



Butadiene (Asia-Pacific)

By Ai Teng Lim
27-May-2022

[Overview](#) | [Outlook](#) | [Prices](#) | [Upstream](#) | [Downstream](#) | [Production](#) | [Analytics](#)

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 will be assessed based on information collected up to 2 June in the weekly analysis on 3 June. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **China export offers trend higher**
- **Domestic China also surges**
- **Active buying interest**

Asia's spot prices for butadiene (BD) rose with firmer discussions and deals for June delivery cargoes.

Various upstream crackers in northeast Asia finalised this week additional [output cuts](#) in June, triggering in turn concerns that regional BD output will fall in line.

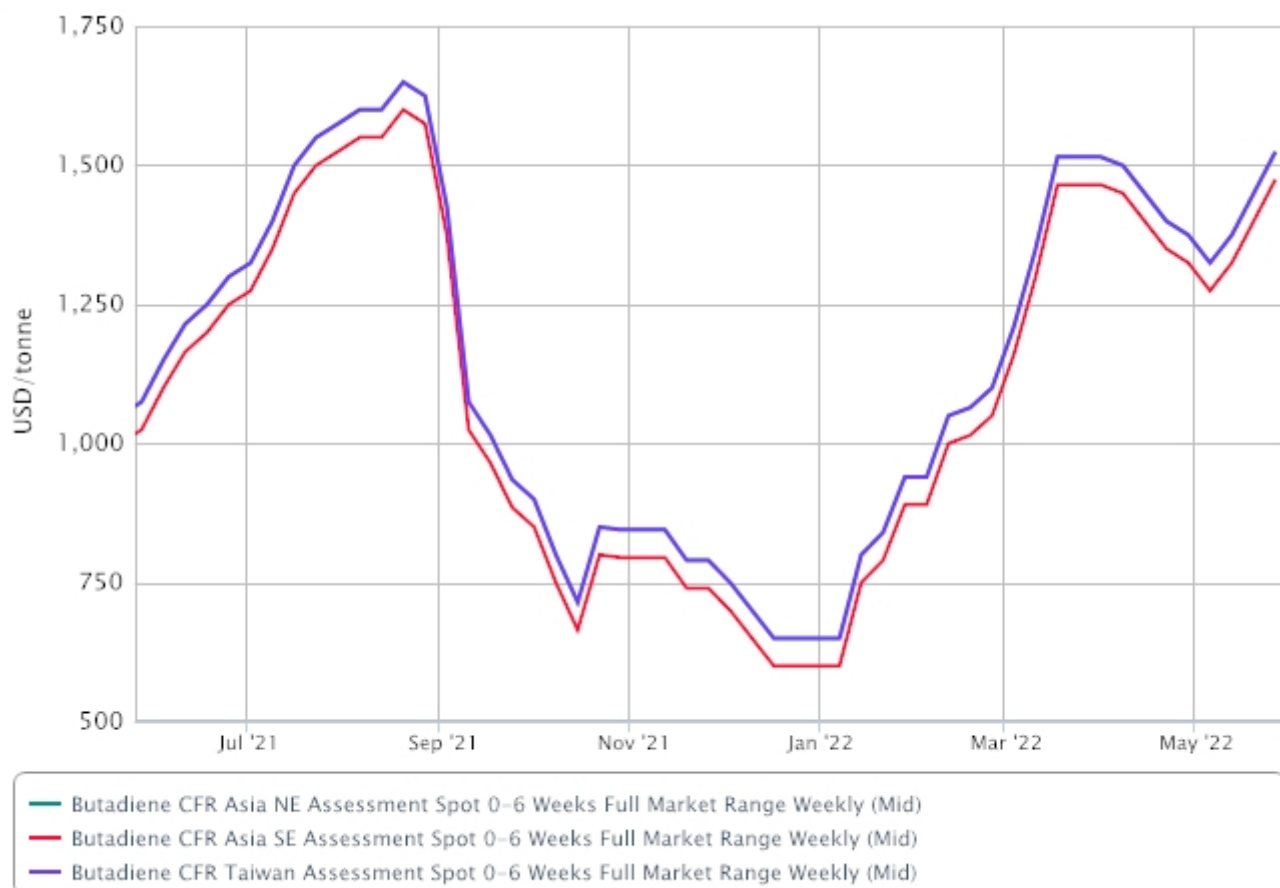
This prompted some market players to try and secure additional spot volumes to cover anticipated shortages.

But with June spot supplies in wider Asia already mostly sold out, potential buyers turned to procuring from China.

China export offers rose in line with the increased buying interest, and this buoyancy also lifted discussions in the domestic China market, driving yuan values up to a late-week surge.

But buying sentiment is uneven, with some end-users from the downstream synthetic rubbers and acrylonitrile-butadiene-styrene (SBS) sectors retreating further to the sidelines, citing affordability concerns.

Some also cited plans to trim operating rates at their own plants to minimise BD usage, if BD's uptrend persists.



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OUTLOOK

- Buy-sell gap may widen
- Supply may lengthen in H2 2022 with new plants coming onstream
- Slow auto sector growth may weigh on longer term demand

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	+100	1500.00-1550.00	+50	1300.00-1400.00	68.04-70.31
CFR NE Asia	USD/tonne	+100	1500.00-1550.00	+50	1330.00-1420.00	68.04-70.31
CFR Taiwan	USD/tonne	+100	1500.00-1550.00	+50	1330.00-1420.00	68.04-70.31
CFR SE Asia	USD/tonne	+100	1450.00-1500.00	+50	1280.00-1370.00	65.77-68.04

China

FOB China assessments were lifted at both ends to reflect the full range of offers heard in the week for cargoes available to ship in June.

In the yuan-denominated market, ex-tank prices in east China surged late-week, tracking gains seen in the US dollar-denominated import market.



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Northeast Asia

CFR northeast Asian assessments also rose on higher deals and discussions.

The high end captures a trade involving a H2 June shipment of China-origin materials.

Buying indications were heard capped at the low end, but no deal materialised as sellers mostly elevated targets higher towards the end of the week.

A cargo was also sold at a level higher than the published range for H2 Jun shipment to Japan, but was not included for assessment due to non-mainstream terms and conditions involved in the trade.

CFR Taiwan assessments were adjusted up, in line with changes in CFR NE Asia assessments.

Monthly Contract DEL, \$/tonne	Apr 22	Mar 22	Feb 22	Jan 22	Dec 21	Nov 21	Oct 21
Taiwan FPCC	1,415	1,355	1,040	795	780	885	870
Korea YNCC	1,445	1,335	1,015	835	645	800	790

Southeast Asia

CFR SE Asia assessments rose with increases seen in the CFR NE Asia assessment, in the absence of any concrete CFR SE Asia business or discussions.

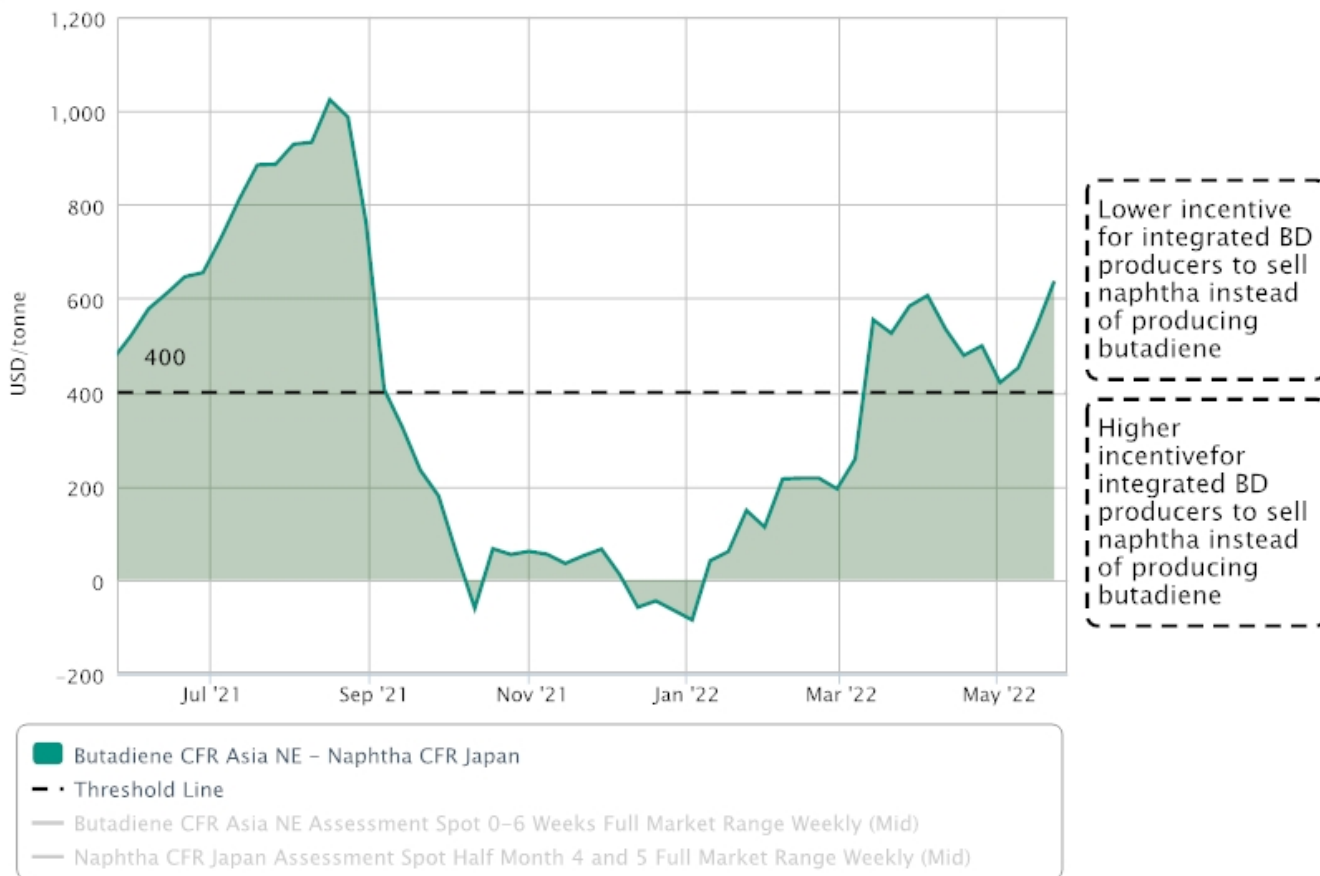
SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	+500	11500-11800	+300	10400-10500	-

UPSTREAM

Asia-Pacific **naphtha** markets were undermined by slack demand for petrochemicals, sending the intermonth spread from parity into a contango, with prompt-month prices weaker than forward months. The product’s refining margin fell to its lowest in two years.

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



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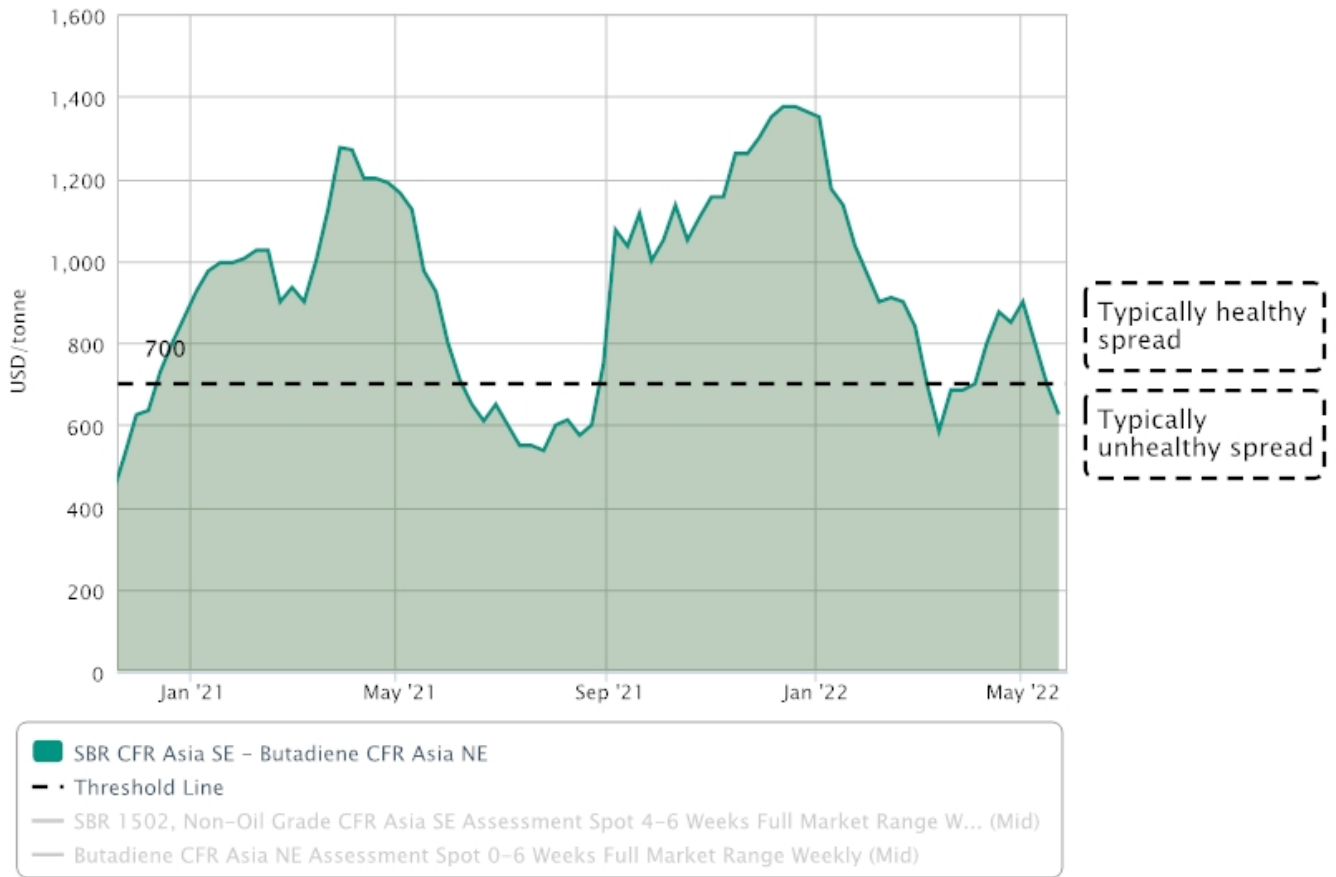
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asia’s spot import prices for styrene-butadiene-rubber (SBR) held steady on rangebound indications, but trade liquidity was curbed on supply constraints in wider Asia.

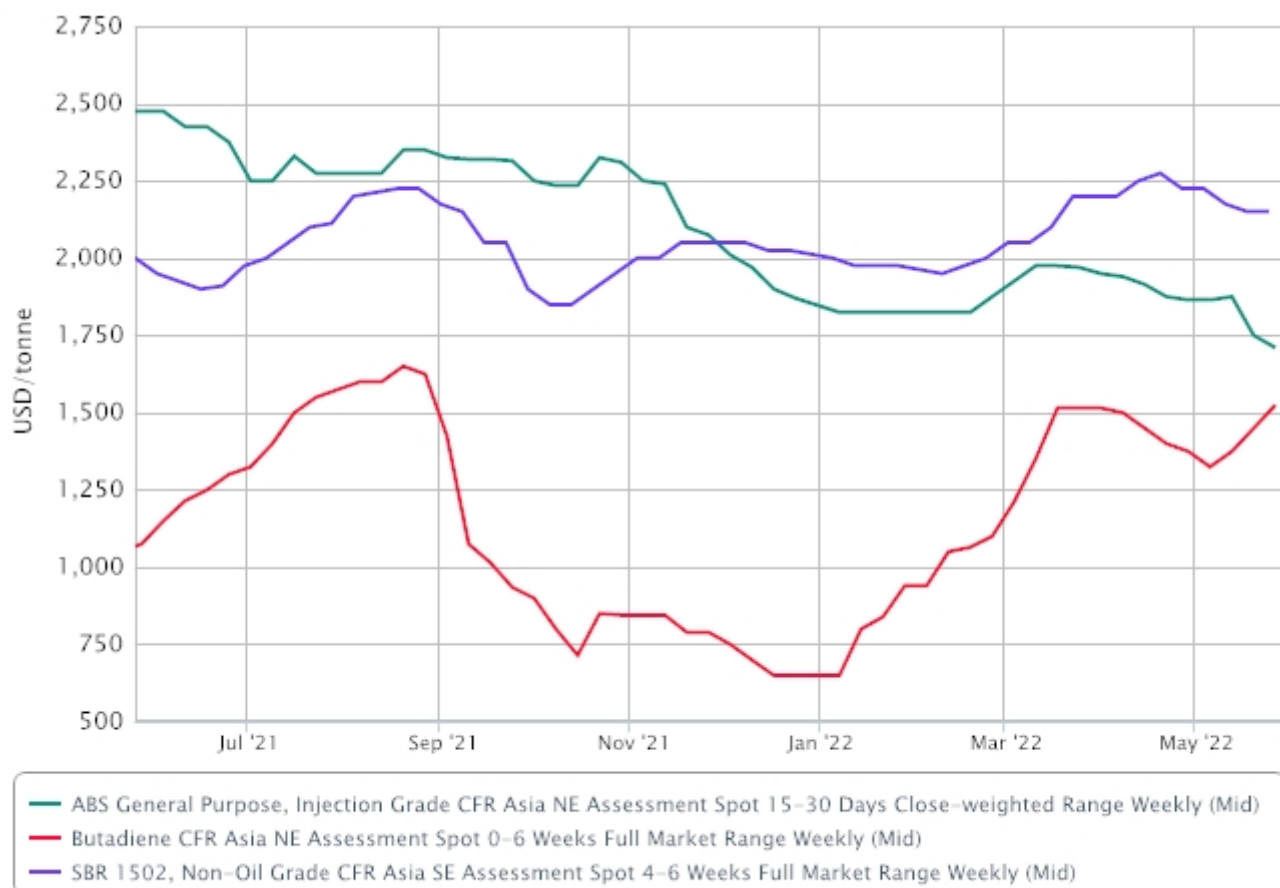
The chart below shows the spread between BD and SBR in Asia.

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



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Northeast Asian spot **acrylonitrile butadiene styrene (ABS)** import prices fell. Several sellers reduced their offers further as the boost from earlier production cuts was obliterated by persistently poor end-use demand. Some plants had decided to cut production in June, with others contemplating the same.



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PRODUCTION

Regional butadiene (BD) output is crimped in June, amid anticipated output cuts at upstream crackers, as well as ongoing maintenance.

But the supply balance further out may shift if a 185,000 tonne/year unit in SE Asia can [start up](#) as planned in the next one to two months, market players said.

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

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The global automotive industry is still struggling to make up for pandemic-induced losses. The global light vehicle selling rate fell to 75m units/year in March, with a Q1 2022 average of 79m units/year, as supply issues continued to cap sales growth (Oxford Economics). Material shortages continue to hit the industry. The semiconductor industry is already running at full capacity but is still unable to meet demand. Typical lead times for key materials are between six and eight months. Car manufacturers are bracing for the impact. Toyota reported net income of yen (¥) 2.8tr for FY2022 (an increase of 27%), despite logistics issues. However, its guidance for FY2023 is for net income of ¥2.3tr (down 21% year on year) because the company expects material costs to more than double this year.

According to the US Census Bureau, US light vehicle sales increased by 6.6% month on month in March with total sales of 14.3m (still down 22% year on year). The finished inventory to sales ratio continues to be extremely low at 0.470. The ratio was 1.564 and 3.140 respectively in March 2021 and 2020.

The European Automobile Manufacturers' Association (ACEA) reported a 21% fall year on year in passenger car registrations in March, an historic low. Major European economies posted double-digit sales contractions: Spain (-30%), Italy (-30%), France (-20%) and Germany (-18%). Commercial vehicle registration was down 25% month on month in January, and inventories were alarmingly low. Another direct impact of the conflict in Ukraine is limited supply of neon gas, which is used in making microchips. Ukraine is one of the leading producers of neon gas. The UK's Society of Motor Manufacturers and Traders reported total registrations down 16%, with diesel cars down 52% year on year in April.

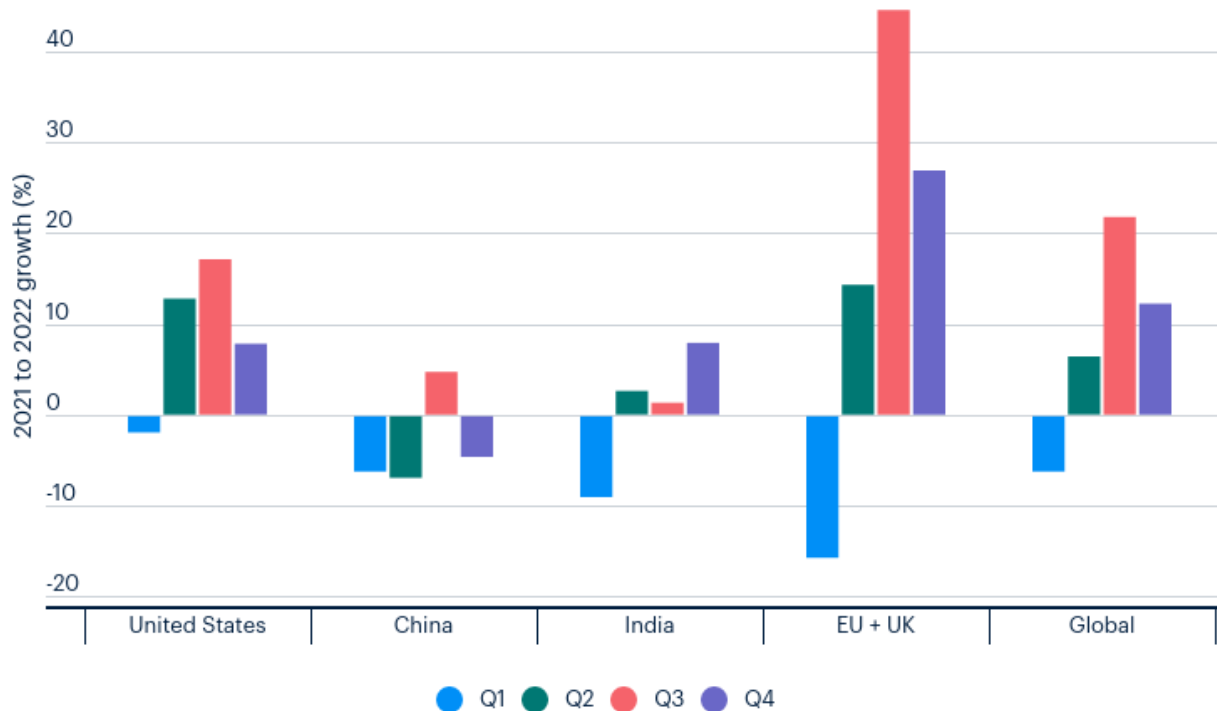
In China, auto sales and production steeply declined as a result of the strict coronavirus lockdowns. According to the China Association of Automobile Manufacturers (CAAM), car production was down 46% year on year in April 2022. A similar fall was reported month on month. The outlook for Chinese automotive remains bearish, mainly because of movement controls. Inventory is up thanks to weak sales. The China Automobile Dealers Association reported an inventory coefficient of 1.91, an increase of 9.1% month on month and a year-on-year increase of 22% (with levels above 1.5 considered a warning).

The Indian outlook continues to be bearish. The Federation of Automobile Dealers Associations of India said total vehicle sales increased by 37% in April year on year. However, compared with April 2019 (pre-pandemic), the sales are still down 6%.

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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