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.

ICIS is currently consulting readers about the methodology used for this report. To respond, click here.
The CNY prices in the weekly analysis on 2 May will be based on information collated up to 30 April. Please click here for the ICIS publishing schedule.

OVERVIEW

- **Holiday trade lull dents sentiment**
- **Buyers more withdrawn**
- **Scant offers amid softer upstream cost support**

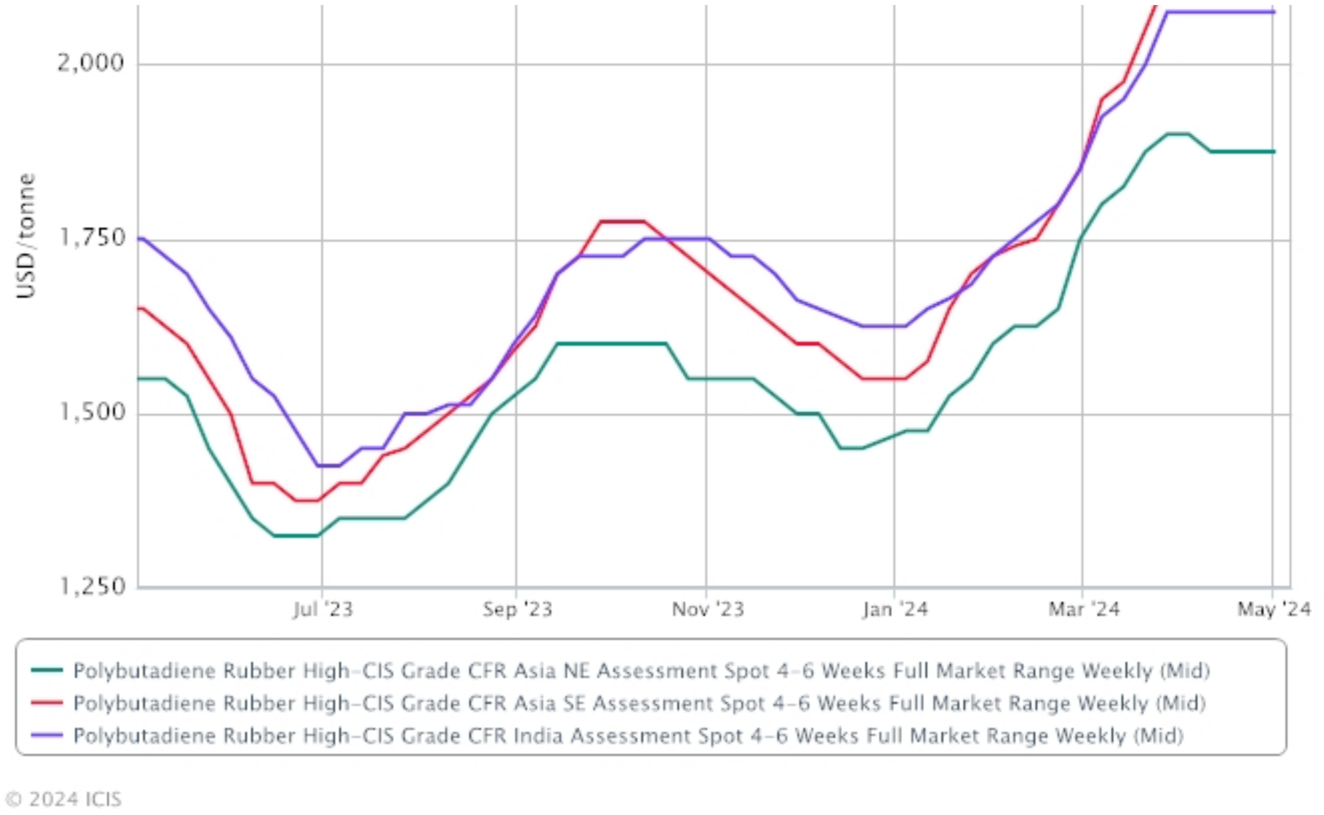
Discussions were muted this week in Asia's spot import market for polybutadiene rubber (PBR), as players in various regional outlets wound down for extended Labor Day holidays.

Sentiment was mixed downstream. Many end-users are wary not to hold excessive stocks lest prior anticipation of steady demand recovery, especially in the key Chinese economic hub, fails to materialise.

Concerns about the latter heightened in the wake of a slower pace of growth for China's April PMI, following a strong month-on-month improvement in March.

However, as there is as yet no sign that downstream factories have decided to trim operating rates, sellers are confident that end-users would thus have to keep buying at least some limited top-up volumes to ensure that they are adequately covered for prevailing production requirements.

In view of this, and coupled with the reality that their margins are still squeezed, PBR makers said that they were not prepared as yet to dish out fresh discounts for the purpose of inducing buying interest. Many said that upstream cost pressures are still formidable, notwithstanding a slight downward correction in feedstock butadiene (BD) prices in the week prior.



OUTLOOK

- **Uncertainties linger over China's economic growth outlook**
- **Fiscal policy changes may also weigh on broader buy-side sentiment**
- **Players may minimize buy-sell exposure for the near term**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2200.00-2400.00	n/c	2200.00-2400.00	99.79-108.86
CFR Asia SE	USD/tonne	n/c	2250.00-2400.00	-50	2250.00-2450.00	102.06-108.86
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1800.00-1950.00	n/c	1850.00-1950.00	81.65-88.45
CFR Asia SE	USD/tonne	n/c	2050.00-2150.00	n/c	2050.00-2200.00	92.99-97.52

CFR India	USD/tonne	n/c	2000.00-2150.00	n/c	2000.00-2150.00	90.72-97.52

Northeast Asia

High-cis

CFR NE Asia prices were kept unchanged on rangebound offers.

Buying interest remained tepid for imported materials, such as in China, where there is no lack of more competitively priced products in the yuan-denominated domestic market, market players said.

Substantive requirements were also not that robust to begin with, with many downstream factories winding down operations for the Golden Week holidays in China and Japan.

Domestic prices in east China however picked up slightly, ending in a narrower range than the week prior, with some pre-holiday restocking procurement done during the week.

Price (CNY/tonne)	**This week's close***	**Previous week's close**
E China Ex-Warehouse	13,100-13,200	12,950-13,200

**As at 30 April as China is shut for holidays from 1-4 May.*

Low-cis

CFR NE Asia discussions were rolled, tracking stable offers heard at the high end and up.

Southeast Asia

High-cis

CFR SE Asia prices were unchanged, taking into account rangebound offers from most regular suppliers, and in the absence of concrete fresh transactions heard.

Even though feedstock BD prices have corrected downward slightly, regional SBR producers said that cost pressures were still formidable and that there was as yet no room for fresh discounts if they wanted to preserve their frail margins.

Buying interest was thin, with many end-users retreating to the sidelines, saying that they would wait and see until there is more clarity on how upstream markets may trend post-holiday.

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

May (1-2) 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024	Dec 2023
160.55	162.99	165.36	156.66	154.20	146.31

Source: Malaysian Rubber Board

Low-cis

CFR SE Asia assessments are stable-to-soft, with the high end adjusted down with a lower offer heard.

India

CFR India prices for PBR were kept unchanged, taking into account range-bound offers for cargoes from regular northeast Asian suppliers.

Most buyers held back, preferring to tap into either the domestic product pool or import materials from non-Asia origins for alternative supplies.

UPSTREAM

Butadiene

- Anticipated influx of deep-sea cargoes
- Supply anxieties among buyers alleviated
- But no clear sign yet that regional availabilities will lengthen

The chart below shows the spread between butadiene and PBR, which has stabilised of late but remains in the unhealthy zone.

[Downstream spread – butadiene NE Asia and PBR SE Asia]

PRODUCTION

In wider Asia, a 60,000 tonne/year plant in Taiwan will undergo maintenance in July.

In China, a 60,000 tonne/year unit in Shandong restarted in late April after a month-long maintenance, but several others, including a 90,000 tonne/year PBR plant in Zibo, Shandong and another 50,000 tonne/year unit in Dongying, Shandong shut since H2 April for maintenance or commercial reasons.

ANALYTICS

ICIS crude outlook

In Q3 2024, global crude oil supply-demand dynamics will be influenced by cautious supply management and geopolitical factors. OPEC+ may consider easing its production cuts in the third quarter if oil prices remain above $90/barrel, reflecting increased geopolitical tensions and supply interruptions. Despite this, OPEC+ has continued with aggressive supply management strategies during the first half of 2024.

Demand growth is primarily being driven by non-OECD countries, buoyed by a recovering Chinese economy and an expected global economic expansion from 2.5% in 2024 to 2.7% in 2025. Meanwhile, US crude oil stocks have increased, indicating slower growth in domestic demand, even as refinery operations see a modest rise. Global demand for crude oil is expected to increase, meeting significant non-OPEC liquid production, particularly from the US, Canada, Guyana, and Brazil.

Production growth in these areas is forecast to slow down slightly in 2024 and 2025, with increases expected to be about 1 million barrels/day in 2024 and 1.25 million barrels/day in 2025. Overall, the oil market in the third quarter of 2024 will be characterized by a balance between cautious supply management by OPEC+ and a gradual increase in global demand, moderated by economic and geopolitical conditions, together with shifts in energy consumption patterns.

By **David Jorbenaze**, senior analyst, david.jorbenaze@icis.com

ICIS naphtha outlook

The global naphtha market in Q3 is influenced by a complex interplay of supply constraints and shifting demand dynamics across different regions. Prices have surged to multiyear highs, closely tracking fluctuations in Brent crude oil due to geopolitical tensions in the Middle East and the Russia-Ukraine conflict. Despite a reduction in physical demand from the European petrochemical sector, which is turning to cheaper alternatives like propane, naphtha prices remain elevated due to tight supplies and strong gasoline blending activity. In Europe, refinery maintenance and geopolitical events are expected to sustain tight supply conditions, while demand from the petrochemical sector remains subdued. However, the onset of the summer driving season in the US could indirectly boost naphtha markets through increased blending requirements. In Asia, particularly in China, the naphtha market is experiencing robust demand driven by substantial petrochemical production. Although the region faces potential supply disruptions due to geopolitical tensions, the demand for naphtha remains strong, supported by petrochemical capacity utilization in northeast Asia. The market is also affected by the competitive pricing of LPG, which is becoming an attractive alternative feedstock for petrochemicals, potentially influencing naphtha's share in the feedstock mix. Overall, the naphtha market is navigating through reduced physical demand, tight supplies, and external pressures from crude oil markets and geopolitical factors, with cautious optimism in the near-term outlook.

By **David Jorbenaze**, senior analyst, david.jorbenaze@icis.com