



Butadiene (Asia-Pacific)

By Ai Teng Lim
18-Oct-2024

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

OVERVIEW

- **Losses deepen in domestic China**
- **Import talks [down](#) in tandem**
- **Spot trade liquidity curtailed as buy-sell gap widens**

Discussions for Asian spot butadiene (BD) imports softened substantially this week, weighed down by several developments.

Firstly, domestic yuan-denominated prices of BD plummeted week on week, prompting a major China producer to make, within the week, successive downward revisions of its domestic BD list prices.

The depressed yuan values also affected China's buying appetite for US dollar-denominated imports, and discussions for China-bound shipment cargoes softened in line.

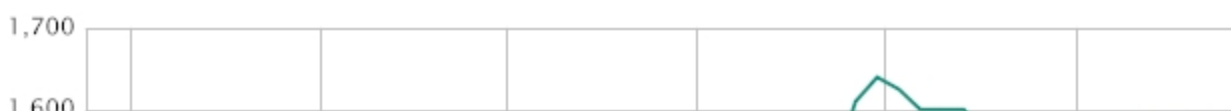
Secondly, more potential buyers now deem the regional market to be more amply supplied than before, and are therefore unwilling to book early or pay more for BD cargoes.

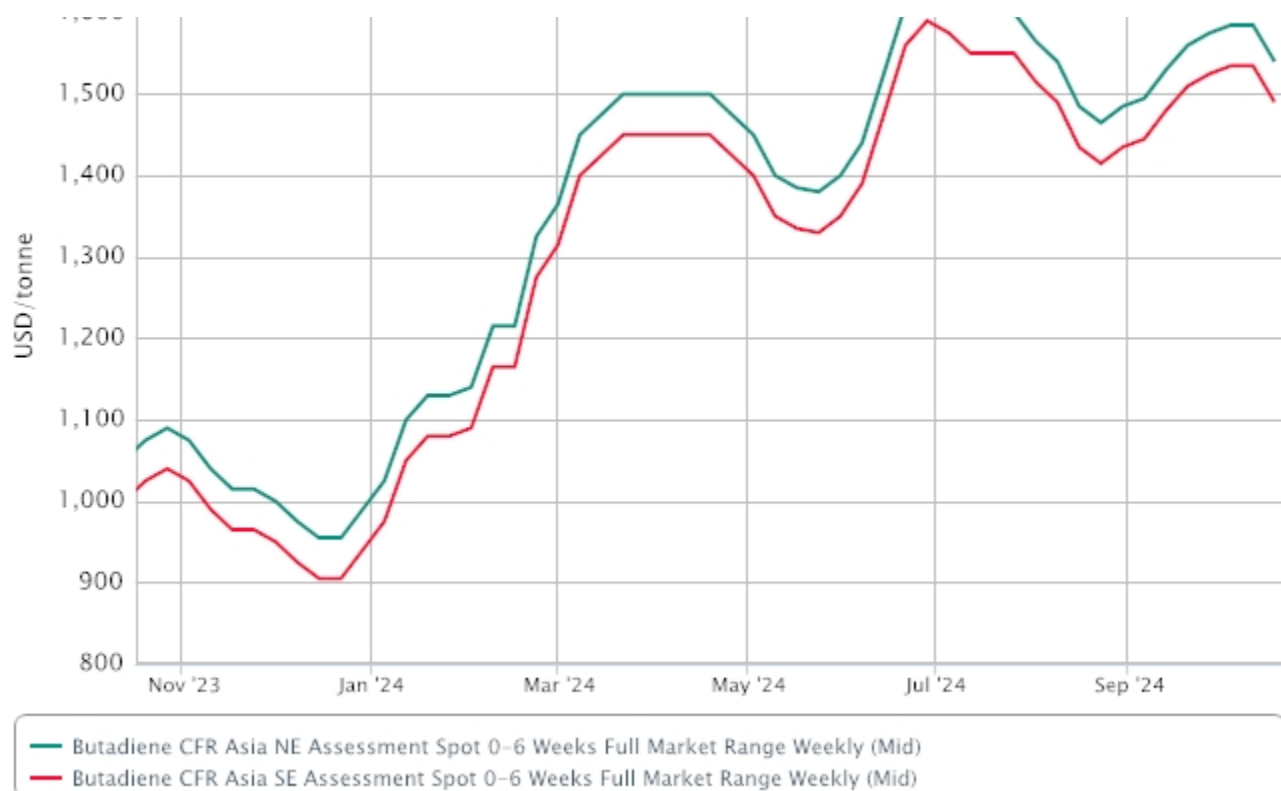
Regional supply is not as tight, in part because offtake from synthetic rubber plants has declined amid a heavy wave of rubber plant maintenance in the fourth quarter.

Latest data showing [slower Q3 economic growth in China](#) also dented confidence in demand for other derivative products, such as acrylonitrile butadiene styrene (ABS).

Furthermore, China is expected to see new BD capacity growth in coming weeks, and if so, this could serve to offset some anticipated production losses in southeast Asia.

In addition, there may be a sustained inflow of deep-sea cargoes. For instance, this week there were discussions, and likely transactions too, involving two shipment originating from Europe and US respectively, market sources said.





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OUTLOOK

- Supply to lengthen with [capacity growth in China](#)
- Deep-sea arrivals may continue too
- Some players remain hopeful about [Q4 economic recovery prospects in China](#)

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

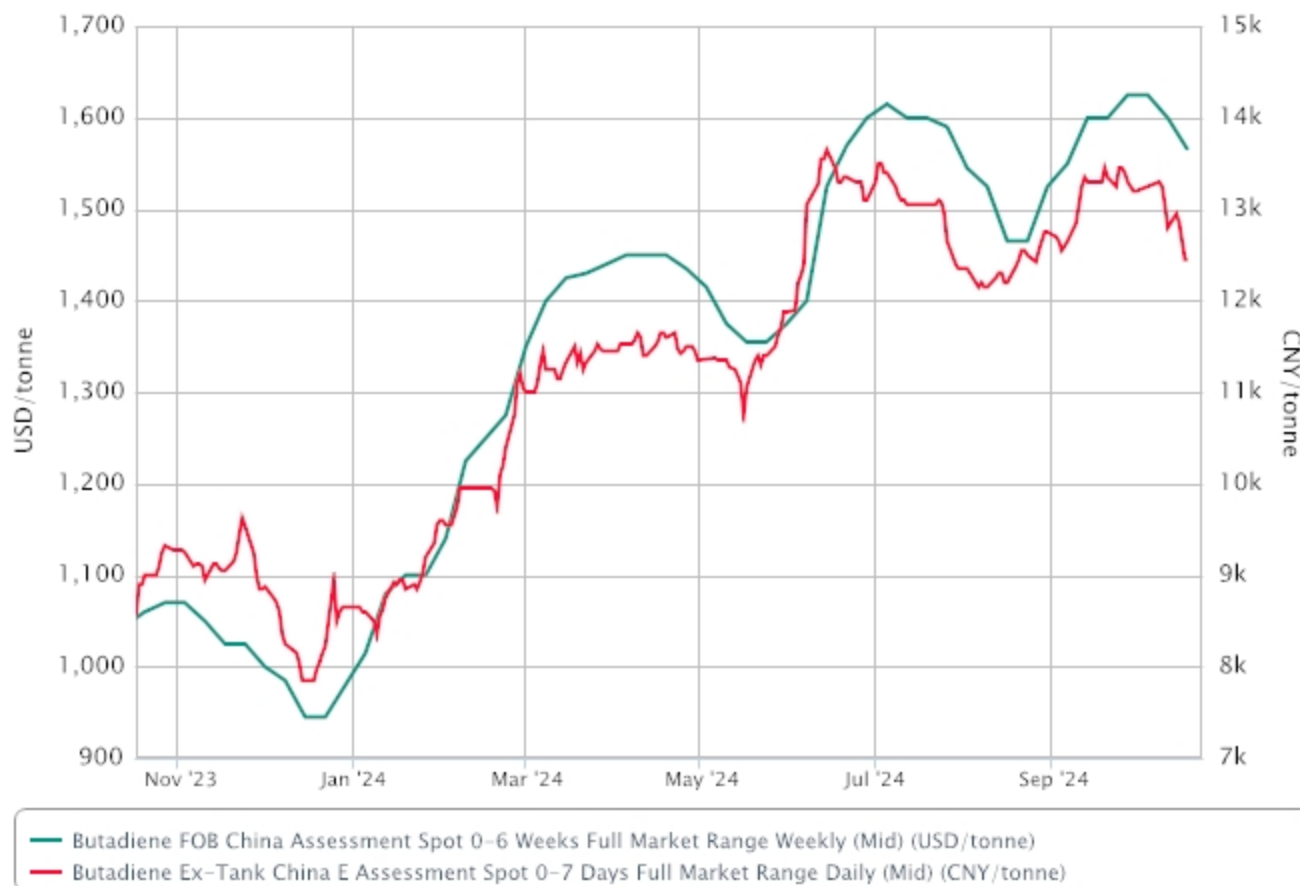
			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	n/c	1550.00-1580.00	-70	1550.00-1650.00	70.31-71.67
			0			
CFR NE Asia	USD/tonne	-50	1500.00-1580.00	-40	1530.00-1590.00	68.04-71.67
			0			
CFR SE Asia	USD/tonne	-50	1450.00-1530.00	-40	1480.00-1540.00	65.77-69.40
			0			

China

FOB China offers fell in line with the softer domestic yuan prices, and are tracked at the high end.

There is no buy-side response, and the low end is rolled as such.

Domestic ex-tank prices in China fell, tracking similar losses seen in the rubber futures market.



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Northeast Asia

CFR NE Asian prices fell, taking into account more subdued discussions and deals for both regional and deep-sea cargoes.

From the regional pool, three November shipment parcels of southeast Asia-origin materials were sold in the week, via tender. The deals were closed on FOB SE Asian terms, either on fixed price basis or formula-linked.

It remains unclear if delivery arrangements for these cargoes have been finalized, and that trader-buyers may still be looking to resell the cargoes, market sources said.

The high end is dropped to reflect some selling indications heard surrounding these materials although it is not clear if substantive negotiations materialized within the week, market sources said.

Some northeast Asia-origin volumes available to lift in H1 November were heard sold this week for delivery to China at the mid-point of the published range.

Deep-sea cargoes available to lift from US and Europe in November, and to arrive in Asia by late December/H1 January, were heard discussed in the \$1,500-1,530/tonne range.

Some deals have been closed too, involving 13,500 tonnes ex-Europe and 7,500 tonnes ex-US, although details of players involved were not fully available.

Monthly Contract DEL, \$/ tonne	Aug 24	Jul 24	Jun 24	May 24	Apr 24	Mar 24	Feb 24	Jan 24
Taiwan FPCC	1,465	1,515	1,395	1,355	1,415	1,348	1,135	1,020
Korea YNCC	1,500	1,565	1,493	1,390	1,450	1,405	1,165	1,070

Southeast Asia

CFR SE Asian prices are adjusted down in line with changes in the CFR NE Asian assessments.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

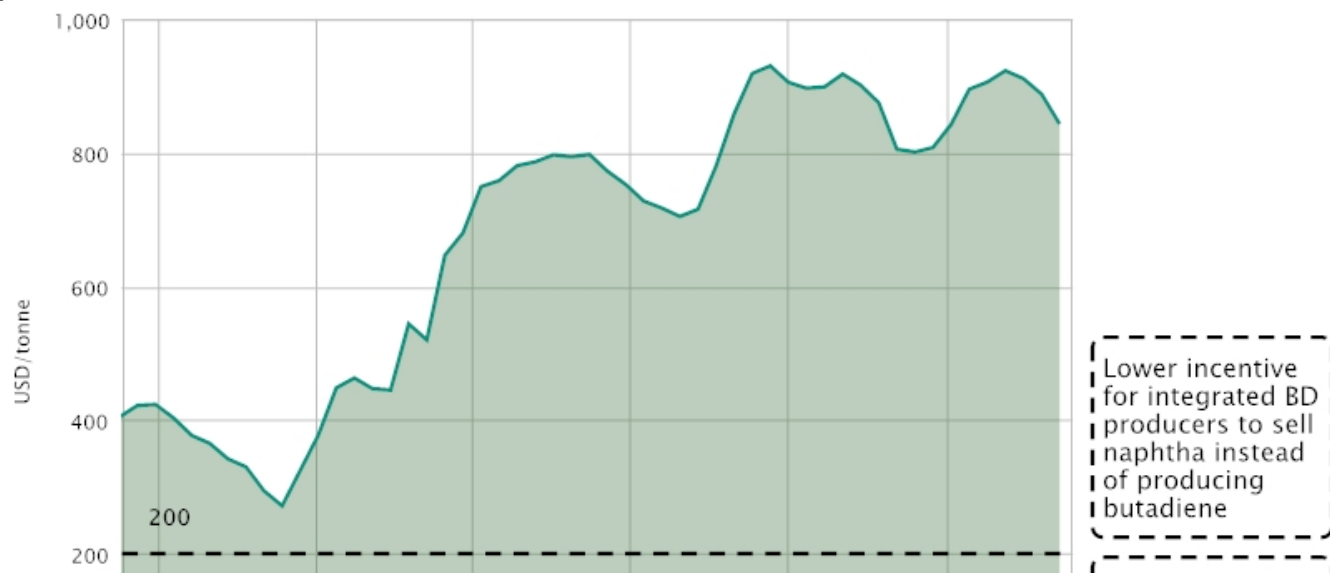
			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	n/c	12400-12500	n/c	12700-12900	-

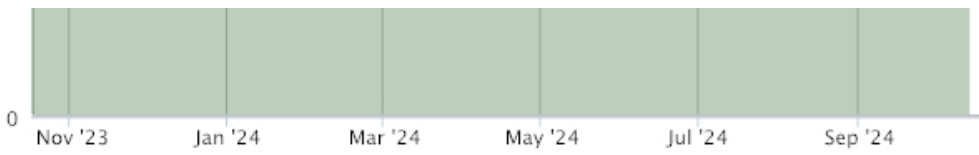
UPSTREAM

Naphtha

- Intermonth spread on 17 Oct neared 1.5-month high
- Nov-arrival arb seen below monthly average
- Easing oil prices this week provide some support

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





Higher incentive for integrated BD producers to sell naphtha instead of producing butadiene



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

DOWNSTREAM

Styrene butadiene rubber (SBR)

- Domestic China falls, denting sentiment for import talks
- Fresh spot offers scant in wider Asia
- Many players wait and see

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

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



Typically healthy spread

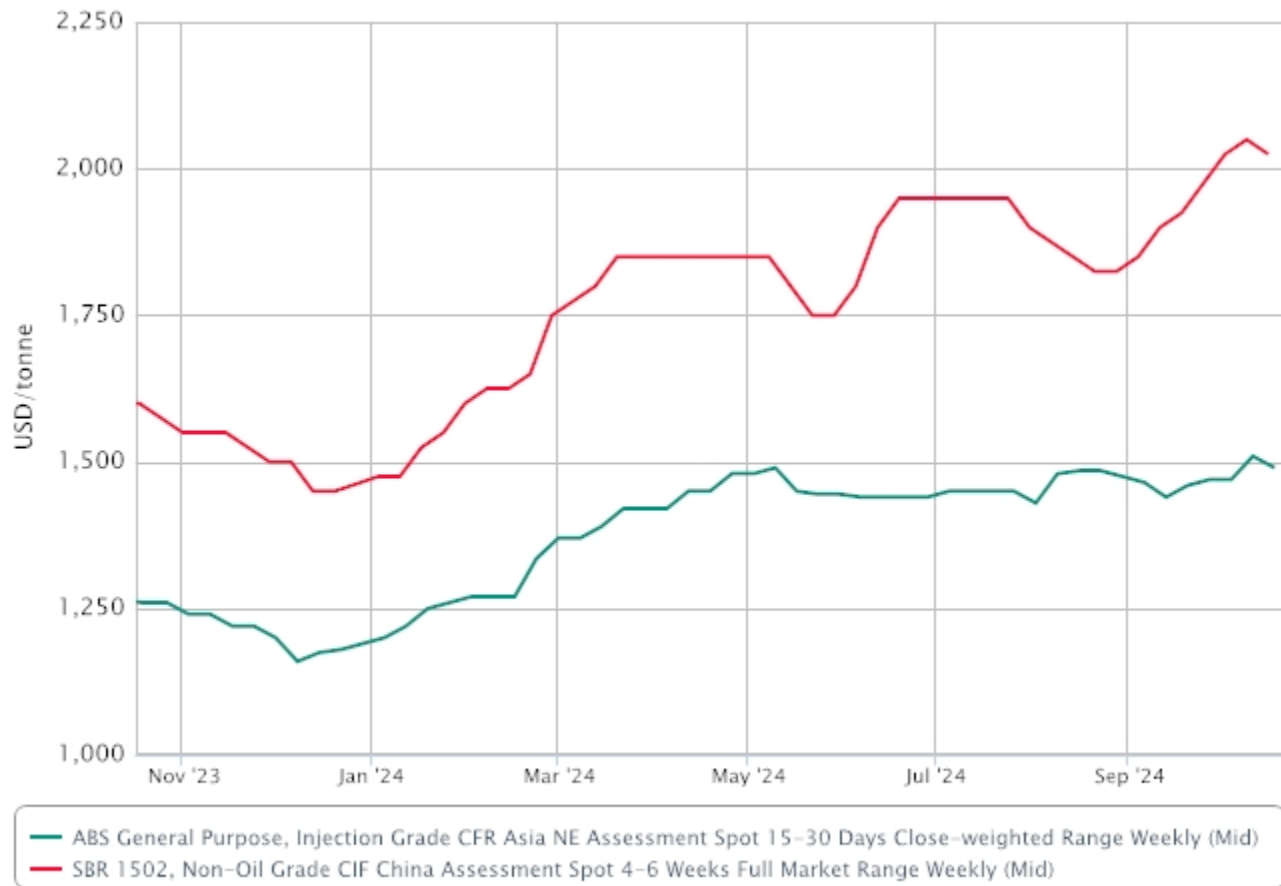
Typically unhealthy spread



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Acrylonitrile butadiene styrene (ABS)

- Asia ABS weakens from poor demand
- Sentiment hit by lower offers in India as rupee plunges to all-time low
- Sellers more concerned about margins than actual price levels



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PRODUCTION

Several plants will be offline in Q4 for maintenance.

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

Company	Location	Status	Capacity (tonnes/year)	Start	End
Sinopec Shanghai	Shanghai, China	Maintenance/ Commercial	53,000 (#1)	Sep 2023	Unknown
PetroChina Jilin	Jilin, China	Maintenance	189,000	H2 August	Mid-Oct

Zeon	Tokuyama, Japan		Maintenance	180,000	Mid-September	End November
LG Chem	Yeosu, Korea	South	Maintenance	160,000	End-October	Mid-November
FPCC	Mailiao, Taiwan		Commercial	162,000 (#2)	August	Unknown
Long Son	Long Vietnam	Son,	Commercial	110,000	End October/ Early November	Unknown

OTHER REGIONS

Europe

- Market generally little changed week on week
- Supply deemed balanced to snug, planned maintenance underway
- Some domestic demand cooling down but still in line with forecasts
- Unplanned derivative issues also offsetting cracker/BD unit outages

US

- BD production improves, downstream consumption is down on production issues
- US BD spot prices down on loosening supply and demand fundamentals
- [Hurricane Milton made landfall, Florida faces costly reconstruction efforts](#)

ANALYTICS

ICIS outlook on downstream automotive sector

The global automotive industry is going through a structural shift, resulting in weak demand against a background of chronic overcapacity and high costs. Long-term investments for trends including tightening emission standards and growing momentum to electrify have already left firms cash strapped. For some regions, the industry never really recovered fully to pre-pandemic levels. This is now resulting in rationalization of original equipment manufacturer (OEM) capacities. As a case in point, Volkswagen (VW) announced earlier this month that it was considering closing factories in Germany for the first time in its 87-year history to cut costs. The carmaker also raised concerns over its electrification commitment at the plants in Wolfsburg and Zwickau. Global automotive output in 2024 is expected to contract by 0.4% compared with 2023, while in the fourth quarter of 2024 it is forecast to shrink by 1.0% year on year, according to Oxford Economics.

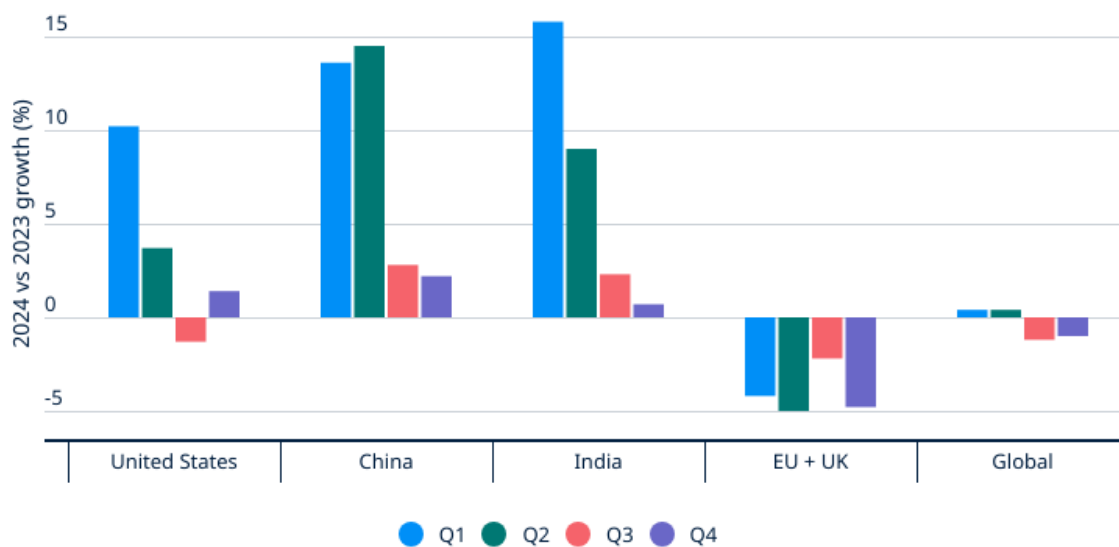
China's balance of risk lies to the downside, especially with Europe's anti-subsidy duty and the US Inflation Reduction Act of 2022. This is a potential threat to the country's ambition to continue being a leader in the electric vehicle (EV) space. China automotive demand in 2024 is expected to grow by 8.0% compared with 2023 and in the fourth quarter of 2024 it is forecast to grow by 2.2% compared with the same period of the previous year (Oxford Economics). The upcoming Indian festive season is forecast to

give a much-needed boost to the industry. On the negative side, dealers are struggling with higher inventories and lower profitability, as reported by Federation of Auto Dealers Association (FADA). India's automotive output in 2024 is expected to grow by 6.6% compared with 2023, while in the fourth quarter it is forecast to grow by 0.7% year on year (Oxford Economics).

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

Motor vehicle sector growth by region

2024 vs 2023



SOURCE: Oxford Economics

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