



Butadiene (Asia-Pacific)

By Ai Teng Lim
21-Jan-2022

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

The FOB China and Chinese domestic yuan (CNY) prices in the weekly analysis on 4 February will not be assessed. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Domestic China rebounds after early-week losses**
- **Import offers rise in line**
- **Wide buy-sell gap prevails**

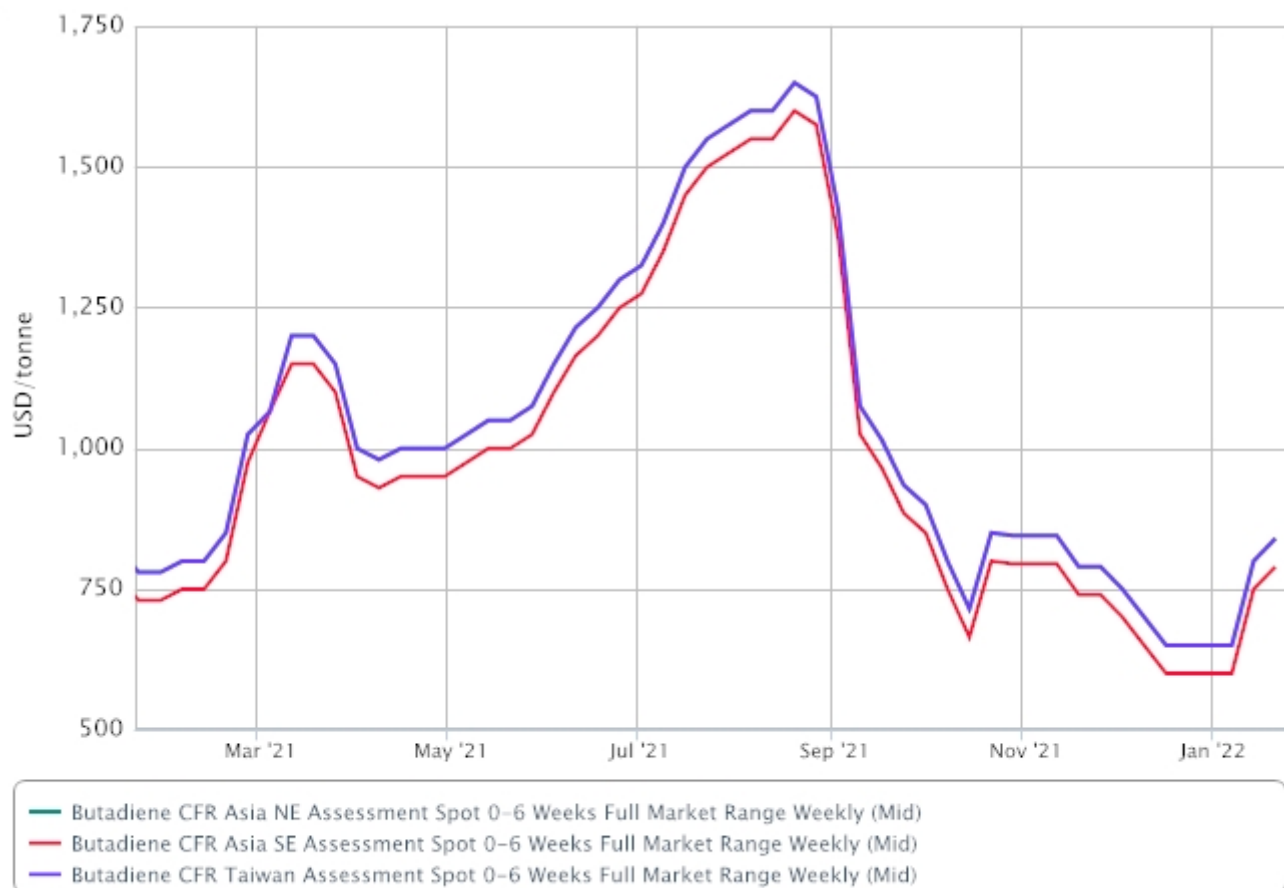
Discussions for Asian butadiene (BD) import cargoes finished on a higher note week on week, mainly supported by a buoyant domestic China.

But trade liquidity is low, with many players hesitant to commit, not just due to concerns of a [volatile domestic China](#), but also because they are winding down for the extended Lunar New Year period.

In China, domestic yuan prices fell earlier in the week, as buying tempo eased after a flurry of purchases in the prior week. But yuan prices rebounded sharply towards the end of the week, amid news of a [local BD plant outage](#), as well as [heavier cuts](#) in various upstream cracker run rates.

Sentiment among sellers of US dollar-denominated import cargoes were boosted by the late-week gains in the yuan market, and selling expectations climbed in tandem.

But the gap with buyers remain wide, hampering trade, as buyers held fast to lower buying indications, given their conviction the regional BD supplies are structurally long. Most said that they will hold off fresh negotiations until after the yuan market has stabilised or when the holiday period is fully over in H1 February.



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OUTLOOK

- **Structural supply overhang to cloud longer-term outlook**
- **Trade momentum may also ease with upcoming holiday**
- **Uncertainties prevail in downstream rubber sector [demand outlook](#)**

ICIS analyst view on styrene butadiene rubber (SBR)

ICIS expects fluctuations in the Asian SBR market in January-February, given seasonal weak demand and speculations in the domestic Chinese market.

The semiconductor shortage continues to impact original equipment tyre demand globally, and replacement tyre demand is expected to slow along with a recent spike in coronavirus cases.

Chinese tyre plants were heard running at 55-60% capacity in mid-January, about 10 percentage points lower month on month. Chinese tyre factories will shut from second-half January and are expected to restart in mid-to-late February. The extended shutdown is due to the Winter Olympic Games (4-20 February) and high tyre inventories.

The spread of the Omicron variant is expected to dampen demand. More countries are introducing tighter restrictions, including India, the Philippines and China. This could see import delays, which may support prices in the short term. However, ample regional capacity may offset any longer-term impact.

Speculative interest in China grew in recent weeks because a price gap between synthetic and natural rubber has developed. The upstream butadiene market is also volatile.

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

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

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	+50	800.00-900.00	+100	600.00-650.00	36.29-40.82
CFR NE Asia	USD/tonne	+50	800.00-880.00	+30	600.00-700.00	36.29-39.92
CFR Taiwan	USD/tonne	+50	800.00-880.00	+30	600.00-700.00	36.29-39.92
CFR SE Asia	USD/tonne	+50	750.00-830.00	+30	550.00-650.00	34.02-37.65

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	+600	6100-6300	+300	5900-6000	-

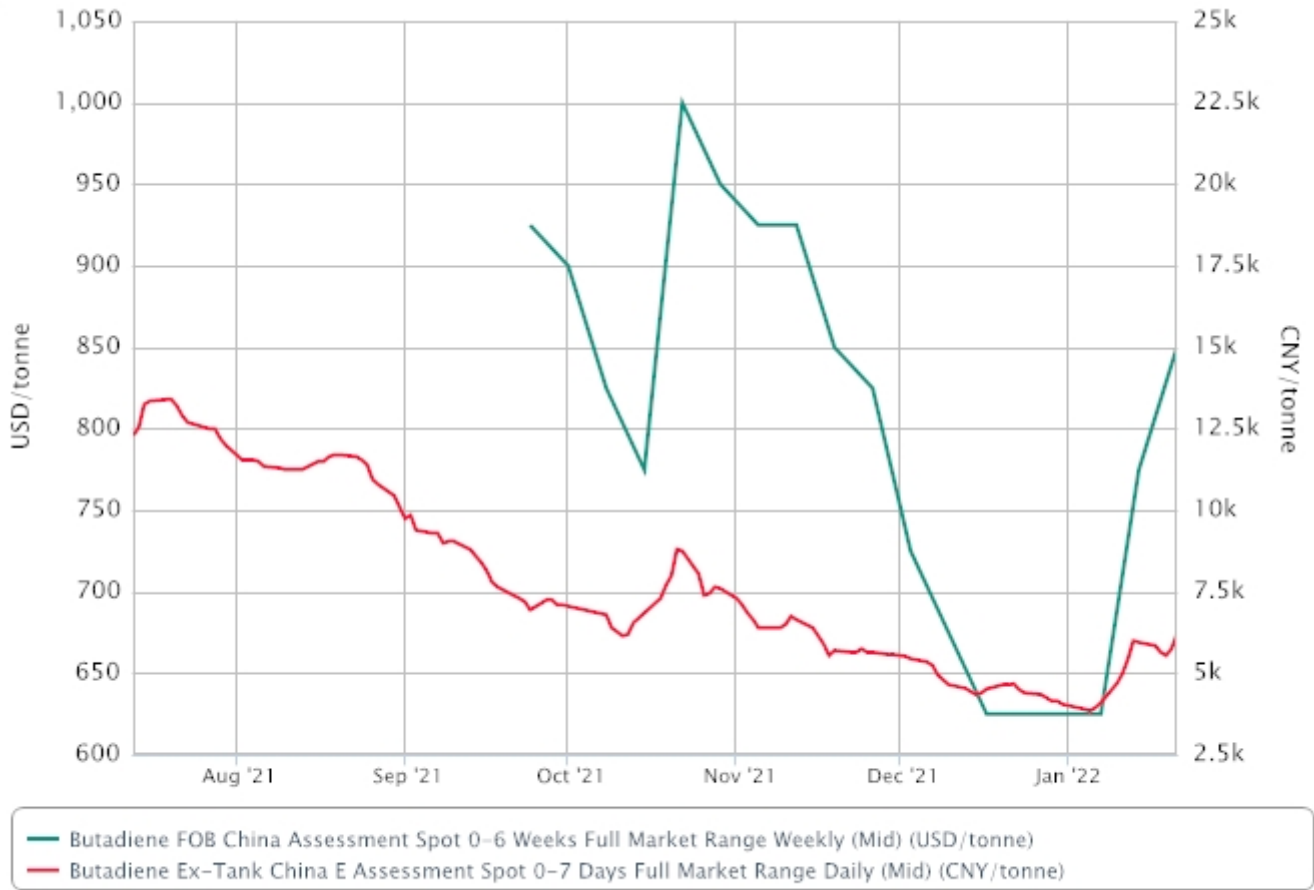
China

FOB China prices extended gains, tracking week-on-week increases seen in the yuan-denominated market.

Some cargoes were heard offered at the high end of the range, but drew limited buying interest.

That said, sellers were heard at ease, confident that output cuts, such as that coming from a plant outage, will provide support for their expectations.

Domestic China prices trended down early in the week with easing buying tempo, but rebounded at the end of the week, amid plant woes and upstream cracker operating rate cuts.



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Northeast Asia

CFR northeast Asian assessments were up, tracking firmer discussions and deals.

The high end reflects a transaction for early March shipment of Asia-origin material, while buying indications were capped at the low end.

Some cargoes were indicated at levels above the published range, but drew no response.

A NE Asia-origin cargo was heard sold in the week prior for March shipment to the US, and sell-side elements said that this would help reduce the regional overhang and provide additional pricing support moving forward.

CFR Taiwan assessments were adjusted up, in tandem with changes in the CFR NE Asian assessments.

Month	Dec	Nov	Oct 21	Sep	Aug	Jul 21	June	May	Apr 21	Mar	Feb	Jan
ly	21	21		21	21		21	21		21	21	'21
Contract												
DEL, \$/tonne												
Taiwan FPCC	780	885	870	1,175	1,545	1,380	1,205	1,010	1,050	1,135	880	950
Korea YNCC	645	800	790	1,050	1,650	1,470	1,245	1,010	987	1,102.50	827.50	867

Southeast Asia

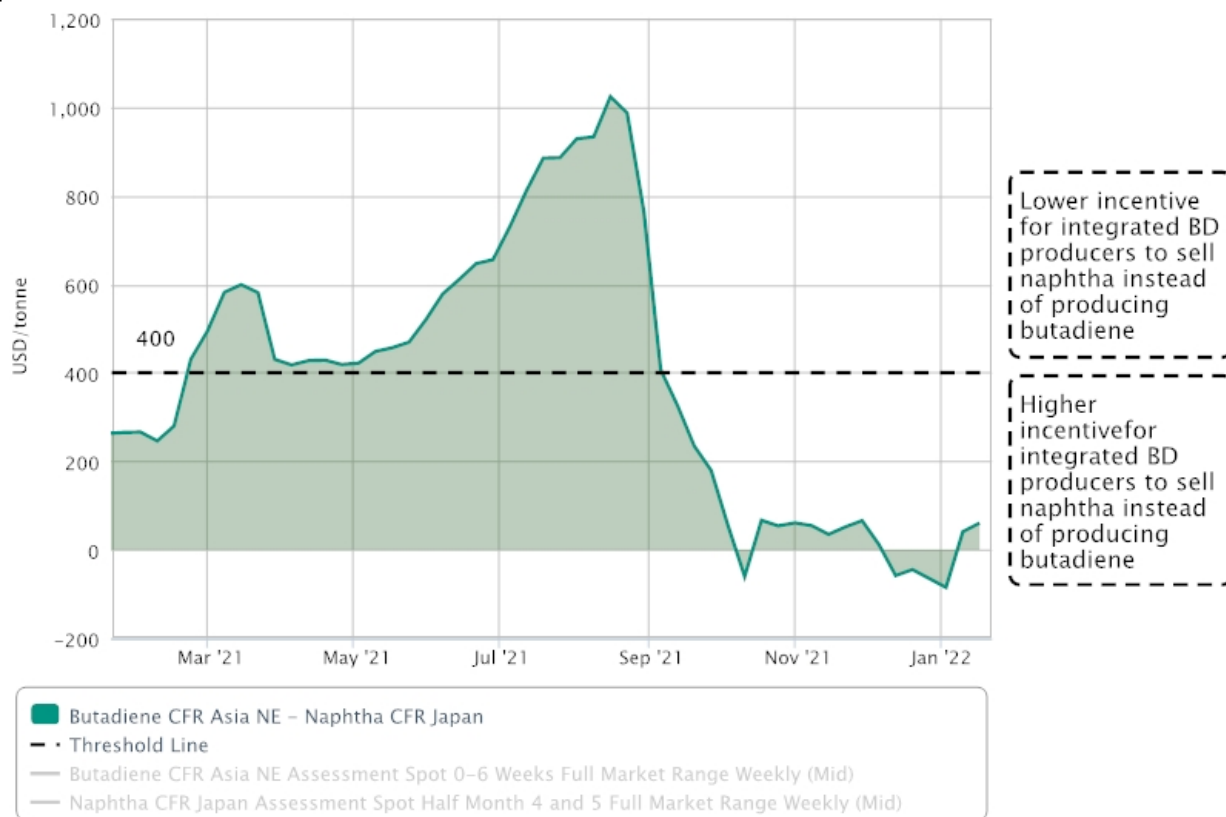
CFR SE Asian assessments were raised in tandem with CFR NE Asia assessments, in the absence of any concrete business.

A southeast Asia-origin cargo was offered, via tender, for February shipment sales, but the tender was not conclusive due to lack of viable bids, market sources said.

UPSTREAM

Asia-Pacific naphtha prices tracked rallying crude oil futures in the week. The upward pressure was capped by diminishing downstream olefins margins that have led to cracker output cuts in northeast Asia. Naphtha’s market structure remained at a narrower backwardation amid softer sentiment, even as prompt-month prices are firmer than forward months.

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



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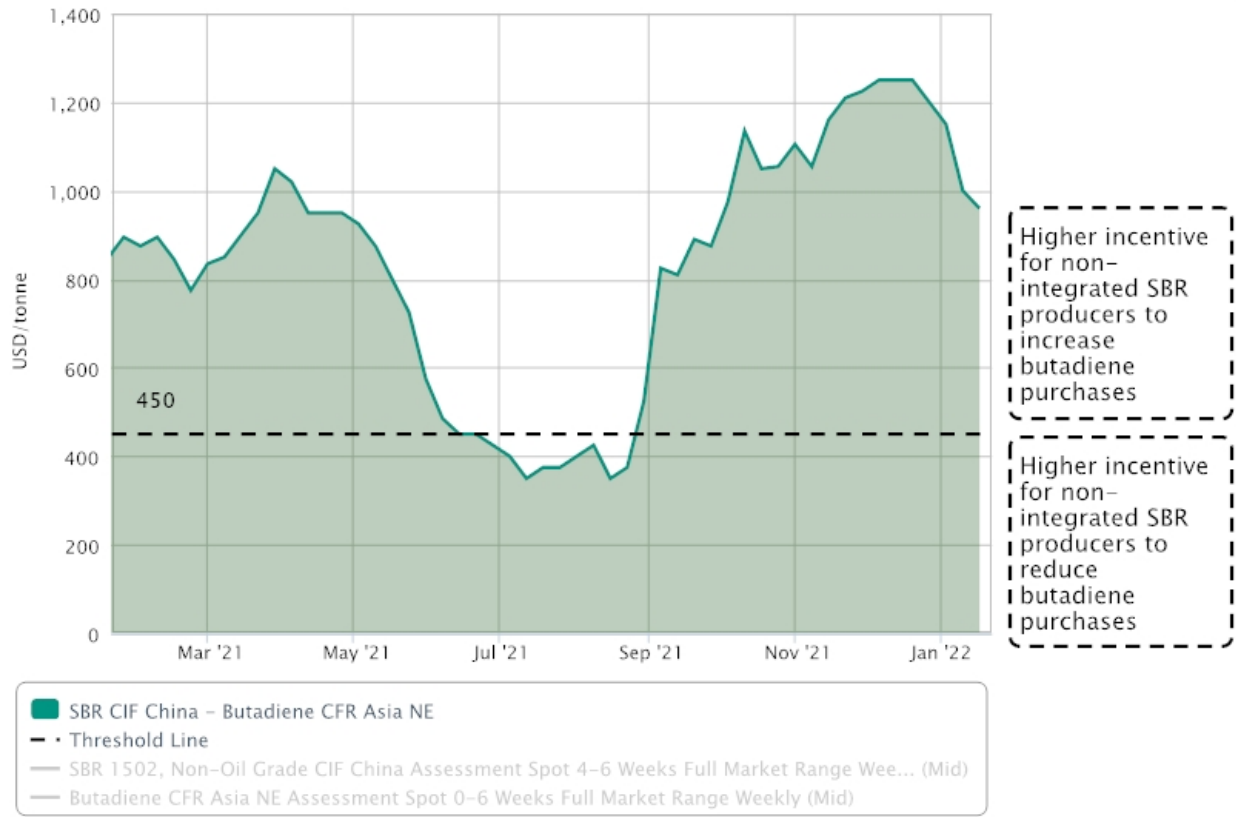
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary

DOWNSTREAM

Asian styrene-butadiene-rubber (SBR) import discussions [stalled](#) on poor demand and upstream butadiene volatility.

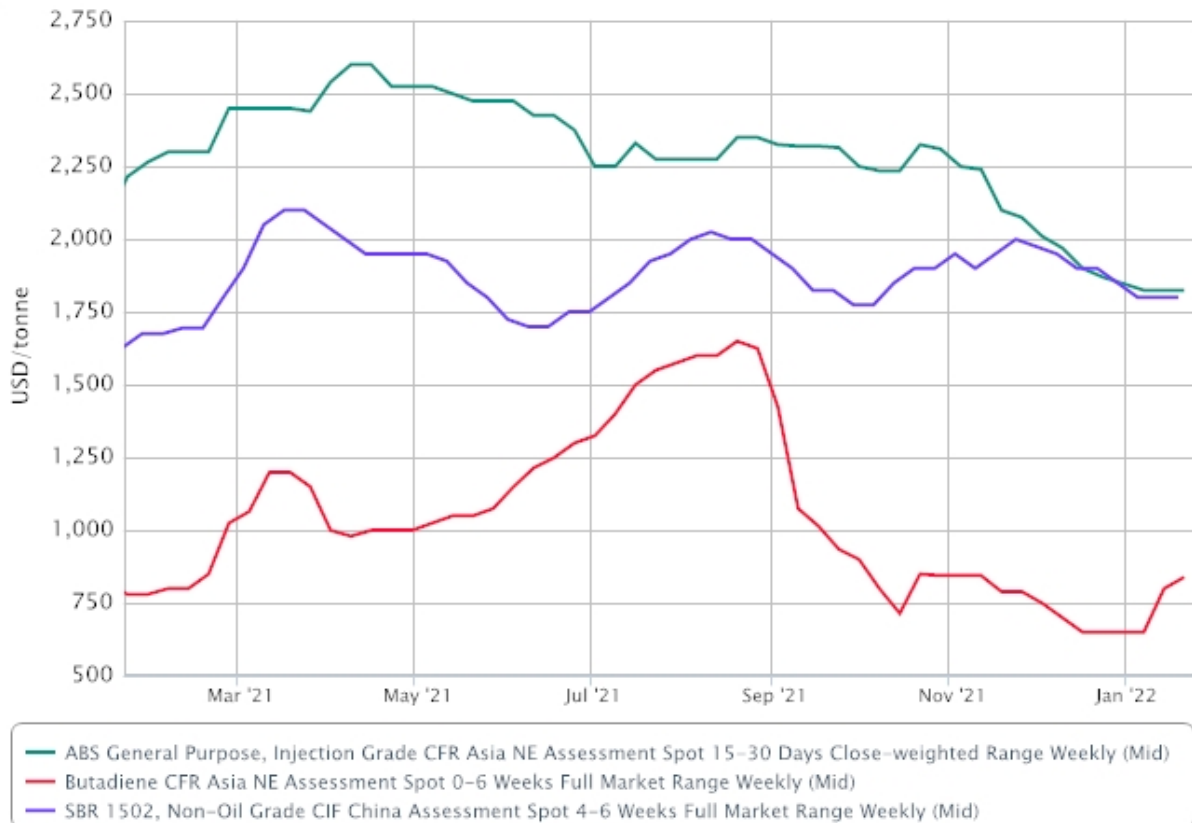
The chart below shows the spread between BD and SBR in Asia

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



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Spot acrylonitrile-butadiene-styrene ([ABS](#)) import prices in northeast Asia held steady for a second week after a decline from 22 October 2021. Few players actively sought spot procurement, given the sufficient supply.



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PRODUCTION

The regional BD market remains structurally over-supplied, with more [new capacities](#), including a 200,000 tonne/year unit in China's Zhejiang province, expected to come onstream in the next quarter or two.

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

OTHER REGIONS

In the US, February BD contract nominations were heard [higher](#) than January, alongside recent gains seen in Asia.

ANALYTICS

ICIS Butadiene Outlook

UD BD demand should remain good throughout H1 2022 and production is expected to improve on a year on year basis. On paper, the arbitrage window to the US for both Asia and Europe is forecast to remain open for most of 2022, although Asian suppliers seem to have an edge over European tonnes. So far, South Korea in particular has scheduled four cargoes totalling 21,500 tonnes from January to February. South Korea will continue to eye the US as alternative outlet for its BD surplus. The effect of the chip shortage persists on the global automotive industry. ICIS analysts expect new passenger car and light truck sales in the US in 2022 fall short of the 2019 level by 8%, with Q1 2022 around 77% of the same period of 2019, and about 88% by Q2 2022. Sales in the first quarter of 2022 will be particularly weighed on by growing Omicron variant infections.

The near-term outlook for Europe may be better than forecast as vaccination and booster targets are on track across the key markets. Therefore, ICIS expects less impact on household consumption from coronavirus restrictions during 2022 compared with 2021. The outlook for the Europe BD market is likely to be grim for January because supply is forecast to be balanced to long. European BD suppliers are expected to compete with Asian producers to move cargoes to the US over the next few weeks. According to ICIS analysts, European BD prices are forecast to be unworkable for the Asian market in 2022. The start-up of new Chinese BD plants will contribute to the suppression of Asian prices.

GDP for Indonesia, which is the second most populated country in southeast Asia with about 270m inhabitants, is forecast to grow by 5% in 2022, increasing from 3.5% in 2021, as the Asian Development Bank reported in the December 2021 outlook. BD Indonesian demand is expected to rise over the coming years, widening the demand-supply gap. Moving forward, Indonesia will develop its BD industry thanks to two new projects. The Lotte Chemical Indonesia New Ethylene (LINE) project, which is officially set to be completed by 2025, will produce 140,000 tonnes/year of BD. The construction of the second Chandra Asri petrochemical complex, or CAP2, at Cilegon will include a naphtha-based cracker and provide 175,000 tonnes/year of BD by 2026.

By **Paolo Scafetta**, ICIS senior olefin analyst, paolo.scafetta@icis.com

ICIS Downstream Automotive Demand Outlook

Global automotive output is expected to grow 8.8% in 2022 compared with 2021, although it will still be down 10% from 2019 levels. (Q1 2022 is expected to fall by 4.7% year on year). The global auto industry continues to suffer because of key material shortages and the impact of the pandemic. Chips and electric steel supply issues are likely to persist. Polyamide, a key input material, is anticipated to be in short supply as ammonia production is cut due to high energy costs. In addition, a disruption caused by a typhoon was reported at a Malaysian and Singapore MEG plant.

US automotive output is expected to grow 8.3% in 2022 compared with 2021, although it will be down 2% from 2019 levels. (Q1 2022 is expected to grow by 0.9% year on year). The inventory sales ratio was 0.242 in November 2021, the lowest on record.

EU automotive demand (including the UK) is outpacing supply. Inventories are at an all-time low. EU automotive output is expected to grow 17.0% in 2022 compared with 2021, although it will still be down 26% from 2019 levels. (Q1 2022 is expected to shrink 9.8% year on year). The chip shortage is likely to last well into 2022 and will result in weaker-than-expected vehicle sales and poor demand for key polymers used in the automotive industry.

A modest improvement in China's automotive industry is expected. Output is expected to grow 4.9% in 2022 compared with 2021 (Q1 2022 is forecast to grow by 0.9% compared with Q1 2021). However, pockets of coronavirus infections amid a 'zero COVID-19' approach will likely weigh on demand. Xi'an, the capital of Shaanxi Province, has been under lockdown since 22 December. However, it is worth noting that Shaanxi Province accounts for just 2.7% of the country's passenger cars. In terms of stock, the inventory coefficient was at 1.43 in December 2021, a year on year decrease of 20.6% (although it increased 5.9% month on month). Indian automotive output in 2022 is expected to grow 2.0% compared with 2021, although it will be down 4.6% from 2019 levels. (Q1 2022 is expected to shrink by 7.7% compared with Q1 2021). Despite a healthy order book, passenger vehicles continue to be affected by the chip shortage and increased lead times.

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

Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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