



Butadiene (Asia-Pacific)

By Ai Teng Lim
30-Apr-2021

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

OVERVIEW

- **Market flat**
- **Offers steady**
- **Buying interest low**

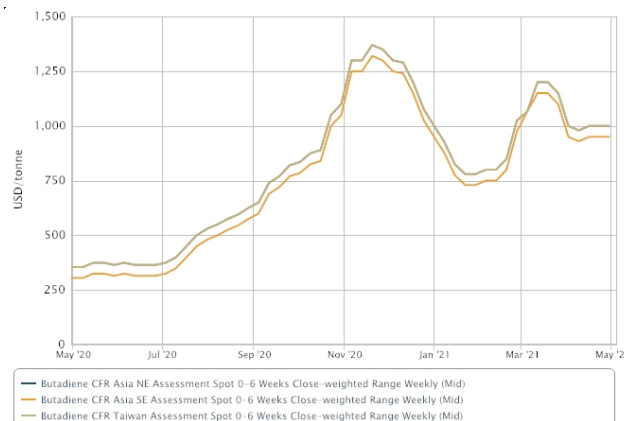
The Asian spot market for butadiene (BD) was flat, with talks [muted](#) in a pre-holiday trading week.

Most players have either exited the trading arena or were preparing to leave for an extended holiday in northeast Asia.

Pricing indications were heard broadly range-bound, but there little to no substantial negotiations, market sources said.

The buy-sell pricing outlook remains divergent. The buy-side mostly anticipates BD offers to soften further when regional supplies lengthen as new plants start up in the next few months.

Sellers remain confident that with several plants scheduled for turnarounds in the next few months, spot availability will stay tight, and this will continue to support existing asking prices.



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OUTLOOK

- **Indian demand outlook weak on coronavirus risk**
- **Supply outlook to hinge on new plant start ups**
- **Outlook hazy**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
CFR NE Asia	USD/tonne	n/c	950.00-1050.00	n/c	950.00-1050.00	43.09-47.63
CFR Taiwan	USD/tonne	n/c	950.00-1050.00	n/c	950.00-1050.00	43.09-47.63
CFR SE Asia	USD/tonne	n/c	900.00-1000.00	n/c	900.00-1000.00	40.82-45.36

The CFR northeast Asian and CFR Taiwan assessments were kept unchanged in the absence of any fresh transactions.

Monthly Contract DEL, \$/tonne	Mar 21	Feb 21	Jan '21	Dec '20	Nov '20	Oct '20	Sep '20
Taiwan FPCC	1,135	880	950	1,255	1,230	940	770
Korea YNCC	1,102.50	827.50	867	1,263	1,325	942	723

Domestic China prices rose, but buying interest was weighed down by high [domestic inventories](#), market sources said.

East China domestic prices DEL (CNY/tonne)

30 Apr	23 Apr	16 Apr	9 Apr	1 Apr	26 Mar	19 Mar	12 Mar	05 Mar
7,200-7,300	7,100-7,200	7,400-7,600	7,500-7,700	7,100-7,300	8,200-8,500	8,350-8,500	8,700-8,800	8,200-8,300

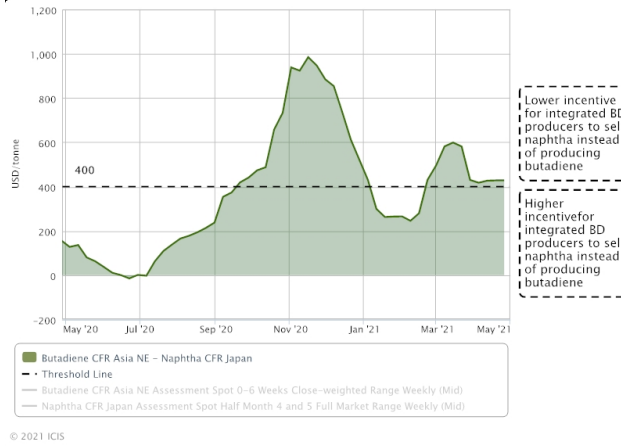
Southeast Asia

The CFR SE Asia assessment was rolled over amid muted, range-bound discussions.

UPSTREAM

Asia-Pacific **naphtha** markets were bolstered by gains in global crude oil futures. Pockets of demand for petrochemical production provided support for the prompt-month, helping to lift the product's crack spread following a recent slump.

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



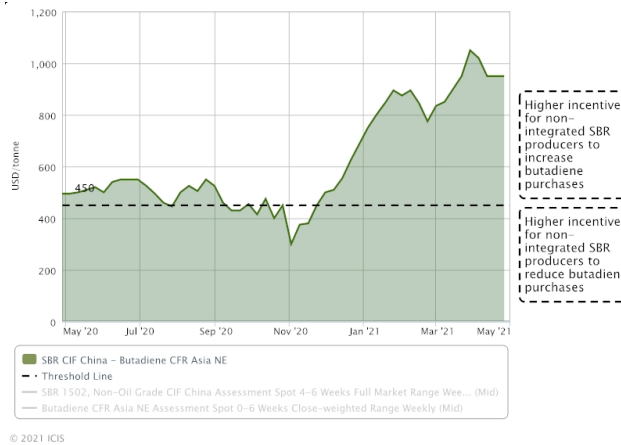
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

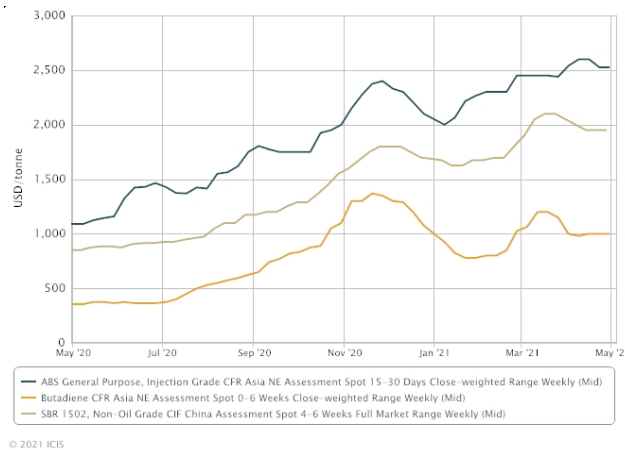
Asian **styrene-butadiene-rubber (SBR)** prices were stable-to-soft, weighed down by lacklustre buying, especially in India, which is [gripped](#) by a second wave of coronavirus infections.

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

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



Asian **acrylonitrile-butadiene-styrene (ABS)** market is also stable on relatively unchanged supply-demand fundamentals.



PRODUCTION

Several plant [turnarounds](#) are due to take place from early April to May in China.

In wider Asia, Q2 2021 output will remain weighed down by a seasonally heavy wave of plant [maintenance](#).

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

OTHER REGIONS

In Europe, May BD contracts [rose](#) as tight supply and firm demand outweighed downside pressures from softer naphtha.

In the US, May BD contracts also [rose](#) on a persistent supply shortage. US BD supplies are expected to remain [tight](#) into May on the lingering impact from February's polar storm-related outages.

ANALYTICS

ICIS Crude Outlook

The price of Brent crude rose in March, primarily due to OPEC+ announcing the continuation of existing cuts through to April - a move that surprised markets. ICIS expects OPEC+ to taper cuts by 1m bbl/day in May and potentially another 500,000 bbl/day in June. Libyan output is also expected to rise slightly in the coming months, as its government formed a new ministry aimed solely at increasing oil production. However, the recent blockage at the Suez Canal could lead to delays in the supply of oil from the Middle East to Europe and the West. Many European countries, including France and Italy, have imposed new restrictions as another wave of the coronavirus spreads across the continent, leading the oil demand recovery to stall somewhat. However, US President Biden's \$1.9tr stimulus package will boost the US and global economies, helping to support oil demand, particularly later in the year.

By **Ajay Parmar**, ICIS senior analyst; ajay.parmar@icis.com

ICIS Naphtha Outlook

The price of naphtha rose in March, in line with crude. Supply of naphtha from Asian refineries will be lower in the coming months, as the region enters its refinery maintenance season. China, for example, will see refinery throughput drop by over 1m bbl/day by May compared with February levels. This will lead to additional imports

coming from the West to maintain supply. However, the blockage at the Suez Canal will potentially lead to delays in delivery of naphtha - in particular, the typical 2m tonnes/month transfer of naphtha from west to east may face some disruption. The Europe LPG-naphtha spread has reached its lowest point since mid-2020, with -\$84/tonne recorded in mid-March. This is due to the naphtha price rising significantly along with crude, as well as slightly warmer weather in Europe reducing the demand for LPG. ICIS anticipates the spread will narrow slightly over the coming months. However, the overall spread will still remain highly negative until the end of the summer.

By **Ajay Parmar**, ICIS senior analyst; ajay.parmar@icis.com

ICIS Butadiene Outlook

In the short term, the US BD market is likely to have healthy demand and tight supply. Nevertheless, pressure might be eased by extremely challenging times for the auto industry. Apart from the coronavirus pandemic, which has affected vehicle sales, the shortage of semiconductors is forcing several automakers to limit production. This situation has prompted US President Biden to call a summit to try resolve the global chip crisis. ICIS foresees demand for new passenger cars and light trucks in the US will increase to between 15.9m and 16.5m units in 2021.

The Chinese BD market fundamentals are predicted to remain firm throughout 2021 amid a GDP growth forecast of 8.4% for China, according to the IMF. Vehicle sales should surpass pre-pandemic levels this year. Buoyant domestic demand alongside new incentive package to stimulate car sales in rural areas are expected to sustain the auto industry. Three new BD projects are scheduled to come on stream in Q3 2021. Overall, Zhejiang Petrochemical, Fujian Gulei and Shandong Shouguang Luqing will produce 420,000 tonnes/year of BD at full capacity.

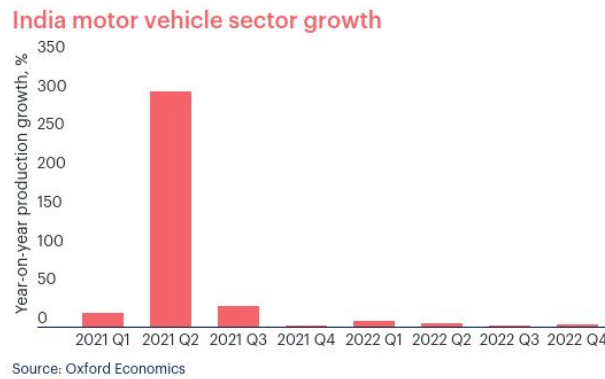
By **Paolo Scafetta**, ICIS senior olefin analyst, paolo.scafetta@icis.com

ICIS Downstream Automotive Demand Outlook

The year started with a certain degree of optimism on the back of a better-than-expected Q4 2020. The automotive sector reported a strong performance in March 2021. According to LMC Automotive, the automotive forecaster, global light vehicle (LV) sales rose 7% month on month in March to 87.5m units. However, the industry is suffering from supply chain problems and other production-related issues. Polymer and shipping container shortages continue, forcing a number of companies to announce plant shutdowns. As a result, most carmakers are running alarmingly low levels of raw material and finished product inventories. The CEO of Volkswagen said, "The company would be unable to build 100,000 cars this year due to the chip shortage and the group would not be able to make up for the shortfall in 2021".

Chinese vehicle production was up a strong 72% year on year in March 2021, although this largely reflects shutdowns in Q1 2020. However, production is lower than in March 2019, even though sales have been flat over the same time period. This reflects lower inventories, according to the China Automobile Dealers Association (CADA). Chip shortages are biting here too, with many domestic and foreign producers talking about supply problems. India's Federation of Automobile Dealers Associations (FADA) reported that registrations fell 28.64% year on year but grew 10.05% month on month. Close to 47% of dealers said that they had lost more than 20% of sales due to supply-side constraints. Japanese car production has also been impacted: down around 9% year on year in February. South Korean producers, especially Hyundai, are seen as less impacted by shortages due to integrated chip production. However, production cutbacks are now starting to bite for all producers here too.

By **Jincy Varghese**, ICIS demand analyst and **Rhian O'Connor**, ICIS senior analyst



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