# Polybutadiene Rubber (Asia-Pacific)

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Overview | Outlook | Prices | Upstream | Production | Analytics

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.

## OVERVIEW

- **Sentiment still dull for high-cis material**
- **Sellers drop offers to push sales**
- **Low-cis sees uptick on firmer demand**

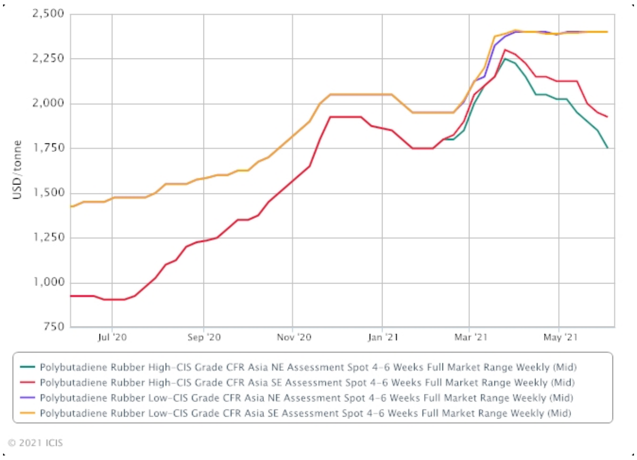
Asian spot prices for high-cis polybutadiene rubber (PBR) were mixed. They were stable-to-soft for high-cis material, but stable-to-firm for low-cis material.

Players said pricing talk for both grades trended differently because of divergent downstream demand support for the respective materials.

High-cis PBR material is mainly used in the production of tyres for commercial vehicles. Sources said off-take from automobile-related factories has slowed recently amid concerns that tighter mobility restrictions that came with coronavirus lockdowns in various regional outlets like India and Malaysia could impact on vehicle sales in due course.

For low-cis materials which is used in the manufacture of household appliances, players said that usage is well supported by steady output and the sale of white goods.

On the supply front, the availability of high-cis PBR material is poised to rise in China as more than 100,000 tonnes/year of production capacity in the country has recently returned from maintenance closures.




## OUTLOOK

- **High-cis demand recovery contingent on coronvairus containment**
- **High-cis supply in wider Asia may tighten on upcoming turnaround**
- **A price gap between the two grades may widen**

## PRICES

### SPOT PRICES

| | | | Price Range | | Four Weeks Ago | US CTS/lb |
|---|---|---|---|---|---|---|
| **Polybutadiene Rubber Low-CIS Grade** | | | | | | |
| **CFR Asia NE** | USD/tonne | +50 | 2400.00-2450.00 | n/c | 2350.00-2450.00 | 108.86-111.13 |
| **CFR Asia SE** | USD/tonne | +50 | 2400.00-2450.00 | n/c | 2350.00-2440.00 | 108.86-111.13 |
| **Polybutadiene Rubber High-CIS Grade** | | | | | | |
| **CFR Asia NE** | USD/tonne | -100 | 1700.00-1800.00 | -100 | 2000.00-2050.00 | 77.11-81.65 |
| **CFR Asia SE** | USD/tonne | -50 | 1850.00-2000.00 | n/c | 2100.00-2150.00 | 83.91-90.72 |

### Northeast Asia

***High-cis***

CFR northeast Asia prices for high-cis material were assessed down, reflecting softer pricing indications heard.

The high end reflects discussions for deliveries to outlets like Taiwan, but China-bound shipments were considerably weaker, and captured at the low end.

Potential buyers in China turned away from US dollar denominated imports, and bought from the competitively priced domestic supply pool instead.

Domestic China prices softened on lengthening supplies.

**East China Domestic PBR Prices**

| Price (CNY/tonne) | Current week | Previous week |
|---|---|---|
| E China Ex-Warehouse | 11,700-11,800 | 11,900-12,000 |

***Low-cis***

The CFR northeast Asia assessment for low-cis material was stable-to-firm, with the low end lifted to reflect firmer selling indications.

### Southeast Asia

***High-cis***

CFR southeast Asian prices for high-cis materials were assessed in a wider range, with the low end reduced to capture the full range of discussions heard from cargoes from diverse origins.

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

| June (1-3) 2021 | May 2021 | Apr 2021 | Mar 2021 | Feb 2021 | Jan 2021 |
|---|---|---|---|---|---|
| 166.58 | 169.09 | 164.72 | 175.25 | 169.16 | 158.40 |

***Low-cis***

The CFR SE Asia assessments for low-cis PBR material was stable-to-firm, with the low end lifted to capture the full spectrum of trades heard.

### India

Discussions for India-bound shipment were muted, with with majority of players there still preoccupied with the battle to contain and curtail coronavirus infections.

Sellers of domestically produced PBR also moderated their expectations, in part to keep pace with recent declines in the US dollar denominated import market, and rupee-denominated cargoes were heard indicated this week at an import parity value of below $2,000/tonne CFR India, sources said.

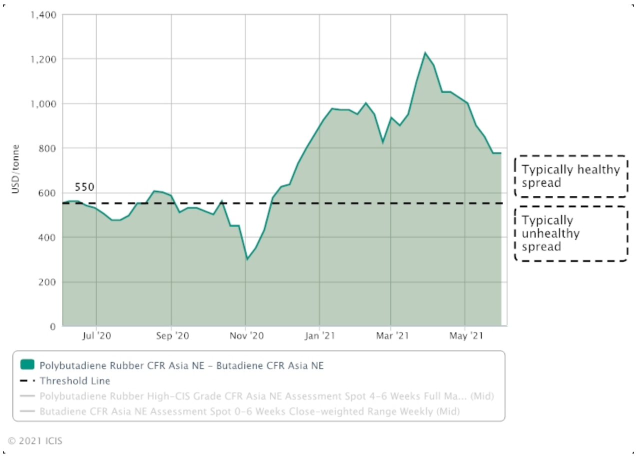
However, sellers of imported cargoes were heard to be reluctant to introduce larger discounts, in the hope that demand in India will rebound once the virus situation stabilises.

## UPSTREAM

Asian butadiene (BD) spot talks were boosted by healthy buying. But uncertainties still abound for the regional demand-supply balance in the longer term.

The chart below shows the spread between BD and PBR.

Downstream spread – butadiene and PBR NE Asia




## PRODUCTION

In China, average operating rates at PBR plants recovered to 65% in the week ending 28 May, up from 62% in the week prior, market sources said.

Overall, more than 300,000 tonnes/year worth of PBR prodution capacity in China is currently shut for unplanned repairs or scheduled turnarounds. This includes the 50,000 tonnes/year Shandong Weite plant that went off-line at end May, purportedly due to environmental reasons, just barely a month after it restarted at end April from maintenance, sources said.

Elsewhere, the 60,000 tonne/year TSRC plant in Kaohsiung, Taiwan, is also scheduled for turnaround from mid-July.

## ANALYTICS

**ICIS Crude Outlook**

The price of Brent rose in May, primarily due to continued success in the vaccination programmes in many countries and regions, including the US, Europe and Middle East. ICIS expects the vaccination programmes to continue to be successful and many countries are likely to be able to remove the most severe of restrictions in June, aiding oil demand. However, some countries such as India, Malaysia, Singapore and parts of Europe have seen a spike in COVID-19 cases. This could delay the rebound in those countries. In the West, the overall oil demand outlook is positive for the summer as the driving season will likely be much stronger than usual this year, helping to lift core oil products demand. US President Biden's $1.9tr stimulus plan and prospective $2tr infrastructure plan are also expected to boost the US and global economies, helping to spur oil demand for most of the rest of the year. On the supply side, OPEC+ will release an extra 2m bbl/day oil into the market by July, with further increases expected later in the year.

By **Ajay Parmar**, ICIS senior analyst

**ICIS Naphtha Outlook**

The price of naphtha rose in May, in line with crude. Supply of naphtha from Asian refineries will begin to rise again from June, as many refineries will return from planned maintenance. China's oil refining throughput will return to above 14m bbl/day in June following a few months below that level due to maintenance. This will aid naphtha supply in the region. The European naphtha complex is particularly tight at present, due to strong European demand in both the gasoline blending and petrochemicals markets. This supply tightness in Europe likely will lead to a lower Asia-Europe naphtha spread, thereby reducing Asian naphtha imports from Europe.

Asia, therefore, will likely increase its naphtha imports from the US. Finally, the European LPG-naphtha spread remains highly negative, with -$108/tonne recorded in May. This spread likely will remain highly negative overall until the end of summer.

By **Ajay Parmar**, ICIS senior analyst

**ICIS Downstream Automotive Demand Outlook**

Global automotive demand has been strong due to pent-up demand during lockdowns, high savings and a pandemic-related movement away from public transport. The global light vehicle sales rate rose to 87.5m units/year in March, an improvement on 81.8m units/year in February 2021 (Oxford Economics). However, automotive production has lagged sales, resulting in a global drawdown of vehicle stocks. Production has been hit by several factors, including lockdowns, plant closures and supply chain issues. The main supply chain issue is a shortage of semiconductor chips, which has led to widely-reported production cuts. However, February's polar storm in the US, several force majeures in the polymer chain, the Suez Canal blockage, a shortage of polyurethane (PU) foam in the US and other issues, have exacerbated the supply problem.

In April, Chinese car sales were down by 10.8% month on month, with passenger cars and commercial vehicles down -9.1% and -15.9% respectively. This was partly because April is seasonally a weak month for car sales, unlike March, and therefore a month on month decline was expected. The China Association of Automobile Manufacturers (CAAM) is quite optimistic about prospects for the market. According to the Center for Automotive Research (CAR), by 2025 30.2mn new cars will be sold in China, making it about ten times larger than the German car market. However, according to an ICIS estimate, passenger car sales are not expected to surpass 2017's peak of 24.6m units until 2027. As far new energy vehicles are concerned, China is ramping up its infrastructure to support the growth of electric cars. For example, car makers including NIO have announced the launch of a new energy supply plan "Power North," which will construct a charging and battery swapping infrastructure. Forecasts suggest there will be one power charging station every 100km on the expressway within the next three years.

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