



Butadiene (Asia-Pacific)

By Ai Teng Lim
28-Jan-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 4 February will not be assessed. ICIS has introduced a new enhancement so that quotes that are not assessed due to holidays will be displayed as "n/a". Domestic yuan assessments that are fed from other publications will still reflect a rollover in prices. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Domestic China extended gains**
- **Import [offers](#) spiked further**
- **Upstream cracker op rate cuts weigh down on BD output**

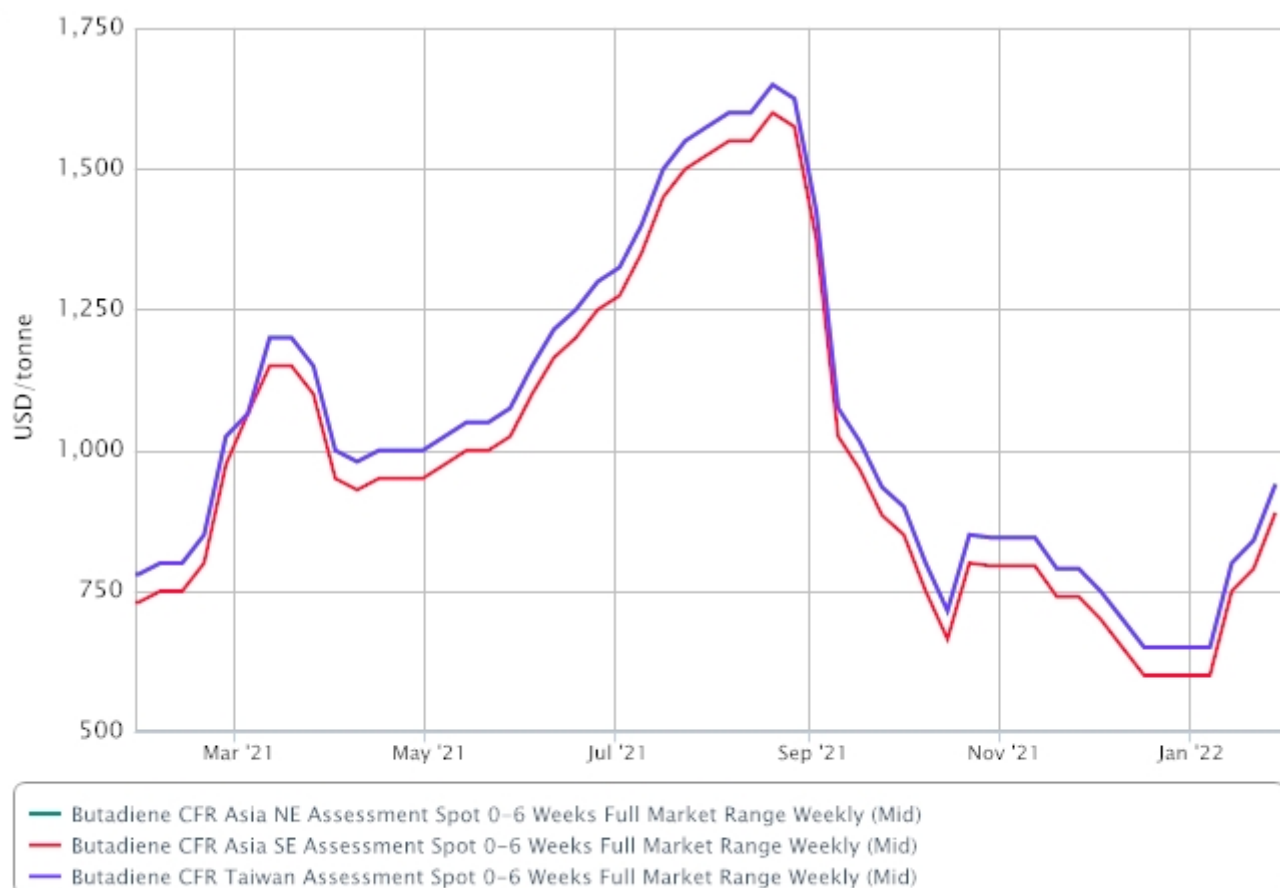
Discussions for Asian butadiene (BD) import cargoes were higher in the week, with support from a bullish domestic China market, as well as reduced supplies stemming from sustained upstream cracker operating rate cuts.

Sellers raised their targets, citing easing selling pressures, as cracker rate cuts also meant reduced BD output.

Most highlighted also the need for them to price up so as to restore depressed cracker margins.

On the buy side, buying interest for imports was deemed somewhat more vibrant in the week, as more end-users started checking on availabilities with a view to securing some cargoes before offers rise any further in the coming weeks.

However, trade liquidity remains curtailed by a wide buy-sell gap.



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OUTLOOK

- Uncertainties linger for [post-holiday demand recovery](#) prospects
- Sentiment also weighed in by [dull global economic growth forecasts](#)
- Prompt supplies may be tighter on upstream cracker op rate cuts

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	+50	850.00-950.00	+50	600.00-650.00	38.56-43.09
CFR NE Asia	USD/tonne	+100	900.00-980.00	+100	600.00-700.00	40.82-44.45
CFR Taiwan	USD/tonne	+100	900.00-980.00	+100	600.00-700.00	40.82-44.45
CFR SE Asia	USD/tonne	+100	850.00-930.00	+100	550.00-650.00	38.56-42.18

China

FOB China prices rose, alongside a buoyant domestic yuan-denominated market.

Both ends of the published range were raised to capture firmer buy-sell ideas.

However, substantive discussions were limited, with most market players heard already winding down to exit the arena for the extended Lunar New Year holidays that will stretch between 31 January and 6 February.

Domestic China prices spiked in the week, as prompt supplies remain curtailed by ongoing BD plant outage, as well as deeper upstream cracker operating rate cuts.

Price (CNY/tonne)	28 January	21 January
DEL east China	6,800-7,000	6,200-6,400



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Northeast Asia

CFR northeast Asia assessments were raised, tracking firmer buy-sell pricing indications heard.

Potential sellers were heard looking for high-900's to over \$1000's/tonne, for the next CFR NE Asia sales, citing the need to catch up with upstream naphtha increases.

The high-end of the range was raised to reflect the lowest selling indication heard.

Buyers' acceptance level also rose, and the low-end was lifted in line with the buying indications heard.

More buyers have also spoken of the reality that with offers on the uptrend, they may need to consider the merit of raising bids to bridge the gap with prevailing offers and secure some volumes, before post-holiday offers rose anew.

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

Monthly Dec 21 Nov 21 Oct 21 Sep 21 Aug 21 Jul 21 June 21 May 21
 Contract

DEL, \$/tonne

Taiwan FPCC	780	885	870	1,175	1,545	1,380	1,205	1,010
Korea YNCC	645	800	790	1,050	1,650	1,470	1,245	1,010

Southeast Asia

CFR SE Asia assessments were raised in tandem with CFR NE Asia assessments, in the absence of any concrete discussions for southeast Asia-bound shipment.

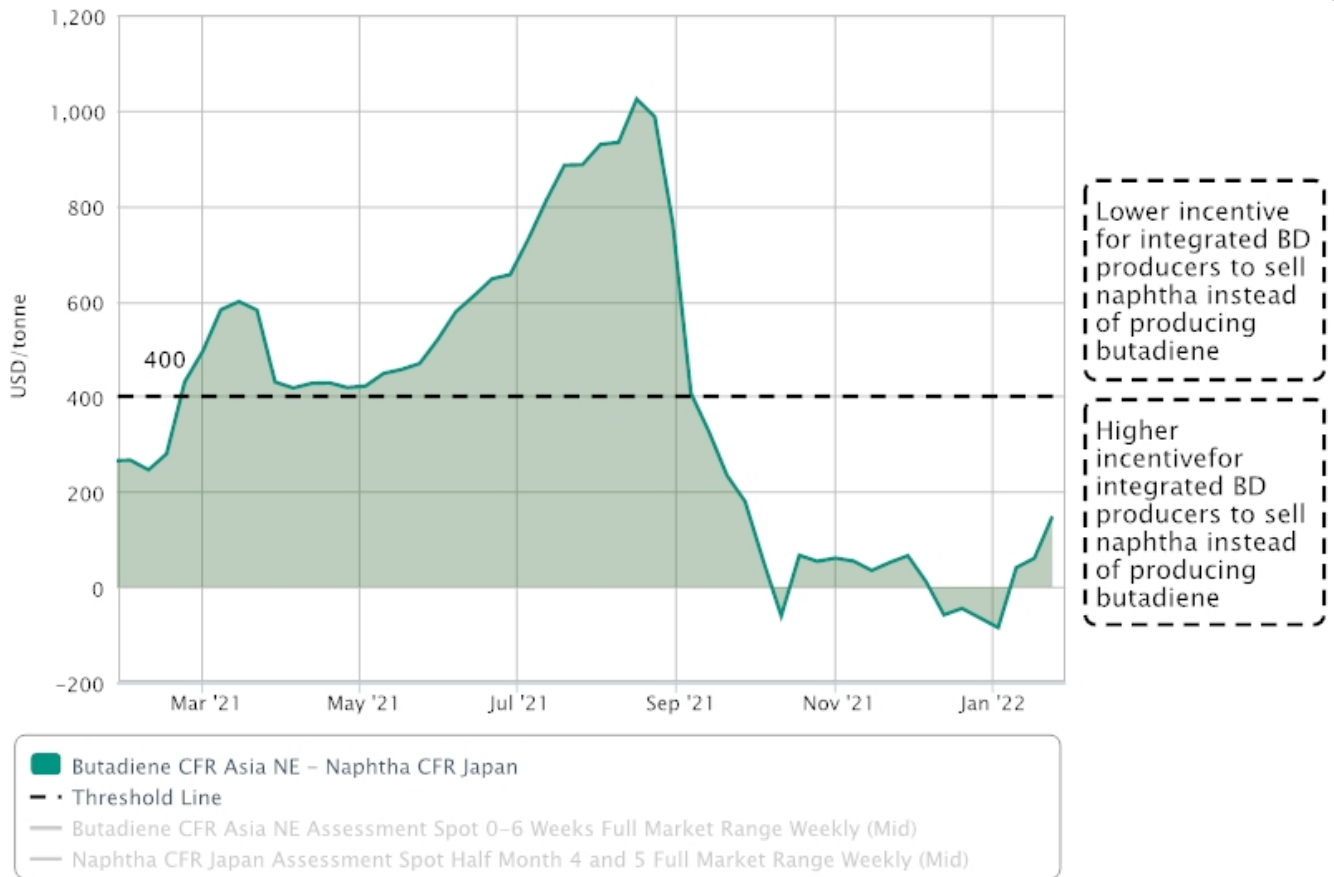
SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	+200	6600-6800	+100	6100-6300	-

UPSTREAM

Asia-Pacific naphtha prices were buoyed by a rally in crude oil futures. Pockets of spot naphtha buying cushioned market sentiment although weak downstream margins served to rein in demand. Spot March arrival cargo deals were done at lower spot premiums amid less-than-bullish market fundamentals.

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



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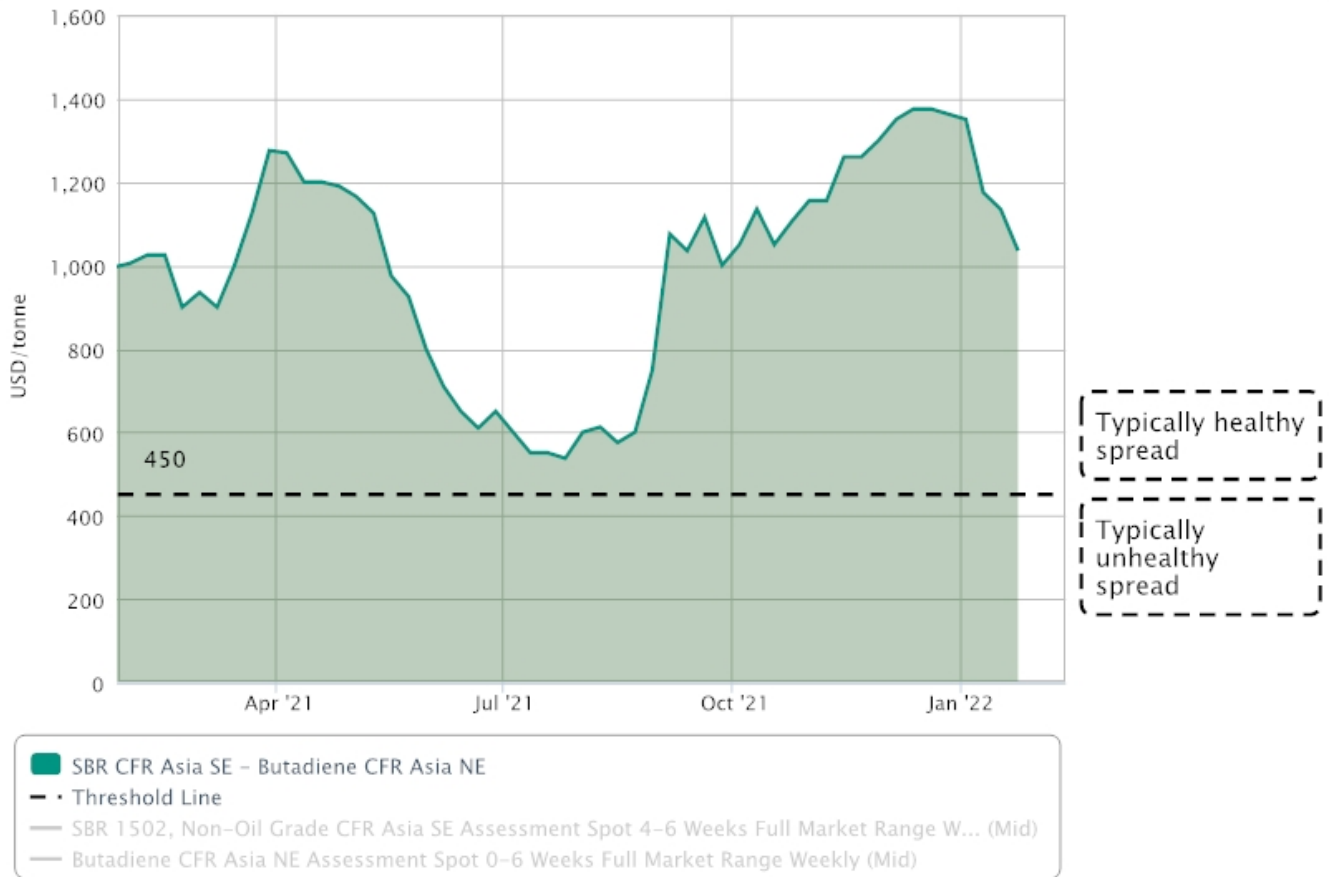
[Click here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asian styrene-butadiene-rubber (SBR) import discussions were flat on pre-holiday trade lull.

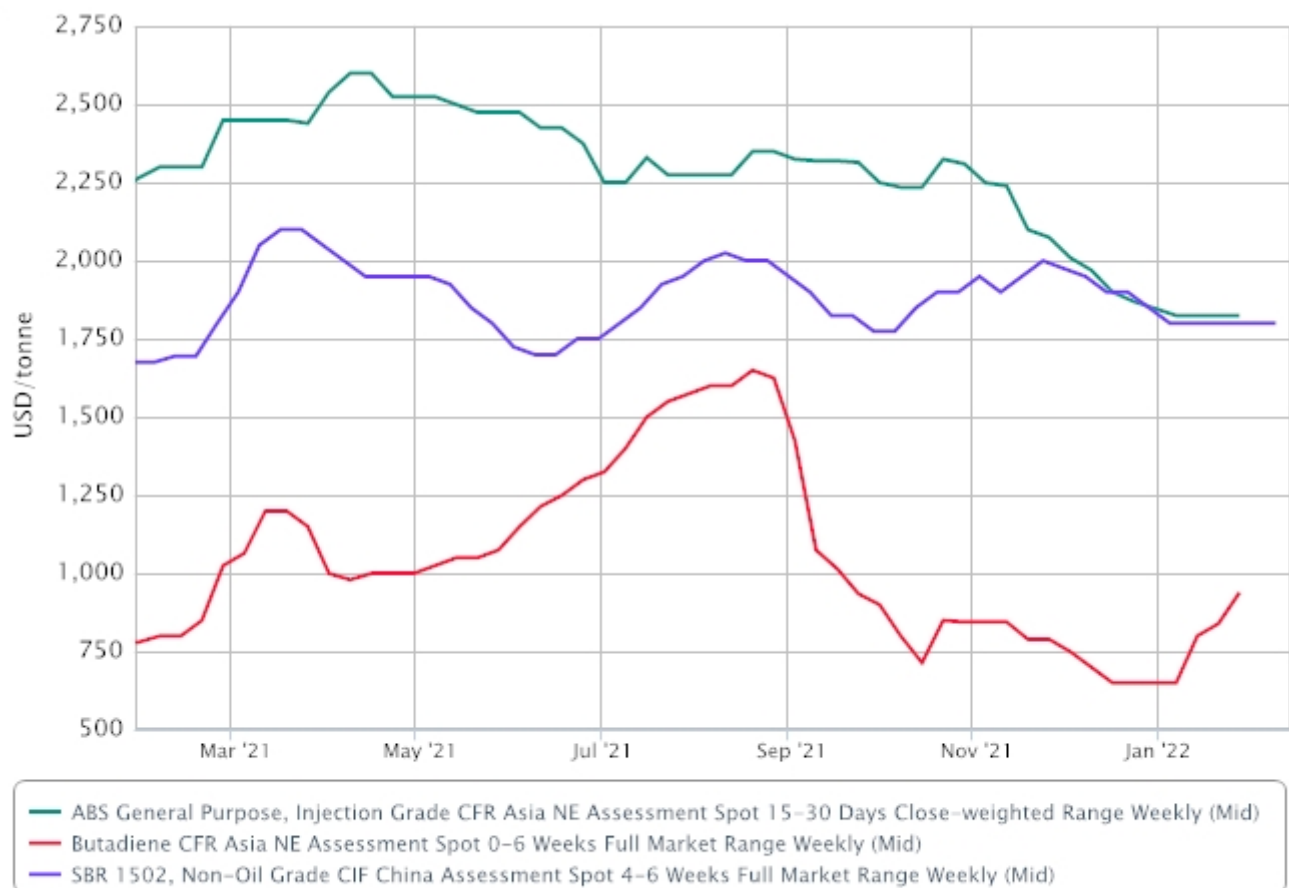
The chart below shows the spread between BD and SBR in Asia.

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



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Spot acrylonitrile butadiene styrene ([ABS](#)) import prices in northeast Asia were stable amid scant discussions were scant in the run-up to the Lunar New Year holidays. Prices in India were bolstered by the persistent high freight cost and the recent crude rally.



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PRODUCTION

The regional BD market remains structurally over-supplied, with more [new capacities](#), including a 200,000 tonnes/year unit in China's Zhejiang province, expected to come onstream in the next quarter or two.

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

OTHER REGIONS

In the US, February BD contracts settled [higher](#) on-month, amid tighter supplies and bullish global price sentiment.

US' import interest for BD is expected to remain [strong](#) in 2022.

In Europe, February BD contracts also settled [higher](#) than January.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

Global automotive output is expected to grow 8.8% in 2022 compared with 2021, although it will still be down 10% from 2019 levels. (Q1 2022 is expected to fall by 4.7% year on year). The global auto industry continues to suffer because of key material shortages and the impact of the pandemic. Chips and electric steel supply issues are likely to persist. Polyamide, a key input material, is anticipated to be in short supply as ammonia production

is cut due to high energy costs. In addition, a disruption caused by a typhoon was reported at a Malaysian and Singapore MEG plant.

US automotive output is expected to grow 8.3% in 2022 compared with 2021, although it will be down 2% from 2019 levels. (Q1 2022 is expected to grow by 0.9% year on year). The inventory sales ratio was 0.242 in November 2021, the lowest on record.

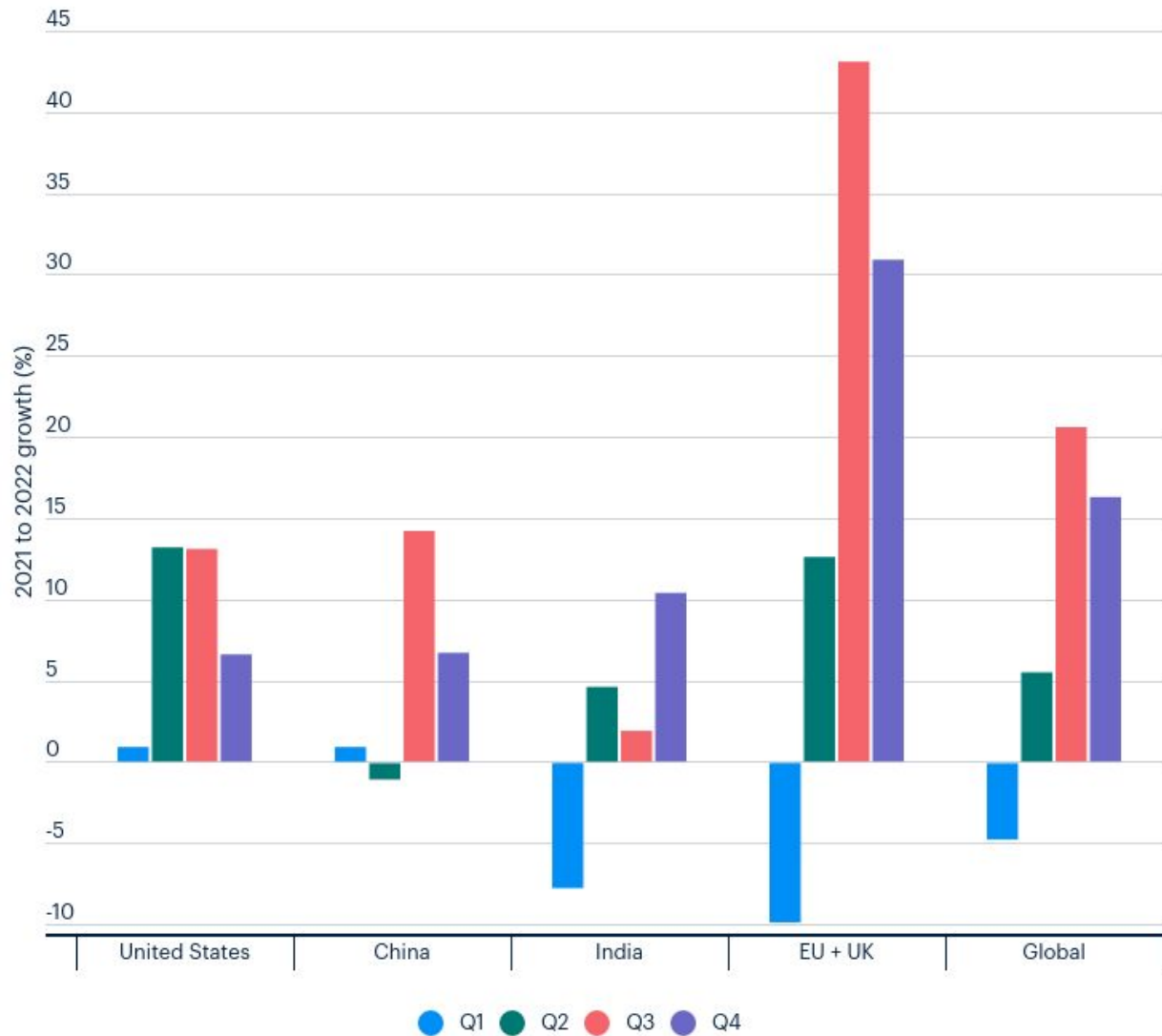
EU automotive demand (including the UK) is outpacing supply. Inventories are at an all-time low. EU automotive output is expected to grow 17.0% in 2022 compared with 2021, although it will still be down 26% from 2019 levels. (Q1 2022 is expected to shrink 9.8% year on year). The chip shortage is likely to last well into 2022 and will result in weaker-than-expected vehicle sales and poor demand for key polymers used in the automotive industry.

A modest improvement in China's automotive industry is expected. Output is expected to grow 4.9% in 2022 compared with 2021 (Q1 2022 is forecast to grow by 0.9% compared with Q1 2021). However, pockets of coronavirus infections amid a 'zero COVID-19' approach will likely weigh on demand. Xi'an, the capital of Shaanxi Province, has been under lockdown since 22 December. However, it is worth noting that Shaanxi Province accounts for just 2.7% of the country's passenger cars. In terms of stock, the inventory coefficient was at 1.43 in December 2021, a year on year decrease of 20.6% (although it increased 5.9% month on month). Indian automotive output in 2022 is expected to grow 2.0% compared with 2021, although it will be down 4.6% from 2019 levels. (Q1 2022 is expected to shrink by 7.7% compared with Q1 2021). Despite a healthy order book, passenger vehicles continue to be affected by the chip shortage and increased lead times.

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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