



Butadiene (Asia-Pacific)

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

ICIS plans to discontinue the CFR Taiwan spot assessment in June 2023 as import trade in this market is already included in the wider CFR NE Asia assessment. For further information, please contact aiteng.lim@icis.com.

OVERVIEW

- **Domestic China up with restocking**
- **China's export offers boosted in line**
- **But no improvement in wider Asian import demand**

Domestic China market for butadiene (BD) rose this week, amid a wave of pre-holiday restocking purchases.

But this did not generate upside support for import trades in Asia, as demand fundamentals across Asia remained broadly weak in nature.

In China, local downstream factories looked to purchase and replenish stocks before the extended Labour Day holidays from 29 April to 3 May, which triggered domestic BD makers to hike offers and capitalise on the buying momentum.

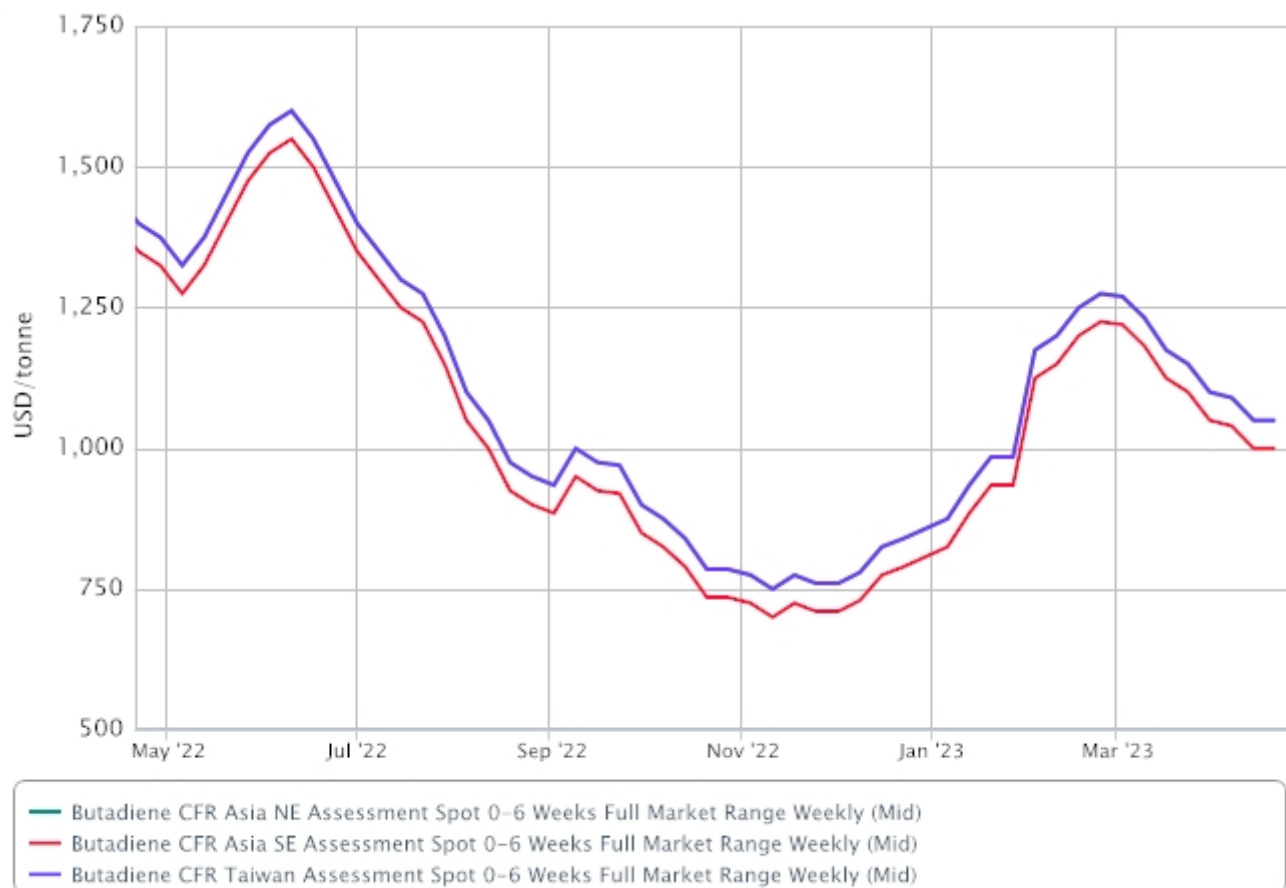
China's [export offers](#) for BD also edged up in tandem with the domestic gains.

But as downstream derivative markets, from synthetic rubbers to acrylonitrile-butadiene-styrene (ABS), stayed broadly flat, many market players said that the BD buying spree may fizzle out once stocks are sufficiently replenished.

That China's buying appetite for forward deliveries of US dollar-denominated imports remained lacklustre in nature reflected this lack of confidence about longer-term demand support for BD.

Similarly, bearish demand sentiment also weighed on import talks in wider Asia.

Even though spot supplies are tight in NE Asia due to heavy maintenance closures in Q2, regional end-users said that substantive requirements were low to begin with, considering sub-optimal downstream operations. There was also no lack of replacement volumes from SE Asia, as well as deep-sea sources, and, as such, buyers saw no need to rush to buy or to pay more for feedstock BD too.



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OUTLOOK

- SE Asian and deep-sea arrivals to compensate for NE Asian supply constraints
- But demand outlook still hazy
- Buyers likely to stay cautious in near term

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

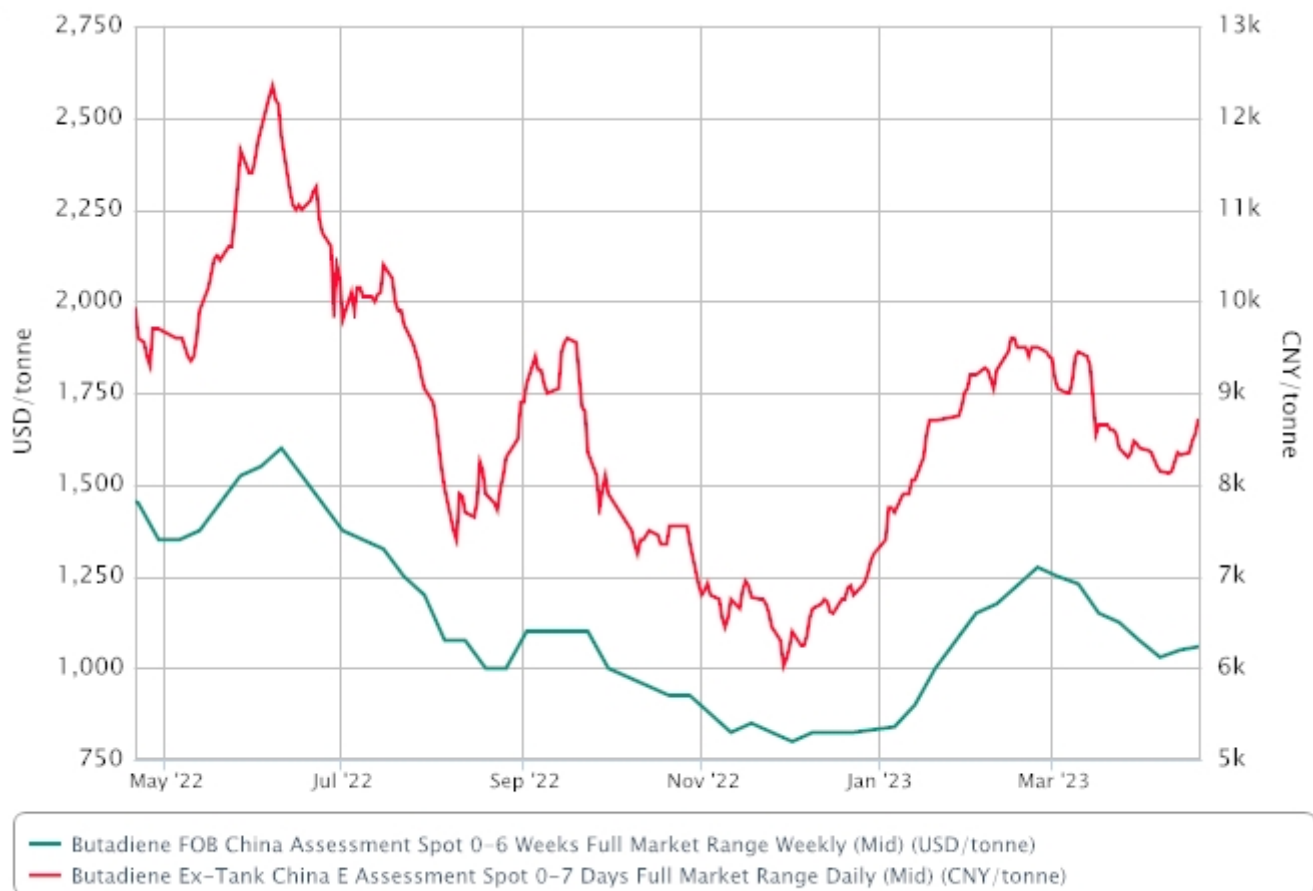
			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	n/c	1020.00-1100.00	+20	1100.00-1150.00	46.27-49.90
CFR NE Asia	USD/tonne	n/c	1000.00-1100.00	n/c	1100.00-1200.00	45.36-49.90
CFR Taiwan	USD/tonne	n/c	1000.00-1100.00	n/c	1100.00-1200.00	45.36-49.90
CFR SE Asia	USD/tonne	n/c	950.00-1050.00	n/c	1050.00-1150.00	43.09-47.63

China

FOB China assessments were stable-to-firm, with the high-end raised with higher offers.

But there were no meaningful discussions surrounding these export offers, as buying interest was low in wider Asia.

Domestic ex-tank prices in east China rose with more active domestic trades this week, as downstream factories sought to replenish stocks ahead of upcoming holidays in early May.



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Northeast Asia

CFR NE Asian assessments were rolled, taking into consideration broadly rangebound talks, and in the absence of fresh fixed-price trades.

Notional selling ideas for Asia-origin materials were heard at or over \$1,100/tonne CFR NE Asia.

7,500 tonnes of Europe-origin materials were sold for end May/early June arrival to NE Asia. Market sources pegged the transaction value at about \$1,100/tonne CFR NE Asia and, although this could not be fully verified, it served to bolster Asia-based sellers' confidence that this was not an untenable sales target.

But buying indications remained far below. The majority of buyers in South Korea and Taiwan were heard unwilling to pay over \$1,000/tonne CFR NE Asia, while some China-based parties were seemingly open to fork out \$30-50/tonne more, but only if this week's uptrend in the yuan-denominated market holds moving forward.

More market players are veering toward negotiating fresh spot deals on formula-linked terms, to circumvent the wide buy-sell disparity.

A southeast Asia-origin cargo was sold this week, via tender, for early May lifting on a formula-linked basis.

CFR Taiwan assessments were stable with unchanged CFR NE Asian assessments.

Monthly Contract DEL, \$/tonne	Mar 23	Feb 23	Jan 23	Dec 22	Nov 22
Taiwan FPCC	1,085	1,085	855	755	755
Korea YNCC	1,145	1,178	905	795	755

Southeast Asia

CFR SE Asian assessments were unchanged with stable CFR NE Asian assessments.

A southeast Asia-origin cargo, available to lift in the 19-23 May window, was put up for tender sales. The tender will close on 24 April.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

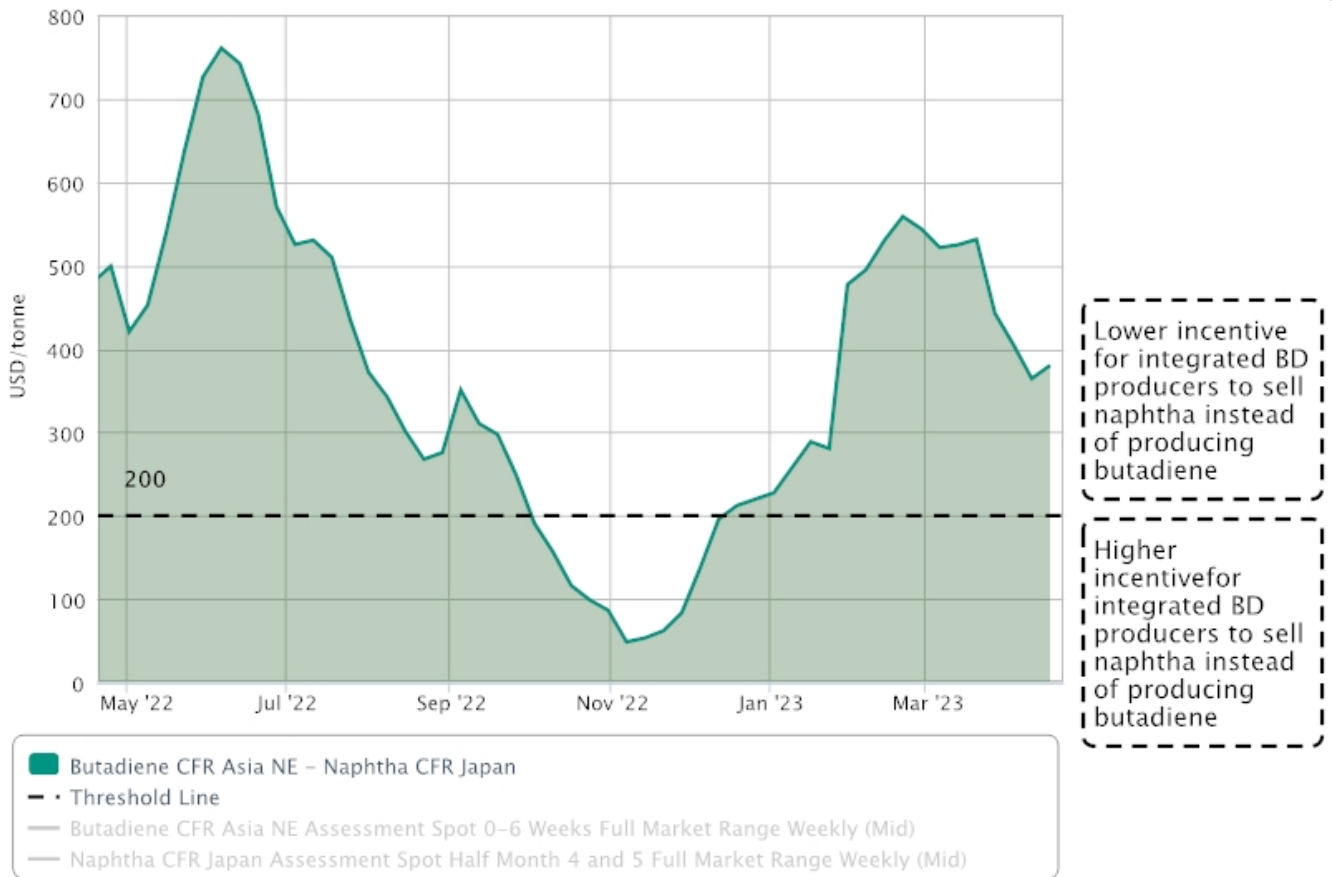
			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	+100	8700-8800	n/c	8300-8350	-

UPSTREAM

Naphtha:

- Weak downstream margins, crude oil weigh on market
- Cheaper LPG dampens naphtha feedstock demand
- Market structure backwardation narrows

[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.

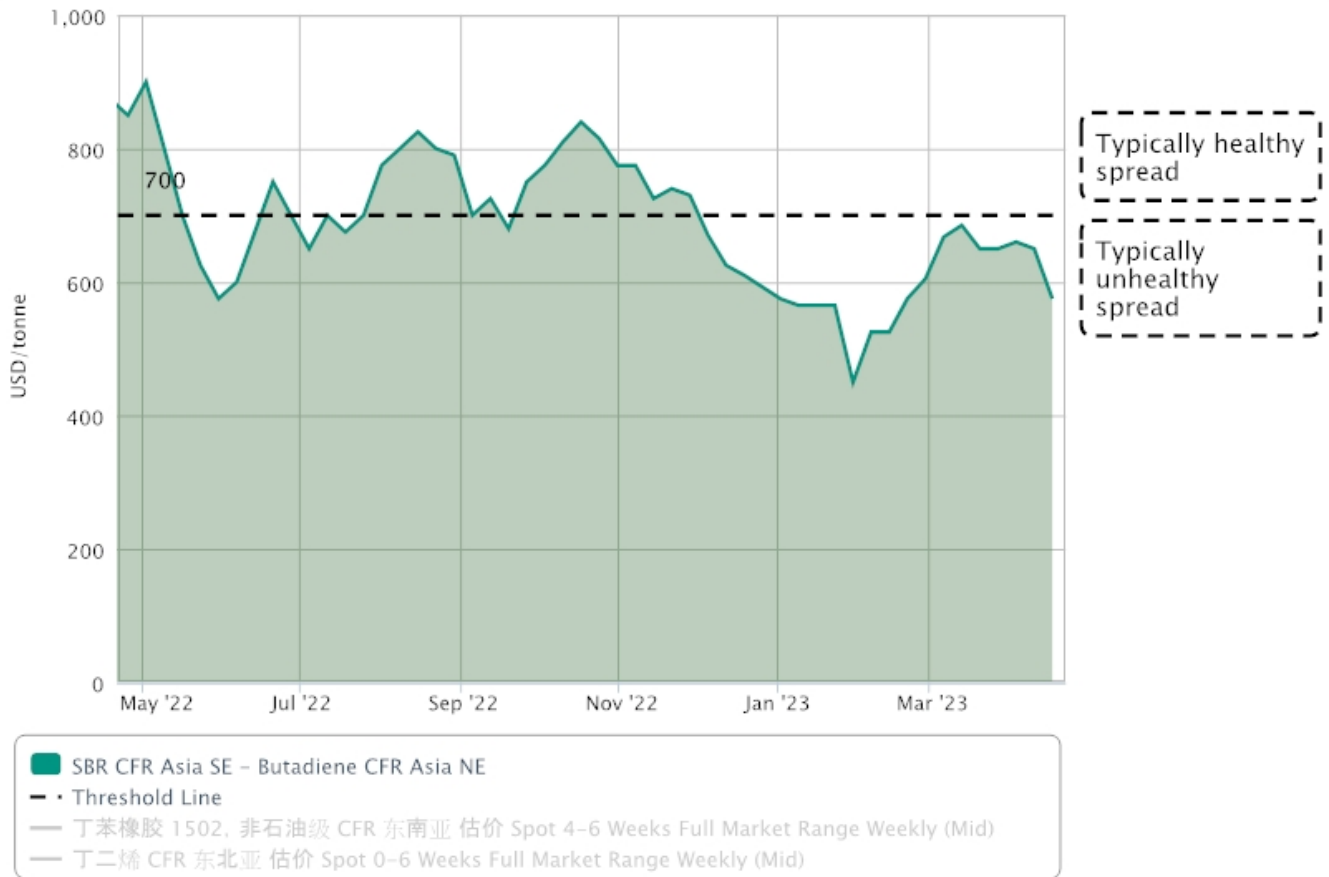
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Weak demand fundamentals prevail
- Discussions softer in SE Asia and India
- Some uptick in 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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Acrylonitrile-butadiene-styrene (ABS)

- Import prices down, halt earlier uptrend
- End-use consumption continues to dwindle despite upcoming Labour Day holiday
- Geopolitical tensions further worry players



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PRODUCTION

A heavy wave of maintenance closures will hit [China](#), [South Korea](#) and [Japan](#) in the April to June window.

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

OTHER REGIONS

Europe

- Quiet market again for Europe BD
- Domestic supply, demand fundamentals unchanged
- Production cuts required to offset still-reduced demand
- Export market in limbo, waiting for direction from Asia, US

US

- Steady fundamentals with supply outpacing demand
- Spot interest remains muted alongside weak demand
- Q2 turnarounds draw little concern

ANALYTICS

ICIS Butadiene Outlook

According to the ICIS Live Disruptions Tracker, US BD capacity lost in May is likely to be around 41,000 tonnes/month or 23% of total nameplate capacity. The market will remain covered due to soft demand and possible imports from Europe. There are expectations for a slight improvement in demand for

synthetic rubber and the polymer sectors on an annual basis. Automotive production in North America should increase to about 15.6m units in 2023, up by 5% from 2022, according to AutoForecast Solutions, although it will remain below the 16.8m vehicles recorded in 2019. A lack of components and consumer caution are likely to be the main factors limiting production capacity.

The European BD contract may increase in May and June, given expectations of higher naphtha costs month on month. That said, producers will not have trouble meeting low contractual offtakes. Some buying interest from Asia and the US could support sentiment in Europe. In early April, the European Commission reimposed definitive anti-dumping and countervailing duties on Chinese imports of certain tyres, new or retreaded, for buses and trucks. Although these markets are not comparable with the passenger car market in terms of sales, disruptions down the supply chain could loom. European tyre manufacturers may increase prices and thus depress demand to an extent.

The northeast Asia BD market will be affected by capacity loss due to a planned turnaround over the next few weeks. Based on the ICIS Live Disruptions Tracker, the region will see available production capacity reduced by about 50,000 tonnes/month and 70,000 tonnes/month in April and May respectively. South Korea's export capability, in particular, will be limited. The outlook for China has improved, but a demand recovery will take longer than expected. BD prices in northeast Asia are likely to trend lower from H2 2023. Supply will be enough to meet domestic demand. Downstream SBR margins could be compressed compared with 2022. Total BD capacity will increase by about 900,000 tonnes/year to 9.8m tonnes/year in 2023. That said, BD prices remain exposed to volatility in the crude oil market.

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