



Butadiene (Asia-Pacific)

By Ai Teng Lim
25-Mar-2022

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

OVERVIEW

- **Discussions muted**
- **Differing buy-sell market outlook**
- **Players wait and see**

Asian spot prices for butadiene (BD) held steady amid muted discussions.

Buy-sell sentiments were [divergent](#) and this limited the room for any meaningful and fruitful negotiations between the two sides, market players said.

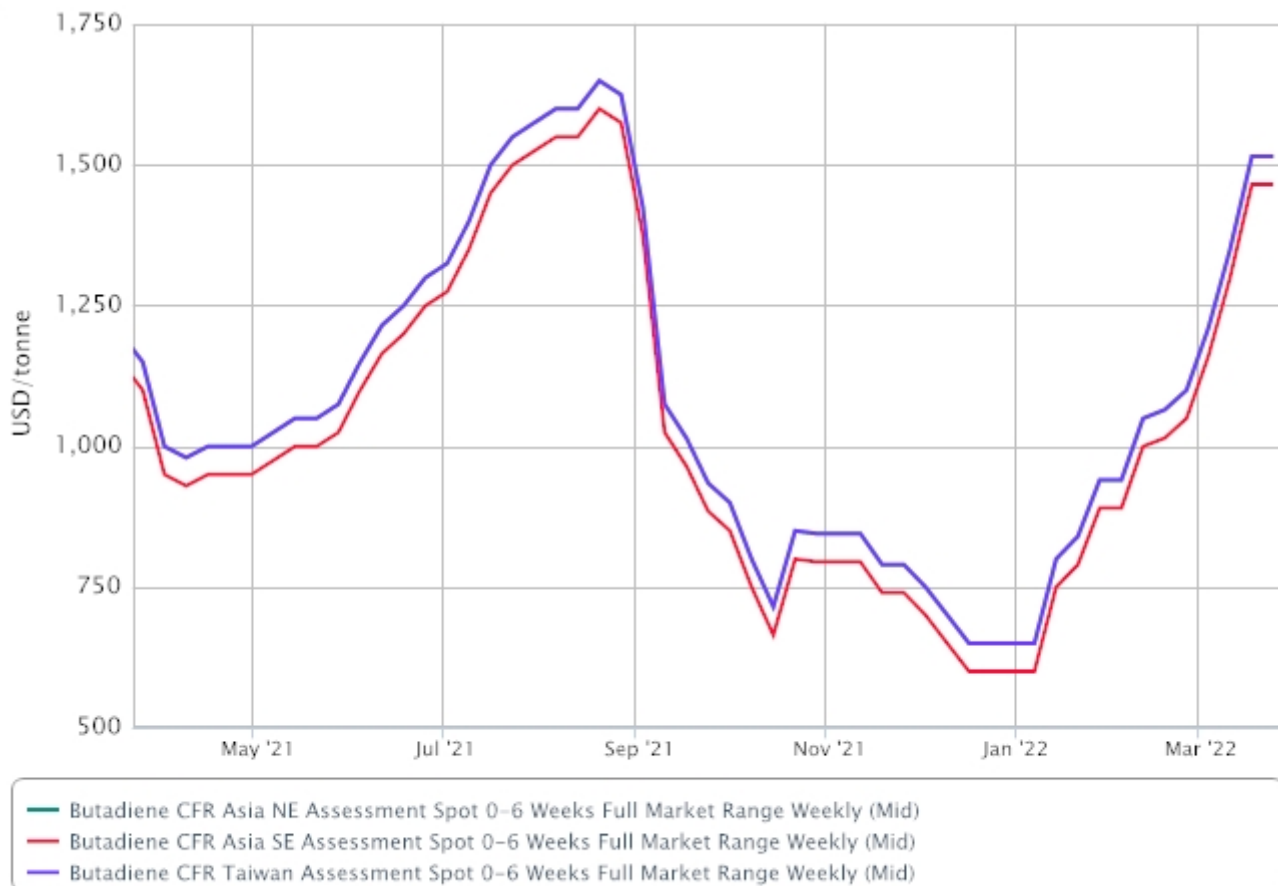
Overall, there were many uncertainties on several fronts, from [crude's volatility](#), to how a protracted [Russia-Ukraine conflict](#), or tightened pandemic control measures in [China](#), will serve to further disrupt downstream demand.

Against this backdrop, more sellers were heard inclined to negotiate new spot deals on floating terms, instead of on a fixed price basis. But this seemed to differ from buyers' preference, and spot trade liquidity was thus crimped.

Generally, sellers maintained bullish targets, citing the need to recoup upstream cost surges.

But buying interest was tepid, as end-users were concerned about downstream affordability and hence resistant to what they deemed as over-priced BD cargoes.

Many were also optimistic that BD spot availabilities may not be as tight as previously anticipated, after a term sales tender emerged this week for cargoes available to lift from southeast Asia between April and December.



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OUTLOOK

- Supply to hinge on how [cracker op rates](#) will trend
- Demand worries may grow with extended geopolitical tensions
- Outlook mixed

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

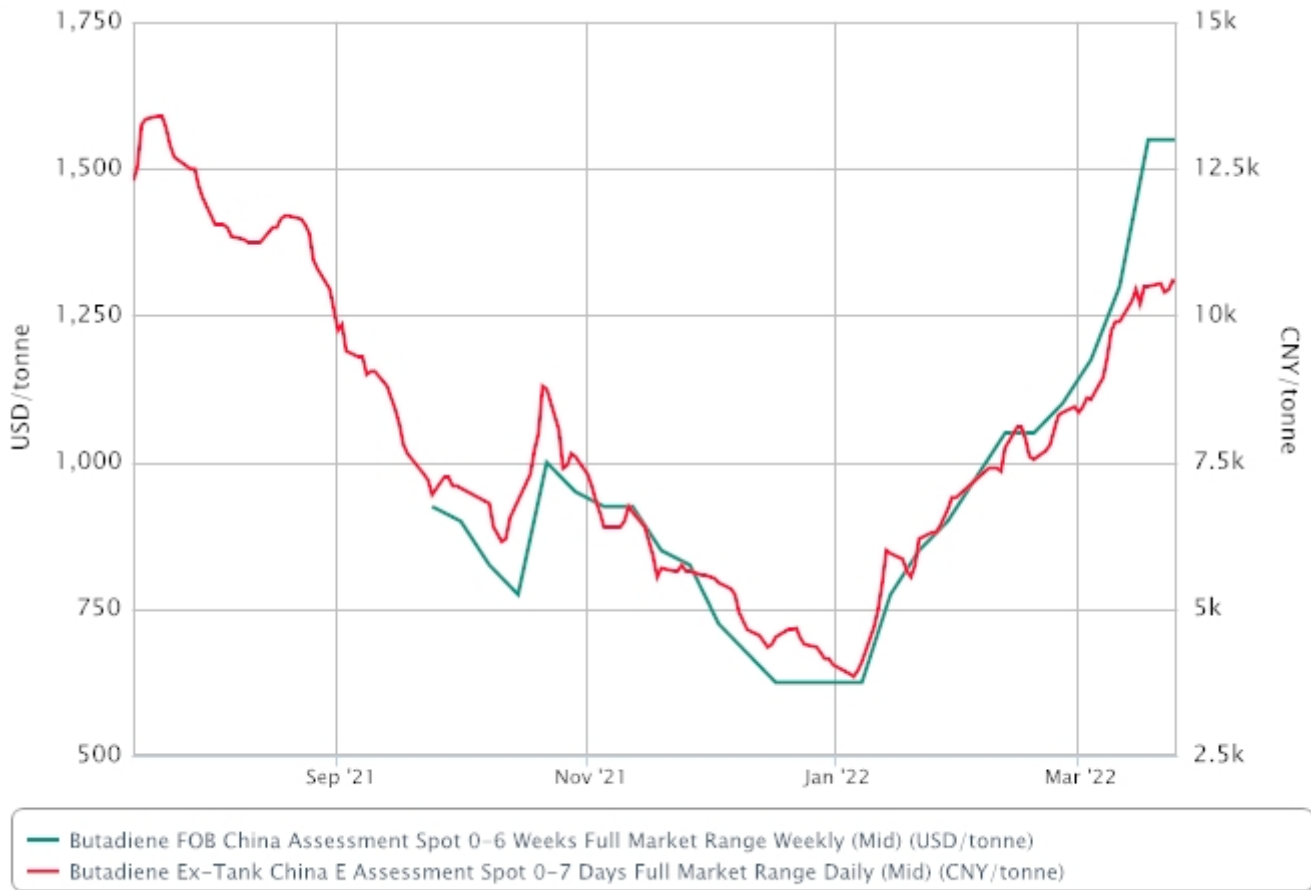
			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	n/c	1500.00-1600.00	n/c	1050.00-1150.00	68.04-72.57
CFR NE Asia	USD/tonne	n/c	1450.00-1580.00	n/c	1050.00-1150.00	65.77-71.67
CFR Taiwan	USD/tonne	n/c	1450.00-1580.00	n/c	1050.00-1150.00	65.77-71.67
CFR SE Asia	USD/tonne	n/c	1400.00-1530.00	n/c	1000.00-1100.00	63.50-69.40

China

FOB China assessments were kept unchanged, taking into consideration rangebound indications.

Domestic China prices settled in a narrower range this week, as the upside factor of tight prompt supplies was negated by downside pressures of slower off-take.

Price (CNY/tonne)	25 March	18 March
DEL east China	10,700-10,800	10,400-11,000



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Northeast Asia

CFR northeast Asian assessments were kept unchanged in the absence of any concrete discussions or transactions on fixed price terms.

The buy-sell gap remained wide, with some sporadic indications, on a fixed price basis, heard at the high \$1,500s CFR NE Asia and beyond from sellers, while buying indications were capped at the mid-\$1,400s CFR NE Asia.

In contrast, discussions were slightly more active for transactions on floating terms, although no deals materialised either.

CFR Taiwan assessments were kept unchanged in line with the stable CFR NE Asian assessments.

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

Taiwan	1,040	795	780	885	870	1,175	1,545
FPCC							
Korea YNCC	1,015	835	645	800	790	1,050	1,650

Southeast Asia

CFR SE Asian assessments held steady in line with the stable CFR NE Asian assessments, in the absence of any concrete business on CFR SE Asia terms.

A sell tender was issued this week, for monthly lifting of 2,000 tonnes of SE Asia-origin materials from April to December. The tender outcome may be available in one to two weeks, market sources said.

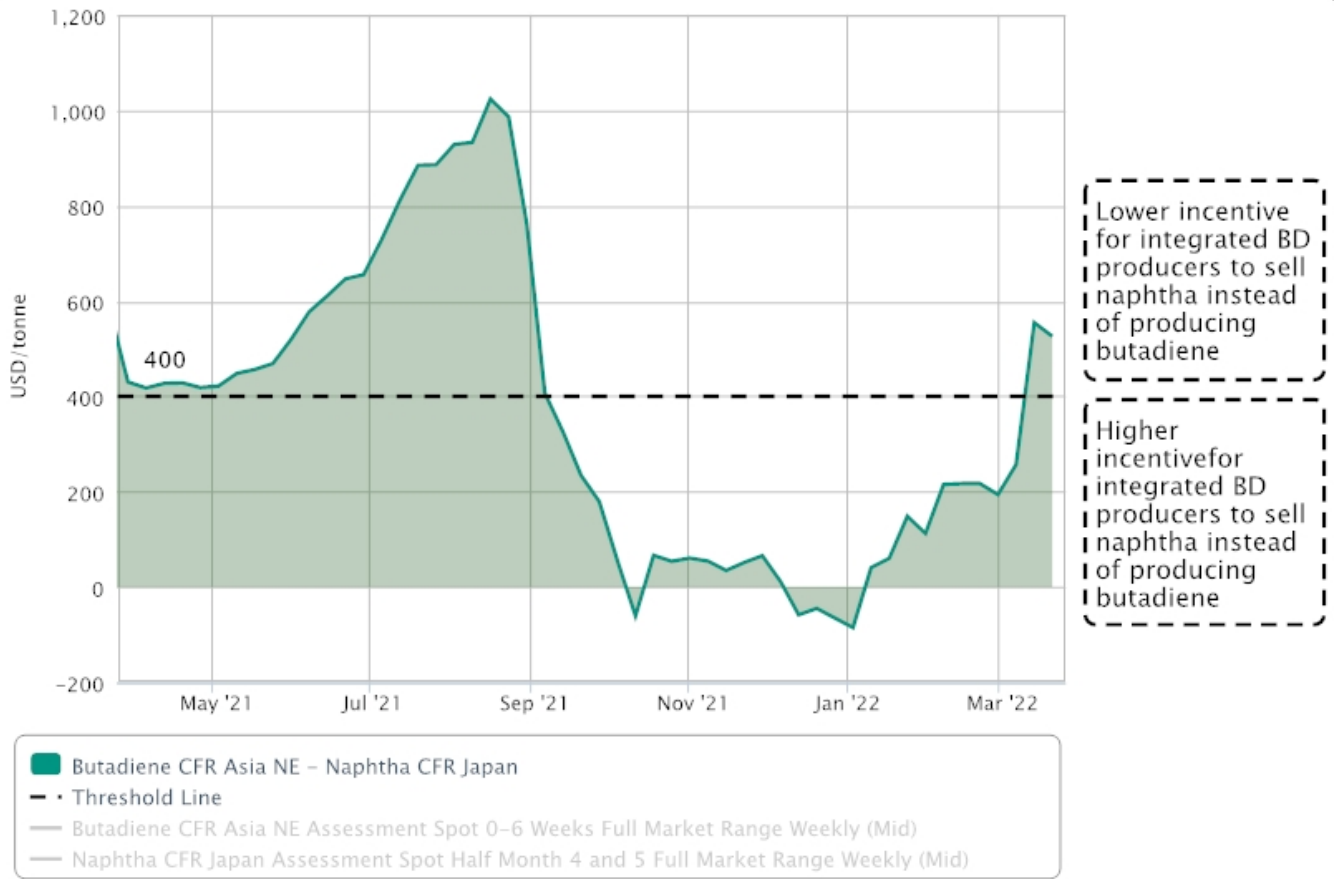
SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	n/c	10500-10600	-100	10200-10800	-

UPSTREAM

Asia-Pacific naphtha prices firmed alongside crude oil futures on supply concerns, amid the ongoing Russia-Ukraine war. However, concerns eased towards the week's close as the US considers releasing oil from storage. Firm naphtha costs at the expense of demand and poor downstream margins resultantly narrowed the intermonth spread in backwardation. Strong crude oil prices weighed on naphtha's crack spread.

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



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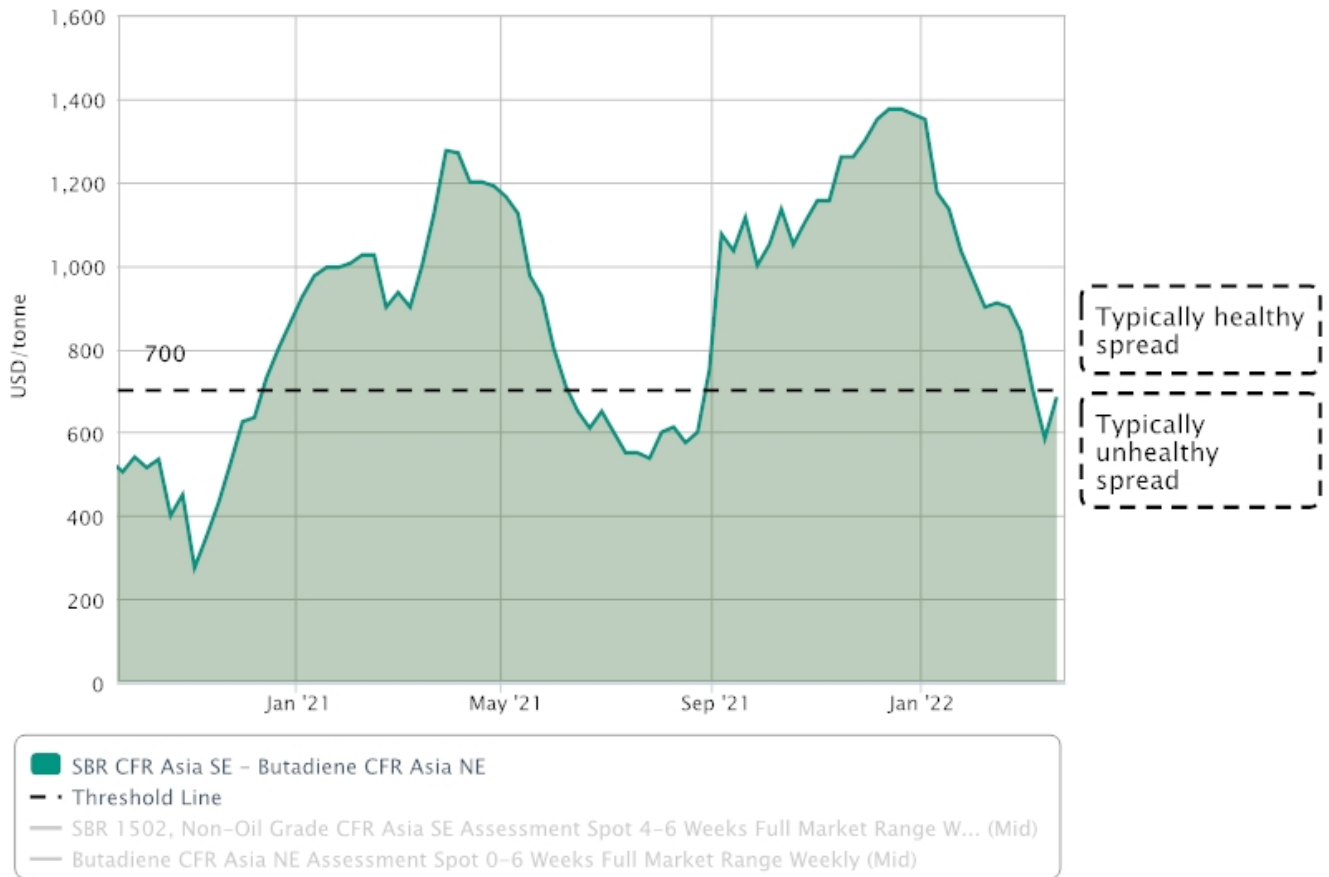
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asian spot discussions for styrene-butadiene rubber (SBR) imports rose as offers [spiked](#) with cost pressures.

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 Asia's spot **acrylonitrile butadiene styrene (ABS)** import prices were stable-to-soft, amid a widening buy-sell gap. Buyers expressed reluctance to seek spot imports, over worries of shipment delays and cuts in end-use consumption following the lockdowns across China. Sellers continued to grapple with the feedstock cost surge.



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PRODUCTION

The regional BD market remained structurally over-supplied, with more [new capacities](#), including a 200,000 tonne/year unit in China's Zhejiang province, expected to come onstream within the first half of 2022.

But prompt output remained tight, following a heavy, and ongoing, wave of cracker operating rate cuts in northeast Asia. Supply was also weighed down by several plant maintenance closures in the February-March period. In addition, several scheduled maintenances are coming up in Q2, market sources said.

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

OTHER REGIONS

In Europe, April CP contract prices settled at €200/tonne [higher](#) than March, riding on strong upstream crude and naphtha gains.

In the US, April BD contract nominations also climbed sharply [higher](#) than March on snug supplies and cost volatilities.

ANALYTICS

ICIS Outlook on Industrial Production (ex. Construction)

Global industrial activity has been compromised in the wake of the energy price shock following Russia's invasion of Ukraine. Global industrial output has been revised down to 3.8% from 4.1% year on year in 2022 by Oxford

Economics, and Q1 is expected to grow by 2.3% year on year against an earlier forecast of 2.9%. The conflict has had a direct impact on the automotive, semiconductor, metal and other energy-intensive industries. Agriculture, although not part of industrial production, has also been affected because Russia and Ukraine are together responsible for about one-third of global trade in wheat and barley. Increasing commodity and energy prices are also expected to drive up the cost of manufactured goods. China accounts for 30% of global industrial production and this could be adversely affected as ICIS expects structural problems in the Chinese economy given tighter financial measures and renewed lockdowns. Chinese consumer spending is also expected to become more conservative which will dampen demand for various end uses, apart from daily essentials.

The US industrial output forecast has been revised down to 3.7% from 4.0% year on year in 2022 by Oxford Economics, which lowered its Q1 forecast by 0.9% to 3.5% year on year. Within manufacturing, weakness is expected in the domestic appliances, food production, automotive and textile sectors. If the Russia-Ukraine conflict is long and drawn out, the outlook for industrial production is likely to deteriorate further.

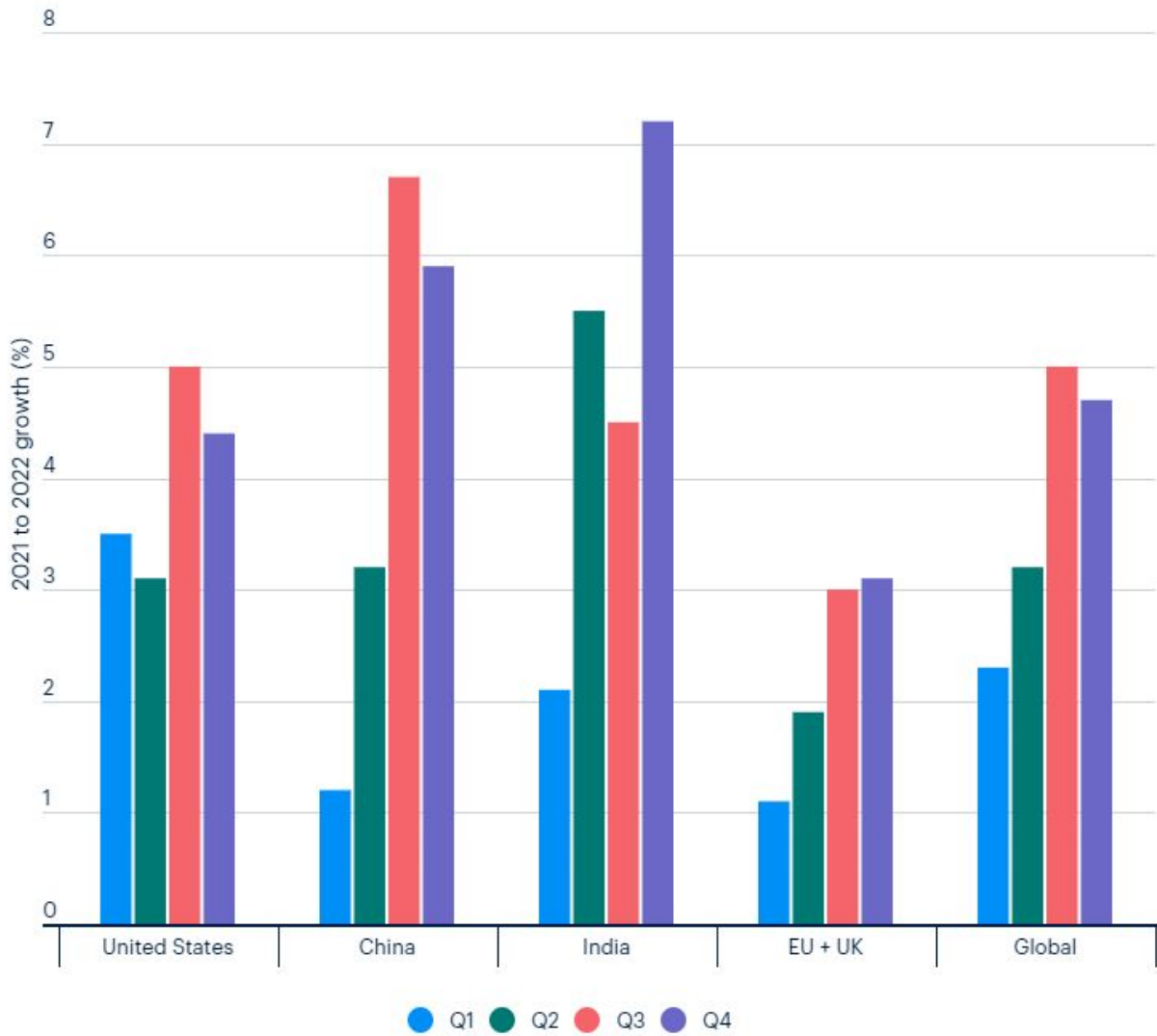
The EU industrial output forecast has been revised down to 2.3% from 3.0% year on year in 2022 by Oxford Economics, which lowered its Q1 forecast by 0.5% to 1.1% year on year. The motor vehicle and domestic appliance sectors continue to underperform. Market sentiment has taken a hit as well. The IHS Markit eurozone Manufacturing PMI was revised down to 58.2 in February from an initial estimate of 58.4. IHS Market said, "The latest survey data continued to highlight strong pricing power among price setters, with steep rates of both input cost and output price inflation persisting."

China's industrial output is expected to increase by 4.2% year on year in 2022, according to Oxford Economics, which lowered its Q1 forecast by 1.0% to 1.2% year on year. Renewed COVID-19 outbreaks in cities such in Guangdong and Suzhou will add to the disruption. Shenzhen, a manufacturing hub, will suspend further production. China's production index has been on a steady decline since March 2021 and a similar trend can be seen in China's new order index. The forecast for industrial output in India has been revised down to 4.8% from 7.5% year on year by Oxford Economics.

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

Industrial production (excluding Construction) growth by region

2021 vs 2022



SOURCE: Oxford Economics

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