



Butadiene (Asia-Pacific)

By Ai Teng Lim
21-May-2021

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

OVERVIEW

- **Discussions rangebound**
- **Uptick in domestic China**
- **Buying appetite for imports still uneven across Asia**

Asia spot prices for butadiene (BD) were unchanged, taking into account rangebound buy-sell pricing indications for cargoes headed to diverse regional outlets.

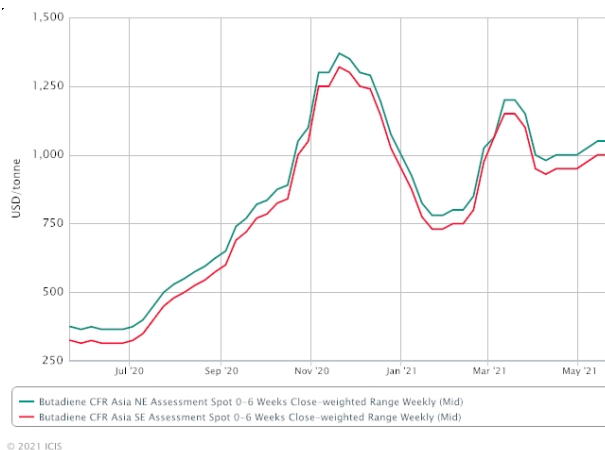
In China, domestic trades picked up slightly, with off-take expected to rise now that several downstream synthetic rubber plants are [restarting](#) from prior maintenance closures.

Prompt supply in the domestic pool also tightened somewhat with China BD makers heard actively exploring export sales.

This bolstered in turn BD sellers' optimism that China's buying appetite for US dollar-denominated imports may improve in line.

Many therefore held firm to their existing import offers, if not chased higher targets, especially since they perceive buying interest to be fundamentally healthy in the rest of Asia, and that the region could easily absorb any spot volumes they have in hand, even if the anticipated buying from China does not materialise.

Indeed, China-based buyers were heard broadly still cautious about committing on fresh imports, for fear that the US dollar-denominated market may soften later should overall regional supply lengthen once new BD projects come on stream, possibly from June at the earliest.



OUTLOOK

- [Uneven supply conditions](#) between China and rest of Asia to persist
- Coronavirus situation may [weigh in](#) on downstream demand
- Supply overhang concerns prevailing too

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
CFR NE Asia	USD/tonne	n/c	1000.00-1100.00	n/c	950.00-1050.00	45.36-49.90
CFR Taiwan	USD/tonne	n/c	1000.00-1100.00	n/c	950.00-1050.00	45.36-49.90
CFR SE Asia	USD/tonne	n/c	950.00-1050.00	n/c	900.00-1000.00	43.09-47.63

Northeast Asia

CFR northeast Asian prices were kept unchanged, taking into account pricing indications heard for deliveries to diverse destinations.

A few cargoes were heard sold for June shipment, but deals were heard closed on formula basis.

Discussions were thin for fixed price transactions, but market players were of consensus view that the current published range is still broadly representative of mainstream buy-sell views, with buying indications heard mostly at the low end of the range, while selling indications hovered at the high end.

CFR Taiwan assessments were kept unchanged with stable CFR NE Asia assessments.

Monthly Contract DEL, \$/tonne	Apr '21	Mar '21	Feb '21	Jan '21	Dec '20	Nov '20
Taiwan FPCC	1,050	1,135	880	950	1,255	1,230

Korea YNCC	987	1,102.50	827.50	867	1,263	1,325
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East China domestic prices DEL (CNY/tonne)

Domestic China prices were up, in part because downstream demand prospects brightened after a local major styrene-butadiene-rubber (SBR) plant [restarted](#) this week from a four-month-long outage.

21 May	14 May	7 May	30 Apr	23 Apr	16 Apr	9 Apr
7,600-7,700	7,400-7,400	7,300-7,400	7,200-7,300	7,100-7,200	7,400-7,600	7,500-7,700

Southeast Asia

CFR SE Asian assessments also held steady with stable CFR NE Asian assessments.

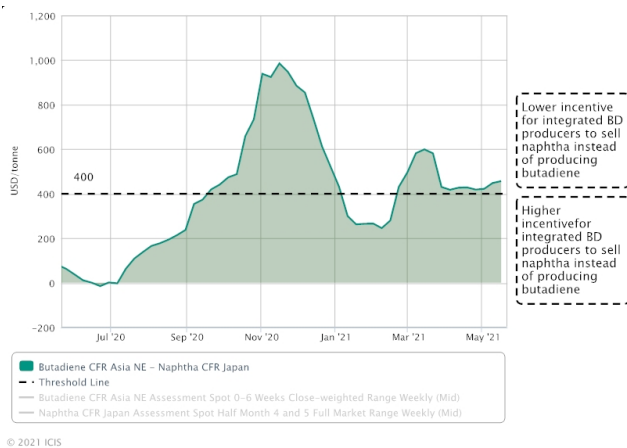
A couple of SE Asia-origin cargoes were heard sold this week for June loading. Counterparties were not fully disclosed and the deals were also heard mostly concluded on formula basis.

A regional maker is heard looking to buy BD, possibly to refill stocks ahead of operating rate cuts expected at its own BD unit once its related upstream cracker [shuts](#) for maintenance in July.

UPSTREAM

Asia-Pacific **naphtha** markets tracked falls in global crude oil futures. Increased use of cheaper liquefied petroleum gas as an alternative feedstock weighed on sentiment, along with expectations of steady west-east arbitrage flows.

[Feedstock spread between naphtha CFR Japan and butadiene CFR NE Asia](#)



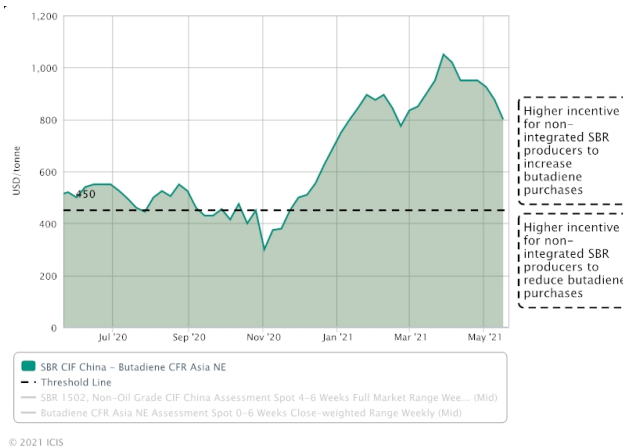
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asian **SBR** prices plummeted as sellers [dropped offers](#) to induce buying, and Indian demand was also [depressed](#) as the coronavirus situation there continues to flare.

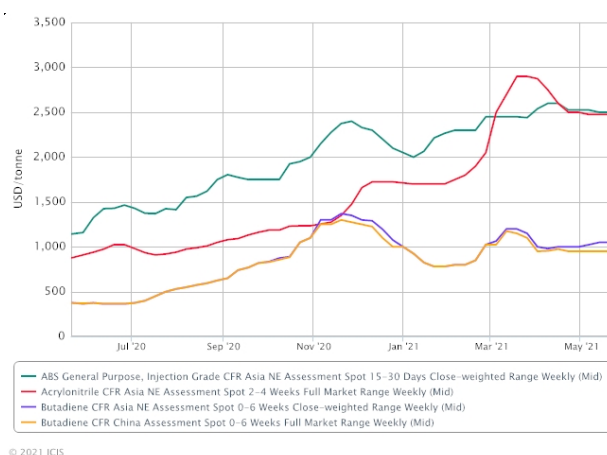
The chart below shows the spread between BD and SBR in Asia.

[Spread between butadiene and SBR Asia](#)



Asian **acrylonitrile-butadiene-styrene (ABS)** prices lost fresh ground as demand continued to wane.

The Asian **acrylonitrile (ACN)** market was stable but liquidity is low as spot supply remained constrained on [turnarounds](#), and demand waned on coronavirus resurgence.



PRODUCTION

Q2 2021 output in Asia is weighed down by a seasonal wave of regional plant [maintenance](#), but supply may lengthen in the same period once new BD projects come on stream.

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

OTHER REGIONS

Supply conditions in the US BD market may not [regain balance](#) till much into H2 2021, due to stronger-than-usual demand amid production constraints.

ANALYTICS

ICIS butadiene outlook

US BD production reached about 270,000 tonnes in Q1 2021, based on the available data, down by about 12% on Q1 2020, as a consequence of polar storm-related shutdowns. Despite an increase in production to between 330,000 tonnes and 350,000 tonnes in Q2, tight market fundamentals are likely to persist. Another rise in output is forecast in Q3 2021 compared with Q2 2021, capping opportunities for exports from European producers.

The European BD market is set to be bullish for June amid healthy demand and constrained supply. Given the persistent effects stemming from February's deep freeze, the US market might continue attracting interest from several European producers during the next few weeks. In contrast, a bearish mood is expected for the BD industry for most of H2 2021 due primarily to the return of plants from seasonal maintenance combined with the start-up of new units in Asia.

Throughout H2 2021, South Korea will be adding new BD production capacity that is expected to increase from almost 1.3m tonnes/year to 1.6m tonnes/year this year and to about 1.9m tonnes/year in 2022, according to the ICIS Supply and Demand Database. Three new BD extraction units will be commissioned by Hyundai Chemical, LG Chem and Yeochun NCC in 2021. Another facility will be installed by Lotte-GS Chemical at Yeosu next year. South Korea, which is structurally short in BD, should see a gradual reduction in its shortfall and even halve it by 2025.

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

ICIS analyst view on styrene butadiene rubber

A pause in China's tyre industry has been seen from mid-April as inventories build up. High tyre inventory levels in China, which resulted from the eroded export margins to the west due to increased freight rates and a shortage of containers, will likely also weigh on the outlook in the following months.

The COVID-19 crisis in India may further dampen the demand outlook. Decreasing demand from India may lead to an oversupply in wider Asia.

A rising infection rate has led to increasing natural rubber (NR) supply concerns over tapping, production and logistics as new COVID-19 waves hit Vietnam and Thailand. This, together with the risk in China's futures market, adds to the uncertainty in the SBR market.

SBR supply is expected to increase from July as heavy regional turnarounds come to an end and the supply tightness in the west begins to ease.

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

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

ICIS downstream automotive demand outlook

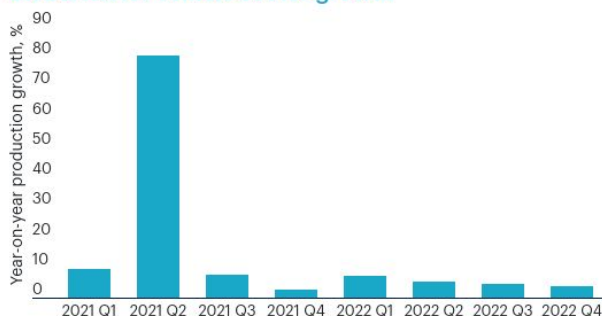
Global automotive demand has been strong due to pent-up demand during lockdowns, high savings and a pandemic-related movement away from public transport. The global light vehicle sales rate rose to 87.5m units/year in March, an improvement on 81.8m units/year in February 2021 (Oxford Economics). However, automotive production has lagged sales, resulting in a global drawdown of vehicle stocks. Production has been hit by several factors, including lockdowns, plant closures and supply chain issues. The main supply chain issue is a shortage of semiconductor chips, which has led to widely-reported production cuts. However, February's polar storm in the US, several force majeure in the polymer chain, the Suez Canal blockage, a shortage of polyurethane (PU) foam in the US and other issues, have exacerbated the supply problem.

In April, Chinese car sales were down by 10.8% month on month, with passenger cars and commercial vehicles down -9.1% and -15.9% respectively. This was partly because April is seasonally a weak month for car sales, unlike March, and therefore a month on month decline was expected. The China Association of Automobile Manufacturers (CAAM) is quite optimistic about prospects for the market. According to the Center for Automotive Research (CAR), by 2025 30.2mn new cars will be sold in China, making it about ten times larger than the German car market. However, according to an ICIS estimate, passenger car sales are not expected to surpass 2017's peak of 24.6m units until 2027. As far new energy vehicles are concerned, China is ramping up its infrastructure to support the growth of electric cars. For example, car makers including NIO have announced the

launch of a new energy supply plan "Power North," which will construct a charging and battery swapping infrastructure. Forecasts suggest there will be one power charging station every 100km on the expressway within the next three years.

By **Jincy Varghese**, ICIS demand analyst and **Rhian O'Connor**, ICIS senior analyst

Global motor vehicle sector growth



Source: Oxford Economics



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