



Butadiene (Asia-Pacific)

By Ai Teng Lim
23-Sep-2022

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

The FOB China and Chinese domestic yuan (CNY) prices in the weekly analysis on 7 October will not be assessed. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Domestic China falls but import window to China stays open**
- **Varying buying appetite in China for different cargo shipment timing**
- **Wider Asian discussions under pressure on weak demand fundamentals**

Discussions in Asia's spot butadiene (BD) market remained centred this week on China, while potential buyers in other Asian outlets mostly retreated deeper behind the sidelines.

Even though domestic China prices for BD trended down this week, domestic cargoes remain, on an import parity bases, more pricey than US dollar-denominated imports, thus keeping alive China's buying interest for imports.

However, this outlet's buying appetite for imports varied too, depending on cargo arrival timings.

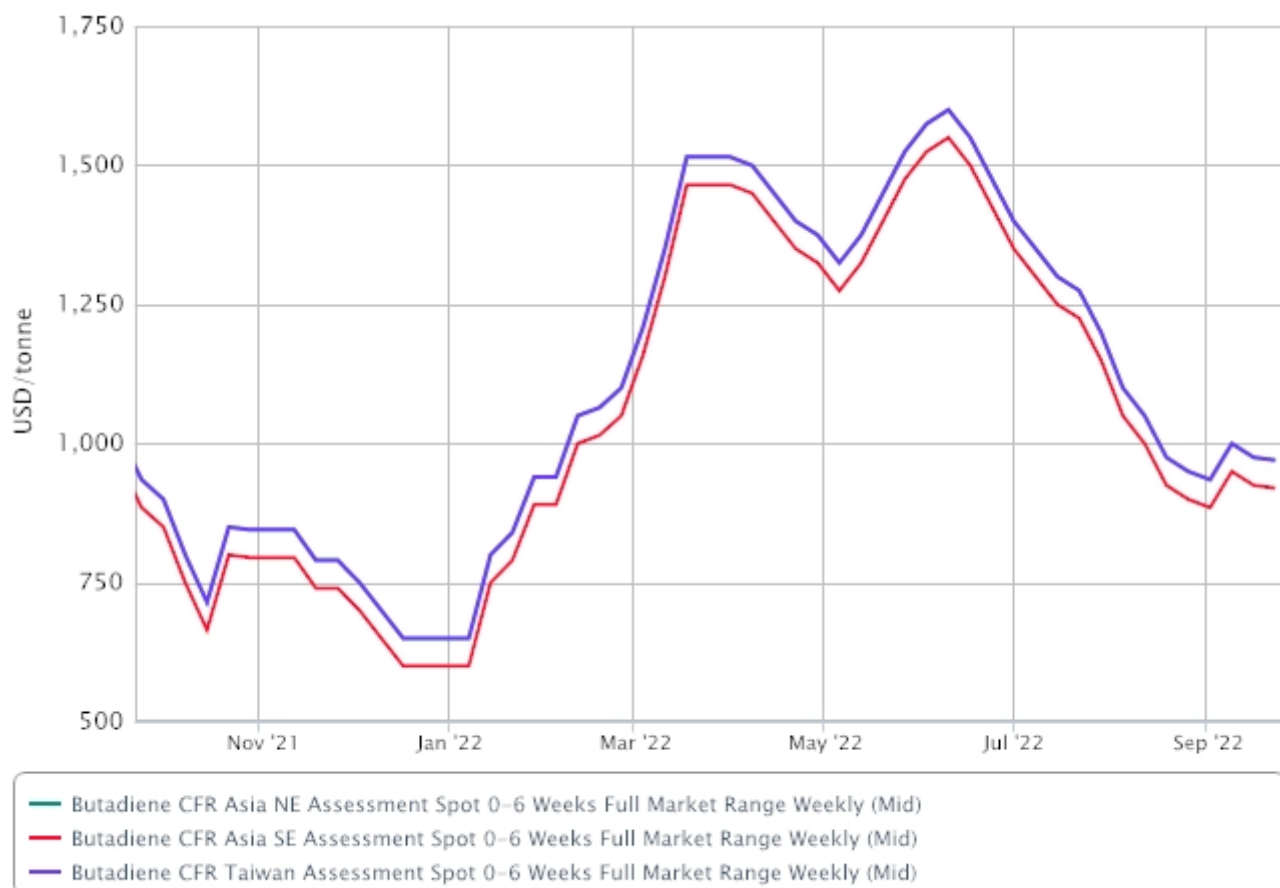
There were still pockets of buying interest detected in China for cargoes that could arrive before mid-October and pricing discussions held firmer for these import materials, market sources said.

Availabilities of such materials were also low, limited to sporadic cargoes that may have been displaced from lower-than-expected contractual offtake in wider Asia.

For shipments further out, pricing sentiment in China was subdued, reflecting too the reality of a dull mid-to-long term demand outlook. The latter is accentuated by global macroeconomic [uncertainties](#), as well as uncertainties on when and how China would lift more of its COVID-19 restrictions to facilitate fuller recovery of downstream operations.

There were ample spot supplies too as several southeast Asia-origin cargoes surfaced this week for H2 October shipment sales and buyers saw no need to rush to raise bids and secure volumes.

In wider Asia, demand sentiment was even more muted than China, with most end-users there heard already amply covered for October. Some may even cut back on November procurement if their own downstream markets continue to falter, market sources said.



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OUTLOOK

- China may scale back on imports if domestic losses widen
- Demand outlook still hazy across Asia
- Sentiment in wider Asia likely to stay subdued in foreseeable future

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	n/c	1050.00-1150.00	n/c	950.00-1050.00	47.63-52.16
CFR NE Asia	USD/tonne	-10	940.00-1000.00	n/c	850.00-1050.00	42.64-45.36
CFR Taiwan	USD/tonne	-10	940.00-1000.00	n/c	850.00-1050.00	42.64-45.36
CFR SE Asia	USD/tonne	-10	890.00-950.00	n/c	800.00-1000.00	40.37-43.09

China

FOB China assessments were rolled over in the absence of any concrete discussions and indications.

Domestic ex-tank prices in east China fell this week on more subdued buy-sell talks.



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Northeast Asia

CFR NE Asia prices were assessed in a wider range, tracking discussions and deals heard for cargoes with varying shipment windows.

Discussions were heard at the higher end for cargoes available to ship earlier in October. Some cargoes also changed hands at around the high end this week for H1 October shipment to China, market sources said, although not all details of players involved were available by press time.

For shipment further out, discussions were capped at the lower end and the low-end tracked a verified deal for H2 October delivery to China.

CFR Taiwan assessments were adjusted in tandem with changes to CFR NE Asia assessments.

Monthly Contract DEL, \$/tonne	Aug 22	Jul 22	Jun 22	May 22	Apr 22	Mar 22	Feb 22	Jan 22
Taiwan Formosa Petrochemical Corporation (FPC)	1,025	1,255	1,450	1,360	1,415	1,355	1,040	795

South Kor	983	1,315	1,555	1,445	1,445	1,335	1,015	835
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Southeast Asia

CFR SE Asia assessments moved in line with changes to the CFR NE Asia assessments, in the absence of any discussions on CFR SE Asia terms.

Several southeast Asia-origin cargoes were heard available for mid-to-late October shipment sales but it was unclear if any transactions materialised during the assessment window.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

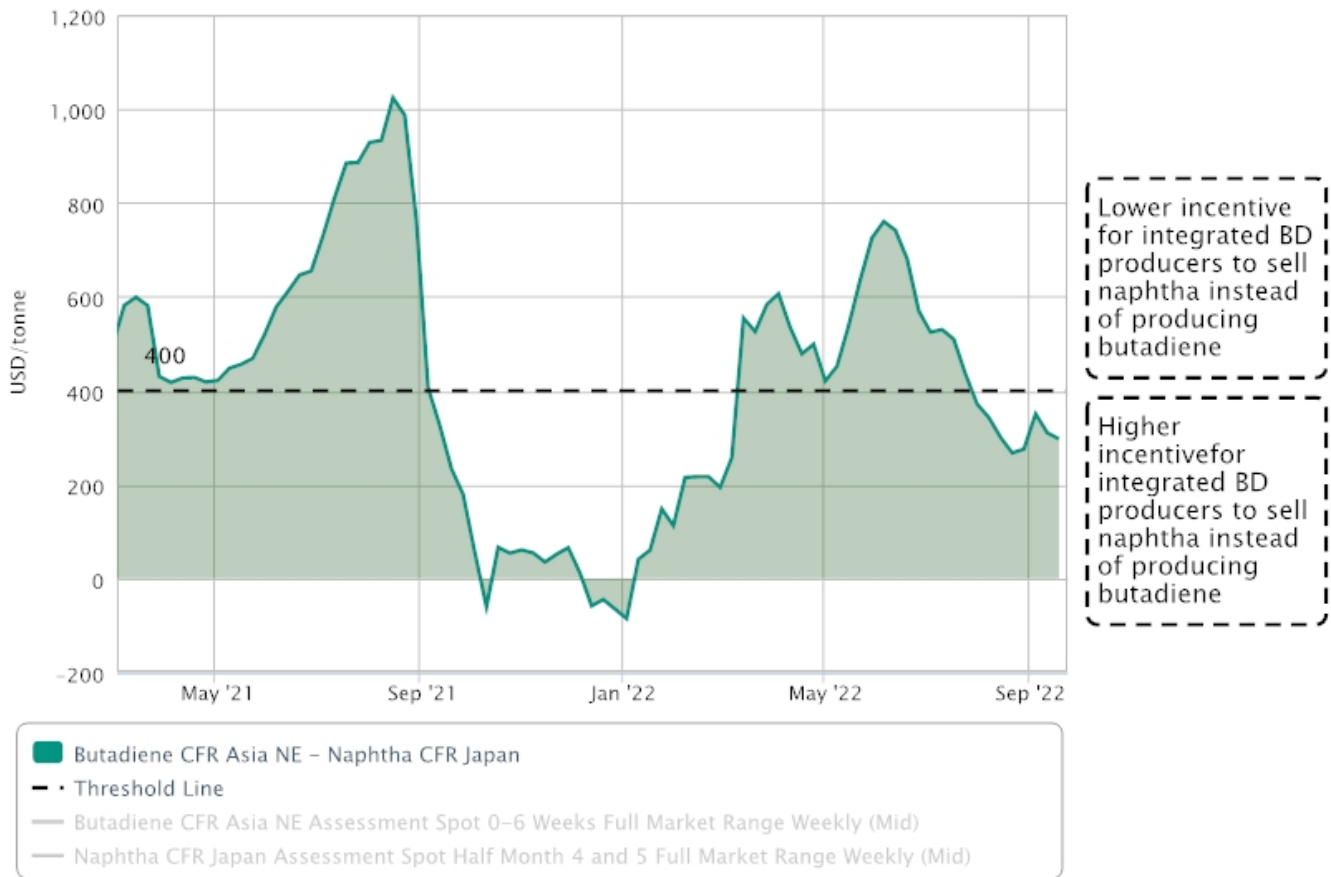
			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	-400	8300-8400	-500	9500-9700	-

UPSTREAM

Naphtha:

- Asia-Pacific markets lack trade momentum
- Faltering downstream margins crimp demand
- Western cargo flows bump up excess supply

[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.

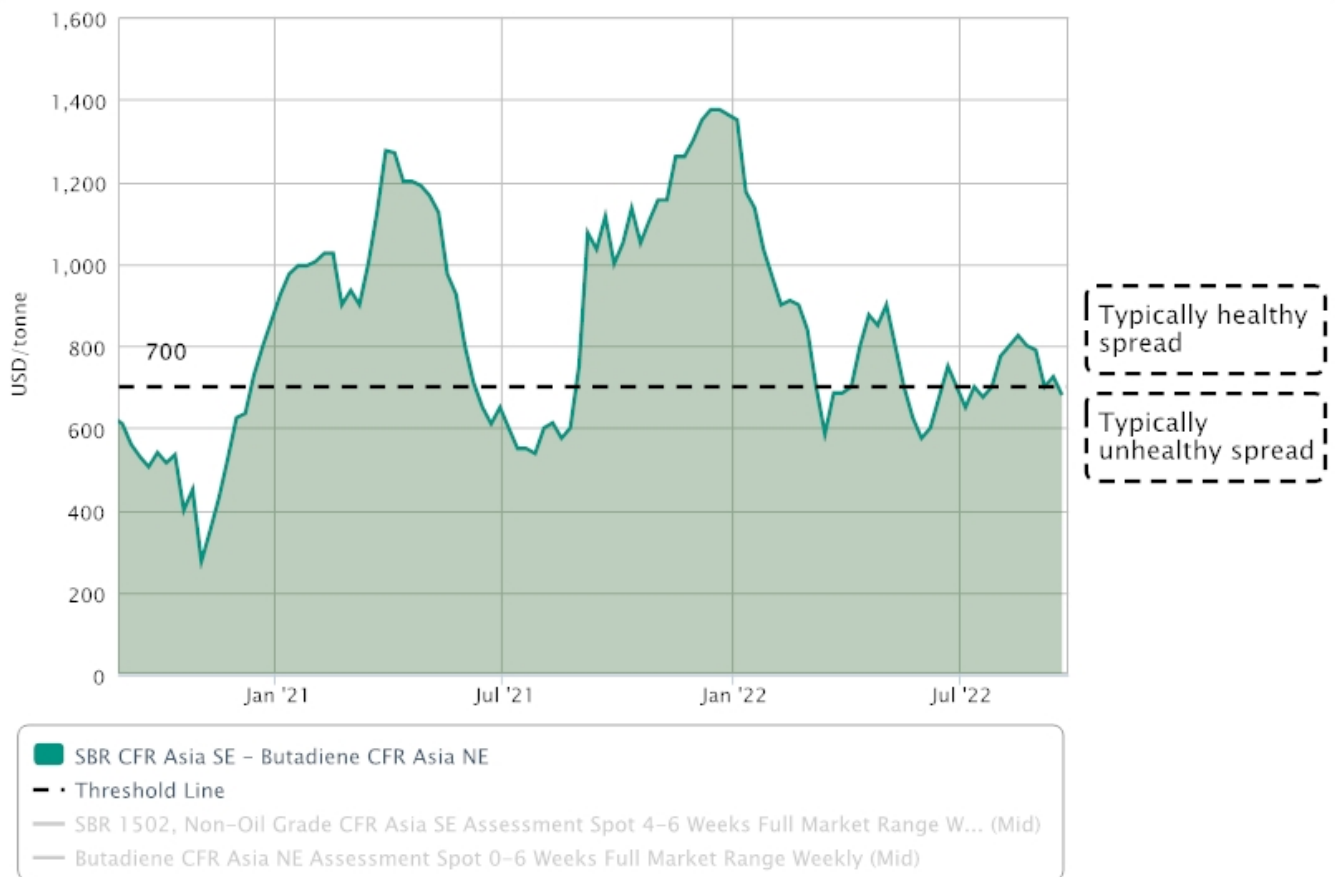
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Downtrend resumes
- Offers moderated to induce buying
- Demand still [muted](#) in nature

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

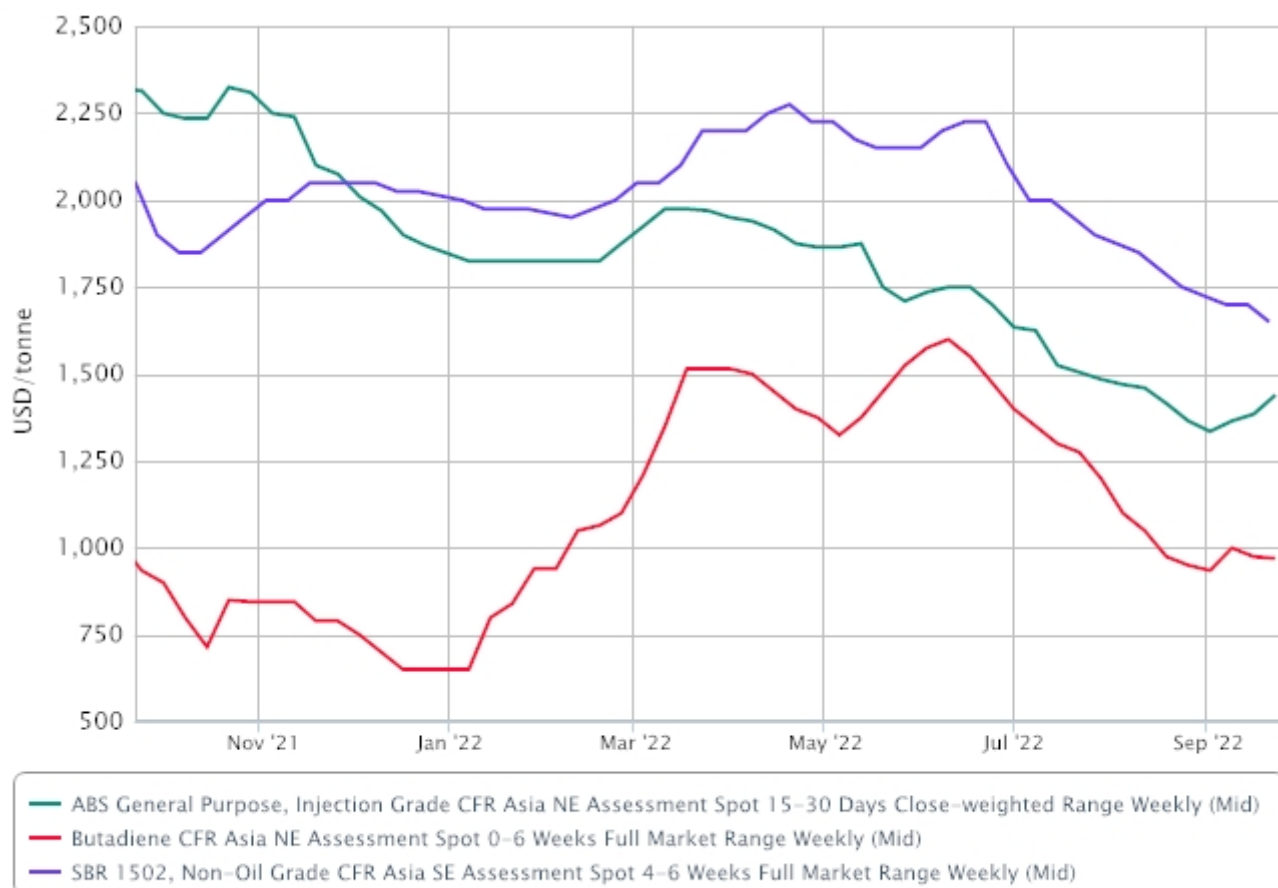
[Spread between Butadiene and Styrene Butadiene Rubber Asia](#)



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Acrylonitrile butadiene styrene (ABS)

- CFR NE Asia up for third week after earlier 11-week decline
- Stocking activities ahead of Golden Week
- [India, SE Asia](#) benefit from China's boost



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PRODUCTION

In wider Asia, BD output from extraction units in South Korea and Japan may remain capped in the near term, due to sustained operating rate cuts at many upstream crackers in northeast Asia.

There is also ongoing BD maintenance in South Korea and Taiwan.

Nevertheless, spot availabilities from southeast Asia are poised to rise, after a 185,000 tonne/year plant in Malaysia restarted in July following a prolonged outage.

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

OTHER REGIONS

Europe

- Market still balanced
- Demand softer but offset through supply restrictions
- Sentiment a little more negative especially for later in Q4

US

- Supply sufficient with all sites running
- Slower downstream adds downward price pressure
- Long ethylene/PE market weighs on cracker rates

ANALYTICS

ICIS downstream automotive demand outlook

Automotive is one of the most battered sectors, having suffered severe semiconductor shortages at the start of the COVID-19 pandemic. With the exception of Europe, most other major economies have recovered and are operating above pre-pandemic (2019) levels. The global light vehicle selling rate increased to 90m units in July, from 85m units in June, according to Oxford Economics. Growth was primarily contributed by China, with the easing of lockdown measures. However, negatives continue to outweigh the positives for the sector. Geopolitical tensions have worsened the supply situation for semiconductor integrated circuit (IC) chips. The three key critical regions for IC chips are Russia, which supplies key input materials such as palladium, neon gas, etc; Ukraine, which supplies 90% of neon gas; and Taiwan and China, accounting for approximately 22% and 16% of IC chips supply, respectively.

According to the US Census Bureau, US light vehicle sales fell 1.1% month on month in August with total sales of 13.2m units. The finished inventory-to-sales ratio slightly declined month on month, from 0.558 to 0.505 in July. For context, the ratio was 0.937 and 2.641 respectively in June 2021 and 2020. High inflation, slumping consumer confidence and tighter monetary policy will weigh on consumer demand for automotive vehicles.

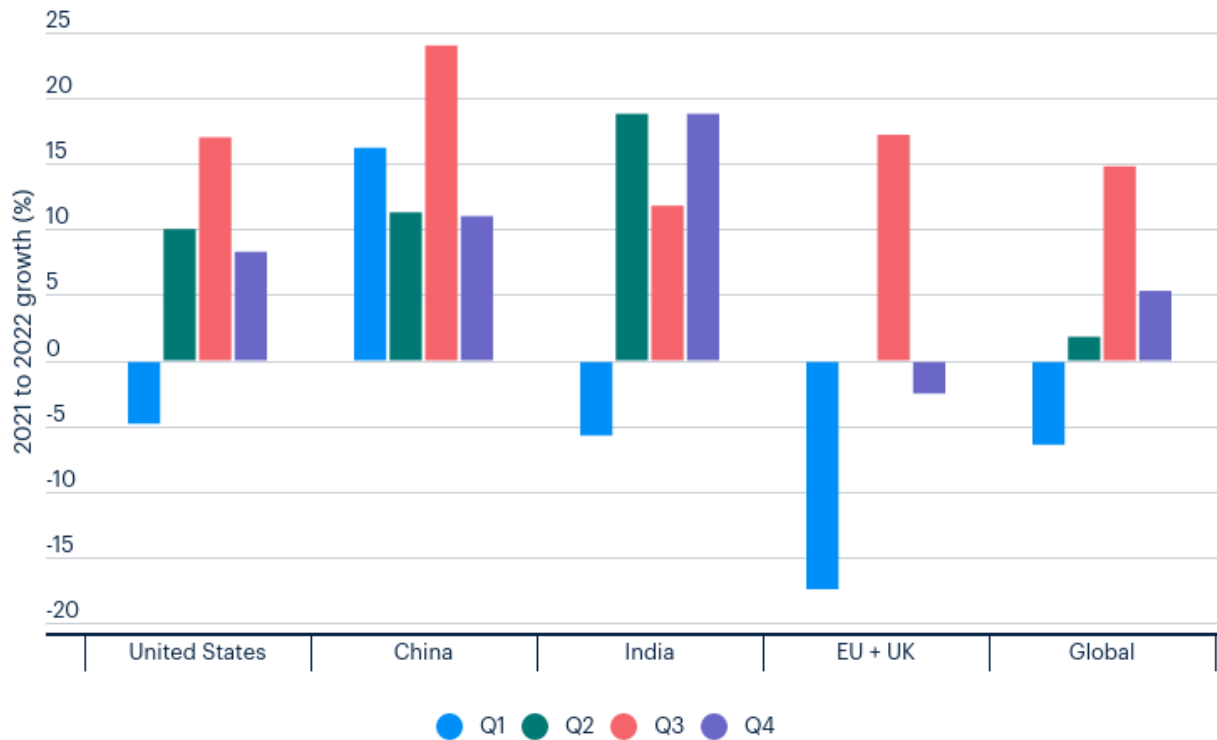
EU automotive production in 2022 is expected to shrink by 2.0% compared with 2021, while Q4 2022 production is expected to contract by 2.4%, as compared with Q4 2021 levels, according to Oxford Economics. Compared with 2019, production levels are still down by approximately 27%. Furthermore, energy rationing would be a drag on recovery. As Gazprom announced last week, the Nord Stream pipeline has been fully shut down until "operational defects in the equipment are eliminated". No timeline in terms of reopening was mentioned. The European Automobile Manufacturers Association (ACEA) reported a 15.4% fall year on year in passenger car registrations in June. All major European economies posted a double-digit sales contraction, as logistics and supply chain problems continue to affect the industry. Commercial vehicle registrations were down 22.5% month on month in June. ACEA reported the fall is mainly due to the drop in sales of new vans.

China automotive production in 2022 is expected to grow 15.4% compared with 2021, while Q4 2022 production is forecast to grow 11.0% compared with Q4 2021 levels, according to Oxford Economics. Compared with 2019, production levels in 2022 are 35.0% above pre-pandemic levels. The easing of lockdowns is a major factor contributing to recovery. India automotive output in 2022 is expected to grow 10.4% compared with 2021 levels, while Q4 2022 output is forecast to grow by 18.8%, compared with Q4 2021 levels, according to Oxford Economics. Compared with 2019, production levels in 2022 are 10% above pre-pandemic levels.

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

Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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