



Butadiene (Asia-Pacific)

By Ai Teng Lim
22-Oct-2021

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

OVERVIEW

- **Import prices rebound with strong domestic China**
- **Active buying interest for imports in China**
- **But demand still muted elsewhere in Asia**

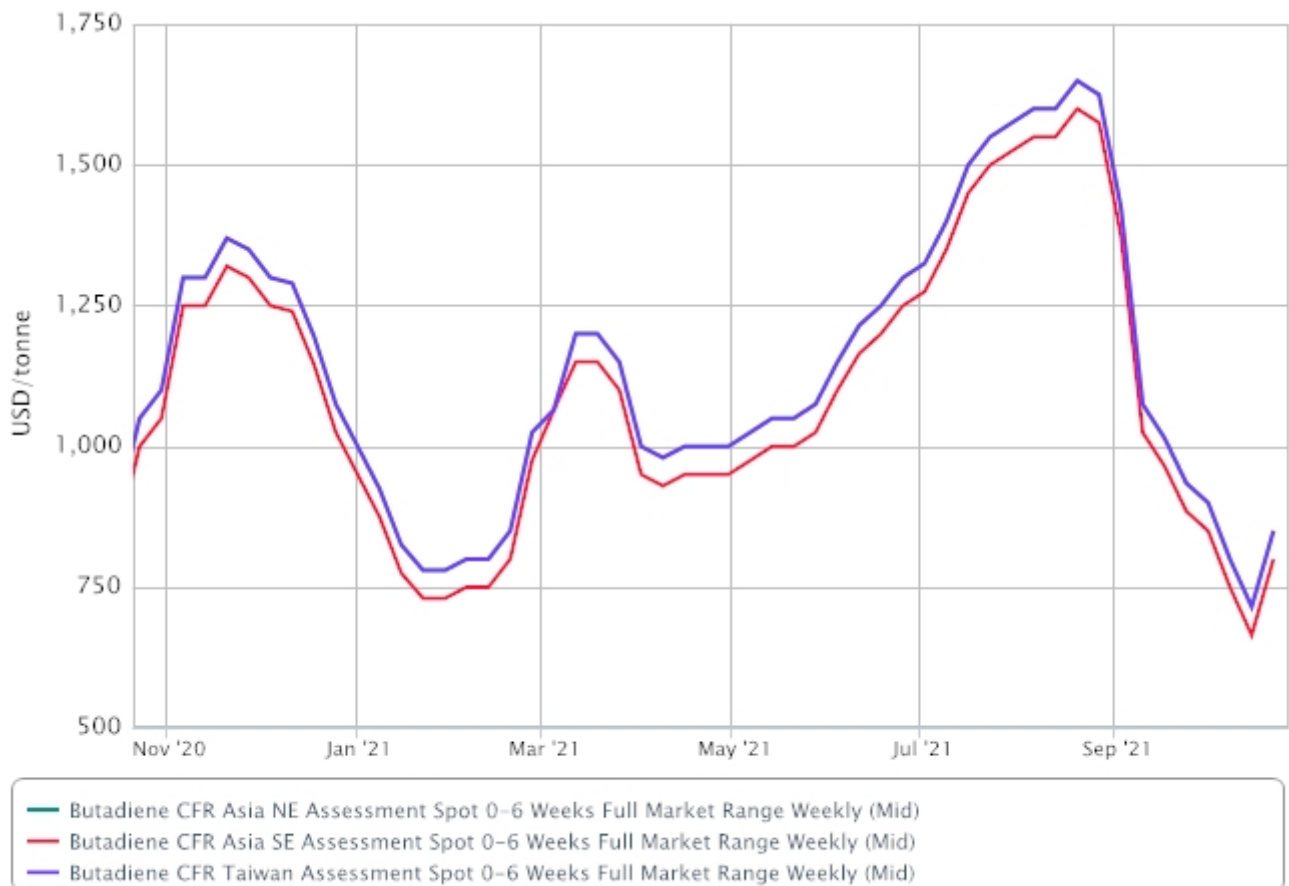
Asian butadiene (BD) import prices [rebounded](#) with gains in the domestic yuan-denominated market.

In China, there was a buying spree among end-users seeking to secure more feedstock butadiene to optimise their synthetic rubber production and take advantage of currently attractive production margins.

Some buyers also turned to purchasing US dollar denominated import cargoes, which are now considerably cheaper than domestic cargoes, taking into account how much domestic BD prices have gained in recent weeks.

This bolstered import discussions, with substantially firmer bids and offers heard in the week for cargoes available to ship in November to China.

But demand fundamentals were clearly different in other Asian outlets, where end-users are mostly already amply covered for their November requirements. Unlike their China counterparts, they were visibly not enthusiastic either to over-build stocks of either feedstock BD or finished products, due to their muted outlook on longer term growth prospects for key downstream sectors such as [automotive](#).



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OUTLOOK

- Supply may remain long in wider Asia
- Demand in China will hinge on downstream market performance
- Demand trends may stay divergent between China and wider Asia

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	+200	900.00-1100.00	+250	900.00-950.00	40.82-49.90
CFR NE Asia	USD/tonne	+150	800.00-900.00	+120	920.00-950.00	36.29-40.82
CFR Taiwan	USD/tonne	+150	800.00-900.00	+120	920.00-950.00	36.29-40.82
CFR SE Asia	USD/tonne	+150	750.00-850.00	+120	870.00-900.00	34.02-38.56

China

Export talks were scant, with China BD makers still fully focused on domestic sales.

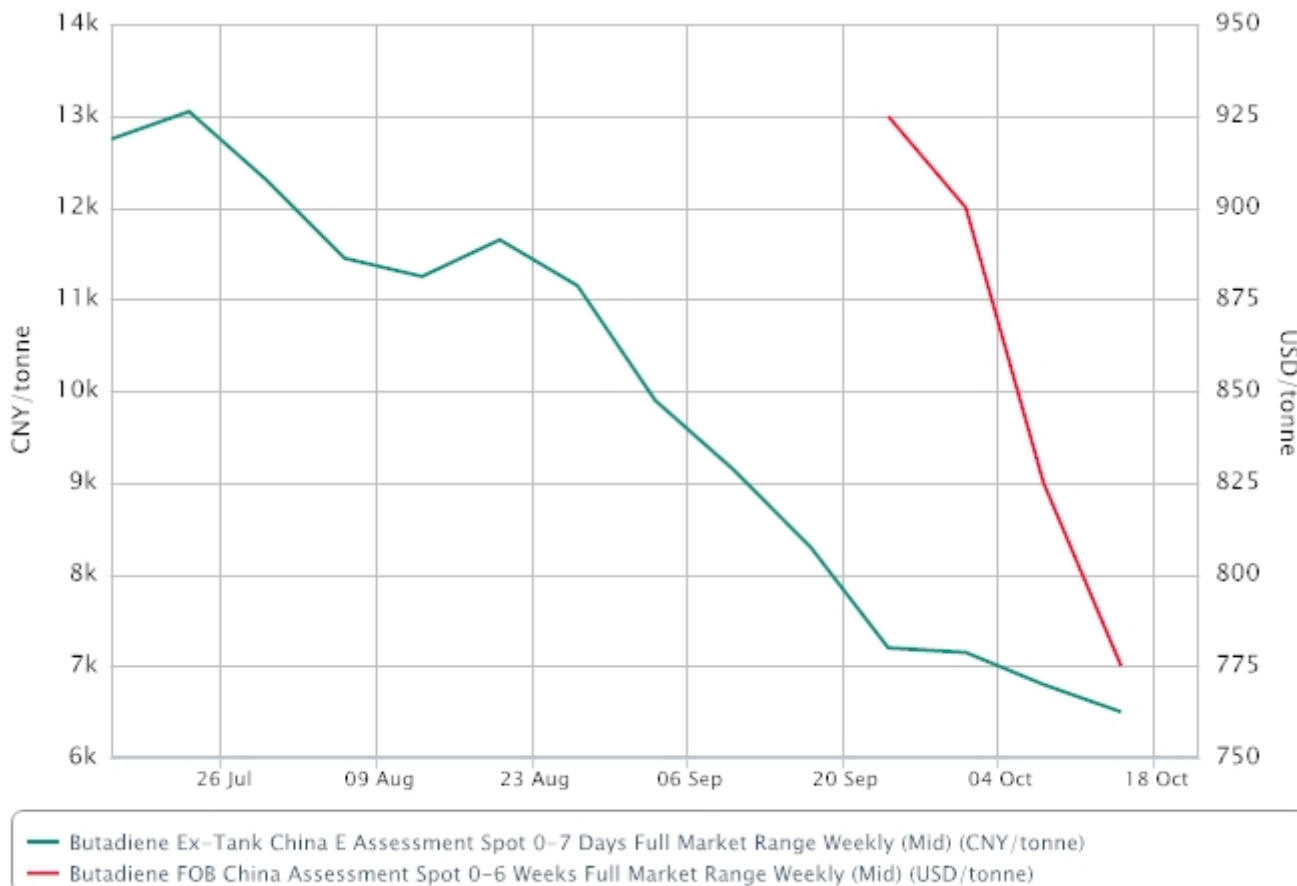
But pricing sentiment rose sharply, tracking massive increases in domestic prices.

The FOB China assessment was raised, with the high end lifted with selling indications heard, and the low end notionally increased, in the absence of any concrete buy-side indications.

East China domestic prices

Yuan-denominated prices spiked with bullish buying. Supplies were also tightened by several plant closures amid protracted power rationing.

Price (CNY/tonne)	22 October	15 October
DEL east China	8,700-9,000	6,900-7,100



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Northeast Asia

CFR northeast Asian prices rose, mainly on support from higher deals and discussions for China-bound shipments.

But the bullish sentiment seen in China was not prevalent across the region, with end-users in other outlets still keeping to a cautious stance.

Both ends of the CFR northeast Asia assessment were lifted to capture the spectrum of buy-side pricing sentiment in diverse regional outlets.

Some volumes were sold this week for November shipment to China, within the published range, albeit after taking into consideration estimated freight costs for the FOB northeast Asian transaction, market sources said.

The CFR Taiwan assessment was adjusted up with changes in the CFR northeast Asian assessment.

Monthly Contract DEL, \$/tonne	Sep 21	Aug 21	Jul 21	June 21	May 21	Apr 21	Mar 21	Feb 21
Taiwan FPCC	1,175	1,545	1,380	1,205	1,010	1,050	1,135	880
Korea YNCC	1,050	1,650	1,470	1,245	1,010	987	1,102.50	827.50

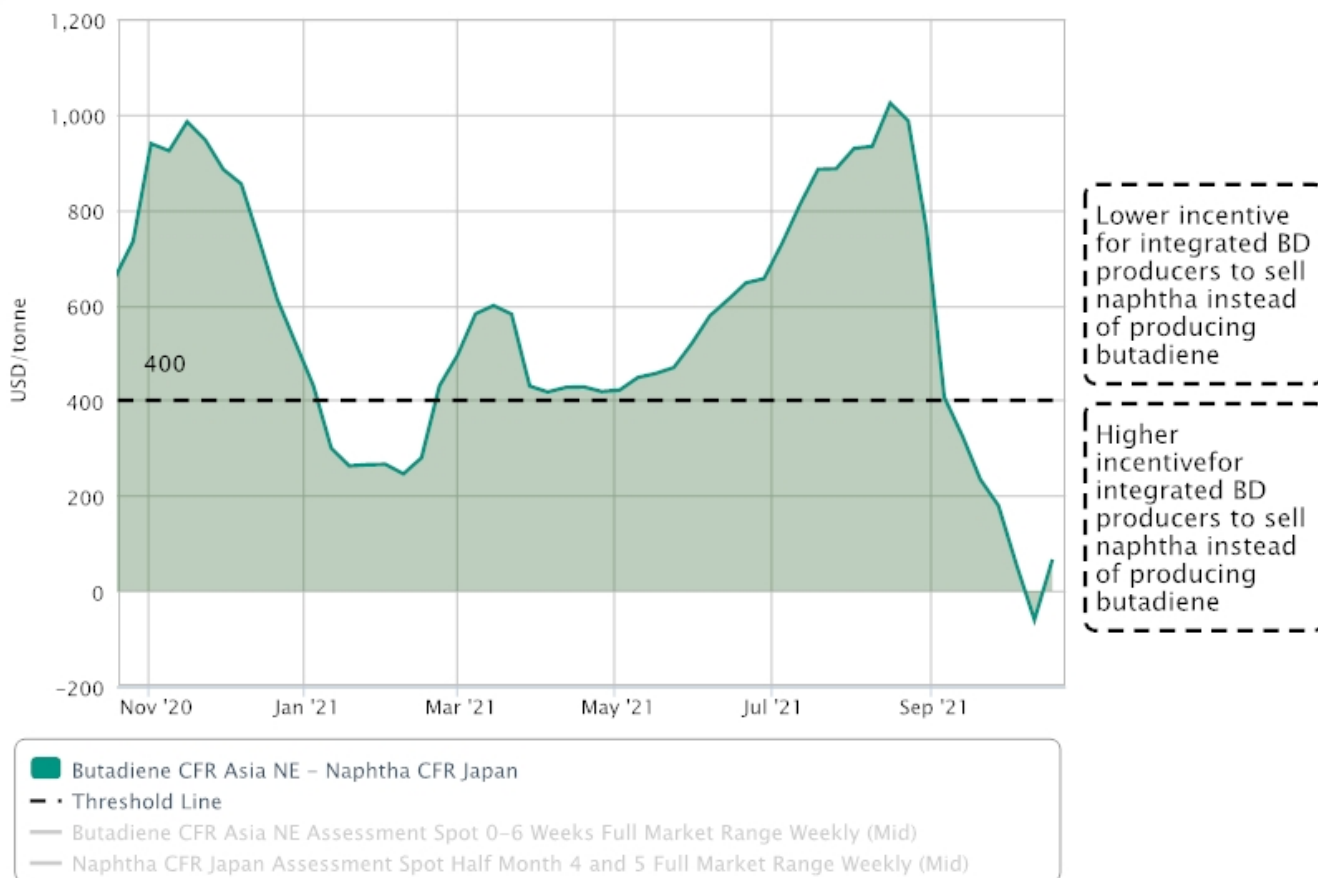
Southeast Asia

The CFR SE Asia assessment was also raised in line with changes in the CFR NE Asia assessment, in the absence of confirmed business on CFR SE Asian terms.

UPSTREAM

Asia-Pacific naphtha prices stayed at multi-year highs on the back of supporting end-user demand. The product’s refining margin firmed to levels not seen since 2014, while costly liquefied petroleum gas (LPG) prices fuelled demand for naphtha as the preferred petrochemical feedstock.

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



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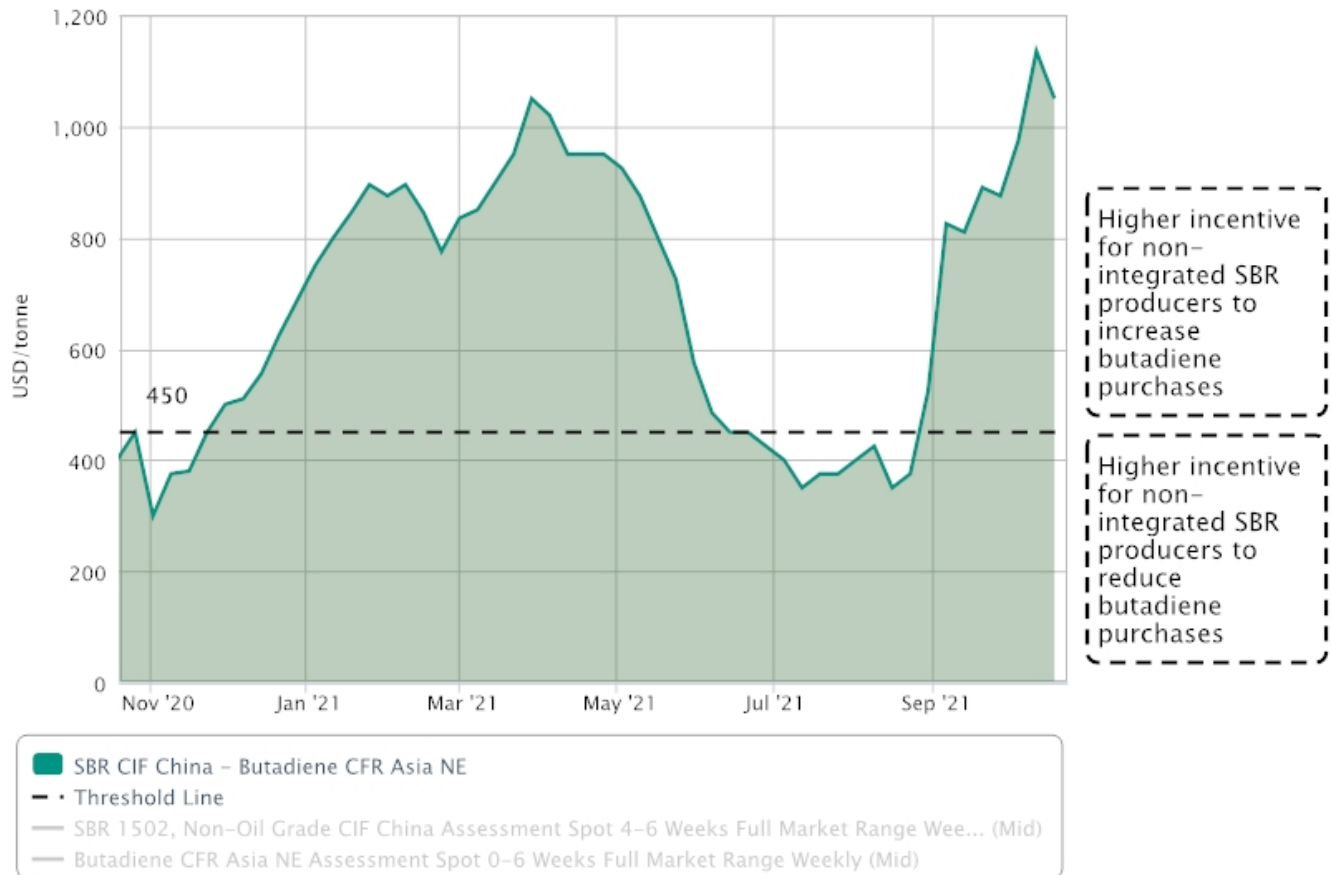
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asian **styrene-butadiene-rubber (SBR)** discussions are [lifted](#) on tight supplies and a strong China market.

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 Asia were higher, marking the first increase since late August. Sellers explained that production costs had surged due to the recent energy shortage, and they had to increase offers to protect their margins. End-use consumption also picked up, following some withholding when the dual control policy was just announced.

PRODUCTION

The regional BD market is still broadly over-supplied and poised to lengthen further when production at several new and upcoming new BD projects in the region stabilises.

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

OTHER REGIONS

In the US, November contract nominations for BD emerged [lower](#) month on month, alongside improved supplies.

The [Q4 supply outlook](#) for BD in the US has turned more rosy with [hefty import arrivals](#), even if gaps persisted in domestic production.

In Europe, BD's contract reference price for November is also set [lower](#) than October, weighed down by weak supply and demand fundamentals.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The worst is not over for the automotive industry. Global light vehicle sales were down 11.7% in August from the pre-pandemic level in August 2019. The industry continues to reel from extreme supply chain disruptions and a shortage of critical auto parts such as semiconductor chips. As a result, almost all the major car makers have reduced run rates. For example, Toyota slashed production by 40% in September and expects to make another 15% cut in November. The main reason for the chip shortage is the extraordinary demand for consumer electronics seen during the pandemic. The automakers either misjudged or underestimated chip demand and did not fully prepare. For 2021, Oxford Economics forecasts an 11.5% contraction in motor vehicle value added output compared with 2019. The growing popularity of Electric Vehicles (EVs) is another factor exerting pressure on chip supply. EVs requires more chips compared with conventional cars, but only account for 3% of the global automotive market. In the short term, chip supply is likely to remain tight until the first half of 2022. For fabless companies, the wait may be even longer. Even though a few chip investments have been announced, it typically takes 18 to 24 months for a new chip plant to start operations. Investments recently announced include Intel's €80bn over the next decade in Europe and TSMC's €2.8bn, among others.

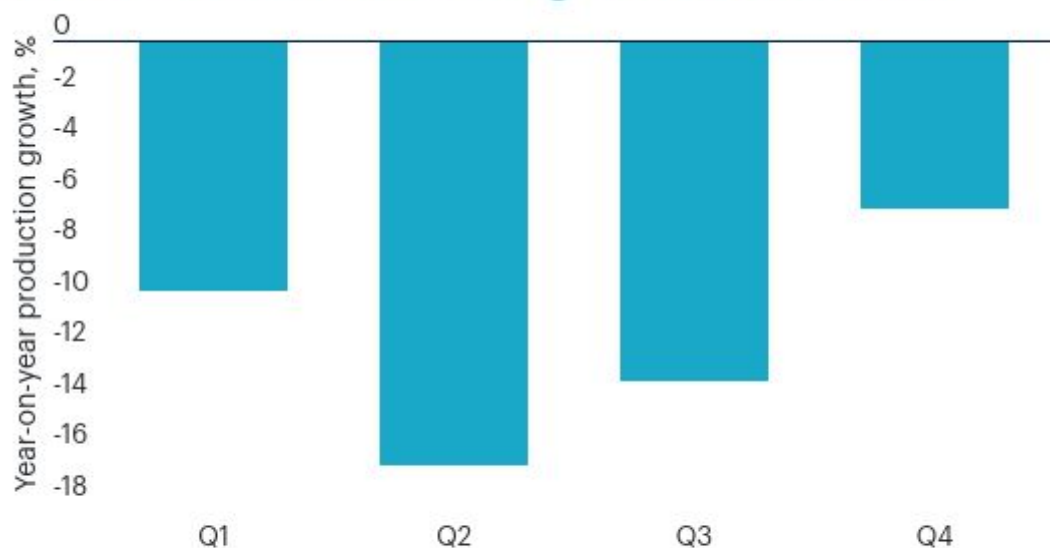
US light vehicle sales fell 6.4% month on month in September and were down 29% from September 2019. The inventory-to-sales ratio also hit an all-time low of 0.724. The overall outlook remains pessimistic. On top of that, the demand-supply imbalance is pushing car prices higher.

EU passenger car registrations were down 23.1% year on year in September, according to the European Automobile Manufacturers Association (EAMA). It was the lowest number of registrations for September since 1995, and was supply driven. All major European countries reported a double-digit fall during the period. Commercial vehicle registration figures were also poor, with a 5.4% year on year decline in August. The outlook for the rest of the year remains negative. Stock levels have depleted noticeably. According to the Ifo research institute, 83% of German car makers have been affected by chip scarcity.

In China, passenger car sales were down 25.5% year on year in June. This trend is expected to continue. Energy rationing has also adversely affected the Chinese auto market, exacerbating a shortage of materials, especially polymers. ICIS analyst Jimmy Zhang said, "In the fourth quarter, with the ongoing strict policy on carbon emissions and environmental protection, operating rates of coal-based polyolefin units is expected to remain limited. The polyolefin supply pattern is expected to change from ample to tight." India is not an exception. In September, total vehicle sales were down 5% year on year, according to India's Federation of Automobile Dealers Association (FADA). As India enters its festive season, the outlook is mixed.

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

Global motor vehicle sector growth, 2019 vs 2021



Source: Oxford Economics

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