



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
03-Mar-2022

[Overview](#) | [Outlook](#) | [Prices](#) | [Upstream](#) | [Production](#) | [Analytics](#)

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

OVERVIEW

- **High-cis supply tightened**
- **Offers spiked in line**
- **Low-cis rangebound**

Asian spot discussions for high-cis polybutadiene rubber (PBR) were bullish in nature, as supplies tightened with an unplanned [outage](#).

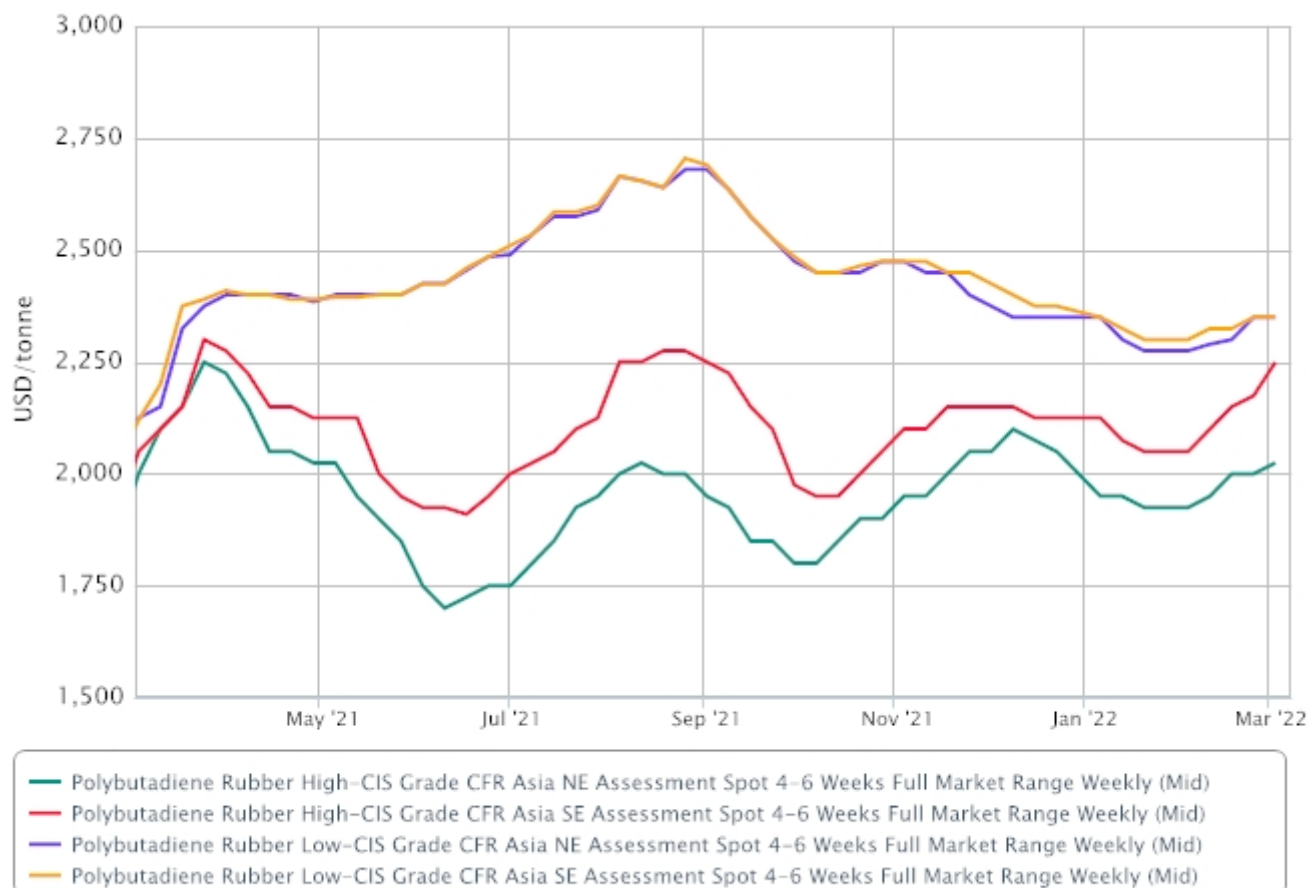
Those for low-cis PBR were, in comparison, more muted and stable, tracking broadly unchanged demand and supply fundamentals.

On the high-cis front, supply concerns sharpened after a 72,000tonnes/year plant in southeast Asia caught fire and was taken off-line, possibly for an extended period of time, according to market sources.

Customers affected were heard sourcing for replacement cargoes, boosting in turn [offers](#) on remaining spot availabilities.

For low-cis, spot availabilities remained low, but unchanged on-week. Demand was also heard broadly stable, supported mainly by requirements from high-intensity polystyrene (HIPS) makers.

However, with crude prices driven up by the ongoing [Russia-Ukraine crisis](#), sellers were heard mulling higher prices in due course to recoup potential increases in production costs, while buyers turned more cautious in their procurement stance, citing concerns about downstream affordability issues.



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OUTLOOK

- Cost pressures may build with further [crude gains](#)
- High-cis supply to stay tight in the near term
- Escalating geopolitical tensions may weigh down on demand

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2300.00-2400.00	n/c	2250.00-2300.00	104.33-108.86
CFR Asia SE	USD/tonne	n/c	2300.00-2400.00	n/c	2250.00-2350.00	104.33-108.86
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	+50	2000.00-2050.00	n/c	1850.00-2000.00	90.72-92.99
CFR Asia SE	USD/tonne	+50	2200.00-2300.00	+100	2000.00-2100.00	99.79-104.33

Northeast Asia

High-cis

CFR northeast Asian assessments for high-cis materials were stable-to-firm, with the low-end of the range lifted to reflect deals done and discussions for shipment bound for diverse northeast Asian outlets.

However, in China, sentiment was somewhat clouded by lacklustre performance in the yuan-denominated market.

Yuan prices for PBR softened on-week on faltering buying tempo, despite mounting cost pressures stemming from a bull-run in the upstream butadiene (BD) market.

Price (CNY/tonne)	03 March	24 February
E China Ex-Warehouse	13,100-13,200	13,500-13,700

Low-cis

CFR northeast Asian assessments for low-cis materials were rolled over, on rangebound pricing indications, and in the absence of concrete fresh transactions.

Southeast Asia**High-cis**

CFR southeast Asian prices for high-cis materials were assessed up, taking into consideration higher deals heard done for cargoes sold into diverse downstream sectors.

Cargoes taken in by automotive sector were heard at minimally \$2,200/tonne CFR SE Asia, which forms the low-end of the range, while the high-end captured deals done for cargoes sold for other applications, such as shoe soles and golf balls.

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

Mar 3) 2022	(1- Feb 2022	Jan 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021
179.50	179.84	178.12	172.08	175.65	174.39	163.23	172.67	164.32

Low-cis

CFR southeast Asian assessments for low-cis materials were kept unchanged, in the absence of any concrete transactions.

India

In India, buying interest for Asia-origin high-cis materials picked up, alongside heightening concerns that deep-sea PBR supplies will be disrupted with the escalating Russia-Ukraine tensions. Some volumes were heard sold for March shipment into India in the \$2,150-2,200/tonne CFR India range.

UPSTREAM

Spot discussions for Asian BD imports climbed, supported by a [domestic China bull run](#) and the crude rally. However, trade liquidity was thin as buyers mostly remained cautious and refrained from committing to new bookings.

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 for PBR climbed to 85% for the week ended 25 February, one percentage point higher than the week prior, market sources said.

Outside of China, spot supply is also tighter amid several [planned](#) and [unplanned](#) plant closures in northeast and southeast Asia.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

It has been more than two years since the world plunged into the coronavirus crisis. But the last year has been the most puzzling in terms of the outlook for stakeholders in the global automotive industry. The level of uncertainty has been unprecedented, challenging for decision-making and risk management. The global automotive industry was one of the first and hardest hit by the pandemic and has yet to fully recover. According to Oxford Economics, global production of light vehicles is expected to reach 83.6m units in 2022, short of its pre-

pandemic production rate of 88.4m units in 2019. Supply shocks continue to impact production, with a global shortage of microchips leading to cuts in automotive output. We expect vehicle sales to mirror the production growth rate, as there is not a considerable gap between the two.

The North American auto industry remains weak: production is improving but at a slow pace. US light vehicle production is expected to reach 10.3m units this year compared with 10.6m units in 2019. The industry is still down 2.8% year on year from 2019. Inventories continue to touch new lows. In December, inventories totalled 58,900 units, the lowest since 1993. In the same month, the auto inventory-sales ratio was 0.359. Supply chain issues continue to haunt the industry. Microchip supply has yet to catch up with demand. The key challenge for the region is its semiconductors' demand (which is close to 50%) versus production (which is about 12%) gap. This is one reason for semiconductors being treated as a material of strategic importance. As a result, the CHIPS for America Act was passed in the House in early February. It includes various grants and subsidies aiming to provide more than \$50bn to boost the industry.

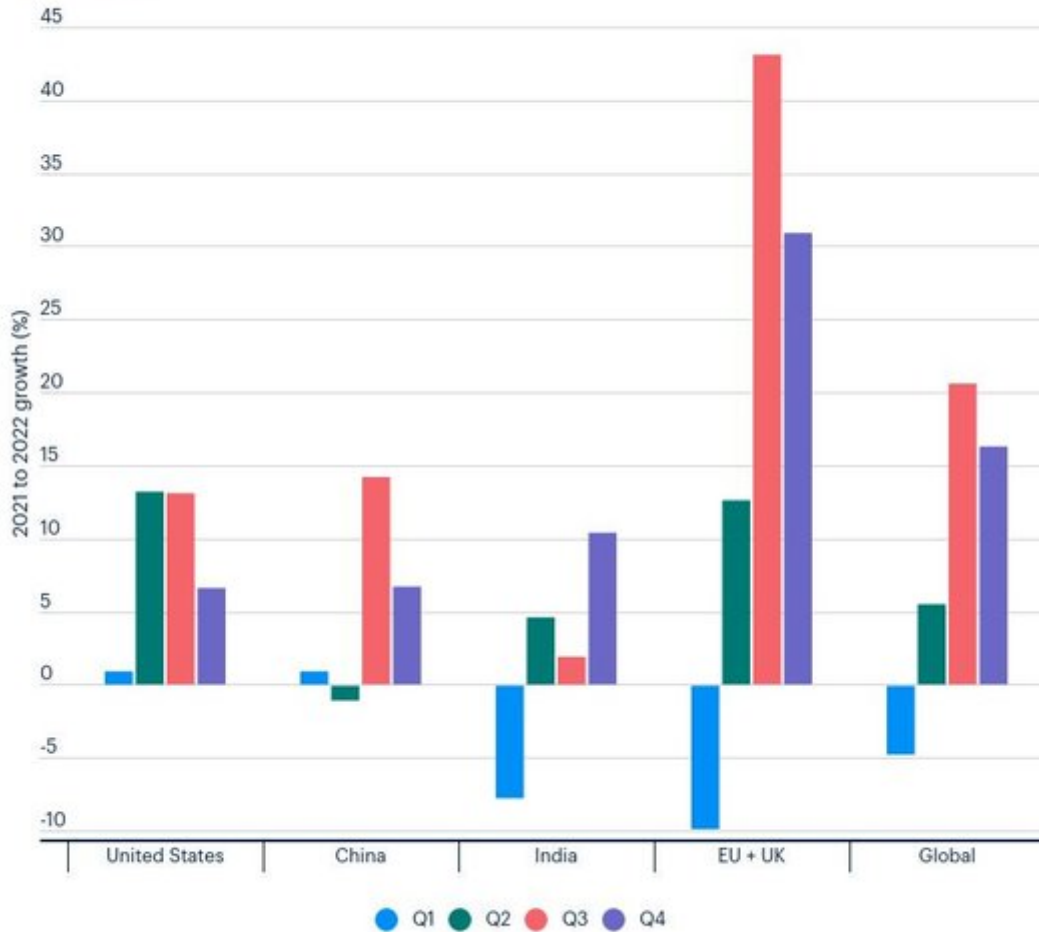
European vehicle production is still down compared to the pre-crisis level. Production for this year is forecast to reach 15.3m units compared to 17.8m units in 2019, down by 14%, according to Oxford Economics. In addition, the European Automobile Manufacturers' Association (ACEA) reported a decline in car registrations in December by 23% to 795,295 units, a sixth consecutive month of loss. This implies consumers are delaying their purchases on account of high prices. Commercial vehicles are following suit. According to the ACEA, in December the EU commercial vehicle market contracted again, for a sixth consecutive month. Hopes for a speedy resolution are still faint.

China continues to be the bright light in the global economy, with production expected to reach 25m units this year, up 2.7% from the 2019 level of 24.3m units (Oxford Economics). The China Automobile Dealers Association reported an improvement in inventory levels. The inventory coefficient in January was reported at 1.46, a month-on-month increase of 2.1%. The reason Asia-Pacific is outperforming the rest of the world is its proximity to the chips manufacturers (about 70% of the global microchip capacity is in Asia). Indian automotive production is expected to recover and be back to its pre-crisis level. An improvement in market sentiment is reported by the Federation of Automobile Dealers Associations of India.

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

Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

ICIS Downstream Demand Outlook - Domestic Appliances

The demand outlook for domestic appliances is expected to moderate this year. This is because growth rates are returning to more normal rates after an exceptional 2021. Therefore, a correction in growth for 2022 cannot be seen as negative, rather a cyclical downswing. Global domestic appliance output in 2022 is expected to decrease 0.8% compared with 2021 (Q1 2022 is expected to shrink 7.0% compared with Q1 2021). However, the distressed Chinese real estate situation is negative for the sector, with less demand expected for appliances.

Domestic appliances demand in the US in the first three quarters of 2021 was remarkable, and unlikely to be repeated this year. US 2022 output is expected to shrink 4.7% compared with 2021 (Q1 2022 is expected to decrease by 10% year on year).

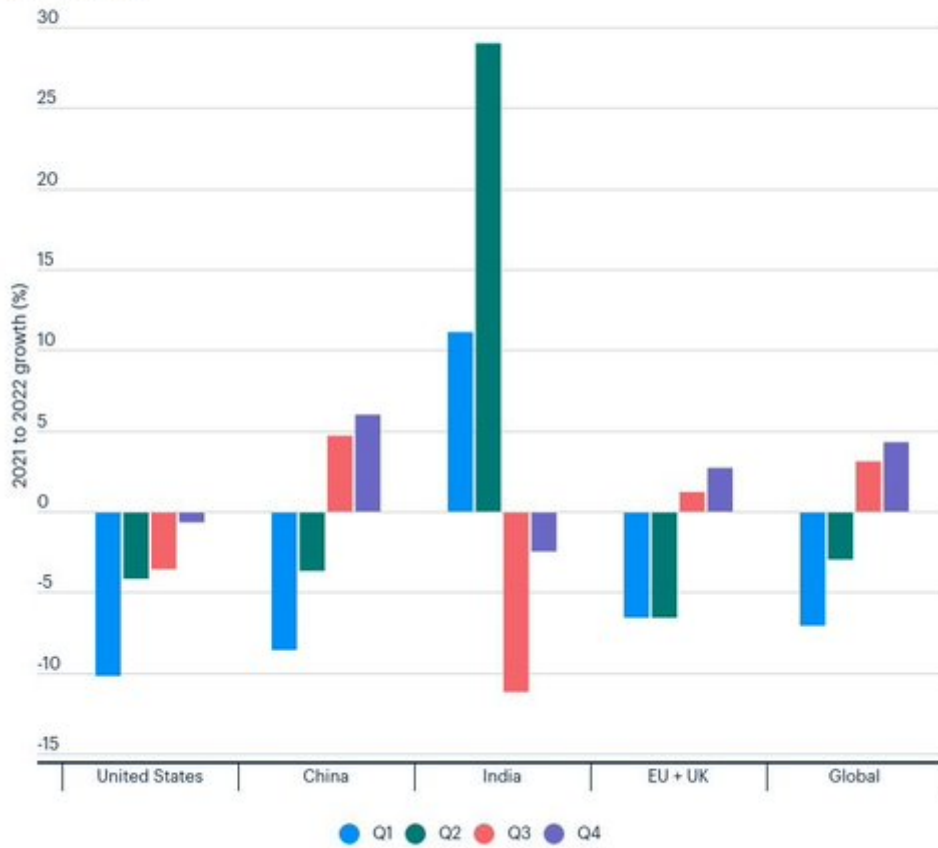
EU output in 2022 (including the UK) is expected to decrease 2.4% compared with 2021 (Q1 2022 is expected to shrink 6.5% compared with Q1 2021). Overall, the sector is cooling down and returning to more normal growth rates.

The appliances market in northeast Asia is doing well, in line with other advanced economies, except for Japan. Chinese output in 2022 is expected to decrease 0.6% compared with 2021 (Q1 2022 is expected to fall 8.5% compared with Q1 2021). In contrast to its global peers, southeast Asia is expected to perform better this year compared to 2021. Indian output in 2022 is expected to grow 4.6% compared with 2021 (Q1 2022 is expected to grow by 11% year on year).

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

Domestic Appliances sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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