



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.

The weekly analysis will not be published on 31 December. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Domestic China extends losses**
- **Import talks soften further**
- **Bearish sentiment seen in market**

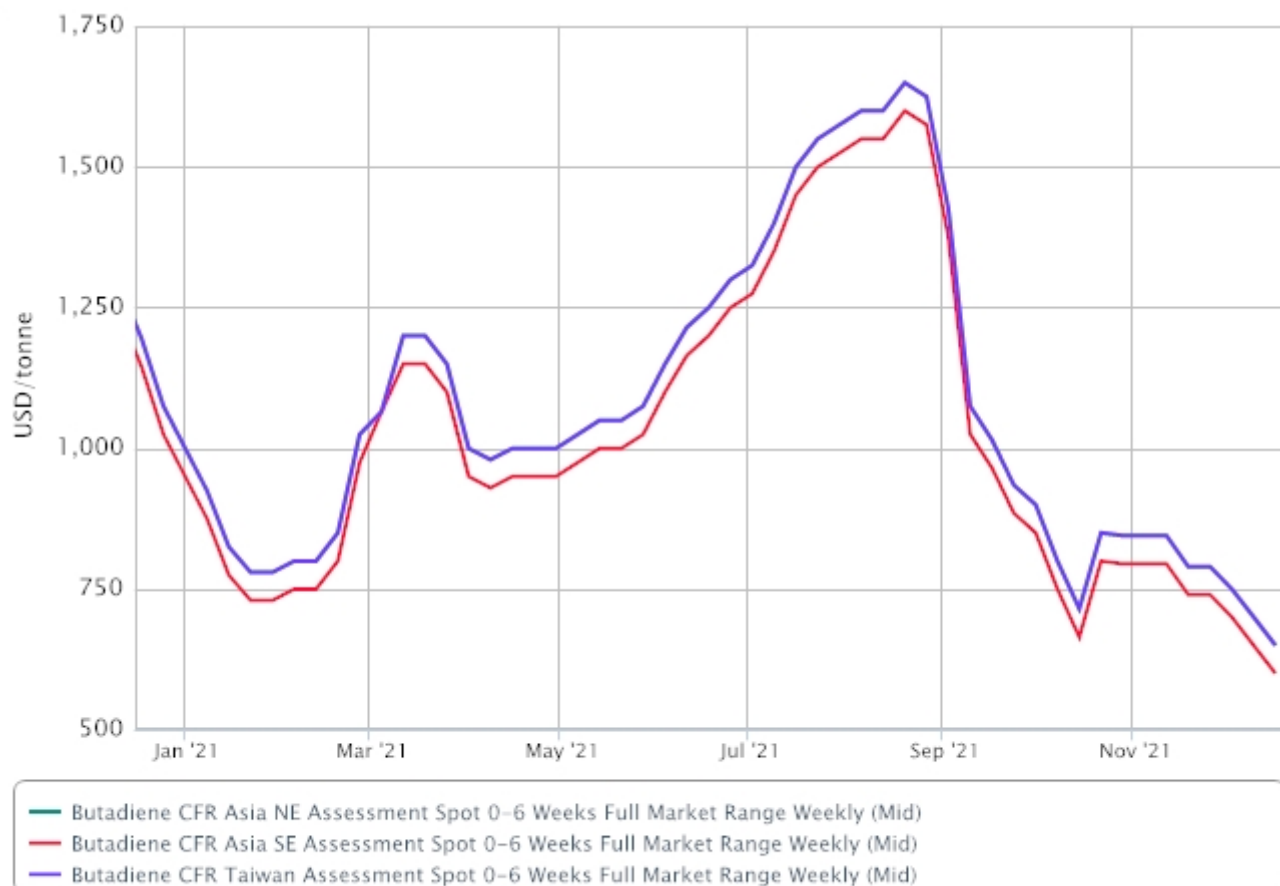
Asian spot discussions for butadiene (BD) [fell](#) further this week, on the back of a weak domestic China market.

In China, sellers widened discounts in the yuan-denominated market, in a bid to stimulate buying and relieve inventory pressures.

This also affected buying appetite for US-dollar-denominated imports, and those who were still keen to consider imports kept to very bearish bids.

Concrete spot import offers were limited too, with many regional producers heard to be still determined not to price down their cargoes so much that it will hurt even more their already depressed cracker margins.

That said, market sources said that there were still some sellers who eventually conceded to dropping their targets to bridge the gap with buyers, so as to keep some volumes moving and mitigate inventory pressures.



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OUTLOOK

- **Supply overhang to persist**
- **Weak domestic China will weigh down demand for imports**
- **Coronavirus worries may further hamper trade**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	-50	600.00-650.00	-50	800.00-900.00	27.22-29.48
CFR NE Asia	USD/tonne	-50	600.00-700.00	-50	750.00-830.00	27.22-31.75
CFR Taiwan	USD/tonne	-50	600.00-700.00	-50	750.00-830.00	27.22-31.75
CFR SE Asia	USD/tonne	-50	550.00-650.00	-50	700.00-780.00	24.95-29.48

China

FOB China prices were assessed down, tracking falls in domestic yuan prices.

East China domestic prices

Domestic China prices continued to trend down, as supply outpaced demand.

Price (CNY/tonne)	17 December	10 December
DEL east China	4,600-4,750	4,800-4,900



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Northeast Asia

CFR northeast Asian prices fell, tracking softer deals and discussions.

The buy-sell gap remained wide, with buyers and producers vastly apart in their respective pricing consideration.

For regional BD makers, most were resistant to pricing down further, given the need to protect and preserve suppressed cracker margins. The lowest selling indication for fixed-price business forms the high end of the range.

The low end reflects highest buying indications heard, and most buyers were extremely bearish, citing the need to keep pace with how deeply the yuan-denominated market has dived thus far.

Some deals were heard closed on a floating basis for January delivery to China and Taiwan, and a deal was also heard closed on a fixed priced basis closer to the low end of the range, although details of the players involved were not fully available.

CFR Taiwan assessment was adjusted down in line with changes for CFR NE Asian assessment.

Monthly Nov 21 Oct 21 Sep 21 Aug 21 Jul 21 June 21 May 21
 Contract
 DEL, \$/tonn
 e

Taiwan	885	870	1,175	1,545	1,380	1,205	1,010
FPCC							
Korea YNCC	800	790	1,050	1,650	1,470	1,245	1,010

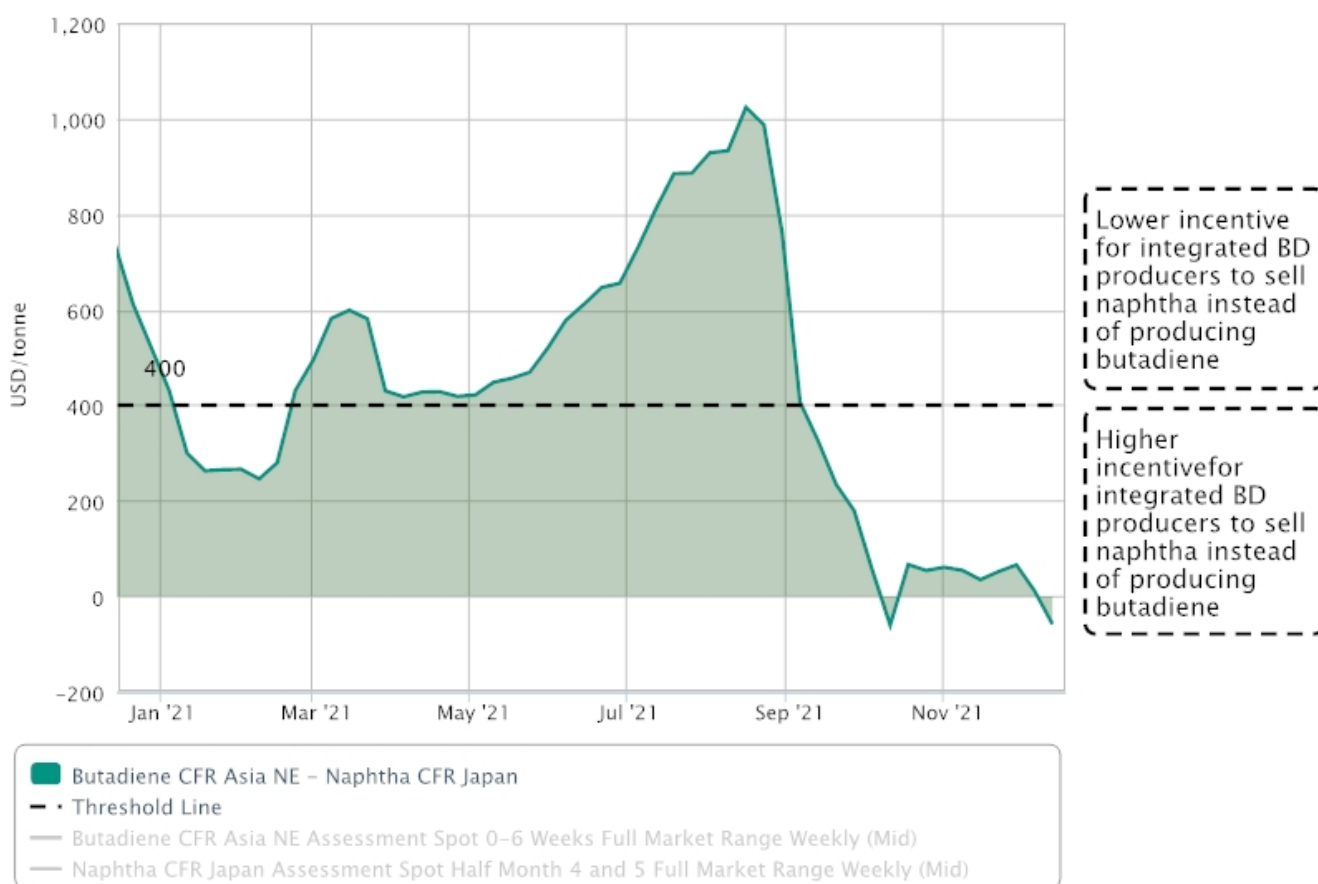
Southeast Asia

CFR SE Asian assessment was adjusted down, in line with changes for CFR NE Asian assessment.

UPSTREAM

Asia-Pacific naphtha markets drew support from stable demand for petrochemical production, with spot cargoes fetching firm premium levels. Slowing gasoline-blending demand in the west could potentially divert excess flows to Asia, while naphtha’s crack spread or refining margin softened in the week.

[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

Asian **styrene-butadiene-rubber (SBR)** discussions softened across the region, amid slower year-end buying tempo.

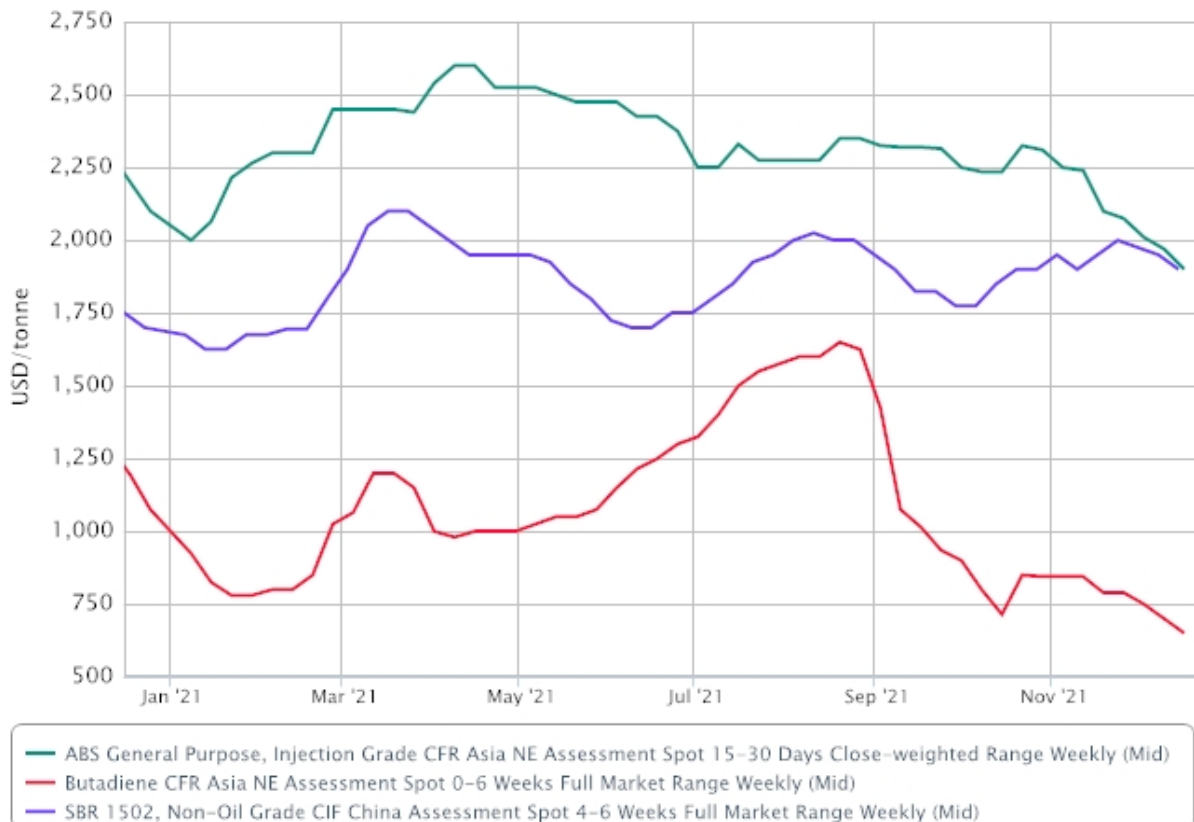
The chart below shows the spread between BD and SBR in Asia

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



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Spot **acrylonitrile-butadiene-styrene (ABS)** import prices in northeast Asia were softer, as a lower-priced deal surfaced after repeated lowering of the offers to induce trades. The already sluggish derivative demand was further weakened by the recently imposed movement controls across Asia and Europe to slow the spread of the latest COVID-19 variant, Omicron.



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PRODUCTION

The regional BD market is structurally over-supplied, and apprehensions are building on how end-users could effectively digest output from several new and upcoming new projects in the region, including a 150,000 tonne/year unit in Korea which [attained](#) on-spec production in late November.

In China, new projects, such as the 140,000 tonne/year Fujian Gulei plant, and the 80,000 tonne/year Shouguang Luqing plant, also lengthened the domestic supply picture substantially, neutralising any output losses stemming from an ongoing, planned [outage](#) at a 120,000 tonne/year plant in Quanzhou, China.

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

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The automotive industry has been among the hardest hit from COVID-19-induced temporary plant closures and it continues to feel this pressure. Short-to-midterm demand still looks gloomy on the back of the microchip shortage. Inventories are running at an all-time low, and incomplete vehicle inventory is on the rise. In addition, there are reports of a shortage of electrical steel (also known as silicon steel), which will impact production of electric vehicles (EV). Global 2021 automotive output is expected to decline by 16.8% compared with 2019 (Q4 2021 is expected to decline by 16.6% compared with Q4 2019). Moreover, the Omicron variant of COVID-19 will be closely monitored, as further outbreaks could cut short any recovery.

US light vehicle sales were down by 24.8% in November 2021 compared with November 2019. The inventory sales ratio was 0.389 in October, which is the lowest ever. US automotive 2021 output is expected to decrease by 9.8%, compared with 2019 (Q4 2021 is expected to decrease by 4.8% compared with Q4 2019). Future visibility is extremely limited.

EU, including UK, 2021 output is expected to decrease by 32.2% compared with 2019 (Q4 2021 is expected to decrease by 31.5% compared with Q4 2019). Overall market sentiment is negative. The problem has been exacerbated by an increase in the penetration of EVs and their increasing appetite for microchips.

China automotive 2021 output is expected to grow by 9% compared with 2019 (Q4 2021 is expected to grow by 4.3% compared with Q4 2019). In terms of stock, the inventory coefficient was at 1.35 in a year-on-year decrease of 21.5%. In addition to severe supply disturbances, the regulator in China is cracking down on microchip suppliers, who are accused of price gouging. India automotive 2021 output is expected to decrease by 6.3%, compared with 2019 (Q4 2021 is expected to grow by 3.4% compared with Q4 2019). The complex supply chain, difficulties in social distancing in plants and customers staying at home will continue to have an impact on the sector going forward.

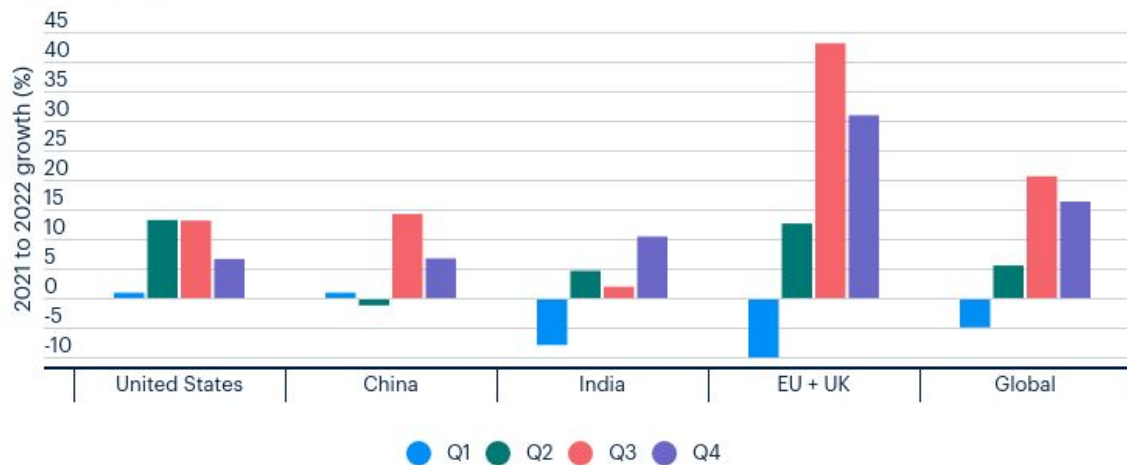
By **Jincy Varghese**, ICIS demand analyst (jincy.varghese@icis.com)

Motor vehicle sector growth by region

2019 vs 2021



2021 vs 2022



SOURCE: Oxford Economics

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