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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.

All prices in the weekly analysis on 4 November will be assessed based on information collated up to 3 November. Please click here for the ICIS publishing schedule.

OVERVIEW

- **Offers supported by supply limitations**
- **Active demand in SE Asia and India**
- **Shipping difficulties dampen spot trade liquidity**

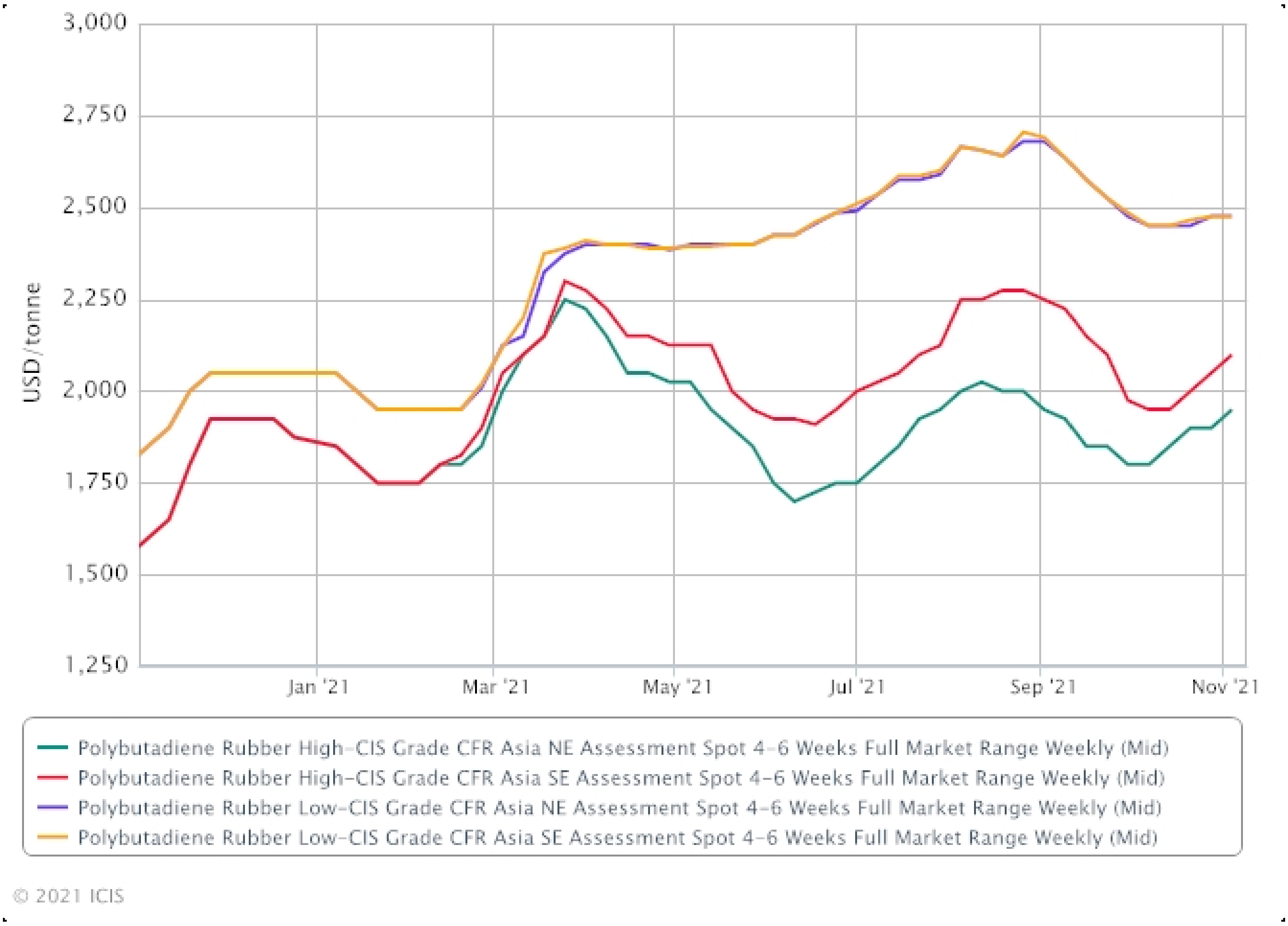
Asia's spot prices for polybutadiene rubber (PBR) rose for high-cis material, and held steady for low-cis material.

For high-cis material, the bulk of which is typically consumed by the automotive sector, market players said that buying interest in several key outlets, like southeast Asia and India, picked up pace as more coronavirus-related restrictions were lifted.

Trade liquidity was, however, weighed down by two factors, one - difficulty in securing vessels, and two - the reality that supply is already tight to begin with.

Even though several plants have recently restarted from month-long maintenances, players said it will take time for them to replenish stock before they can offer volumes for spot sales.

For low-cis material, supply is similarly snug, with regional suppliers heard already sold out of November supplies. Output is also crimped by a shortage of raw materials, and sources said the snug spot supply situation for low-cis material may not ease anytime soon.



OUTLOOK

- **Low-cis supply to remain tight in near term**
- **Buying tempo may pick up as production recovers in SE Asia**
- **India to remain muted in near term on holiday**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2450.00-2500.00	n/c	2400.00-2500.00	111.13-113.40
CFR Asia SE	USD/tonne	n/c	2450.00-2500.00	n/c	2400.00-2500.00	111.13-113.40
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	+50	1900.00-2000.00	+50	1700.00-1900.00	86.18-90.72
CFR Asia SE	USD/tonne	+50	2050.00-2150.00	+50	1900.00-2000.00	92.99-97.52

Northeast Asia

High-cis

The CFR northeast Asian assessment for high-cis material rose, tracking firmer offers heard for cargoes headed to various destinations.

However, substantive discussions were limited, because potential buyers in the major China outlet are amply supplied locally.

Domestic China prices for high-cis material continued to trend down on a lacklustre performance in the upstream butadiene (BD) market.

Price (CNY/tonne)	3 November	28 October
E China Ex-Warehouse	14,100-14,400	14,700-14,800

Low-cis

The CFR northeast Asian assessment was rolled over, on range-bound pricing indications heard.

Southeast Asia

High-cis

The CFR southeast Asian assessment for high-cis extended gains, supported by firmer offers and bids heard.

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

Nov (1-3) 2021	Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021
172.73	174.39	163.23	172.67	164.32	164.51	169.09	164.72

Low-cis

The CFR southeast Asian assessment for low-cis material was kept unchanged, reflecting range-bound pricing indications heard.

India

In India, buying interest for PBR was active, supported by healthy requirements for replacement tyres of heavy commercial vehicles.

Import offers were heard at $2,200/tonne CFR India and higher for northeast Asia-origin material, and some volumes were sold for November shipment at around this level, sources said.

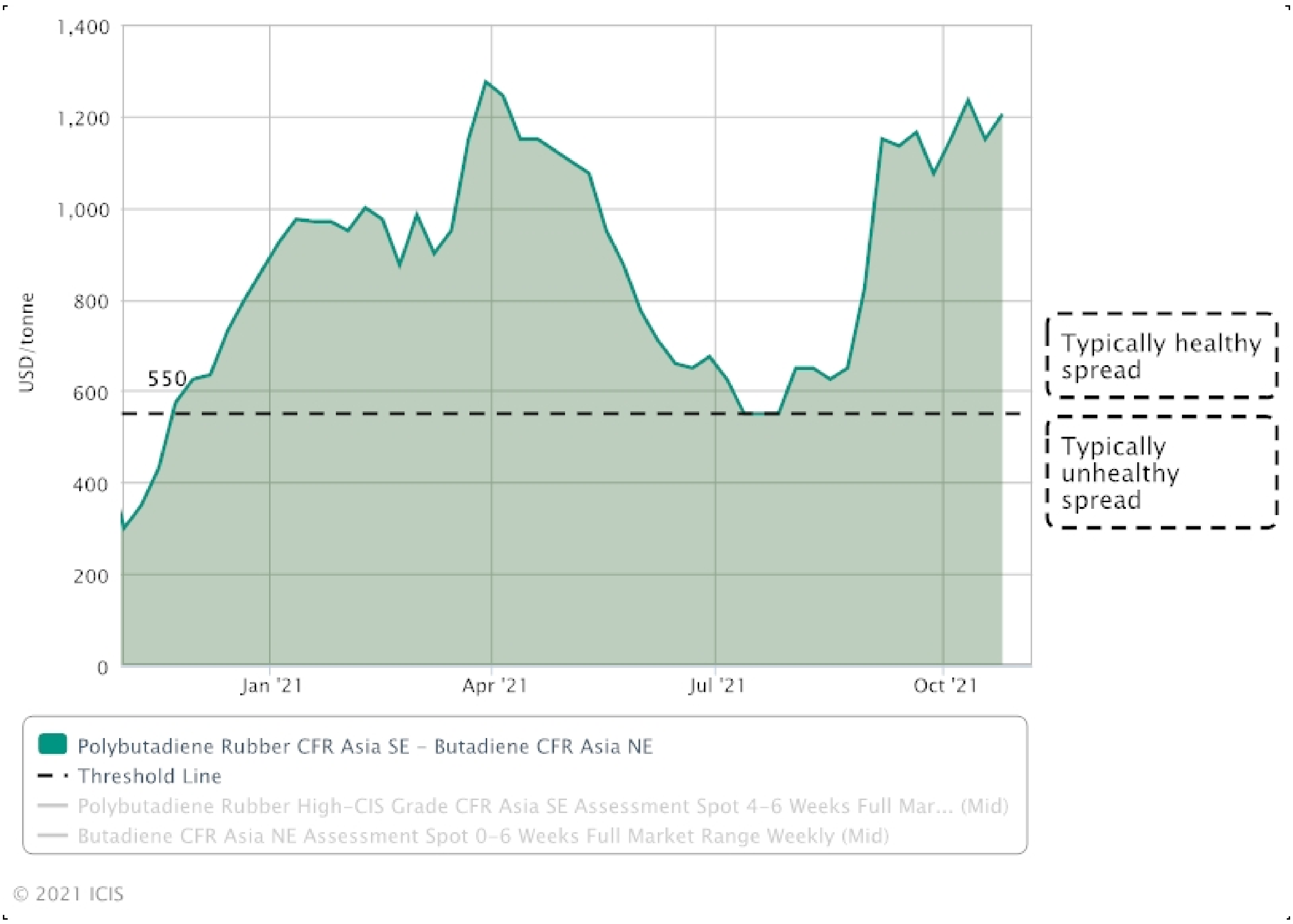
However, some buyers still held lower buying indications, citing the availability of more competitively priced material from some non-Asia origin.

UPSTREAM

Asian BD import discussions wavered with losses in domestic China, failing in turn to sustain a recovery seen in the week prior.

The chart below shows the spread between BD and PBR.

Downstream spread – butadiene NE Asia and PBR SE Asia



PRODUCTION

In China, average operating rates at PBR units rose to 80% for the week ended 29 October, up from 72% in the week prior.

This came as more plants, including a 72,000 tonne/year unit in east China, restarted in late October from maintenance.

Outside of China, PBR spot availability is also poised to grow with the completion of a maintenance in South Korea.

ANALYTICS

ICIS Crude Outlook

Crude prices rose in October due to less supply from OPEC+ and stronger global demand than expected. OPEC+ is expected to continue its existing cuts agreement, with cuts tapering of 400,000 bbl/day per month. However, many producers are unable to actually raise production this quickly - compliance is at 115%, leaving overall future supply from OPEC+ lower than previously expected. Furthermore, OECD total oil inventories are 6% below the pre-pandemic five-year average, and the lowest in over six years. Such low inventories will be difficult to recover from quickly, even if major producers raise production in the next few months. Overall, the current inventories situation indicates a tight market and ICIS expects the tightness to continue in the near future. Finally, rising gas prices will lead to some alternative power generation demand in the form of fuel oil and diesel, with up to 750,000 bbl/day extra oil demand expected in the near term.

By **Ajay Parmar**, ICIS senior analyst (ajay.parmar@icis.com)

ICIS Naphtha Outlook

The NWE naphtha-Dated BFOE spread strengthened in October by 9% month on month, spurred by firm global demand as a petrochemical feedstock. The spread is expected to remain strong in Q4 due to continued lower supplies and firm demand in the petrochemical feedstock sector. Asian naphtha demand has been particularly strong in recent weeks, with South Korea seeing its highest monthly imports volume since the COVID-19 crisis began, at 820,000 bbl/day in September. Near- and medium-term Asian naphtha demand is also expected to remain robust due to strength in the petrochemical feedstock and gasoline blending markets. The additional naphtha will likely be sourced from the West and Middle East - the latter has already seen a 10% increase in monthly exports to Asia in 2021 vs 2019.

By **Ajay Parmar**, ICIS senior analyst (ajay.parmar@icis.com)

ICIS Downstream Automotive Demand Outlook

The worst is not over for the automotive industry. Global light vehicle sales were down 11.7% in August from pre-pandemic level in August 2019. The industry continues to reel from extreme supply chain disruptions and a shortage of critical auto parts such as semiconductor chips. As a result, almost all the major car makers have reduced run rates. For example Toyota slashed production by 40% in September and expects to make another 15% cut in November. The main reason for the chip shortage is the extraordinary demand for consumer electronics seen during the pandemic. The automakers either misjudged or underestimated chip demand and did not fully prepare. For 2021, Oxford Economics forecasts an 11.5% contraction in motor vehicle value added output compared with 2019. The growing popularity of Electric Vehicles (EVs) is another factor exerting pressure on chip supply. EVs require more chips compared with conventional cars, but only account for 3% of the global automotive market. In the short term, chip supply is likely to remain tight until the first half of 2022. For fabless companies, the wait may be even longer. Even though a few chip investments have been announced, it typically takes 18 to 24 months for a new chip plant to start operations. Investments recently announced include Intel's €80bn over the next decade in Europe and TSMC's €2.8bn, among others.

US light vehicle sales fell 6.4% month on month in September and were down 29% from September 2019. The inventory-to-sales ratio also hit an all-time low of 0.724. The overall outlook remains pessimistic. On top of that, the demand-supply imbalance is pushing car prices higher.

EU passenger car registrations were down 23.1% year on year in September, according to the European Automobile Manufacturers Association (EAMA). It was the lowest number of registrations for September since 1995, and was supply driven. All major European countries reported a double-digit fall during the period. Commercial vehicle registration figures were also poor, with a 5.4% year on year decline in August. The outlook for the rest of the year remains negative. Stock levels have depleted noticeably. According to the Ifo research institute, 83% of German car makers have been affected by chip scarcity.

In China, passenger car sales were down 25.5% year on year in June. This trend is expected to continue. Energy rationing has also adversely affected the Chinese auto market, exacerbating a shortage of materials, especially polymers. ICIS analyst Jimmy Zhang said, "In the fourth quarter, with the ongoing strict policy on carbon emissions and environmental protection, operating rates of coal-based polyolefin units is expected to remain limited. The polyolefin supply pattern is expected to change from ample to tight." India is not an exception. In September, total vehicle sales were down 5% year on year, according to India's Federation of Automobile Dealers Association (FADA). As India enters its festive season, the outlook is mixed.

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