



Butadiene (Asia-Pacific)

By Ai Teng Lim
20-Aug-2021

[Overview](#) | [Outlook](#) | [Prices](#) | [Upstream](#) | [Downstream](#) | [Production](#) | [Analytics](#)

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

ICIS plans to launch a new FOB China spot assessment to reflect evolving trade dynamics in Asia from September 2021. Please send feedback and queries to aiteng.lim@icis.com.

OVERVIEW

- **Discussions upbeat for prompt supplies**
- **But sentiment mixed for the situation further out**
- **[Buy-sell gap](#) persists**

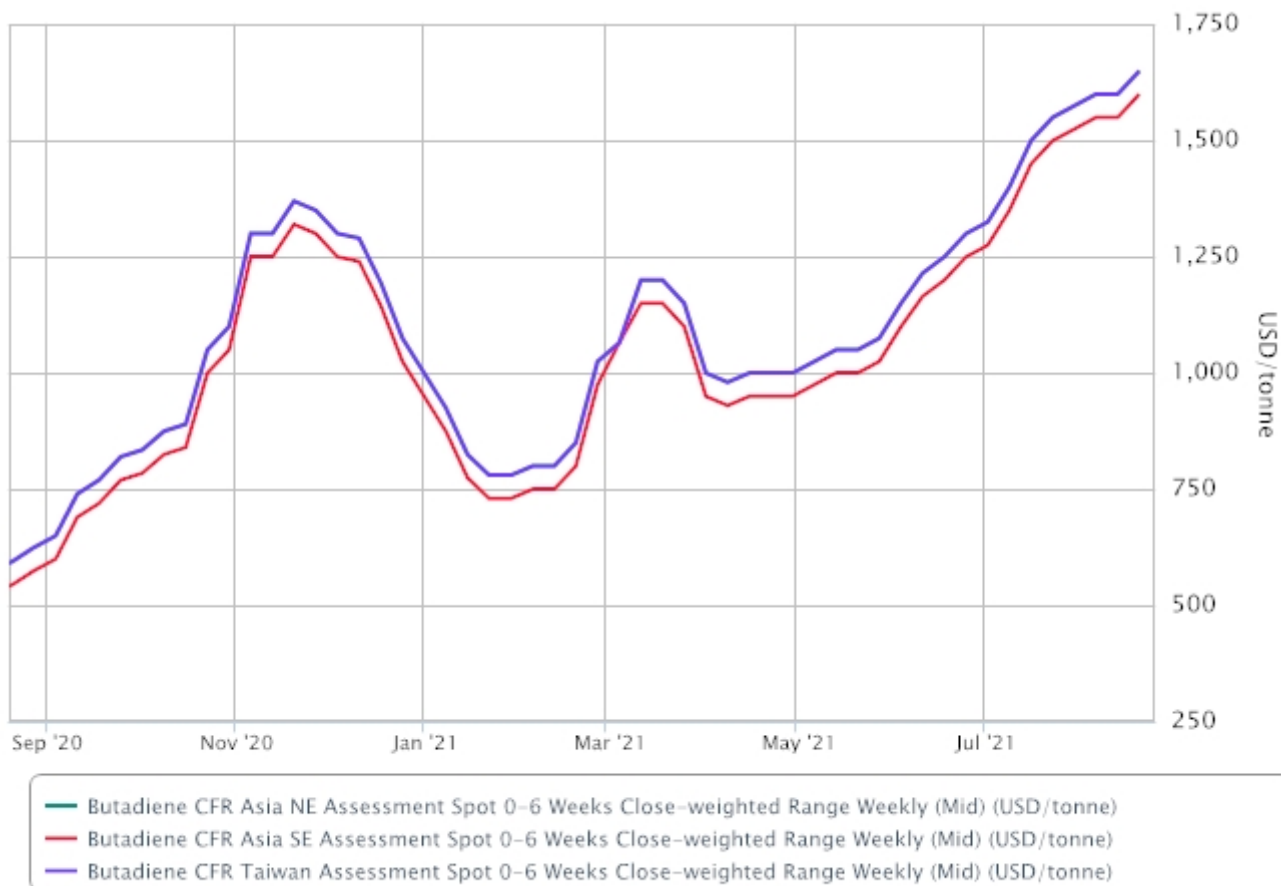
Asian butadiene (BD) spot discussions were boosted this week, as demand surfaced in Japan for prompt imports to fill gaps caused by recent [glitches](#) in their own domestic BD production.

Sellers with the ability to meet prompt requirements hiked offers too, citing for support their inherently low spot availability to begin with.

While the atmosphere is buoyant for such transactions, sentiment seemed somewhat more sullen for shipments further out, such as in late September and beyond, even though concrete pricing discussions were minimal for now.

Buyers, including those based in markets further afield such as US, were heard more cautious than before.

Where their own production plans permit, potential buyers were heard inclined to delay fresh spot BD procurement till later to see how BD pricing trends may shift once production has commenced and stabilised, possibly in the next one to two months, at several new regional BD projects.



© 2021 ICIS

OUTLOOK

- Prompt requirements may fizzle out soon
- Eye on status of various new BD projects
- Coronavirus worries also weigh in on demand outlook

PRICES

SPOT PRICES

		Price Range	Four Weeks Ago	US CTS/lb
Butadiene				
CFR NE Asia	USD/tonne	+50 1600.00-1700.00	+50 1500.00-1600.00	72.57-77.11
CFR Taiwan	USD/tonne	+50 1600.00-1700.00	+50 1500.00-1600.00	72.57-77.11
CFR SE Asia	USD/tonne	+50 1550.00-1650.00	+50 1450.00-1550.00	70.31-74.84

Northeast Asia

CFR northeast Asian assessments were raised to reflect firmer deals and discussions for prompt shipment materials.

Some southeast Asia-origin materials were heard sold, albeit on a FOB basis, for early September shipment to northeast Asia, at the higher-end of the range.

Some volumes were also heard possibly sold at above the published range for very prompt August shipment to Japan, but this was widely deemed as unusually high, possibly due to unique buy-side considerations and requirements. It is thus not accounted for assessment of mainstream market situation.

Overall, as spot availabilities are limited to begin with, sellers with cargoes at hand to ship promptly saw no incentive to moderate their expectations either, and the low-end reflects lowest offers heard in the week.

CFR Taiwan assessments were adjusted in line with the changes in CFR northeast Asian assessments.

Monthly Contract DEL, \$/tonne	Jul 21	June 21	May 21	Apr 21	Mar 21	Feb 21	Jan '21
Taiwan FPCC	1,380	1,205	1,010	1,050	1,135	880	950
Korea YNCC	1,470	1,245	1,010	987	1,102.50	827.50	867

East China domestic prices

In China, yuan-denominated prices rebounded, in part due to tightened supplies stemming from production and delivery constraints caused by COVID-19-related supply chain disruptions.

Price (CNY/tonne)	20 Aug	13 Aug
DEL east China	11,800-12,000	11,400-11,500

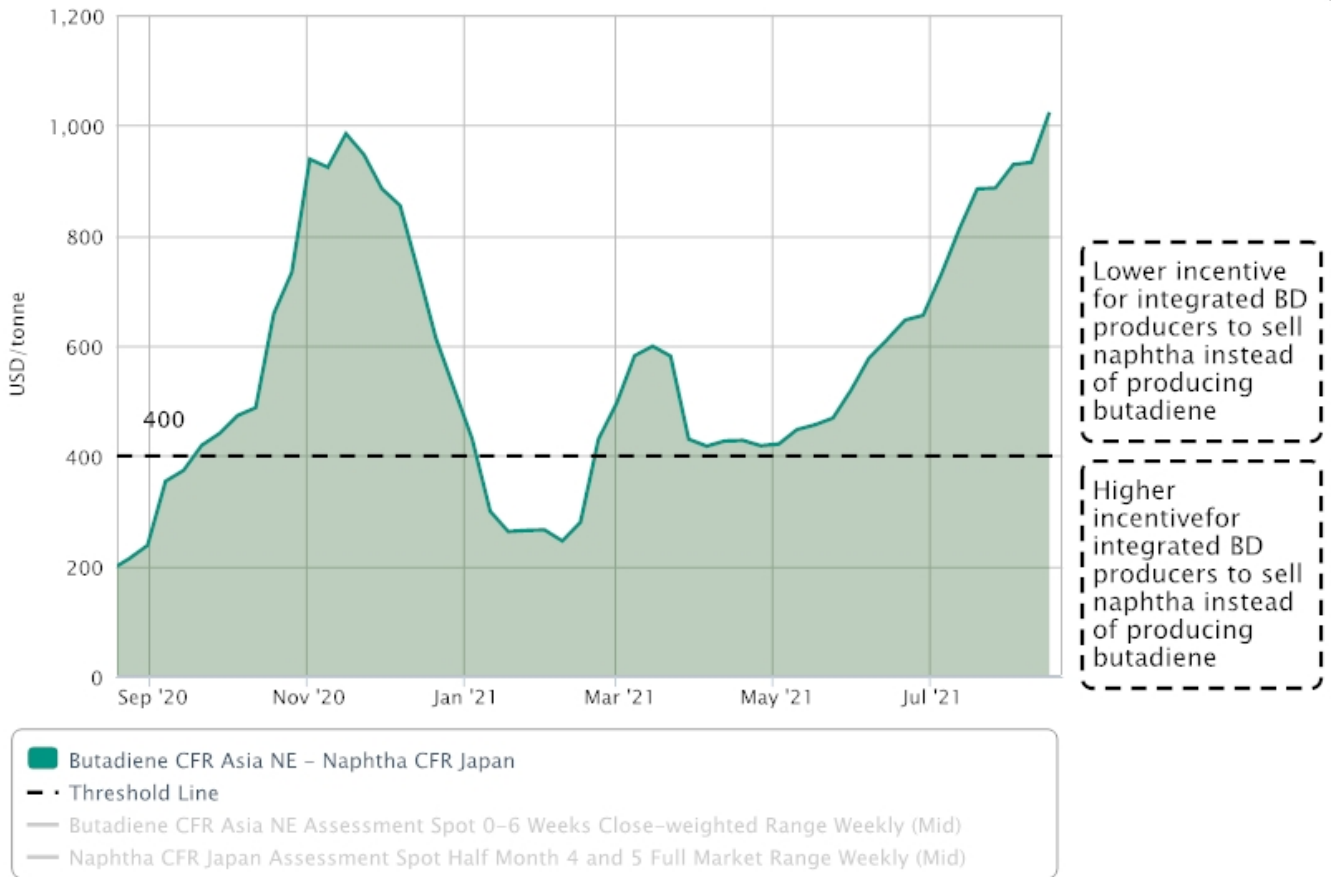
Southeast Asia

CFR SE Asian prices were up, tracking uptrend seen in the northeast Asian market, in the absence of any concrete CFR SE Asian business and discussions.

UPSTREAM

Asia Pacific **naphtha** prices tracked losses in global crude oil futures as rising coronavirus cases raised concerns over fuel demand growth. Ample supply weighed on sentiment, with naphtha's market structure shrinking in backwardation.

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



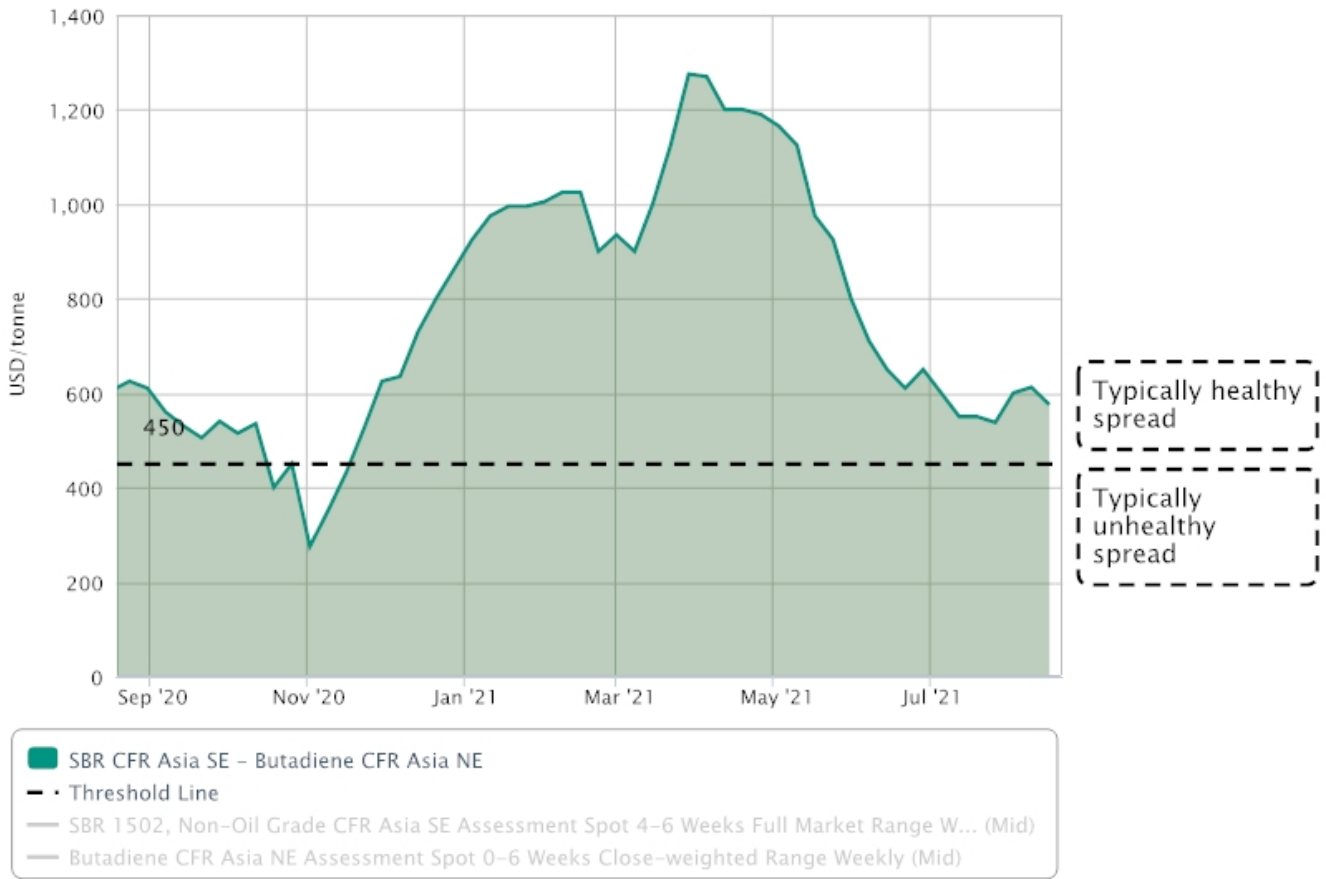
© 2021 ICIS

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

DOWNSTREAM

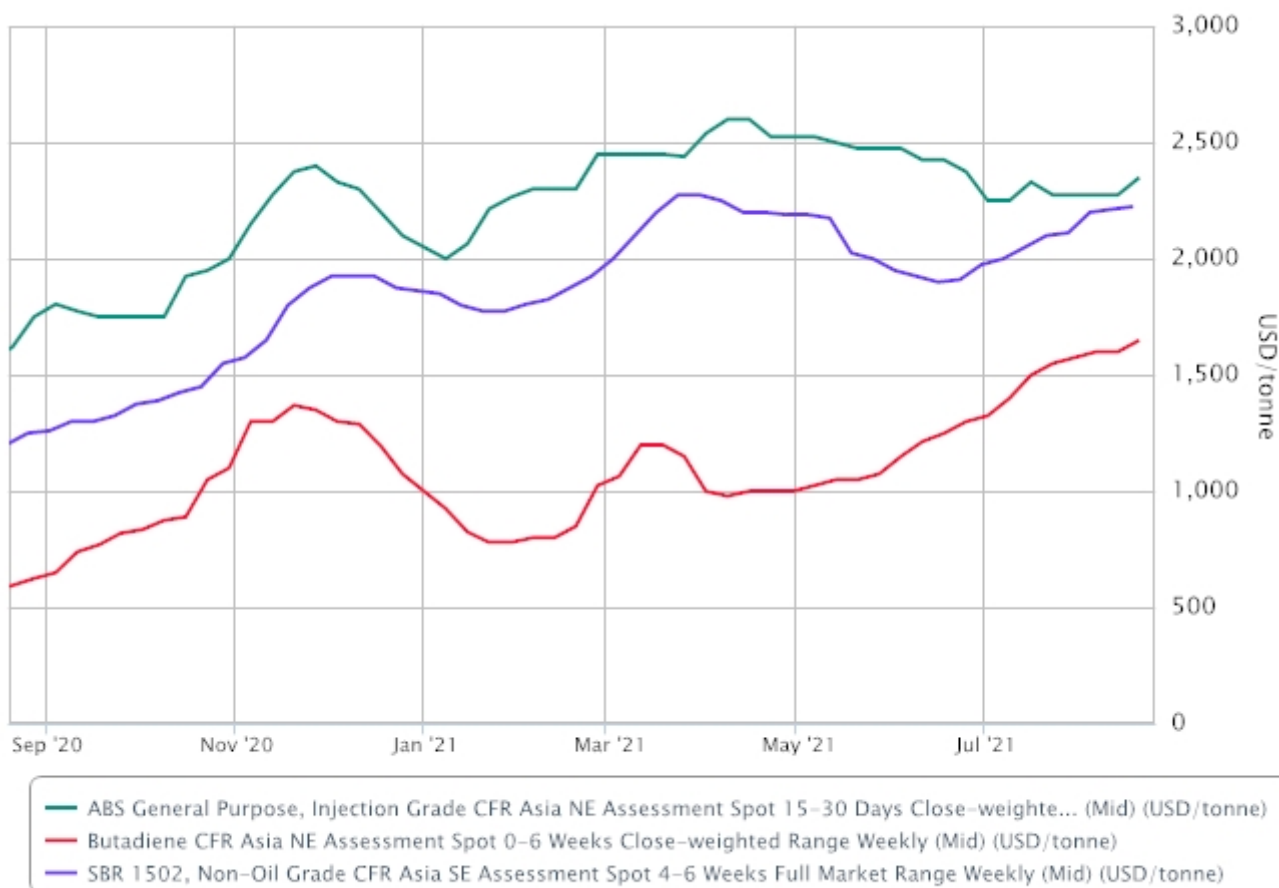
Spot discussions for styrene-butadiene-rubber (SBR) were buoyant in India, but relatively more subdued in other regional outlets where downstream operations are crimped by ongoing battle against the pandemic. The chart below shows the spread between BD and SBR in Asia.

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



© 2021 ICIS

Asian acrylonitrile-butadiene-styrene (ABS) spot import prices were higher, snapping last week's stalemate. Demand strengthened ahead of the traditional peak and availability was curbed as port restrictions ensued.



© 2021 ICIS

PRODUCTION

Anticipations remain high that the regional BD market will [lengthen](#) in due course, once more new projects come on stream in northeast Asia in H2 2021, but in the meantime, prompt availabilities in northeast Asia are cramped by ongoing turnarounds in China and recent production [issues](#) in Japan.

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

ANALYTICS

ICIS analyst view on styrene butadiene rubber (SBR)

ICIS expects balanced fundamentals for SBR in Asia in August and September.

Demand has been slow in China and southeast Asia due to normal seasonality and operating disruptions caused by the resurgence of the coronavirus Delta variant. Container freight rates continue to break record highs, with new data showing a further massive spike in the key Asia-to-Europe and Asia-to-US routes, pressuring tyre exports.

However, reduced SBR supply due to eroded margins is expected to offset the slow demand. China's SBR operating rates are expected to decrease to 60% in August from 74% in July on the back of one major plant turnaround and margin-related output cuts. Producers elsewhere in Asia have also cut rates on eroded margins.

SBR supply is expected to increase in September as the turnaround of the biggest Chinese SBR producer, Sinopec Qilu PC, ends. We also expect higher output from other producers amid anticipated improved margins.

By **Ann Sun** (ann.sun@icis.com)

For more information about analytical content, click [here](#).

ICIS Downstream Automotive Demand Outlook

It has been about a year-and-a-half since the world was plunged into the coronavirus crisis. But the last year has been the most puzzling in terms of outlook for global automotive industry stakeholders. The level of uncertainty has been unprecedented, challenging both decision-making and risk management. The global automotive industry was one of the first and hardest hit by the pandemic and has yet to make a full recovery. According to Oxford Economics, the global selling rate of light vehicles stood at 82.4m units/year in June, 9% short of its pre-pandemic selling rate in Q4 2019. Supply shocks continue to impact production, with a global shortage of microchips leading to cuts in auto output. Hopes for a speedy resolution are still distant. One potential hiccup to the supply of chips could be water! This is because their manufacture is extremely water intensive and Taiwan - which is home to TSMC, the world's largest chip foundry, and has a global market share of 56% of all foundries - is in the middle of its worst drought in 50 years. As a result, TSMC is sourcing requirements via additional water trucks. The Taiwan Institute of Economic Research estimates that water reduction in industrial parks is currently around 15%, which is below the 20% level that factories can tolerate.

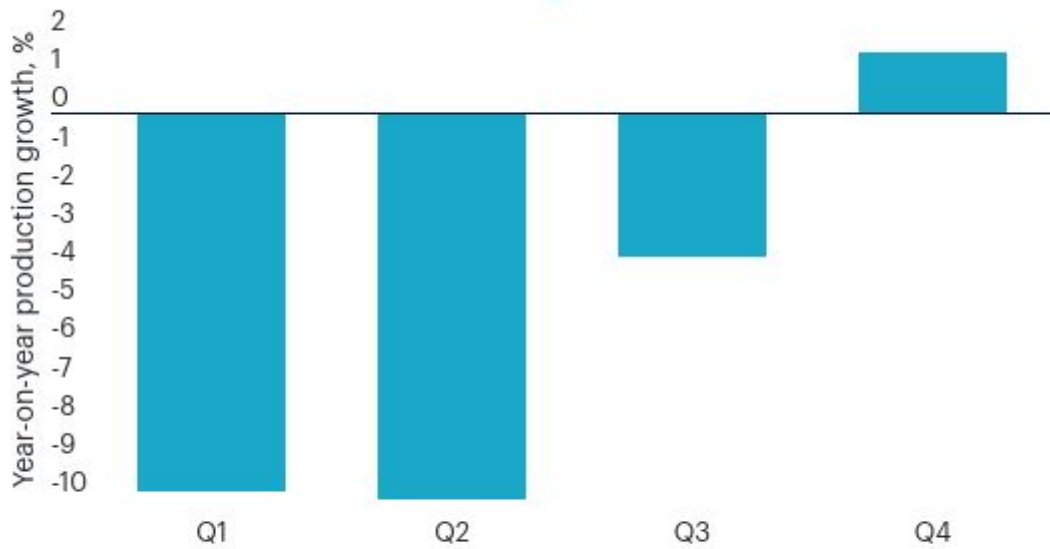
The North America auto industry remains in a weak spot with very little chance of a meaningful recovery this year. In July, US light vehicle sales fell to 14.8m from 15.4m units in June, down 4.1%, and total vehicle sales were down 13.4% year on year from 2019 levels. Inventories remain at an all-time low. In June, inventories totalled 168,700 units, the lowest since 1993. In the same month, the auto inventory/sales ratio stood at 0.804, its tenth straight monthly drop. Supply chain issues continue to haunt the industry, and chip supply has yet to catch up with demand. US automotive associations have asked for the CHIPS for America Act under the National Defense Authorization Act (NDAA) to be invoked. If successful, Congress must fully fund the research and manufacturing, along with tax credits.

According to the European Automobile Manufacturers' Association (ACEA), in the first half of 2021, EU passenger car registrations increased by 25.2% to 5.4m units. However, the figure was still 1.5m units below pre-COVID levels in the half of 2019. Commercial vehicles sales were up 36.9% year on year during the period, with demand primarily driven by central Europe. According to Oxford Economics, EU (including the UK) motor vehicle production for the full year is forecast to decrease 15% year on year in 2021 from 2019, but the registration of electric vehicles will continue to increase.

Asia was the first region to be impacted by the semiconductor shortage. According to the China Association of Automobile Manufacturers (CAAAM), the country produced and sold 1.863m and 1.864m automobiles in July, down 4.1% and 7.5% month on month and 15.5% and 11.9% year on year respectively. Compared with the same period in 2019, production and sales increased by 3.2% and 2.7% year on year respectively. Japan should see a severe near-term disruption, but South Korea will benefit from domestic chipmakers Samsung and SK Hynix which have both increased production. Electric vehicle production in Asia should ramp up sharply in 2021 as China, in particular, pushes for greater environmental measures. The Delta variant will be closely monitored, as further outbreaks could cut short any recovery.

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

Global motor vehicle sector growth, 2019 vs 2021



Source: Oxford Economics



Butadiene (Asia-Pacific) | 20-Aug-2021. ICIS accepts no liability for commercial decisions based on the content of this report. Unauthorised reproduction, onward transmission or copying of the Butadiene (Asia-Pacific) Report in either its electronic or hard copy format is illegal. Should you require a licence or an additional copy of the Butadiene (Asia-Pacific) Report, please contact ICIS at sales.uk@icis.com

ICIS, Quadrant House, The Quadrant, Sutton, Surrey, SM2 5AS. United Kingdom. ICIS accept no liability for commercial decisions based on the content of this report. Copyright violation is a serious offence. Any distribution or forwarding of information that is not expressly permitted by your subscription agreement is a copyright violation. ICIS uses software to monitor unauthorised electronic redistribution of reports.

© 2023 Reed Business Information Limited. ICIS is a member of RELX Group. www.icis.com

