



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.

OVERVIEW

- **Import discussions trend down**
- **But domestic China sees some recovery**
- **Buy-sell gulf remains**

Asian spot discussions for butadiene (BD) continued to [trend down](#) on tepid buying interest, with most end-users heard already amply covered for May and not prepared to discuss June trades as yet.

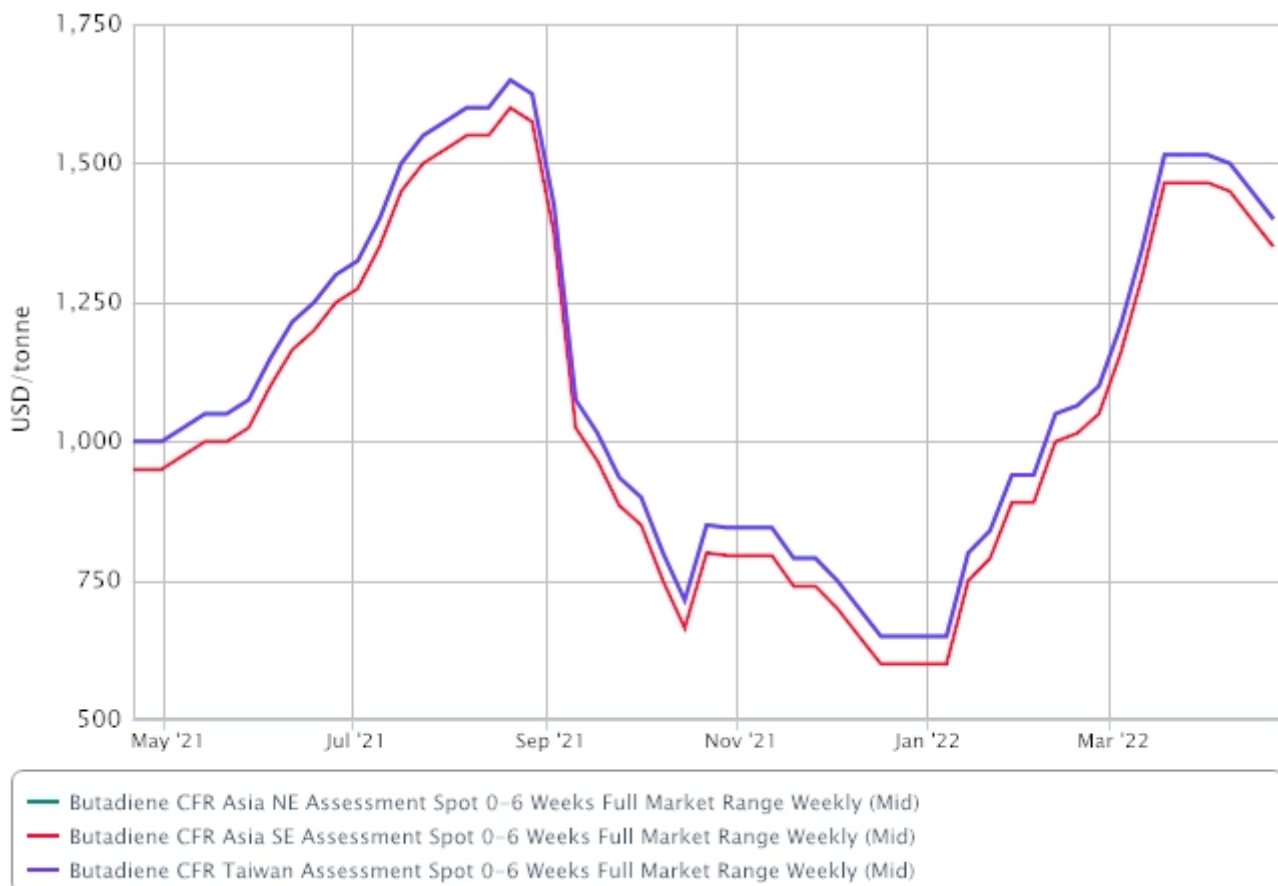
For those who may still be open to discussing fresh bookings, buyers held fast to low buying indications, reflecting in part their bearish outlook, as prior global economic growth projections look increasingly at risk of [going awry](#) now that there is as yet no near end in sight for the Russia-Ukraine war.

On the supply front, while some sellers did moderate expectations to meet buyers mid-way and move some volumes, most were heard still hesitant to price too much lower, for fear that their cost pressures may rise again should the volatile crude markets trend up further.

Some sellers also waited to see how the domestic China market may trend, as yuan prices there showed some recovery earlier in the week, after some local logistical bottlenecks eased to facilitate domestic trades.

But with domestic China prices softening again towards the end of the week, market players said that sellers continued to stay on the sidelines until they get more clarity when the yuan market will stabilise.

Meanwhile, given the various uncertainties, market players also said that most buyers and sellers were gearing more towards discussing spot business on a floating formula basis, rather than on fixed price terms.



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OUTLOOK

- Demand may pick up if China's COVID-19 restrictions are further [eased](#)
- Supply could stay tight on upcoming [maintenance](#)
- Buy-sell gap may persist

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	n/c	1400.00-1500.00	-50	1500.00-1600.00	63.50-68.04
CFR NE Asia	USD/tonne	-50	1350.00-1450.00	-50	1450.00-1580.00	61.24-65.77
CFR Taiwan	USD/tonne	-50	1350.00-1450.00	-50	1450.00-1580.00	61.24-65.77
CFR SE Asia	USD/tonne	-50	1300.00-1400.00	-50	1400.00-1530.00	58.97-63.50

China

FOB China prices were assessed in a narrower range, with the high end dropped to reflect the full range of selling indications heard, in the absence of any concrete buying interest.

Domestic ex-tank prices in east China rose in early-week trading, but returned some of the gains at the end of the week.



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Northeast Asia

CFR northeast Asia prices were assessed down, tracking lower buy-sell talks for May deliveries to diverse outlets in the region.

Although they moderated expectations of bridging the prior buy-sell gap, some sellers were heard still hesitant to price down too much at a go, as crude oil and naphtha markets are still volatile and firm. Selling indications were heard at the higher end of the published range.

A cargo was heard sold for H1 May shipment and this forms the low end.

Another cargo was heard sold at \$1,500/tonne FOB NE Asia, which will equate, on a CFR NE Asia basis, to levels beyond the published range. This is excluded from the week’s assessment, taking into consideration the market consensus view that this was unusually high, perhaps in part due to specific requirements on the buyers’ part. The cargo size is also smaller than the regular 2,000 tonnes.

CFR Taiwan assessments were adjusted down in line with changes seen for CFR NE Asia assessments.

Monthly Contract DEL, \$/tonne
 Mar 22 Feb 22 Jan 22 Dec 21 Nov 21 Oct 21

Taiwan FPCC	1,355	1,040	795	780	885	870
Korea YNCC	1,335	1,015	835	645	800	790

Southeast Asia

CFR SE Asian assessments were dropped in tandem with changes in the CFR NE Asia assessment, in the absence of any fixed price discussions or deals for SE Asia-bound cargoes.

A SE Asia-origin cargo was sold in the week, via tender, for H2 May loading, on a formula basis.

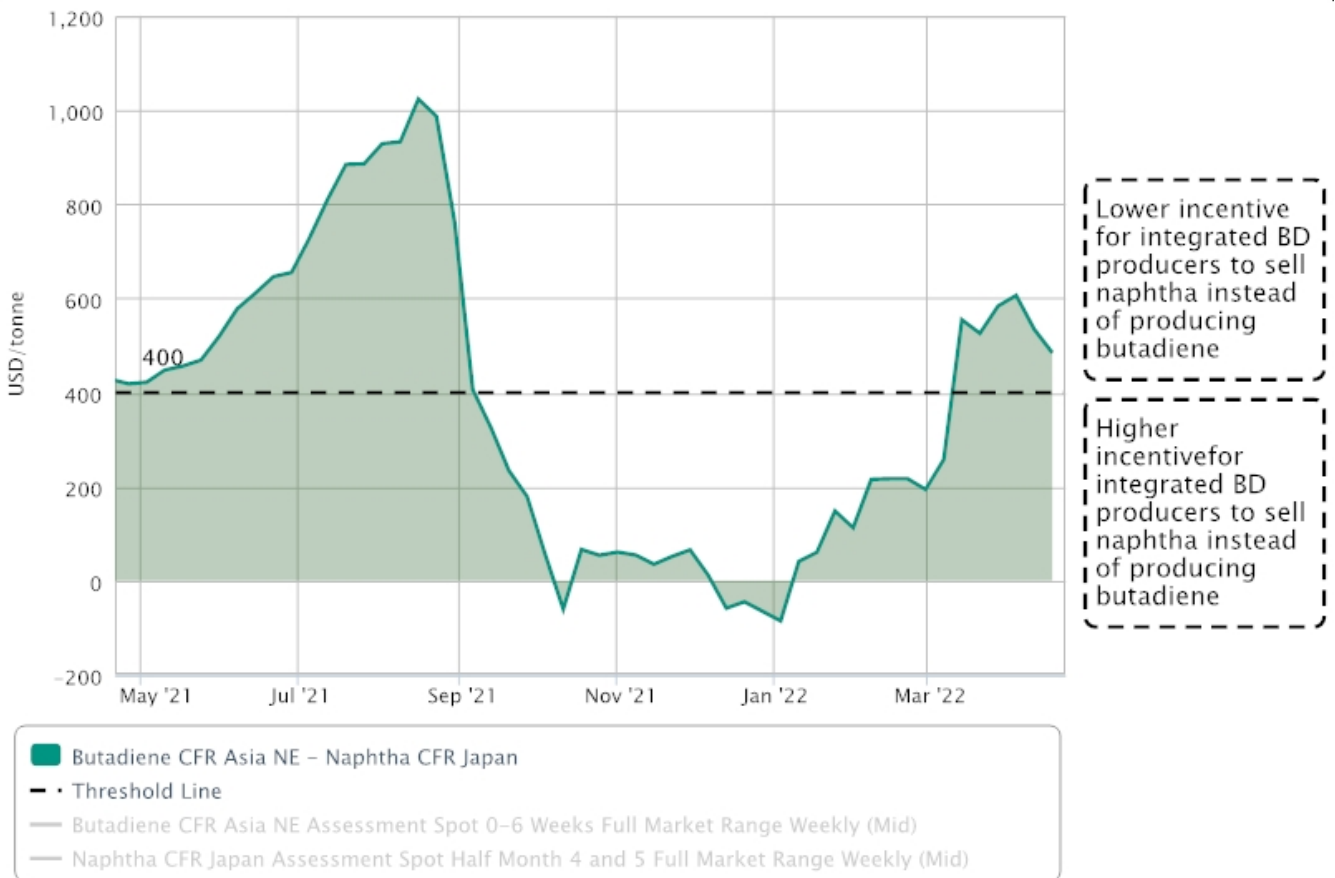
SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	-350	9500-9700	-260	9500-9600	-

UPSTREAM

Asia-Pacific naphtha markets were pressured down by slowing demand for petrochemicals amid continuing lockdowns in China. Naphtha’s intermonth backwardated spread shrank further close to parity, reflecting the bearish sentiment.

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



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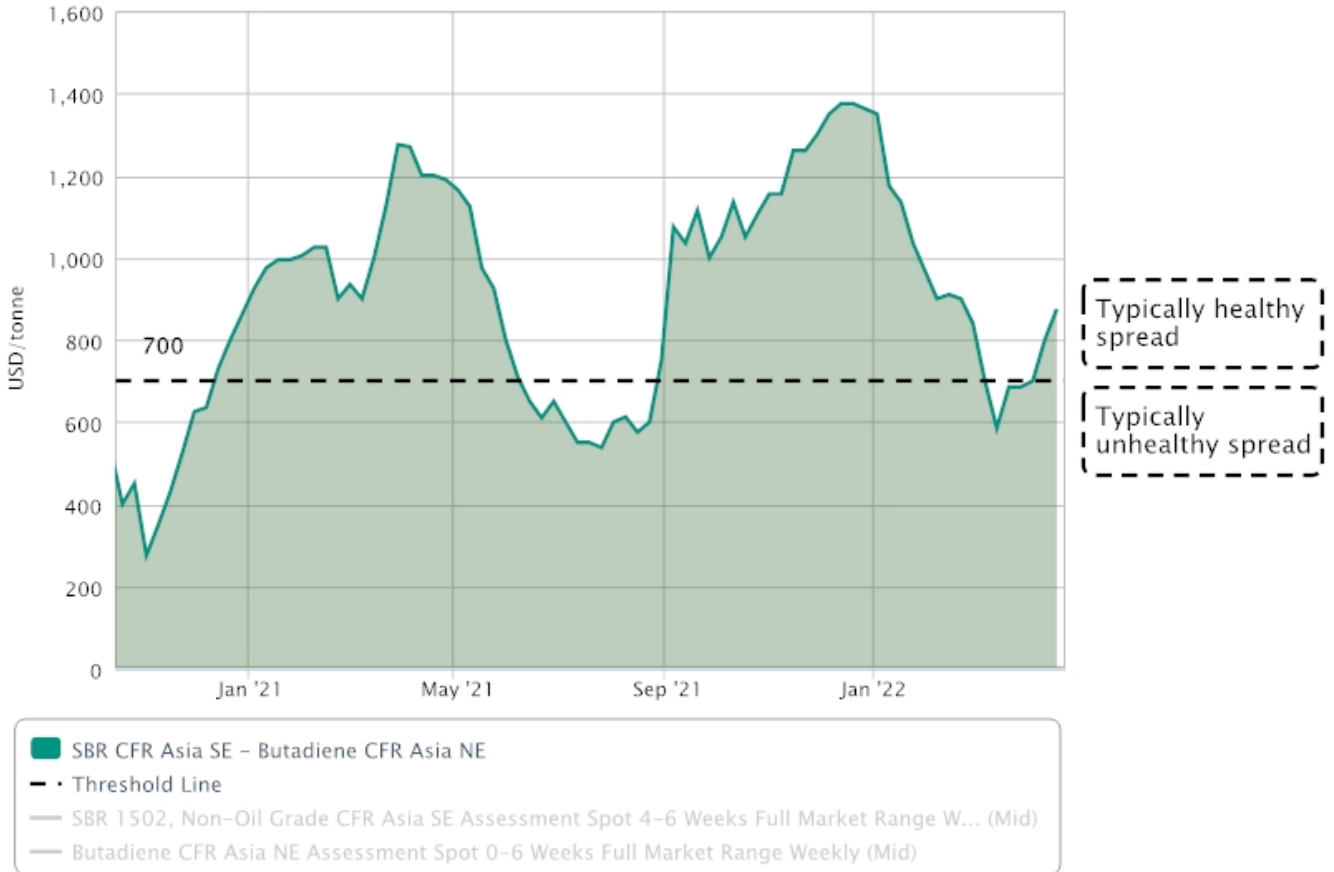
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asian **styrene-butadiene-rubber (SBR)** prices are at [year-high levels](#), supported by tight spot availabilities, but the demand outlook is muted amid growing worries about global economic well-being.

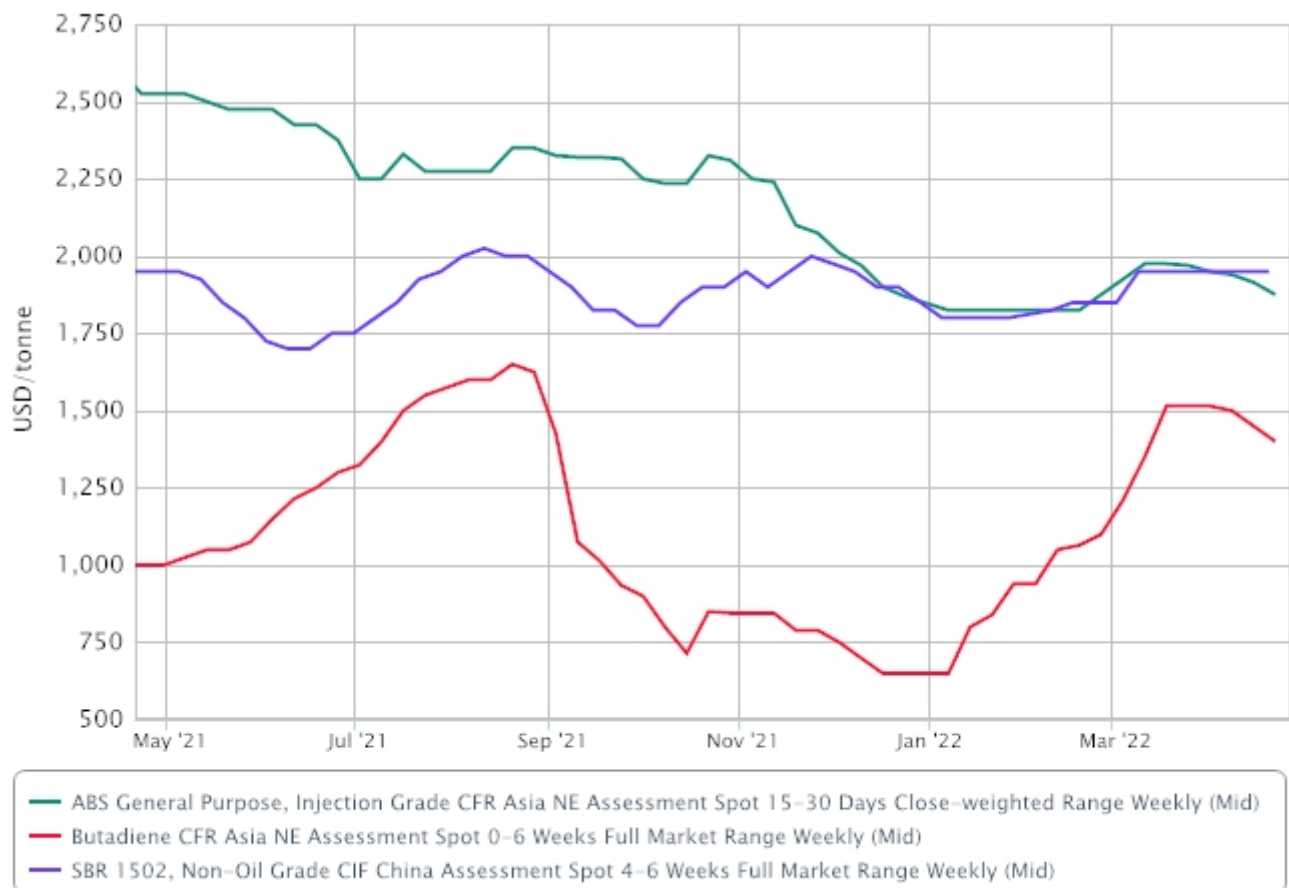
The chart below shows the spread between BD and SBR in Asia.

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



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Northeast Asian spot **acrylonitrile butadiene styrene (ABS)** import prices were softer for the fifth week. A lower deal surfaced after offers were gradually adjusted downwards throughout the week. Some sellers faced pressure from rising inventory levels amid poor end-use demand, following the lockdowns across China and the Russia-Ukraine war.



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PRODUCTION

The regional BD market is structurally over-supplied, with more [new capacities](#) expected to come onstream within the year.

But prevailing BD output in the region is crimped by a heavy and ongoing wave of cracker operating rate cuts in northeast Asia. Spot supplies are also poised to tighten even more with several upcoming [maintenances](#) in Q2 2022, market sources said.

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

OTHER REGIONS

In the US, nominations for May BD contract prices emerged at a [roll-over](#) from April, in view of balanced supply and demand fundamentals.

In Europe, BD contract reference prices for May have also [rolled over](#) from April.

ANALYTICS

ICIS Butadiene Outlook

Although 2022 US BD demand is likely to remain subdued year on year, domestic needs will continue to outpace production. Given Q2 scheduled maintenance is expected to be lighter than the same period a year earlier, overall

BD output could increase to between 360,000 and 400,000 tonnes, up from about 345,000 tonnes in Q2 2021. In the weeks to come, imports from Asia may rise to support US domestic demand, but European BD, which has relatively higher costs than past months, could see a contraction in exports to the US. High energy prices, increasing inflation rates and the ongoing semiconductor shortage will weigh on the new vehicle sales trajectory in the US.

BD production in Europe is set to decline to between 550,000 and 570,000 tonnes in Q2 2022 compared with Q1 due mainly to the spring scheduled cracker maintenance. According to ICIS analysts, the price spread between propane and naphtha is expected to remain in negative territory, hitting at average about \$345/tonne in Q2. As a result, cracker operators are likely to increase the use of propane at the expense of naphtha as an alternative feedstock. 2022 tyre production is likely to be still affected by automotive supply disruptions caused also by the Ukraine war and a gloomy demand outlook. The lack of electrical parts for engines from Ukraine is further pressuring European auto manufacturing rates, particularly in Germany.

Asian BD demand continues to be weak, likely reflecting concerns over the war in Ukraine, lower economic growth than expected and the increase in COVID-19 cases in China. Downstream automotive production continues to be hindered by a shortage of semiconductors and lockdowns imposed in cities such as Changchun, Shenzhen and Shanghai, which are key car manufacturing bases. Consequently, ICIS analysts downgraded their forecast for auto sales from the previous month. This year's new passenger car registrations are forecast to reach about 22.5m units, up 5.1% from 2021. As the price spread between naphtha CFR Japan and BD CFR northeast Asia is expected to be lower than \$400/tonne for most months in 2022, integrated players may be incentivised to sell naphtha instead of BD producing.

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