



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

- **Domestic China prices surged in early week**
- **China export offers boosted in line**
- **But demand picture mixed**

Asian spot discussions for butadiene (BD) were upbeat early in the week, [bolstered](#) by domestic China gains, as well as persistent short-covering buying interest in Japan.

But discussions dimmed somewhat by late week, when longer-term demand concerns surfaced, amid growing indications that more regional end-users may cut operating rates to mitigate cost pressures and rescue compressed margins.

The domestic China market rose in early week's trading and although some of the gains dissipated subsequently, the market still settled on average higher week on week.

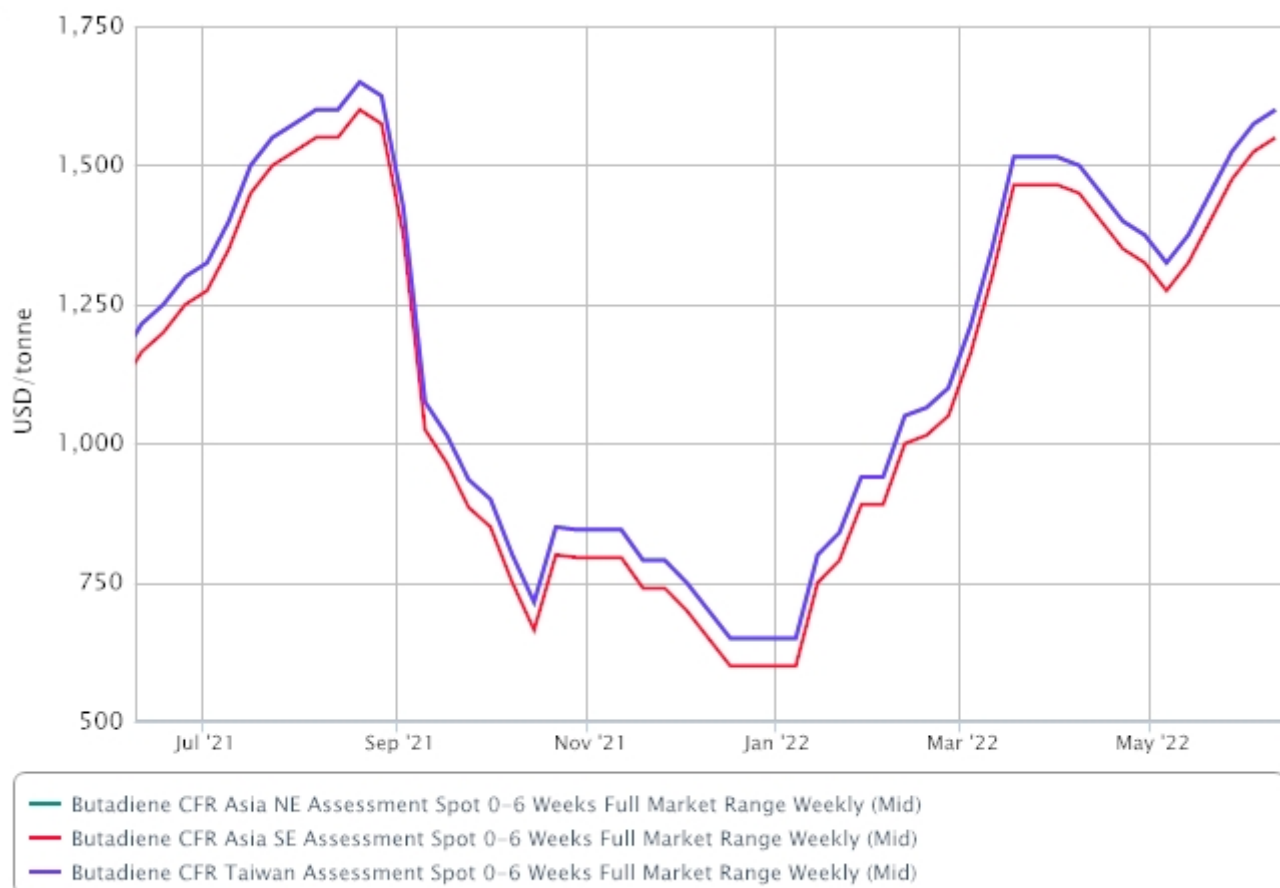
The domestic uptick came as sellers elevated local asking prices, as prompt supplies have been tightened by prior export sales.

The firmer yuan values boosted in turn BD export offers from China.

Buying interest in wider Asia was mixed. On one hand, there is still active buying interest in Japan and Korea for short-covering purposes. But these buyers were heard mostly inclined to procure on a formula basis.

Other end-users from the synthetic rubber and acrylonitrile-butadiene-styrene (ABS) sectors retreated, saying that they would recalibrate [operating rates](#) to minimise BD usage.

For those with more concrete requirements, most said that they would wait and see how the regional supply picture may shift in the coming weeks, when more BD units will return from maintenance closures.



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OUTLOOK

- Supply may lengthen
- Downstream operating rate cuts will dent demand
- But short-covering buying may persist if cracker operations are not restored

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	+50	1550.00-1650.00	+50	1350.00-1400.00	70.31-74.84
CFR NE Asia	USD/tonne	+50	1550.00-1650.00	n/c	1350.00-1400.00	70.31-74.84
CFR Taiwan	USD/tonne	+50	1550.00-1650.00	n/c	1350.00-1400.00	70.31-74.84
CFR SE Asia	USD/tonne	+50	1500.00-1600.00	n/c	1300.00-1350.00	68.04-72.57

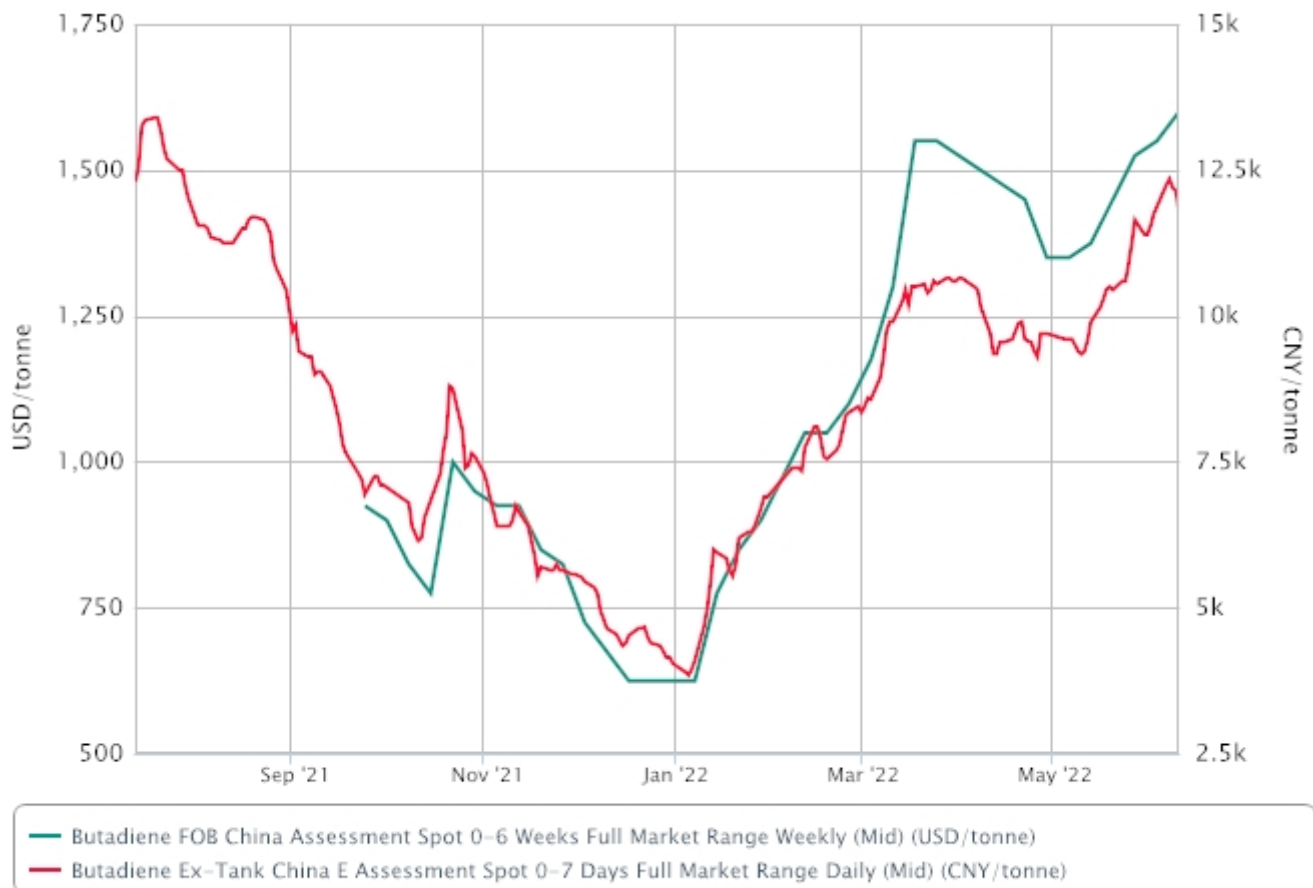
China

FOB China assessments rose with firmer indications heard.

Selling indications were at the high end, and the low end reflected notional buying indications heard.

No transactions were heard closed on a fixed-price basis, with players all leaning towards formula-based discussions and deals.

In the yuan-denominated market, ex-tank prices in east China spiked week on week, although some of the gains seen in early week's trade dissipated in late week's trade.



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Northeast Asia

CFR NE Asian assessments were stable-to-firm, with the low end raised to reflect discussions throughout the course of the week.

Late June/July availabilities were limited, and centred mostly on China-origin material. Sellers' sentiment was also bullish, tracking the early week's upsurge in the domestic yuan-denominated market.

Some selling indications higher than the published range surfaced early in the week, but received scant buyers' response. The high end is kept unchanged, tracking the lowest, albeit stable, asking level.

There were no concrete bids or buying indications either, as most buyers leaned more to procuring on a formula basis, should the procurement need really surface.

In the absence of concrete buy-side indications, the low end tracks indications received on end-users' affordability line. Based on current pricing conditions in downstream markets, end-users said that they would not be able to stomach feedstock costs beyond the published low end.

CFR Taiwan assessments were adjusted up at the low end, in line with changes in CFR NE Asian assessments.

Monthly Contract DEL, \$/tonne	May 22	Apr 22	Mar 22	Feb 22	Jan 22	Dec 21	Nov 21
Taiwan FPCC	1,360	1,415	1,355	1,040	795	780	885
Korea YNCC	1,445	1,445	1,335	1,015	835	645	800

Southeast Asia

CFR SE Asian assessments were adjusted up at the low end in line with changes in the CFR NE Asian assessment, in the absence of any concrete discussions on CFR SE Asian terms.

A SE Asia-origin cargo was sold in the week, via tender, for early July lifting. The deal was concluded on a floating basis, and the cargo is slated for delivery to northeast Asia, market sources said.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	-300	11700-11900	-400	11500-12000	-

UPSTREAM

Naphtha

- Asia-Pacific naphtha market bearish in contango
- Naphtha crack spread deepens in negative zone
- Downstream demand weak

[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.

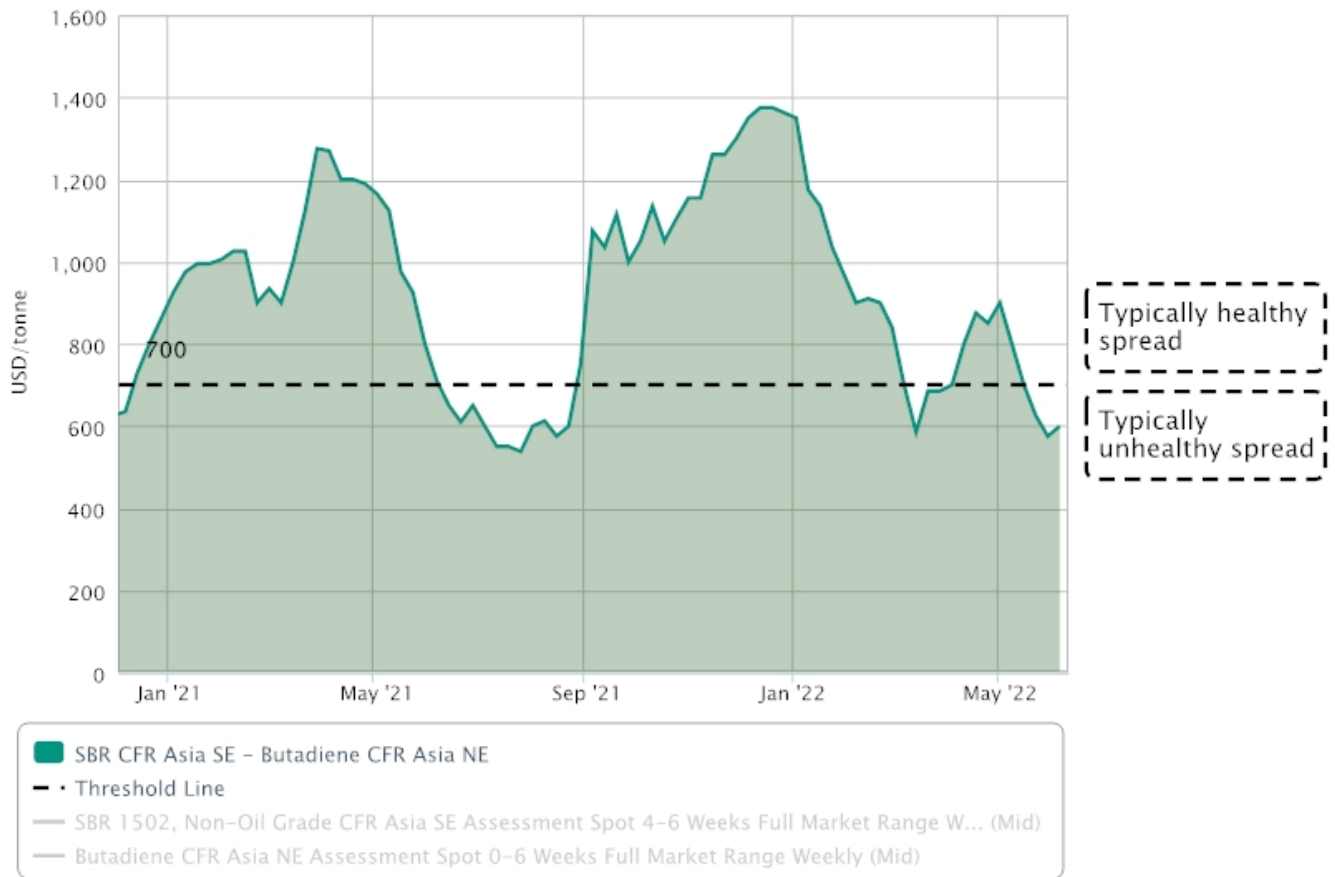
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- China export offers lifted with domestic gains
- Other regional offers also up with upstream cost pressures
- But buyers resistant

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

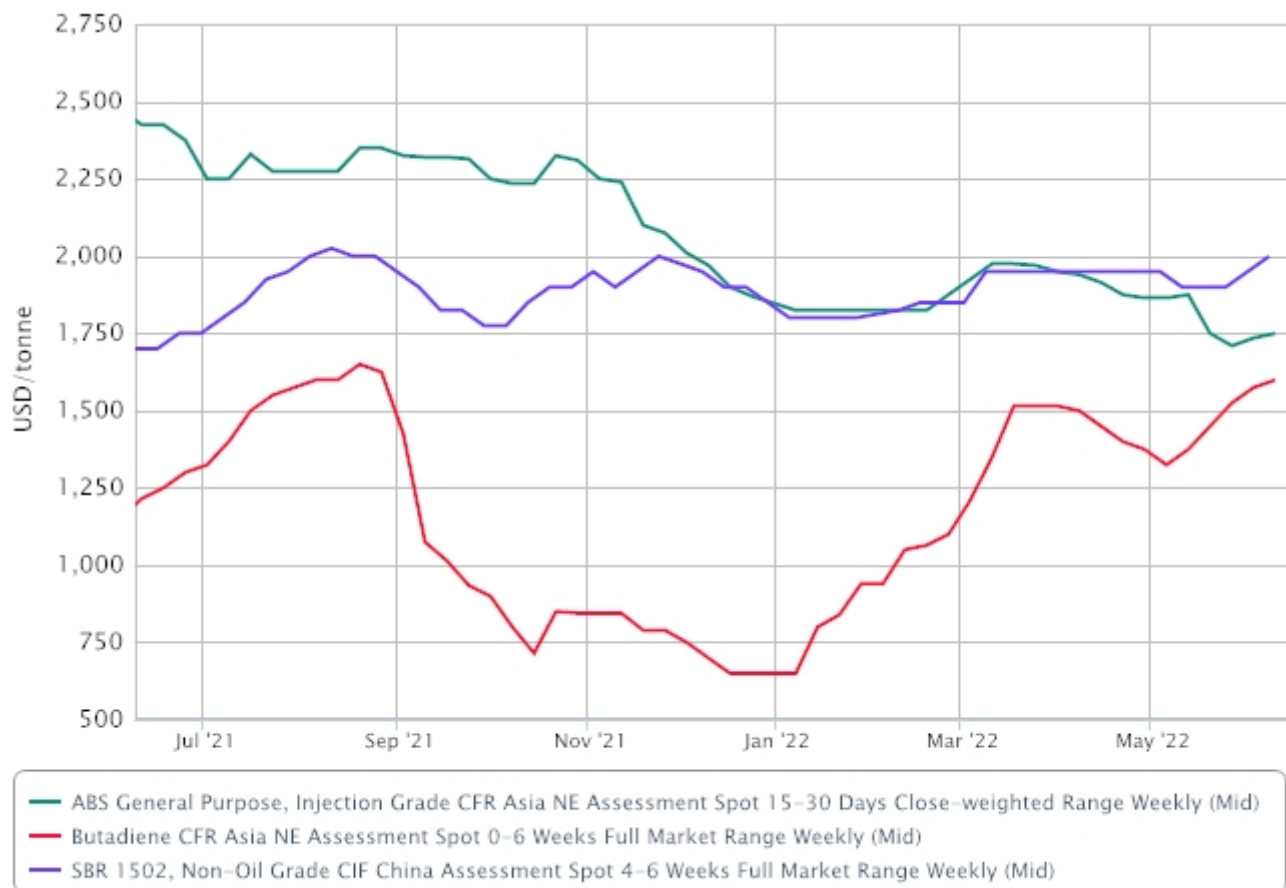
[Spread between Butadiene and Styrene Butadiene Rubber Asia](#)



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Acrylonitrile-butadiene-styrene (ABS)

- CFR NEA mid-point rises from higher offers, alongside stronger feedstock
- Upbeat buying interest tapers off as Shanghai resumes partial lockdown
- Benzene derivative chain continues to suffer from dwindling margins



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PRODUCTION

Regional BD output is crimped in June, amid output cuts at upstream crackers, as well as ongoing maintenance.

But the supply further out may lengthen, not just with plants restarting from maintenance, but also if a 185,000 tonne/year unit in SE Asia could [start up](#) smoothly within July, market sources said.

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

ANALYTICS

ICIS Outlook on Industrial Production (ex. Construction)

The industry was already reeling from persistent supply issues, but the situation has been further compromised after an energy price shock following Russia's invasion of Ukraine. The conflict has directly impacted the automotive, semiconductor and metal sectors, as well as other energy-intensive industries. Agriculture, although not part of industrial production, has also been affected because Russia and Ukraine are responsible for about one-third of global trade in wheat and barley. Increasing commodity and energy prices are also expected to drive up the cost of manufactured goods. The outlook remains weak, given the potential for more sanctions on Russia. Industrial output has been severely dented. Concerns about the global economy entering recession are high. Given the geopolitical tensions, the fragility of global trade is exposed. As a result, there is a sense of "localisation" among major producers, with companies looking to diversify their sourcing of materials. Sustainability is another megatrend, where companies are looking for neighbouring sources to reduce their carbon footprint.

According to the US Federal Reserve, industrial production in April increased by 6.4% year on year and 1.1% month on month. Manufacturing increased by 5.8% in April year on year and 0.8% month on month in April. In terms of outlook for Q2, production is expected to grow 7.3% compared with 2021 (market consensus). Durable goods outperformed non-durable goods. One interpretation of this is the effect of inflation (as effective inflation will differ from household to household). Middle to lower income groups are rationing their spending on essential items, while higher middle to upper income groups are potentially increasing their discretionary spending.

Eurozone industrial production contracted by 0.2% in Q1 year on year, and Q2 is expected to contract by 0.7% (market consensus). The UK is still holding up in positive territory. UK production increased by 2.0% in Q1 year on year, and Q2 is expected to grow by 1.1%. The IHS Markit Eurozone Manufacturing PMI registered a marginal increase but is at its lowest since January 2021 at 55.5. Companies were forced to cut production due to logistics problems, geopolitical tensions and China's slowdown. Crude oil continued to be above \$100/bbl.

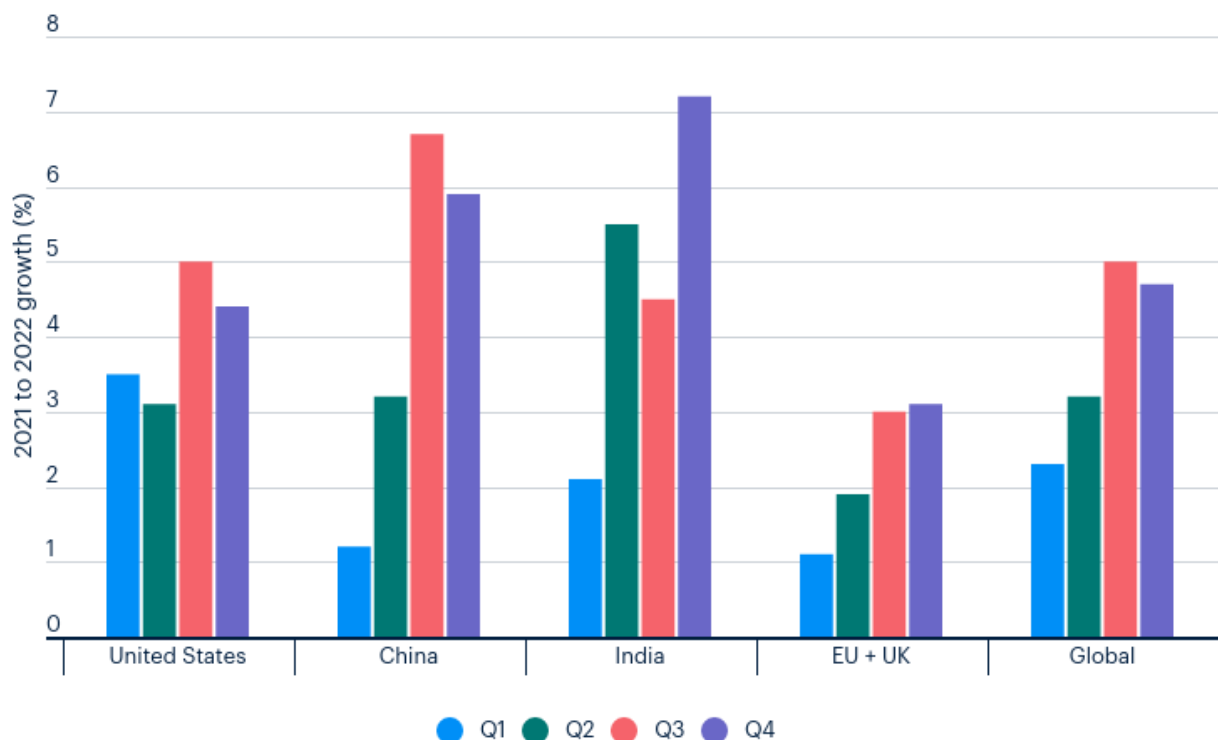
Renewed outbreaks of COVID-19 in China, the country's zero-tolerance approach and severe restrictions on movement have further disrupted manufacturing activity in the country. According to media group Caixin Global, China's Manufacturing PMI fell to 48.1 in March from 50.4 in February (with any value below 50 signifying a contraction). To counter the lockdown the country experimented with "closed-loop production sites", where staff were not allowed to leave the factory premises. However, there are reports of several production shutdowns due to a lack of input materials and spare

parts. Exports have been seriously affected. China's industrial production increased by 6.5% year on year in the first quarter and the second quarter is expected to grow 2.0% (market consensus) year on year. Assuming the eventual easing of lockdown (and no other major shock to the economy), production is expected to start picking up in the third quarter. India's industrial production for the year is expected to grow by 8.2%.

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Industrial production (excluding Construction) growth by region

2021 vs 2022



SOURCE: Oxford Economics

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