



Butadiene (Asia-Pacific)

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

All prices in the weekly analysis on 7 April will be assessed based on information collated up to 6 April, with the exception of the domestic yuan (CNY) quotes. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Discussions trend down with sluggish demand**
- **Buyers press for deeper discounts**
- **Offers cushioned by spot supply constraints**

Spot discussions this week for Asian butadiene (BD) imports were mostly under pressure, as [sluggish downstream demand](#) conditions dominated, eclipsing any upside pricing support sellers had expected from limitations in spot availabilities.

End-users' buying appetite for feedstock BD have shrunk alongside lacklustre performance in various derivative markets, from the synthetic rubbers to acrylonitrile-butadiene-styrene (ABS).

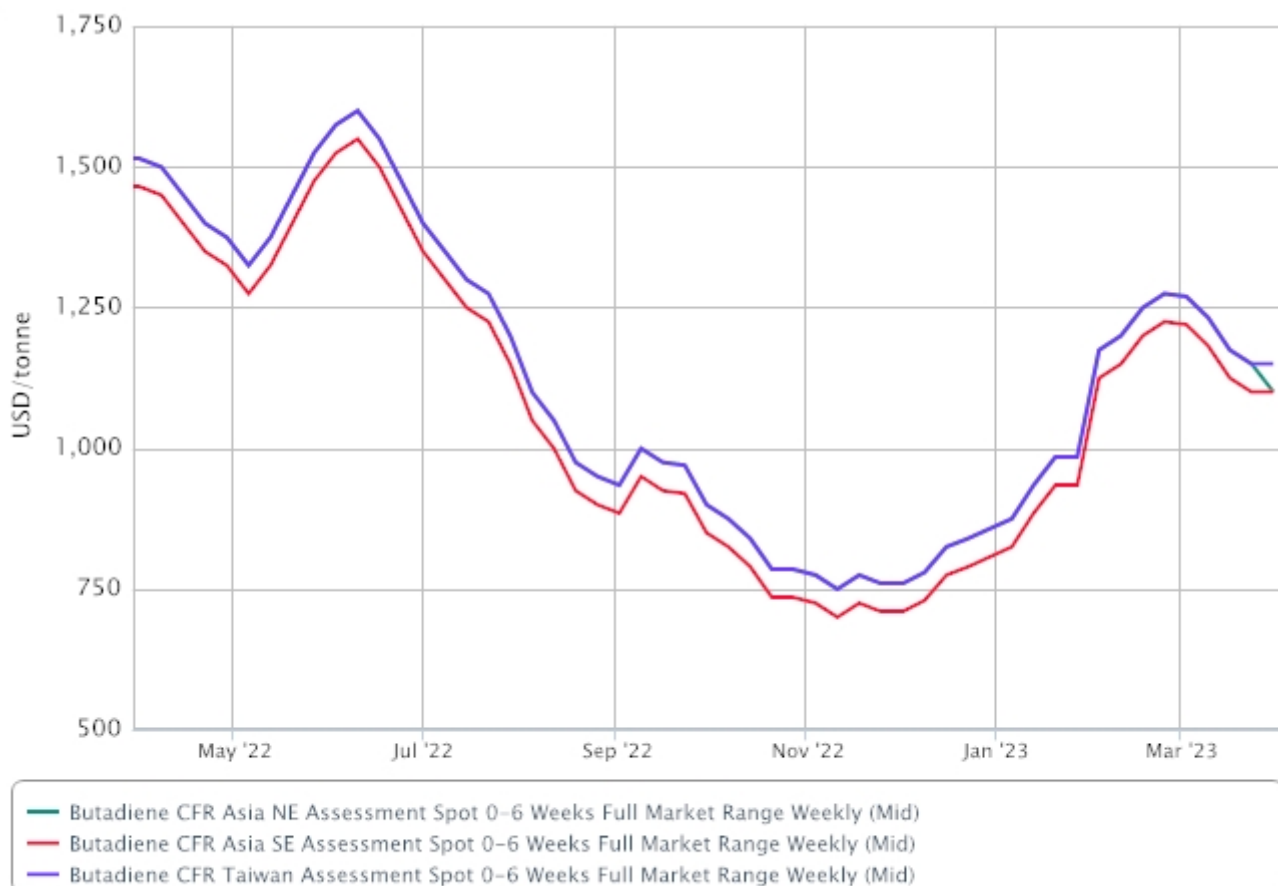
Many are reducing spot procurement, as well as looking for deeper discounts on Asia-origin cargoes, failing which many said that they would just pull back and wait.

April and May requirements in Asia have been mostly covered, especially with anticipated arrival during this period of several bulk shipment from deep-sea origins.

However, sellers held vastly different views. While some moderated expectations slightly this week, taking into consideration recent upstream naphtha declines, they were not prepared to go lower to meet buyers' demand.

For one, selling pressures are minimal ahead of an upcoming wave of maintenance closures in Q2.

Furthermore, stemming from the maintenance closures, some market players in Japan may need to procure additional May spot volumes to cover shortfall, which kept spirits buoyant among select BD suppliers who have the requisite cargoes to meet Japan's stringent import requirements for BD.



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OUTLOOK

- Buy-sell gap likely to persist
- Tight spot availabilities will continue to provide support for offers
- Outlook murky for demand fundamentals.

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	-50	1050.00-1100.00	-50	1200.00-1300.00	47.63-49.90
CFR NE Asia	USD/tonne	-50	1050.00-1150.00	-50	1200.00-1340.00	47.63-52.16
CFR Taiwan	USD/tonne	-50	1050.00-1150.00	-50	1200.00-1340.00	47.63-52.16
CFR SE Asia	USD/tonne	-50	1000.00-1100.00	-50	1150.00-1290.00	45.36-49.90

China

FOB China assessments were adjusted down with limited discussions and indications heard.

Majority selling indications were heard at \$1,100/tonne FOB China and up, which formed the high-end of the assessment range.

There was minimal buy-side response, and a seller moderated expectations, reflected at the low-end of the range, but no concrete discussions took place.

Domestic ex-tank prices in east China fluctuated during the week, but generally edged down week-on-week with poor buying tempo.



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Northeast Asia

CFR NE Asia assessments are adjusted down, with discussions for shipment to diverse northeast Asian outlets and for different delivery windows.

Potential buyers in Taiwan and Korea said they received offers at \$1,150/tonne CFR NE Asia or above, for H2 April/May shipment cargoes. While this formed the high-end of the assessment range, there was no concrete follow-up discussions for such materials, due to buyers' resistance, market sources said.

A prompt early April lifting cargo from southeast Asia was heard discussed in the \$1,000-1,100/tonne CFR China range during the week, and the trade may have been eventually finalised at around mid-\$1,000's/tonne CFR China, although this could not be fully verified.

The low-end tracked this, which was also in line with buying indications from end-users in China and Taiwan, heard in the \$1,000-1,050/tonne CFR NE Asia range.

However, market players polled were of the consensus view that majority sellers are unlikely to entertain buyers at under \$1,100/tonne CFR NE Asia, especially if they have means to sell, albeit at firmer levels, to niche markets, such as Japan which could only receive cargoes from limited sources due to its stringent import requirements.

A parcel was sold in the week, for early May shipment from Korea to Japan. Although the trade was concluded on a formula basis and therefore not used for assessments, market players noted that it was finalised at a high two-digit premium, which was deemed bullish in nature and a marked deviation from the bearish buying sentiment prevalent in other northeast Asian outlets.

CFR Taiwan assessments were adjusted in line with CFR NE Asian assessments.

Monthly Contract DEL, \$/tonne	Feb 23	Jan 23	Dec 22	Nov 22	Oct 22
Taiwan FPCC	1,085	855	755	755	795
Korea YNCC	1,178	905	795	755	745

Southeast Asia

CFR SE Asia assessments were adjusted in line CFR NE Asia assessments.

Two southeast Asia-origin cargoes were heard put up for tender sales this week, one for early April lifting, and the other for late April.

The prompt early April cargo was sold on FOB terms, on a formula-linked basis, and at a three-digit discount to CFR NE Asia values, likely for shipment to China, market sources said.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

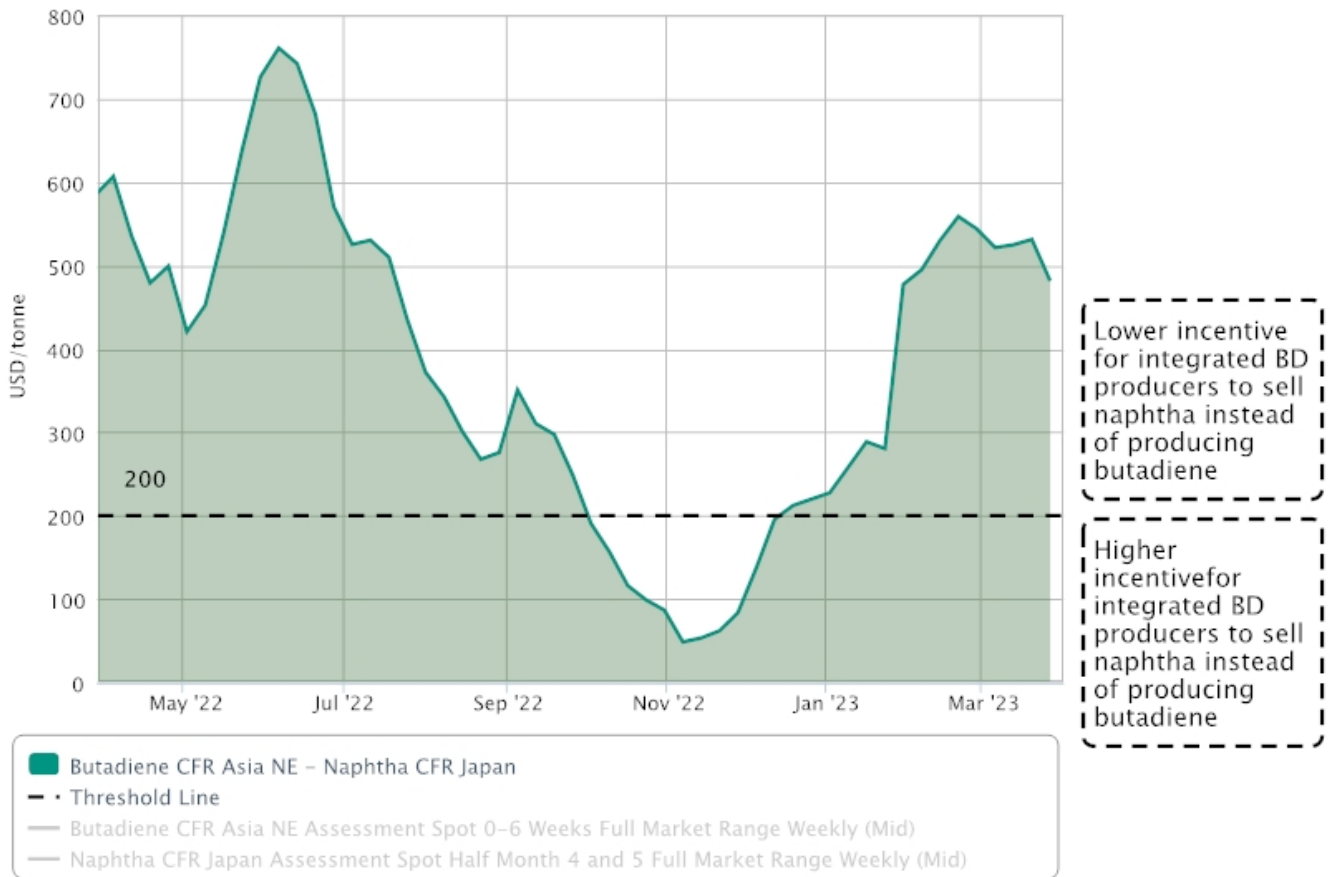
			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	-50	8350-8450	-50	8400-8400	-

UPSTREAM

Naphtha:

- Faltering margins downstream cap gains
- Unviable west-east economics curb arbitrage flows
- Market structure narrows in backwardation on cautious demand

[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.

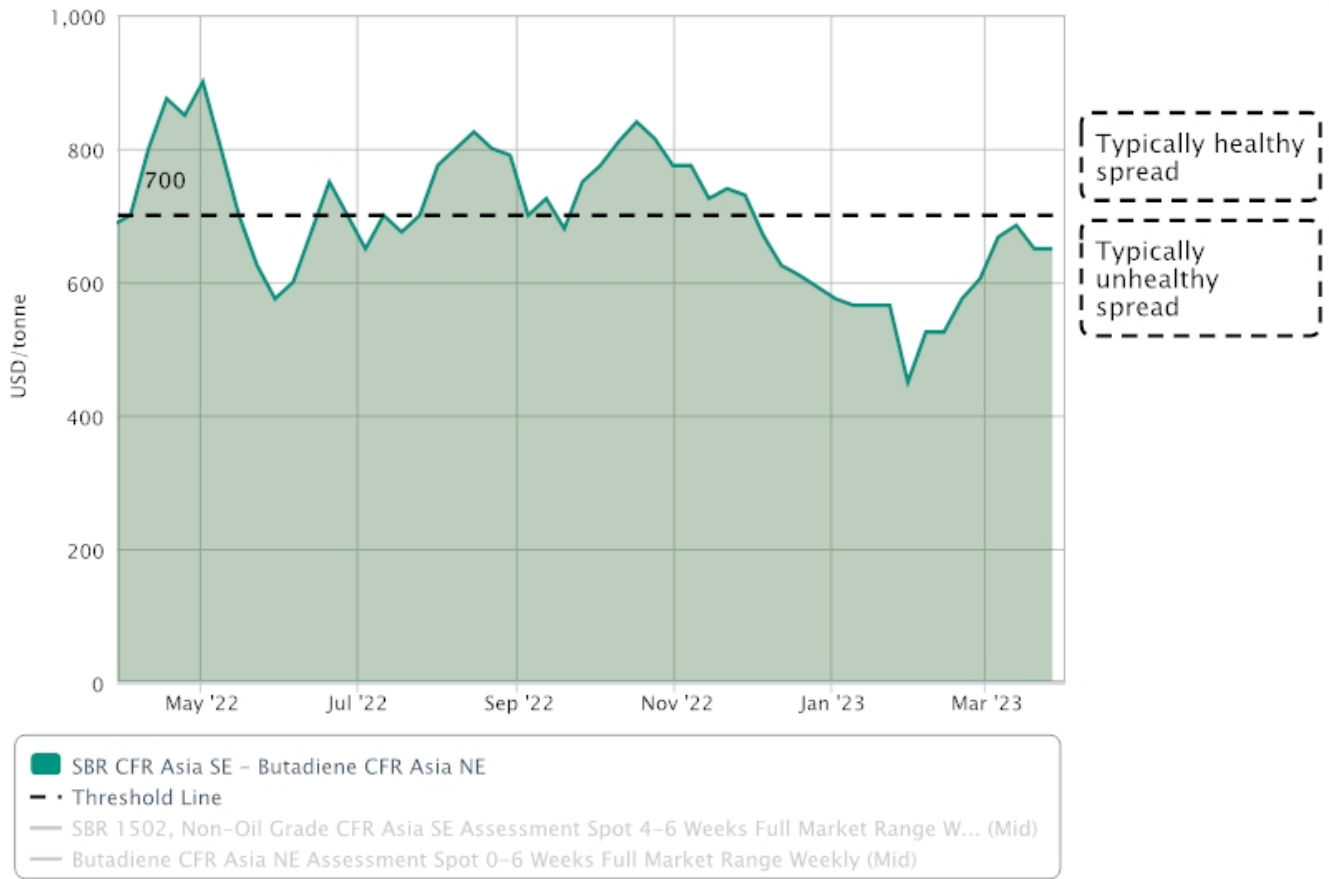
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Bearish buy-side sentiment
- Weak upstream weighs down on offers
- Off-take dented by cheaper natural rubber substitutes

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

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



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ABS

- Import prices flatline on limited market activities
- Levels at lowest year-to-date
- Seller's margins stay in the red as derivate demand cannot catch up with upstream cost surge



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PRODUCTION

A heavy wave of maintenance closures will hit [South Korea](#) and [Japan](#) in the April to June window.

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

OTHER REGIONS

Europe

- April contract price falls €20/tonne on naphtha
- Supply, demand largely balanced as before
- Strike action to limit French derivative production, may put pressure on BD deliveries from outside France
- Spot market very quiet, lack of direction from Asia, the US can cope on its own

US

- April contracts nominated at rollovers
- Supply ample to meet weak demand
- Costs keeping contracts at floor for now

ANALYTICS

ICIS Downstream Outlook for Automobile

Global light vehicle production is forecast to be at 84m units in 2023, according to Oxford Economics. This is a 3.1% increase year on year but still down 4.8% from 2019 levels. Like construction, automotive demand hinges

on interest rates or rates of borrowing. The current macro environment of increasing interest rates is leading to a certain level of demand destruction. In addition, supply shocks continue to impact production. Although chip availability has improved as compared with 2021, there is still a shortage when it comes to high-end chips.

In addition, car makers have readjusted their just-in-time strategies to maintain a certain level of inventory to ensure supply security. Auto companies consider chips a strategic material. Another priority includes improving relationships with Tier-I suppliers. To mitigate any further such disruption, countries are looking for ways to implement protectionist policies. For example, the US imposed restrictions on exporting chip making equipment to China last year. The Netherlands has followed suit, imposing export restriction on some of the advance semiconductor technology as well. Electric vehicles are a bright spot as countries adopt measures to boost their use through purchase subsidies, for example.

The north American auto industry remains in a weak spot. Production is improving but at a slow pace. After an encouraging January, US light vehicle sales fell by 6.2% in February month on month (still down 9.5% year on year compared with February 2019). Inventories remain low even though there has been a slight improvement over the past couple of months. The US, in an attempt to become more self-sufficient, announced plans to start applications for the \$39bn semiconductor manufacturing subsidy programme. The plan also includes a provision for 25% investment tax credits for building chip plants.

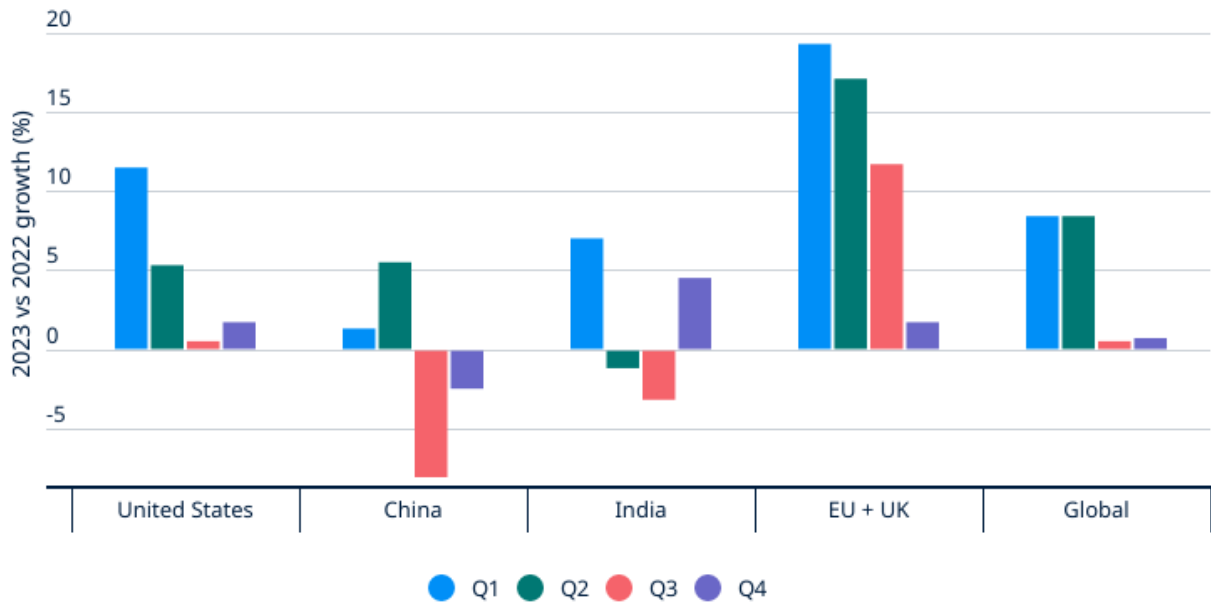
According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registration rose 11.3% in January year on year to 760,041 units. However, the increase is a function of a lower base. The association further reports that Spain posted the biggest gain (+51.4%) and Italy (+19.0%), followed by France (+8.8%). Germany, on the other hand, posted a 2.6% decline. The outlook for 2023 remains challenging (especially in the commercial vehicles sector) because of reduced industrial activity. As for chips supply security, in a press release dated 15 February 2023, the European Parliament set its negotiation position on two draft bills – the Chips Act and Chips Joint Undertaking – with an aim to increase the EU's share in global production capacity of semiconductors to 20%. In addition to this, ACEA expressed its concern regarding investment leakage, stating: "Europe needs a strong response to the fundamental challenges posed by the US's Inflation Reduction Act (IRA) and the risks it creates for 'investment leakage' out of the EU."

Chinese automotive output is forecast to increase by 1.3% year on year in the first quarter and the second quarter is expected to see year-on-year growth of 5.5% , according to Oxford Economics. With the country reopening after three years of COVID-19-related restrictions, there has been an increased focus on raising domestic consumption. However, the actual impact is something we must wait and see to assess. Moreover, the "Two Sessions" meeting, held earlier this month, was attended by several key representatives, with the policy proposal focusing on the development of New Energy Vehicles (NEVs) and Intelligent Connected Vehicles (ICVs), including autonomous vehicles. Indian automotive output is forecast to increase by 7.0% in the first quarter year on year as a result of the festive season.

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Motor vehicle sector growth by region

2023 vs 2022



SOURCE: Oxford Economics

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