



Butadiene (Asia-Pacific)

By Ai Teng Lim
15-Jul-2022

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

OVERVIEW

- **Weak regional demand**
- **Mixed supply picture**
- **Wide buy-sell disparity**

Asian spot discussions for butadiene (BD) imports softened, mainly under the weight of [sluggish regional demand](#).

The bulk of August requirements were heard already covered, and end-users were also wary that downstream demand will not hold up if global inflation and recession fears continue to grow. As such, most are cautious not to rush into fresh purchases.

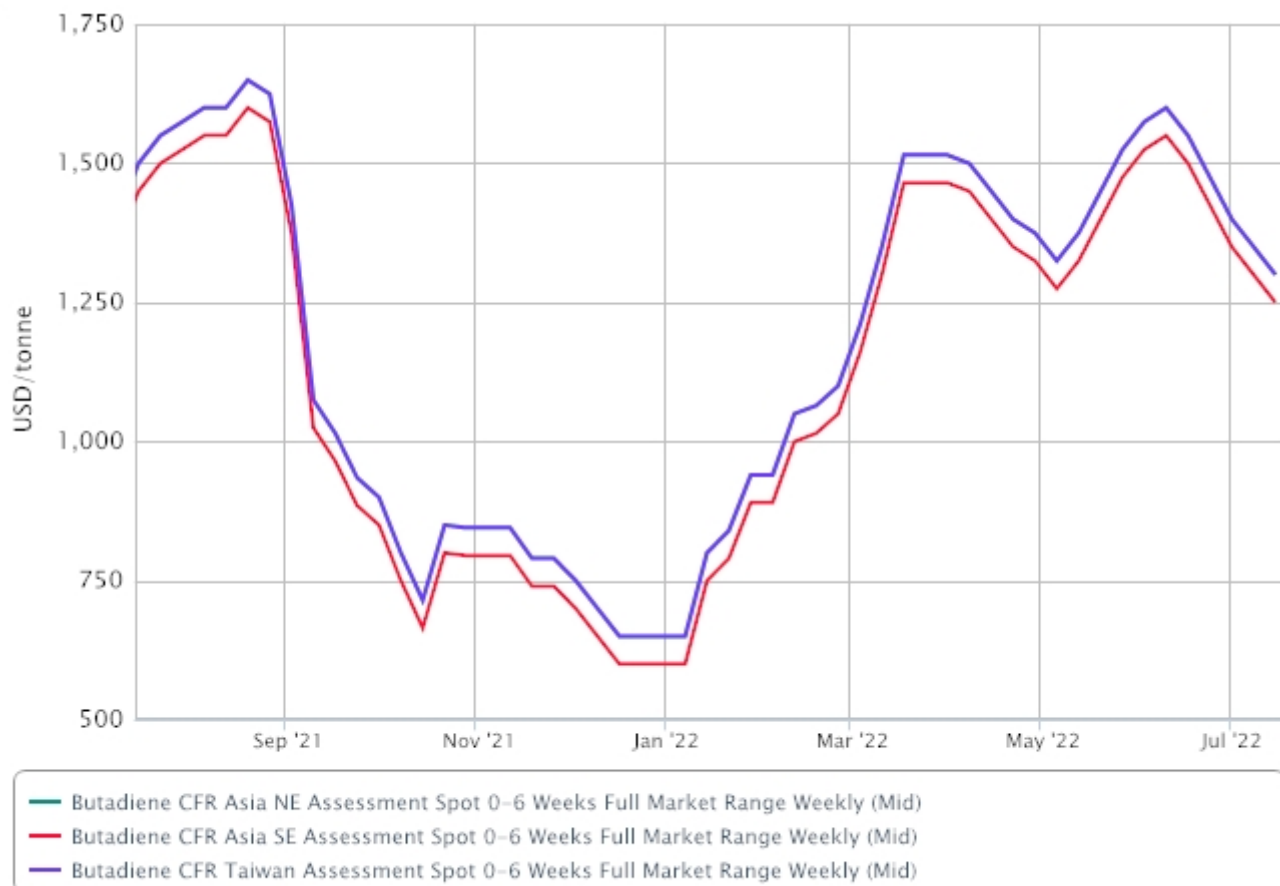
The supply picture is mixed. On the one hand, there is no lack of prompt supply, as several regional cargoes available to ship in August were floated for tender sales this week.

These tenders drew responses that were more bearish in nature, given dismal requirements for August supplies, market sources said.

But other sellers were more optimistic in their pricing outlook. Firstly, as long as operations at regional upstream crackers are sub-optimal – a scenario which seems likely to stretch as cracker margins are still battered - BD output from related extraction units will stay low.

This could therefore in turn continue to generate some short-covering procurement needs and offset to some extent, the losses in structural downstream demand, market players said.

Furthermore, as the [arbitrage window](#) is currently open, some sellers were heard exploring export opportunities to the US. If these materialise, the ensuing reduction in cargoes available for intra-Asia sales will also invariably help support regional offers, market sources said.



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OUTLOOK

- [Inflation concerns](#) will continue to weigh on demand
- Supply outlook mixed
- Sentiment to sway too with [volatility](#) in upstream crude markets

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

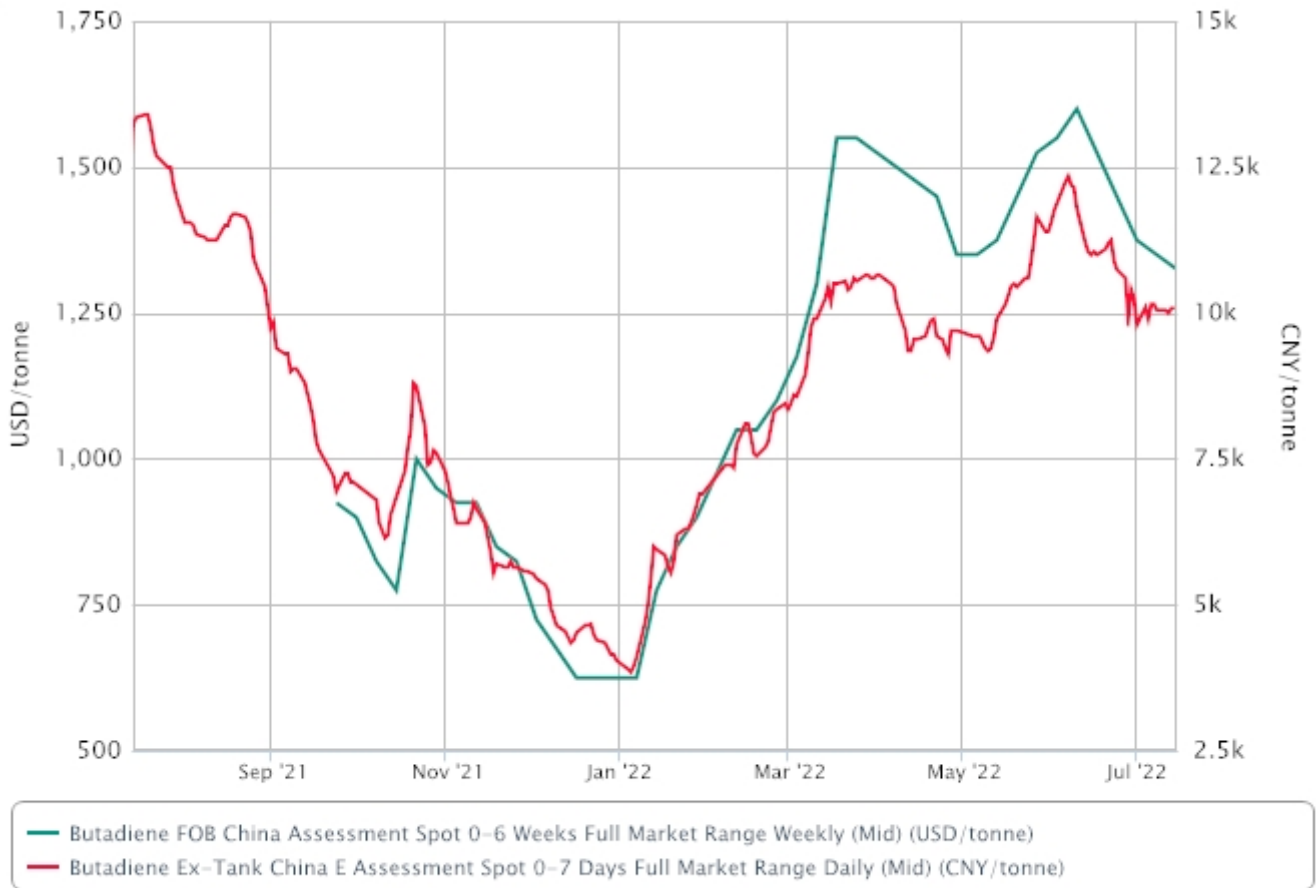
			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	n/c	1300.00-1350.00	-50	1500.00-1550.00	58.97-61.24
CFR NE Asia	USD/tonne	-50	1250.00-1350.00	-50	1500.00-1600.00	56.70-61.24
CFR Taiwan	USD/tonne	-50	1250.00-1350.00	-50	1500.00-1600.00	56.70-61.24
CFR SE Asia	USD/tonne	-50	1200.00-1300.00	-50	1450.00-1550.00	54.43-58.97

China

The FOB China assessments were dropped at the high end with lower offers heard.

The low end is rolled over in the absence of concrete buy-side indications.

In the domestic yuan-denominated market, ex-tank prices in east China fluctuated in a narrow band this week. Offers saw some upside support as prompt supplies tightened after a 120,000 tonnes/year line was [shut](#) in early-week for 10-day servicing.



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Northeast Asia

CFR NE Asian prices were down, taking into account sporadic discussions and indications heard for fixed priced trades.

Three cargoes were heard sold in the week, via tender, for August deliveries to northeast Asia, but none of the transactions were concluded on fixed price basis, which market players said underscored the reality that buyers and sellers remained widely apart in their respective pricing outlook and expectations for BD.

Buying indications were capped at the low end, while sellers were heard not keen to go below the level of the last known deal, which formed the high end.

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

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

Southeast Asia

CFR SE Asian assessments were down in line with movements for CFR NE Asian assessments, in the absence of substantive discussions on CFR SE Asian basis.

This week, three southeast Asia-origin cargoes were offered for sale, via tender, for August-lifting. The cargoes were sold on floating basis for deliveries to northeast Asia, market sources said.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

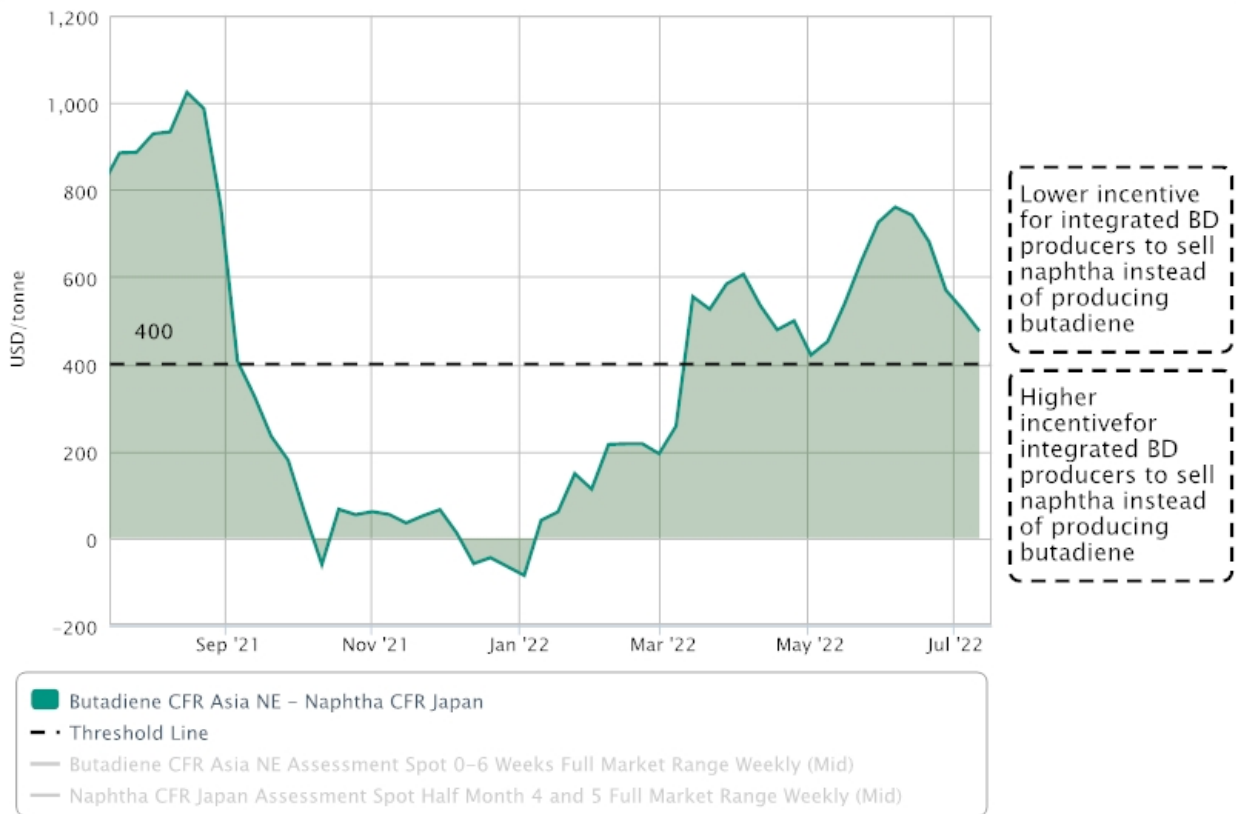
		Price Range		One Week Ago		/
Butadiene						
Ex-Tank E China	CNY/tonne	+300	10300-10500	+300	10000-10100	-

UPSTREAM

Naphtha:

- Asia-Pacific prices down on tepid demand
- Gasoline-blending offers limited support
- Eroding downstream margins weigh

[Feedstock spread between naphtha CFR Japan and BD CFR NE Asia](#)



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Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

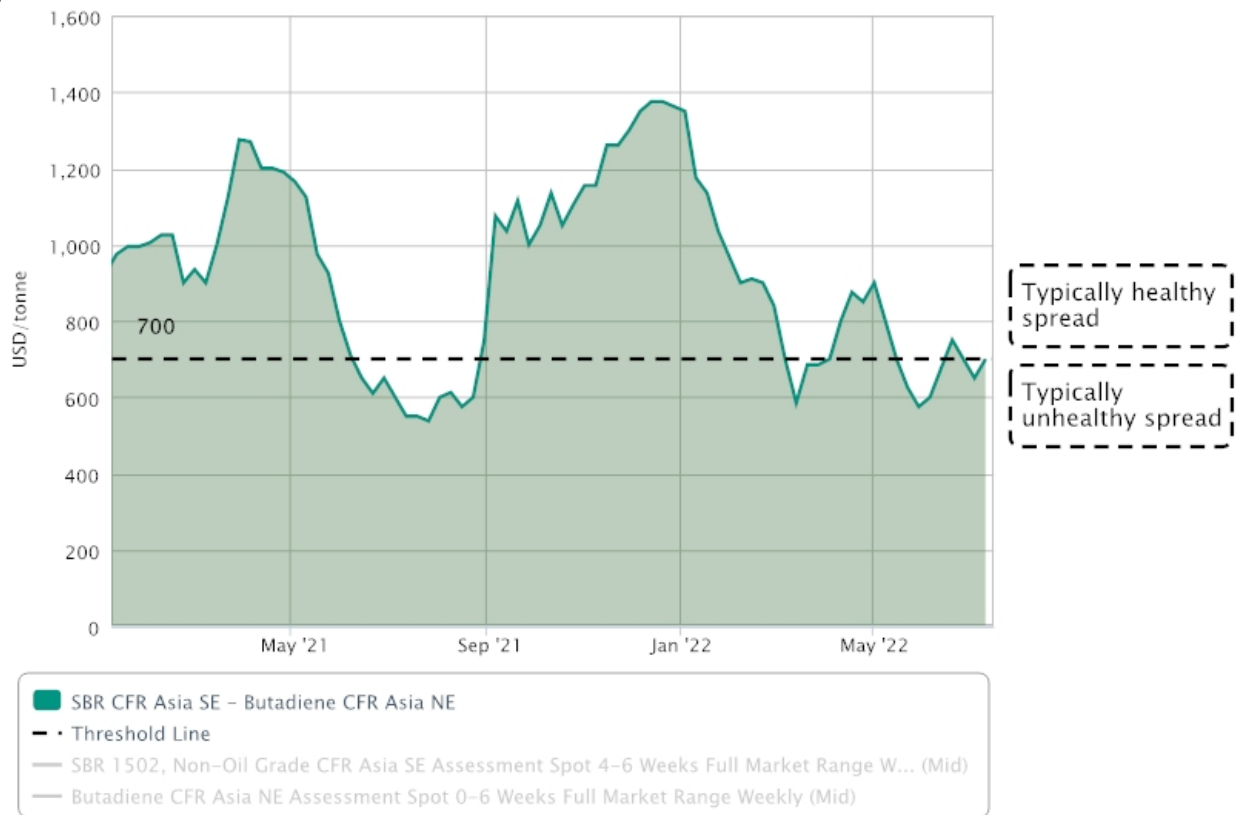
Styrene-butadiene-rubber (SBR)

- Muted discussions

- Low buying interest
- Wide-ranging offers from diverse origins

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

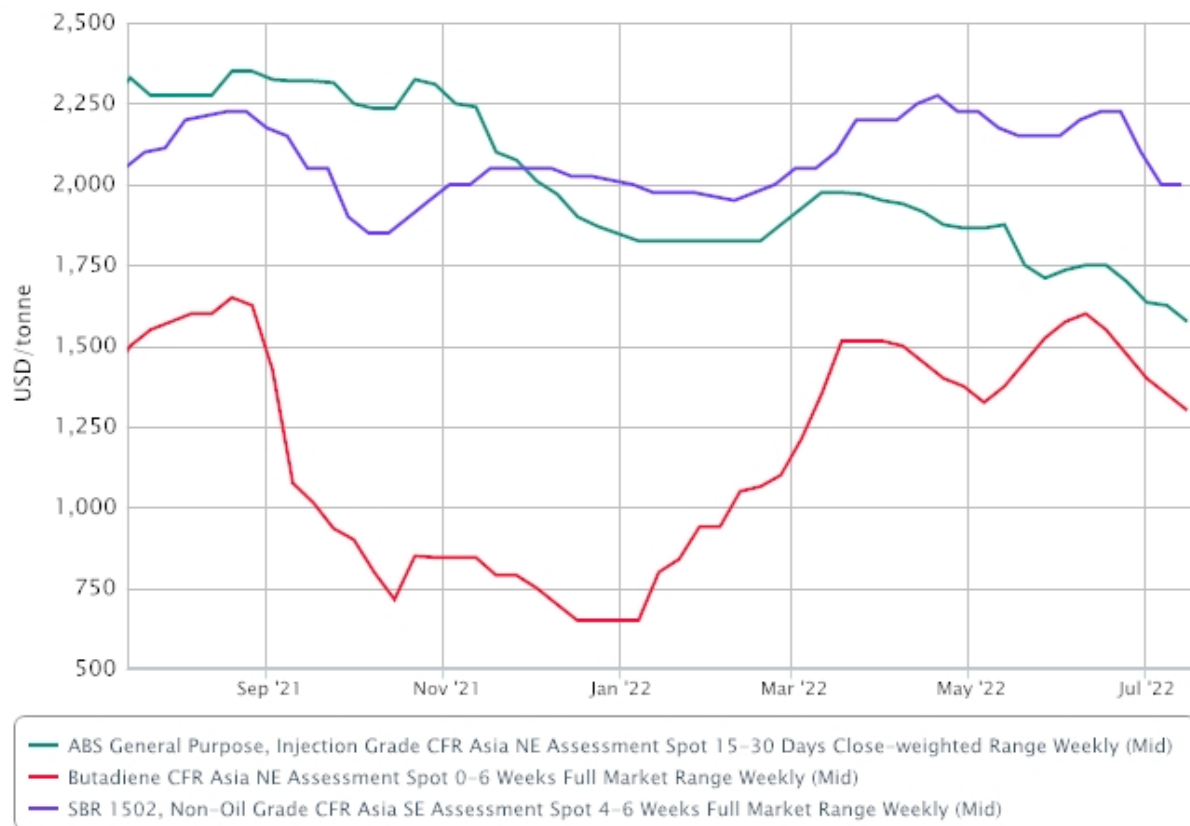
[Spread between BD and SBR Asia](#)



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Acrylonitrile butadiene styrene

- NE Asian prices fall for fourth week to near two-year low
- Price tumbles on lack of feedstock support, derivative demand
- Regional production cutback on additive shortage



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PRODUCTION

Regional BD supply is poised to lengthen with new production streams coming on-line, including the 185,000 tonne/year unit in SE Asia which [restarted](#) in early July, as well, several other new projects in China.

But with many upstream crackers across Asia still mulling fresh output cuts to rescue compressed margins, output from related and existing BD extraction units may remain crimped. This could help to offset, to some extent, the increases expected from new plants, market sources said.

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

OTHER REGIONS

Europe

- Market largely steady week on week
- Heightened spot interest on uptick in US appetite
- Domestic demand mixed - more talk of slowing offtake in all sectors
- BD supply tailored, hit by recent constraints, but these largely resolved now
- Concerns on all sides regarding developments in energy costs - natural gas specifically

US

- Spot prices rise on stronger demand
- Domestic supply remains tight
- Import interest accelerates

ANALYTICS

ICIS Crude outlook

The EU has agreed to an embargo on oil purchases from Russia, which will be fully implemented by the end of 2022. The EU will directly sanction all Russian seaborne oil purchases and the majority of pipeline transfers. The phased nature of the proposed sanctions means the overall impact on prices will be much more muted than previously expected, as it will give Russia time to find alternative buyers for its crude. OPEC+ will raise its production quotas by 648,000 bbl/day in July and August. As has been the case for a number of consecutive months, the cartel is unlikely to reach these levels of production though, ensuring supply will remain restricted. US (and global) inflation is still rising, with the latest Consumer Price Index (CPI) inflation reading at 8.6%. The US Federal Reserve has already responded with a 75 basis point interest rate rise in June. CPI inflation is expected to remain elevated for the rest of this year, and the US Federal Reserve is expected to keep raising interest rates in response. This will inevitably slow economic growth, which will ultimately reduce oil demand. ICIS expects oil demand growth to slow considerably from the fourth quarter of 2022 onwards as a consequence.

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

ICIS naphtha outlook

Naphtha cracks (naphtha price minus the crude price) have collapsed in June, after a number of years of strength. European and Singapore naphtha cracks reached a low of -\$122/tonne and -\$253/tonne respectively in June. The market had seen weak demand for a number of months, but cracks collapsed once refineries raised runs around the end of May. Naphtha cracks are likely to remain poor throughout the summer. While gasoline-naphtha spreads are wide, demand for naphtha blending into gasoline is particularly low. This is because high-octane blending components are required as counter-components for naphtha in the gasoline blend. These high-octane components are at or above record high prices at present, which means other gasoline blending components are being preferred over naphtha, which has negatively impacted naphtha demand.

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

ICIS butadiene outlook

With Shell's BD unit at Norco, Louisiana, and BASF -Total's plant at Port Arthur, Texas, returning to normal operations after planned turnarounds, BD supply is seen to improve in July unless unplanned outages occur. The price differential between the US and Europe is workable, supporting US import appetite from Europe. The ICIS analyst team predicted a further loss in US passenger car and light vehicle sales of about 10,000 units in its June outlook compared with May, thus giving a projected aggregate of 14.5m units for 2022. Vehicle inventories are expected to remain depressed as the chip shortage is still challenging the auto industry. In addition, University of Michigan reported a continued downward trend in the index of US consumer sentiment, falling 14.4% in June compared with May. High inflation continues to be the main concern to consumers.

European BD demand is expected to be weak over the coming weeks, with the prospect of slowing demand for some applications, in particular ABS. In theory, the arbitrage window between the US and Europe is expected to remain open over the next few weeks, on renewed US buying interest. Against this backdrop, a stronger US dollar against the euro may encourage trade flows to the US. The petrochemical industry may be affected by a further increase in energy costs in July, driven by the stop of Russian natural gas flows to Europe via Nord Stream from 11 July for ten days for annual maintenance.

Northeast Asian naphtha-based cracker margins are seen to remain in negative territory over the next few weeks. Accordingly, limited cracker operating rates and less costly lighter feedstock are likely to reduce crude C4 availability. The Asian BD market is forecast to be balanced-to-tight. Concerns over the surging of new Covid-19 cases in some Chinese provinces may slow end-user demand recovery prospects, softening supply tightness. On the capacity front, several BD extraction and BD derivatives projects are scheduled to become operational in China in H2 2022. However, the commissioning of these projects is very likely to be delayed because of Covid-19-related uncertainty and stricter production safety following two fires at two Sinopec's sites in Guangdong and Shanghai.

By **Paolo Scafetta**, ICIS senior olefin analyst, (paolo.scafetta@icis.com)

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