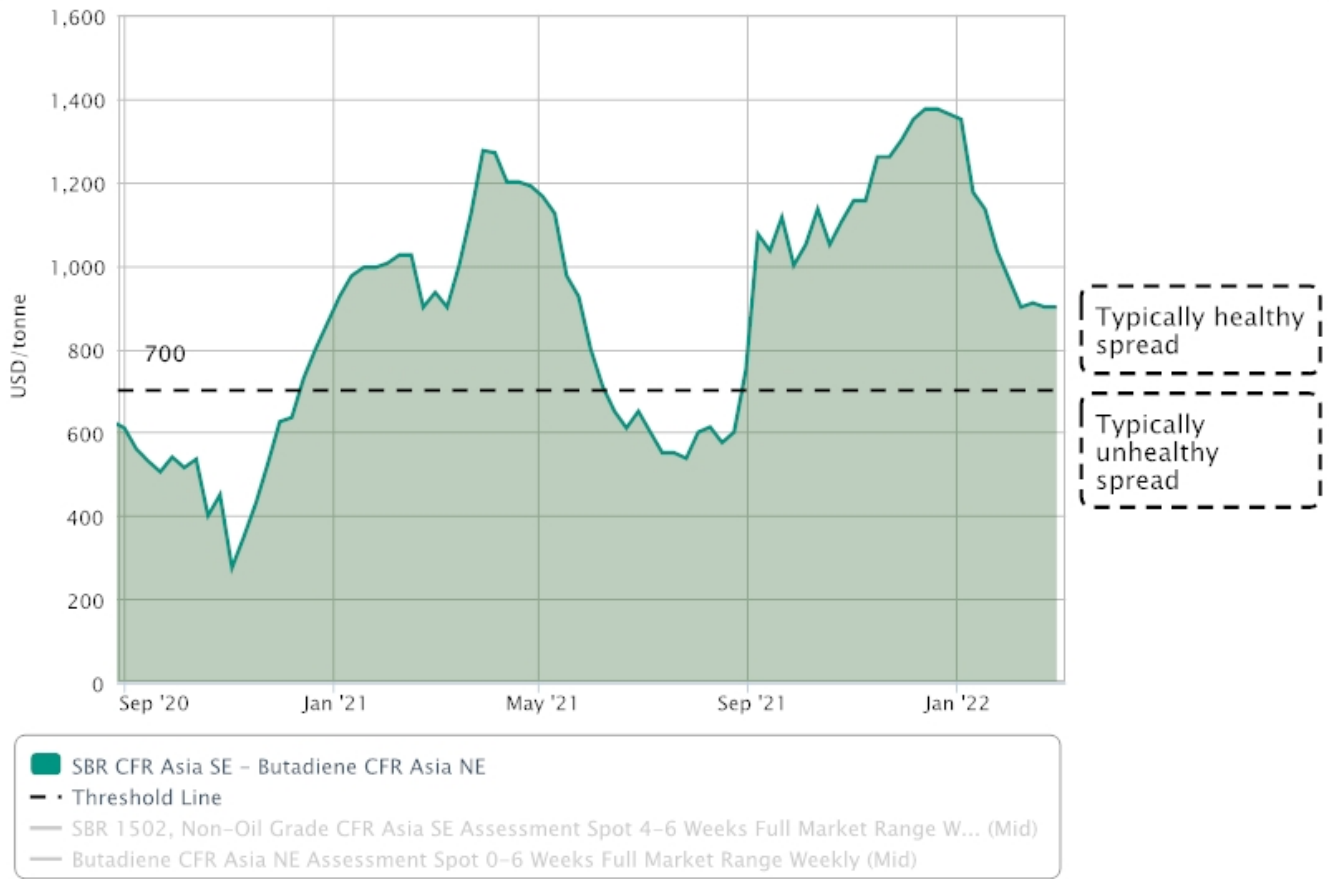
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asian spot prices for **styrene-butadiene rubber (SBR)** imports rose on [supply concerns](#).

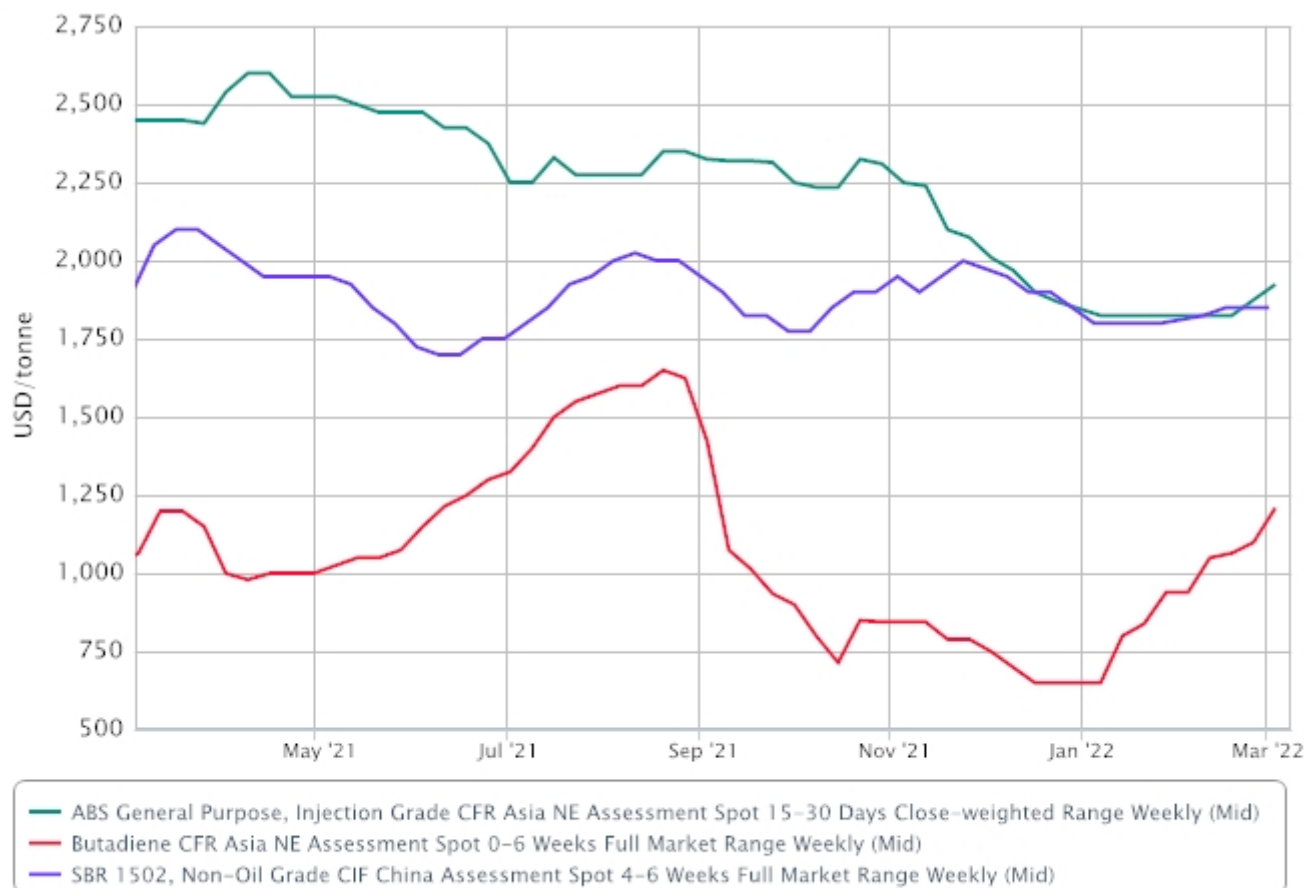
The chart below shows the spread between BD and SBR in Asia.

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



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Spot **acrylonitrile butadiene styrene (ABS)** import price midpoint in northeast Asia rose for the second week, following a six-week stalemate. ABS supply suffered constraints, with plants in Kaohsiung, Taiwan, losing a day of production from a power outage. South Korea's [LG Chem](#) would shut for scheduled maintenance in H2 March. The uptrend was capped by the sluggish derivative consumption from the recent jump in Omicron cases, which had also caused China to tighten restrictions on vessels.



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PRODUCTION

The regional BD market remains structurally oversupplied, 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.

But prompt output has been reduced, following a heavy, and ongoing, wave of cracker operating rate cuts in northeast Asia. Supply will also be weighed down by various planned and unplanned plant closures in the February-March window.

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

OTHER REGIONS

In the US, March contract prices for BD [rose](#) higher than February on tight fundamentals and rising costs.

ANALYTICS

ICIS Outlook on Industrial Production (ex. Construction)

The global outlook for industrial production is challenging, owing to continuing supply issues, pandemic-led labour absenteeism and increasing material costs. Geopolitical tensions will further drive up energy prices. This is concerning for oil-intensive industries such as petrochemicals. In addition, central banks must strike a balance between managing inflation and not putting a drag on recovery. Global industrial output in 2022 is expected to

grow 4.1% compared with 2021. Q1 2022 is forecast to grow by 2.9% compared with Q1 2021 (Oxford Economics). Industries that are expected to perform better include durables, food, beverages and textiles. However, the prospects for motor vehicles and parts and chemicals are expected to weaken.

US output is forecast to grow 3.7% in 2022 compared with 2021 and Q1 2022 to grow by 4.4% year on year. Within manufacturing, weakness is expected in domestic appliances, food production, automotive and textiles. A broader recovery in output is likely in the second half of the year as material shortages and high input costs potentially ease.

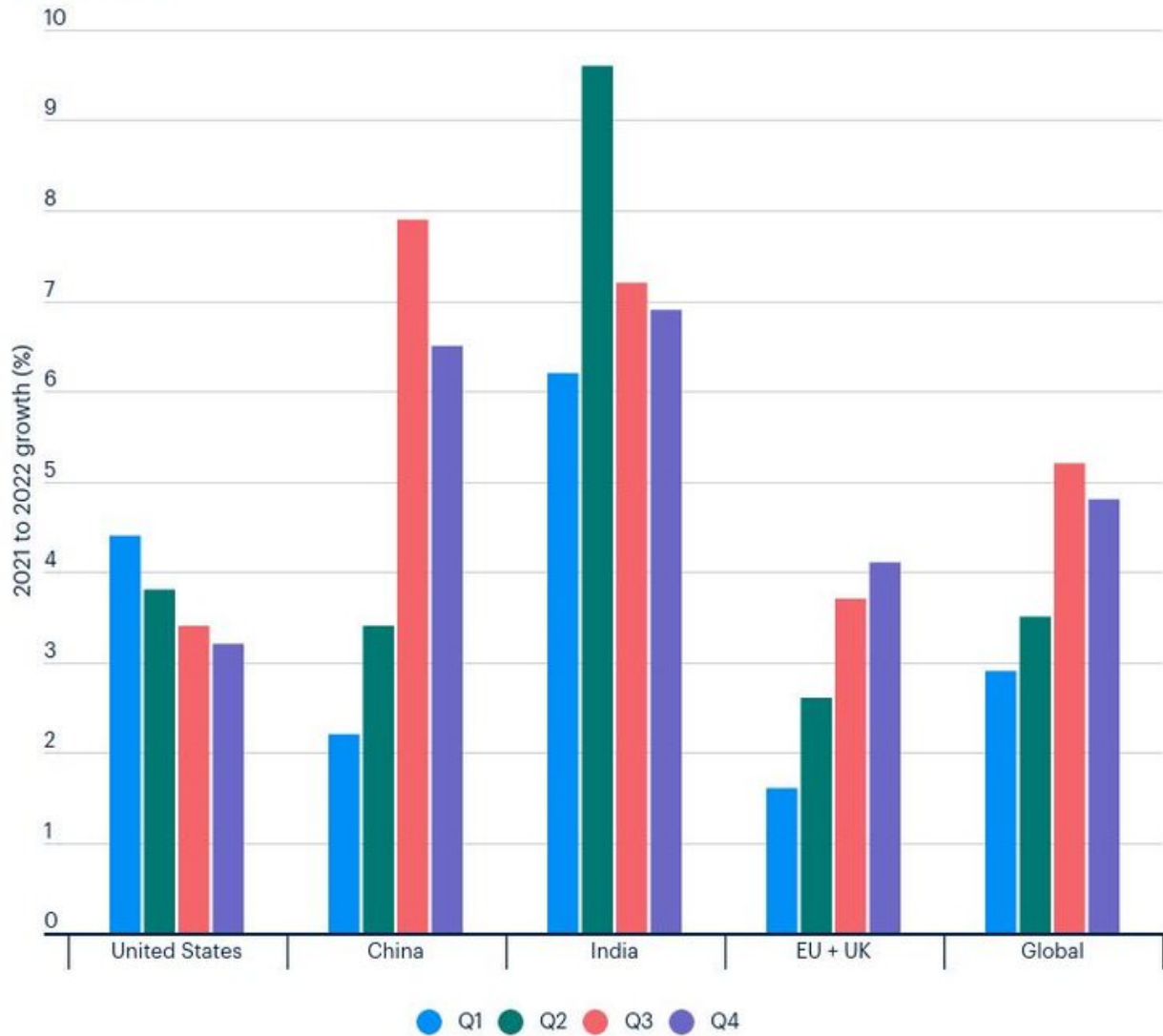
EU output (including the UK) is forecast to grow 3.0% in 2022 compared with 2021; Q1 2022 is expected to grow by 1.6% compared with Q1 2021. Motor vehicles and domestic appliances continue to underperform.

Chinese output in 2022 is estimated to grow 5.0% compared with 2021; Q1 2022 to grow by 2.2% year on year (Oxford Economics). China's zero COVID-19 policy (which may lead to unplanned shutdowns) is one of the primary risks to economic activity. However, weakness is anticipated in domestic appliances and non-durable products, with growth returning in the second half of the year. Indian output in 2022 is forecast to grow 7.5% compared with 2021; Q1 2022 is forecast to grow by 6.2% year on year.

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

Industrial production (excluding Construction) growth by region

2021 vs 2022



SOURCE: Oxford Economics

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