Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
05-May-2022

Overview | Outlook | Prices | Upstream | Production | Analytics

Please click here for full details on the criteria ICIS uses in making these price assessments.

OVERVIEW

- **Offers supported on supply constraints**
- **Discussions muted amid holidays**
- **Buyers cautious**

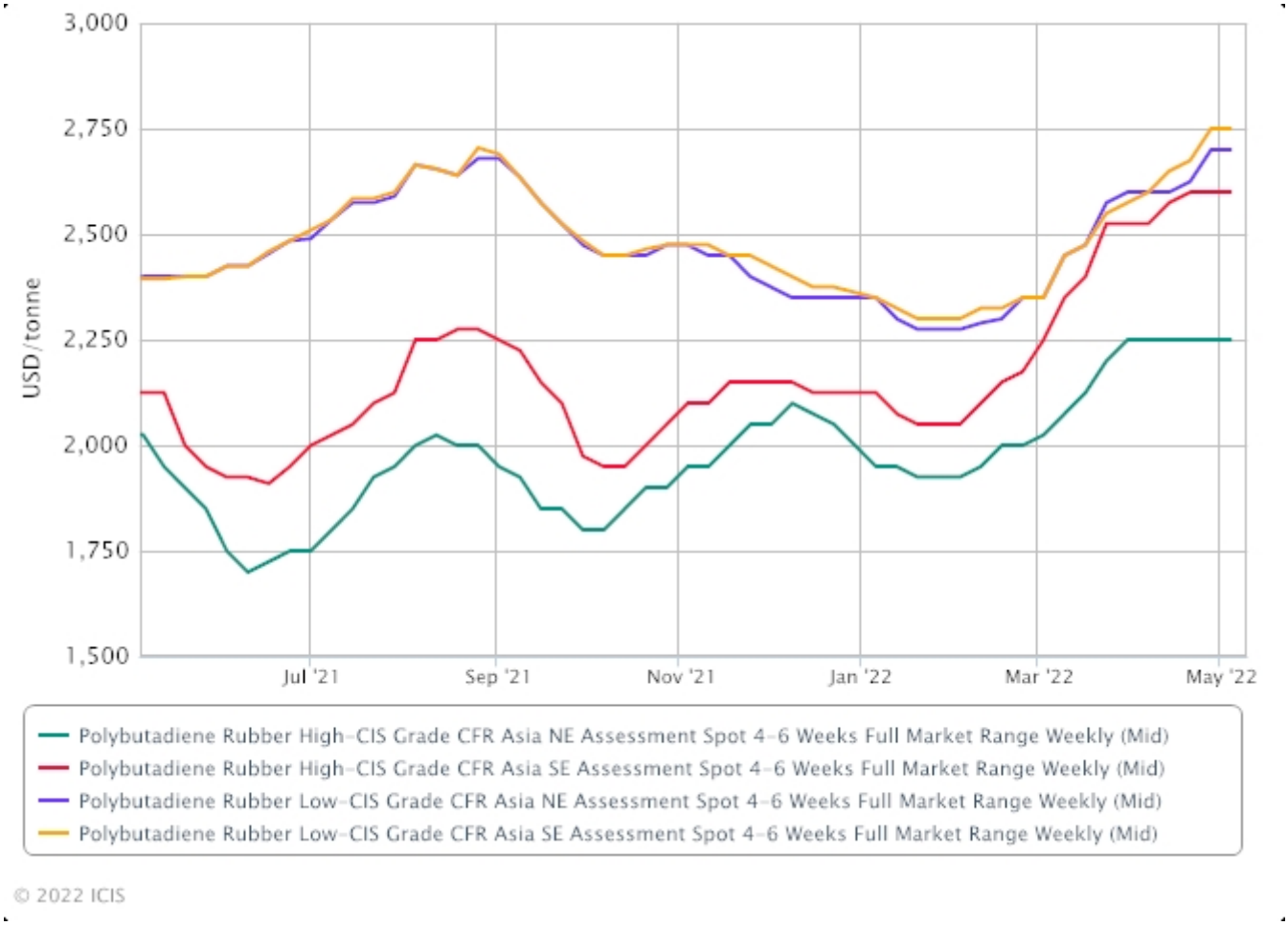
Asia's spot discussions for polybutadiene rubber (PBR) were subdued as several key regional outlets, from Japan, China, South Korea to southeast Asia, were shut for much of the week, either for extended Labour Day break or for Eid ul-Fitr celebrations.

More meaningful negotiations could likely take place only in the coming week, when business operations are fully normalised across Asia, market players said.

Meanwhile, regional PBR supplies remained structurally tight, on the back of an ongoing outage and upcoming turnaround in wider Asia.

Notwithstanding rising anticipations that China will export more to help plug some of these supply gaps, market players said that it remains to be seen how smoothly this outflow may pan out amidst operational challenges such as the perennial logistical and transportation bottlenecks.

Sentiment was muted among buyers, with some end-users heard retreating to go slow on fresh procurement until there is more clarity on how the macro geopolitical landscape may shape up in the near term. Many are also heard mulling the merit of tapping on more competitively priced cargoes from China to alleviate cost pressures, market sources said.



OUTLOOK

- **Eye on how China cargoes may flow in the near term**
- **Output in wider Asia to stay crimped**
- **Economic worries to weigh down on buying tempo**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2650.00-2750.00	n/c	2550.00-2650.00	120.20-124.74
CFR Asia SE	USD/tonne	n/c	2700.00-2800.00	n/c	2550.00-2650.00	122.47-127.01
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2200.00-2300.00	n/c	2200.00-2300.00	99.79-104.33
CFR Asia SE	USD/tonne	n/c	2550.00-2650.00	n/c	2450.00-2600.00	115.67-120.20

Northeast Asia

High-cis

CFR NE Asia assessments for high-cis PBR grade were kept unchanged, in the absence of any concrete discussions.

Domestic high-cis PBR prices in China were unchanged after trading resumed on 5 May, following extended Labour Day holidays that commenced on 30 April.

Price (CNY/tonne)	05 May	28 April
E China Ex-Warehouse	13,500-13,700	13,500-13,700

Low-cis

CFR northeast Asia prices for low-cis materials were also rolled over in the absence of fresh pricing indications.

Southeast Asia

High-cis

CFR southeast Asia assessments for high-cis materials were rolled over, as discussions were suspended amidst extended holiday market closures in various regional outlets.

However, with natural rubber prices softening on a seasonal output hike, market players said that this may in due course, weigh down or displace requirements for synthetic rubbers like PBR.

Some potential buyers were also heard holding out to wait and evaluate the feasibility of China-origin materials, which have been indicated at levels substantially lower than the published range. No concrete transactions were heard as yet for such cargoes, given that these are relatively new and as yet not maintstream supply source in southeast Asia, market players said.

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

May (1-5) 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
164.95	171.15	175.18	179.84	178.12

Low-cis

CFR SE Asian assessments for low-cis PBR grade are kept unchanged, in the absence of any concrete discussions.

India

Discussions in India remained mixed, with varying pricing outlook detected for cargoes from diverse origins.

For cargoes from regular northeast Asian suppliers, market players said that spot availabilities are tight, and offers are therefore steady at $2,600/tonne CFR India or above.

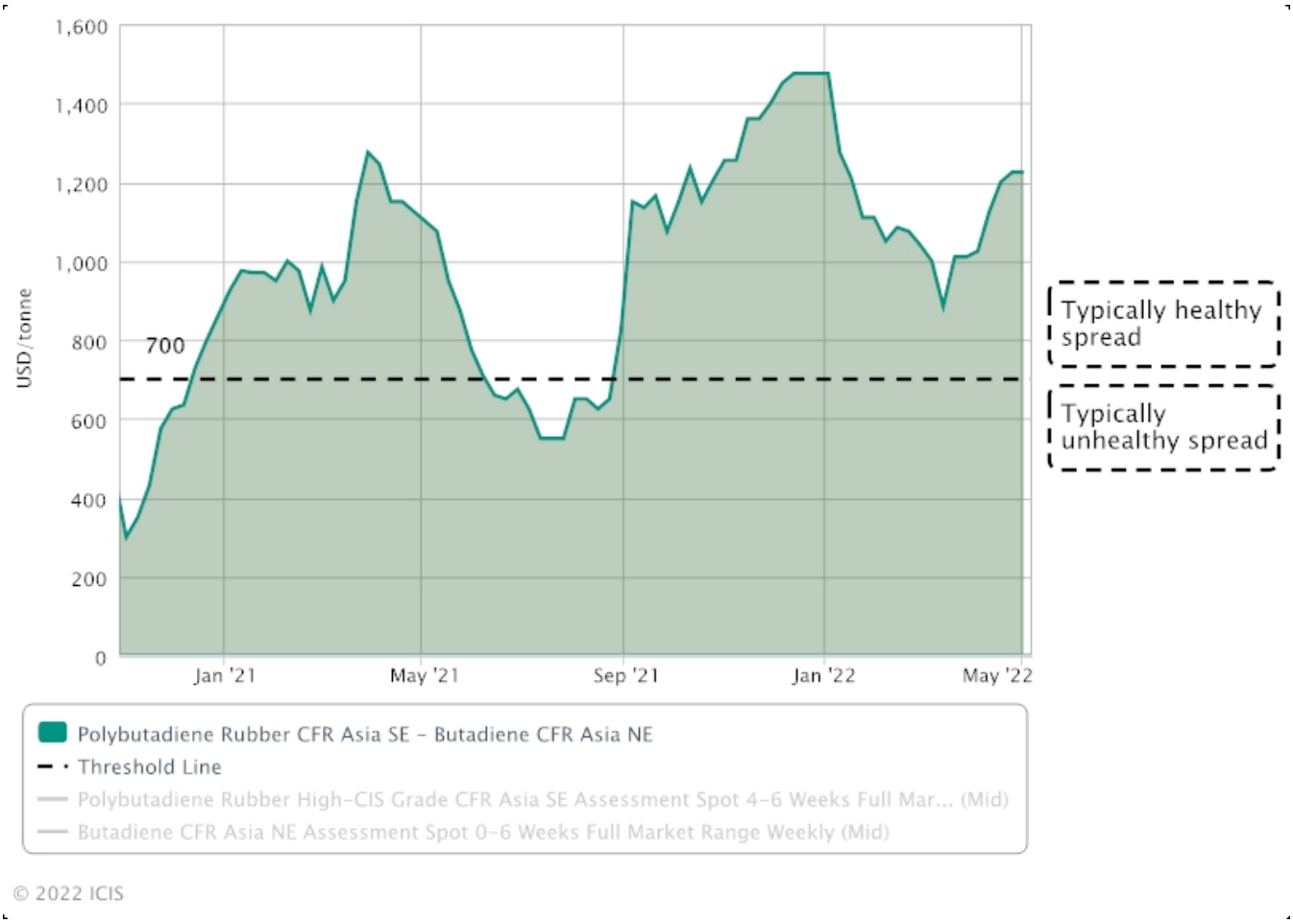
Bookings were limited, amid festering worries about downstream affordability. End-users also continue to keep a keen eye out for alternative and cheaper alternatives, such as from China and the Middle East, which market sources said may be available in the $2,300-2,400/tonne CFR India range.

UPSTREAM

Sentiment in Asia's butadiene (BD) spot market remains downcast on muted regional demand, and some sellers priced down to chase deals and keep cargoes moving.

The chart below shows the spread between butadiene and PBR.

Downstream spread – butadiene NE Asia and PBR SE Asia



PRODUCTION

In China, average operating rates for PBR slipped one percentage point lower on-week, to 77% for the week ended 29 April, market sources said.

Spot supplies in wider Asia is also crimped on production hiccups and upcoming maintenance.

ANALYTICS

ICIS Crude outlook

The crude price has switched from being driven by supply to being driven by demand in recent weeks. China's future oil demand growth is under question, with Shanghai already in lockdown and the potential for Beijing to also be placed under lockdown soon. Furthermore, the International Monetary Fund (IMF) has downgraded its global GDP growth forecast for 2022 by 0.8%, while the US Federal Reserve is expected to raise interest rates by 0.5% in May; these would reduce oil demand growth for the remainder of the year. The EU is likely to impose direct sanctions on Russian crude in May. The exact details are still to be finalised but it is likely that the sanctions

will be implemented in a phased manner over the course of 2022. This will give Russia plenty of time to find alternative buyers of this crude (eg India) and therefore the overall loss of crude in the market will be fairly small overall. Finally, new oil supply is due on the market in May as the US and other allies release about 1.3m bbl/day for six months, providing the market with much needed additional supply over the medium term.

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

ICIS Naphtha outlook

With the recent fall in crude prices, European refinery paper margins have risen substantially. European refinery run rates are expected to increase once refineries return from maintenance, primarily to address the deficit of gasoil in the region. This will also increase naphtha supplies. Russian refinery run rates have dropped by just under 1 m bbl/day (compared to typical processing rates of around 6m bbl/day). This is partly due to maintenance, but also due to a lack of demand from willing buyers for their refined products. Naphtha supplies from Russia are expected to be lower as a consequence.

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

ICIS Outlook on GDP

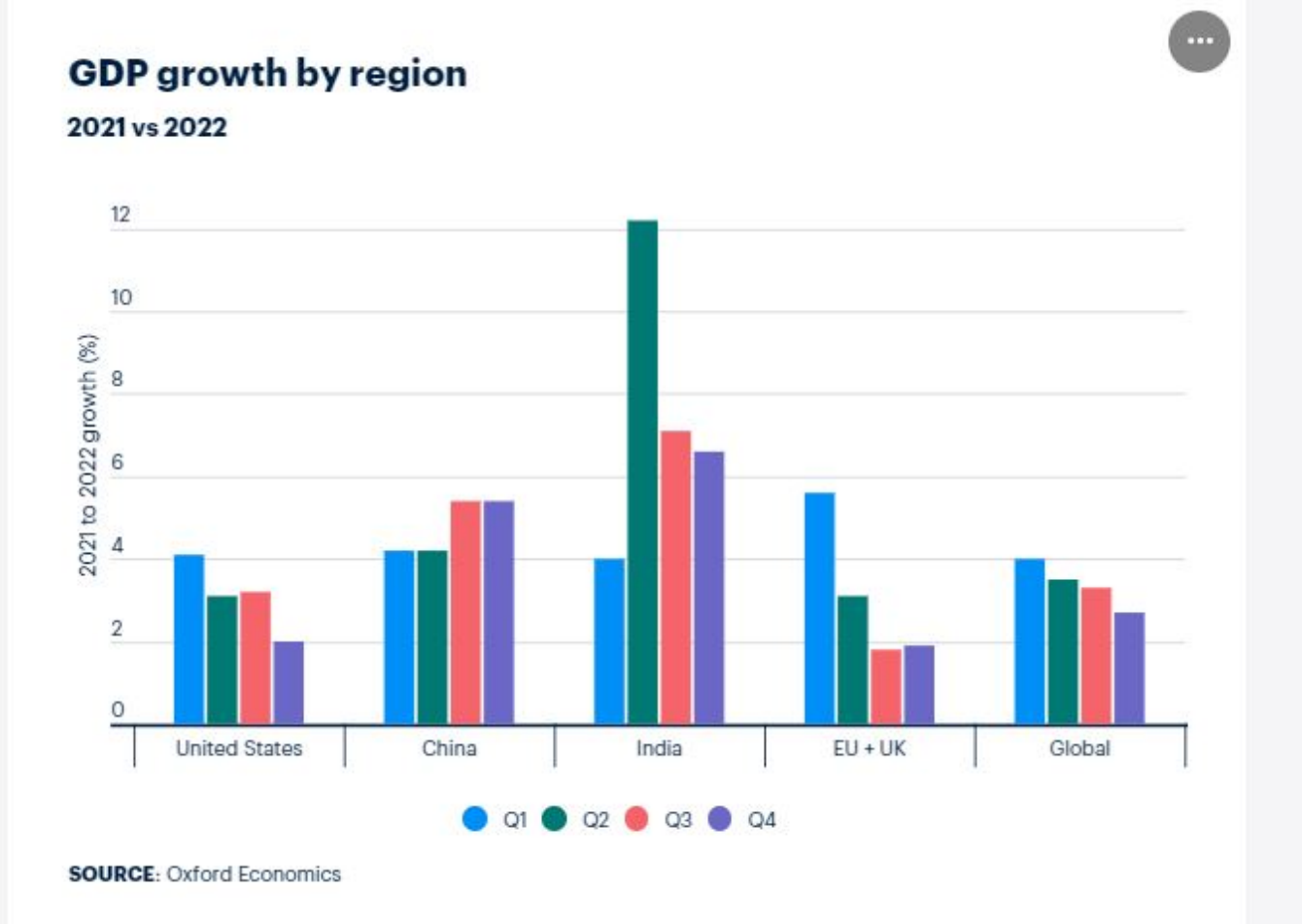
In its April World Economic Outlook, the International Monetary Fund (IMF) revised down growth in approximately 86% of the global economy since its January forecast. The eurozone and the EU will be most affected by the war in Ukraine. Countries in the Caribbean, the Middle East and Central Asia saw growth rates revised up. The world GDP forecast was revised down by 0.8 percentage points to 3.6% year on year in 2022, and to 3.6% in 2023.

The US GDP forecast has been revised down by 0.3 percentage points to 3.7% year on year in 2022, and to 2.3% in 2023. The Fed is likely to hike interest rates further in 2022 to counter an increase in inflation.

The eurozone GDP forecast has been revised down by 1.1 percentage points to 2.8% year on year in 2022, and to 2.3% in 2023. The EU is the only major economy still below pre-crisis levels, and much of this is due to its dependence on the automotive industry. Autos account for over 7% of EU GDP and more than 6% of total EU employment, according to the EU's Policy Department for Economic, Scientific and Quality of Life Policies. Germany has been considerably downgraded, due to its heavy dependence on Russian natural gas.

China's GDP forecast has been revised down by 0.4 percentage points to 4.4% year on year in 2022 and to 5.1% in 2023. Economic growth may further deteriorate depending on the duration of current lockdowns. China's zero COVID-19 policy coupled with a distressed real estate sector are the major downside risks to the economy. India's GDP forecast has been revised down by 0.8 percentage points to 8.2% year on year in 2022, and to 6.9% in 2023.

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



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