



## 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.

All prices in the weekly analysis on 15 April will be assessed based on information collated up to 14 April, with the exception of domestic yuan (CNY) quotes. Please click [here](#) for the ICIS publishing schedule.

### OVERVIEW

- **Demand lacklustre**
- **Market sentiment [wavers](#)**
- **Spot offers limited in wider Asia**

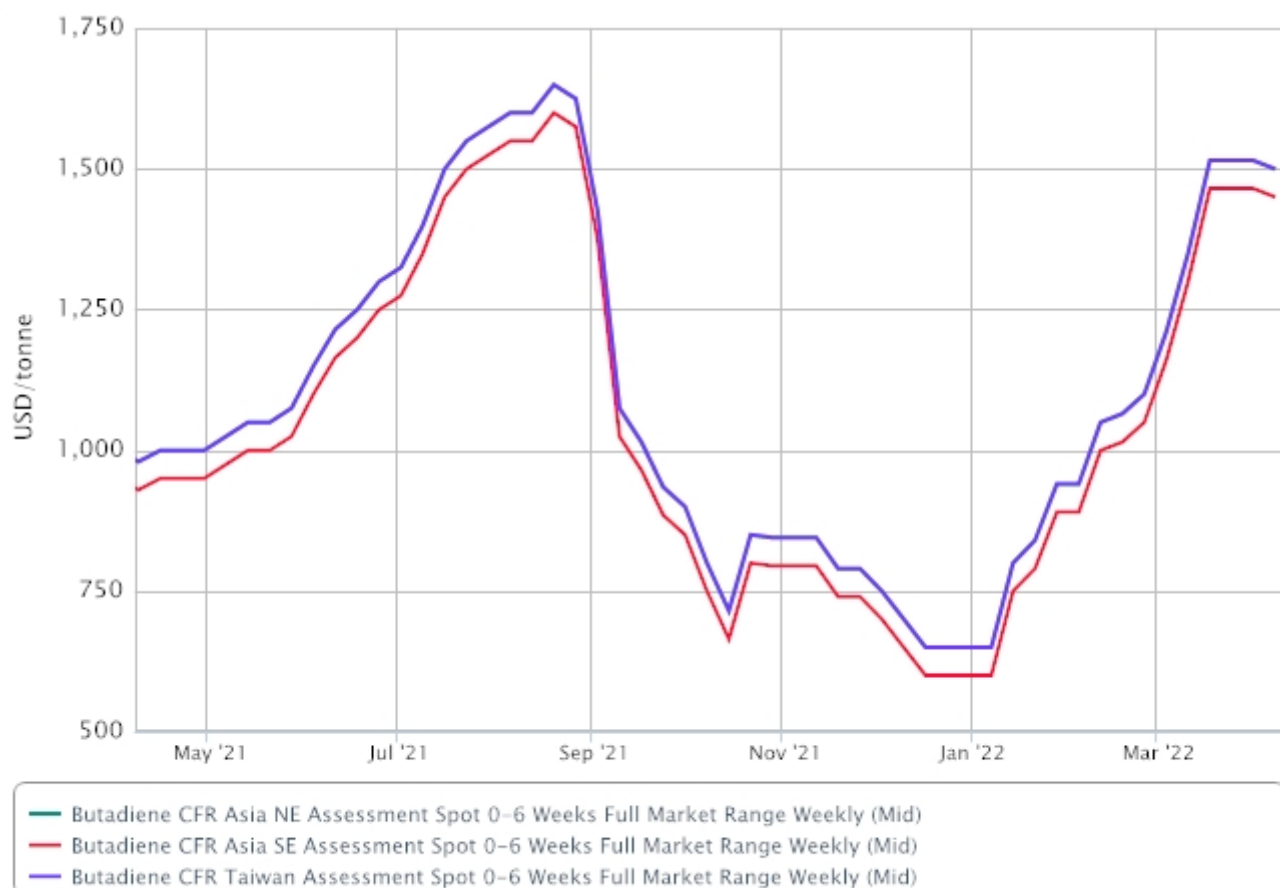
Asian spot discussions for butadiene (BD) edged down slightly, as demand continue to languish.

Downstream end-users held back from procurement, and kept to more bearish buying indications, citing concerns with longer term downstream demand conditions.

Sentiment was weighed down as global growth forecasts are slashed amid the ongoing Russia-Ukraine turmoil and ongoing COVID-19 restrictions in China.

However, BD spot offers were not plentiful either, with many northeast Asian producers keeping to the sidelines as their prevailing output has been reduced in line with ongoing operating cuts at upstream crackers.

Most were in no hurry to sell and as such kept to higher selling expectations, and the ensuing buy-sell gap served to further crimp spot trade negotiations.



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## OUTLOOK

- Demand worries may heighten if [auto sector operations](#) slow down
- Continued lockdowns in China to weigh in on sentiment
- Supply balance to hinge on how cracker operation rates may pan out

## 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	1450.00-1550.00	-50	1250.00-1350.00	65.77-70.31
<b>CFR NE Asia</b>	USD/tonne	n/c	1450.00-1550.00	-30	1300.00-1400.00	65.77-70.31
<b>CFR Taiwan</b>	USD/tonne	n/c	1450.00-1550.00	-30	1300.00-1400.00	65.77-70.31
<b>CFR SE Asia</b>	USD/tonne	n/c	1400.00-1500.00	-30	1250.00-1350.00	63.50-68.04

### China

FOB China assessments narrowed, with the high end dropped alongside some downside movements seen in the domestic yuan-denominated market.

Substantive discussions for imports were muted, with the China market shut during the week for extended holidays.

Domestic China prices trended down as buying momentum slowed down with supply chain disruptions caused by ongoing lockdowns in Shanghai.

Price (CNY/tonne)	08 April	01 April
DEL east China	10,300-10,400	10,600-10,900



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### Northeast Asia

CFR northeast Asian assessments were stable to soft, with the high end lowered to capture the full spectrum of trade discussions heard during the week.

Concrete offers from regular suppliers in northeast Asia were scant. With many northeast Asian crackers still operating at low rates, prompt BD output from this area is limited. In fact, some were heard mulling the need to procure in due course supplement cargoes too.

However, there is a steady stream of cargo availabilities from southeast Asia, and these were offered for sale via tender during the week.

The bulk of discussions for these cargoes were heard centered on formula basis, but some volumes were heard sold on fixed-price basis, at around the low \$1,400s/tonne FOB southeast Asia, market sources said.

This formed the high end of the published CFR NE Asia range, after taking into consideration estimated freight costs.

Buying indications were heard capped at the low end, but concrete buying requirements were limited, with most end-users in northeast Asia heard already amply covered.

CFR Taiwan assessments were adjusted in line with changes seen for CFR NE Asian assessments.

Monthly Contract DEL, \$/tonne	Mar '22	Feb '22	Jan '22	Dec '21	Nov '21	Oct '21	Sep '21	Aug '21	Jul '21
Taiwan FPCC	1,355	1,040	795	780	885	870	1,175	1,545	1,380

### Southeast Asia

CFR SE Asian prices were adjusted down on the high end, in line with changes seen for CFR NE Asian assessments, and in the absence of concrete deals for SE Asia-bound cargoes.

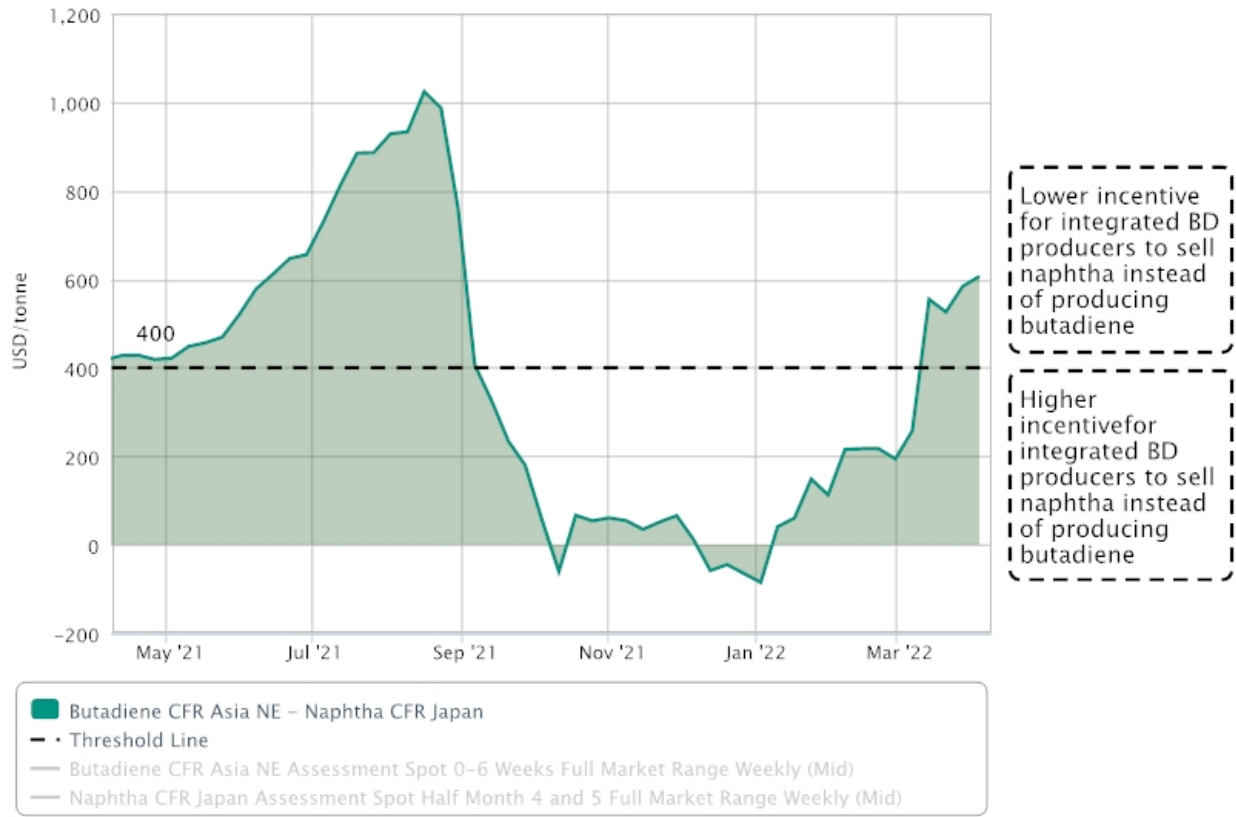
### SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

		Price Range	One Week Ago	/
<b>Butadiene</b>				
<b>Ex-Tank E China</b>	CNY/tonne	-300	10100-10200	-300
			10600-10700	-

### UPSTREAM

Asia-Pacific naphtha markets lacked momentum on cautious demand, while China widens COVID-19 lockdowns. Naphtha's inter-month spread held at a narrow backwardation, as have spot cargoes traded at lower premiums. Amid uncertainties, supply concerns lingered on whether the release of strategic oil reserves would offset the shortfall from sanctions on Russian oil.

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



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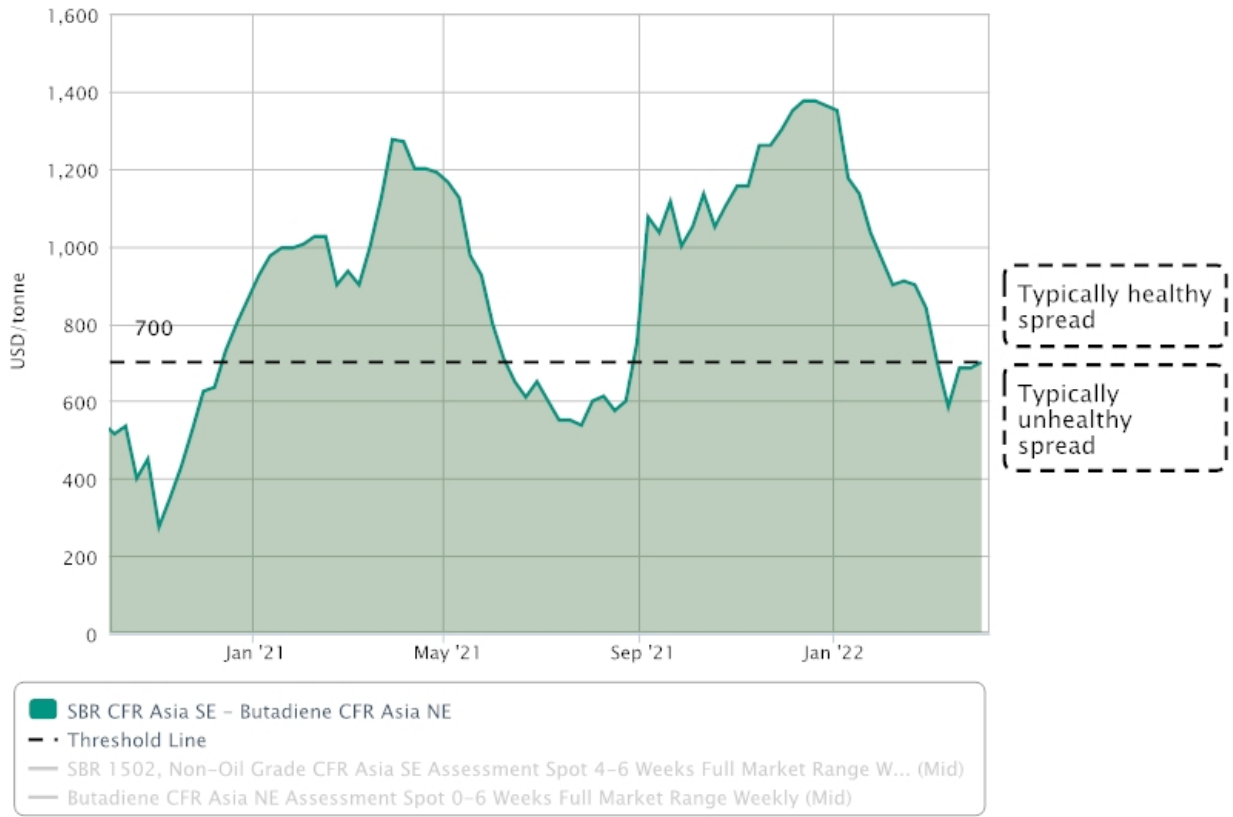
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

## DOWNSTREAM

Asian import discussions for styrene butadiene rubber (SBR) are subdued, as a wide buy-sell gap persists.

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

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



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Northeast Asia's spot **acrylonitrile butadiene styrene (ABS)** import price mid-point was down as end-use consumption was affected by the lockdowns across China amid the Russia-Ukraine war. For urgent procurement, local goods in small quantities remained favoured over imports. Some sellers reduced offers in an attempt to offload their burgeoning inventories.



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## PRODUCTION

The regional BD market is structurally oversupplied, with more [new capacities](#), including a 200,000 tonnes/year unit in China's Zhejiang province, expected to come onstream within the year.

However, prevailing BD output in the region is crimped by a heavy, and ongoing, wave of cracker operating rate cuts in northeast Asia. Spot supplies are also poised to tighten even more with several upcoming maintenance in Q2 2022, market sources said.

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

## ANALYTICS

### ICIS Downstream Automotive Demand Outlook

The global automotive industry was already reeling from a chip shortage when Russia's invasion of Ukraine took place. The conflict will severely impact the industry given that Russia is a leading producer of palladium - a key material used in computer chip production. Global automotive output is expected to grow 7.9% year on year in 2022, according to Oxford Economics, although this is down 8.8% from 2019 levels. As a short-to-medium term solution, companies such as Ford are planning to sell cars without chips - with the missing part supplied within a year to free up factory and parking space from partially built vehicles. Companies including Tesla are also looking at selling cars without USB ports or other non-security-related features. Even though there is a lot of money allocated for future chip capacity, it will take time - typically 12 to 18 months - to produce and deliver them. Another key factor is the probability of auto demand destruction due to eroding household incomes. Many are expected to spend conservatively and postpone major asset purchases.

According to the US Census Bureaus, US light vehicle sales fell to 14m units in February from 15m units in January and were down 12% year on year. Unsurprisingly, the finished inventory sales ratio is at a record low.

The European Automobile Manufacturers Association (ACEA) reported a 6% fall year on year in passenger car registrations in January, a historic low. All major European economies posted a double-digit sales contraction. Commercial vehicle registrations were down 11.1% month on month in January, and inventories were at an alarmingly low level. Another direct impact of the conflict is the constrained supply of neon gas, which is used to make microchips. Ukraine is a leading producer of the gas.

According to the China Association of Automobile Manufacturers (CAAM), Chinese car production was down 16.7% month on month in February, but up 1.4% year on year. In contrast to its global peers, China's inventory coefficient at auto dealers is quite high at 1.85 - with levels above 1.5 considered a warning. The increase has mainly been attributed to renewed pandemic concerns in cities such in Guangdong and Suzhou and led to further movement controls. India's Federation of Automobile Dealers Associations (FADA) reported a 9.2% year on year decrease in auto retail sales in February, which was down 20.7% compared to February 2020 - before COVID-19 hit. FADA said, "Till the time Russia-Ukraine conflict doesn't come to an end, FADA changes its outlook from neutral to negative."

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

# Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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