



## 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.

The FOB China and domestic yuan (CNY) prices in the weekly analysis on 23 June will be assessed based on information collated up to 21 June. Please click [here](#) for the ICIS publishing schedule.

### OVERVIEW

- **Buy-sell tussle continues**
- **Overhang grew with deep-sea inflow**
- **Tepid buying interest**

Discussions in Asian spot market for butadiene (BD) remained under pressure, as regional demand stays elusive while supplies are set to balloon with unceasing availabilities of deep-sea cargoes.

Deep-sea influx is poised to continue, market players said, as producers in the [US](#) and [Europe](#) would need to find alternative outlets for surplus volumes displaced by poor demand at home.

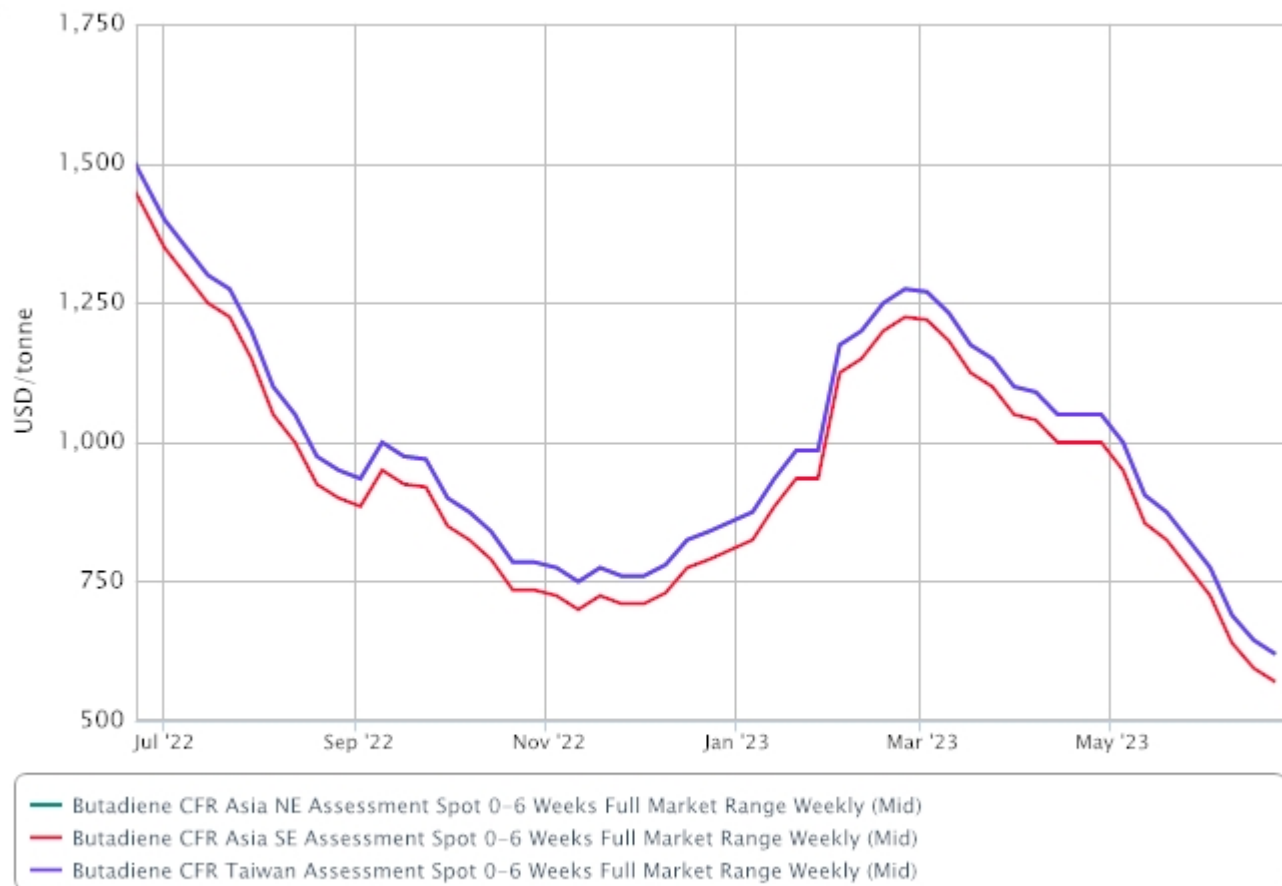
This will invariably lengthen the regional BD supply pool, at a time when [regional output](#) is also due to rise with more regional plants restarting from turnarounds.

Asian buyers are thus in no hurry to enter into any fresh spot negotiations, and remains firmly confident that they have the upper hand, against BD sellers, in bargaining for better deals.

Buying ideas kept falling as such, although potential buyers also acknowledged that most sellers are thus far still resistant to their low bids.

For sellers, many were mindful that with the spread between BD and naphtha already very compressed, it may be economically viable to co-crack BD, rather than sell on the spot market.

But some traders with excessive stocks at hand may still be open to negotiate at terms closer to buyers' expectations, just so that they could move the cargoes and close positions, market sources said.



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## OUTLOOK

- Deep-sea inflow likely to continue
- Regional supply overhang pressures to heighten
- Pessimistic [outlook](#) for global chemical demand

## PRICES

### SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
<b>Butadiene</b>						
<b>FOB China</b>	USD/tonne	-20	630.00-700.00	n/c	800.00-850.00	28.58-31.75
<b>CFR NE Asia</b>	USD/tonne	-30	590.00-650.00	-20	800.00-850.00	26.76-29.48
<b>CFR Taiwan</b>	USD/tonne	-30	590.00-650.00	-20	800.00-850.00	26.76-29.48
<b>CFR SE Asia</b>	USD/tonne	-30	540.00-600.00	-20	750.00-800.00	24.49-27.22

### China

FOB China assessments were stable-to-soft, with the low-end down in line with weak buying appetite.

In China, trading momentum in east China's domestic ex-tank market was subdued by holiday closures. The China market was shut from 22-23 June for the Dragon Boat Festival holidays.



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## Northeast Asia

CFR NE Asian assessments are down with weaker buy-sell indications.

Substantive negotiations were limited as it was a shorter trading week in the key China and Taiwan outlets. Both markets were shut 22-23 June for the Dragon Boat Festival holidays.

There were no regional spot cargoes floated this week for July shipment sales, albeit on fixed price terms.

But some cargoes did change hand on formula basis, market sources said.

There were some discussions too on deep-sea cargoes available for July arrival into Asia, and selling indications for these formed the high-end of this week's CFR NE Asia assessments.

But these did not draw much buy-side response, as end-users in wider Asia dropped their buying indications further to below \$600/tonne CFR NE Asia, and the low-end is dropped in line.

Limited volumes of regional materials may also have changed hands late week, at the low-end too for July shipment to northeast Asia, market sources said. But fuller details were not available by press time.

CFR Taiwan assessments were adjusted in line with changes for CFR NE Asian assessments.

Monthly Contract DEL, \$/tonne	May 23	Apr 23	Mar 23	Feb 23	Jan 23	Dec 22	Nov 22
Taiwan FPCC	875	1,015	1,085	1,085	855	755	755
Korea YNCC	855	1,060	1,145	1,178	905	795	755

### Southeast Asia

CFR SE Asian assessments were adjusted with changes in CFR NE Asian assessments.

### SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

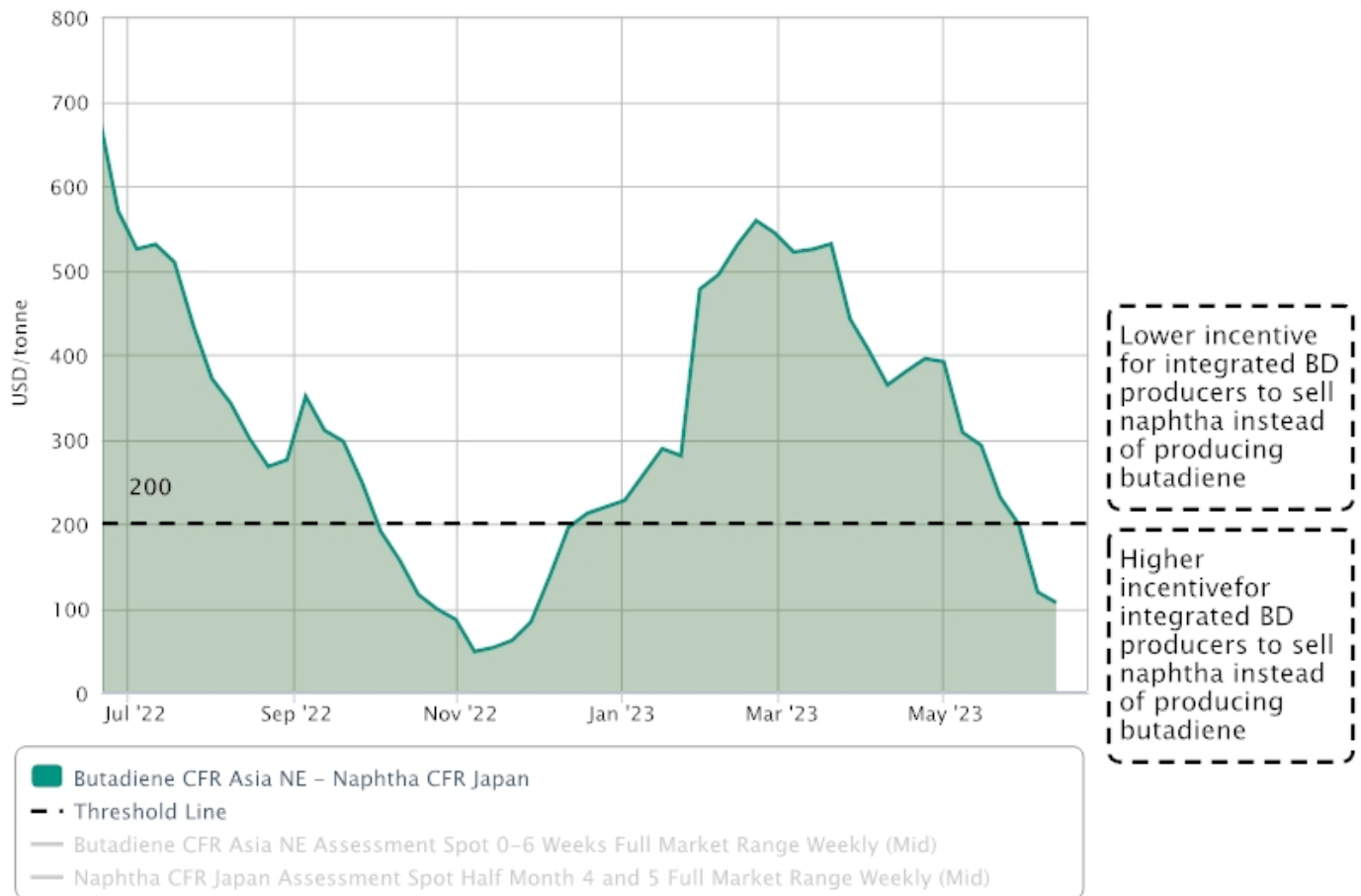
			Price Range		One Week Ago	/
<b>Butadiene</b>						
<b>Ex-Tank E China</b>	CNY/tonne	n/c	5700-5800	n/c	5700-5800	-

## UPSTREAM

### Naphtha

- Crack mired in steep discounts
- Supplies remain ample
- Current economic climate erodes buyers' confidence

[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.

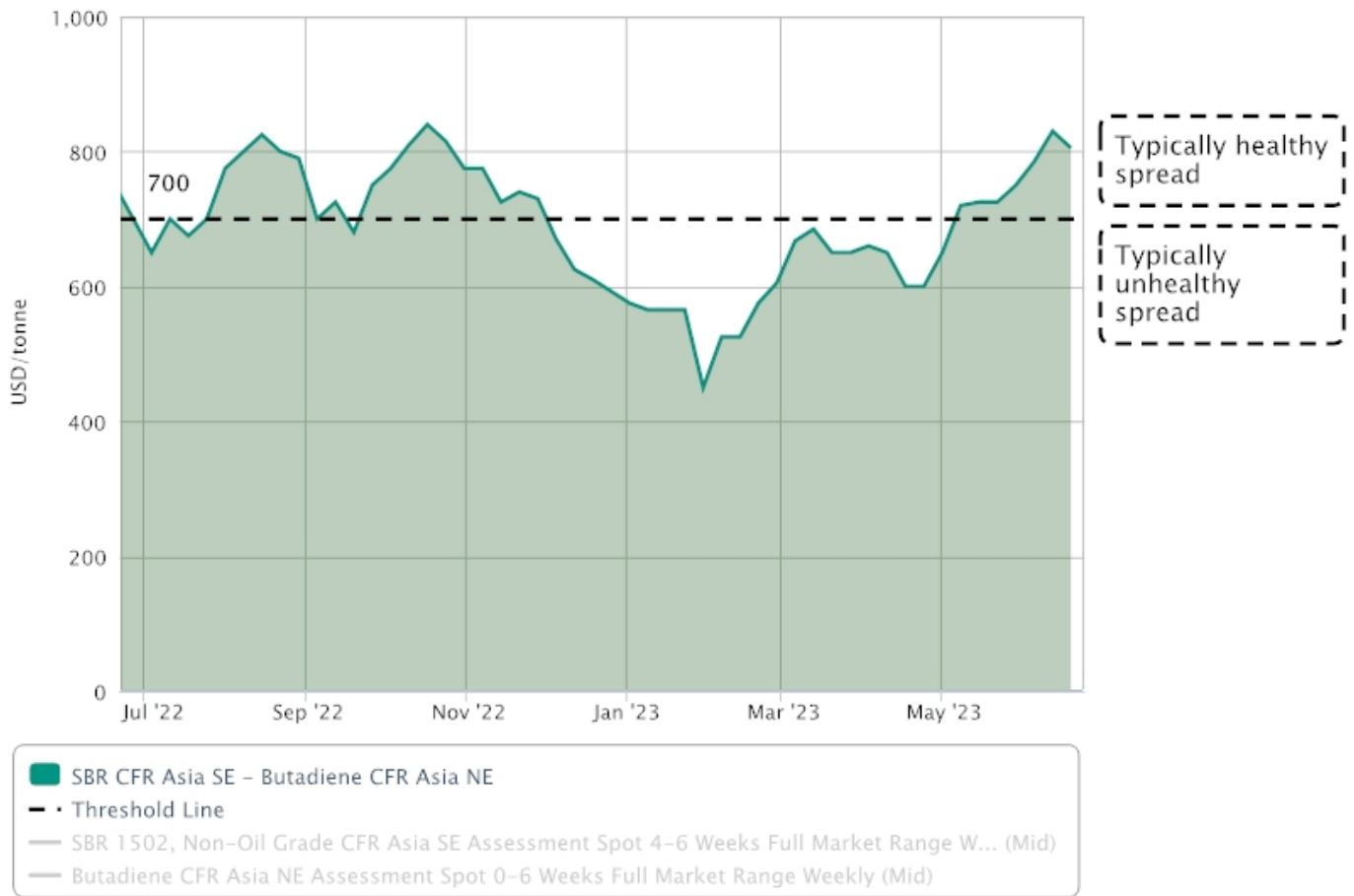
## DOWNSTREAM

### Styrene-butadiene-rubber

- Slow demand weighs on discussions
- Some lower offers surface too
- Weak upstream also erodes confidence

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

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



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**Acrylonitrile-butadiene-styrene**

- CFR NE Asia prices up for first time in more than two months
- Sentiment bolstered by production cuts, domestic price recovery
- Degree of rally subdued by Dragon Boat Festival



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## PRODUCTION

Regional output is poised to rise from June as several plants in northeast Asia restart in the month from prior maintenance closures.

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

## OTHER REGIONS

### Europe

- Domestic demand soft, additional reductions heard for remainder of year
- Cracker cuts, alternative processing of CC4 in place limiting oversupply
- No spot trade reported, but export news suggest FOB levels back to Q4
- Bearish pressure in US, Asia adding to general pessimism over a recovery anytime soon

### US

- Spot prices fall; domestic buying appetite non-existent

- Cargo fixed to Asia at 2020 price levels
- Weak demand is primary price driver

## ANALYTICS

### ICIS Butadiene Outlook

ICIS forecasts a worse outlook for US BD consumption for 2023 compared with November 2022 projections. Downstream demand is now expected to drop by around 9.3% year on year against 8.3% in the previous outlook. Across the board, the worsening outlook for the BD industry is dictated by the fact that US inflation will remain relatively high because it is dropping at a more moderate pace than expected. In 2023, net imports should decrease to about 100,000 tonnes from 200,000 tonnes in 2022. Currently, several US market participants are seeking to ship some cargoes to Asia to manage plenty supply, although Asian prices seems to be unworkable and trend downward.

The European BD market is likely to face a prolonged period of stunted demand and abundant supply. High inflation is compressing household purchases. The automotive sector, which usually records sales lows in summer months, will be subdued for the rest of 2023. An increase in BD flows from Europe to Asia to ease pressure on Q3 supply does not appear to be feasible, as Asian plants are gradually returning on stream from their maintenance. ICIS forecasts underlying European demand to increase to 2m tonnes or about 6% in 2023. As BD production is estimated to total 2.1m tonnes, the supply-demand imbalance will be about 100,000 tonnes. That said, the outlook for demand could be worse than expected.

The Asian BD market continues to witness soft demand and concerns over China's economic growth. ICIS expects that BD demand this year is set to increase to about 8.5m tonnes, slightly lower than 8.7m tonnes projection made in November 2022. A prolonged Russian-Ukraine war, high inflation and slower-than-expected recovery in Chinese economy weighed on domestic demand growth. BD production should hit about 8.2m tonnes, down by 2.3% from the previous outlook. As a result, the deficit is likely to be around 250,000 tonnes. In terms of plant news, Long Song petrochemical complex in Vietnam, which is currently conducting trials, could start production in July. The project includes a new standalone BD unit with a capacity of 110,000 tonnes/year and will serve Asian needs.

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### ICIS Downstream Automotive Outlook

Global light vehicle sales increased by 2.3% month on month in April to 86m units/year from 84m units/year in March (Oxford Economics). But negatives continue to outweigh positives for the sector. Now for 2023, the outlook continues to be challenging due to the cost-of-living crisis, as car buyers are expected to postpone their purchases.

According to the US Census Bureau, light vehicle sales in the country decreased by 6.5% month on month in May with total sales of 15.0m units (up 19.6% year on year and 12.4% down from 2019). High inflation, slumping consumer confidence and tighter monetary policy will weigh upon consumer demand for automotives. The outlook for 2023 remains concerning.

According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registrations decreased by 26% in April (from 1.10m in March to 800,000 in April). However, they grew 17% in April year on year. The ACEA

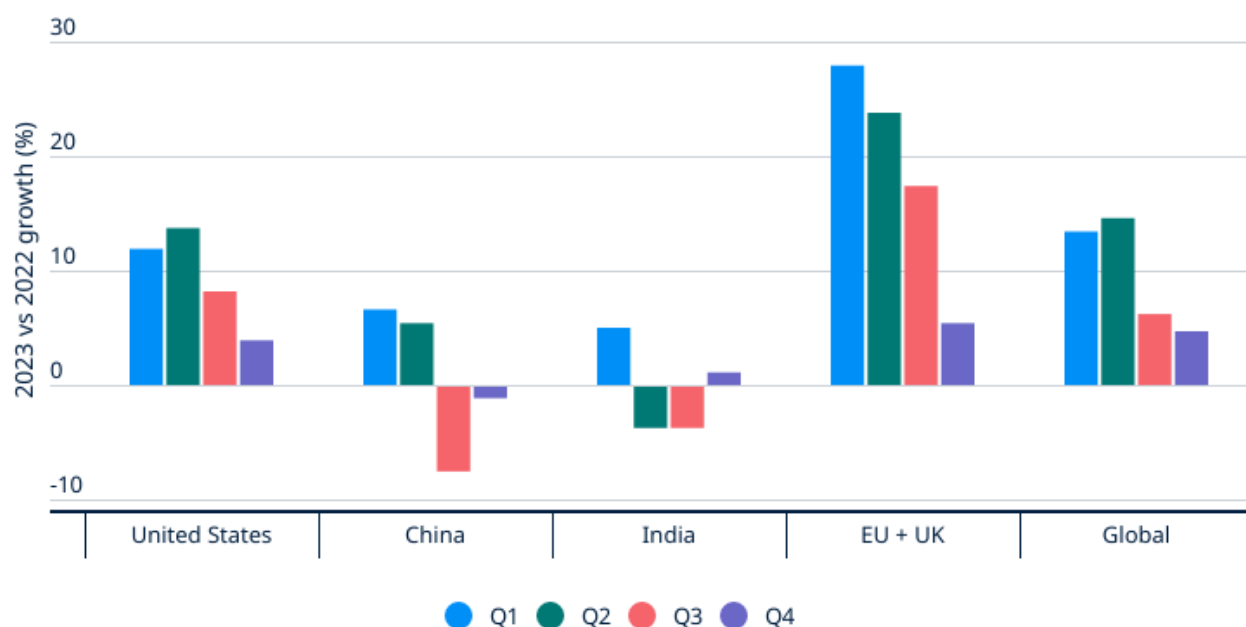
said Spain (33.7%) saw the biggest gain, followed by Italy (26.9%), France (16.7%) and Germany (7.9%). Commercial vehicle registrations grew 7.7% to 355,553 in Q1 2023 year on year (the growth being largely a function of a lower base). The outlook for 2023 remains challenging (especially for the commercial segment) on the back of reduced industrial activity.

China automotive output is forecast to shrink during the second half of the year (Oxford Economics). This contradicts the view that pent-up led demand growth was expected after the re-opening of the economy. However, the actual impact is something we must wait and see. Currently Chinese auto stakeholders are primarily focusing on the development of new energy vehicles (NEVs) and intelligent connected vehicles (ICVs) including autonomous vehicles.

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

## Motor vehicle sector growth by region

### 2023 vs 2022



SOURCE: Oxford Economics

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