



## Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim  
08-Dec-2022

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

### OVERVIEW

- **Downward pressures still weigh on markets**
- **But some optimism came with news of China's reopening**
- **Buy-sell gap widens again**

Spot trade liquidity in Asia's import market for polybutadiene rubber (PBR) remains crimped, as prevailing macro-economic weaknesses continue to undermine downstream operations.

Saddled with persistently high stocks of unsold finished goods, end-users tried to minimise fresh procurement of raw materials including PBR.

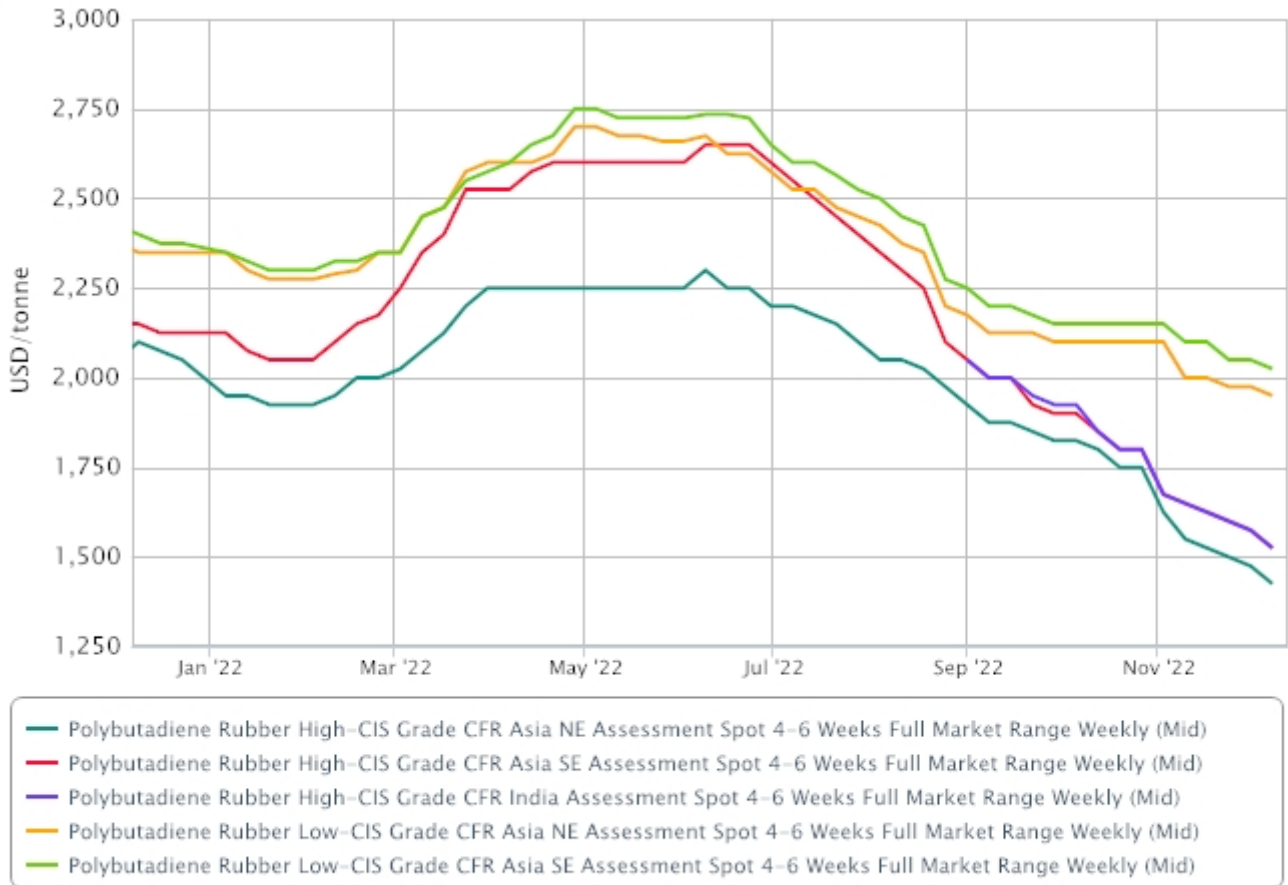
This prompted some PBR makers to continually widen discounts for high-cis materials, in a bid to induce buying for forward January shipment and alleviate their own inventory pressures.

But news of China [easing](#) some COVID-19 restrictions uplifted spirits to some extent, with many market participants now cautiously optimistic that the momentum in downstream operations could gradually recover from here.

That said, the consensus view remain that this process will still take time, and discernible improvements may set in only perhaps in Q1 2023, after the extended Lunar New Year holidays in China are over.

Until then, substantive spot requirements for PBR may continue to languish, doing little as such to help lift currently low buying indications.

But if the ongoing trucker [strike](#) in Korea drags out longer to impact on cracker operations, squeezing in turn feedstock supplies to PBR plants, some sellers said that the ensuing losses in PBR output may help lend some support to spot pricing.



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## OUTLOOK

- Korea's strike situation may affect near-term supplies
- But near-term demand likely to remain bearish in nature
- Better clarity by year-end on China's demand recovery pace

## PRICES

### SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
<b>Polybutadiene Rubber Low-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	-50	1850.00-2050.00	n/c	1900.00-2100.00	83.91-92.99
<b>CFR Asia SE</b>	USD/tonne	-50	1950.00-2100.00	n/c	2050.00-2150.00	88.45-95.25
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	-50	1350.00-1500.00	-50	1500.00-1600.00	61.24-68.04
<b>CFR Asia SE</b>	USD/tonne	-50	1450.00-1600.00	-50	1600.00-1700.00	65.77-72.57

<b>CFR India</b>	USD/tonne	-50	1450.00- 1600.00	-50	1550.00-1750.00	65.77-72.57
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## Northeast Asia

### High-cis

CFR NE Asian assessments are down with lower indications heard for January shipment to diverse destinations in the region.

January cargoes were indicated at around the high-end for deliveries to non-China outlets.

Some volumes changed hands at high \$1,500's/tonne, but the December shipment window is outside of assessment range.

For China-bound cargoes, discussions, tracked at the low-end, were weighed down by recent losses seen in the domestic yuan-denominated market.

Domestic China prices for PBR fell, as local supplies lengthened with recent capacity growth, at a time when domestic demand is still weak in nature.

Price (CNY/tonne)	08 Dec	01 Dec
E China Ex-Warehouse	10,200-10,500	10,300-10,800

### Low-cis

Discussions were scant with buyers uninterested in procuring. The low-end of the assessment range is notionally dropped, in line with low-end changes for high-cis CFR NE Asian assessment, to reflect bearish demand conditions

High-end is rolled on stable sell-side indications. But no concrete offers were floated as some sellers exited the regional arena to focus instead on alternative sale opportunities in markets further afield, like Europe and the Americas.

## Southeast Asia

### High-cis

CFR southeast Asian assessments fell with lower offers heard for diverse Asia-origin materials available to ship in January.

Discussions for cargoes from regular northeast Asian suppliers were heard at the higher end of the range, while China-origin materials were heard offered for January shipment at the lower end.

Some discussions were heard for December shipment of non-China, NE Asia-origin cargoes at levels above the published range, but not taken into account as the delivery window is not within assessment criteria.

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

<b>Dec (1-8)</b>	<b>Nov 2022</b>	<b>Oct 2022</b>	<b>Sep 2022</b>	<b>Aug 2022</b>	<b>Jul 2022</b>	<b>Jun 2022</b>	<b>May 2022</b>
<b>2022</b>							

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136.17	127.32	130.52	134.12	149.74	158.83	164.15	162.81
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**Low-cis**

Offers were stable but drew no response from buyers, and the low-end of the assessment range is notionally dropped, in line with low-end changes for high-cis CFR SE Asian assessment, to reflect bearish demand conditions.

**India**

CFR Indian assessments were also down with lower January shipment offers heard for cargoes from diverse Asia origins.

Cargoes from regular NE Asian suppliers were heard indicated at the higher-end, while China-origin materials were available at the lower end.

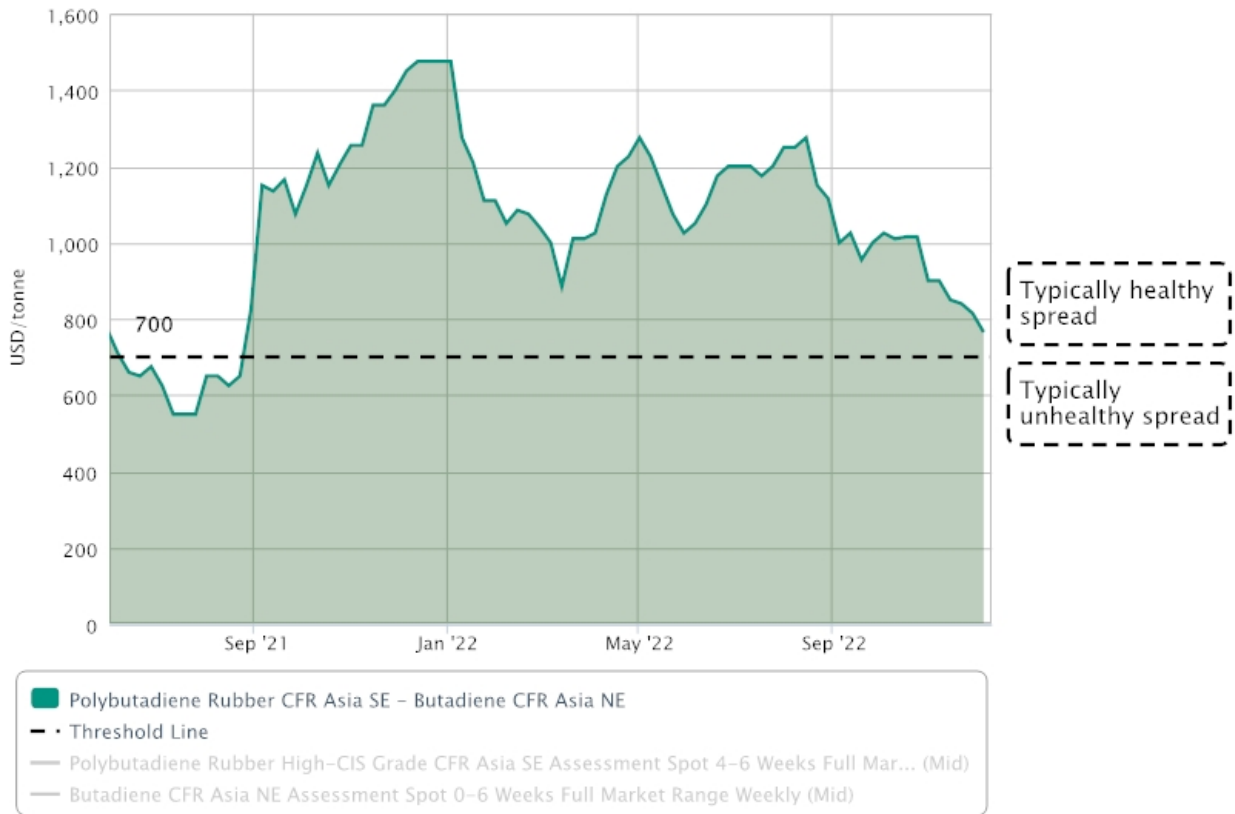
Buyers continued to hold back, in anticipated of even softer offers to emerge in coming weeks. There were no pressing requirements too as in part due to poor macro-level demand fundamentals, local tyre plants may operate at lower-than-usual rates in the year-end period, market sources said.

**UPSTREAM****Butadiene (BD)**

- Import spot talks stall
- Limited spot availabilities
- But poor demand support too

The chart below shows the spread between butadiene and PBR.

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



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## PRODUCTION

Regional production is poised to pick up more pace now that most maintenances, across [China](#) and [Japan](#), have been completed by end November.

But in southeast Asia, an existing outage may [stretch](#) through Q1 2023, market sources said.

## ANALYTICS

### ICIS Downstream Automotive Demand Outlook

Global light vehicle sales contracted by 5.5% m/m in September to 86m units/year from 91m units/year in August (Oxford Economics). Geopolitical tension has worsened the supply situation for semiconductor (IC) chips. The three key critical regions for IC chips are Russia (supplying key input materials such palladium, neon gas etc), Ukraine (supply 90% of neon gas) and Taiwan & China (accounts for approx. 22% & 16% of IC chips supply, respectively).

According to the US Census Bureau, US light vehicle sales increased by 9.8% m/m in October with total sales of 14.9m units. Inventories continues to be lean. The finished inventory to sales ratio (its calculated by dividing inventory by sales) decreased to 0.642 in September. High inflation, slumping consumer confidence and tighter monetary policy will weigh on consumer demand for automobiles.

According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registration increased by 9.6% in September compared with same month last year. However, the increase is a function of a lower 2021 base. The ACEA reported that Germany posted the biggest gain with a 14.1% increase, followed by Spain (+12.7%) and Italy (+5.4%). Commercial vehicle registration, on the other hand, contracted by 6.6%, with the exception of Spain, which reported

a marginally positive result. There are concerns about balance sheets, with some producers struggling to survive in the short term. Long-term investments for trends, including tightening emission standards, a growing push to electrify and increasing shared car ownership have already left firms cash strapped.

According to the China Association of Automobile Manufacturers (CAAM), Chinese car production decreased by 2.7% m/m in October. However, it posted an increase by 11.1% y/y. China's inventory coefficient (calculated as inventory over sales) at auto dealers is quite high at 1.47 in September – with levels above 1.5 considered a warning. China Automobile Dealers Association (CADA) reported an improvement in inventory levels.

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