



Butadiene (Asia-Pacific)

By Ai Teng Lim
27-Sep-2024

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

The weekly analysis on 4 October will be published with information on China collected up to 30 September. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **China keeps up buying spree for imports**
- **But pricing appetite contained amid [domestic China volatility](#)**
- **Players also starting to wind down for upcoming China holidays**

Discussions in this week's Asian spot import market for butadiene (BD) remained centered on China-bound shipment trades, while end-users in other regional outlets mostly retreated deeper into the sidelines.

In China, the domestic yuan-denominated market was volatile, starting on a softer note at the beginning of the week, but rebounded subsequently with news of [fresh Chinese economic stimulus measures](#).

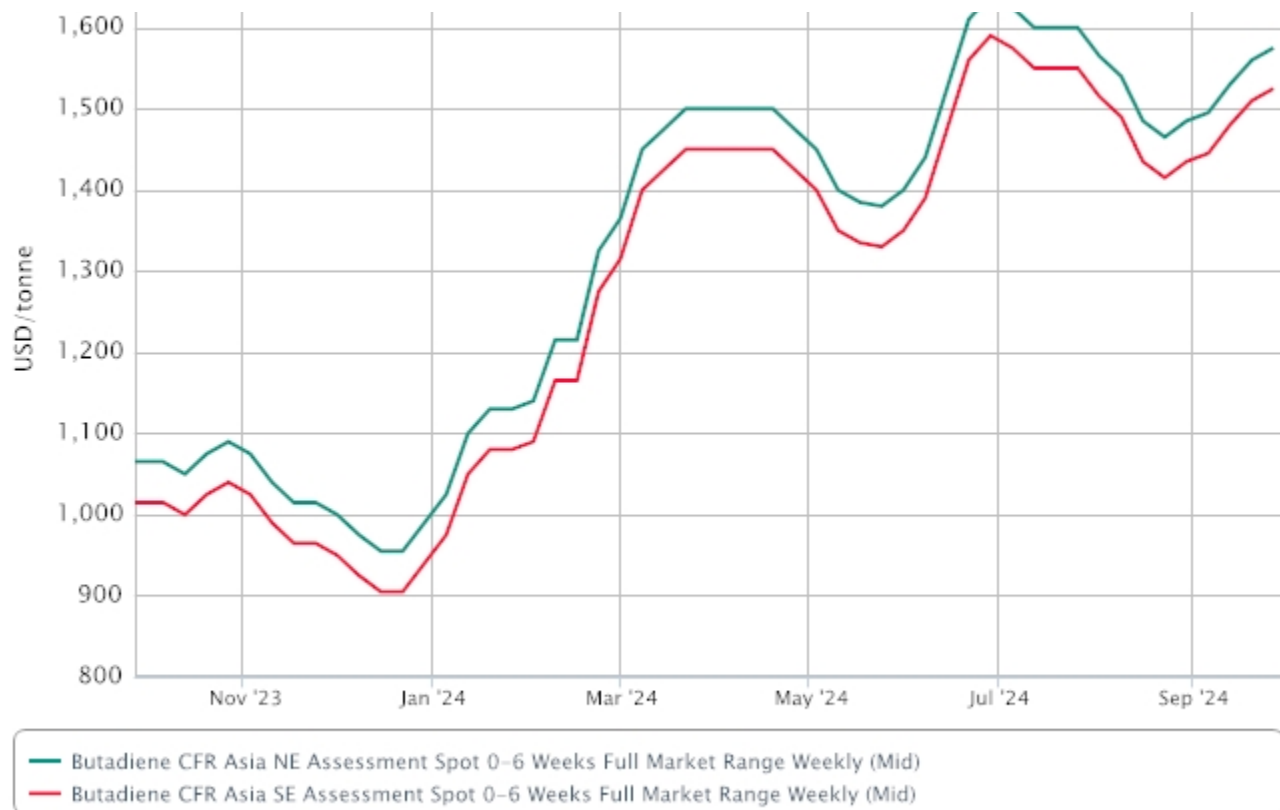
Some of these mid-week yuan gains were reversed thereafter, with a late-week emergence of additional volumes from local plants in north China.

But overall, domestic yuan values of BD held broadly steady week-on-week, and on a US dollar parity basis, these were more pricey than imports, therefore supporting continued buying interest in China for US dollar-denominated imports.

Some China buyers bidded higher than the prior week to secure October-shipment cargoes, but that said, many also started to adopt a more cautious approach towards deliveries further out, preferring to defer fresh procurement decisions to after the upcoming 1-7 October National Day holidays.

In other wider Asian outlets, most players remained in a wait-and-see stance, saying that they would wait for more clarity on how the post-holiday China market may fare. End-users in these areas also saw no reason to rush to procure, as they perceived the spot market as amply supplied, with enhanced production in SE Asia and potential availability of fresh deep-sea materials.

1,700



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OUTLOOK

- Sentiment may change with how post-holiday market in China will fare
- Most watchful about likely impact of [China's fresh fiscal support](#)
- [Economic headwinds](#) may weigh on confidence

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

| | | | Price Range | | Four Weeks Ago | US CTS/lb |
|--------------------|-----------|-----|-----------------|-----|-----------------|-------------|
| Butadiene | | | | | | |
| FOB China | USD/tonne | +50 | 1600.00-1650.00 | n/c | 1500.00-1550.00 | 72.57-74.84 |
| CFR NE Asia | USD/tonne | +20 | 1550.00-1600.00 | +10 | 1450.00-1520.00 | 70.31-72.57 |
| CFR SE Asia | USD/tonne | +20 | 1500.00-1550.00 | +10 | 1400.00-1470.00 | 68.04-70.31 |

China

Discussions are very scant on an FOB China basis, as most China producers scaled back on exports to focus on domestic sales for better netbacks.

But should any volumes surface at this point for FOB China discussions, it is the market consensus view that discussions would not commence at levels below the published low end.

The high end is kept unchanged, with broadly stable selling indications heard.

Domestic China prices fluctuated wildly in the week, rising initially with equity market gains triggered by news of new fiscal support from the government, and tapering towards the end of the week with more prompt supplies being injected into the market.



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Northeast Asia

CFR NE Asian prices extended gains, supported by relative strengths in the domestic yuan-denominated market in China.

China continued to show positive buying interest for US dollar-denominated imports, taking in at least two more October-shipment cargoes this week at the high \$1,500s/tonne CFR NE Asia, market sources said.

Buying indications in other wider Asian outlets were heard at the published low end, and some sporadic discussions for deep-sea cargoes available to lift in end-October/early November were heard at that level, market sources said.

Selling indications for regional cargoes were heard at the high end and above.

| Monthly Contract | Aug 24 | Jul 24 | Jun 24 | May 24 | Apr 24 | Mar 24 | Feb 24 |
|------------------|--------|--------|--------|--------|--------|--------|--------|
| DEL, \$/tonne | | | | | | | |
| Taiwan FPCC | 1,465 | 1,515 | 1,395 | 1,355 | 1,415 | 1,348 | 1,135 |
| Korea YNCC | 1,500 | 1,565 | 1,493 | 1,390 | 1,450 | 1,405 | 1,165 |

Southeast Asia

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

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

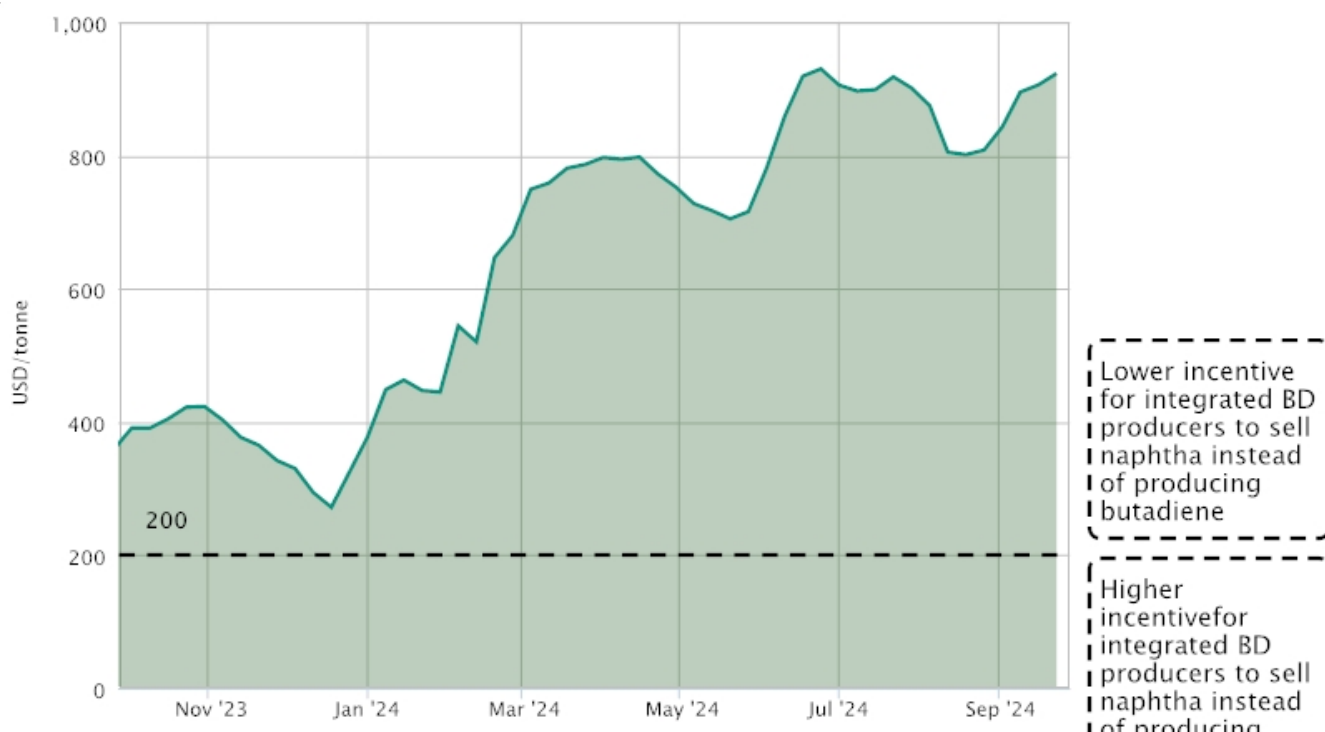
| | | Price Range | One Week Ago | / |
|------------------------|-----------|------------------|------------------|---|
| Butadiene | | | | |
| Ex-Tank E China | CNY/tonne | -100 13200-13400 | -100 13300-13400 | - |

UPSTREAM

Naphtha

- Crack spread returned to over \$100/tonne on 26 Sep amid crude drop
- Intermonth spread ends week at \$2.25/tonne, lowest since 19 Aug
- Purchases of H1 Nov, H2 Nov cargoes from S Korea seen in the week

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



Butadiene



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

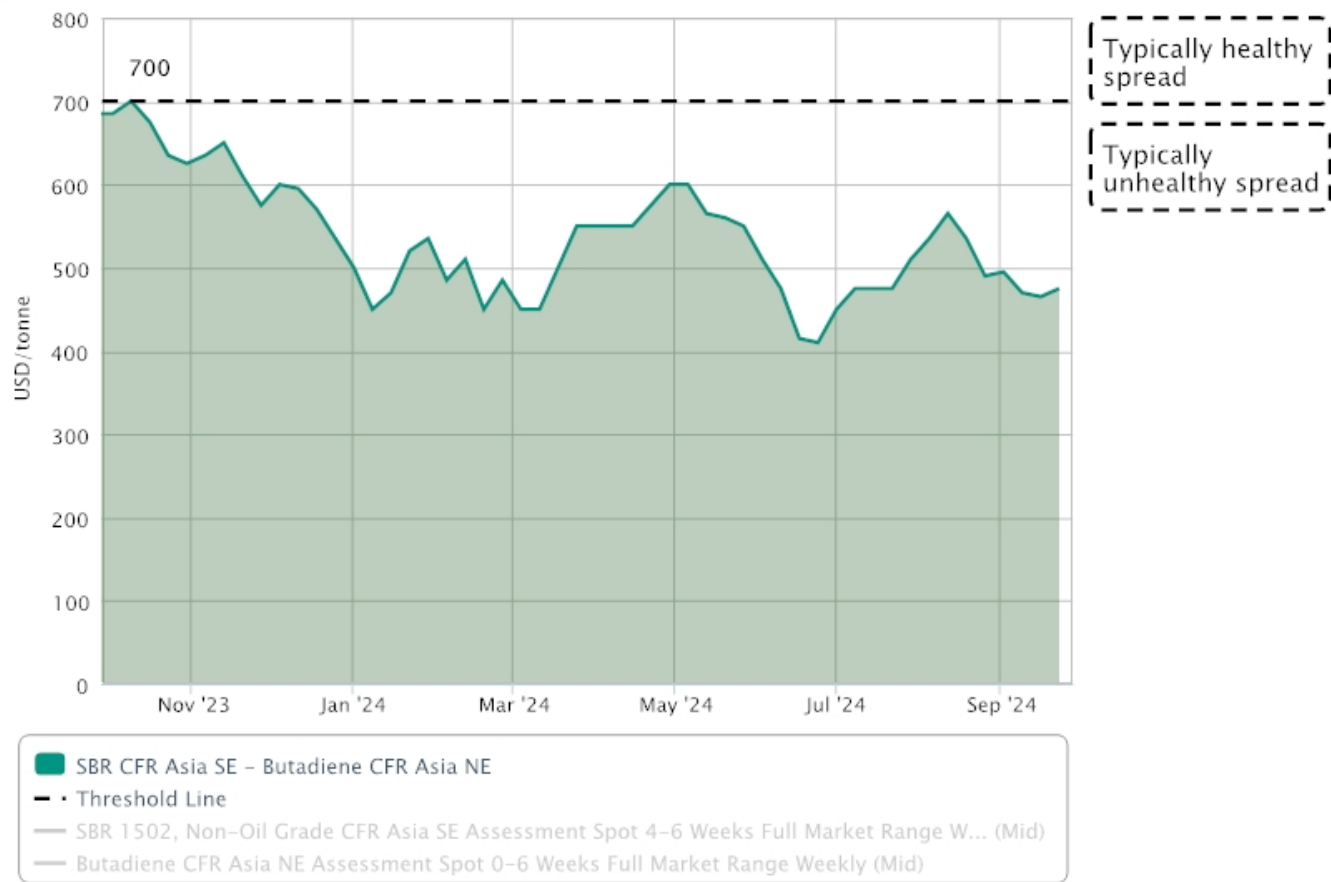
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Sellers' sentiment buoyant
- Offers up amid cost push and tighter spot availabilities
- But buy-side response muted

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

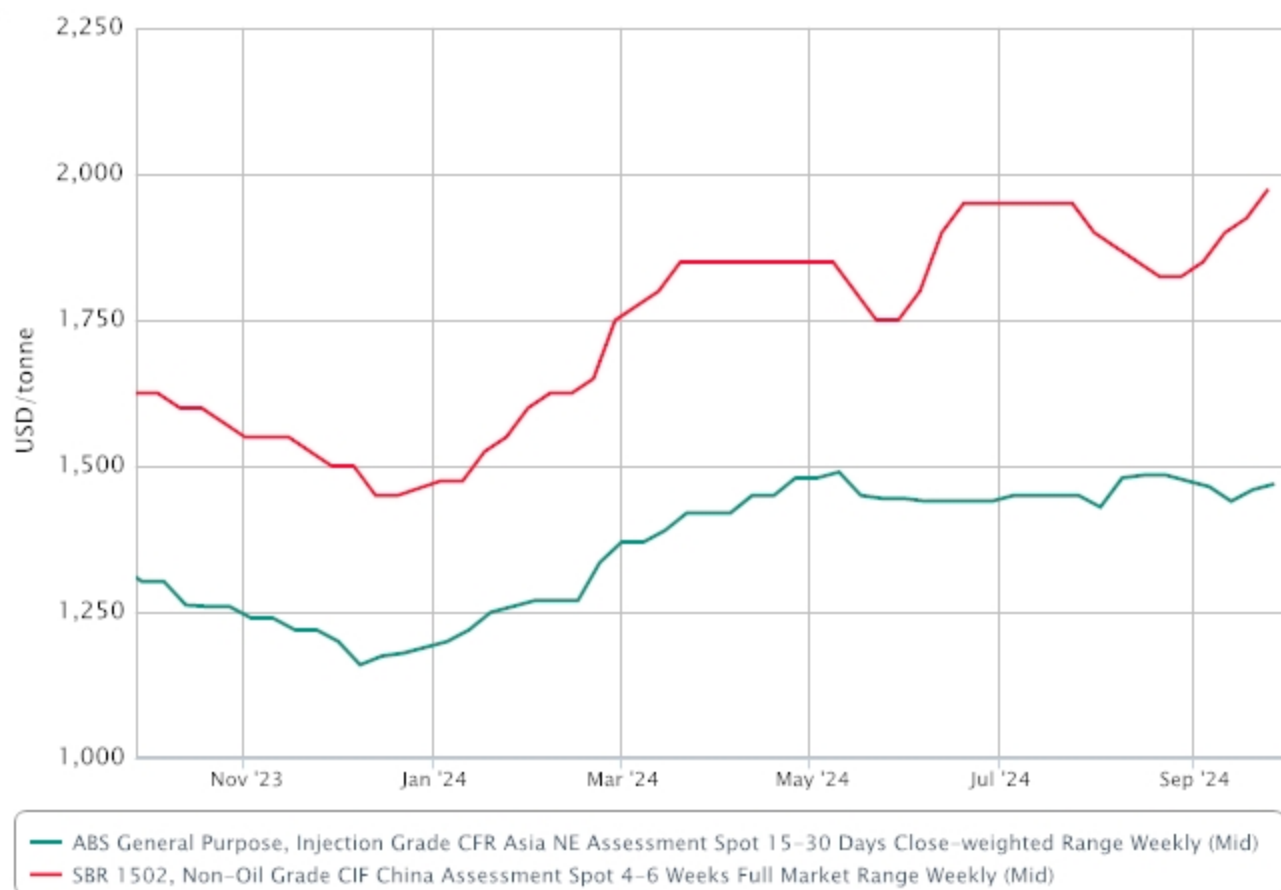
[Spread between Butadiene and Styrene Butadiene Rubber Asia](#)



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Acrylonitrile-butadiene-styrene (ABS)

- Feedstock cost continue to render support to Asia ABS
- Actual trades stay limited by cautious procurement
- Sellers' worries mitigated by continued stay in positive margins zone



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PRODUCTION

There are extensive plant maintenance in northeast Asia scheduled for the September to November period.

| Company | Location | Status | Capacity (MT/ year) | Start | End |
|-----------------------------------|--------------------|-------------|---------------------|-----------|---------|
| Sinopec Shanghai | Shanghai, China | Commercial | 53,000 (#1) | Sep 2023 | Unknown |
| PetroChina Jinlin | Jilin, China | Maintenance | 189,000 | H2 August | Mid-Oct |
| Lotte Chemical | Yeosu, South Korea | Maintenance | 160,000 | 25 Sep | 30 Sep |

| | | | | | |
|-------------------------|-----------------------|-------------|--------------|---------|---------|
| Zeon | Tokuyama, Japan | Maintenance | 180,000 | Mid-Sep | End-Nov |
| LG Chem | Yeosu, South Korea | Maintenance | 160,000 | End-Oct | Mid-Nov |
| FPCC | Mailiao, Taiwan | Commercial | 162,000 (#2) | August | Unknown |

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

OTHER REGIONS

Europe

- Tight balances persist
- Planned outages underway; also on derivative side but more limited
- Demand steady; a little disappointing in some areas
- Spot activities limited by availability, logistics

US

- US BD production operating rates improve on increasing crude C4 (CC4) deliveries
- October BD contract nominations have so far emerged at a rollover
- [Hurricane Francine left little impact on the BD market](#)

ANALYTICS

ICIS outlook on downstream automotive sector

The global automotive industry is going through a structural shift, resulting in weak demand against a background of chronic overcapacity and high costs. Long-term investments for trends including tightening emission standards and growing momentum to electrify have already left firms cash strapped. For some regions, the industry never really recovered fully to pre-pandemic levels. This is now resulting in rationalization of original equipment manufacturer (OEM) capacities. As a case in point, Volkswagen (VW) announced earlier this month that it was considering closing factories in Germany for the first time in its 87-year history to cut costs. The carmaker also raised concerns over its electrification commitment at the plants in Wolfsburg and Zwickau. Global automotive output in 2024 is expected to contract by 0.4% compared with 2023, while in the fourth quarter of 2024 it is forecast to shrink by 1.0% year on year, according to Oxford Economics.

According to the US Census Bureau, US light vehicle sales contracted by 4.5% month on month in August, with total sales of 15.1 million units. This is still below pre-pandemic levels by 12.6%. The finished inventory-to-sales ratio slightly declined month on month from 1.432 to 1.378. For context, the ratio was 0.518 in July 2022 and 2.367 July 2019. Central banks have started their interest rate cut cycle, though there will be a period of adjustment before the transfer of benefits to commercial borrowers. US automotive output in 2024 is expected to

grow by 3.3% compared with 2023, while in the fourth quarter of 2024 it is forecast to grow by 1.4% year on year, also according to Oxford Economics.

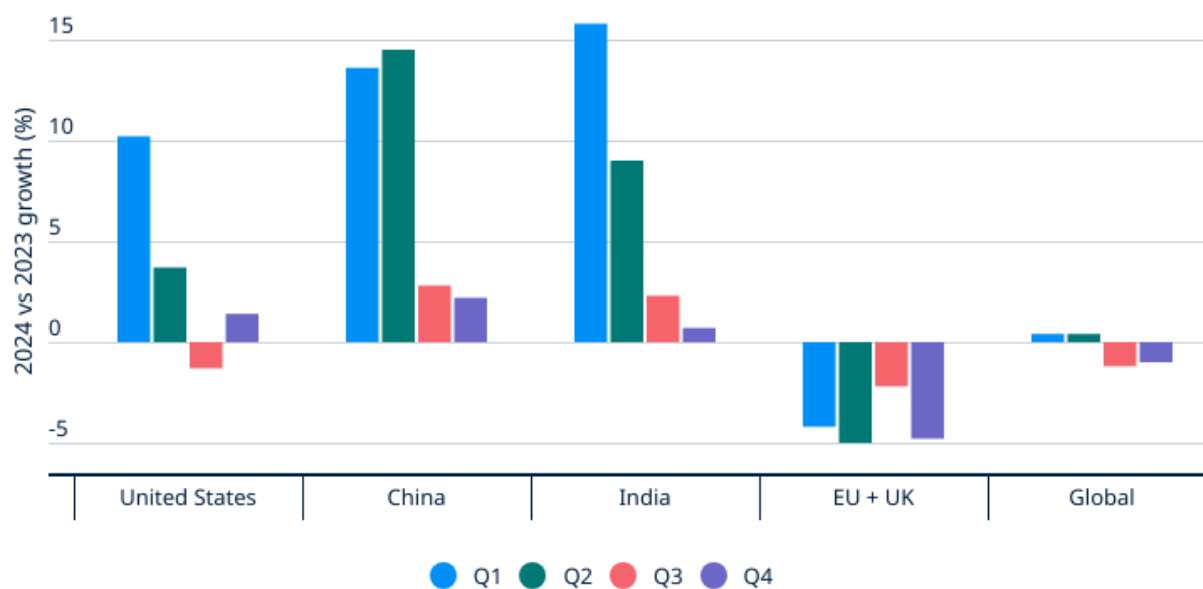
In Europe, with the current macroeconomic condition and strained trade relations, there are concerns about balance sheets, with some producers struggling to survive in the short term. It is estimated that approximately 12,000 to 15,000 jobs are at risk with the announcement of VW's potential plant closures in Germany. On the positive side, the European Central Bank (ECB) lowered its deposit rates (effective 18 September) by 0.25 percentage points and its lending rate by 0.60 percentage points, but there will be a period of adjustment. According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registrations decreased by 18.3% in August compared with same month of the previous year. The association further reports double-digit losses in Germany (-27.8%), France (-24.3%), Italy (-13.4%) and Spain (6.5%).

China's balance of risk lies to the downside, especially with Europe's anti-subsidy duty and the US Inflation Reduction Act of 2022. This is a potential threat to the country's ambition to continue being a leader in the electric vehicle (EV) space. China automotive demand in 2024 is expected to grow by 8.0% compared with 2023 and in the fourth quarter of 2024 it is forecast to grow by 2.2% compared with the same period of the previous year (Oxford Economics). The upcoming Indian festive season is forecast to give a much-needed boost to the industry. On the negative side, dealers are struggling with higher inventories and lower profitability, as reported by Federation of Auto Dealers Association (FADA). India's automotive output in 2024 is expected to grow by 6.6% compared with 2023, while in the fourth quarter it is forecast to grow by 0.7% year on year (Oxford Economics).

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

Motor vehicle sector growth by region

2024 vs 2023



SOURCE: Oxford Economics

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