



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 volatility drives import sentiment**
- **Lacklustre downstream outlook weighs on buying appetite**
- **But sellers see support from persistent supply constraints**

Discussions in Asia's butadiene (BD) import market were disparate, reflecting varying buying appetite across respective regional outlets.

Disparity in buy-sell pricing outlook also grew, as buyers and sellers read near-term supply picture differently.

This week, [domestic yuan-denominated trades started on a bearish note](#), dampening in turn not just import appetite in China, but also trade tempo in other regional outlets.

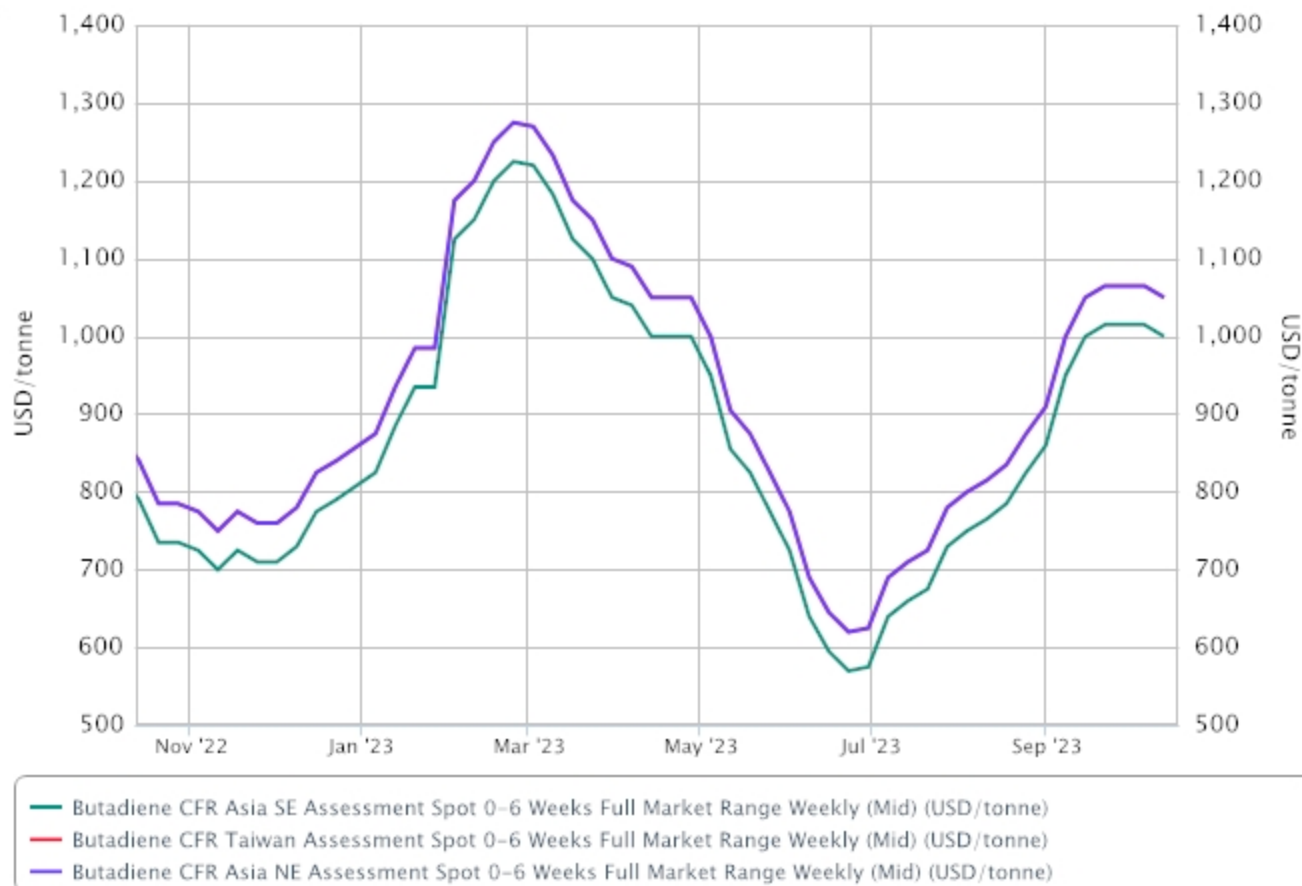
Some China BD producers also turned to exporting BD, a move which regional BD buyers see as helpful in mitigating prior anxieties about regional supply shortage.

Many buyers thus pulled back and held fast to more bearish buying indications, citing downstream demand uncertainties amid [murky global economic growth projections](#).

Some also anticipated that deep-sea cargoes would continue to flow into Asia in the coming months, amid ICIS [forecast](#) of subdued domestic BD demand in markets further afield like Europe. If so, overall regional availabilities will thus not be as tight as earlier feared, market sources said.

But BD sellers saw supply picture differently. As sub-optimal operations at upstream crackers would keep regional BD output constrained, BD sellers believe that any downstream factories caught with any unforeseen BD supply gaps would have few options but to pay more to procure on spot basis.

And with domestic RMB prices rebounding quite heavily at the end of the trading week, regional BD sellers are also hopeful that China BD producers may revert their focus to domestic sales in due course.



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OUTLOOK

- **Domestic China fluctuations to affect import sentiment**
- **Buy-sell disparity may widen**
- **Demand uncertainties abound**

ICIS Analyst View

Asia's butadiene (BD) market is largely balanced. Spot demand is expected to continue on a need-to basis for October and November arrivals while regional supply remains snug. Lower domestic yuan prices compared with US dollar-denominated prices will enable exports from China to balance the China and the wider-Asia markets. Therefore, short-lived price corrections in the two markets are possible.

However, if the present conflict in the Middle East escalates, upside risks on prices are high, as downstream buyers may attempt to secure volumes on concerns over crude oil prices.

Demand is expected to soften in November and December. Increasing inventories have been seen, which should weigh on BD derivatives' plant utilisation rates, while the year-end festivities are expected to further weaken end-user demand.

Demand will also stay limited as crackers are expected to stay under-utilised in Q4 on the back of ongoing soft demand and challenges to margins. Eyes will be on Vietnam's Long Son Petrochemical project, as well as one

speculative new project in China.

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For more information about analytical content, click [here](#).

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	-20	1040.00-1050.00	-50	1000.00-1100.00	47.17-47.63
CFR NE Asia	USD/tonne	n/c	1000.00-1100.00	-30	1000.00-1100.00	45.36-49.90
CFR Taiwan	USD/tonne	n/c	1000.00-1100.00	-30	1000.00-1100.00	45.36-49.90
CFR SE Asia	USD/tonne	n/c	950.00-1050.00	-30	950.00-1050.00	43.09-47.63

China

Domestic China prices fell in early-week trades amid bearish domestic requirements.

China BD producers turned thereafter to export opportunities, and FOB China assessments were adjusted in line with discussions and indications heard in the week.

Some discussions were heard at the low end, although no deal materialised. The high end tracked the lowest among other offers surfaced in the week.

But domestic China prices rebounded late in the week, and market sources said that this may slow down China export discussions in the coming week, especially if domestic prices continue to trend up.



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Northeast Asia

CFR NE Asia assessments consolidated in a narrower range, taking into considerations discussions throughout the course of the week and for deliveries into different regional outlets.

Interestingly, many players were heard reverting to discussing spot trades on formula-linked basis, even if first exchanges may have started on fixed-price terms, suggesting that there may have been wide buy-sell differences that could not be easily bridged for now.

Import appetite were mixed across different outlets. In China, end-users retreated from imports as domestic products were now more attractively priced.

End-users in China are heard looking to purchase well under the published low end, but China-based traders said that there were no clear availabilities at levels below the range.

In other regional outlets like Taiwan and South Korea, end-users were heard receptive to buying at around the published low end against selling indications heard from Chinese and Korean producers at \$1,100/tonne CFR NE Asia and up.

A China-origin cargo was heard to have changed hands at around the high end for delivery to Korea, but not all the details of the trade could be established.

Many players also wanted to wait for more pricing directions to come in the coming week, from how domestic China prices may trend, to the outcome of a sell tender involving two southeast Asia-origin November cargoes. The tender was issued this week but would only close on 17 October, market sources said.

CFR Taiwan assessments were adjusted with changes in the CFR NE Asia assessments.

Monthly Contract DEL, \$/tonne	Sep 23	Aug 23	Jul 23	Jun 23	May 23	Apr 23
Taiwan FPCC	940	750	650	655	875	1,015
Korea YNCC	980	770	665	635	855	1,060

Southeast Asia

CFR SE Asia prices were adjusted with changes for CFR NE Asia assessments, in the absence of any concrete discussions on CFR SE Asia terms.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

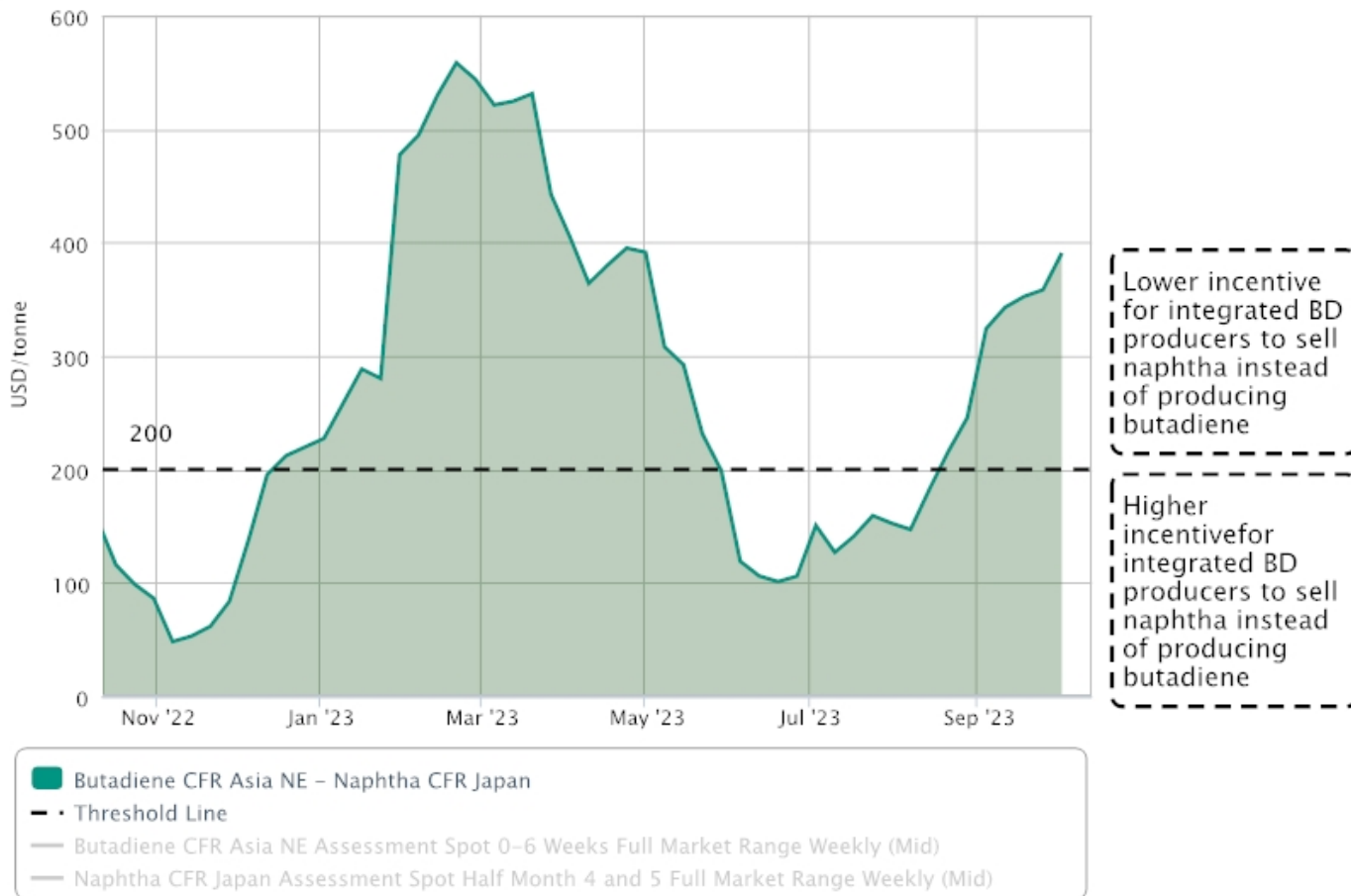
			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	+200	8450-8550	+200	n/a-n/a	-

UPSTREAM

Naphtha:

- Crack lost 54% of its value by Thursday versus Monday
- Buyers from South Korea, Singapore emerged
- Kuwait in term discussions with Asian buyers

[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.

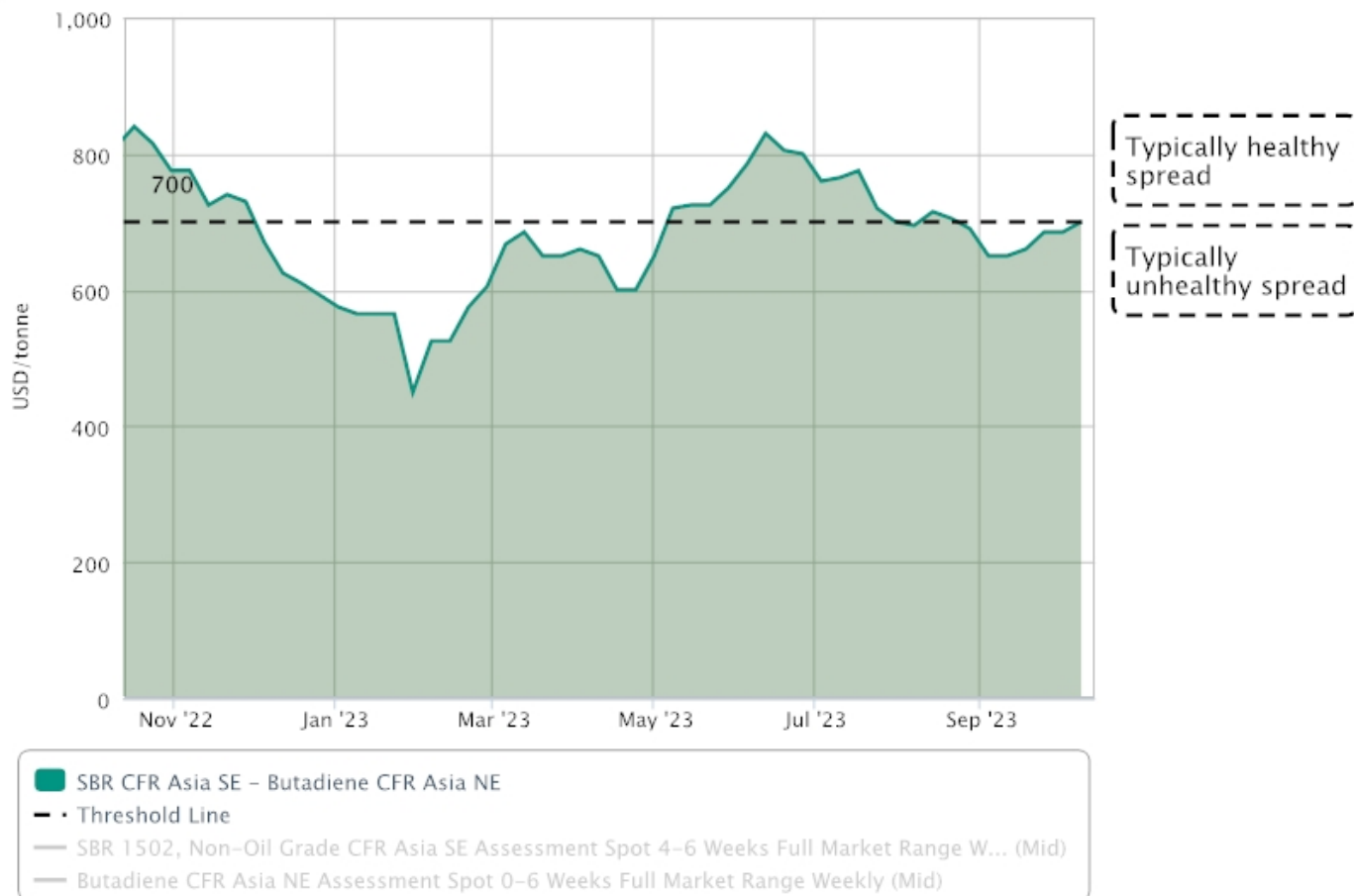
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Domestic China prices fell in post-holiday trade
- Concerns about China slowdown affected buying interest
- But import offers saw support from cost and supply factors

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

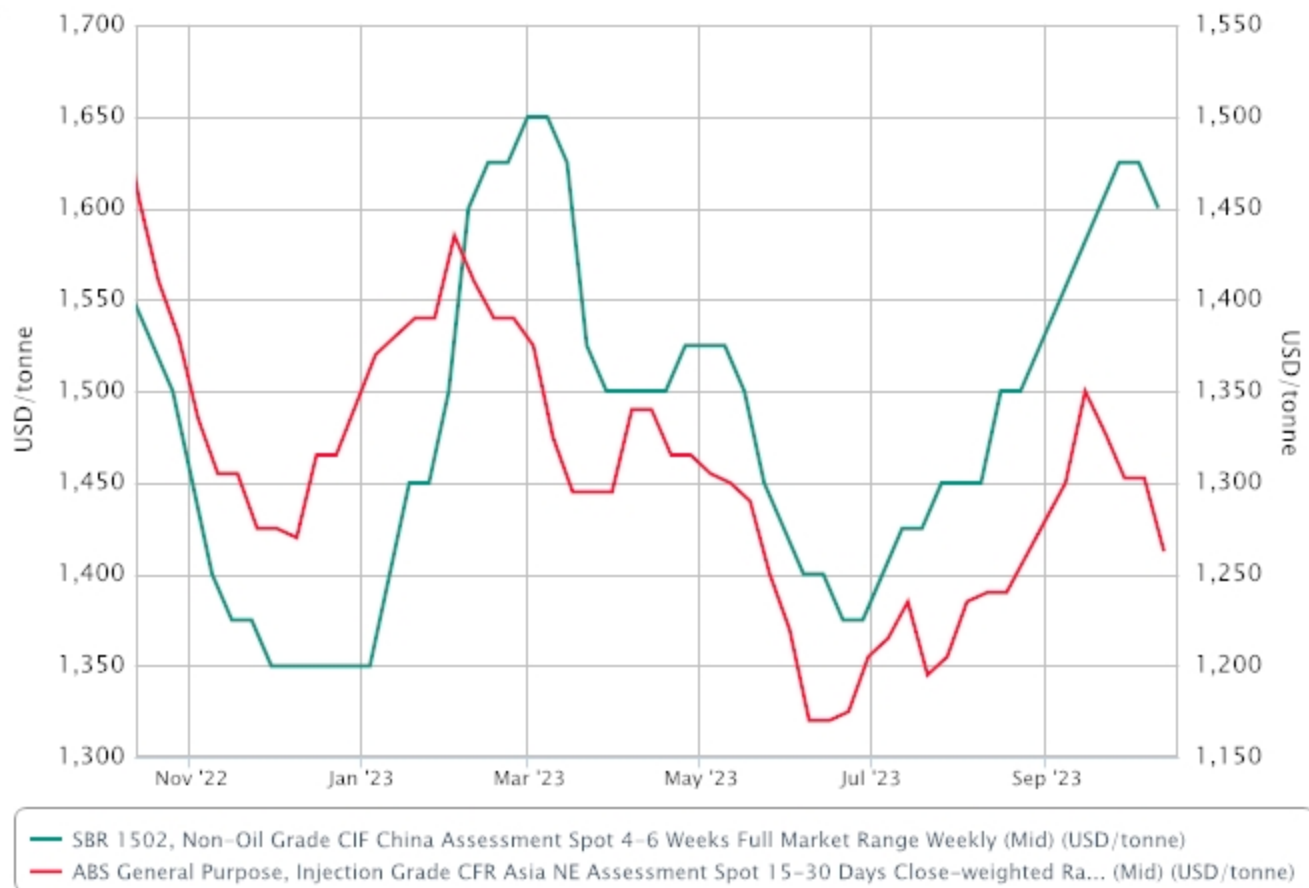
[Spread between Butadiene and Styrene Butadiene Rubber Asia](#)



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Acrylonitrile-butadiene-styrene (ABS)

- CFR NE Asia prices weaken after Golden Week, continue pre-holiday descent
- Burgeoning inventories prompt lower offers
- Trades curbed by caution amid war-related volatilities



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PRODUCTION

Regional supplies are squeezed by several planned Q4 [turnarounds](#) in South Korea, as well as an unplanned [outage](#). But supplies in China have improved after plants [restarted](#) from planned maintenance.

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

OTHER REGIONS

Europe

- Europe on hold awaiting direction from post-holiday China
- Heightened uncertainty on outlook due to oil price plunge
- No spot deals recorded – export talks in wider range
- Supply and demand balances closely managed

US

- Supplies remain constrained with BTP still offline
- No immediate supply concerns given weak demand
- [INVISTA to stop ADN production at Orange, Texas](#)

ANALYTICS

ICIS Butadiene Outlook

The US butadiene (BD) industry outlook will continue to be grim for the rest of the year, with the automotive sector, one of key factors driving the BD market, expected to face several difficulties. Although new US passenger car and light vehicle sales grew by 14.1% from January to September to hit 11.6m units, based on data published by the US Bureau of Economic Analysis (BEA), the growth rates are expected to slow month on month due to seasonal factors and poor macroeconomic conditions ahead of the year-end. The ongoing strike against three US automakers could negatively affect total sales in October. ICIS forecasts total new vehicles to reach 15.4m units in 2023 and about 15.8m units in 2024. Next year is likely to see an average annual growth rate of new registrations lower than in 2023 due to a slowdown of economic growth, as Oxford Economics has forecast in its September projections.

The Q4 BD market outlook will continue to be cautious in Europe given crude oil price volatility and uncertain demand signals in China. The German Rubber Industry Association (WDK) has recently warned orders in the rubber industry have been declining since mid-2023, resulting in lower production and an increased unemployment rate. Although new passenger car registrations in Germany increased by 16% to 1.9m units in the first eight months of the year, it is necessary to note that 2022 was a poor year for sales. The automotive could register a drop of orders over the next few months. According to WDK, Germany's competitive edge is at risk if the direction does not reverse.

Optimism for a significant rebound in BD demand in Asia over the next few months remains low. Planned shutdowns in October and, across the board, curtailment of plant operating rates amid soft demand might dampen crude C4 feedstock/BD production. Overall, capacity loss in Asia due to scheduled maintenance will be around 617,000 tonnes in October, increasing by 12% from September. In terms of plant news, globally, only a new BD unit, operated by Long Son Petrochemical in Vietnam with a capacity of 110,000 tonnes/year, is expected to start commercial activity by the end of 2023.

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