Independent Commodity Intelligence Services

Butadiene (Asia-Pacific)

By Ai Teng Lim
22-Dec-2023

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 Q1 2024, as import trade in this market would already be considered for assessment purposes in the CFR NE Asia quote. For any queries, please contact aiteng.lim@icis.com.The weekly pricing analysis will not be published on 29 December 2023. Please click here for the ICIS publishing schedule.

OVERVIEW

- **Uptick in domestic China on restocking activities**
- **But no discernible impact on imports**
- **Trade talks capped by year-end lull**

Discussions were mixed this week in the Asian spot butadiene (BD) market – upbeat in the yuan-denominated market, but subdued generally for US dollar-denominated imports.

In China, yuan-denominated trade picked up, as local end-users, many of whom had refrained previously from procuring, stepped up this week to pick up limited volumes to replenish stocks. This in turn prompted some local producers to raise offers.

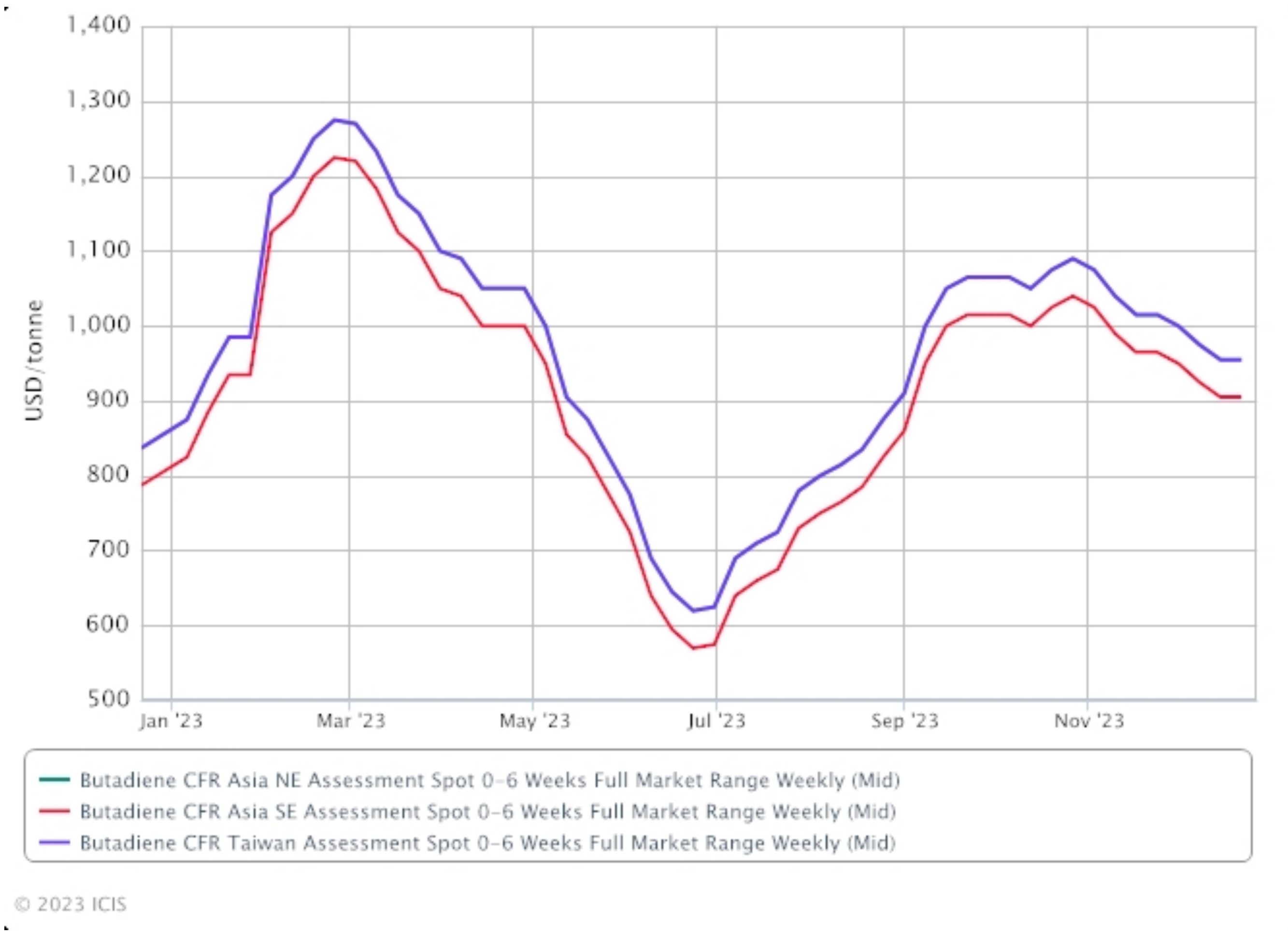
But there was not much of a parallel boost for import talks, as most players in Asia had already covered the bulk of their January requirements, and were not keen to take new positions at this juncture, when the market was already winding down for the year-end holidays.

Sentiment wise, the disparity widens between sellers and buyers in the wider Asian import market.

Sellers were buoyed by yuan-denominated strengths and were determined to hold existing expectations, if not chase higher targets, should they have fresh January shipment cargoes to conduct spot business.

They are also convinced that demand support is healthy enough, as some regional end-users may still need to pick up one or two January spot cargoes if term contracts are not fully finalised soon.

But buying indications for imports remain under pressure from limp downstream demand, including from the synthetic rubber sector. End-users said they were unable to fork out more for feedstock BD due to compressed margins.



OUTLOOK

- **Downstream rubber sector demand outlook shaky for the near term**
- **But recovery hopes are pinned on China**
- **Players to monitor closely how domestic pricing in China may trend**

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

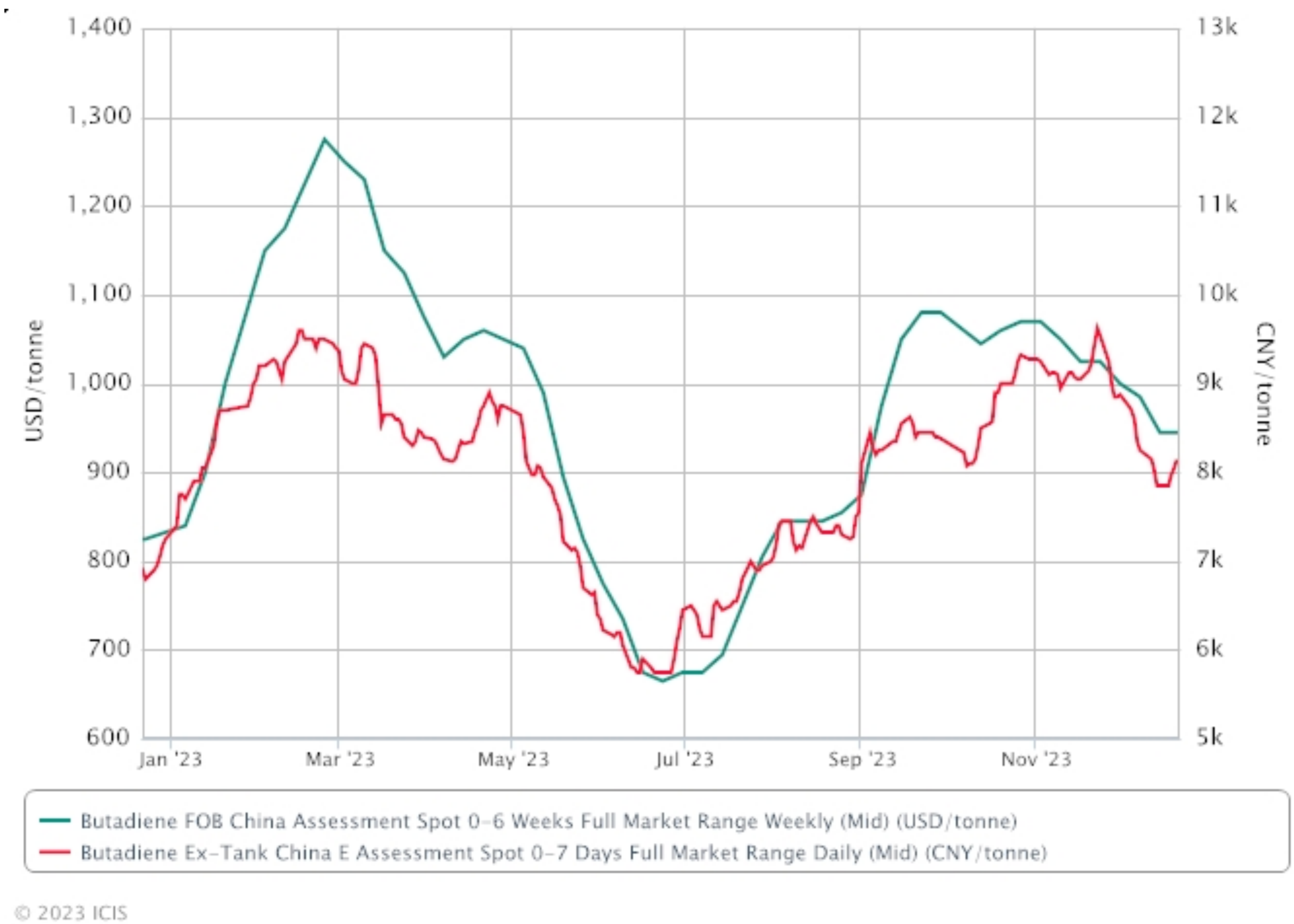
			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	n/c	910.00-980.00	n/c	950.00-1100.00	41.28-44.45
CFR NE Asia	USD/tonne	n/c	930.00-980.00	n/c	980.00-1050.00	42.18-44.45
CFR Taiwan	USD/tonne	n/c	930.00-980.00	n/c	980.00-1050.00	42.18-44.45
CFR SE Asia	USD/tonne	n/c	880.00-930.00	n/c	930.00-1000.00	39.92-42.18

China

Domestic ex-tank China prices rose with improved buying tempo amid restocking activities.

This lent support to current export offers on China-origin materials, even though there were no discussions this week as potential buyers overseas had already exited the market for year-end holidays.

FOB China assessments were rolled over on broadly unchanged selling targets and in the absence of fresh buy-side indications.



Northeast Asia

CFR NE Asia assessments were left unchanged in the absence of concrete discussions.

The majority of regional end-users have already covered the bulk of their January requirements with prior purchases. A few were heard possibly to have room to take in additional cargoes, but were in no hurry to negotiate and commit during this week.

Most wanted to wait and see if the uptick this week in the domestic China market may sustain or fizzle out in the coming weeks, and said that they will review the situation when more players return to the arena in the new year.

Meanwhile, the majority of buying indications continued to hover in the low $900's/tonne CFR NE Asia range.

On the sell side, there was no concrete availability, as many regional producers were still engrossed in term negotiations and not keen on spot business.

Should they have additional January spot cargoes to offer, sellers said that in view of the buoyancy in domestic China this week, they would not consider moving any volumes unless buyers were willing to negotiate at or over the published high end.

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

Monthly Contract DEL, $/tonne	Nov 23	Oct 23	Sep 23	Aug 23	Jul 23	Jun 23
Taiwan FPCC	955	995	940	750	650	655
Korea YNCC	1,000	1,035	980	770	665	635

Southeast Asia

CFR SE Asia assessments are unchanged with stable CFR NE Asia prices.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

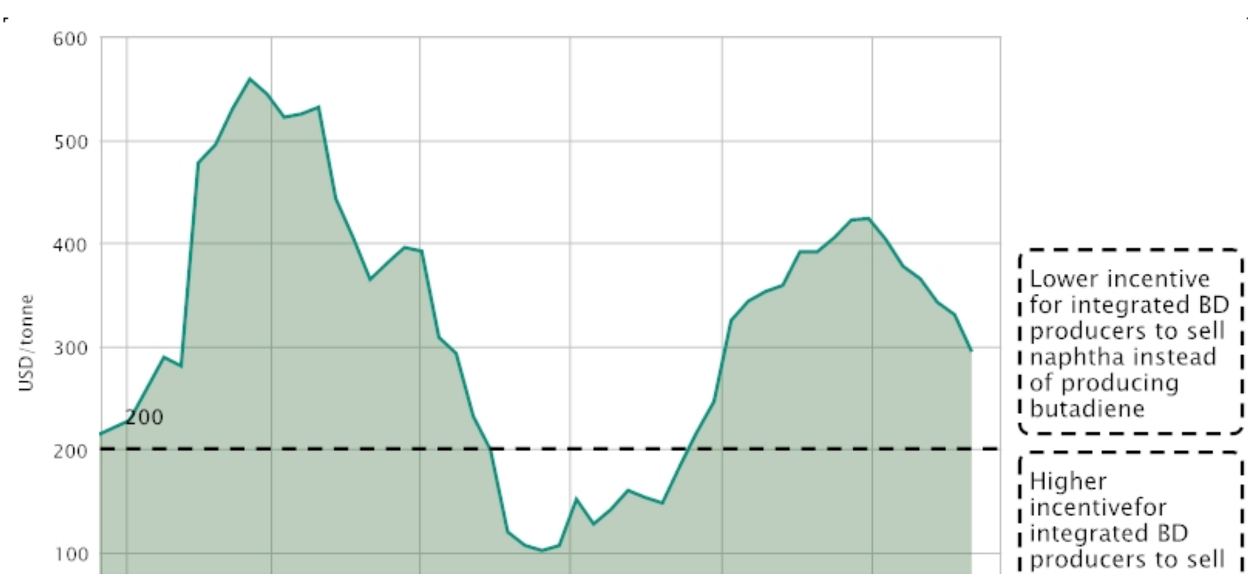
			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	+50	8150-8300	+100	7800-7900	-

UPSTREAM

Naphtha

- Tight supply pushes inter-month spread on Wednesday to highest since March 2022
- Stormy weather conditions limit naphtha from Black Sea to Asia
- Cracks however fall to 1-1/2-week low on Friday as crude stays firm

Feedstock spread between naphtha CFR Japan and BD CFR NE Asia



Click here for the Asia feedstocks and petrochemicals weekly summary.

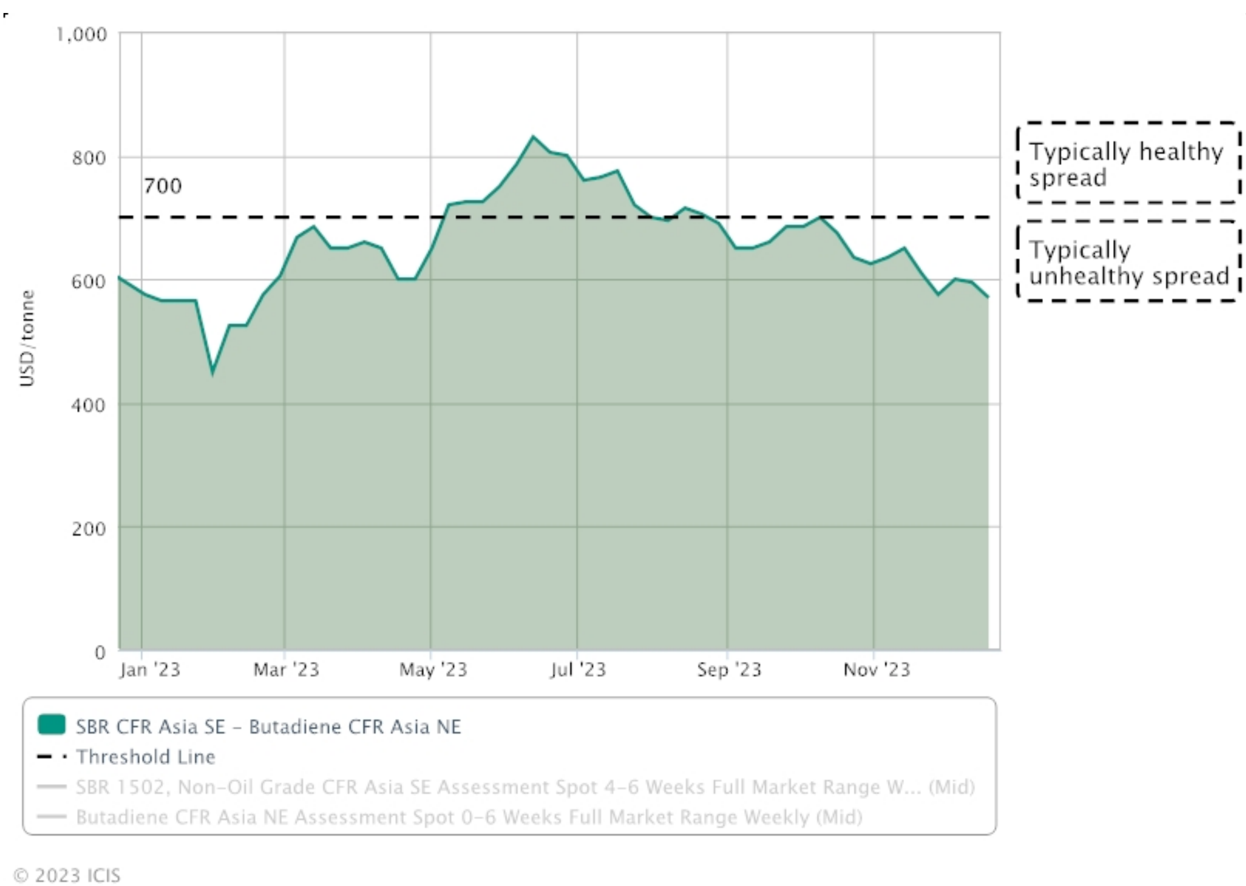
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Discussions at standstill on seasonal trade lull
- Buying interest tepid amid demand headwinds
- Spot offers stay under downside pressures

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

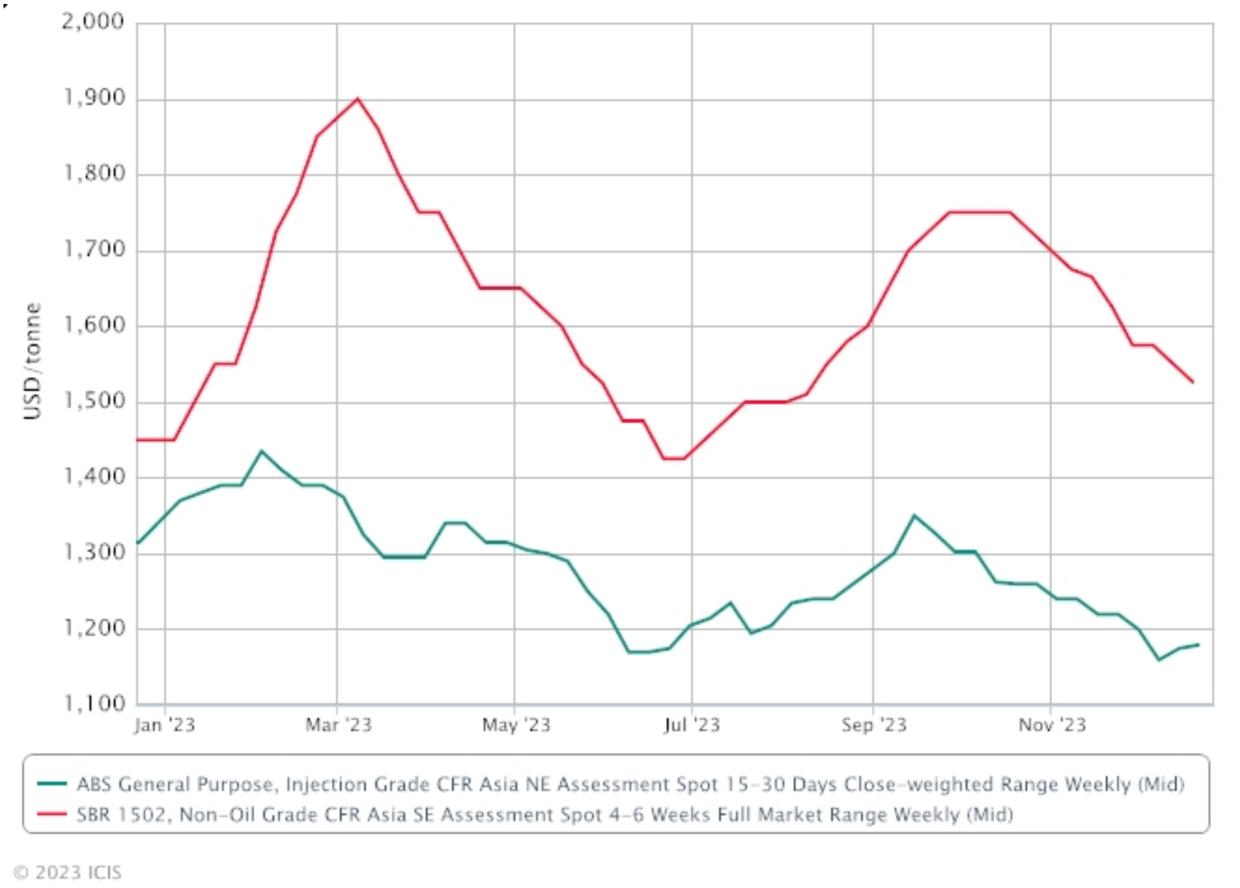
Spread between butadiene and SBR Asia



Acrylonitrile-butadiene-styrene (ABS)

- CFR NE Asia midpoint up for second week

- Offers raised from higher feedstock
- Actual trade capped from limited spot additions during year-end lull



PRODUCTION

BD supply in China is poised to grow as several plants, including the 100,000 tonne/year Shougang Luqing unit in Shandong and the 180,000 tonne/year CNOOC and Shell Petrochemicals unit in Huizhou, have restarted recently from prior maintenance closures.

Click here for the Live Disruption Tracker.

OTHER REGIONS

Europe

- Activities quieten, December considered done, spot sold out
- Cracker issues mostly resolved but one outstanding and talk of a new one
- Improved demand expected in Q1 – supply issues may lead to more spot demand
- But UK derivative production earmarked for closure in April 2024

US

- January contract price nominations due soon amid weak demand, sufficient supplies

- Spot steady, in line with contract values; demand muted
- Asian spot demand continues weak, pushing regional prices lower

ANALYTICS

ICIS outlook for downstream automotive sector

Rising labour costs, higher borrowing costs and green regulation are among the variables which will determine the fate of the automotive industry in 2024. Like 2023, next year is going to pose challenges to original equipment manufacturers (OEM) and car buyers. OEM's primary task would be to manage the cost of its employees, such as increased minimum wage and retirement benefits. As for the end-user, making big ticket purchases in gloomy economic conditions would be key. Moreover, volatility in crude oil prices poses a further challenge, casting a pall on industry sentiment. Global automotive 2023 output is expected to grow 13.1% compared with 2022. 2024 is expected to grow 1.6% year on year (Oxford Economics).

In the US, the United Auto Workers (UAW) and the automakers have reached a resolution, ending six and a half weeks of strike action. One positive associated with this outcome is stakeholders have one less thing to worry about, though the resolution came at a cost. As per the official announcement, "For most employees, there has been a 23% general wage increase representing a 25% compounded wage increase over life of agreement….". 2024 is expected to be subdued for this sector. US automotive 2023 output is expected to grow 10.6% compared with 2022. 2024 is expected to grow 3.3% compared with 2023.

As reported last month, one of the leading points of contention for European OEM's is the looming Rules of Origin (ROO) January 2024 deadline – where a 10% of additional tariff on electric vehicles will be applicable on exports for vehicles with less than 40-45% non-originating components. EU OEMs argue against this rule, citing a severe impact on domestic competitiveness. The European Commission has proposed to seek a three-year extension to the current rules of origin for batteries under the EU-UK Trade and Cooperation Agreement (TCA). This has been widely welcomed by the industry. EU, including the UK, automotive 2023 output is expected to grow 16.4% compared with 2022. 2024 is expected to grow by 0.5% compared with 2023. Though it is still down approximately 5% from 2019 levels. A meaningful recovery is not expected until late 2025.

The outlook for Asian automotive is mixed. China automotive 2023 output is expected to grow 14.9% compared with 2022. 2024 is expected to grow 8.4% compared with 2023. Primary growth drivers for the sector would be increasing the level of car ownership. This is particularly true for electrified and other New Energy Vehicles as governments incentives push this market. Moreover, to improve year-end sales, various dealerships are offering attractive schemes. India automotive 2023 output is expected to grow 14.1% compared with 2022. 2024 is expected to grow 0.5% compared with 2023. The Federation of Automobile Dealers Associations (FADA) in India reported optimism in the market. Still, inflation, eroding consumer confidence and a tighter monetary policy will weigh on demand for automotives.

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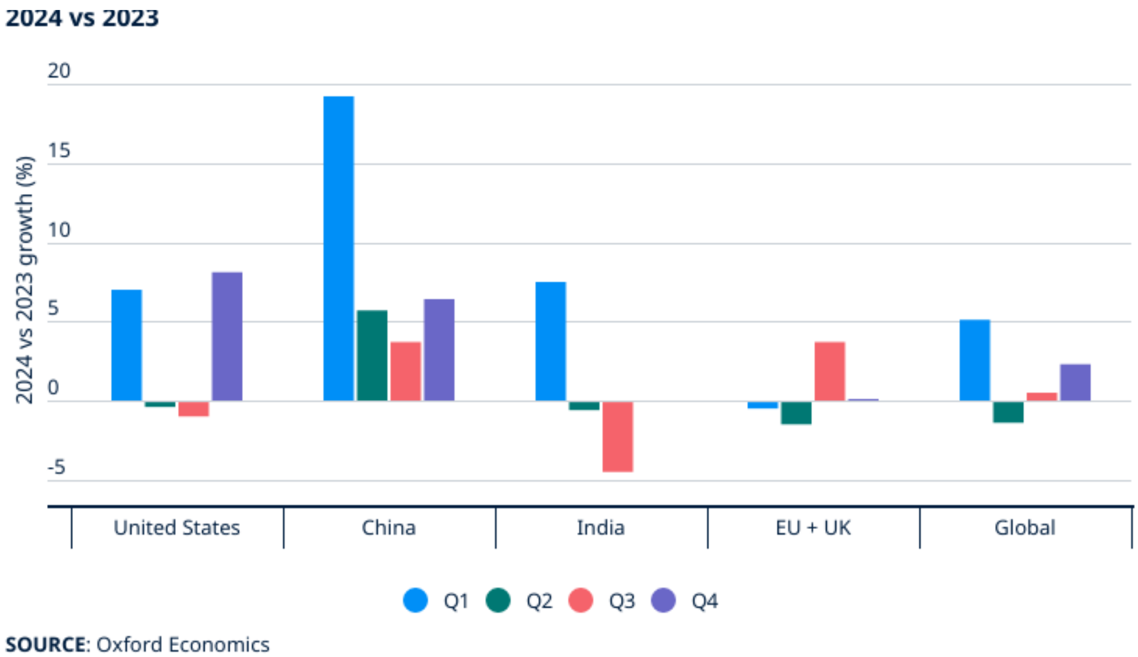

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