



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

- **Thin demand weighs down on import discussions**
- **Increased export offers from China**
- **Buyers also cautious with domestic China volatility**

Asian spot discussions for butadiene (BD) imports continued to taper with persistently weak downstream demand.

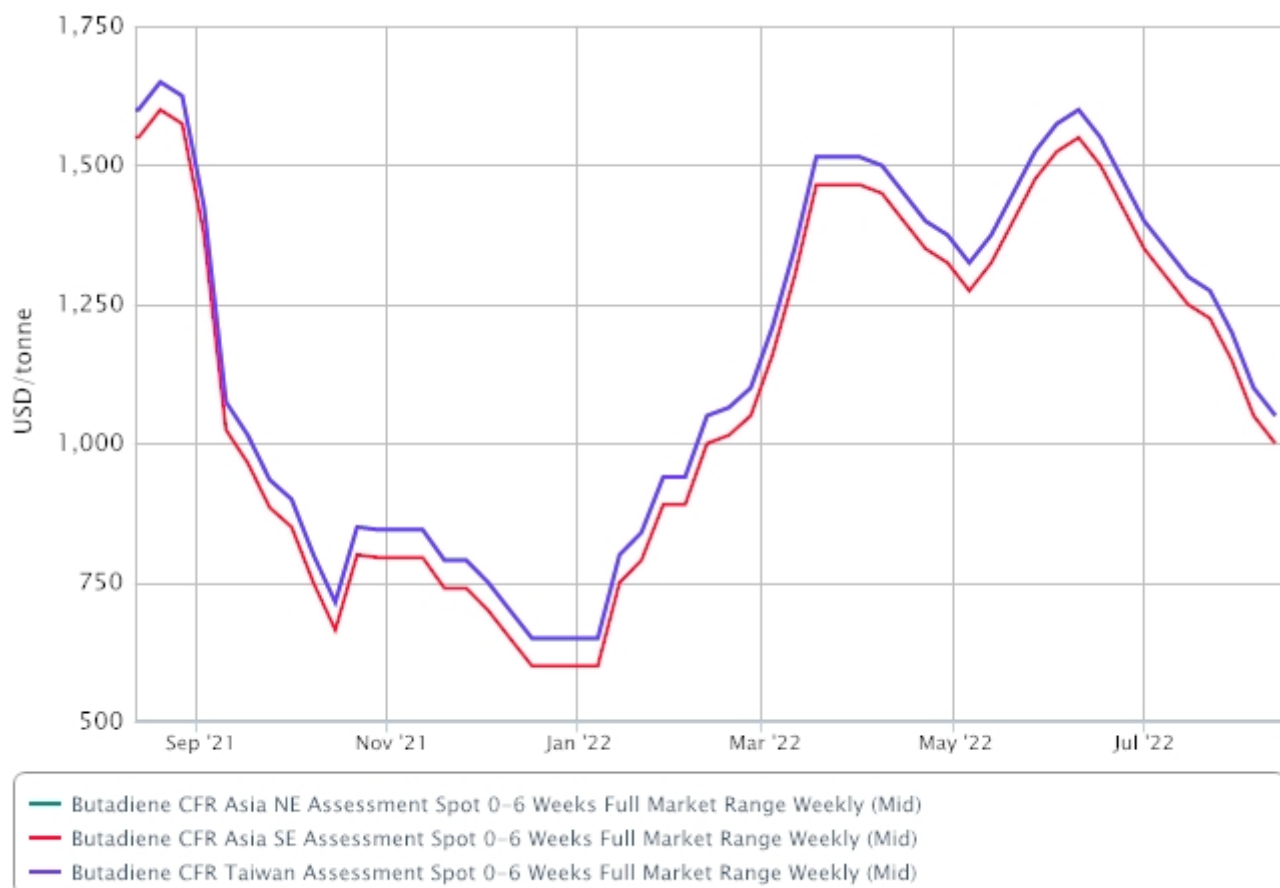
Spot availabilities also rose, as additional export offers emerged from China this week, in addition to several southeast Asia-origin cargoes indicated for sales via tender.

This off-set to some extent output cuts stemming from reduced operations at upstream crackers, market sources said.

Downstream demand remains bearish in nature, not just due to various global economic [headwinds](#), but also because substantive requirements are affected by subdued operations at many downstream plants.

For instance, several synthetic rubber plants are due to [shut](#) for maintenance in the next two months, and output cuts persist in other downstream sectors such as acrylonitrile-butadiene-styrene ([ABS](#)) and acrylonitrile-butadiene (NB) latex.

Domestic yuan-denominated prices also [fluctuated](#) wildly within the week and potential buyers were, therefore, cautious to not to take fresh import positions until the volatility has subsided.



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OUTLOOK

- Output cuts in downstream sectors may be extended
- Export offers from China may rise with slow domestic sales
- Buy-sell gap to stay wide with misaligned demand-supply picture

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

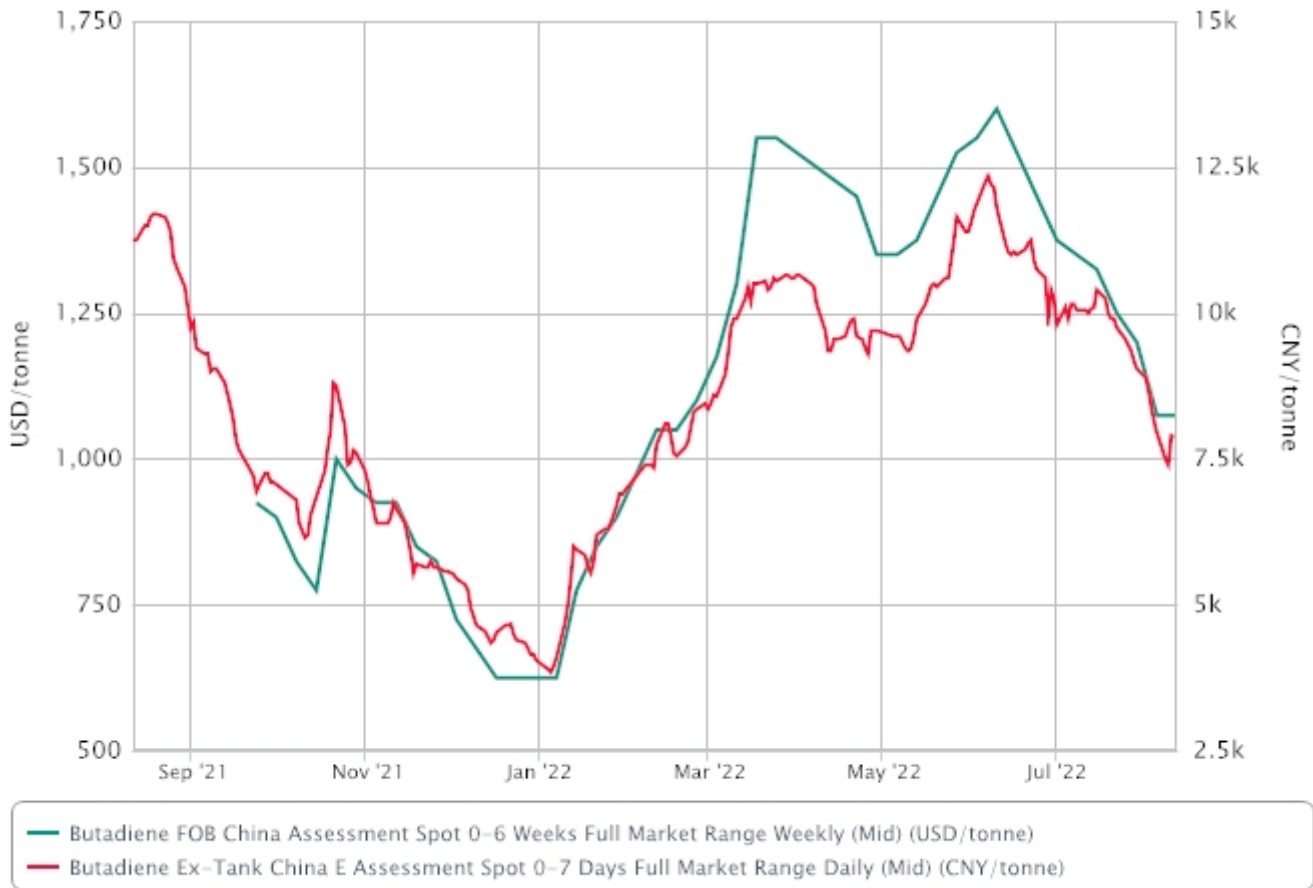
			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	n/c	1050.00-1100.00	n/c	1300.00-1350.00	47.63-49.90
CFR NE Asia	USD/tonne	-50	950.00-1150.00	-50	1250.00-1350.00	43.09-52.16
CFR Taiwan	USD/tonne	-50	950.00-1150.00	-50	1250.00-1350.00	43.09-52.16
CFR SE Asia	USD/tonne	-50	900.00-1100.00	-50	1200.00-1300.00	40.82-49.90

China

FOB China assessments were stable on rangebound discussions.

Many market players were wary about taking positions before the volatility seen in this week's yuan-denominated market has stabilised.

Domestic ex-tank prices in east China fell early-week on slow trade momentum, rebounded to some extent mid-week on news of fresh domestic [output cuts](#), but the uptrend failed to sustain late week.



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Northeast Asia

CFR NE Asian assessments fell with softer discussions.

The high-end of the assessment range tracks sporadic FOB NE Asian selling indications heard, albeit with estimated freight costs factored in. This also was in line with the last deal-done level for a China-origin cargo to ship end-August to northeast Asia, market sources said.

AnH1 September shipment cargo was heard sold this week, but on a formula-linked basis.

Given the poor demand conditions in most downstream derivative markets, the majority of buyers remained on the sidelines, and held fast to more bearish buying indications, reflected at the low-end of the published range.

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

Monthly Contract DEL, \$/tonne	Jul 22	Jun 22	May 22	Apr 22	Mar 22	Feb 22	Jan 22
Taiwan FPCC	1,255	1,450	1,360	1,415	1,355	1,040	795
Korea YNCC	1,315	1,555	1,445	1,445	1,335	1,015	835

Southeast Asia

CFR SE Asian assessments were adjusted down in line with lower CFR NE Asian assessments.

A sell tender was issued this week, involving two southeast Asia-origin cargoes available to lift in September. The tender will close in the coming week, market sources said.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

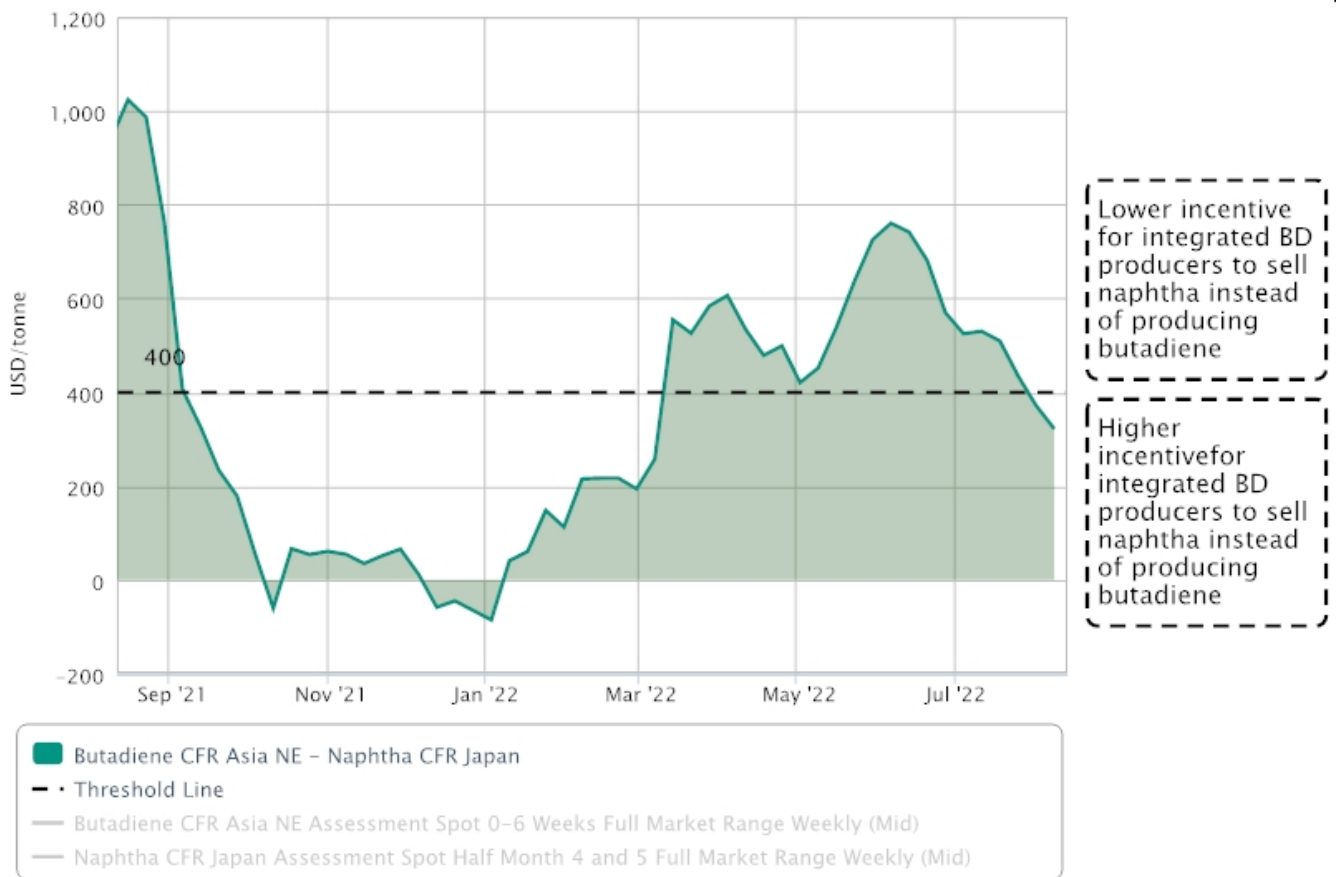
		Price Range		One Week Ago		/
Butadiene						
Ex-Tank E China	CNY/tonne	-150	7600-7800	-200	7800-8100	-

UPSTREAM

Naphtha:

- Asia's naphtha price upside capped by tepid demand
- Regional supply ample
- Market structure languishes in contango

[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.

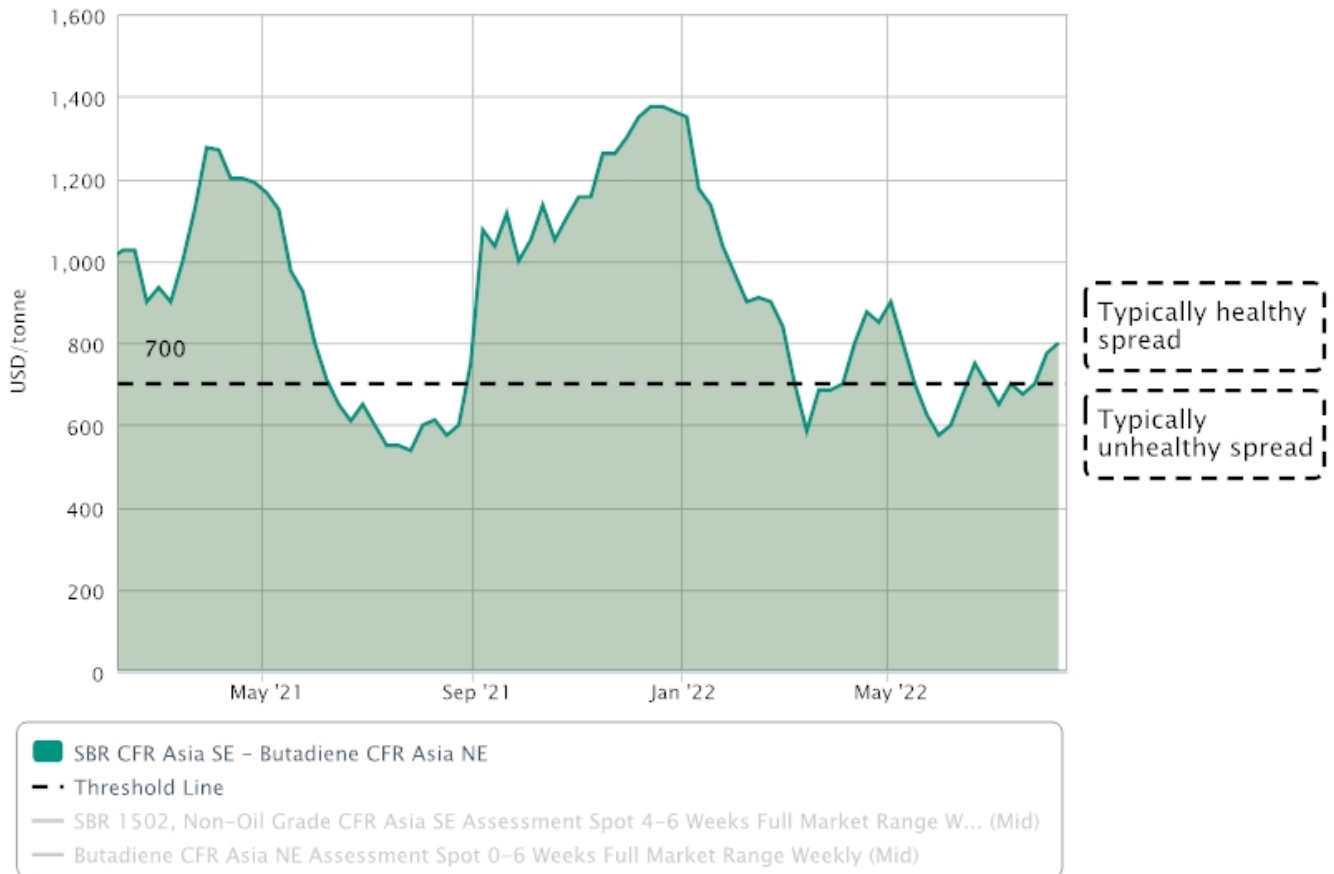
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Domestic China weak
- Import discussions down as well
- Tepid [demand](#) 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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Acrylonitrile butadiene styrene (ABS)

- CFR NE Asia prices down for eighth week, stays at two-year low
- Some sellers face lower selling pressure after production cuts
- Other sellers who still have high stockpiles continue to lower offers



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PRODUCTION

Regional BD supplies are pulled at both ends.

On one hand, spot availabilities are poised to rise, once production stabilises at newly started up units, such as the 185,000 tonnes/year unit in Malaysia and a 250,000 tonnes/year unit in China.

However, with many upstream crackers across Asia deepening operating rate cuts to rescue compressed margins, output from related and existing BD extraction units may remain crimped.

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

OTHER REGIONS

Europe

- Unplanned issue, cracker trims, light feedslates constrain BD output
- Demand relatively steady, remains mixed depending on derivative
- Spot prices rise on wider arbitrage with the US, availability limited

US

- Spot prices estimated around contract price levels
- Supply concerns persist on feedstock constraints

- Lower cracker rates weigh on CC4 availability

ANALYTICS

ICIS Crude outlook

OPEC+ will continue with production quota increases of 648,000 bbl/day in August. As has been the case for a number of consecutive months, the cartel is unlikely to reach these levels of production, ensuring supply will remain restricted in the near term. Only Saudi Arabia has the capability to meaningfully increase production levels out of the entire cartel. India's oil demand grew by 18% year on year in June, to 5m bbl/day. Gasoline and diesel demand grew by over 23% year on year respectively. However, India does face some headwinds as export taxes have been imposed on diesel, jet fuel and gasoline. Regardless, India's oil demand is expected to continue to remain strong in the second half of 2022. Global oil demand growth is likely to be lower later in 2022, as global economic growth is now expected to be much lower than previous expectations. This is primarily due to the combined effect of high inflation, high energy prices and higher interest rates. This will inevitably lead to lower oil demand growth from the fourth quarter of 2022 and into early 2023.

By **Ajay Parmar**, ICIS senior analyst, ajay.parmar@icis.com

ICIS Naphtha outlook

Naphtha cracks (naphtha price minus crude price) have recovered substantially from the severe collapse in June; however, they still remain weak overall in all major regions. The market had weak demand for a number of months, but cracks collapsed once refineries raised runs around end of May. ICIS expects naphtha cracks to remain steady around current levels throughout the summer. The NWE propane:naphtha ratio has fallen substantially in July, driven by the strengthening naphtha crack. The ratio has hit a recent low of 82% for parts of July. ICIS expects LPG will remain a more favourable feedstock over naphtha in the near term.

By **Ajay Parmar**, ICIS senior analyst (ajay.parmar@icis.com)

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