



Butadiene (Asia-Pacific)

By Ai Teng Lim
19-Nov-2021

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

OVERVIEW

- **Domestic China plummets**
- **Import discussions down in line**
- **Supply glut widens**

Asian butadiene (BD) spot prices fell across the region this week, weighed down by [hefty losses](#) seen in the domestic China market.

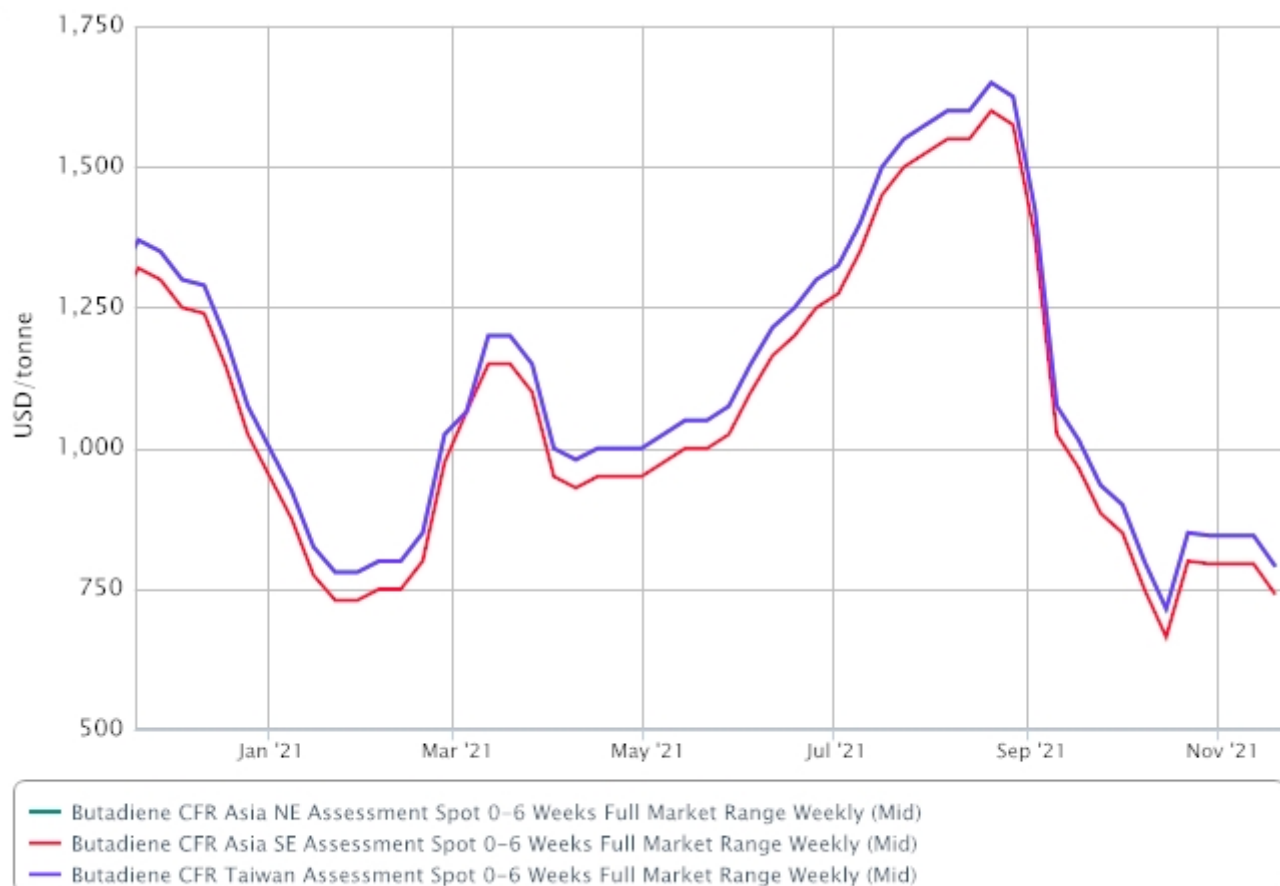
In China, domestic supplies burgeoned, as several new projects started marketing their products more aggressively, at a time when operations in the downstream synthetic rubber sector are still not fully optimised, amid some protracted plant closures.

The weak domestic China market also impacted on US dollar denominated import discussions, with potential buyers pressing for wider discounts on remnant November and December shipments.

But sell-side sentiment was mixed. On one hand, producers were adamant that they could not price down cargoes any further, as cracker margins have already long turned negative.

Some also maintained that they have neither inventory nor selling pressures, and could wait until the situation turns more to their favour.

But some traders were heard comparatively more eager to moderate offers to induce buying and close their positions before the market shifts any further moving forward.



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OUTLOOK

- Volatility in domestic China may persist for sometime more
- Supplies likely to remain long in the near-to-mid term
- Spot trade liquidity to be curbed on wide buy-sell gap

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	-100	800.00-900.00	-50	900.00-1100.00	36.29-40.82
CFR NE Asia	USD/tonne	-40	750.00-830.00	-70	800.00-900.00	34.02-37.65
CFR Taiwan	USD/tonne	-40	750.00-830.00	-70	800.00-900.00	34.02-37.65
CFR SE Asia	USD/tonne	-40	700.00-780.00	-70	750.00-850.00	31.75-35.38

China

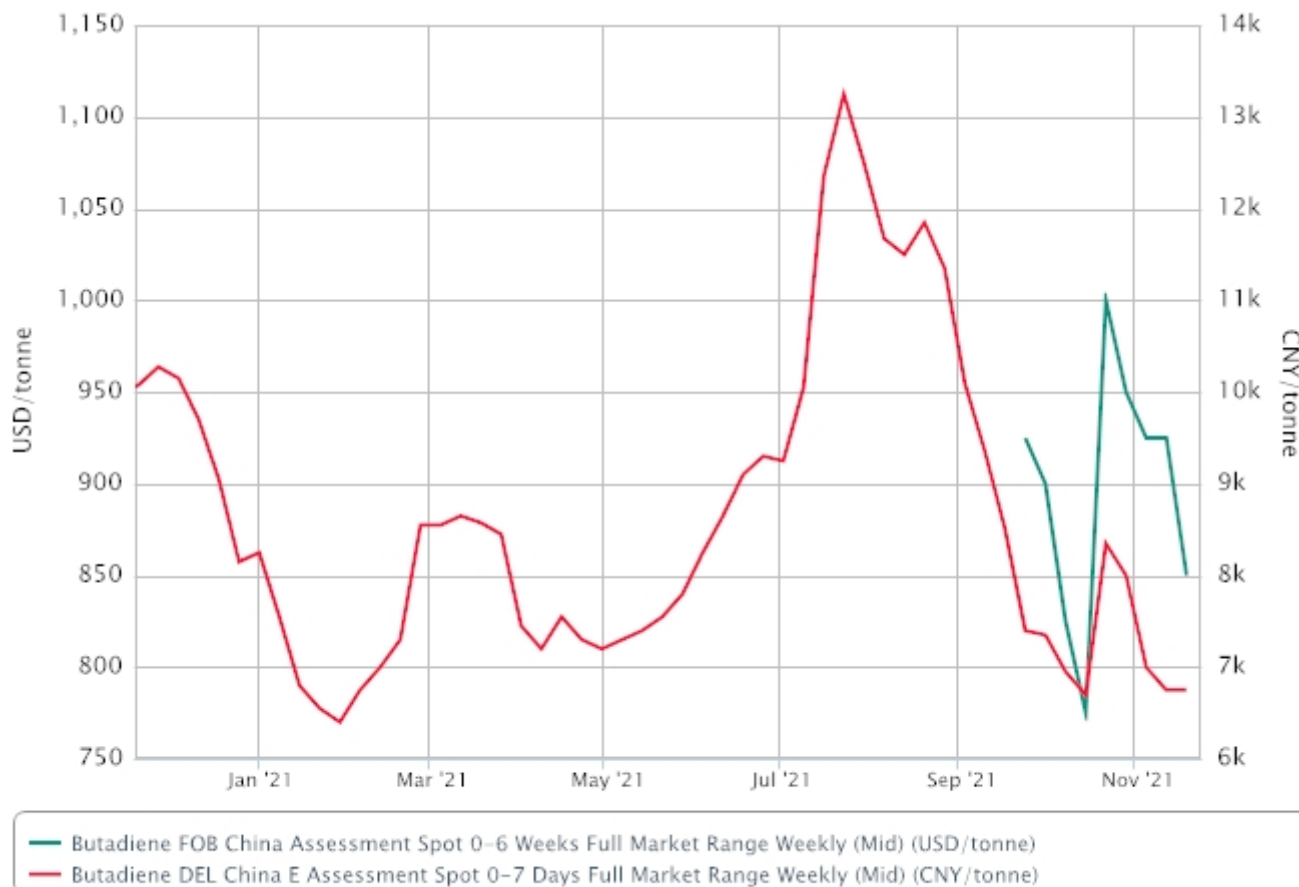
FOB China assessments were down, tracking sharp declines in the domestic yuan-denominated market.

The high-end tracks selling indications heard, while the low-end was adjusted down in line with import parity values of prevailing yuan prices, in the absence of any concrete discussions.

East China domestic prices

Domestic China prices fell as offers declined with burgeoning supplies and lacklustre buying.

Price (CNY/tonne)	19 November	12 November
DEL east China	5,800-6,000	6,800-6,900



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Northeast Asia

CFR northeast Asian assessments fell, tracking lower deals and discussions heard.

Some Asia-origin cargoes changed hands in the week for December shipment to northeast Asia. The low-end is dropped to reflect the range of transaction levels, heard at mid-to-high 700's/tonne CFR NE Asia.

The high-end is also adjusted down with moderated selling expectations for some cargoes available for December shipment.

CFR Taiwan assessments were also lowered in line with changes for the CFR NE Asian assessments.

Monthly Contract DEL, \$/tonne	Oct 21	Sep 21	Aug 21	Jul 21	June 21	May 21	Apr 21
Taiwan	870	1,175	1,545	1,380	1,205	1,010	1,050
FPCC							

Korea YNCC	790	1,050	1,650	1,470	1,245	1,010	987
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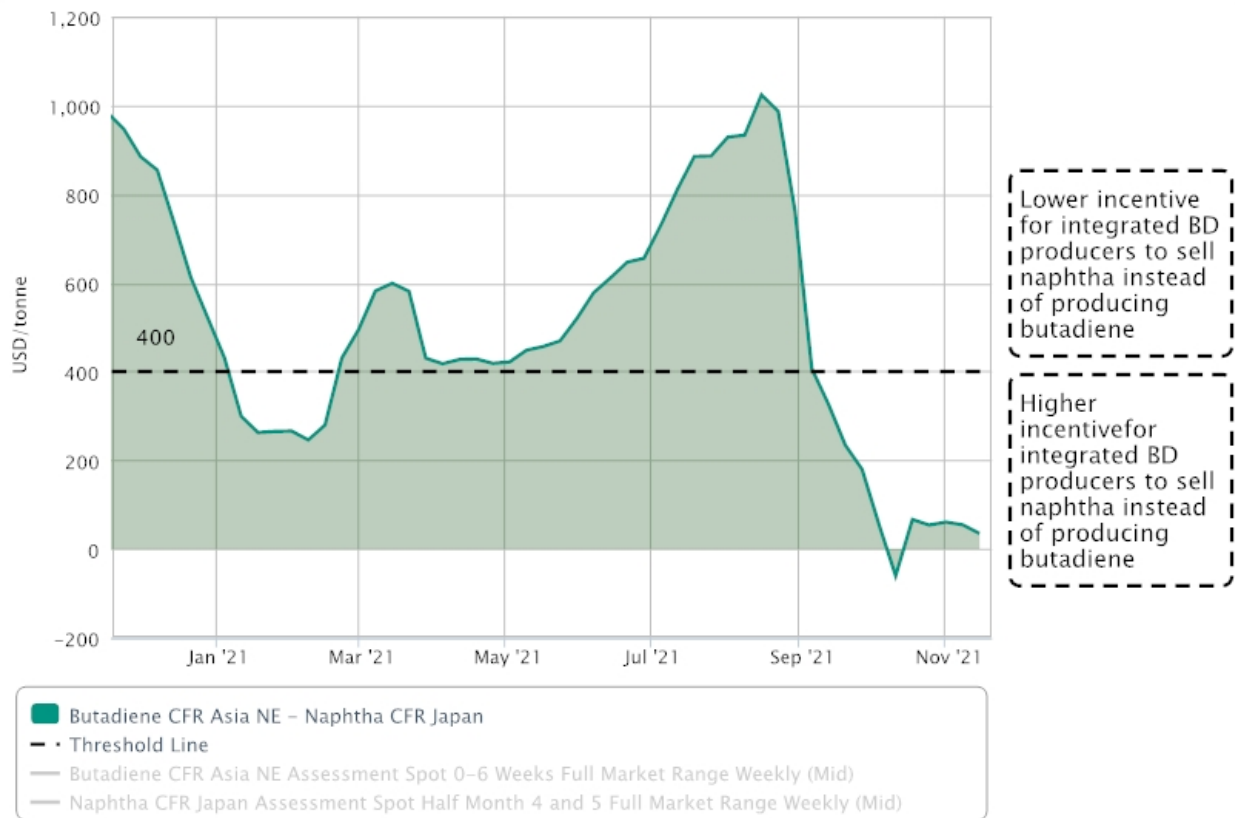
Southeast Asia

CFR SE Asian assessments were adjusted down, in tandem with changes seen for CFR NE Asian assessments.

UPSTREAM

Asia-Pacific **naphtha** prices eased alongside crude oil futures. Stable end-user demand aided in keeping market fundamentals firm, as the product's market structure held at a wide backwardation. Downstream producers monitored falling liquefied petroleum gas prices, although economics remain viable in sustaining naphtha feedstock demand.

[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)** spot discussions were [supported](#) on snug supplies and a strong domestic China.

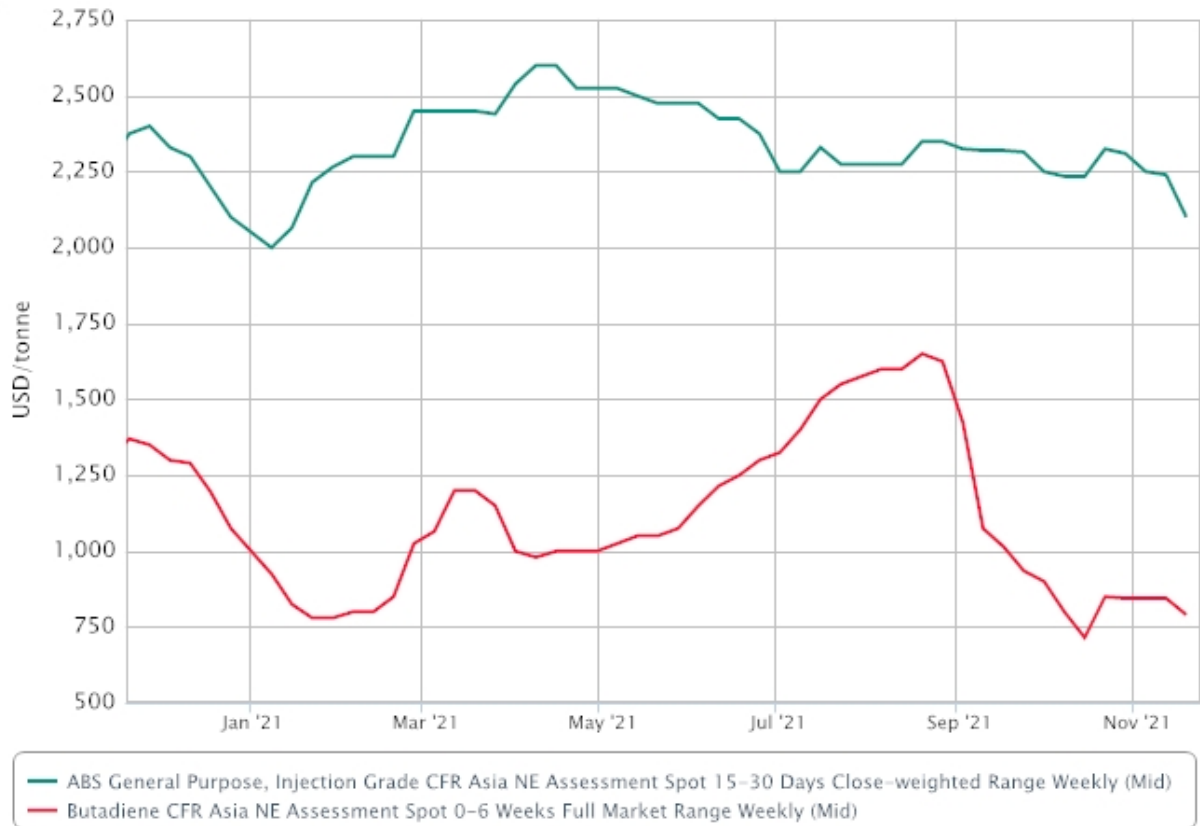
The chart below shows the spread between BD and SBR in Asia

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



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Spot **acrylonitrile-butadiene-styrene (ABS)** import prices in northeast Asia [fell](#), with the decline continuing for the fourth week. Some deals surfaced at lower levels, reflecting the end of the traditional peak and the upcoming seasonal slowdown.



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PRODUCTION

Within China, while several purpose-built units remained shut on economic considerations, domestic availabilities were buttressed with output from several new projects recently started up, such as the 140,000 tonnes/year Fujian Gulei plant, and the 80,000 tonne/year Shouguang Luqing plant.

The regional BD market is also structurally over-supplied, despite several on-going plant maintenances, as output from several new and upcoming new projects in the region poised to hit market in the near term.

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

OTHER REGIONS

In the US, nominations for BD's December contract prices emerged at [steep decline](#) to the prior month, on supply length.

But September BD production from steam crackers in the US [fell](#) on lower industry operating rates.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The global automotive industry is still struggling to make up for pandemic-induced losses, with Q3 production down by 13.2% year on year, and Oxford Economics predicting that Q4 will be down by 6.5% compared with Q4 2019. Global vehicle production growth is not expected to return until Q3 2022, with chip supply expected to remain tight through 2022. Even Jean-Marc Chery, CEO of STMicroelectronics predicted that, "...we will return to a normal situation... not before the first half of 2023." Chip makers are also heard to favour consumer electronics over cars because of higher volumes and better margins. The industry's just-in-time (JIT) procurement strategy has added to the pressure. However, it is not all doom and gloom as vehicle chip suppliers such as Infineon and Bosch are ramping up capacity. Many countries are also now looking at chips as a strategic material and the industry is now receiving government support. Rising electric vehicle penetration will also push car makers up the chip pecking order because more advanced chips (with higher margins) will be required. However, car makers will need to readjust JIT strategies to ensure supply of security, as well as improving relationships with their Tier-1 suppliers.

US light vehicle sales were down 22.3% in October 2021 compared with October 2019. The inventory sales ratio was 0.51 in September, which is alarmingly low. To put this into context, average inventories have ranged from 2.0 to 2.5 in the past two decades. This suggests an extremely high level of pent-up demand in the system. In addition, manufacturers are rationing or diverting their chips to their most profitable models.

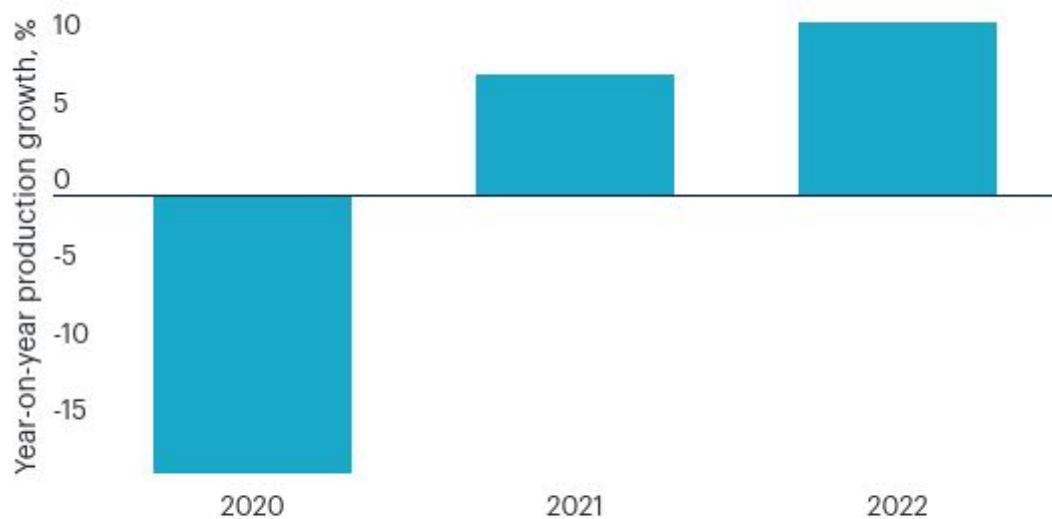
The EU auto outlook remains grim with many countries reporting a double-digit decline in output. Demand is outpacing supply and inventories are depleting. In a letter to the European Commission, the European Automobile Manufacturers' Association (ACEA) said, "...warehouses are empty..." The EU is aiming to move away from its dependency on chip imports to producing chips domestically. As a result, car makers are waiting for the European Chips Act which aims to ensure security of supply and is expected by the end of this year. The chip shortage is likely to last well into 2022 and will result in

weaker-than-expected vehicle sales and therefore poor demand of key polymers used in the automotive industry.

The auto industry in China is also struggling. It currently has an inventory coefficient of 1.24 – with anything below 1.5 considered a dangerous level. In addition to severe supply disturbances, the regulator in China is cracking down on chip suppliers who are accused of price gouging. The outlook for the Indian automotive market is mixed. It was already under pressure after several manufacturers exited the country citing low sales. India's Federation of Automobile Dealers Associations (FADA) reported that the inventory level had slumped to a record low of 15 to 20 days. According to a FADA survey, 45.0% of respondents had a neutral outlook for the Indian auto market, with positives and negatives split with 27.5%. India's personal vehicle and tractor sectors are outperforming, growing by 30% and 39% in September respectively from September 2019. The chip shortage has hit Bajaj Auto's export market.

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

Global motor vehicle sector growth



Source: Oxford Economics

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