



Polybutadiene Rubber (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.

OVERVIEW

- **New virus variant weighs in on buying tempo**
- **High-cis flat on rangebound talks**
- **But low-cis softer with buyers' resistance**

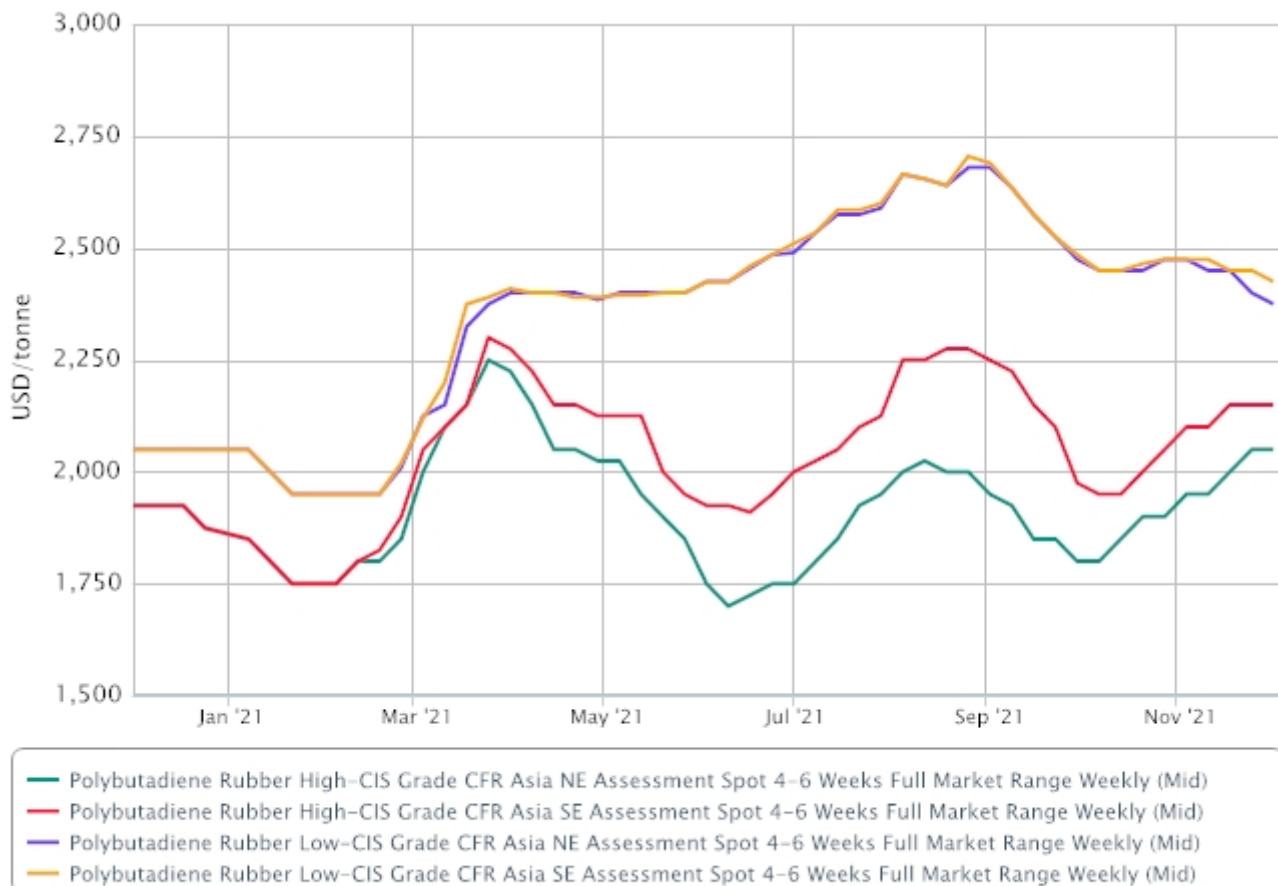
Asia's spot discussions for polybutadiene (PBR) trended differently for the grades this week – flat for high-cis but stable-to-soft for low-cis.

Generally, demand sentiment turns somewhat duller this week, as uncertainties mount on how the emergence of a new virus variant will impact on the delicate and barely recovering [global macro economy](#).

In this climate, buyers are more cautious and resistant to any sell-side attempts to price up cargoes. Most kept to buying only on need-to basis and in small parcels, sufficient only to tide over prevailing production, but not to build stocks.

On the supply side, offers are however well-supported by the reality that spot PBR availabilities, especially for high-cis materials, are generally tight across the region, with producers still mostly preoccupied with rebuilding their own inventories to healthier levels.

But in northeast Asia, supply voids for low-cis materials from regular suppliers are filled to some extent by cargoes emerging from other makers that were hitherto more focussed on supplying local requirements.



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OUTLOOK

- Growing concerns on new virus variant to weigh in on demand
- Shortage of high-cis may stretch throughout the year
- Pricing gap between high-cis and low-cis may narrow further

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	-50	2300.00-2450.00	n/c	2450.00-2500.00	104.33-111.13
CFR Asia SE	USD/tonne	n/c	2400.00-2450.00	-50	2450.00-2500.00	108.86-111.13
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2000.00-2100.00	n/c	1900.00-2000.00	90.72-95.25
CFR Asia SE	USD/tonne	n/c	2100.00-2200.00	n/c	2050.00-2150.00	95.25-99.79

Northeast Asia

High-cis

CFR northeast Asian assessments for high-cis materials were kept unchanged, taking into consideration stable buy-sell pricing indications.

Domestic high-cis prices in China were stable-to-soft, with the high end assessed down with buyers' increased resistance to higher asking prices.

Price (CNY/tonne)	02 December	25 November
E China Ex-Warehouse	15,800-15,900	15,800-16,000

Low-cis

CFR northeast Asian prices were assessed in a wider range, with the low-end dropped to reflect the full spectrum of buy-sell pricing sentiment.

Offers were heard at the higher end of the published range, and sellers saw no merit to price down as their spot availabilities were limited in the first place.

But buying indications continued to trend down, with some end-users heard turning to procuring instead more competitively priced China-origin materials, market sources said.

Southeast Asia**High-cis**

CFR southeast Asian assessments for high-cis materials were also stable, in line with rangebound pricing indications.

Transactions were limited too by low spot availabilities, with most producers heard already sold out of December shipment cargoes.

SMR 20 Natural Rubber Reference Price (US cents/kg) FOB Malaysia

Dec 2021	(1-2) Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021
176.68	175.65	174.39	163.23	172.67	164.32	164.51	169.09

Low-cis

CFR southeast Asian assessments for low-cis materials were stable-to-soft, with the high-end dropped with a lower selling indication heard.

India

In India, Asia-origin PBR cargoes were heard indicated for December shipment at mid-to-high \$2,100s/tonne CFR India, broadly unchanged from the week prior, market sources said.

But demand sentiment weakened, not just on a typical year-end lull, but also due to heightened uncertainties about the pandemic situation.

Latest data showing a [slowdown](#) in India's Q2 GDP growth also dented consumer confidence.

Buying indications for Asia-origin cargoes were heard capped at low \$2,000's/tonne CFR India, substantially lower than sellers' offers, market sources said.

UPSTREAM

Asian butadiene spot prices are stable on rangebound, [but muted](#), discussions, as buy-sell gap remains wide in an over-supplied market.

The chart below shows the spread between butadiene and PBR.

[Downstream spread – butadiene NE Asia and PBR SE Asia](#)



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PRODUCTION

In China, average operating rates of PBR held steady at 77% for the week ended 26 November, unchanged from the week prior, market sources said.

Elsewhere in Asia, while operating rates are rising after all scheduled regional plant turnarounds were [completed](#) by mid-November, market players said that spot availabilities remain tight, as producers focus first on rebuilding inventories to more healthy levels, at the expense of non-contractual sales.

ANALYTICS

ICIS Butadiene Outlook

US BD consumption is estimated to hit about 1.7m tonnes in 2022, which is below pre-pandemic levels. The automotive production crunch may last into H1 2022 at the earliest and contribute to weaker BD derivative demand. Apart from the chip shortage, a shortage of magnesium in China poses another threat to the global car

industry. Magnesium is used in the production of aluminium alloys, which have a number of applications in vehicle manufacture.

There is uncertainty surrounding the BD outlook for Europe in 2022. With activity at the cracker in Porto Marghera, Italy, brought to a halt, crude C4 cargoes will no longer be shipped to Ravenna to feed Versalis' BD extraction unit which has a capacity of 140,000 tonnes/year. Although Sabic's cracker in Wilton, UK, will see commercial production restored by the end of 2022, its BD unit may remain permanently closed. Supply chain disruptions may materialise as a result. BD demand is forecast to grow at a slower rate next year, by about 6% on 2021, but consumption this year is expected to increase by almost 11% on 2020.

ICIS analysts estimate relatively sizeable growth in BD demand in 2022, up by 12% on 2021, at around 4.3m tonnes. Next year, BD derivative capacity additions will amount to about 895,000 tonnes/year, and new BD capacity will hit about 320,000 tonnes/year. With demand outpacing production, China will remain a net BD importer. A new 70,000 tonne/year standalone BD unit in Batangas in the Philippines and owned by JG Summit may help to cover some of China's BD shortfall in 2022.

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

ICIS Downstream Automotive Demand Outlook

The global automotive industry is still struggling to make up for pandemic-induced losses, with Q3 production down by 13.2% year on year, and Oxford Economics predicting that Q4 will be down by 6.5% compared with Q4 2019. Global vehicle production growth is not expected to return until Q3 2022, with chip supply expected to remain tight through 2022. Even Jean-Marc Chery, CEO of STMicroelectronics predicted that, "...we will return to a normal situation... not before the first half of 2023." Chip makers are also heard to favour consumer electronics over cars because of higher volumes and better margins. The industry's just-in-time (JIT) procurement strategy has added to the pressure. However, it is not all doom and gloom as vehicle chip suppliers such as Infineon and Bosch are ramping up capacity. Many countries are also now looking at chips as a strategic material and the industry is now receiving government support. Rising electric vehicle penetration will also push car makers up the chip pecking order because more advanced chips (with higher margins) will be required. However, car makers will need to readjust JIT strategies to ensure supply of security, as well as improving relationships with their Tier-1 suppliers.

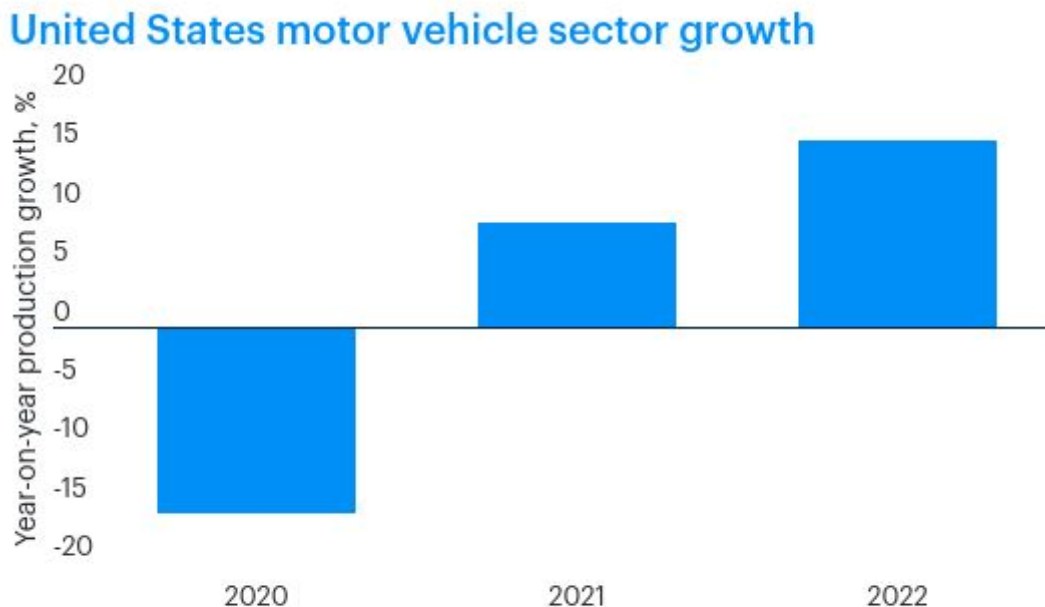
US light vehicle sales were down 22.3% in October 2021 compared with October 2019. The inventory sales ratio was 0.51 in September, which is alarmingly low. To put this into context, average inventories have ranged from 2.0 to 2.5 in the past two decades. This suggests an extremely high level of pent-up demand in the system. In addition, manufacturers are rationing or diverting their chips to their most profitable models.

The EU auto outlook remains grim with many countries reporting a double-digit decline in output. Demand is outpacing supply and inventories are depleting. In a letter to the European Commission, the European Automobile Manufacturers' Association (ACEA) said, "...warehouses are empty..." The EU is aiming to move away from its dependency on chip imports to producing chips domestically. As a result, car makers are waiting for the European Chips Act which aims to ensure security of supply and is expected by the end of this year. The chip shortage is likely to last well into 2022 and will result in weaker-than-expected vehicle sales and therefore poor demand of key polymers used in the automotive industry.

The auto industry in China is also struggling. It currently has an inventory coefficient of 1.24 – with anything below 1.5 considered a dangerous level. In addition to severe supply disturbances, the regulator in China is cracking down on chip suppliers who are accused of price gouging. The outlook for the Indian automotive market is mixed. It was already under pressure after several manufacturers exited the country citing low sales. India's

Federation of Automobile Dealers Associations (FADA) reported that the inventory level had slumped to a record low of 15 to 20 days. According to a FADA survey, 45.0% of respondents had a neutral outlook for the Indian auto market, with positives and negatives split with 27.5%. India's personal vehicle and tractor sectors are outperforming, growing by 30% and 39% in September respectively from September 2019. The chip shortage has hit Bajaj Auto's export market.

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



Source: Oxford Economics

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