



Butadiene (Asia-Pacific)

By Ai Teng Lim
13-Jan-2023

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

The FOB China and Chinese domestic yuan (CNY) prices in the weekly analysis on 27 January will not be assessed. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Domestic China extends gains**
- **This lends support to China import talks**
- **Wider Asian discussions also up, but still trails China**

Healthy buying interest in China uplifted discussions this week for Asian butadiene (BD) imports, and the gap also narrowed between pricing ideas for China-bound shipment and those bound for other Asian outlets like Taiwan and South Korea.

Within China, prompt domestic supplies remain tight, in part because several BD projects did not start up in time earlier. Yuan values rose in early week's trading, keeping China's appetite and buying power for supplemental import purchases well supported.

More import sellers emerged this week to tap on this opportunity.

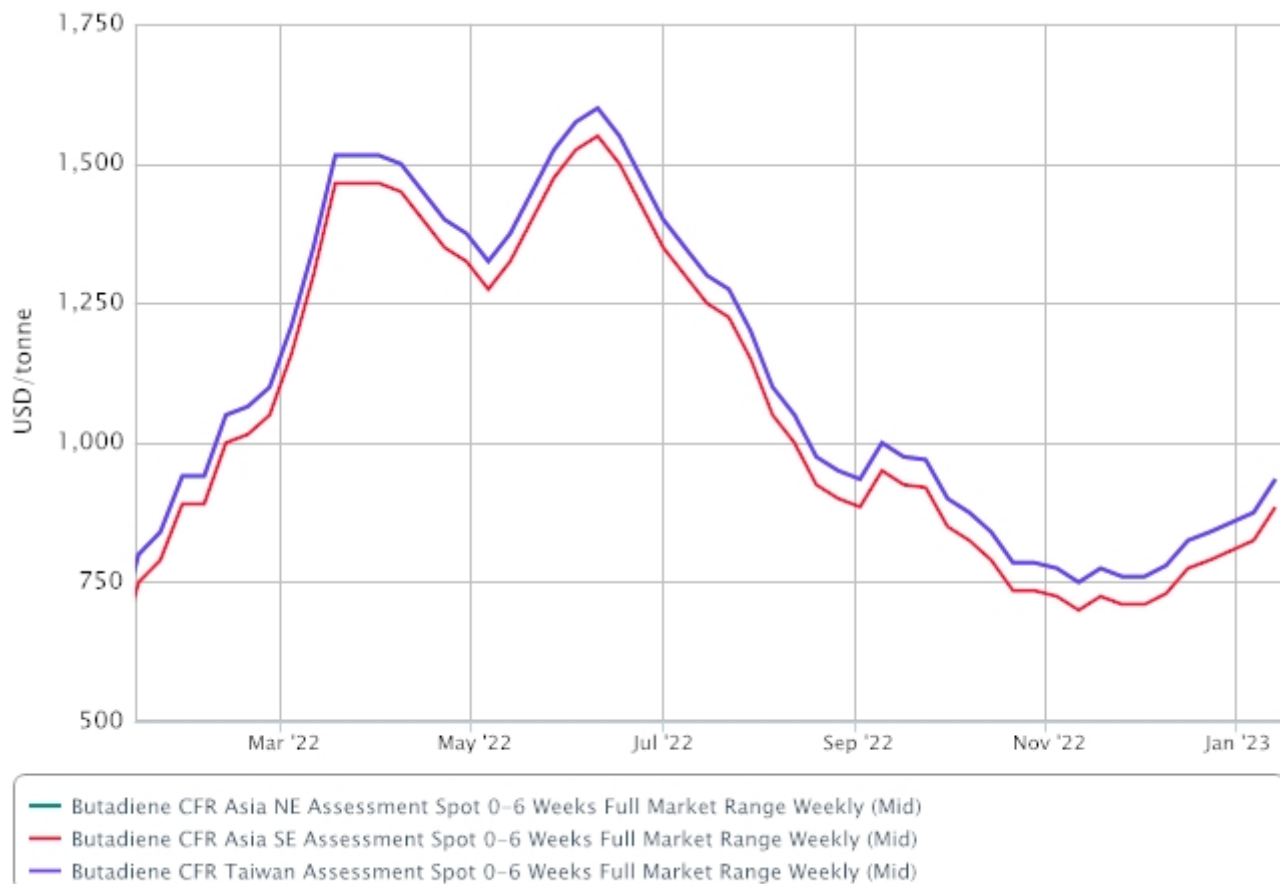
Pockets of demand were also detected outside of China. As term negotiations are not fully completed yet, some end-users in Taiwan and Korea have room to take in additional spot volumes to fill potential gaps in anticipated term deliveries, market sources said.

And they have had to raise bids to compete with the more bullish buyers in China, market players added.

But it remains to be seen if such buying fervour could be sustained for long, market players said.

For one, trade activities in China are expected to ease, possibly by the coming week, as more players wind down for the approaching Lunar New Year holiday.

Also, with derivative sectors already reeling under frail and compressed margins, there were rising concerns if these sectors could stomach fresh BD increases. Already, several synthetic rubber plants in Asia, from [China](#) to Taiwan and Korea, are mulling output cuts to minimise BD usage and protect bottomlines, market sources said.



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OUTLOOK

- Players await clarity on [post-Lunar-New-Year](#) situation in China
- Demand outlook in wider Asia murky in nature
- But supplies likely to stay snug with reduced cracker operations

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	+50	850.00-950.00	+70	800.00-850.00	38.56-43.09
CFR NE Asia	USD/tonne	+90	890.00-980.00	+30	780.00-870.00	40.37-44.45
CFR Taiwan	USD/tonne	+90	890.00-980.00	+30	780.00-870.00	40.37-44.45
CFR SE Asia	USD/tonne	+90	840.00-930.00	+30	730.00-820.00	38.10-42.18

China

FOB China assessments were up as selling indications rose with domestic strengths.

Domestic China prices continued to trend up with supply constraints.



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Northeast Asia

CFR NE Asian assessments are up to encapsulate firmer deals heard for deliveries to different northeast Asian outlets.

A southeast Asia-origin cargo was sold early week, on a CFR basis, at high \$800s/tonne for H1 February shipment to Taiwan. This formed the low end of the range.

Three other cargoes - one from southeast Asia, and the other two from northeast Asia - were also put up for February shipment sales, via tender.

One of the two northeast Asia-origin lots were sold at around \$900/tonne FOB Taiwan, and ear-marked for delivery to China. This formed the high end of CFR NE Asian assessment, after factoring in estimated freight costs of about \$80/tonne, based on market input.

The remaining two lots were transacted on a formula basis, market sources said.

CFR Taiwan assessments were adjusted with changes in CFR NE Asian assessments.

Monthly Contract DEL, \$/tonne	Dec 22	Nov 22	Oct 22	Sep 22	Aug 22	Jul 22	Jun 22
Taiwan FPCC	755	755	795	885	1,025	1,255	1,450
Korea YNCC	795	755	745	920	983	1,315	1,555

Southeast Asia

CFR SE Asian assessments were adjusted with changes in CFR NE Asian assessments, in the absence of any deal or discussions on CFR SE Asian terms.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

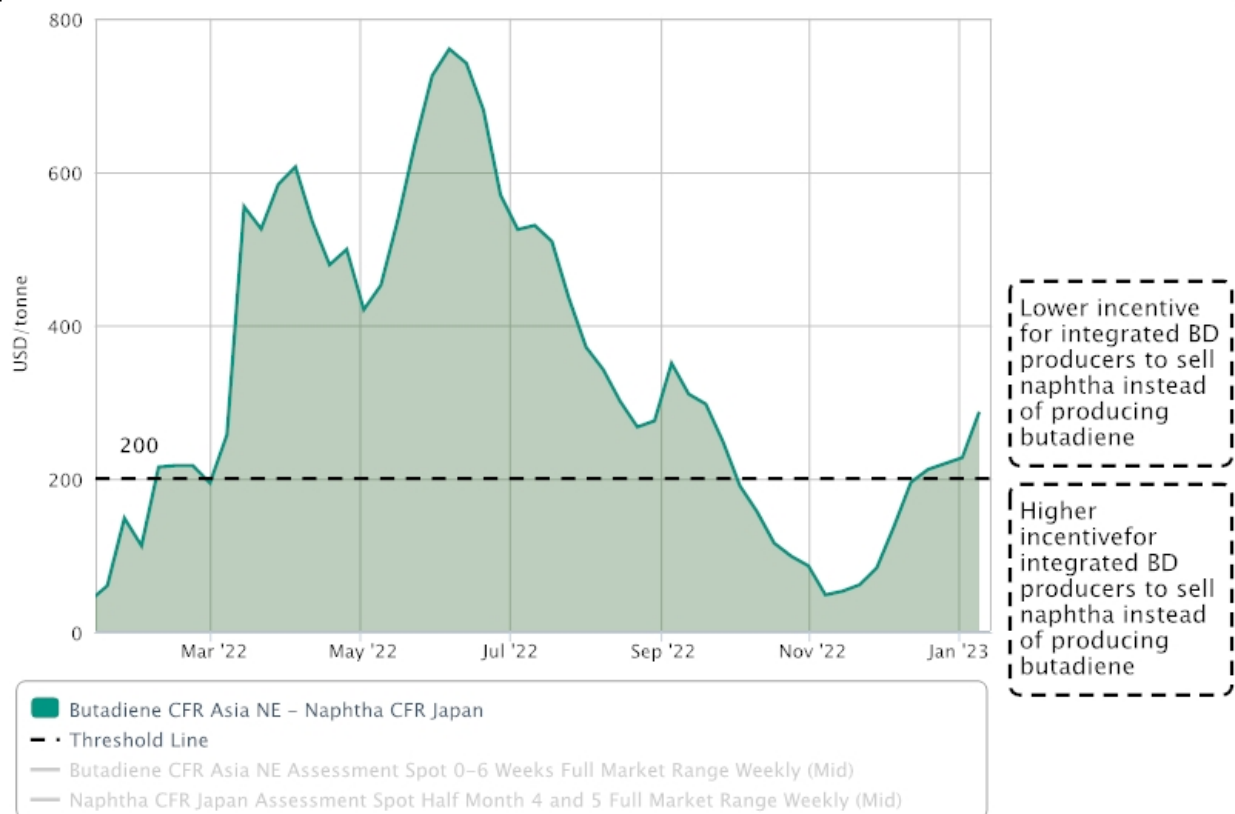
			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	n/c	8000-8100	n/c	7600-7800	-

UPSTREAM

Naphtha:

- Some demand seen
- But cracker maintenance weighs on sentiment
- Cracking margins also a concern

[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

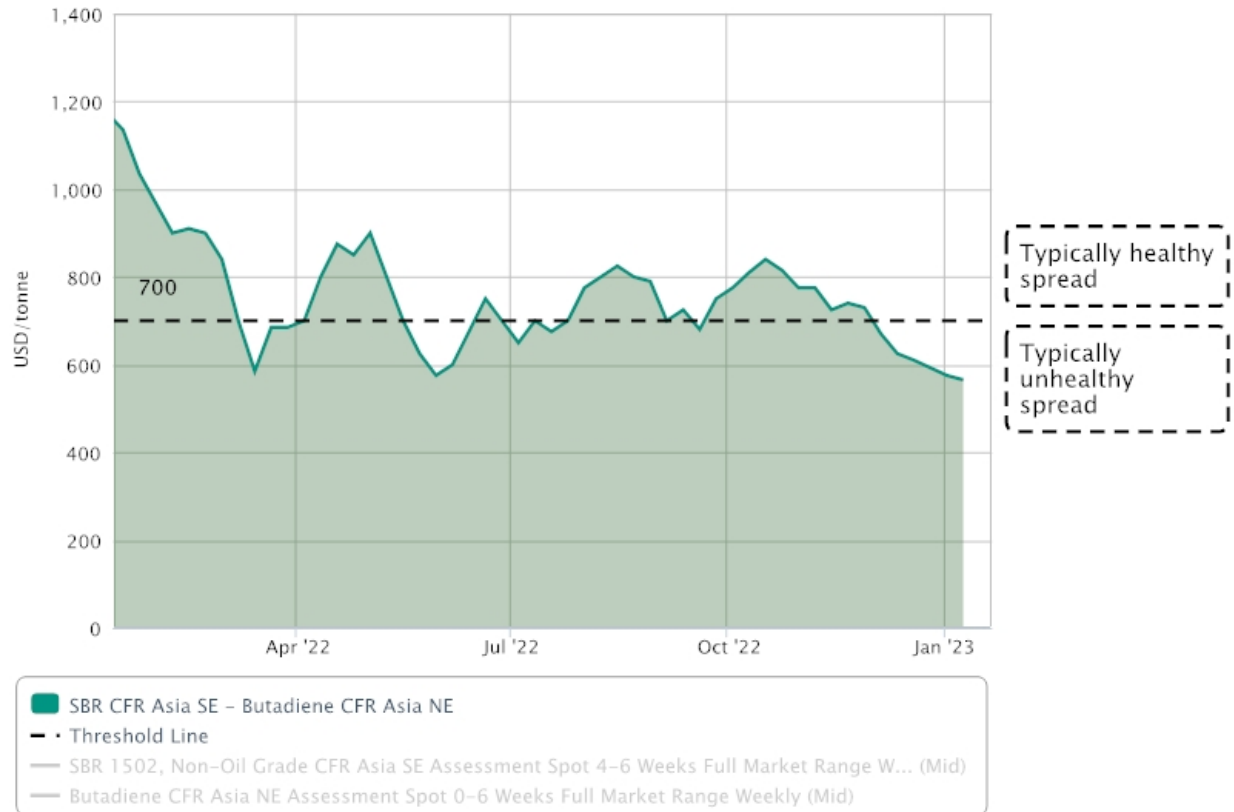
Styrene-butadiene-rubber (SBR)

- Offers up with upstream gains
- But buyers' response lukewarm

- Many remain in wait-and-see mode

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)

- Import prices widen on higher offers
- Demand wanes with end-use plants shutting ahead of festivities
- Players hang onto hopes of continued margins



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PRODUCTION

In China, a plant is [shut](#) for maintenance in H1 January, but more [length](#) is expected to set in once new projects start up in the near term.

But in wider Asia, overall BD output from extraction units in Korea and Japan is expected to remain capped in the near term, as weak margins continue to weigh on operating rates at many upstream crackers.

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

OTHER REGIONS

Europe

- Supply, demand fundamentals unchanged
- Domestic demand soft, albeit improved compared with December
- Supply constrained through cracker cuts, alternatives for CC4
- Asia gains boost some sentiment, but limited impact from US winter storm

US

- Two sites scheduled for maintenance
- Pipeline maintenance expected
- US remains open to imports in short term

ANALYTICS

ICIS Outlook on GDP

In its latest World Economic Outlook, the International Monetary Fund (IMF) said, "One-third of the world economy will likely contract this year or next amid shrinking real incomes and rising prices...". The global economic situation, and Europe's in particular, will continue to deteriorate. It is likely that the global economy is on the edge of a recession, although it has not entered one yet. Manufacturing is struggling although services have improved and this has been enough to keep overall growth in positive territory. 2022 was filled with shocks and surprises, but we are unable to say that the worst is behind us. The global system remains under strain and has seen several structural shifts in demand-supply fundamentals. The key question is – When will we see the start of a real recovery? Much will depend on China's future COVID-19 policy and the state of gas supply in Europe.

Despite reduced economic activity, the US has not entered a technical recession, mainly because non-manufacturing, notably services, are performing better than expected. However, the economy is expected to stagnate in 2023.

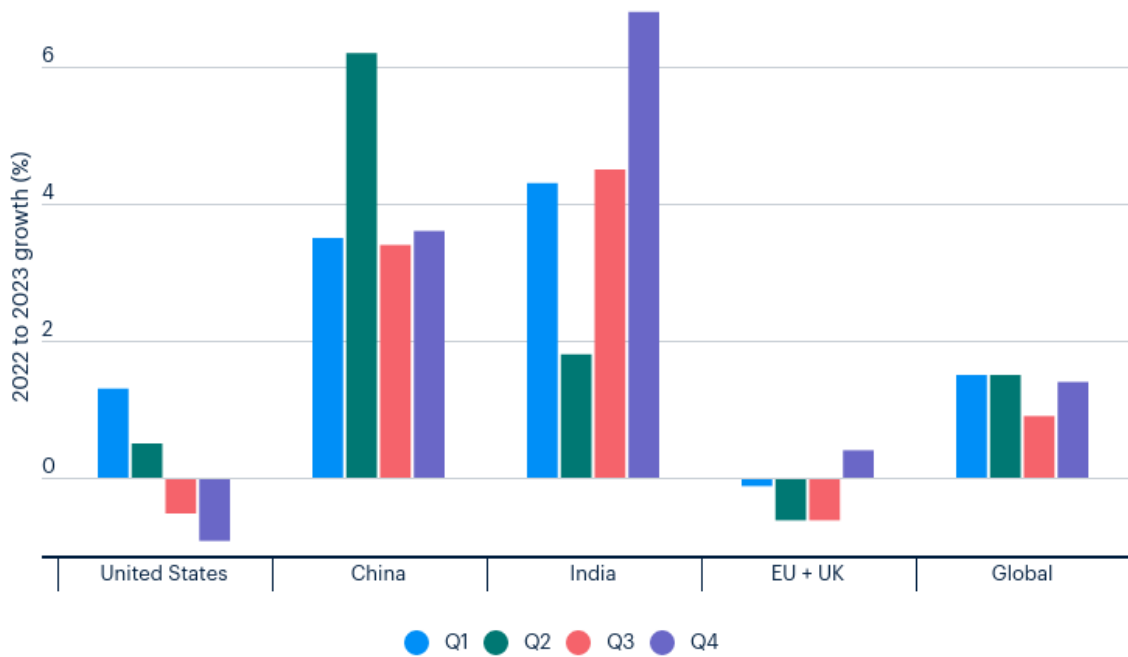
2023 will be extremely challenging for Europe as it is forecast to enter an official recession. Just as Europe was recovering from the pandemic, it was hit by a severe energy disruption. The Russia-Ukraine continues to affect the European economy disproportionately. A recovery is not expected until there is greater certainty about a reliable and consistent energy source.

In December 2022, China's National Health Commission relaxed some of the country's strict zero-COVID measures. However, a reintroduction has not been ruled out if cases surge. These on-and-off measures have damaged manufacturing activity. The economy is struggling due to diminished activity. A twin shock to both demand and supply has derailed the country's trading prospects, which will impact those economies dependent on Chinese material.

By **Jincy Varghese**, ICIS demand analyst, jincy.varghese@icis.com

GDP growth by region

2022 vs 2023



SOURCE: Oxford Economics

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