Butadiene (Asia-Pacific)

By Ai Teng Lim
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Overview | Outlook | Prices | Upstream | Downstream | Production | Analytics

Please click here for full details on the criteria ICIS uses in making these price assessments.

OVERVIEW

- **More import offers surface**
- **But domestic china softens**
- **Mixed buy-sell sentiment**

Asian spot prices for US dollar-denominated butadiene (BD) import cargoes were stable-to-firm, tracking discussions and deals heard this week.

But overall sentiment was clouded as a recent rally in the domestic yuan-denominated China market failed to sustain, in turn weighing down buying appetite for imports.

In China, domestic yuan values rose in early week, but started softening from mid-week, due to lacklustre buying tempo, as downstream factory operations are still crimped by restrictions linked to the ongoing Winter Olympics.

In wider Asia, several sellers surfaced to offer March shipment supplies, in part to capitalise on recent gains in import prices.

While some deals did materialise, market sources said that generally, buying appetite is not that robust, subdued by several factors.

Firstly, some buyers are still convinced that it is a structurally over-supplied market and there is no need to rush. Secondly, there are uncertainties about downstream demand recovery prospects and BD buyers wanted to go slow on procurement to play safe, market players said.

OUTLOOK

- **Domestic supplies in China may tighten on [plant closures]**
- **Sustained cracker operating rate cuts will also squeeze availabilities**
- **Uncertainties prevail on downstream demand growth prospects**

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	n/c	1000.00-1100.00	n/c	800.00-900.00	45.36-49.90
CFR NE Asia	USD/tonne	+30	1030.00-1100.00	n/c	800.00-880.00	46.72-49.90
CFR Taiwan	USD/tonne	+30	1030.00-1100.00	n/c	800.00-880.00	46.72-49.90
CFR SE Asia	USD/tonne	+30	980.00-1050.00	n/c	750.00-830.00	44.45-47.63

China

FOB China prices were rolled over, tracking range-bound and muted discussions

Domestic China prices were stable-to-soft, reversing some early-week gains in weaker late-week trading.

Price (CNY/tonne)	18 February	11 February
DEL east China	7,700-7,800	7,700-8,100

Northeast Asia

CFR northeast Asian assessments were stable-to-firm, reflecting buy-sell discussions and deals heard in the week.

A cargo was heard sold on an FOB basis for late March delivery to China, and market sources said that the deal was closed at levels similar to the high end of the published range on a CFR northeast Asia basis.

The high end of the range was thus kept unchanged.

Buying indications were capped at the low end.

CFR Taiwan prices were raised at the low end of the range in line with changes in the CFR NE Asian assessment.

Monthly Contract DEL, $/tonne	Jan 22	Dec 21	Nov 21	Oct 21	Sep 21	Aug 21	Jul 21
Taiwan FPCC	795	780	885	870	1,175	1,545	1,380
Korea YNCC	835	645	800	790	1,050	1,650	1,470

Southeast Asia

CFR SE Asian prices were adjusted in line with changes in the CFR NE Asian assessment, in the absence of any concrete transactions on a fixed price basis.

Several southeast Asia-origin cargoes were offered in the week for sale via tender, some of which were heard sold on formula basis, market sources said.

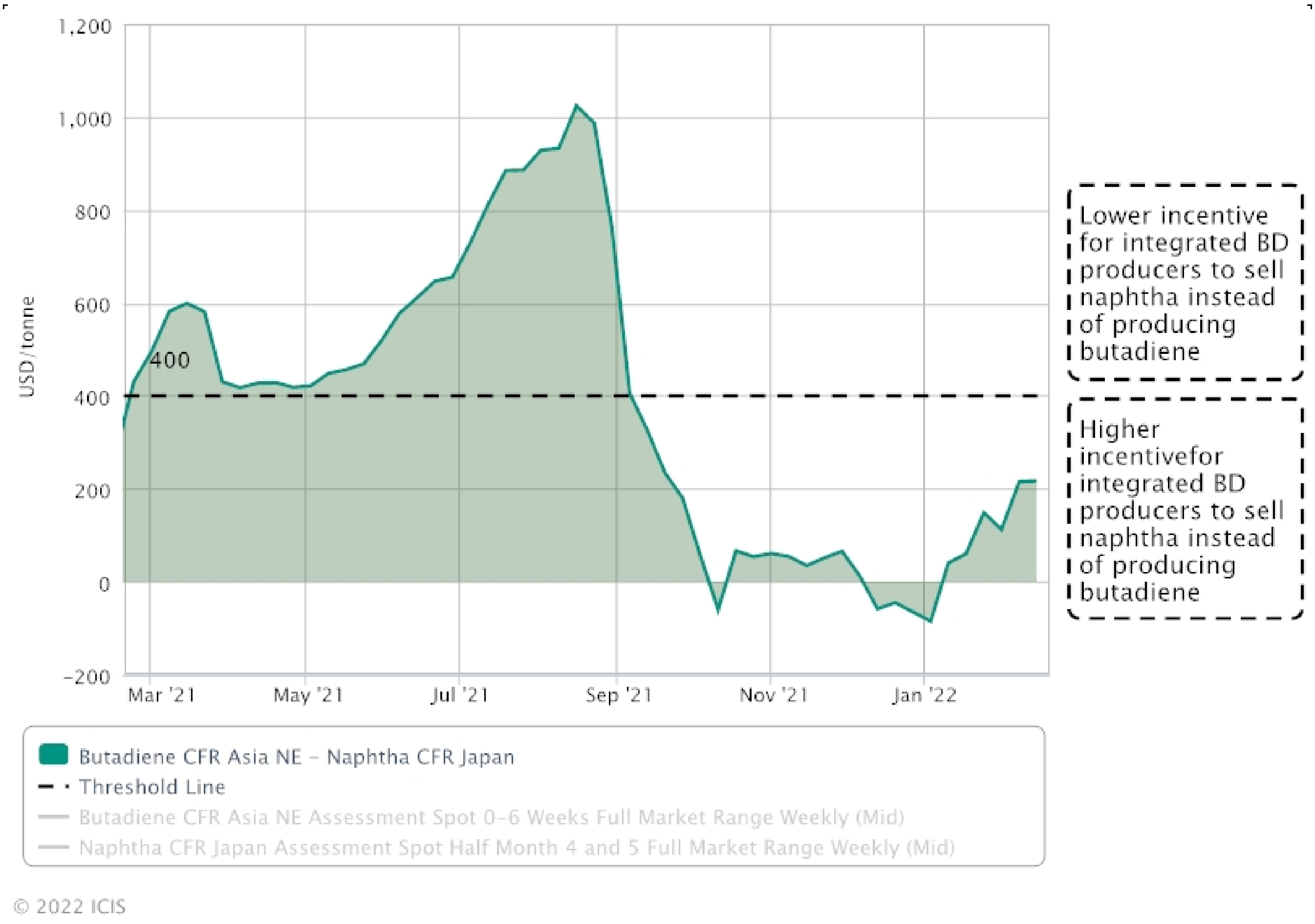
SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	n/c	7500-7600	-100	7500-8000	-

UPSTREAM

Asia-Pacific **naphtha** markets were buoyed by limited regional supply on the back of stable demand. The product's market structure or intermonth spread deepened in backwardation, with prompt-month prices well above forward months.

Feedstock spread between Naphtha CFR Japan and Butadiene CFR NE Asia



Click here for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asian **styrene-butadiene rubber (SBR)** import offers rose on upstream cost pressures.

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

Spread between Butadiene and Styrene Butadiene Rubber Asia

ICIS analyst view on SBR

ICIS expects healthy fundamentals in the Asian styrene butadiene rubber (SBR) market in February and March.

Most Chinese tyre factories are restarting their businesses. The Lunar New Year holiday period for Chinese tyre manufacturers was longer than last year. Destocking of pre-holiday tyre inventories could weigh on SBR demand while price increases for butadiene (BD) seen in February could increase raw material costs. An impending shutdown at YNCC's third cracker in Yeosu on 20 February, following an explosion on 11 February, may impact BD prices, which could in turn influence the SBR market as well.

The recent volatility in the Chinese natural rubber futures market, due to speculative profit-taking activities, could potentially impact the short-term market sentiment.

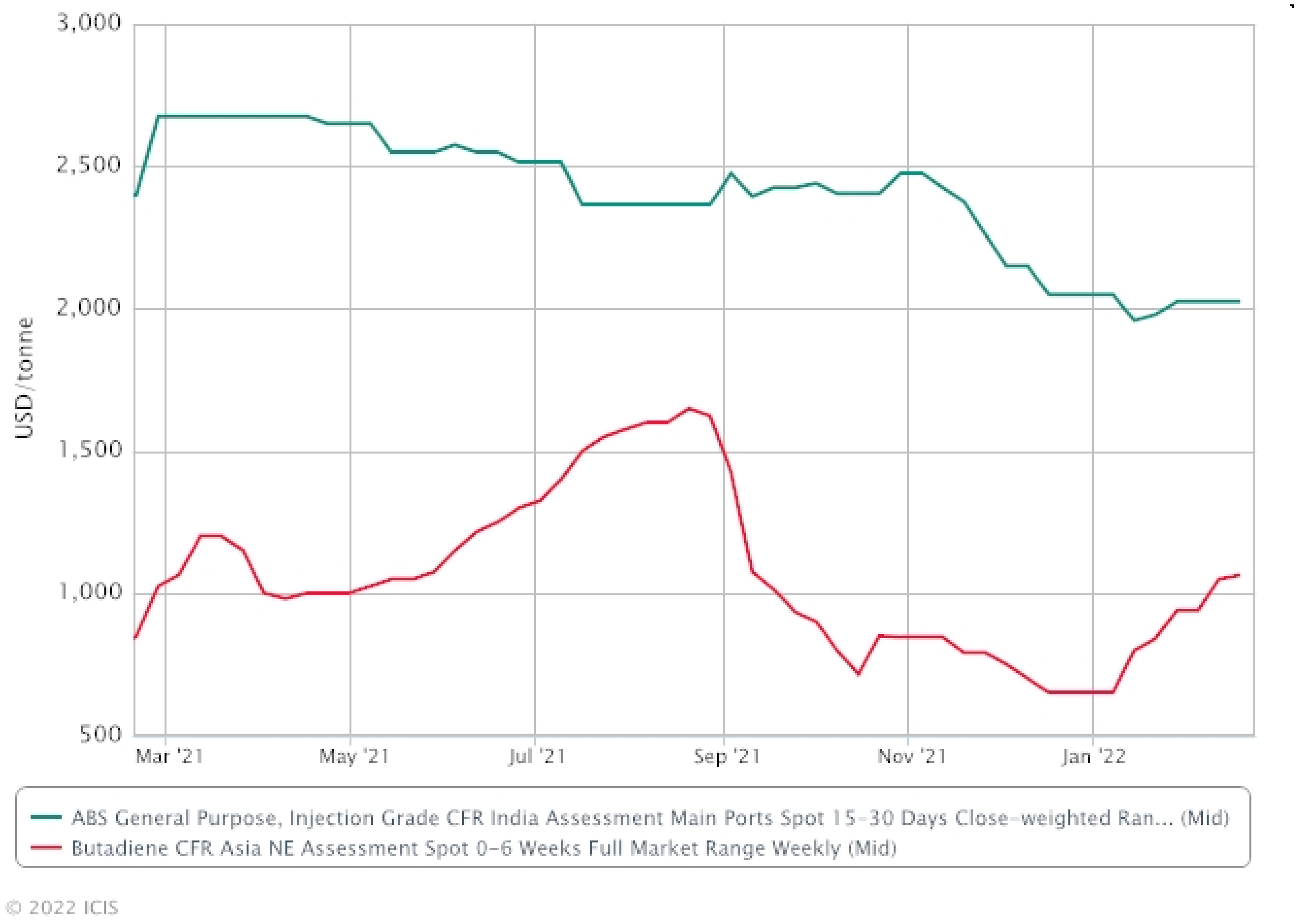
However, SBR prices are still expected to be constrained by weaker end-user demand due to the semiconductor shortage through first-half 2022. Tight microchip supply could continue to put downward pressure on original equipment tyre demand globally.

By Yilan Wang (yilan.wang@icis.com)

For more information about analytical content, click here .

Spot **acrylonitrile butadiene styrene (ABS)** import prices in northeast Asia were flat for a sixth week.

Sellers attempted to increase offers, on the back of the recent feedstock crude rally, amid tightened supplies on both benzene and ABS fronts. However, importers stayed sufficiently stocked and bulk discussions gave way to container trades.



PRODUCTION

The regional BD market remains structurally over-supplied, with more new capacities, including a 200,000 tonne/year unit in China's Zhejiang province, expected to come onstream within the first half of 2022.

But prompt output is reduced, tracking a heavy wave of recent cracker operating rate cuts in northeast Asia.

Click here for the Asian BD Live Disruption Tracker.

ANALYTICS

ICIS Outlook on Industrial Production (ex. Construction)

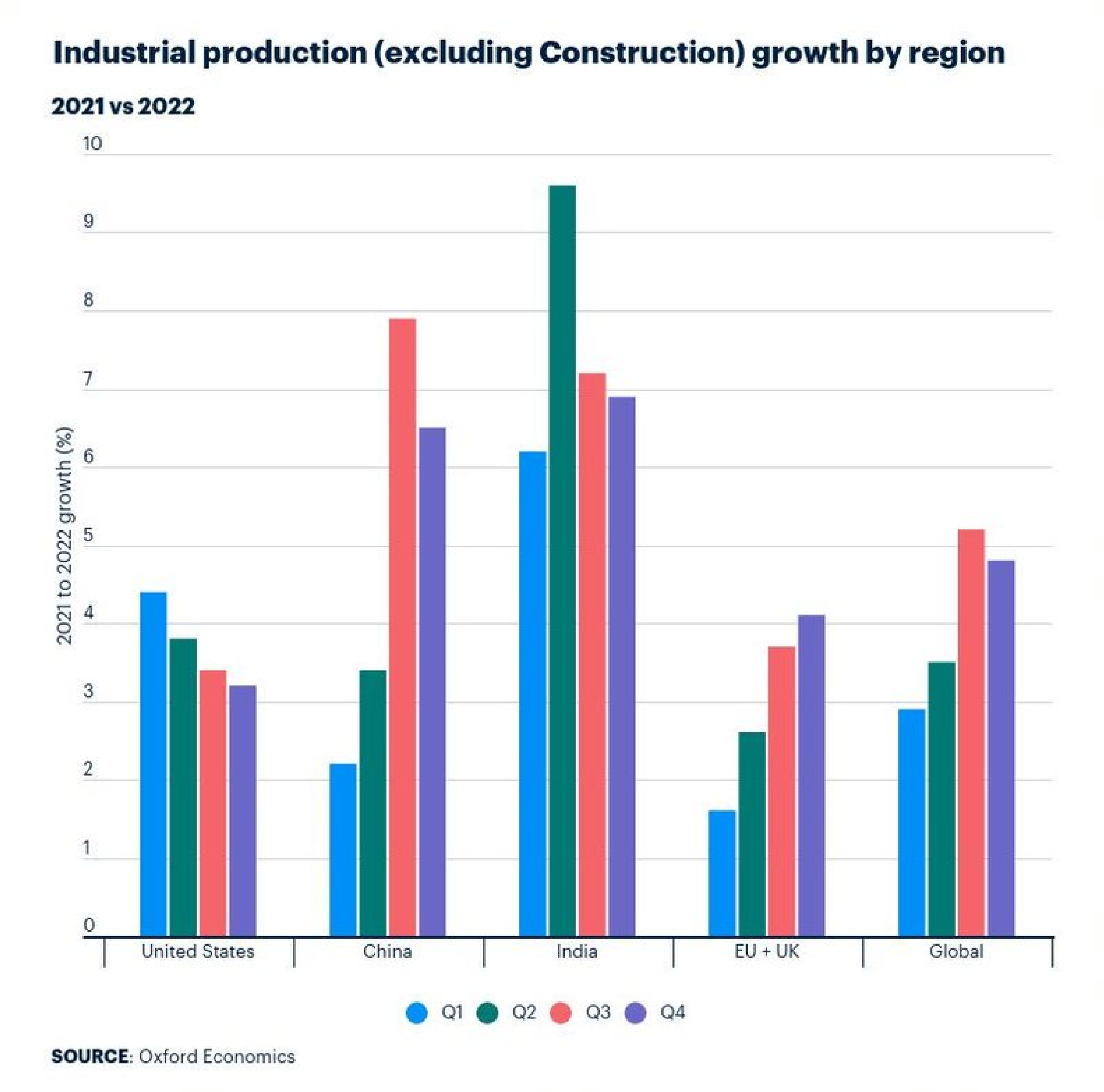
The global outlook for industrial production is challenging, owing to continuing supply issues, pandemic-led labour absenteeism and increasing material costs. Geopolitical tensions will further drive up energy prices. This is concerning for oil-intensive industries such as petrochemicals. In addition, central banks must strike a balance between managing inflation and not putting a drag on recovery. Global industrial output in 2022 is expected to grow 4.1% compared with 2021. Q1 2022 is forecast to grow by 2.9% compared with Q1 2021 (Oxford Economics). Industries that are expected to perform better include durables, food, beverages and textiles. However, the prospects for motor vehicles and parts and chemicals are expected to weaken.

US output is forecast to grow 3.7% in 2022 compared with 2021 and Q1 2022 to grow by 4.4% year on year. Within manufacturing, weakness is expected in domestic appliances, food production, automotive and textiles. A broader recovery in output is likely in the second half of the year as material shortages and high input costs potentially ease.

EU output (including the UK) is forecast to grow 3.0% in 2022 compared with 2021; Q1 2022 is expected to grow by 1.6% compared with Q1 2021. Motor vehicles and domestic appliances continue to underperform.

Chinese output in 2022 is estimated to grow 5.0% compared with 2021; Q1 2022 to grow by 2.2% year on year (Oxford Economics). China's zero COVID-19 policy (which may lead to unplanned shutdowns) is one of the primary risks to economic activity. However, weakness is anticipated in domestic appliances and non-durable products, with growth returning in the second half of the year. Indian output in 2022 is forecast to grow 7.5% compared with 2021; Q1 2022 is forecast to grow by 6.2% year on year.

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



ICIS Downstream Automotive Demand Outlook

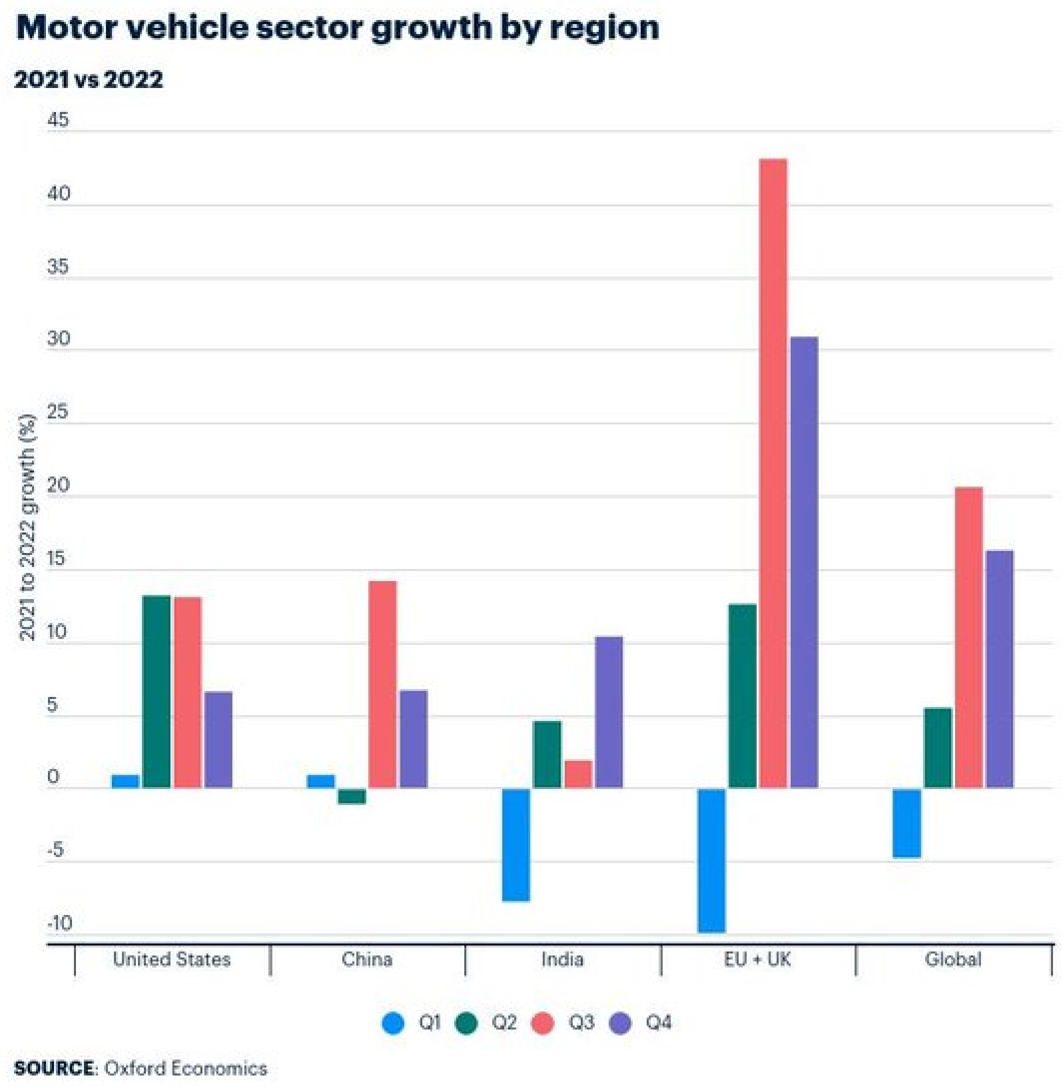
It has been more than two years since the world plunged into the coronavirus crisis. But the last year has been the most puzzling in terms of the outlook for stakeholders in the global automotive industry. The level of uncertainty has been unprecedented, challenging for decision-making and risk management. The global automotive industry was one of the first and hardest hit by the pandemic and has yet to fully recover. According to Oxford Economics, global production of light vehicles is expected to reach 83.6m units in 2022, short of its pre-pandemic production rate of 88.4m units in 2019. Supply shocks continue to impact production, with a global shortage of microchips leading to cuts in automotive output. We expect vehicle sales to mirror the production growth rate, as there is not a considerable gap between the two.

The North American auto industry remains weak: production is improving but at a slow pace. US light vehicle production is expected to reach 10.3m units this year compared with 10.6m units in 2019. The industry is still down 2.8% year on year from 2019. Inventories continue to touch new lows. In December, inventories totalled 58,900 units, the lowest since 1993. In the same month, the auto inventory-sales ratio was 0.359. Supply chain issues continue to haunt the industry. Microchip supply has yet to catch up with demand. The key challenge for the region is its semiconductors' demand (which is close to 50%) versus production (which is about 12%) gap. This is one reason for semiconductors being treated as a material of strategic importance. As a result, the CHIPS for America Act was passed in the House in early February. It includes various grants and subsidies aiming to provide more than $50bn to boost the industry.

European vehicle production is still down compared to the pre-crisis level. Production for this year is forecast to reach 15.3m units compared to 17.8m units in 2019, down by 14%, according to Oxford Economics. In addition, the European Automobile Manufacturers' Association (ACEA) reported a decline in car registrations in December by 23% to 795,295 units, a sixth consecutive month of loss. This implies consumers are delaying their purchases on account of high prices. Commercial vehicles are following suit. According to the ACEA, in December the EU commercial vehicle market contracted again, for a sixth consecutive month. Hopes for a speedy resolution are still faint.

China continues to be the bright light in the global economy, with production expected to reach 25m units this year, up 2.7% from the 2019 level of 24.3m units (Oxford Economics). The China Automobile Dealers Association reported an improvement in inventory levels. The inventory coefficient in January was reported at 1.46, a month-on-month increase of 2.1%. The reason Asia-Pacific is outperforming the rest of the world is its proximity to the chips manufacturers (about 70% of the global microchip capacity is in Asia). Indian automotive production is expected to recover and be back to its pre-crisis level. An improvement in market sentiment is reported by the Federation of Automobile Dealers Associations of India.

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


Motor vehicle sector growth by region
2021 vs 2022
2021 to 2022 growth (%)
45
40
35
30
25
20
15
10
5
0
-5
-10
United States
China
India
EU + UK
Global
Q1
Q2
Q3
Q4
SOURCE: Oxford Economics