



Butadiene (Asia-Pacific)

By Ai Teng Lim
29-Apr-2022

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

OVERVIEW

- **Softer export offers from China**
- **Buying interest lacklustre in most outlets**
- **Some prompt requirements in Japan**

The downtrend continued in Asian spot discussions for butadiene (BD), as the demand outlook remains murky amid incessant COVID-19-related lockdowns and restrictions in China.

Downstream operations in China have [stalled](#) with the lockdowns, and China-based players were heard turning to exporting BD to clear the local surplus.

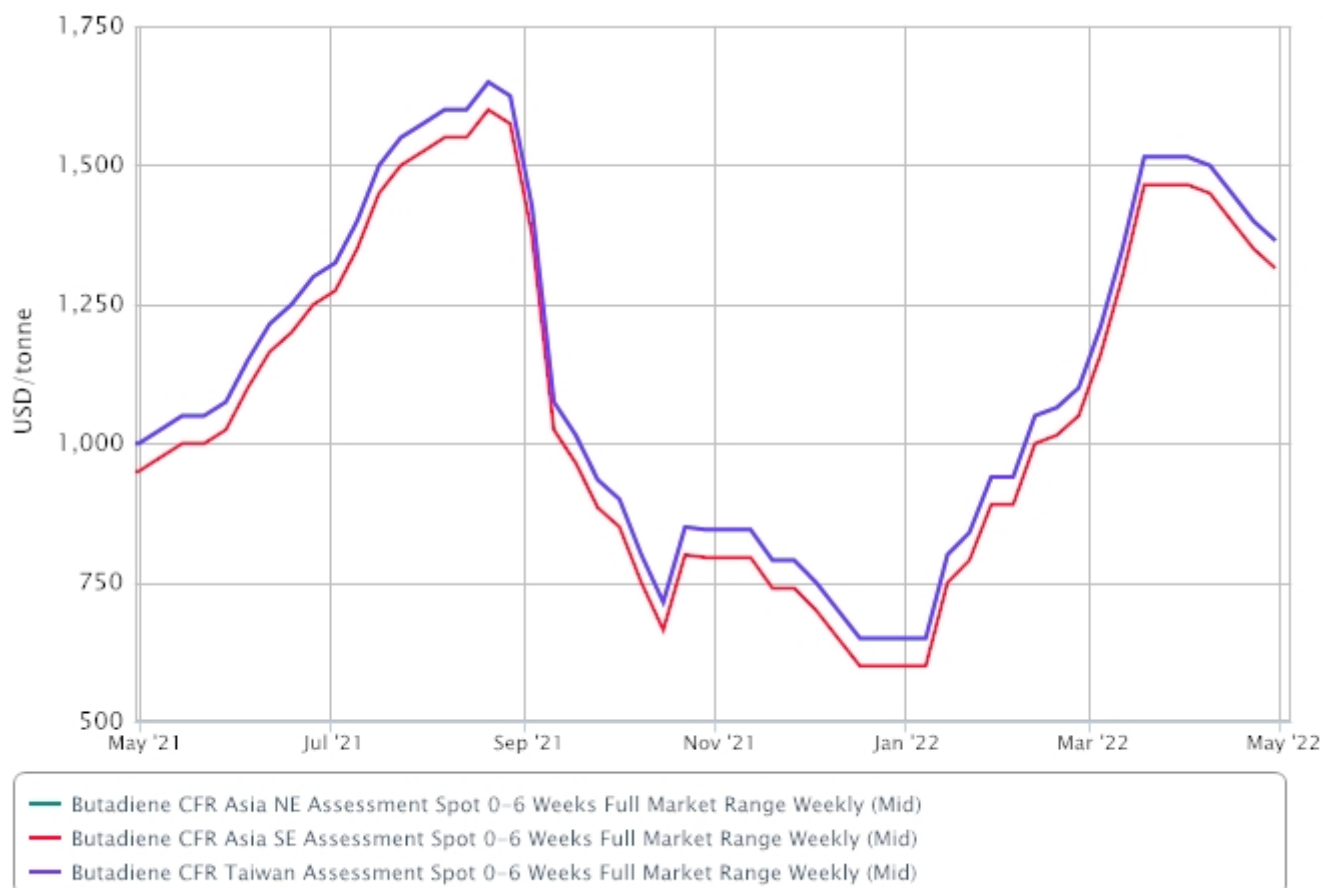
Export offers from China also [eased](#) week-on-week, tracking prior losses chalked up in the domestic yuan-denominated market.

This impacted CFR northeast Asian discussions, as buying indications from regular importers in some northeast Asian outlets fell.

Sentiment among sellers was buoyed to some extent, at the end of the trading week, as some buying interest emerged from Japan.

There have been some upstream production hiccups in Japan, including a [prolonged](#) cracker turnaround. This prompted some local end-users to mull the need to purchase BD cargoes on a spot basis, possibly as a buffer against potential local output losses, sources said.

That said, some players also clarified that these pockets of demand were sporadic and limited only to prompt shipment supplies.



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OUTLOOK

- Trade liquidity to taper due to upcoming Labour Day holiday
- Buy-sell gap may remain wide in some regional outlets
- [Economic worries](#) to weigh on buying appetite

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	-100	1300.00-1400.00	-100	1450.00-1600.00	58.97-63.50
CFR NE Asia	USD/tonne	-20	1330.00-1420.00	-30	1450.00-1580.00	60.33-64.41
CFR Taiwan	USD/tonne	-20	1330.00-1420.00	-30	1450.00-1580.00	60.33-64.41
CFR SE Asia	USD/tonne	-20	1280.00-1370.00	-30	1400.00-1530.00	58.06-62.14

China

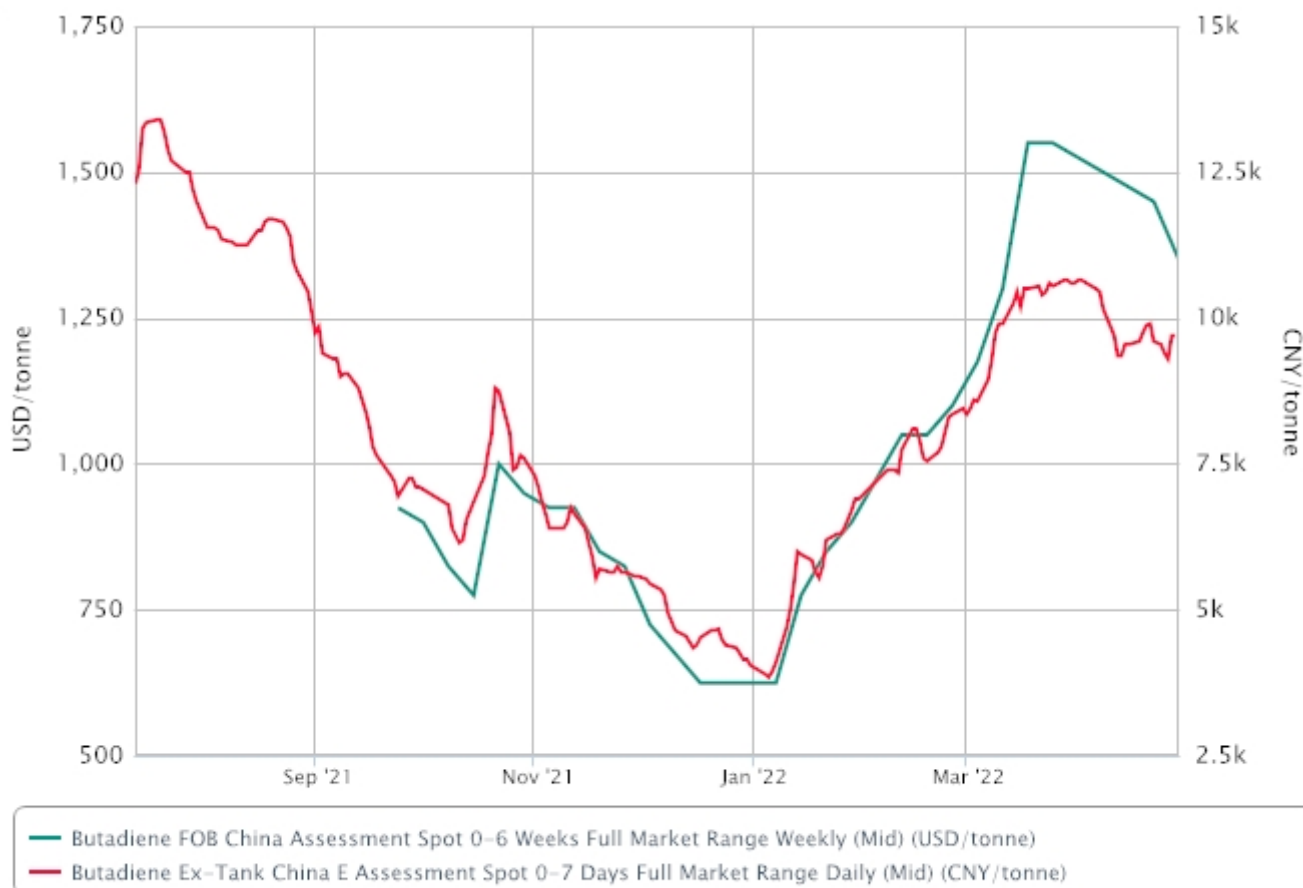
FOB China prices fell, tracking softer deals and discussions heard throughout the week.

A transaction, on fixed price terms, was heard closed early in the week for H1 May lifting. This formed the mid-point of the published range.

Other cargoes were also heard sold, but on formula-based terms, market sources said.

With these export sales, sellers' inventory pressures also eased, and towards the end of the week, some sellers moved their expectations up towards the high end of the published range.

In the yuan-denominated market, ex-tank prices in east China started the week on a bearish note, but stabilised towards the end of the week amid some pre-holiday re-stocking activity in north China, where pandemic-related restrictions were relatively milder.



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Northeast Asia

CFR northeast Asian prices were assessed down, with the high and low ends reflecting two deals heard for May shipment to different northeast Asian outlets.

Generally, buying indications were bearish in nature and fell below the published range, but concrete offers were also scant. Most players were also heard more inclined to discussing trade on a floating basis, rather than fixed price terms, to safeguard themselves against untoward market volatility.

There were some discussions for Japan-bound shipments at levels higher than the published range, but the consensus view was that they were not reflective of mainstream considerations given unique requirements and specifications for such trades. In any case, there were no confirmed trades heard this week for Japan-bound cargoes.

The CFR Taiwan assessment was adjusted down with the lower CFR NE Asia assessment.

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

Southeast Asia

The CFR SE Asia assessment was adjusted down in line with changes seen in the CFR NE Asia assessment in the absence of any concrete business on CFR SE Asian terms.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

		Price Range	One Week Ago	/
Butadiene				
Ex-Tank E China	CNY/tonne	n/c 9600-9800	n/c 9500-9700	-

UPSTREAM

Asia-Pacific naphtha markets moved into a contango from a backwardated structure amid subdued demand. Continuing lockdowns in China weighed on market sentiment, while spot trades were done at lower prices for June shipments.

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



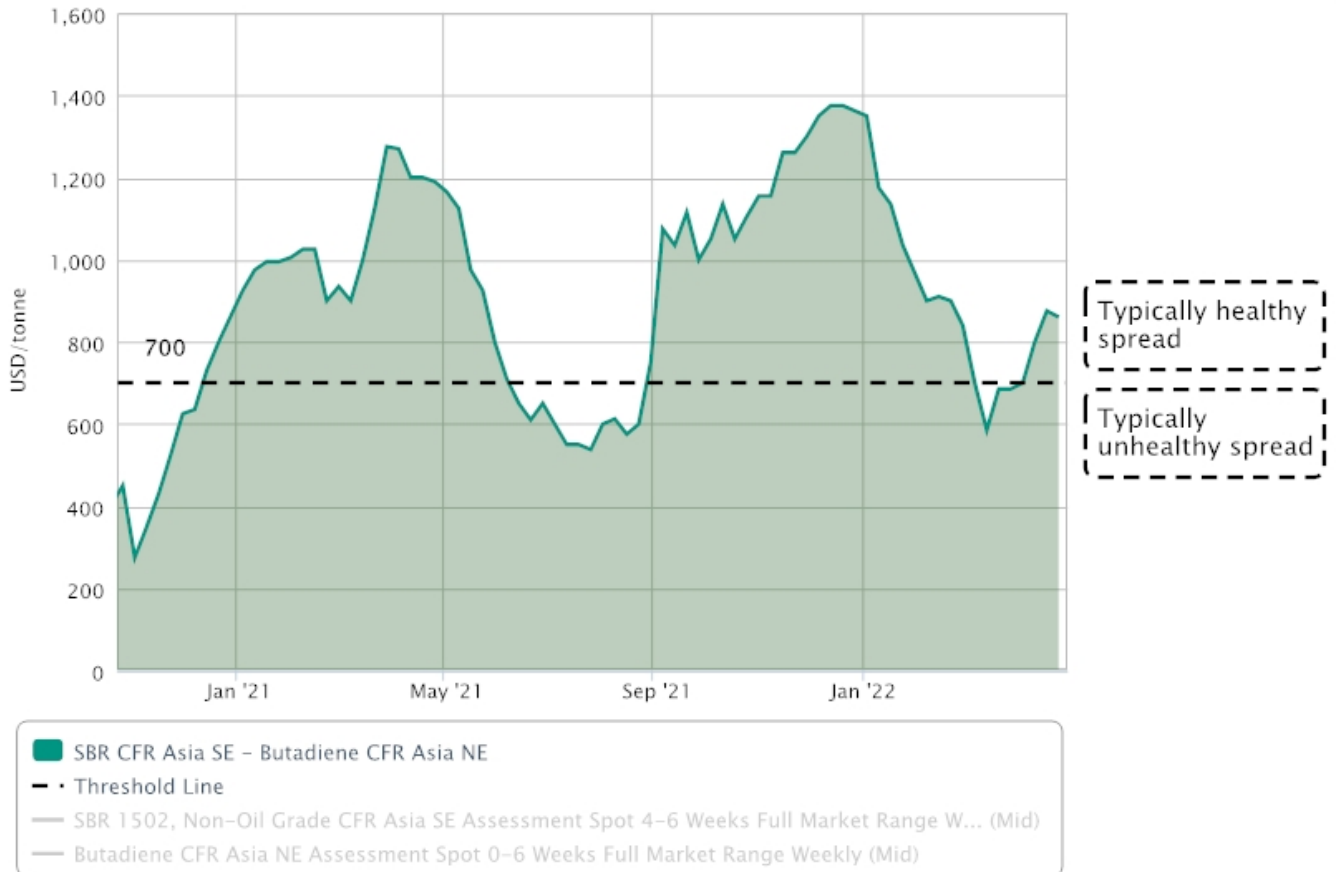
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asian styrene butadiene rubber (SBR) spot discussions [wavered](#) as more China exports emerged.

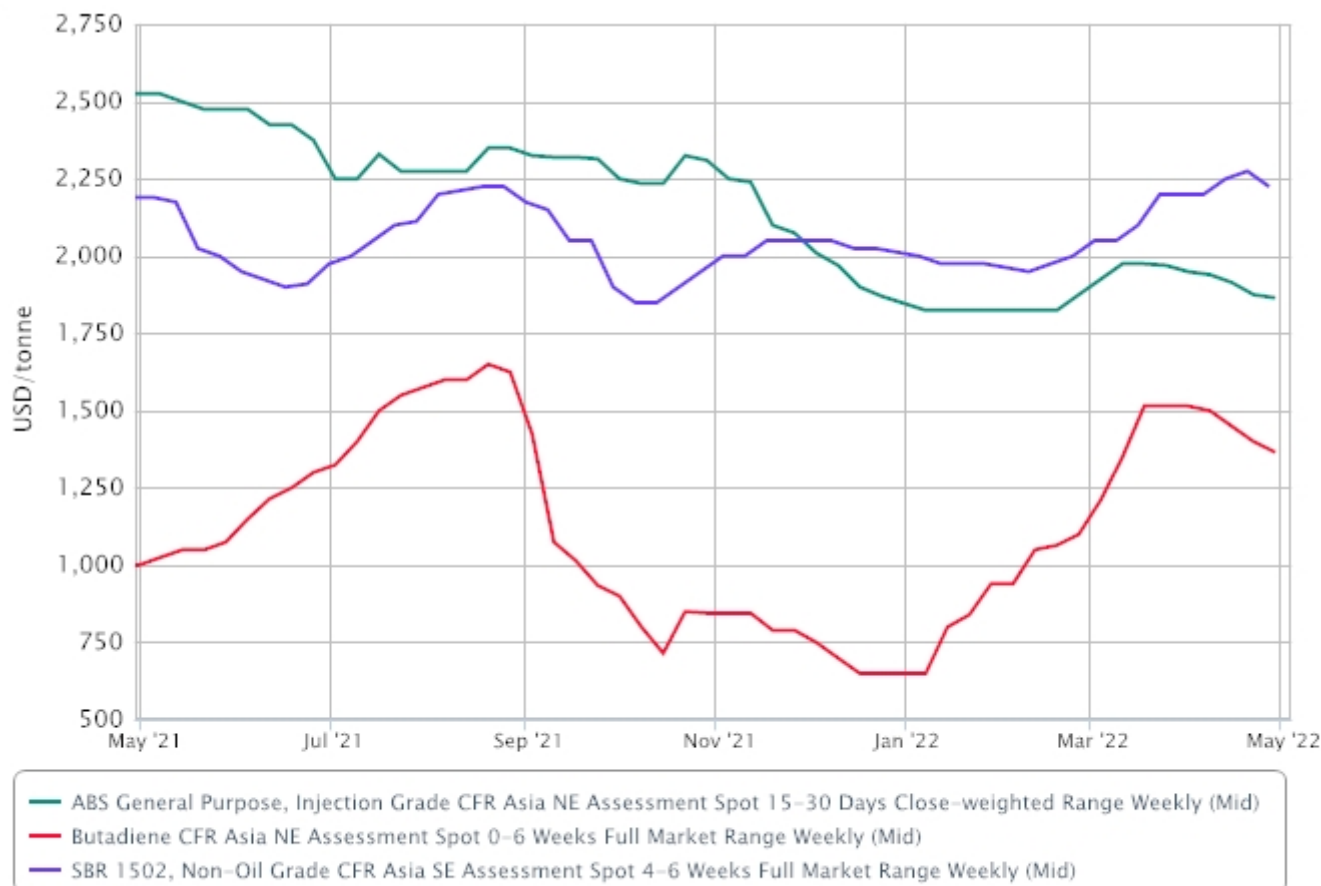
The chart below shows the spread between BD and SBR in Asia.

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



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The northeast Asian spot acrylonitrile butadiene styrene ([ABS](#)) import prices fell on slower trade momentum, in the lead-up to the Labour Day holiday starting 1 May. Despite lower offers to offload burgeoning stock levels, buyers steered further away from imports as the Chinese yuan currency (CNY) plunged against the US dollar.



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PRODUCTION

A new BD [plant](#) started up in northeast Asia this week. But otherwise, overall prompt output in the region remain curtailed, as many northeast Asian crackers are still operating at sub-optimal rates due to margin economics consideration. Spot availabilities will also tighten further once several regional BD plants [shut](#) for maintenance in May.

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

OTHER REGIONS

In Europe, the BD spot market sees [support](#) from domestic contractual demand and supply constraints.

In the US, [May](#) BD contracts settled at a rollover from April, on balanced demand and supply.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The global automotive industry is currently beset by an acute supply-demand imbalance. It is a situation of overlapping crisis for the industry as output is well below pre-pandemic levels - a trend seen in every region. Chips and electric steel supply issues are likely to persist. Polyamide, a key material, is expected to be in short supply because ammonia production has fallen because of high energy prices. Another factor that needs to be considered is the high probability of auto demand destruction due to household incomes. More are expected to spend conservatively and postpone major asset purchases. According to the Semiconductor Industry Association

(SIA), global chip sales increased 32.4% year on year and 3.4% month on month in February, but this was still not enough to meet demand.

According to Failure Reporting, Evaluation and Display (FRED) data in the US, light vehicle sales were down 4.6% month on month and down 24.4% year on year in March - a ninth consecutive year on year decline - with a reduction of approximately 2m units. Inventory levels have been on a continuous decline since March 2021, and the inventory-to-sales ratio has fallen from 1.6 in March 2021 to 0.4 in March 2022. Supply-chain issues continue to haunt the industry. Chip supply has yet to catch up with demand.

European vehicle production is still lower compared with pre-crisis levels. The European Automobile Manufacturers Association (ACEA) reported a 6.7% decline in EU car registrations to 719,465 units in February. The chip shortage is likely to continue and will result in weaker-than-expected vehicle sales and poor demand for key polymers used in vehicle manufacture. According to Germany's Federal Motor Transport Authority (KBA), all German brands reported a decline in new registrations, amounting to a fall of more than 30% year on year in March. Imported brands saw positive new registrations, with Polestar the strongest at +174.5%, followed by Tesla at +117.3%.

According to the China Association of Automobile Manufacturers (CAAM), car production was down 9.1% year on year in March, to 2.2m units. The inventory coefficient in March was at 1.75, well above the warning level of 1.50. The increase in inventories can mainly be attributed to severe restrictions on public movement. Currently, China has one of the highest COVID-19 Stringency Index levels at 75, compared with a global average of 37. As a result, various automakers have implemented 'closed-loop systems' of production where workers reside in the plant's onsite dorms. For example, Tesla is planning to run its system until May. India's Federation of Automobile Dealers Associations (FADA) reported a 2.3% year on year decrease in auto retail sales in March 2022. According to FADA, "the auto industry may come out of the woods and reach pre-pandemic highs by fiscal year 2024."

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Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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