



Butadiene (Asia-Pacific)

By Ai Teng Lim
09-Feb-2024

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

ICIS plans to bring forward the close of the assessment window to 13:00 hours Singapore/Shanghai time on 9 February. The China prices will not be assessed in the weekly analysis on 16 February. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Bullish turn in discussions**
- **Supply concerns prompted some higher bids**
- **But buying still below par amid downstream margin worries**

Discussions for Asian butadiene (BD) spot imports were [bullish](#) both in China's domestic yuan-denominated market, as well as for US-dollar denominated imports, amid some pre-holiday purchasing of limited spot availabilities.

But overall trade liquidity remains underwhelming amid persistent downstream margin worries, and many players in northeast Asia were also starting to wind down for the extended Lunar New Year holidays that will begin from 10 February in China.

That said, some end-users were heard still on an active look-out for additional March shipment supplies, amid concerns that their contractual intake may be squeezed anew by factors such as recent fresh [cuts](#) in regional cracker operations, and potential delays in arrival of prior bookings of deep sea-origin materials.

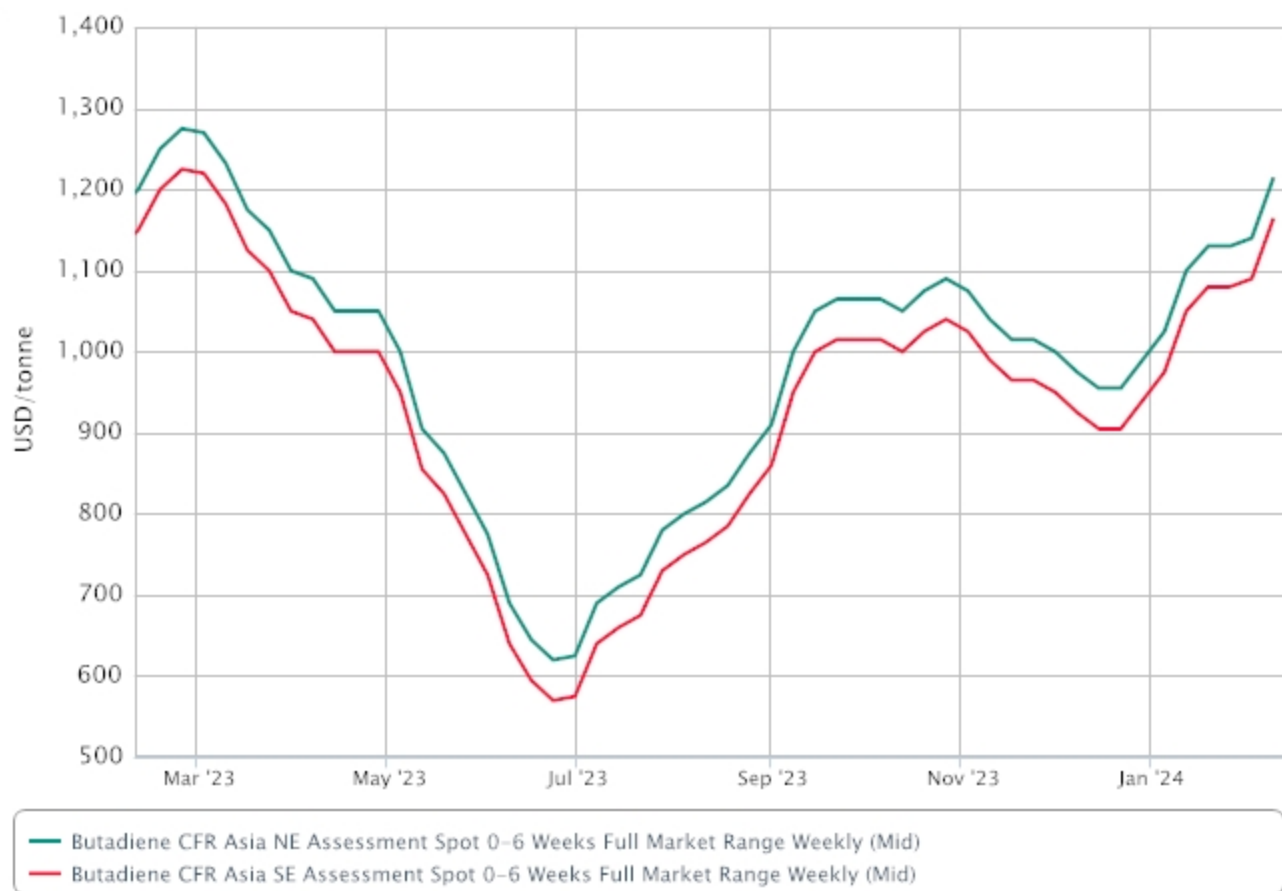
But buyers' pricing appetite varies across different northeast Asian outlets, capped in many cases by poor downstream margin considerations.

Key derivative sectors like [synthetic rubbers](#) and acrylonitrile-butadiene-styrene (ABS) have registered some gains of late, but the increases were deemed not sufficiently robust to catch up with feedstock market gains. This in turn affected end-users' ability to raise at will their bids for BD.

Sentiment is also mixed about how the post-holiday market may trend, given lingering uncertainties about China's growth trajectory.

On one hand, some are buoyed by a better [January PMI](#) showing in China, but others noted that there were still multiple macro-level economic challenges there, such as a [property sector decline](#) and mounting government debts, to be resolved.

Buyers may therefore in the near-term still keep spot procurement to the minimum and only on a needs basis, market players said.



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OUTLOOK

- **Players to monitor [post-holiday market in China](#)**
- **More positive [GDP growth outlook for China](#) may help boost demand sentiment**
- **But spot supplies may stay snug throughout Q1**

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	+100	1200.00-1250.00	+70	1060.00-1100.00	54.43-56.70
			0			

CFR NE Asia	USD/tonne	+80	1180.00-1250.00	+70	1050.00-1150.00	53.52-56.70
			0			
CFR SE Asia	USD/tonne	+80	1130.00-1200.00	+70	1000.00-1100.00	51.26-54.43
			0			

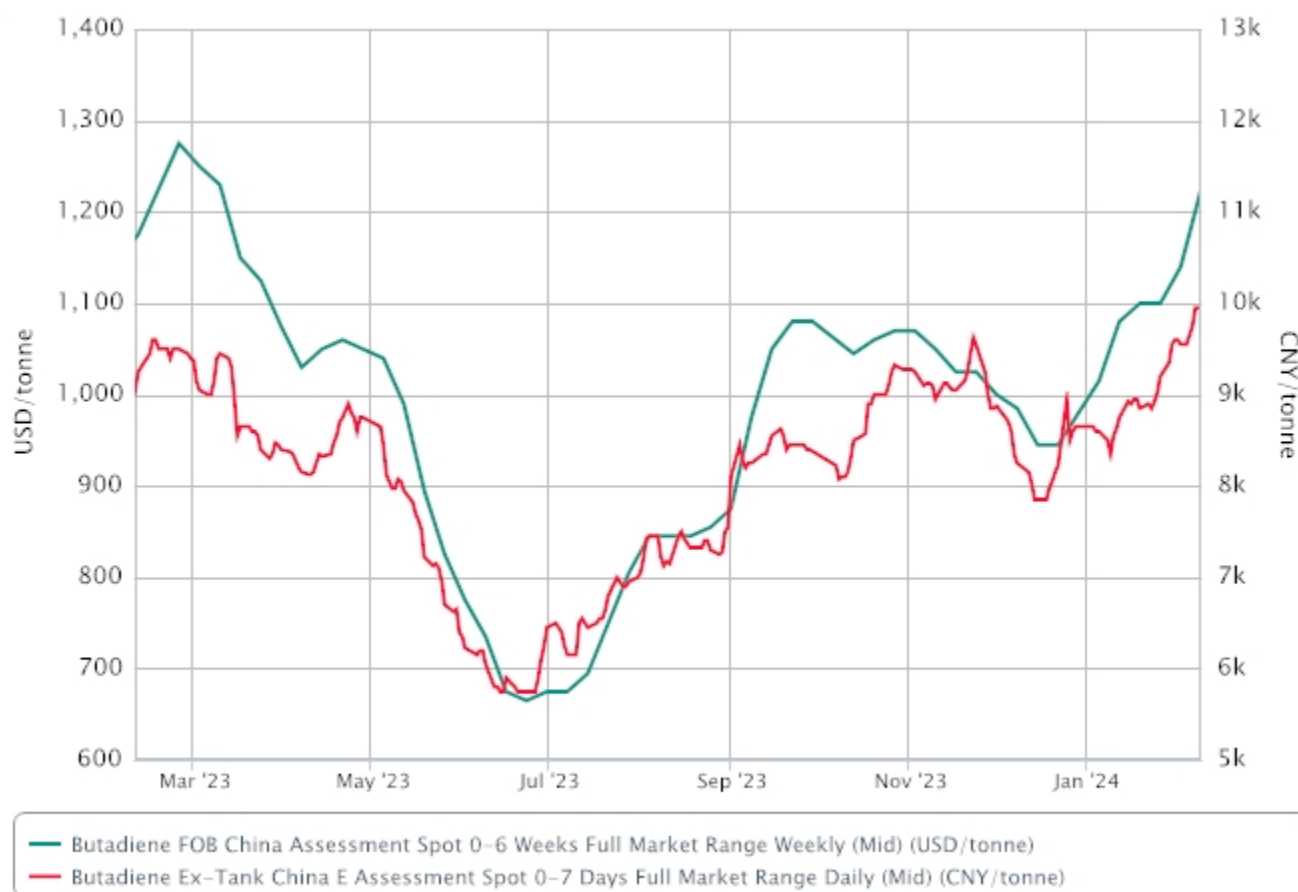
China

Domestic prices in China spiked week-on-week, under the dual support of pre-holiday supply chain limitations and structurally tight spot availabilities.

A major local producer raised its domestic BD list prices to yuan (CNY) 10,200/tonne on 7 February, 13% higher than H1 January.

FOB China export offers also surged in line with domestic gains, and the assessment range was lifted at both ends to capture the spectrum of discussions for cargoes available to lift in late February/March in the week.

But there were no substantive transactions during the week on FOB China terms, market sources said.



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Northeast Asia

CFR NE Asia prices were assessed up, with the high-end reflecting a deal for a northeast Asia-origin cargo

available to lift end-February. The cargo is said earmarked for delivery to Taiwan.

The low-end was also lifted to reflect more positive buying appetite in other northeast Asian outlets, although no other transactions materialised on a fixed price basis amid a nagging buy-sell gap.

Sellers were motivated by the deal done this week to chase higher targets, but for many end-users, while they acknowledged that they would have to move bids up if they wanted to secure volumes from the small supply pool, they were mindful not to bid over-aggressively, citing lack of support from poor derivative sector margins.

Some synthetic rubber makers said that they may have to cut derivative operating rates to rein in costs, rather than risk widening losses by bidding more aggressively for feedstock BD.

Two other southeast Asia-origin cargoes available to lift in H2 March were offered for spot sales, via tender, this week. They were sold on a formula basis eventually, in part to sidestep differences in buy-sell pricing outlook, market sources said.

Another southeast Asia-origin cargo for mid-March lifting was also up for spot sale via tender. The outcome of this tender was not available by press time.

Monthly Contract DEL, \$/ tonne	Jan 24	Dec 23	Nov 23	Oct 23	Sep 23	Aug 23	Jul 23
Taiwan FPCC	1,020	910	955	995	940	750	650
Korea YNCC	1,070	945	1,000	1,035	980	770	665

Southeast Asia

CFR SE Asia assessments were adjusted in line with changes for the CFR NE Asia assessment.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

		Price Range	One Week Ago	/
Butadiene				
Ex-Tank E China	CNY/tonne	n/c	9900-10000	n/c
			9500-9600	-

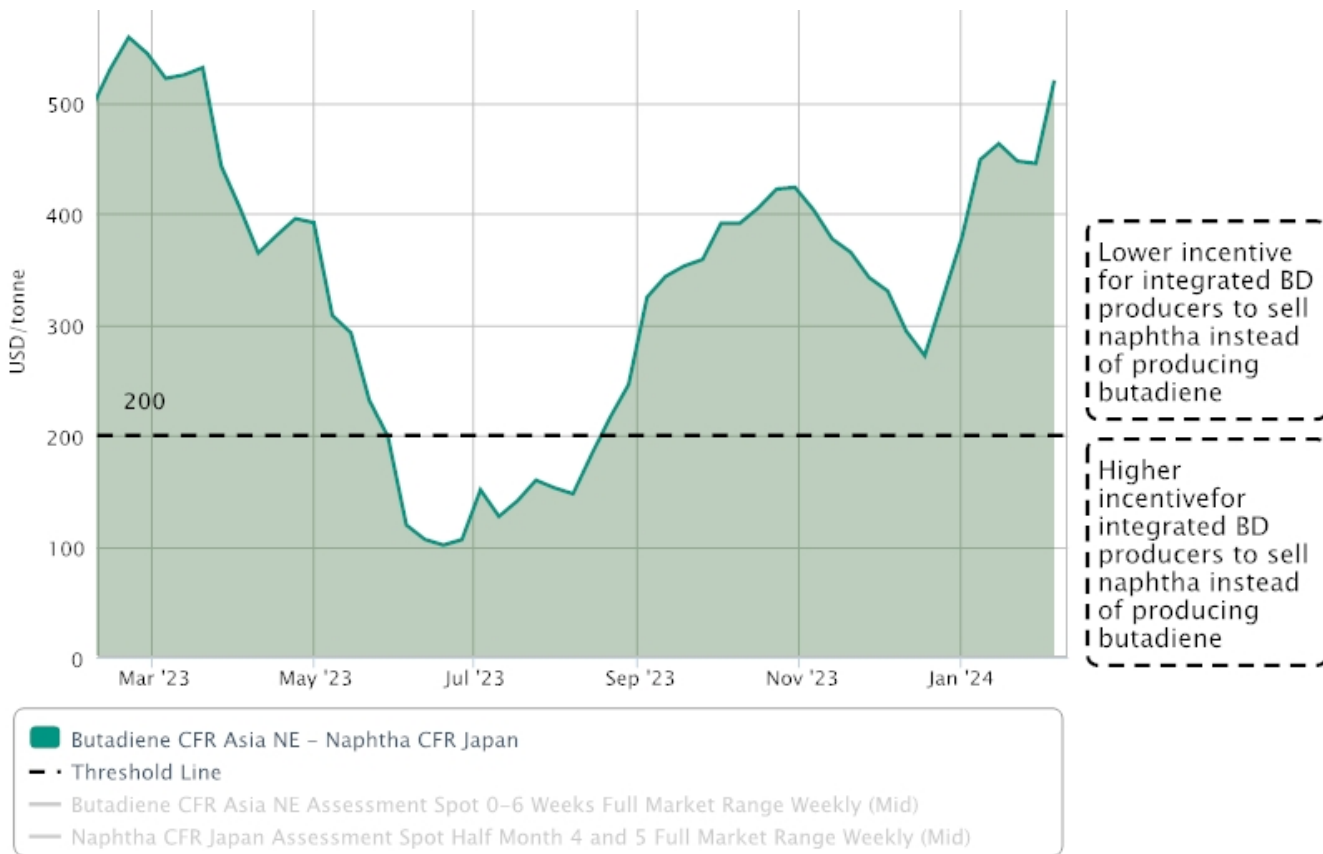
UPSTREAM

Naphtha

- 7 Feb intermonth spread at highest level since 31 Jan
- Concerns over supply disruption overturn impact from cracker run cuts
- Geopolitical tensions continue to affect shipments from Red Sea, Black Sea regions

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





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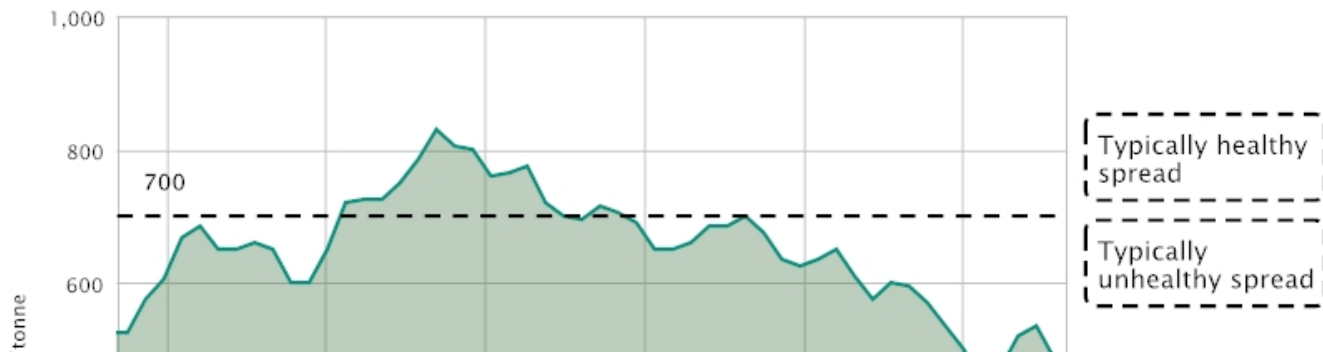
DOWNSTREAM

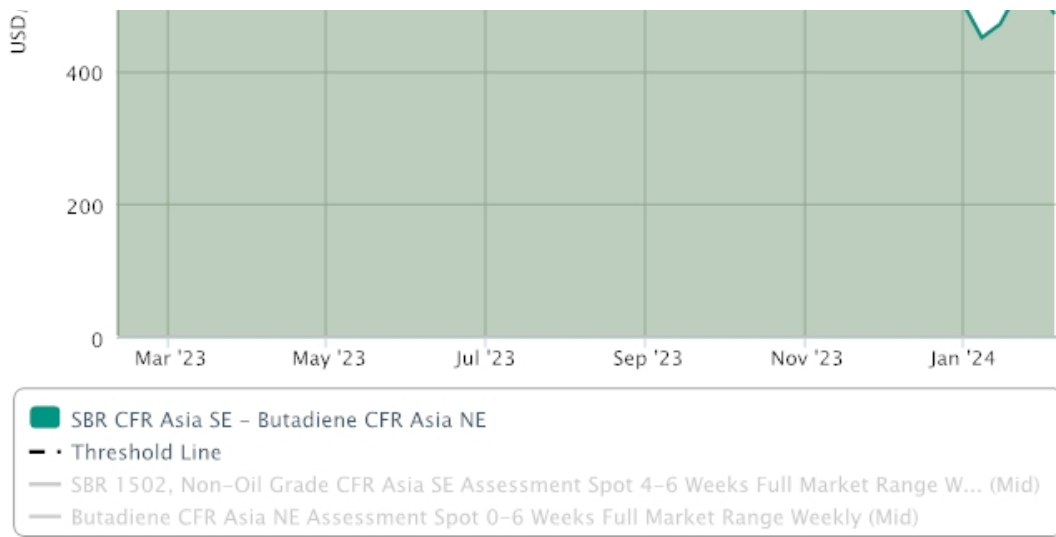
Styrene-butadiene-rubber (SBR)

- Cost pressure on sellers builds
- Some restocking purchases
- But overall liquidity capped on holiday trade lull

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 uptrend grinds to a halt pre-Lunar New Year
- Offers raised due to continuous feedstock cost surge
- Buying subdued as players leave for the holidays



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PRODUCTION

The BD supply balance remains tight amid ongoing plant closures, including a 130,000 tonne/year unit in Taiwan that is currently [off-line](#) for a two-month-long maintenance, as well as two [units](#) in Beijing, with a total nameplate capacity of 135,000 tonnes/year, that went down since H1 January for unscheduled servicing.

But there may be some respite in China, as a 164,000 tonne/year unit in Shandong has [restarted](#) recently from several weeks of unplanned shutdown, market sources said.

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

OTHER REGIONS

Europe

- Supply tight – very limited for February
- But one production issue resolved
- Domestic demand stable, some improvements on Red Sea impacts
- Spot discussions underway but no fresh trade heard yet

US

- US February BD [contracts rise](#) on tighter supplies
- Full-year 2023 production, utilization reach [second-lowest levels](#) on record
- Unconfirmed production issues emerge in US

ANALYTICS

ICIS downstream outlook for automotive

Two key things to watch out for in 2024 are smart mobility and transport-related greenhouse gas emission goals. The global automotive industry is not out of the woods yet - and is still struggling to make up for pre-pandemic losses. Factors weighing on business include supply-chain disruptions and structural changes in demand. Some of the weakness predates the COVID-19 crisis on the back of global environmental concerns. Short- to medium-term demand still looks gloomy due to an expected fall in disposable incomes.

According to the US Census Bureau, US light vehicle sales decreased by 0.8% month on month in November with total sales at 15.3m units. The finished inventory to sales ratio - calculated by dividing inventory by sales - increased to 1.312 in November from 1.134 in October. 2023 was a challenging year for the US automotive industry because the United Auto Workers (UAW) strike seriously disrupted production. Although a resolution has been reached, vehicle prices will increase given a background of chronically weak demand and high costs.

In Europe, high inflation, slumping consumer confidence and tighter monetary policy will weigh on consumer demand for vehicles. According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registrations decreased by 3.3% in December 2023 compared with same month in 2022. The fall was blamed on a high baseline performance in December 2022. However, for 2023 as a whole, car registrations were up 13.9%. Italy, Spain and France were the best performing countries with growth of 18.9%, 16.7% and 16.1% respectively. Germany, on the other hand, posted growth of just 7.3%. As reported last month, one point of contention for original equipment manufacturers (OEMs) in Europe is the looming Rules of Origin (ROO) January 2024 deadline – where a 10% additional tariff on electric vehicles will be applicable on exports for vehicles with less than 40-45%

non-originating components. OEMs have argued against this citing a severe impact on domestic competitiveness. As a result, the European Commission is seeking a three-year extension to current rules of origin for batteries under the EU-UK Trade and Cooperation Agreement (TCA), a move that has been widely welcomed by the industry.

The outlook for Asia's automotive industry is mixed. A primary growth driver for the sector will be the increasing penetration of car ownership. This is particularly true of electrified and other new energy vehicles after government incentive schemes. In India, inflation and tighter monetary policy will weigh on demand, but after an improvement in consumer sentiment in December, the Federation of Automobile Dealers Associations of India (FADA) said: "With this resurgence in consumer confidence, the forecast for 2024 is decidedly optimistic."

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