



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
07-Jul-2022

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

OVERVIEW

- **High-cis offers soften on lower upstream**
- **Some support from supply constraints**
- **Demand muted**

Asia spot discussions for polybutadiene rubber (PBR) were mostly stable-to-soft, amid a slide in demand.

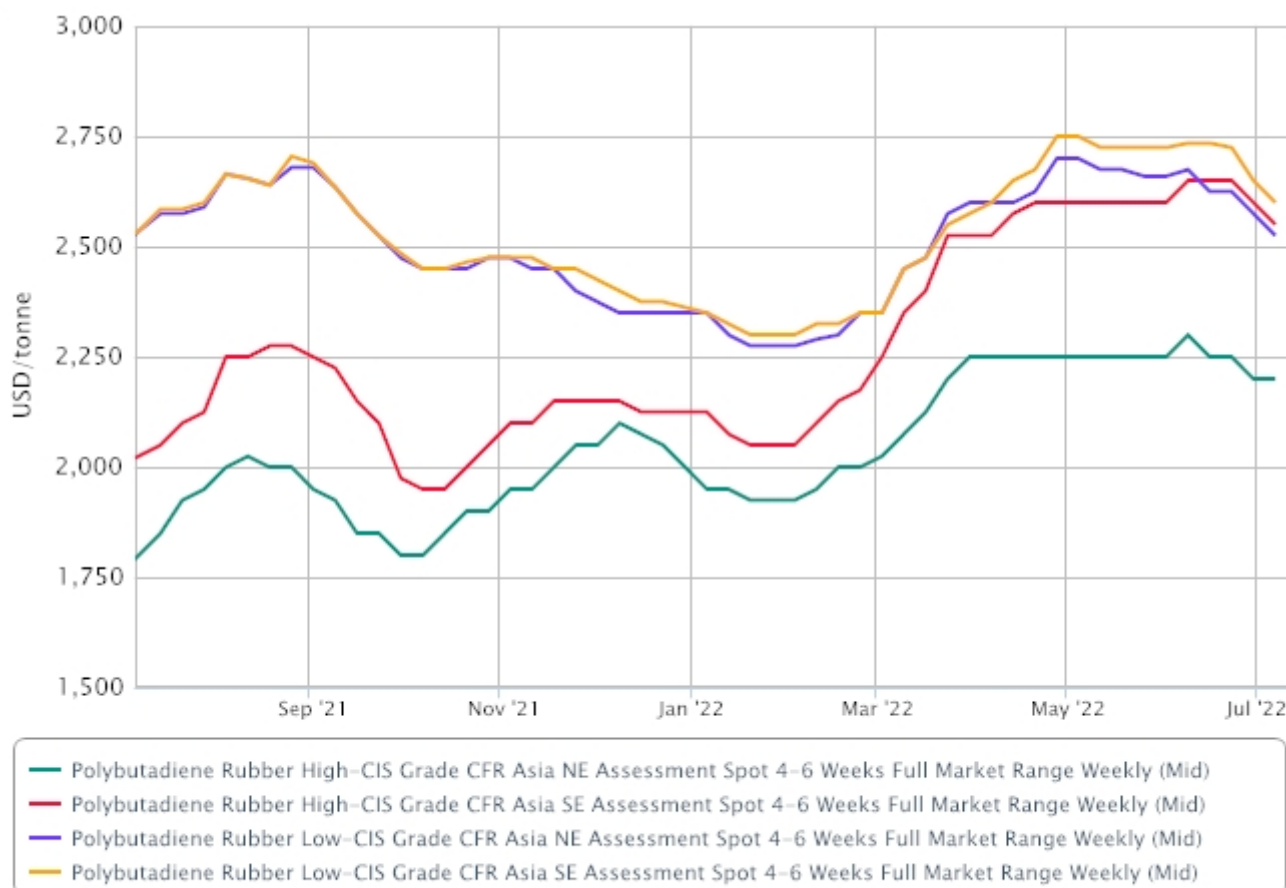
For high-cis material, softer offers surfaced in southeast Asia, tracking lower upstream butadiene (BD) prices. However, as spot availability was still tight amid an ongoing outage and upcoming maintenance closures, sellers saw no need to widen discounts.

Structurally, high-cis requirements from the heavy vehicle tyre sector was deemed healthy. However, buyers were heard still unwilling to procure, worried that the wider market may turn unexpectedly, given mounting [recession risks](#).

Some also held back due to the wide disparity in offers between China-origin material and other supply streams, market sources said.

For low-cis material, demand from high-impact polystyrene (HIPS) makers was weak.

However, sellers were mostly unfazed, sources said, as they could divert unsold cargoes to inventories. They were heard keen to beef up stockpiles as a safeguard against any production hiccups that may arise, such as a disruption to catalyst supplies.



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OUTLOOK

- Inflation to weigh on consumer spending
- PBR off-take from auto and appliances sector may be curbed
- Pricing pressure from cheaper [China exports](#) to persist

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	-100	2350.00-2700.00	n/c	2600.00-2750.00	106.59-122.47
CFR Asia SE	USD/tonne	-100	2500.00-2700.00	n/c	2720.00-2750.00	113.40-122.47
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2100.00-2300.00	n/c	2250.00-2350.00	95.25-104.33
CFR Asia SE	USD/tonne	n/c	2450.00-2650.00	-100	2550.00-2750.00	111.13-120.20

Northeast Asia

High-cis

The CFR NE Asia assessment for high-cis grade was kept unchanged, in the absence of any substantive and concrete discussions.

Domestic PBR prices in China extended losses on lacklustre downstream requirements.

Price (CNY/tonne)	7 Jul	30 Jun
E China Ex-Warehouse	13,900-14,200	14,200-14,500

Low-cis

The CFR northeast Asia assessment for low-cis material was dropped at the low end, tracking softer buying indications heard for cargoes from regular suppliers.

Sources said there were deals and discussions below the published range, but they could not be verified with all parties involved at the time of publication, and as such were not included.

That said, players said this invariably diluted buyers' appetite for cargoes from other mainstream suppliers.

Southeast Asia**High-cis**

The CFR southeast Asia assessment for high-cis material was stable to soft, with the high end dropped on lower offers heard for non-China origin materials.

Discussions for China-origin materials were capped at the low end.

The CFR SE Asian assessment does not include discussions for India-bound shipments.

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

Jul 2022	(1-7) Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
162.86	164.15	162.81	171.15	175.18	179.84	178.12

Low-cis

CFR southeast Asian prices for low-cis material were rolled over at the high end, tracking a deal for material from regular northeast Asian suppliers.

However, the majority of buyers were bearish on the pricing outlook given poor downstream demand, and this formed the low end.

India

Lower CFR India offers and deals were heard for high-cis PBR cargoes from non-China origins at around \$2,600-2,650/tonne CFR India.

China-origin material was heard indicated at around \$2,200/tonne CFR India, market sources said.

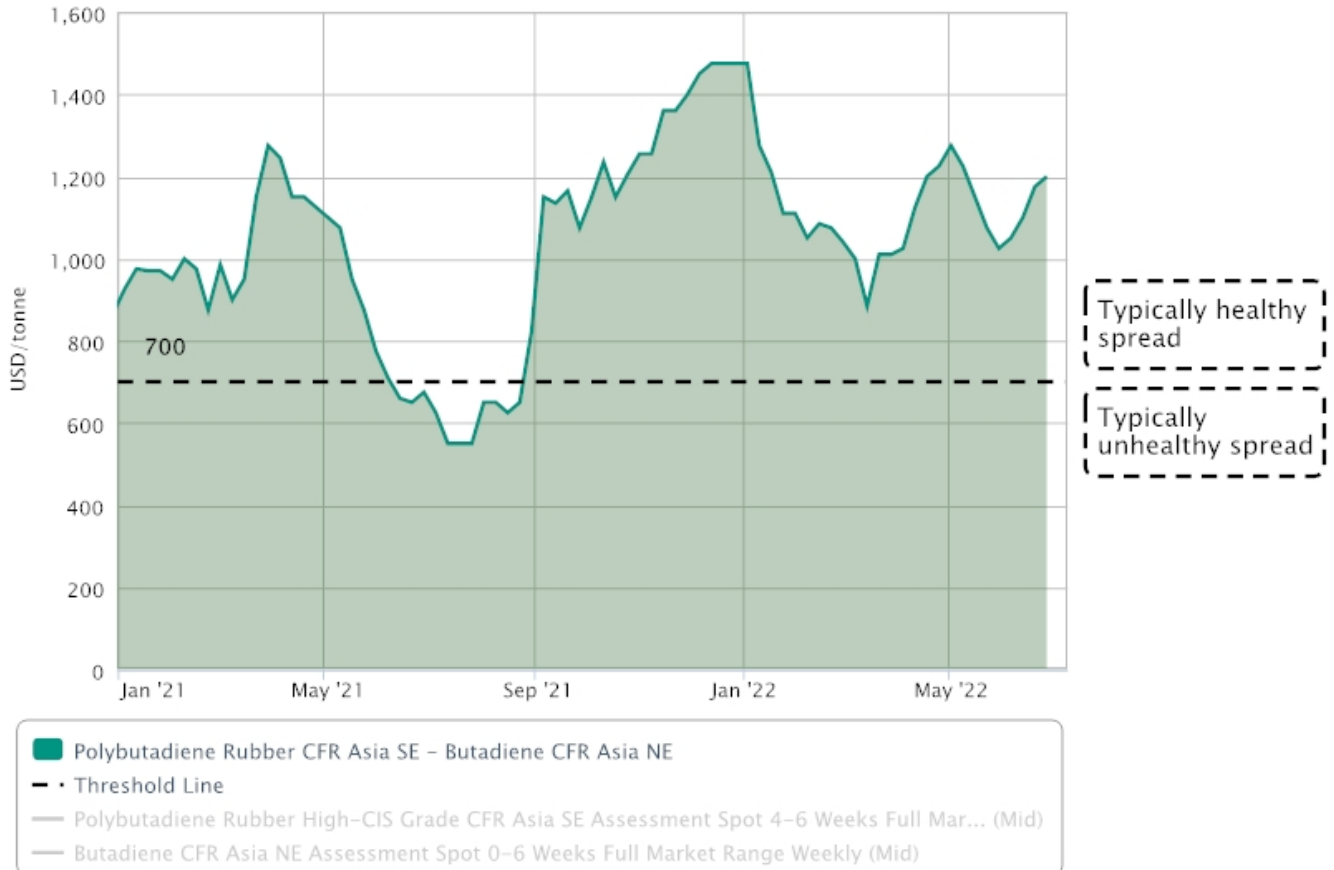
UPSTREAM

Butadiene

- Tepid demand
- Weak domestic China further dampen sentiment
- Supply tightness may ease if new plant start up on time

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 held steady at 71% for the week ended 1 July, unchanged from last week, sources said.

In wider Asia, spot availabilities remained tight with an ongoing [outage](#), and an [upcoming](#) maintenance.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The global automotive industry is still struggling to make up for pandemic-induced losses. The global light vehicle selling rate fell to 75m units/year in March, with a Q1 2022 average of 79m units/year, as supply issues continued to cap sales growth (Oxford Economics). Material shortages continue to hit the industry. The semiconductor industry is already running at full capacity but is still unable to meet demand. Typical lead times for key materials

are between six and eight months. Car manufacturers are bracing for the impact. Toyota reported net income of yen (¥) 2.8tr for FY2022 (an increase of 27%), despite logistics issues. However, its guidance for FY2023 is for net income of ¥2.3tr (down 21% year on year) because the company expects material costs to more than double this year.

According to the US Census Bureau, US light vehicle sales increased by 6.6% month on month in March with total sales of 14.3m (still down 22% year on year). The finished inventory to sales ratio continues to be extremely low at 0.470. The ratio was 1.564 and 3.140 respectively in March 2021 and 2020.

The European Automobile Manufacturers' Association (ACEA) reported a 21% fall year on year in passenger car registrations in March, an historic low. Major European economies posted double-digit sales contractions: Spain (-30%), Italy (-30%), France (-20%) and Germany (-18%). Commercial vehicle registration was down 25% month on month in January, and inventories were alarmingly low. Another direct impact of the conflict in Ukraine is limited supply of neon gas, which is used in making microchips. Ukraine is one of the leading producers of neon gas. The UK's Society of Motor Manufacturers and Traders reported total registrations down 16%, with diesel cars down 52% year on year in April.

In China, auto sales and production steeply declined as a result of the strict coronavirus lockdowns. According to the China Association of Automobile Manufacturers (CAAM), car production was down 46% year on year in April 2022. A similar fall was reported month on month. The outlook for Chinese automotive remains bearish, mainly because of movement controls. Inventory is up thanks to weak sales. The China Automobile Dealers Association reported an inventory coefficient of 1.91, an increase of 9.1% month on month and a year-on-year increase of 22% (with levels above 1.5 considered a warning).

The Indian outlook continues to be bearish. The Federation of Automobile Dealers Associations of India said total vehicle sales increased by 37% in April year on year. However, compared with April 2019 (pre-pandemic), the sales are still down 6%.

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 domestic appliances market had a great period from mid-2020 until late 2021. As a result, expectations for 2022 were already sombre. The sector was expected to cool down and return to a more normal rate. However, in March and April, the outlook was further dampened. A slowing real estate market, an erosion of real household incomes and a longer appliance replacement cycle are expected to hit sales in the short to medium term. This has been exacerbated by supply chain

problems and a continuous lack of microchips. The outlook for domestic appliances is bearish, given the level of inflation, as consumers are cutting back on discretionary spending. White goods are expected to become more expensive this year given the increase in prices of raw material such as plastics and steel. China is one of the leading exporters of household appliances, which are on hold because of the strict lockdowns. On the positive side, unseasonal hot weather is supporting demand for cooling appliances.

US household appliances is a mature market and a longer appliance replacement cycle is expected to hit sales in the short to medium term.

Like the US, Europe is a mature market and replacement demand is expected to slow down. Europe is also experiencing warm weather (above seasonal norms) that could support the cooling appliances market. Logistics woes continue.

With the real estate downturn in China, demand for domestic appliances is expected to be muted. However, the long-term outlook is quite positive, driven by megatrends such as urbanisation, an increasing middle class and digitalisation. Earlier expectations that India would outperform its global peers have been downgraded. However, there is substantial growth potential in southeast Asia because of its low market share.

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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