



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

- **Spot supplies snug**
- **But buying interest thin**
- **Lower offers heard**

Asian spot prices for polybutadiene rubber were mostly stable-to-soft, tracking lower buy-sell indications heard across outlets and grades.

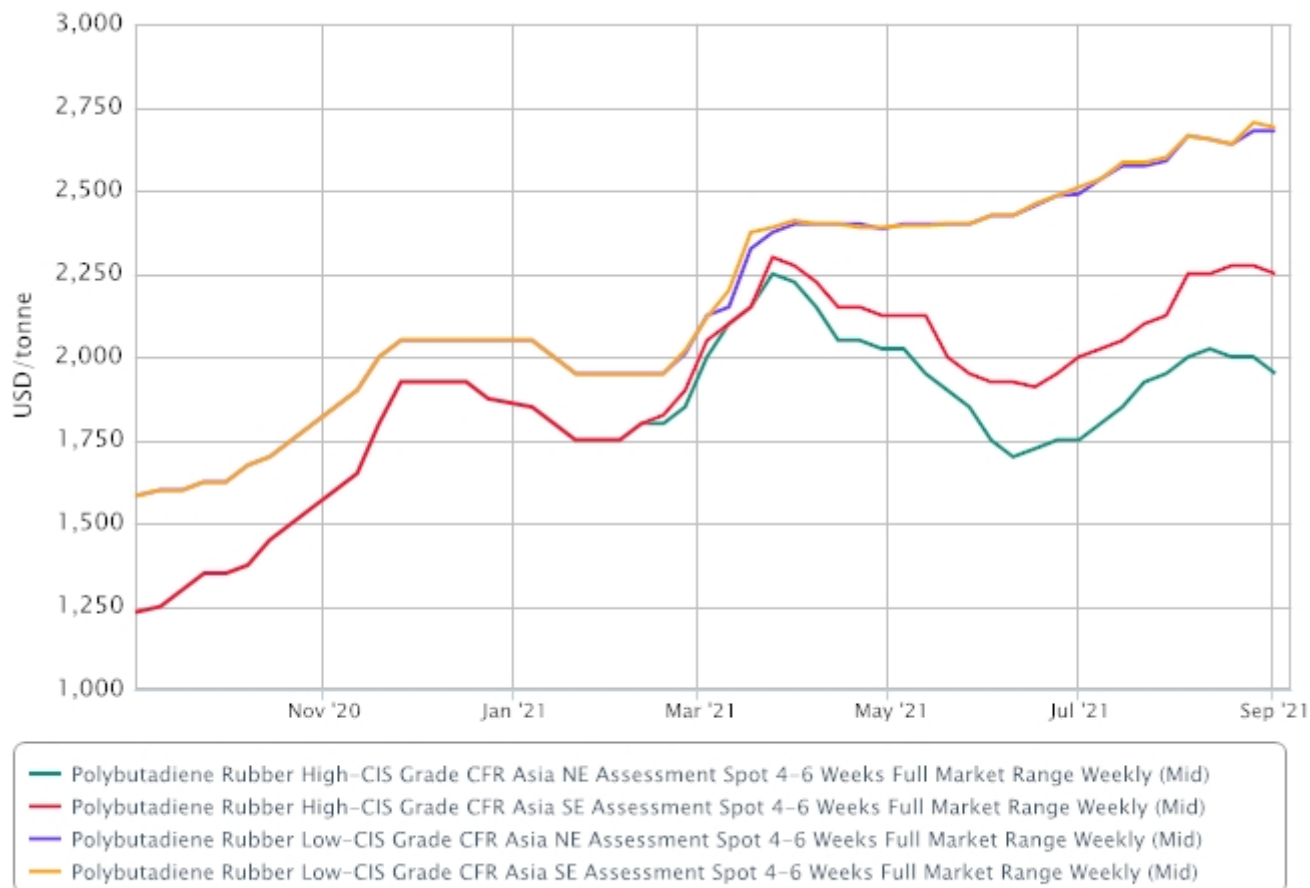
Spot availabilities are not abundant, in view of upcoming [turnarounds](#) in northeast Asia, and in this respect, sellers were heard generally confident that those who needed to buy will have to negotiate at their terms.

Furthermore, with feedstock butadiene costs at year-high levels in the last few months, PBR makers' margins are squeezed, limiting in turn sellers' ability to price down without hurting bottom lines, market players said.

But demand is generally weak, with buyers mostly absent amid curtailed downstream operations.

Indeed, the latest economic data shows a [general downturn](#) in the August manufacturing purchasing manager index (PMI) across many regional outlets.

If this trend persists, market players said that this would invariably continue to weigh in on buying appetite for raw materials including PBR.



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OUTLOOK

- Supplies to stay tight in the near term
- But persistent coronavirus worries will weigh in on demand
- Outlook hazy

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2660.00-2700.00	n/c	2650.00-2680.00	120.66-122.47
CFR Asia SE	USD/tonne	-10	2680.00-2700.00	-20	2650.00-2680.00	121.56-122.47
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-50	1900.00-2000.00	-50	1900.00-2100.00	86.18-90.72
CFR Asia SE	USD/tonne	-50	2200.00-2300.00	n/c	2200.00-2300.00	99.79-104.33

Northeast Asia

High-cis

CFR northeast Asian prices for high-cis imports were assessed down, tracking lower buy-sell discussions heard.

In China, sentiment for US dollar denominated imports was weighed down by declines seen in the domestic yuan-denominated market.

Domestic China prices for high-cis materials fell, alongside plummeting values in the upstream butadiene market.

East China Domestic PBR Prices

Price (CNY/tonne)	2 September	26 August
E China Ex-Warehouse	13,600-13,800	13,900-14,100

Low-cis

CFR northeast Asian prices for low-cis materials were rolled over, in the absence of any concrete discussions.

Southeast Asia**High-cis**

CFR southeast Asian prices for high-cis materials were stable-to-soft, with the low-end dropped to capture weaker buying indications heard.

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

Sep (1-2) 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021
164.05	172.67	164.32	164.51	169.09	164.72	175.25	169.16

Low-cis

CFR southeast Asian prices for low-cis materials were down, on lower offers heard.

India

For India-bound PBR supplies, selling indications were heard in the \$2,350-2,400/tonne CFR Indian range, while buying indications edged closer to \$2,300/tonne CFR India or lower, market sources said.

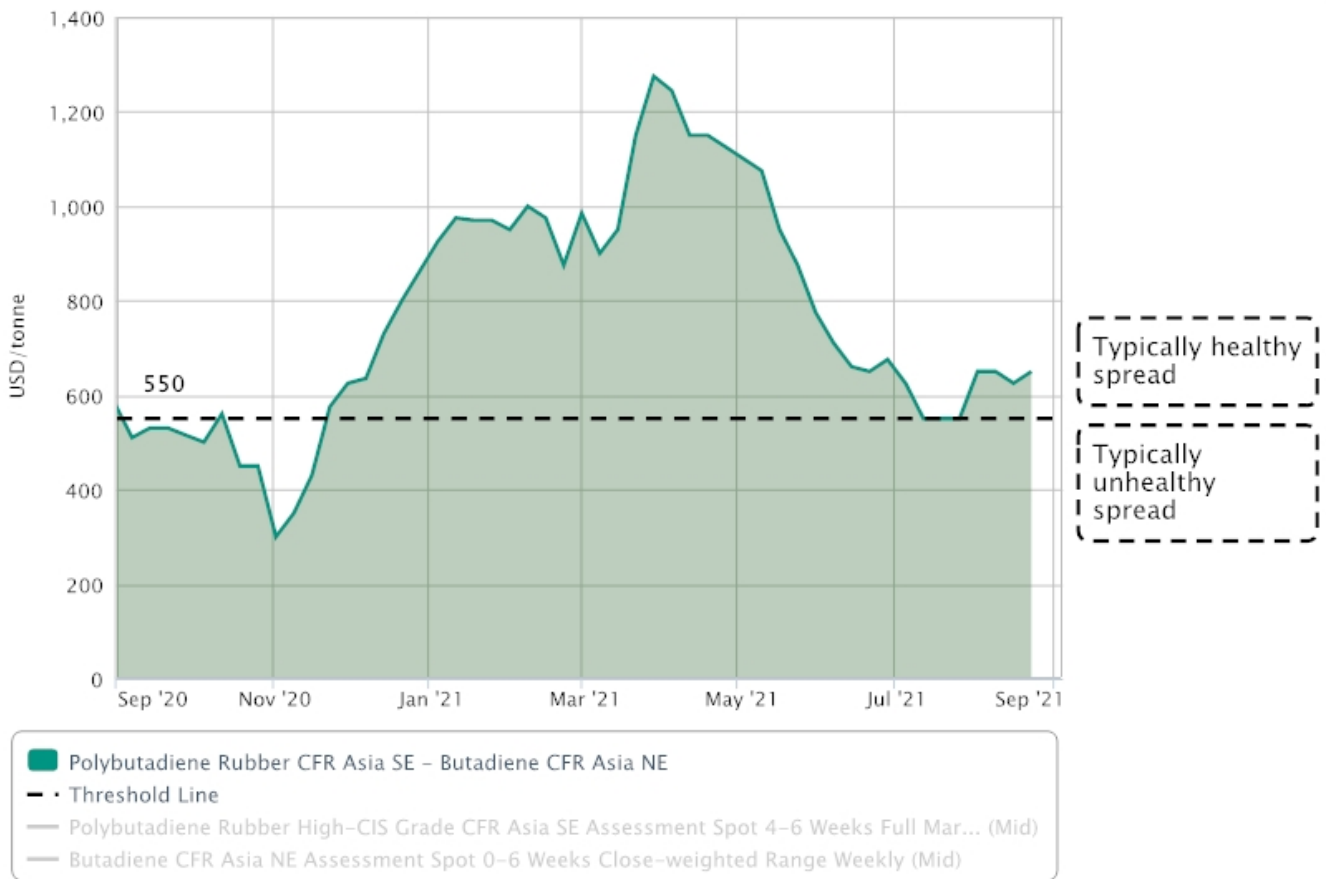
While demand fundamentals in India seems better supported than other regional outlets, given more positive [economic growth indicators](#) there, market players said that buyers in India were still cautious about the risk of a resurgent coronavirus wave, and hence unwilling to over-commit on import bookings either.

UPSTREAM

Asian butadiene spot talks have [softened](#) with easing supply concerns and thinner demand.

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 at its PBR plants held steady at 72% for the week ended 26 August, unchanged from the week prior, market sources said.

A major 70,000 tonnes/year Sinopec Qilu plant is scheduled to resume operations in H2 September from maintenance.

Outside of China, PBR supplies are poised to tighten though on upcoming turnarounds in South Korea.

ANALYTICS

ICIS Crude Outlook

OPEC+ will continue their programme of tapering output by 400,000bbl/day each month until the end of the year. In the near term, the high likelihood of hurricanes during September and October may lead to production issues in the US. This disruption could lead to millions of barrels per day in production outages, as seen earlier this year. On the demand side, vaccination programmes are expected to continue to be successful, particularly in the US, China and Europe. However, demand going forward is expected to fall in Q4 compared with the summer, as the driving season ends. Future oil demand is also under threat from rising COVID-19 cases in Europe and southeast Asia. If cases continue to rise, new restrictions may be imposed, which could limit demand growth during a period of rising supply. Additionally, concerns have recently risen over the US Federal Reserve potentially ending their asset purchase programme earlier than expected, which could prompt bearish sentiment for commodity and financial markets if implemented.

By **Ajay Parma**, Senior Analyst; ajay.parmar@icis.com

ICIS Naphtha Outlook

The price of naphtha fell in August, in line with crude. However, the European naphtha crack increased by 6% month on month due to strong demand in the gasoline blending markets. That said, gasoline demand will likely wane in Q4, which will then put pressure on the naphtha crack. If COVID-19 cases continue to rise and new restrictions are imposed in southeast Asian countries, gasoline demand may be further hampered and naphtha demand could slide in the near term. However, the European LPG-naphtha spread has reached into positive territory recently, due to high propane prices. This will firm naphtha's place as feedstock of choice for petrochemical producers for the foreseeable future. In addition, imports to Asia from Europe are likely to be constrained somewhat by high freight prices.

By **Ajay Parma**, Senior Analyst; ajay.parmar@icis.com

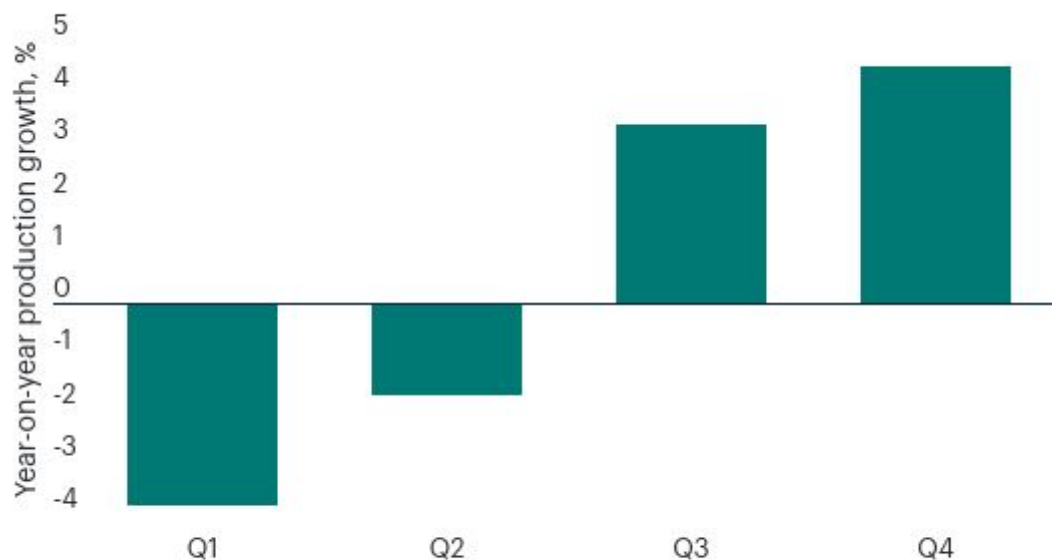
ICIS Downstream Automotive Demand Outlook

It has been about a year-and-a-half since the world was plunged into the coronavirus crisis. But the last year has been the most puzzling in terms of outlook for global automotive industry stakeholders. The level of uncertainty has been unprecedented, challenging both decision-making and risk management. The global automotive industry was one of the first and hardest hit by the pandemic and has yet to make a full recovery. According to Oxford Economics, the global selling rate of light vehicles stood at 82.4m units/year in June, 9% short of its pre-pandemic selling rate in Q4 2019. Supply shocks continue to impact production, with a global shortage of microchips leading to cuts in auto output. Hopes for a speedy resolution are still distant. One potential hiccup to the supply of chips could be water! This is because their manufacture is extremely water intensive and Taiwan - which is home to TSMC, the world's largest chip foundry, and has a global market share of 56% of all foundries - is in the middle of its worst drought in 50 years. As a result, TSMC is sourcing requirements via additional water trucks. The Taiwan Institute of Economic Research estimates that water reduction in industrial parks is currently around 15%, which is below the 20% level that factories can tolerate.

Asia was the first region to be impacted by the semiconductor shortage. According to the China Association of Automobile Manufacturers (CAAAM), the country produced and sold 1.863m and 1.864m automobiles in July, down 4.1% and 7.5% month on month and 15.5% and 11.9% year on year respectively. Compared with the same period in 2019, production and sales increased by 3.2% and 2.7% year on year respectively. Japan should see a severe near-term disruption, but South Korea will benefit from domestic chipmakers Samsung and SK Hynix which have both increased production. Electric vehicle production in Asia should ramp up sharply in 2021 as China, in particular, pushes for greater environmental measures. The Delta variant will be closely monitored, as further outbreaks could cut short any recovery.

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

North East Asia motor vehicle sector growth, 2019 vs 2021



Source: Oxford Economics



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