



## Butadiene (Asia-Pacific)

**By Ai Teng Lim**  
**19-Aug-2022**

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

### OVERVIEW

- **Weak downstream demand**
- **Buyers see no supply concerns**
- **Concrete offers scant**

Asian spot discussions for butadiene (BD) imports were weighed down by [weak derivative markets](#).

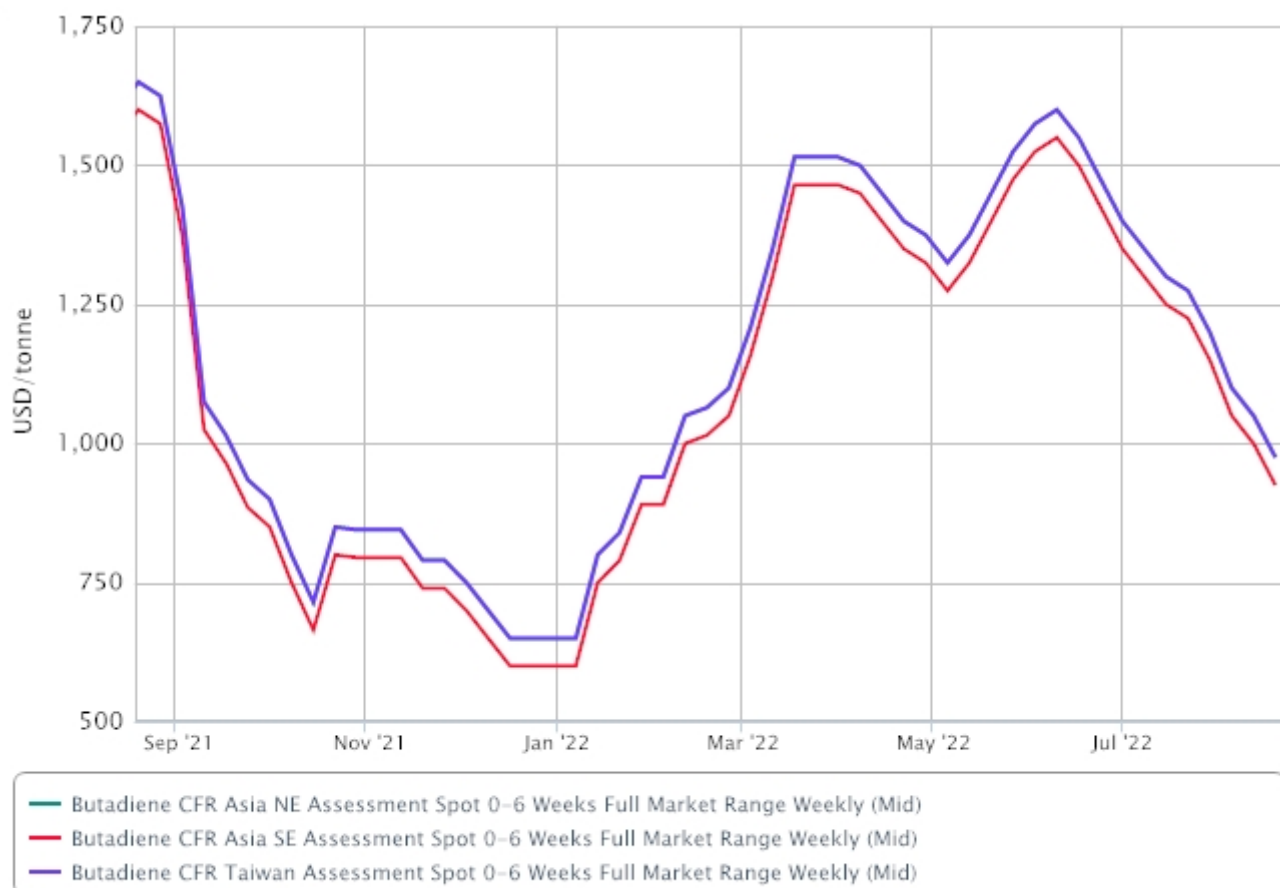
End-users were heard mostly already amply covered and not keen to buy additional spot volumes, unless prices are deemed attractive enough.

Buyers are also convinced that spot supplies are not snug, contrary to prior assumptions that persistently low cracker operations in northeast Asia will crimp regional BD output.

For one, production in China is poised to rise, with several local BD plants [restarting](#) this week from maintenance.

Further more, demand fundamentals are structurally weak and in fact, due to curtailed operations at many downstream plants, some end-users may even consider cutting back on contractual volumes. If so, these displaced contractual volumes could be diverted back to enlarge the spot supply pool, market sources said.

That said, concrete spot offers were limited, as most sellers were heard still unwilling to widen discounts as drastically as the buyers expected, even if they acknowledged the reality that downstream demand is not rosy.



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## OUTLOOK

- More exports likely from China
- Uncertainties prevail on [downstream demand](#) outlook
- Wide buy-sell gap may be hard to bridge

## PRICES

### SPOT PRICES - PRICE RANGE FOR THE WEEK

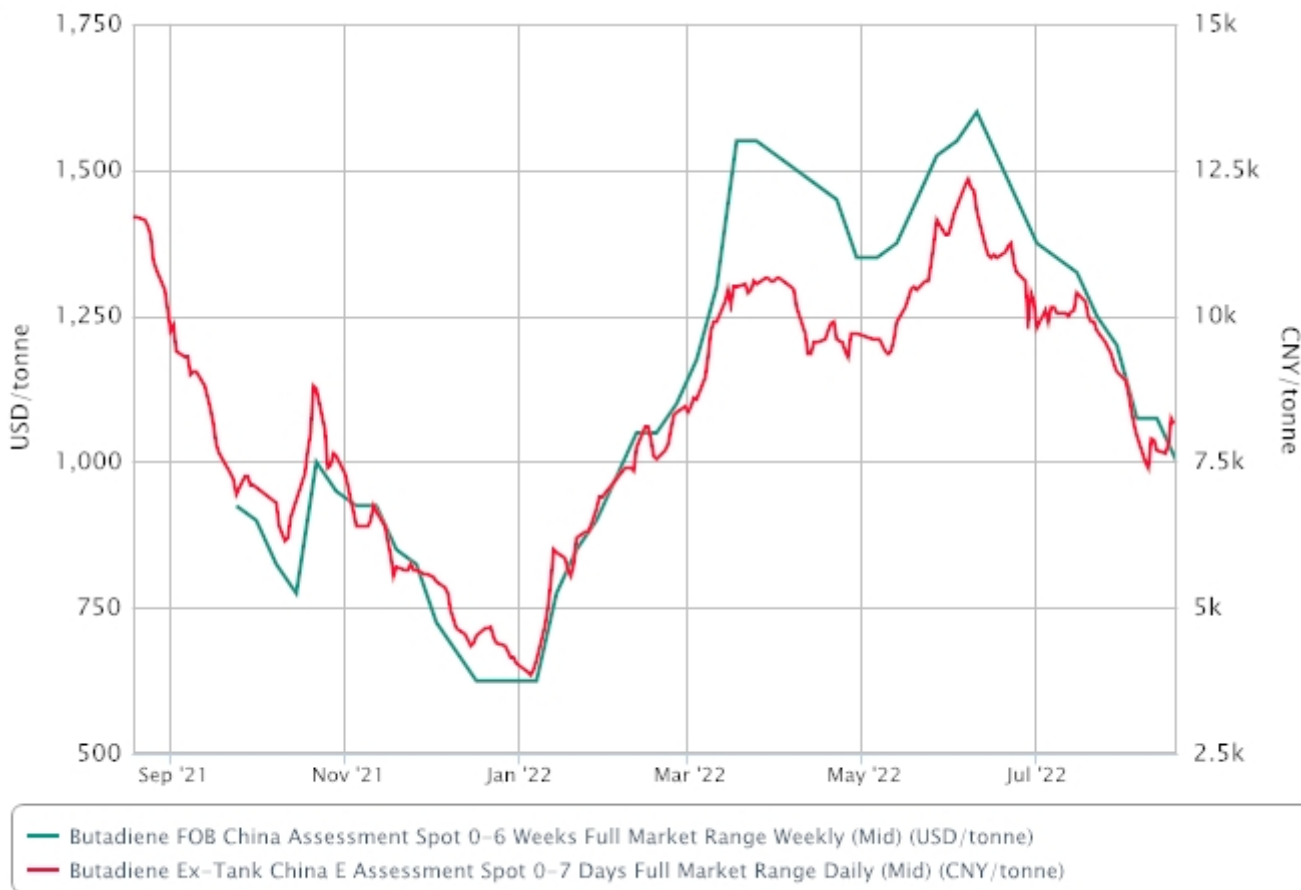
			Price Range		Four Weeks Ago	US CTS/lb
<b>Butadiene</b>						
<b>FOB China</b>	USD/tonne	-100	950.00-1050.00	-50	1200.00-1300.00	43.09-47.63
<b>CFR NE Asia</b>	USD/tonne	-50	900.00-1050.00	-100	1200.00-1350.00	40.82-47.63
<b>CFR Taiwan</b>	USD/tonne	-50	900.00-1050.00	-100	1200.00-1350.00	40.82-47.63
<b>CFR SE Asia</b>	USD/tonne	-50	850.00-1000.00	-100	1150.00-1300.00	38.56-45.36

### China

FOB China prices were assessed as down on lower pricing indications heard.

Sentiment was also dampened by continued volatility in the domestic yuan-denominated market.

Domestic ex-tank prices in east China were again volatile, starting the week on a softer note, rebounded mid-week, but eventually returned some of the mid-week gains by the close of the week.



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**Northeast Asia**

CFR NE Asian assessments were down, tracking lower buy-sell indications, even if no concrete transactions materialised on a fixed price basis.

Buyers kept to bearish buying indications, capped at the low-end of the assessment range.

No meaningful negotiations ensued with sellers as such, market sources said, as the lowest sellers' expectations – captured at the high-end of the range - remains substantially higher than the buying indications.

As long as this stays the case, spot transactions will only take place more on floating, formula-linked, basis, instead of fixed price, market players said.

This week, two southeast Asia-origin cargoes available to lift within September were sold, via tender, on a formula-linked basis for likely delivery to northeast Asia, market sources said.

CFR Taiwan assessments were adjusted down in tandem with the lower CFR NE Asian assessments.

Monthly Jul 22 Jun 22 May 22 Apr 22 Mar 22 Feb 22 Jan 22  
 Contract  
 DEL, \$/tonn  
 e

Taiwan	1,255	1,450	1,360	1,415	1,355	1,040	795
FPCC							
Korea YNCC	1,315	1,555	1,445	1,445	1,335	1,015	835

**Southeast Asia**

CFR SE Asian assessments were down in line with changes for the CFR NE Asian assessments.

**SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY**

			Price Range		One Week Ago	/
<b>Butadiene</b>						
<b>Ex-Tank E China</b>	CNY/tonne	-300	7800-8000	-200	7600-7800	-

**UPSTREAM**

**Naphtha:**

- Asia's market fundamentals bearish in contango
- Weak downstream margins crimp demand
- Greater west-east arbitrage flows to add to supply

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



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

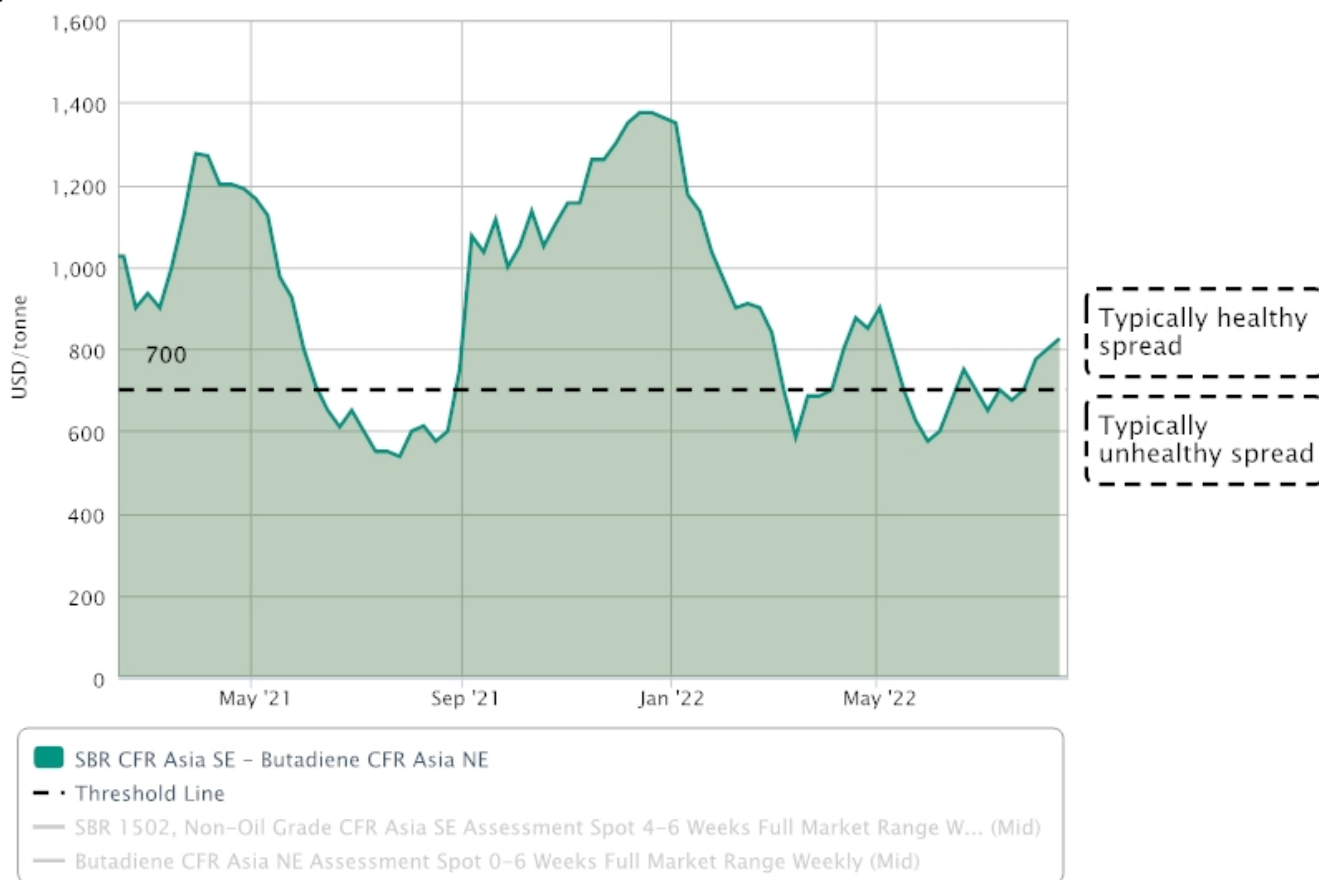
## DOWNSTREAM

### Styrene-butadiene-rubber (SBR)

- Offers softer on weak downstream
- Demand also stays weak
- Spot discussions subdued

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

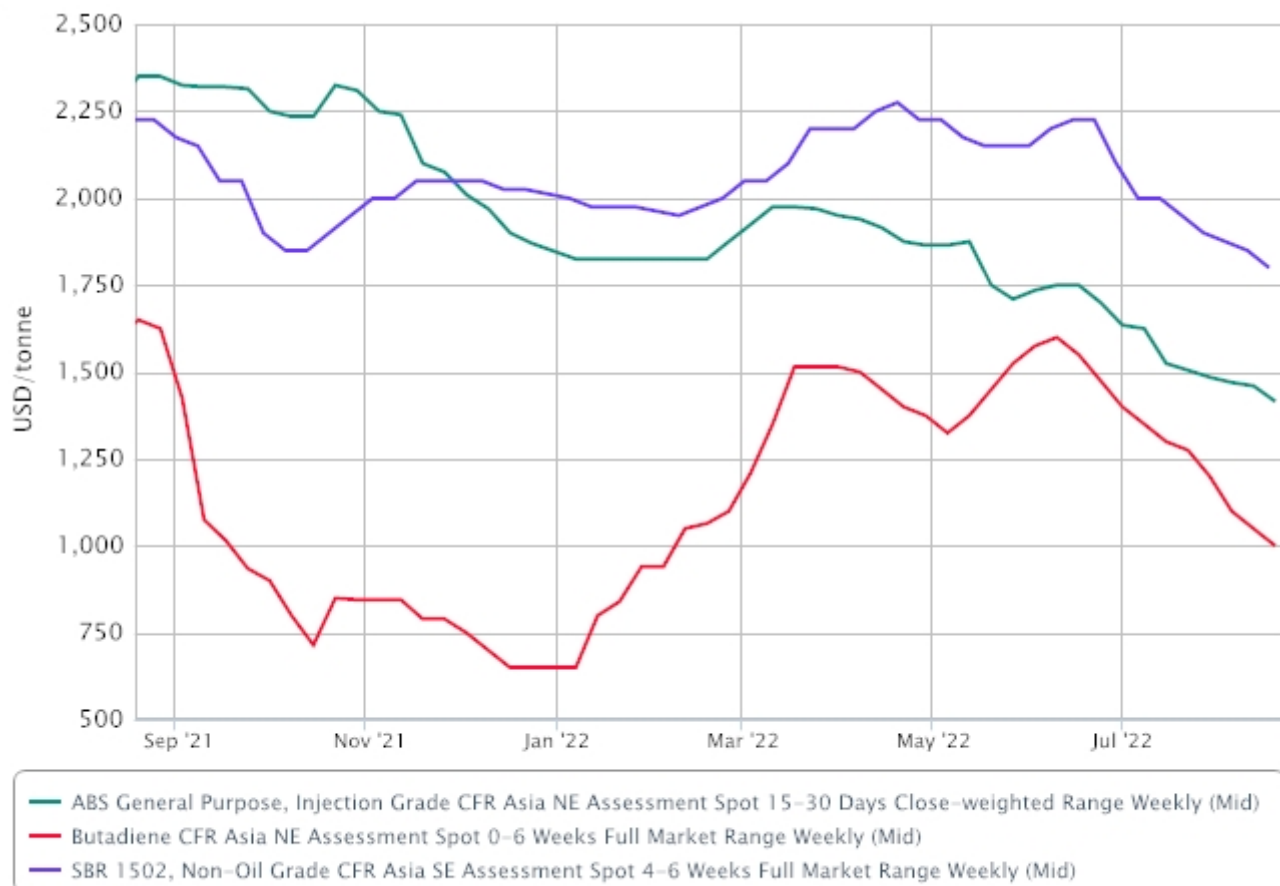
[Spread between Butadiene and Styrene Butadiene Rubber Asia](#)



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### Acrylonitrile butadiene styrene (ABS)

- CFR NE Asia down for ninth week to more than two-year low
- Offers continue to fall on burgeoning stockpiles amid poor derivative offtakes
- Other sellers turn to target container trades



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## PRODUCTION

BD supplies are poised to lengthen in China with more plants restarting from maintenance.

However, with many upstream crackers across Asia still operating at sub-optimal levels, output from related BD extraction units in wider Asia may remain crimped.

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

## OTHER REGIONS

### Europe

- Supply constraints – unplanned and lingering issues – continue to impact on BD outputs
- Demand steady week on week, mixed picture depending on derivative persists
- Spot market quiet – August is done, limited view on September so far

### US

- Spot prices fall on softer demand
- Production issues linger
- Snug supplies balanced with demand

## ANALYTICS

## ICIS Downstream Automotive Demand Outlook

It has been about a year-and-a-half since the world was plunged into the coronavirus crisis – impacting automotive production. Following this disruption, acute computer chip shortage ensued. And now war related disruptions, such as the shutdown of the Nord Stream 1 natural gas pipeline, further aggravated problems of an industry already under duress. The industry, so far, is struggling to make any meaningful recovery – even though May's auto sales performance was in positive territory. The global light vehicle selling rate increased to 76m units in May from 67m units April, according to Oxford Economics. The growth was primarily contributed by China as the nation eased lockdown measures. However, renewed lockdown actions cannot be ruled out.

According to the US Census Bureau, US light vehicle sales rose 2.3% month on month in June with total sales of 12.9m units (yet this is down 16% year on year and 25% down from 2019 levels). The finished inventory to sales ratio slightly improved month on month from 0.440 to 0.527 in May. (For context, the ratio was 1.108 and 2.948 respectively in March 2021 and 2020.)

The European Automobile Manufacturers Association (ACEA) reported a 15.4% fall year on year in passenger car registrations in June. All major European economies posted a double-digit sales contraction, as logistics and supply chain problem continue to dent industry growth i.e. Germany (-18.1%), Italy (-15.0%) and France (-14.2%) and Spain (-7.8%). Commercial vehicle registration was down 17.7% month on month in May (with sales down for the eleventh consecutive month). Another direct impact of the Russia-Ukraine conflict is constrained supply of neon gas, which is used in making microchips. Ukraine is one of the leading producers of neon gas. The UK's SMMT also reported, total registration was down 24.3% in June year on year, and down 12% year to date, with diesel cars taking the largest impact (down 46.7% year on year in June). Another new development for this month pertains to the Nord Stream 1 pipeline maintenance schedule with lack of clarity on resumption of operations.

China's automotive outlook continue to puzzle, as it heavily relies on the status of the movement control restrictions. China reported improved sales and production figures because of the easing of lockdown measures. According to the China Association of Automobile Manufacturers (CAAM), Chinese car production was up 28.2% year on year in June 2022. A similar level of growth was reported in month on month as well. Inventory levels were down from 1.51 to 1.36 in June. India's outlook seems to be on the positive side, as there were signs of easing of tightness in computer chips supply. However inflation concerns remain. FADA reported India retail sales rose 27% in June year on year (still down 9% as compared to 2019 levels).

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

## Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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