



## 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 spikes**
- **Import talks firmer in line**
- **But lacklustre downstream margins curtail buying**

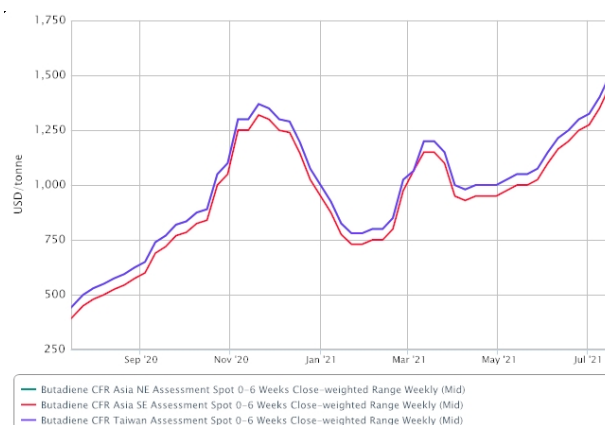
Asian butadiene (BD) spot talks remain on a bullish uptrend, with sentiment uplifted by sharp gains in the domestic China market and persistent demand pull from the US.

The domestic China market [spiralled up](#) this week, as buyers with pressing needs raised bids to secure volumes, albeit in small parcels, from the depleting local inventories. The latter have been drawn down by heavy export sales, prompting local producers to cut back on domestic sales.

Buying interest for US dollar denominated import cargoes is also more active this week in China, now that imports are seemingly more competitively priced than domestic cargoes, provided that the shipment can be delivered soon enough, before the domestic inventories are refilled.

But substantive trade negotiations are limited due to lack of cargoes. If they have any surplus volumes, sellers in wider Asia would prefer to move them westward for better netback, market players said.

Appetite is also low among Asian end-users to buy BD at current asking prices, due to affordability concerns. [Downstream margins](#), especially that for synthetic rubber makers, are already severely squeezed, and some were heard looking to cut output to reduce usage of feedstock BD if prices for the latter do not ease soon.



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## OUTLOOK

- Demand may slide if downstream operations are cut on margin concerns
- Persistent [COVID-19 situation](#) in southeast Asia also weighs on demand outlook
- Supply to stay tight unless new projects come on stream

### ICIS analyst view on styrene butadiene rubber (SBR)

Strong BD prices are expected in July and August amid healthy fundamentals. Although new BD plants in China are on track to be online in August, increasing BD demand in China and ongoing exports to the west are in place.

China's SBR average operating rate is expected to increase to 77% in July from 74% in June on the back of the restart of two idled production lines. However, the rate is expected to decrease on one turnaround and tailored production on eroded margins. Sinopec Qilu Petrochemical, the biggest SBR producer in China, will shut its 250,000 tonne/year units from end July for a 45-day turnaround.

Producers elsewhere in Asia have cut or will cut rates due to eroded margins.

The high cost of SBR in the west also makes Europe's regular SBR exports to Asia unworkable, which in turn lends support to the Asian market.

The tightened COVID-19 control measures in southeast Asia might put downward pressure on the natural rubber (NR) and SBR markets.

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

## PRICES

### SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
<b>Butadiene</b>						
<b>CFR NE Asia</b>	USD/tonne	+100	1450.00- 1550.00	+100	1200.00-1300.00	65.77-70.31
<b>CFR Taiwan</b>	USD/tonne	+100	1450.00- 1550.00	+100	1200.00-1300.00	65.77-70.31
<b>CFR SE Asia</b>	USD/tonne	+100	1400.00- 1500.00	+100	1150.00-1250.00	63.50-68.04

### Northeast Asia

CFR northeast Asian prices rose, taking into account deals and discussions heard.

1,000 tonnes were heard sold in the week for prompt shipment, and this formed the low-end of the CFR NE Asian assessment.

Selling indications were heard at minimally \$1,500/tonne, on an FOB northeast Asia basis, and this is captured at the high end, albeit on a CFR NE Asian equivalent basis.

Some China-based buyers were heard open to considering buying US dollar denominated import cargoes at the lowest sellers' expectation, provided these are available for prompt deliveries. But no further discussions

materialised as availabilities were limited in the first place.

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

Monthly Contract DEL, \$/tonne	June 21	May 21	Apr 21	Mar 21	Feb 21	Jan '21	Dec '20	Nov '20	Oct '20	Sep '20
Taiwan FPCC	1,205	1,010	1,050	1,135	880	950	1,255	1,230	940	770
Korea YNCC	1,245	1,010	987	1,102.50	827.50	867	1,263	1,325	942	723

### East China domestic prices

Domestic prices in the yuan-denominated market were sharply higher on-week, tracking bullish transactions and discussions heard in the week.

Price (CNY/tonne)	16 July	9 July
DEL east China	13,400-13,700	10,600-10,800

### Southeast Asia

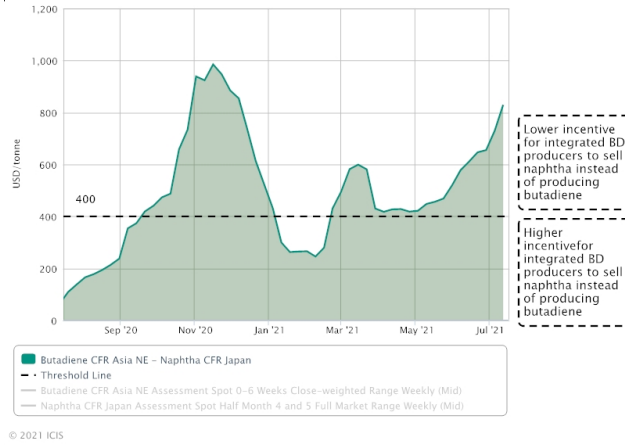
CFR SE Asia prices were also assessed up, in line with changes in the CFR NE Asian assessments, in the absence of any concrete transactions on a fixed price basis.

Another 2,000 tonnes of southeast Asia-origin materials were heard sold in the week, via tender, for mid August loading. The deal was heard closed on formula basis, market sources said.

## UPSTREAM

Asia-Pacific **naphtha** prices eased alongside crude oil futures, but the downward pressure was countered by healthy spot demand from northeast Asian end-users. Naphtha's market structure held in backwardation, with prompt-month prices firmer than forward months.

[Feedstock spread between Naphtha CFR Japan and Butadiene CFR NE Asia](#)



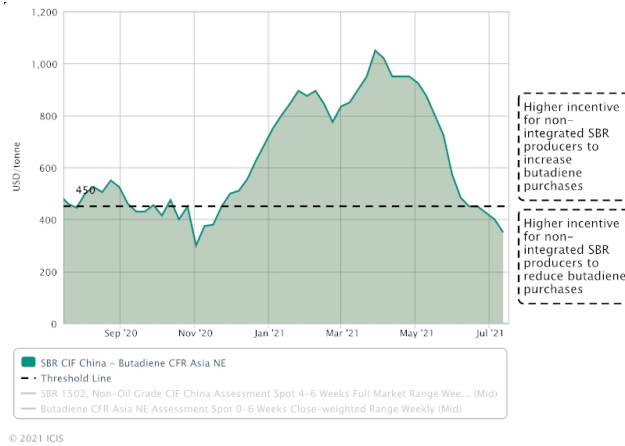
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

## DOWNSTREAM

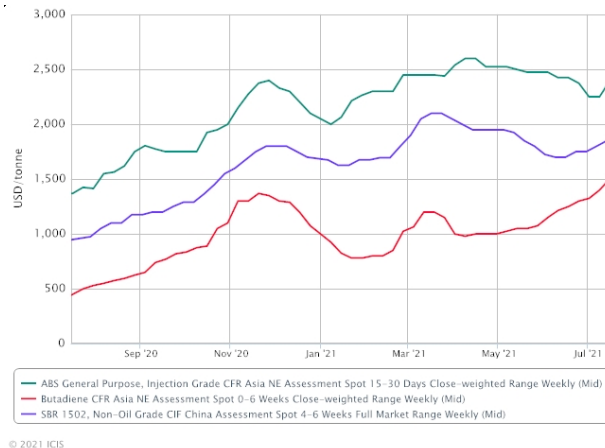
Asia's **styrene-butadiene-rubber (SBR)** spot prices extended gains on [bullish offers](#) but downstream demand is [lacklustre](#).

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

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



Northeast Asian prices for **acrylonitrile-butadiene-styrene (ABS)** rebounded slightly, amid low inventories. But spot liquidity remained constrained by weak demand in the southeast Asian and Indian markets.



## PRODUCTION

While prompt supplies are crimped by ongoing [turnarounds](#), expectations remain high that BD output in Asia may [lengthen](#) in due course, once more new projects come on stream in northeast Asia within the second half of the year.

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

## OTHER REGIONS

In China, [June vehicle sales](#) fell two months in a row, down 12.4% from May.

In the US, spot prices for butadiene extended [gains](#) on persistent shortage.

[Low inventories](#) at US auto dealerships to persist into 2022, shunting sales even as consumer demand grows.

## ANALYTICS

### ICIS Ethylene Outlook

Most US macroeconomic indicators have gradually improved on the back of a successful vaccine roll-out. Against this backdrop, in July, data from Apple Mobility revealed that driving activity in the US averaged 179% of the January 2020 baseline, with the mobility index on a certain upward trajectory. A bearish mood is expected to grow in the US ethylene market over the coming weeks. With Baystar's cracker production at Bayport, Texas, expected in Q3 and most crackers returning from scheduled seasonal maintenances, ethylene production will increase to support both domestic demand and growing export volumes. ICIS estimates a relatively lower price spread between ethylene and ethane in H2 2021, declining from about \$700/tonne in H1 2021. As a result, ethane-based US Gulf cracker margins should decrease by about \$200/tonne to an average of about \$500/tonne.

Growth in the European economy might record a strong rebound in H2 2021, mainly driven by the tourism season and an easing of restrictions. According to the June report from Fitch Solutions, the tourism industry could recover to between 55% and 75% of 2019 levels in terms of visitor numbers and profit. However, concerns about the spread of the Delta variant in several countries may see the reimposition of some restrictions in the short term. That said, European ethylene producers are expected to face some challenges in the coming months. As the Europe ethylene market remains the global price leader, further US monomer cargoes could arrive in Europe over the next few weeks. In addition, ICIS forecasts growing availability of polymer from imports (mainly for high-density polyethylene (HDPE)) and improved domestic production (mainly for low density polyethylene (LDPE)). The average price spread between ethylene and naphtha is forecast to narrow, down from \$665/tonne in H1 2021. Nevertheless, naphtha-based cracker margins in northwest Europe might increase by 8%-10% in H2 2021, from an average of about \$565/tonne in H1 2021. Healthy propylene and butadiene (BD) markets are likely to be the root cause of an uptick in cracker margins.

The resurgence of coronavirus infection rates in several Asian countries might threaten any rebound in domestic economies for the remainder of the year. Notably, South Korea, Indonesia and Malaysia have re-imposed limitations on social activity for a short period and encouraged people to stay at home. In the northeast Asia ethylene market, the average price spread between ethylene and benchmark CFR Japan naphtha is set to shrink, falling from about \$430/tonne in H1 2021. This will reflect the fact that monomer output and demand for naphtha as a cracker feedstock will increase because of a raft of new project start-ups in Asia. Naphtha-based northeast Asian cracker margins are forecast to erode in H2 2021, from an average of about \$355/tonne in H1 2021.

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## ICIS Propylene Outlook

The US propylene market is forecast to be steady-to-firm at least for the next couple of months due to ongoing tight supply and good demand. On-purpose propylene via propane dehydrogenation (PDH) units should continue to maintain higher profitability than that of crackers in the short term. With the price differential between propylene and propane projected to slightly widen on average in H2 2021, from about \$1,085/tonne in H1 2021, PDH-based margins are likely to increase from \$790/tonne. US propane inventories are expected to remain at lower levels than in 2020. Although feedstock production is expected to ramp up, propane supply and demand fundamentals should remain robust until the end of the year, limiting PDH margin gains.

The Europe propylene market is expected to be balanced-to-tight in the coming months. Revenues generated for crackers and PDH units are forecast to be on the rise in H2 2021, according to ICIS estimates. Indeed, naphtha-based northwest Europe cracker margins might increase by 8%-10% from an average of about \$565/tonne in H1 2021, primarily boosted by healthy co-product markets. PDH margins are set to rise by 15-17% from an average of about \$400/tonne, because of a larger delta between propylene and propane prices.

In 2021, Asian propylene capacity will increase to about 84.2m tonnes/year, a rise of 8.5m tonnes/year, with China responsible for about 75% of the new capacity. According to the ICIS Supply and Demand Database, during the coming months, China will see the start-up of two new PDH units with capacities totalling about 1.15m tonnes/year. Although naphtha-based northeast Asia cracker margins are forecast to be compressed in H2 2021, PDH margins in the region should remain fundamentally unchanged in response to a steady spread between propylene and propane prices.

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## ICIS Butadiene Outlook

Ongoing tightness in the US butadiene (BD) market, which is projected to continue through August at the earliest, might attract some additional cargoes from Europe. US buyers might eye European rather than Chinese imports because of lower freight costs and import duties on Chinese-origin product. The European BD industry might benefit from US antidumping measures on Asian imports of tyres in the medium term. Notably, the US International Trade Commission (ITC) recently confirmed plans to implement antidumping duties (ADDs) on tyre imports from South Korea, Taiwan and Thailand. Across the board, automotive plants should continue to run at a reduced rate over the next weeks because of the global shortage of microchips and a slow recovery in vehicle sales.

In H2 2021, average European BD margins are expected to increase to around \$250/tonne from \$160/tonne in H1 2021. This is primarily to reflect a widening price spread between BD and naphtha. In northeast Asia, BD margins are likely to rise to around \$170/tonne in H2 2021, from about \$125/tonne in H1 2021. Increases in margins in Asia should be more constrained than in Europe given new BD capacities and healthy demand for naphtha which is expected for the remainder of the year. In H2 2021, three new capacities are being installed in China and one in South Korea, which will add 570,000 tonnes/year at full capacity.

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