



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
05-Aug-2021

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

OVERVIEW

- **Low-cis prices spiked on offer hikes**
- **High-cis discussions also firmer in SE Asia**
- **Demand mixed**

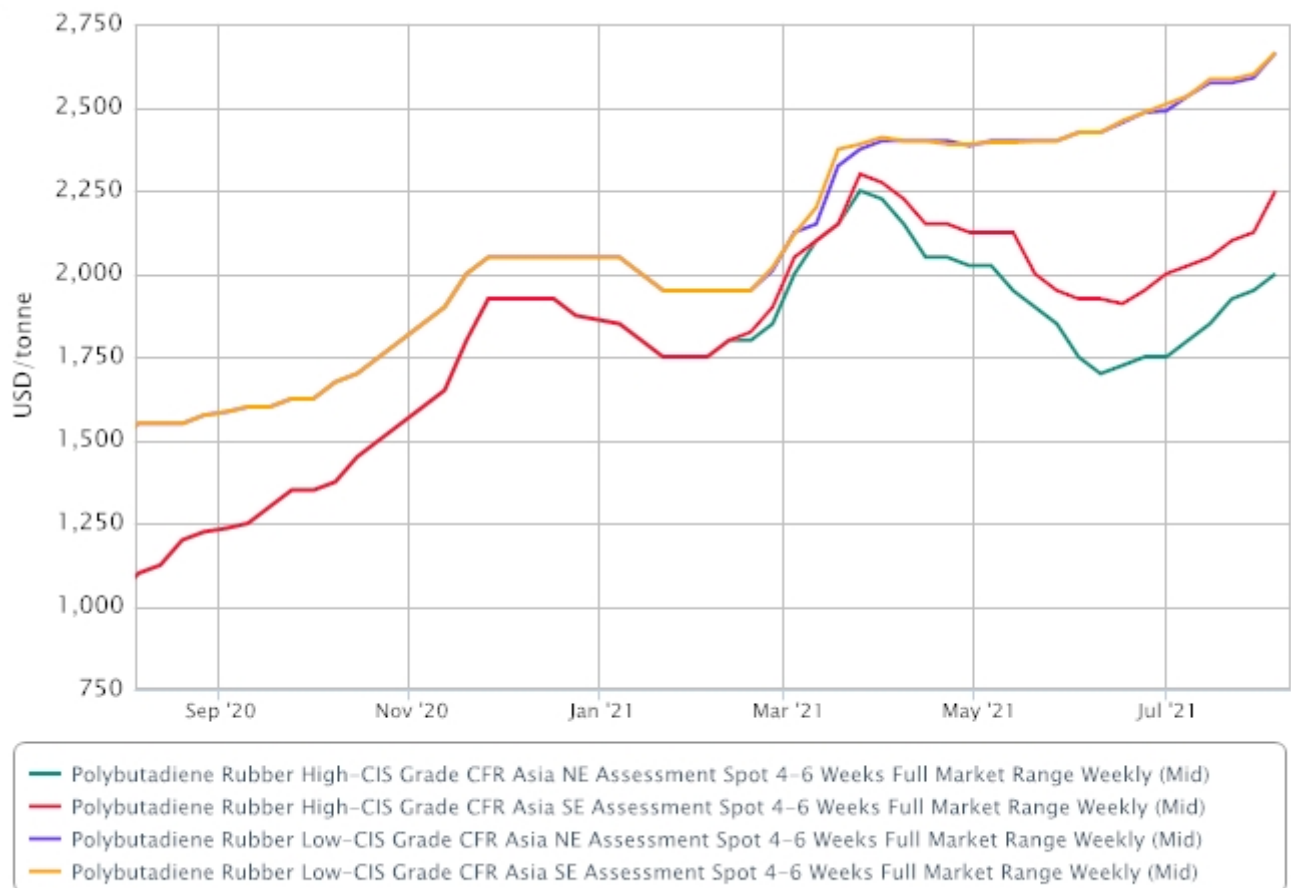
Asian import talks for polybutadiene rubber firmed across the board, although to varying extent depending on grades on outlets.

For low-cis materials, availabilities were tight in the first place, and drained even more by competing demand from markets further afield like the US. Some regional makers said that they are scaling back regional spot sales to focus more on the more lucrative arbitrage sales.

For high-cis materials, regional spot availabilities were also tight, amid ongoing turnarounds.

Robust import appetite in [India](#) has also pulled more cargoes that way, limiting in turn availabilities to other regular outlets in northeast and southeast Asia.

For the import reliant SE Asian market, buyers with pressing needs have had to raise bids to secure volumes as such, even if substantive requirements are indeed slower than usual, weighed down by [coronavirus-related disruptions](#).



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OUTLOOK

- Offers may stay supported on sustained upstream cost push
- India to drive near-term demand
- China's import appetite may shrink further

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	+100	2650.00-2680.00	+50	2520.00-2550.00	120.20-121.56
CFR Asia SE	USD/tonne	+80	2650.00-2680.00	+50	2520.00-2550.00	120.20-121.56
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1900.00-2100.00	+100	1750.00-1850.00	86.18-95.25
CFR Asia SE	USD/tonne	+100	2200.00-2300.00	+150	1950.00-2100.00	99.79-104.33

Northeast Asia

High-cis

CFR northeast Asia prices for high-cis materials were assessed stable-to-firm, with the high-end lifted in line with firmer offers heard.

Buying interest is weak, with offtake in the main China outlet weighed down by slow sales of finished products, market sources said.

The low end is kept unchanged as such.

Domestic China prices were also unchanged on rangebound talks.

East China Domestic PBR Prices

Price (CNY/tonne)	5 August	29 July
E China Ex-Warehouse	13,800-14,000	13,800-14,000

Low-cis

CFR northeast Asian assessments were up, with both ends lifted to reflect the full range of offers heard. No deals were heard closed in the week.

Southeast Asia**High-cis**

CFR southeast Asian prices for high-cis materials rose on firmer buy-sell talks.

Offers were heard mostly at the high-end of the published range, while buying ideas hovered at the lower-end.

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

Aug 2021	(1-) July 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021
169.98	164.32	164.51	169.09	164.72	175.25	169.16

Low-cis

CFR southeast Asian prices were up with firmer deals and offers heard.

A cargo was heard sold in the week and this formed the high-end, while the low-end reflects offers heard.

India

In India, discussions and deals for Asia-origin high-cis materials edged up on improved demand. Offers were heard at minimally \$2,300/tonne CFR India and up for Asia-origin materials, while buying indications were capped at around \$2,200/tonne CFR India.

Some limited volumes may have changed hands too at levels within the range, market sources said.

UPSTREAM

Asian **butadiene** (BD) discussions continue to scale up, supported by a strong arbitrage window to the US. But intra-Asian trade liquidity is curbed by weak derivative margins.

The chart below shows the spread between BD and PBR.

[Downstream spread – butadiene and PBR NE Asia](#)



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PRODUCTION

In China, average operating rates at its PBR plants dipped lower to 72% for the week ended 30 July, from 76% in the week prior.

With the 70,000 tonnes/year Sinopec Qilu plant [shut](#) from 31 July for turnarounds, the operating rate is poised to decline further in coming weeks, market sources said.

Outside of China, spot availabilities also tightened as a 60,000 tonnes/year plant in Taiwan commenced [maintenance](#) from 24 July.

OTHER REGIONS

In Asia, South Korea plans to raise from next year, [investments](#) in various industries including the semiconductor sector, the country's economic and finance ministry said in late July.

Meanwhile, the global chip shortage persists and in the US, the automaker General Motors is heard looking to [adjust](#) its production due to chip constraints.

But in the US, [replacement tyre demand](#) is on the rise, and expected to fuel a rebound of the tyre industry, according to the US Tire Manufacturers Associations (USTMA).

SBR supply in the US is also expected to remain [tight](#) in H2 2021 on supply constraints of feedstock BD.

In Europe, its auto sector is gripped by [supply chain woes](#), which may hold back the industry from meeting projected demand in H2 2021.

ANALYTICS

ICIS Crude Outlook

The price of Brent rose in July, primarily due to strongly positive sentiment drawing from the continued success of global COVID-19 vaccination programmes, as well as improved demand due to the usual summer seasonality. Looking forward, some countries in southeast Asia and Europe are experiencing a rise in coronavirus cases which could hamper economic and oil demand growth. However, as long as rising cases do not lead to widespread lockdowns, the overall oil demand outlook is positive for the rest of the summer in the US and Europe, as the driving season will likely be much stronger than usual this year, helping to lift core oil products demand. On the supply side, OPEC+ will gradually release an extra 2m bbl/day oil between August and December 2021, with further increases expected in early 2022. The US and Iran continue their discussions over a nuclear deal – should a deal be agreed, up to 1.5m bbl/day of additional oil could be supplied into the market by Iran.

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

ICIS Naphtha Outlook

The price of naphtha rose in July, in line with crude. Asian ethylene-naphtha spreads have recovered somewhat in recent weeks, and naphtha remains the feedstock of choice for petrochemical producers. The Singapore gasoline crack spread also rose above \$8/bbl for the first time in at least three months, indicating strong gasoline demand, helping to further raise naphtha demand in the region. The risk of further lockdowns in southeast Asian countries due to the rise in COVID-19 infections still exists though, which could dampen naphtha demand as a gasoline blendstock. Supply of naphtha from Asian refineries will rise over the medium term. China's oil refining throughput is expected to reach above 15m bbl/day by January 2022 following the start-up of new refining capacity in the country. The Europe LPG-naphtha spread has widened significantly in recent weeks, with as high as \$28/tonne recorded in mid-July. This is primarily due to low supply of propane leading to an unusual summer price spike. Looking forward, this spread may continue to remain wide if LPG prices remain elevated.

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

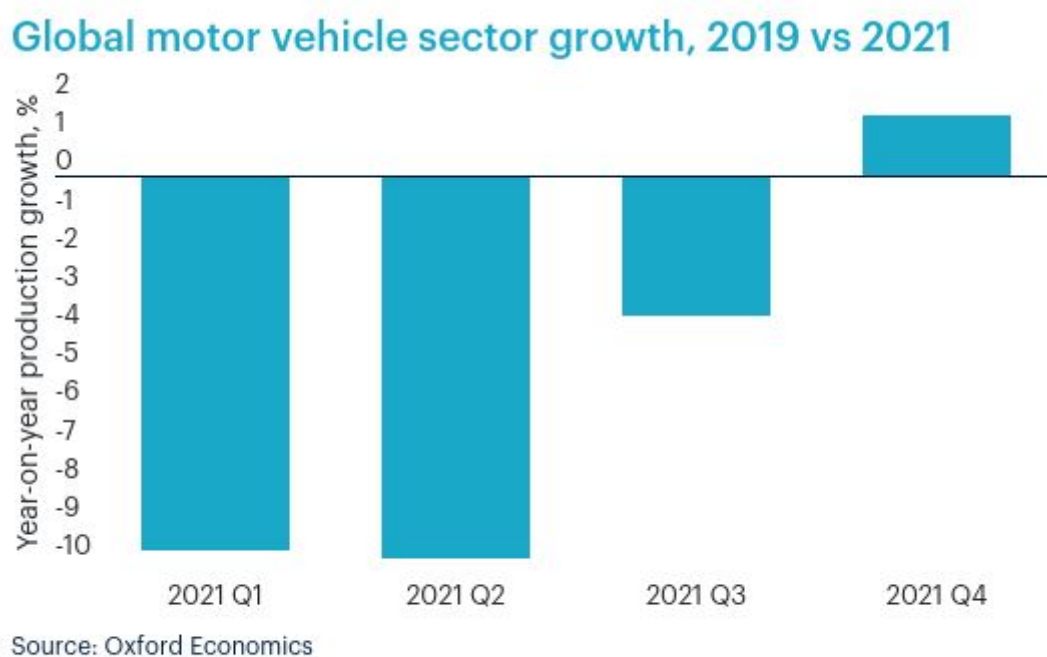
ICIS Downstream Automotive Demand Outlook

The global automotive industry is not out of the woods yet and is still struggling to make up its pre-pandemic losses. Production of motor vehicles in Q2 was down by 10% and is expected to be down by 4% in Q3 2021 (compared to 2019 levels). Growth is expected to return only in Q4 2021 (Oxford Economics). Renewed (and mutated) virus outbreaks in Europe and the US have the potential to disrupt supply again, so reaching pre-pandemic levels is still a long way off. There are multiple factors weighing on business, including supply-chain disruptions and structural changes to demand. Some of the weakness predates the coronavirus crisis, with environmental concerns prevalent globally. Short- to mid-term demand still looks gloomy on the back of high

unemployment and lower disposable income. In most emerging economies, four-wheeler ownership is classified as a luxury rather than a necessity.

China is the only major economy in world experiencing positive year-on-year growth for H1 2021 (compared with 2019), never having really lost any ground to the pandemic. Moreover, the Chinese government's policy of supporting the development and sale of new energy vehicles (NEV) is expected to add to the momentum. For example, China has extended the subsidy on NEVs until 2022 whereby vehicles remain exempt from purchase taxes. India, on the other hand, still has a long way to go. After a terrible Q1 and Q2 2021, Q3 is showing marginal growth, with recovery only expected from Q4.

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



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