



## 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.

### OVERVIEW

- **Bullish start for domestic China market**
- **Discussions for China imports [boosted](#) in line**
- **Lack of support from weak demand fundamentals in wider Asia**

Sentiment is mixed in Asia's butadiene (BD) import discussions – more upbeat in China due to some short-covering purchases but distinctly more subdued in other Asian outlets as derivative markets remained weak.

In China, domestic yuan-denominated prices surged in early-week trading, as buying tempo picked up with some seeking to cover shortfalls caused by delayed start-ups at several new BD projects in the country, including a 200,000 tonne/year unit in east China.

The latter was expected to come online in December but this may not materialise till later this month, market sources said.

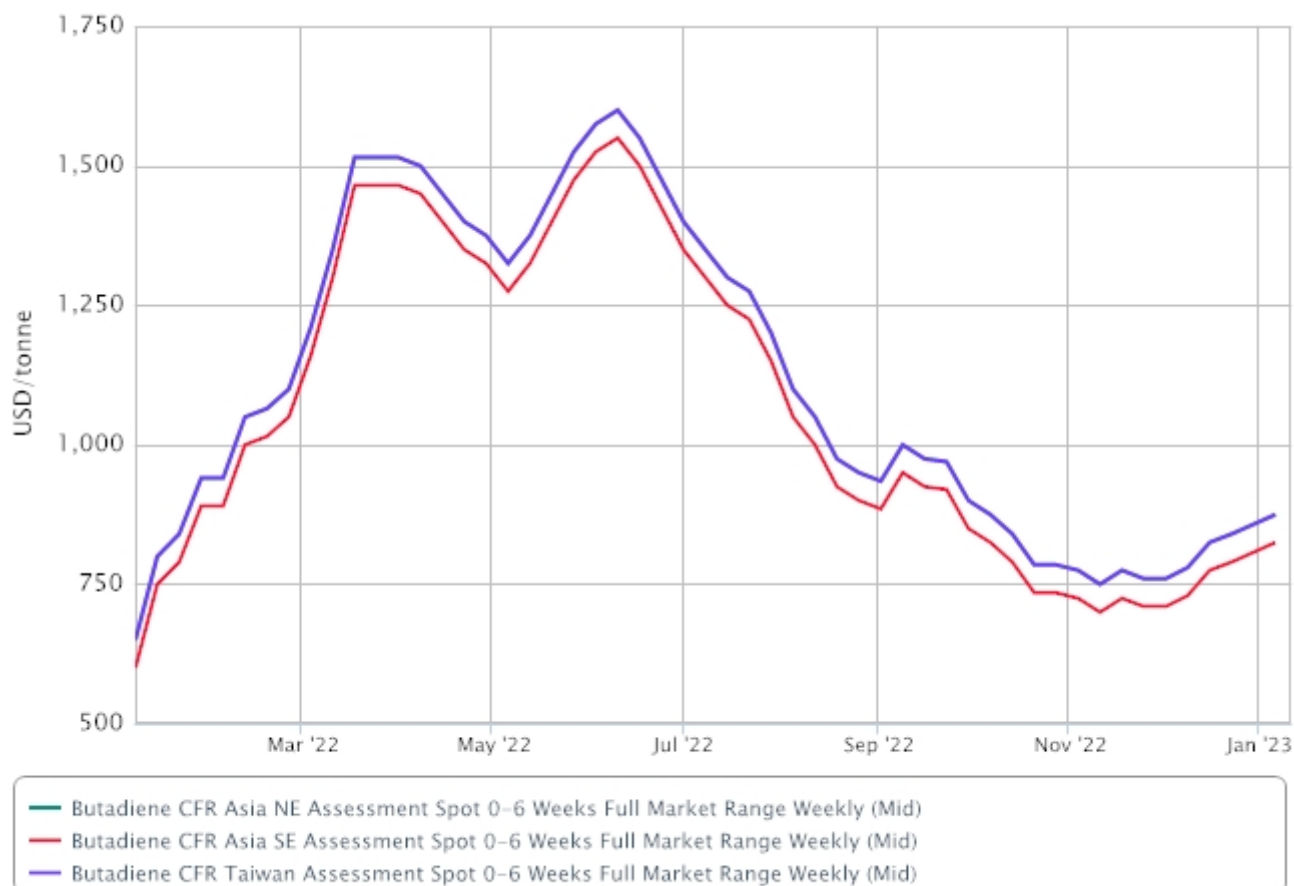
The tighter-than-expected domestic supply situation also triggered buying interest in China for January/February import shipment.

Some potential sellers in wider Asia were initially keen to capitalise on this but no fixed-price deals materialised as buying indications still fell short of selling expectations.

Beyond China, buying interest for BD stayed low in other Asian outlets, hemmed in by persistently weak derivative performance.

Unlike some of their China counterparts, most regional rubber and acrylonitrile-butadiene-styrene (ABS) makers kept to more bearish buying indications, citing affordability issues given compressed downstream margins.

Instead of chasing the market with higher bids for fresh BD cargoes, some of these end-users said they would consider output cuts to minimise BD usage instead.



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## OUTLOOK

- **New start-ups in China could ease supply tightness**
- Demand **headwinds** to persist in wider Asia
- Buy-sell gap may stay wide in near term

## PRICES

### SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
<b>Butadiene</b>						
<b>FOB China</b>	USD/tonne	n/c	800.00-880.00	+30	800.00-850.00	36.29-39.92
<b>CFR NE Asia</b>	USD/tonne	n/c	800.00-950.00	+70	760.00-800.00	36.29-43.09
<b>CFR Taiwan</b>	USD/tonne	n/c	800.00-950.00	+70	760.00-800.00	36.29-43.09
<b>CFR SE Asia</b>	USD/tonne	n/c	750.00-900.00	+70	710.00-750.00	34.02-40.82

### China

FOB China assessments were raised at the high end as selling indications rose with domestic increases.

Domestic China prices rose early in the week with active restocking purchases, although some of the gains were reversed by late in the week. Overall, prices were firmer week on week.



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## Northeast Asia

CFR NE Asian assessments were stable to firm, taking into account fixed-price buying indications for shipment to diverse destinations in northeast Asia.

Some buying interest from China for late-January/February import shipment lots emerged this week. This was said to be more for short-covering purposes and, as a result, buyers were seemingly prepared to pay more than usual to secure volumes, a market source said.

Several northeast Asian suppliers were heard initially keen to tap these sales opportunities, in part also on the anticipation that the increases seen this week in the domestic yuan market would have also buttressed buying appetite for imports into China.

However, no deals materialised still within the week, as selling indications exceeded these buyers' acceptance levels, which was captured at the high end.

In wider Asia, potential buyers were distinctly more bearish than their China counterparts and their substantive spot requirements for imports remained weighed down by persistently poor derivative market performance.

For this sector of buyers, their buying indications continued to hover at around the published low end.

On the sell front, taking into account the wide buy-sell gulf for fixed price trade, suppliers were mostly gearing away from fixed price trades to focus only on transacting next spot deal on floating terms, market sources said.

CFR Taiwan assessments were adjusted with changes in CFR NE Asia assessments.

Monthly contract    Dec 22    Nov 22    Oct 22    Sep 22    Aug 22    Jul 22    Jun 22    May 22

DEL, \$/tonne

Taiwan Formosa Petrochemical Corporation (FPCC)	755	755	795	885	1,025	1,255	1,450	1,360
South Korea Yeochun NCC (YNCC)	795	755	745	920	983	1,315	1,555	1,445

### Southeast Asia

CFR SE Asia assessments were adjusted with changes in CFR NE Asia assessments.

### SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

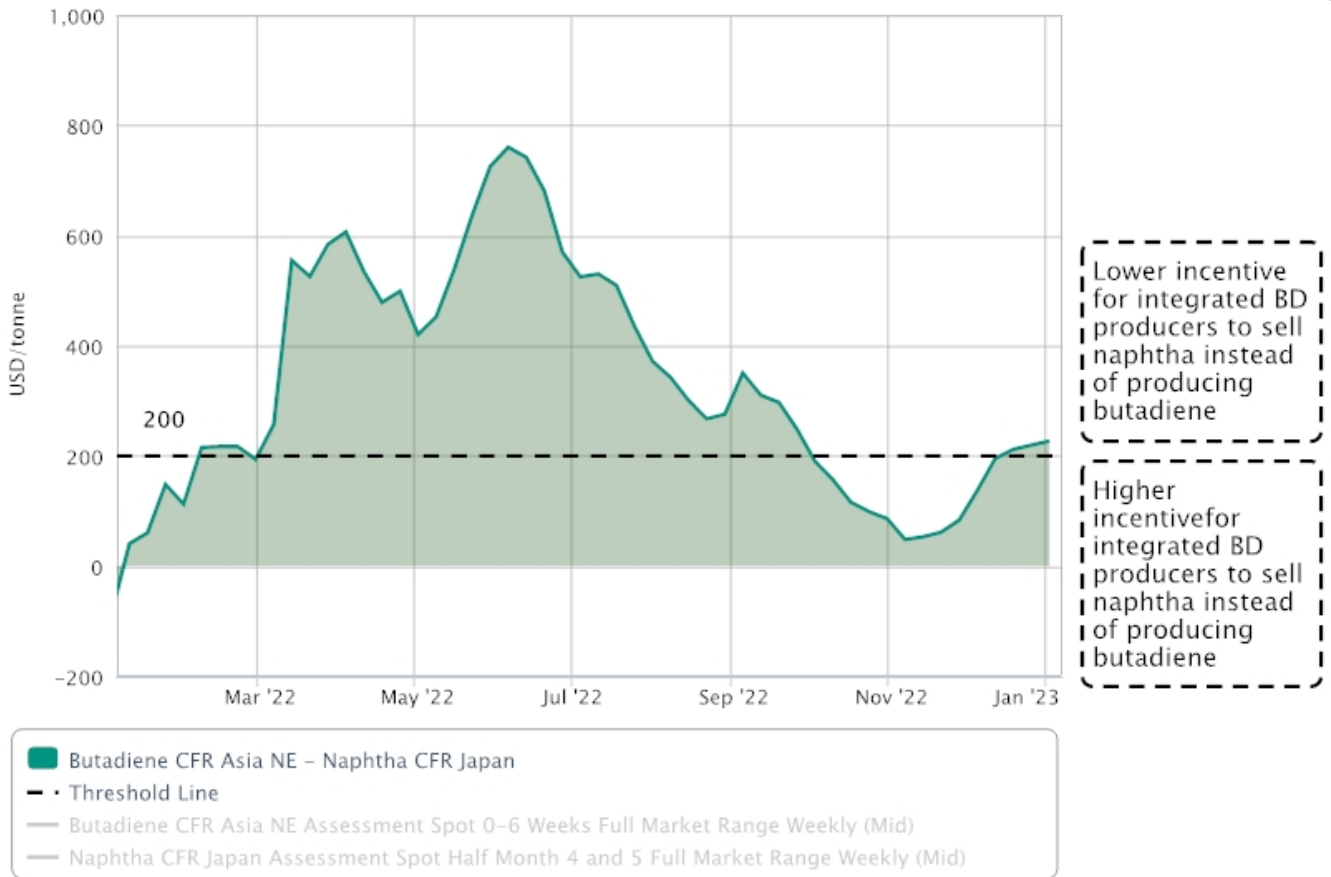
			Price Range		One Week Ago	/
<b>Butadiene</b>						
<b>Ex-Tank E China</b>	CNY/tonne	-100	7600-7800	n/c	7200-7300	-

## UPSTREAM

### Naphtha

- Asia naphtha markets undermined by thin buying interest
- Market structure struggles to find balance in slight backwardation
- Unattractive margins keep overall demand cautious

[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.

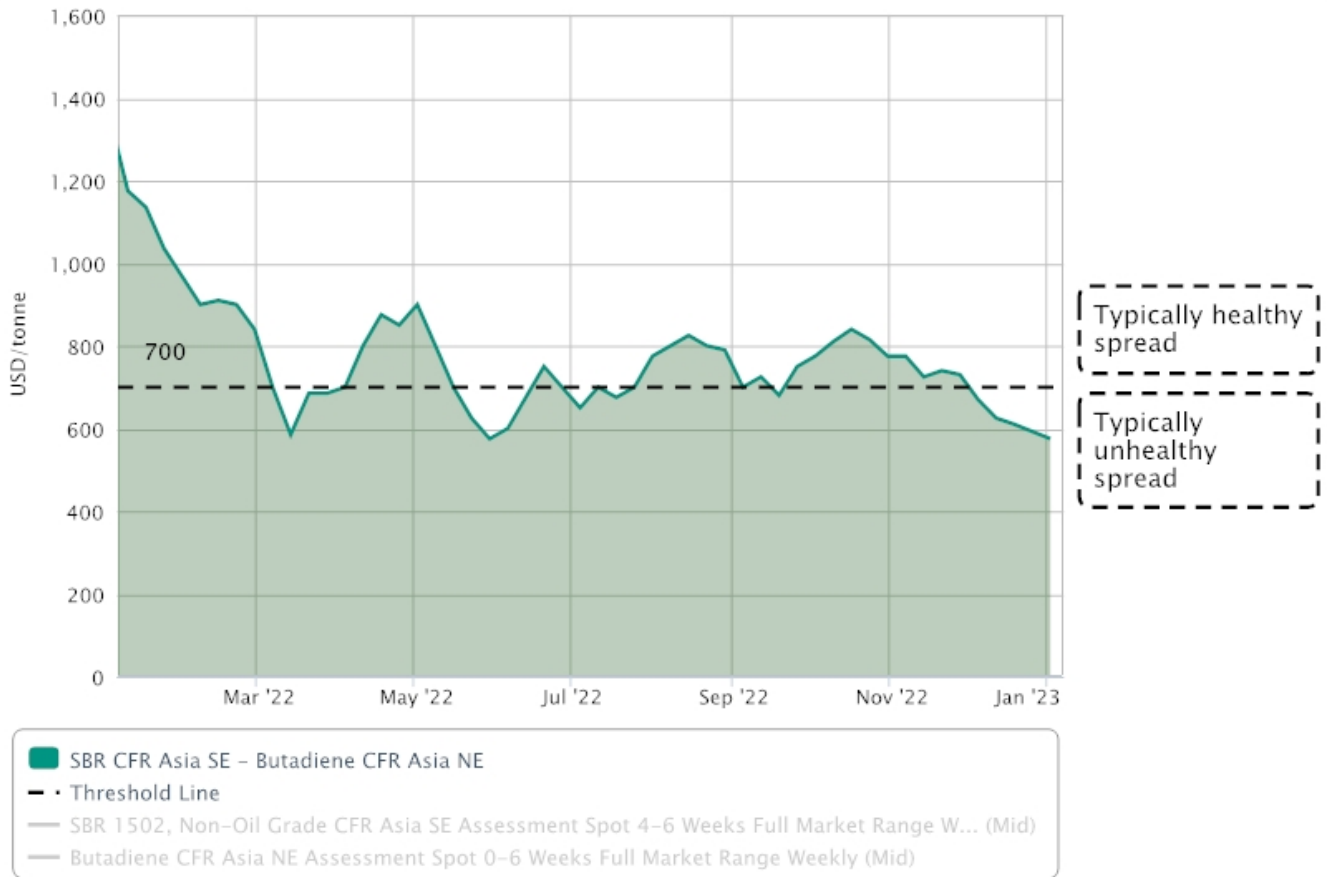
## DOWNSTREAM

### Styrene-butadiene-rubber (SBR)

- Holiday trade lull
- Upstream strengths lend support to offers
- Buyers remain in wait-and-see mode

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

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



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### Acrylonitrile-butadiene-styrene (ABS)

- CFR NE Asia increases on higher discussion levels
- Offers propelled higher alongside feedstock
- Actual trade subdued by quiet end-use activities before Lunar New Year



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## PRODUCTION

In China, a plant is [shut](#) for maintenance in H1 January but more [length](#) is expected to set in once new projects start up in the near term.

In wider Asia, overall BD output from extraction units in South Korea and Japan is expected to remain capped in the near term, as weak margins continue to weigh on operating rates at many upstream crackers.

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

## OTHER REGIONS

### Europe

- Jan contract price falls by €100/tonne
- Production cuts enforced; demand at very low ebb for Dec
- Key consumer restart expected imminently
- Eyes on US; supply disruptions could boost export

### US

- January contracts nominated lower
- Supplies outpace weak demand
- Freeze affects plant operations

## ANALYTICS

## ICIS Crude Outlook

OPEC+ is standing by its decision to cut oil production quotas by 2m bbl/day, while actual production volumes in November dropped 720,000 bbl/day from October - well below the cartel's target. The EU ban on oil purchases from Russia went into effect on 5 December, although its impact has been muted as Russia has had time to find alternative buyers. Between 1-20 December, Russian seaborne volumes were 11% lower than during the same period in November. In terms of demand, China's recent decision to relax its zero-COVID policy should stimulate demand from Q2, but a transition to pre-COVID-19 movement and seasonally low demand ahead of the Chinese New Year will keep consumption restrained during Q1. Overall, global economic growth is still expected to be subdued in 1H 2023, as the combined effect of high energy prices, increasing inflation and rising interest rates will weigh on oil demand.

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## ICIS Naphtha Outlook

Naphtha cracks in Europe fluctuated between positive and negative territory in December. In the US, strong margins for middle distillates and increased refinery output buoyed supply, although US refiners may see an opportunity to send naphtha to Europe in the months ahead as EU sanctions on Russian products will come into force on 5 February. Chinese refiners targeted higher exports for gasoline and diesel in December, although these volumes are expected to fall in the coming months as domestic demand picks up. Demand from petrochemicals in China is expected to increase after the Lunar New Year, if the government shifts its focus to economic growth, as anticipated.

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