



## Butadiene (Asia-Pacific)

By Ai Teng Lim  
07-May-2021

[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

- **China over-supplied**
- **Supply tight in rest of Asia**
- **Sentiment mixed on such [uneven supply conditions](#)**

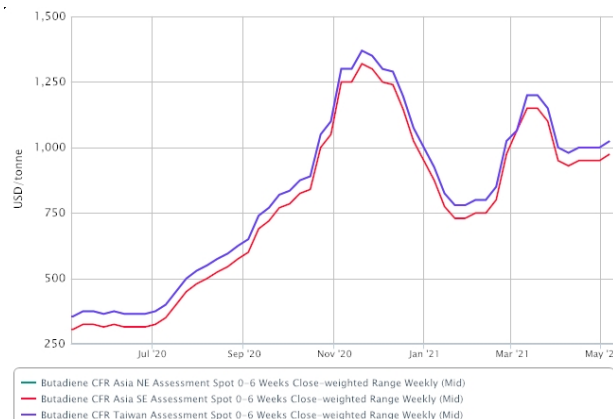
Asia spot market for butadiene (BD) was stable-to-firm, taking into account one deal done and discussions heard in the week.

Trade tempo was low earlier in the week, with many players in northeast Asia absent for extended holidays.

May trade is said to be largely completed, and although June discussions have yet to commence in full force, spot availabilities in rest of Asia are expected to stay cramped by various upcoming turnarounds.

In this backdrop, a non-China, Asia-origin, cargo that surfaced late in the trading week for late May shipment drew some positive response from potential buyers seeking to secure some volumes from the dwindling supply pool.

In China, buying interest for US dollar denominated imports remained tepid, dampened by high [domestic stockpile](#).



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### OUTLOOK

- **Coronavirus worries may continue to weigh down on sentiment**

- **Divergent supply situation between China and rest of Asia may persist**
- **Downstream market performance to drive buying appetite for BD**

## PRICES

### SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
<b>Butadiene</b>						
<b>CFR NE Asia</b>	USD/tonne	n/c	950.00-1100.00	+50	910.00-1050.00	43.09-49.90
<b>CFR Taiwan</b>	USD/tonne	n/c	950.00-1100.00	+50	910.00-1050.00	43.09-49.90
<b>CFR SE Asia</b>	USD/tonne	n/c	900.00-1050.00	+50	860.00-1000.00	40.82-47.63

### Northeast Asia

CFR northeast Asian assessment widened, with the high-end of the range raised to capture a trade heard closed late week, involving a southeast Asia-origin cargo available to ship in late May.

The low-end was kept unchanged, taking into account more subdued pricing indications for China-bound cargoes. Buying interest for such cargoes is considerably thinner as end-users in China are amply supplied domestically.

CFR Taiwan assessments were adjusted up in line with the changes in CFR NE Asian assessments.

Monthly Contract	Apr 21	Mar 21	Feb 21	Jan '21	Dec '20	Nov '20
DEL, \$/tonne						
Taiwan FPCC	1,050	1,135	880	950	1,255	1,230
Korea YNCC	987	1,102.50	827.50	867	1,263	1,325

Domestic China prices rebounded post-holiday, in part due to restocking purchases.

**East China domestic prices DEL (CNY/tonne)**

30 Apr	23 Apr	16 Apr	9 Apr	1 Apr	26 Mar	19 Mar	12 Mar	05 Mar
7,300-7,400	7,100-7,200	7,400-7.600	7,500-7,700	7,100-7,300	8,200-8,500	8,350-8,500	8,700-8,800	8,200-8,300

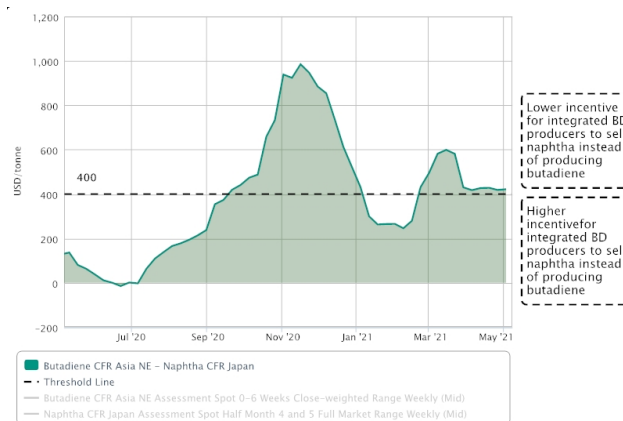
**Southeast Asia**

CFR SE Asian assessments were also up at the high end of the range, tracking similar changes in the CFR NE Asian assessments.

**UPSTREAM**

Asia-Pacific naphtha markets were cushioned by firmer European markets following an improved crack spread. However, the upward pressure was moderated by cheaper liquefied petroleum gas as an alternative feedstock, while the cracker turnaround season served to limit prompt demand.

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



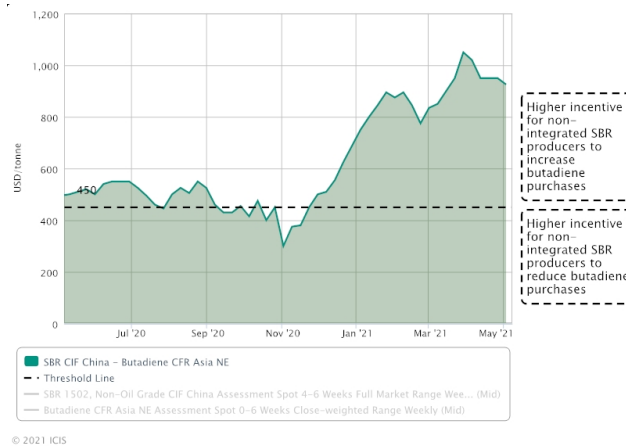
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

## DOWNSTREAM

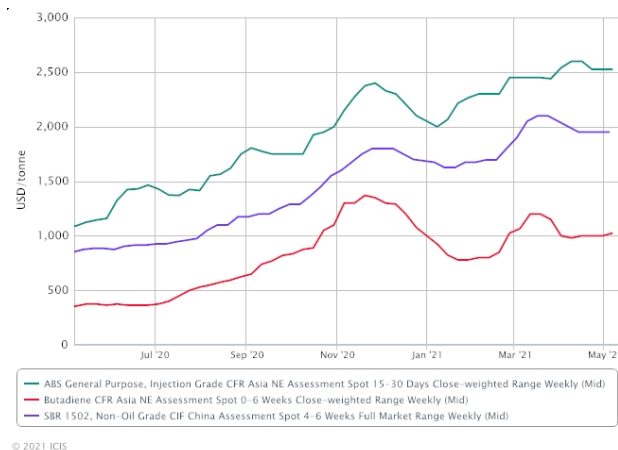
Asian **styrene-butadiene-rubber (SBR)** prices were flat amid holiday lull.

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

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



Asian **acrylonitrile-butadiene-styrene (ABS)** prices were largely rangebound with players mostly in a wait-and-see stance. However, demand may be [weighed down](#) by shortage in global semiconductor chip.



## PRODUCTION

Several plant [turnarounds](#) are rolling in from early April to May in China.

Similarly, in rest of Asia, Q2 2021 output is poised to stay weighed down by a seasonally heavy wave of plant [maintenance](#).

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

## OTHER REGIONS

In the US, spot prices for BD continue to [climb](#) as production constraints stretch.

In Europe, auto trade groups in Germany [cut](#) their production forecast on chip shortage.

## ANALYTICS

## ICIS Crude Outlook

The price of Brent fell in April, primarily due to a more bearish demand outlook after several major European countries such as Italy, Germany and France, as well as India, announced fresh lockdown measures. Looking forward, at least some European lockdowns are expected to remain in May, which will somewhat delay the recovery in demand. In India, a major importer of oil, coronavirus cases are rising rapidly, which is likely to cause regional demand for oil to decrease. ICIS expects oil demand to recover at a higher rate in June, when it is expected that most countries will aim to remove major restrictions. On the supply side, OPEC+ will begin tapering its oil production cuts in May, with a total of 650,000 bbl/day of tapering expected in May and June respectively, and 850,000 bbl/day in July, equating to 2m bbl/day extra oil in the market by July. While this is a significant rise in oil supply, this additional production will arrive during a period where demand is also expected to increase significantly, and therefore the market should remain in balance.

By **Ajay Parmar**, ICIS senior analyst; [ajay.parmar@icis.com](mailto:ajay.parmar@icis.com)

## ICIS Naphtha Outlook

The price of naphtha fell in April, in line with crude. Supply of naphtha from Asian refineries will be lower in the coming months, as the region enters its refinery maintenance season. China, for example, will see refinery throughput drop by over 1m bbl/day by May, compared with February. This will prompt additional imports from the West to maintain supply to the region. After the Suez Canal blockage reduced West-East naphtha transfers in April, ICIS expects them to exceed 2 million mt in May. The European LPG-naphtha spread has reached its lowest point since mid-2020, with -\$112/tonne recorded in mid-April. This is primarily due to warmer weather in Europe reducing the demand for LPG heating. ICIS expects that the spread will narrow slightly over the coming months; however, the overall spread will remain strongly negative until the end of the summer season.

By **Ajay Parmar**, ICIS senior analyst; [ajay.parmar@icis.com](mailto:ajay.parmar@icis.com)

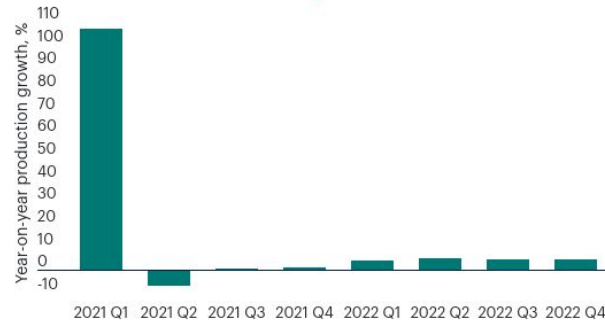
## ICIS Downstream Automotive Demand Outlook

The year started with a certain degree of optimism on the back of a better-than-expected Q4 2020. The automotive sector reported a strong performance in March 2021. According to LMC Automotive, the automotive forecaster, global light vehicle (LV) sales rose 7% month on month in March to 87.5m units. However, the industry is suffering from supply chain problems and other production-related issues. Polymer and shipping container shortages continue, forcing a number of companies to announce plant shutdowns. As a result, most carmakers are running alarmingly low levels of raw material and finished product inventories. The CEO of Volkswagen said, "The company would be unable to build 100,000 cars this year due to the chip shortage and the group would not be able to make up for the shortfall in 2021".

Chinese vehicle production was up a strong 72% year on year in March 2021, although this largely reflects shutdowns in Q1 2020. However, production is lower than in March 2019, even though sales have been flat over the same time period. This reflects lower inventories, according to the China Automobile Dealers Association (CADA). Chip shortages are biting here too, with many domestic and foreign producers talking about supply problems. India's Federation of Automobile Dealers Associations (FADA) reported that registrations fell 28.64% year on year but grew 10.05% month on month. Close to 47% of dealers said that they had lost more than 20% of sales due to supply-side constraints. Japanese car production has also been impacted: down around 9% year on year in February. South Korean producers, especially Hyundai, are seen as less impacted by shortages due to integrated chip production. However, production cutbacks are now starting to bite for all producers here too.

By **Jincy Varghese**, ICIS demand analyst and **Rhian O'Connor**, ICIS senior analyst

### China motor vehicle sector growth



Source: Oxford Economics



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