Butadiene (Asia-Pacific)

By Ai Teng Lim
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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

- **Weak domestic China**
- **Tepid demand**
- **Buy-sell gap widen for imports**

Asian spot discussions for butadiene (BD) imports fell, under the dual pressures of a weak domestic China and persistently sluggish demand conditions across Asia.

In China, domestic prices continued to trend down, as local BD off-take tapered at a time when supplies are poised to rise with capacity growth and plants restarting from maintenance.

China's buying interest, as well as pricing ideas, for US dollar-denominated imports also faltered in line.

In wider Asia, import requirements are also structurally weak, as many downstream plants in the synthetic rubber and acrylonitrile-butadiene-styrene (ABS) sectors have trimmed operations and may consider deeper cuts, market sources said, to cope with persistently poor off-take of their own finished products.

Some of these end-users have also cut back on their BD contractual intake, market sources said, prompting in turn affected traders/suppliers to widen discounts and find replacement buyers for the displaced cargoes.

But otherwise, concrete spot offers are scant from other regular suppliers. Most BD producers maintained that their BD output have been, and will remain in the near term, curtailed by feedstock constraints stemming from the sustained low rate of operations at related upstream crackers.

As such, instead of seeking to bridge the buy-sell gap with heftier discounts, these sell-side elements were more inclined to forgoing spot business, and focused only on fulfilling contractual obligations or captive requirements, market players said.

OUTLOOK

- **Spot trade liquidity may stay curbed by wide buy-sell gap**
- **Deeper downstream production cuts will weigh down demand**
- **But supply will be capped too with upstream operating rate cuts**

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

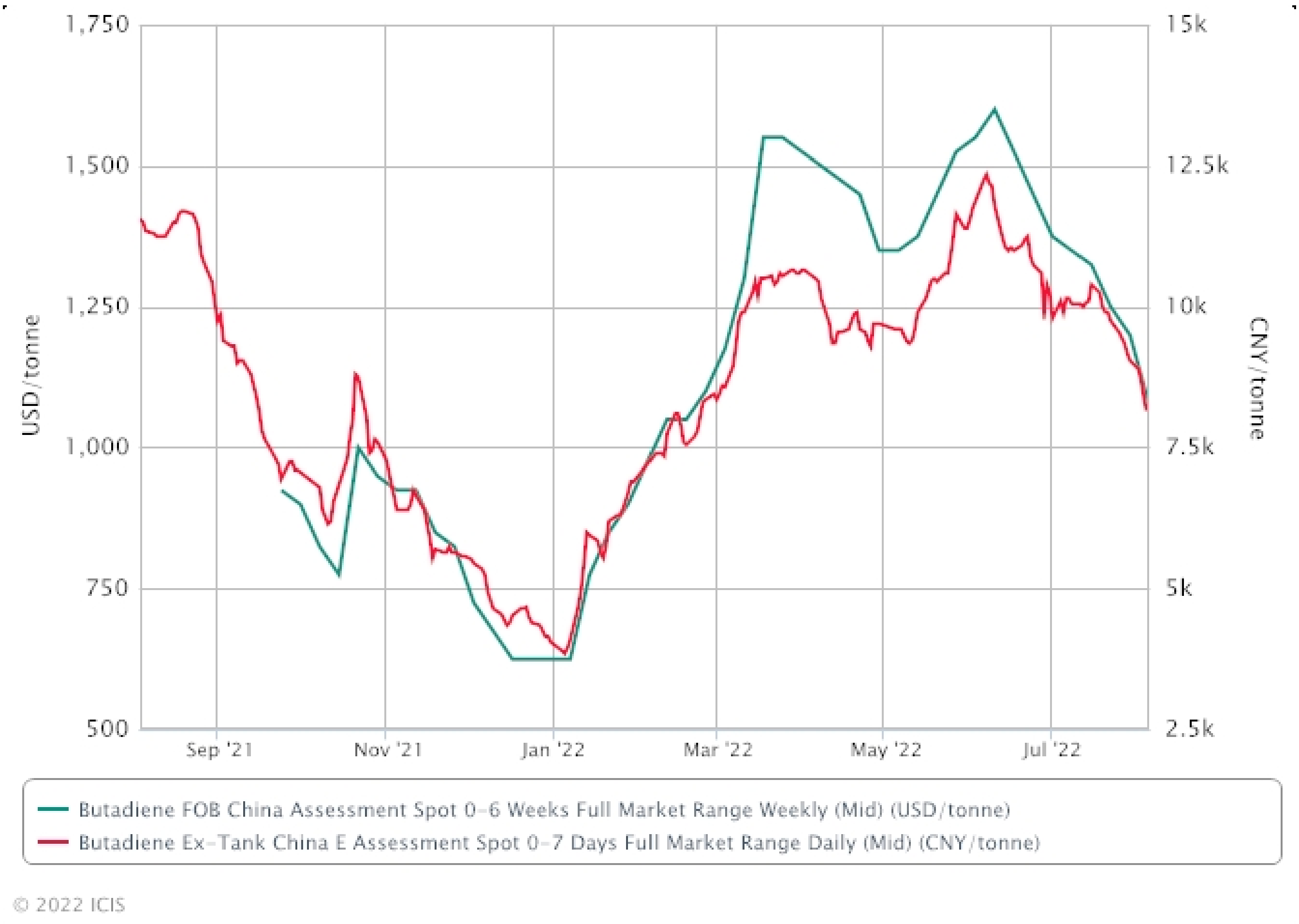
			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	-100	1050.00-1100.00	-150	1300.00-1400.00	47.63-49.90
CFR NE Asia	USD/tonne	-150	1000.00-1200.00	-50	1300.00-1400.00	45.36-54.43
CFR Taiwan	USD/tonne	-150	1000.00-1200.00	-50	1300.00-1400.00	45.36-54.43
CFR SE Asia	USD/tonne	-150	950.00-1150.00	-50	1250.00-1350.00	43.09-52.16

China

FOB China assessments were dropped to capture lower offers heard.

But substantive discussions were limited on poor demand in wider Asia.

Domestic ex-tank prices in east China plummeted, with lacklustre buying.



Northeast Asia

CFR NE Asia prices were assessed in a wider range, reflecting the gulf in pricing outlook between buyers and sellers.

The high-end was dropped, tracking selling indications heard in early week for August shipment to northeast Asia.

But no trade materialised from here, as prevailing buying indications, captured at the low-end, were far apart.

Although this was not considered for assessment purposes as not all terms of trade were within ICIS' methodological parameters, a transaction was heard closed late week in China involving import materials, at levels similar to the low-end of the published range.

CFR Taiwan assessments were adjusted down in line with changes in the CFR NE Asia assessments.

Monthly Contract DEL, $/tonne	Jul 22	Jun 22	May 22	Apr 22	Mar 22	Feb 22	Jan 22
Taiwan FPCC	1,255	1,450	1,360	1,415	1,355	1,040	795
Korea YNCC	1,315	1,555	1,445	1,445	1,335	1,015	835

Southeast Asia

CFR SE Asia assessments were down, tracking lower CFR NE Asia assessments.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

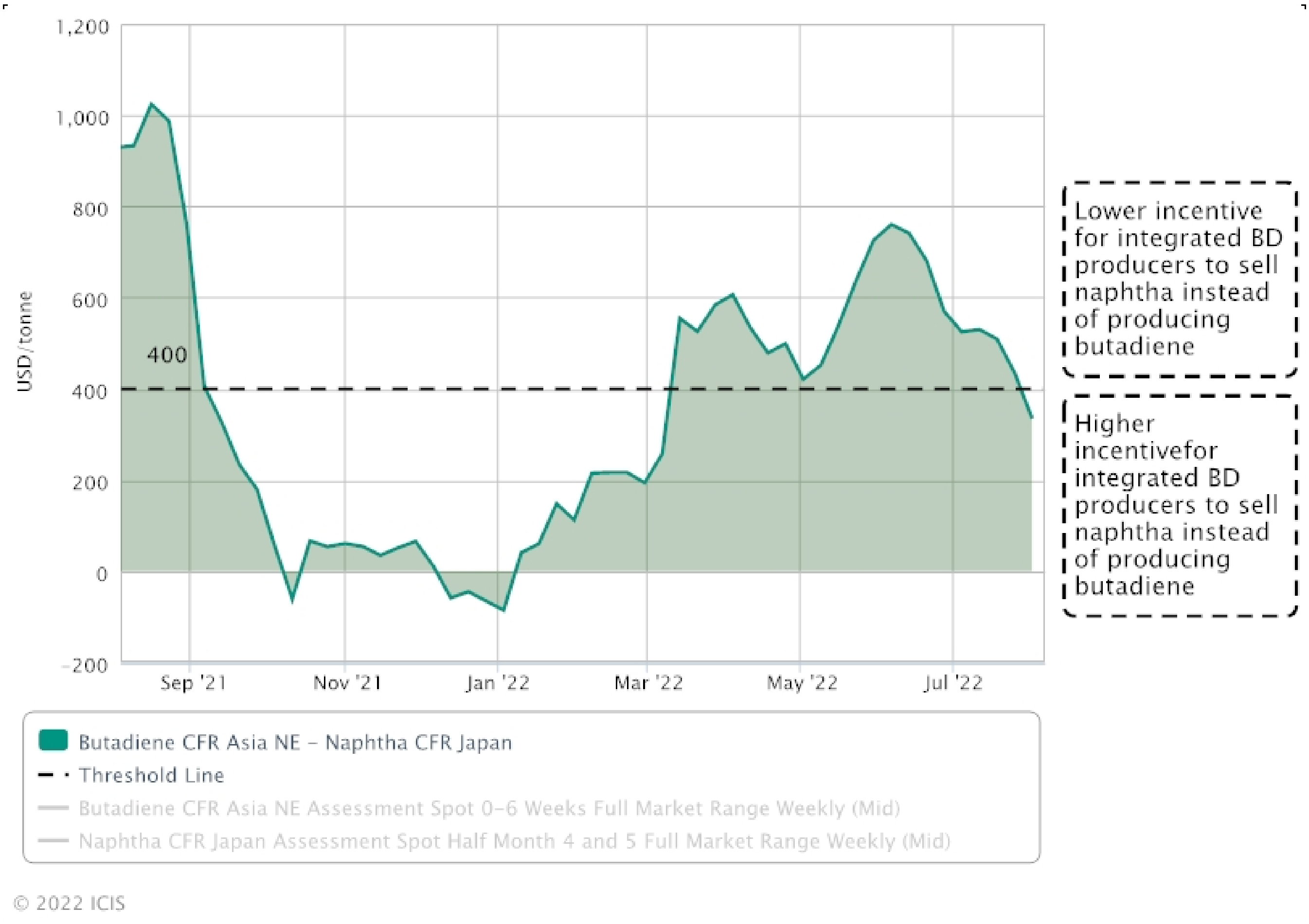
			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	-200	7800-8100	-200	9000-9100	-

UPSTREAM

Naphtha:

- Asia naphtha prices slump to over seven-month low
- Demand thin on poor downstream margins
- Burgeoning supply weighs on sentiment

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



Click here for the Asia feedstocks and petrochemicals weekly summary.

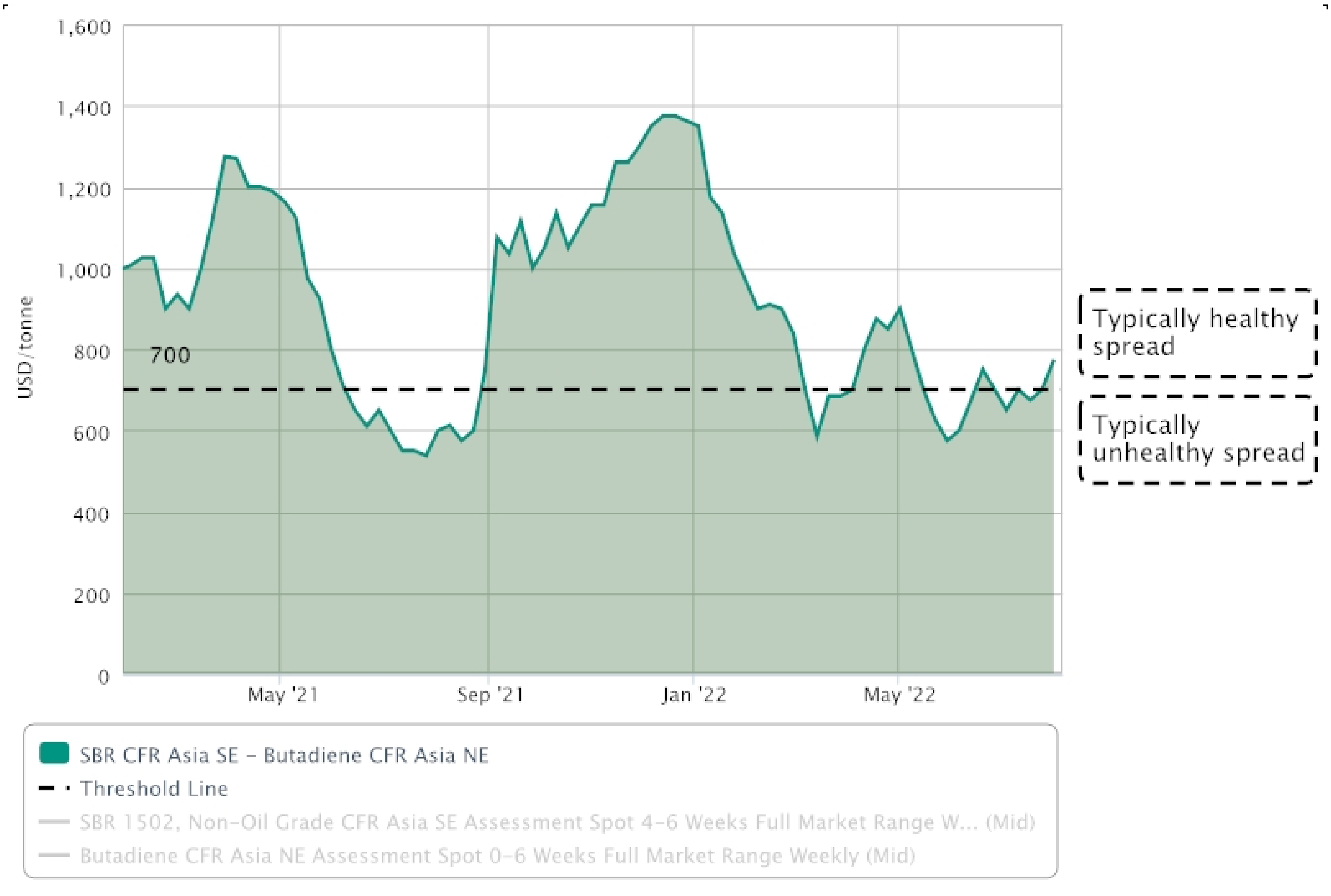
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Sluggish demand persists
- Buy-sell gap widens
- Low trade liquidity

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

[Spread between Butadiene and Styrene Butadiene Rubber Asia]



Acrylonitrile butadiene styrene (ABS)

- CFR NE Asia down for seventh week to two-year low
- Production cuts to salvage flagging margins
- Sellers continue trying to offload stockpiles at lower offers

PRODUCTION

Regional butadiene (BD) supplies are pulled at both ends.

On one hand, spot availabilities are poised to rise, once production stabilises at newly started up units, such as the 185,000 tonne/year unit in Malaysia and a 250,000 tonne/year unit in China.

But with many upstream crackers across Asia deepening operating rate cuts to rescue compressed margins, output from related and existing BD extraction units may remain crimped.

Click here for the Asian BD Live Disruption Tracker.

OTHER REGIONS

Europe

- Supply, demand well balanced overall
- Demand mixed - rubber holds up, slower on ABS, ADN
- Export interest persists but spot availability limited

US

- August contracts fall slightly
- Spot prices pegged at CP levels
- Supply concerns continue; imports en route

ANALYTICS

ICIS Outlook on GDP

Are we in a recession already? This is a key question in the minds of the global economic community. The consensus in the market is, a situation of global recession is unlikely however, the prospects are higher for certain regions. For example, Europe is the hardest hit region so far with series of growth downgrades in combination with higher inflation. According to Oxford Economics, global GDP is expected to grow 3.0% in 2022 and 2.4% by 2023. Advanced economies will be harder hit compared to emerging markets. As discussed in our May commentary, one of the key leading indicators followed by the global investor community to assess the state of the economy is yield inversion curve – which is still negative. A negative yield implies short-term return is better than long-term prospects. Global sentiments continue to take a hit with a deteriorating economic situation coupled with political instability (such as in Japan and the UK). Logistics and supply chain issues continue to adversely impact international trade.

US GDP rose 2.3% in Q2 compared with the same quarter in 2021, and Q3 and Q4 is expected to grow at 2.3% and 1.2% respectively. According to Bureau of Economic Analysis, quarter on quarter Q1 GDP was negative 1.6%. This negative growth was due to a decrease in exports, government spending and private investment. However, an increase in personal consumption expenditure was reported.

The European Commission in its summer 2022 interim economic forecast projects that the EU economy will grow 2.7% in 2022 and 1.5% in 2023. The commission also projects peaking of annual average inflation at 8.3% in the EU this year. Inflation is forecast to cool off in 2023 at 4.6%. War is taking a major toll on the overall health of the region. The closure of the Nord Stream 1 natural gas pipeline for maintenance has also exacerbated the region's energy 'insecurity'. Europe is the most vulnerable as the region is most exposed to energy shocks due to its heavy reliance on Russian imports.

China did not meet market expectations. The country's GDP increased 1.7% in Q2 year on year (down from the expected 4.3%). Q3 and Q4 is forecast to grow at 4.8% and 5.2% respectively year on year – ending the year with 4.0%. China's zero covid policy has taken a toll on the country's growth. With country's '*on and off*' Covid shutdown making the projection for the region extremely challenging. India seems to be outperforming its peer with Q2 GDP increase of 12.4% year on yea, according to a consensus estimate. The country is forecast to grow at 6.9% and 5.7% respectively in Q3 and Q4. Inflation concerns remains. In a recent development, India's central bank on 11 July issued a circular: allowing international trades to be settled in Indian Rupee, to promote international trade among non-dollar trading partners.

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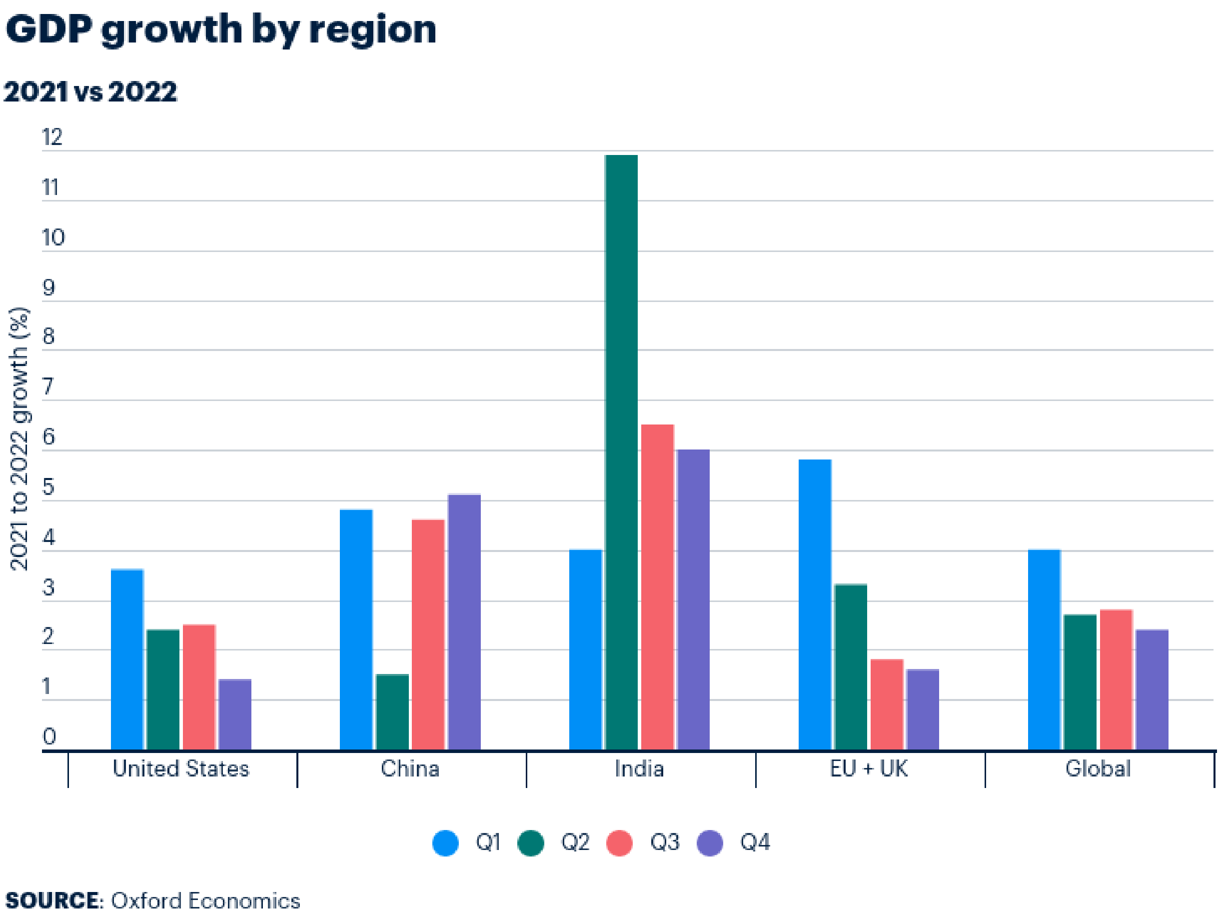
GDP growth by region
2021 vs 2022
2021 to 2022 growth (%)
0
1
2
3
4
5
6
7
8
9
10
11
12
United States
China
India
EU + UK
Global
Q1
Q2
Q3
Q4
SOURCE: Oxford Economics