



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
08-Jul-2021

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

OVERVIEW

- **Low-cis extends gains**
- **Discussions also firmer for high-cis**
- **Upstream cost pressures a key driver**

Asian spot prices for polybutadiene rubber (PBR) were stable-to-firm, tracking upstream gains.

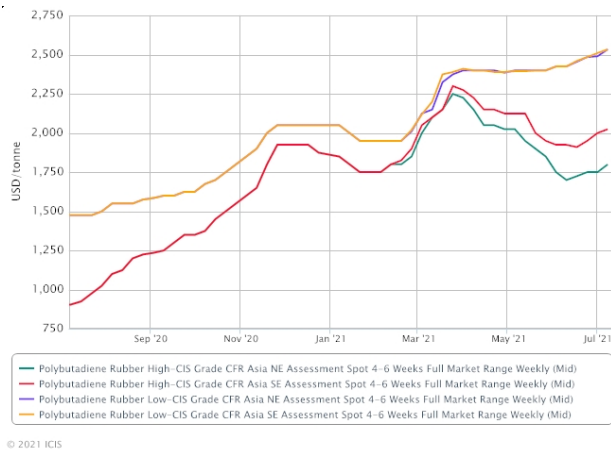
Sellers hiked offers across the board, for all PBR grades, as well as for deliveries to diverse destinations in the region, citing cost pressures as a key consideration.

Feedstock butadiene (BD) prices are now at the [highest levels](#) so far for the year, in part due to strong [arbitrage trades](#) to the US.

This has put a big squeeze on PBR makers' margins, which have slipped into the unhealthy zone.

Buyer's response is uneven depending on grades. For low-cis materials, bids rose in tandem with the higher offers, but for high-cis materials, there was still substantial resistance among buyers due to near-term uncertainties in the automotive industry, market sources said.

High-cis materials are used heavily in manufacturing automotive tyres and market players noted that auto plant operations are at risk of slowing down on [global chip shortage](#), as well as by constraints stemming from ongoing coronavirus-related restrictions in the region.



OUTLOOK

- Demand recovery pace contingent on how soon coronavirus situation eases
- Supply may lengthen with increased production in China
- Pricing outlook may vary among different PBR grades

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	+40	2520.00- 2550.00	+50	2400.00-2450.00	114.31-115.67
CFR Asia SE	USD/tonne	+20	2520.00- 2550.00	+30	2400.00-2450.00	114.31-115.67
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	+50	1750.00- 1850.00	+50	1650.00-1750.00	79.38-83.91
CFR Asia SE	USD/tonne	n/c	1950.00- 2100.00	+50	1850.00-2000.00	88.45-95.25

Northeast Asia

High-cis

CFR northeast Asia prices for high-cis materials rose on firmer buy-sell indications. However, spot trade liquidity is capped, with end-users in China amply supplied by its domestic production pool, and those in other northeast Asian outlets taking a more cautious procurement approach.

Domestic China prices rose, with sharp gains in the domestic yuan market for feedstock BD.

East China Domestic PBR Prices

Price (CNY/tonne)	08 July	01 July
E China Ex-Warehouse	12,800-12,900	12,200-12,300

Low-cis

CFR northeast Asia assessments were up, with both ends raised to capture the full range of offers heard. Some limited volumes were heard sold within the range.

Southeast Asia

High-cis

CFR southeast Asia prices for high-cis materials were assessed as stable-to-firm, with the high-end lifted to capture the full range of trade heard for the week.

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

July (1-8) 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021	Dec 2020	Nov 2020	Oct 2020	Sep 2020
161.38	164.51	169.09	164.72	175.25	169.16	158.40	157.61	156.50	152.31	136.85

Low-cis

CFR southeast Asia assessments were up, with both ends raised to capture the full range of offers heard. Some deals were heard concluded at levels within the range.

India

In India, discussions also picked up pace, as buying interest continued to build with more downstream factories gearing to resume fuller operations from prior coronavirus-related closures.

Asia-origin materials were heard indicated at near \$2,100/tonne CFR India, and non-Asia origin materials at slightly below \$2,000/tonne CFR India, market sources said.

UPSTREAM

Asian **BD** extended gains, as supplies tightened on strong arbitrage trades.

The chart below shows the spread between BD and PBR, which has gone below the healthy range.

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



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PRODUCTION

In China, average operating rates at its PBR plants surged to 82% in the week ended 2 July, compared with 77% in the week prior, market sources said.

The domestic China market remains amply supplied, after the 100,000 tonne/year Maoming Petrochemical plant in Guangdong [restarted](#) in end-June from extended closure.

Elsewhere in Asia, PBR supplies are also poised to grow with Chi Mei's production lines in Taiwan [returning](#) from turnaround.

ANALYTICS

ICIS Crude Outlook

The price of Brent rose in June, primarily due to strong positive sentiment from the continued success of the global vaccination program, as well as improved demand as governments around the world remove restrictions. Looking forward, vaccination programs are expected to be successful and many countries are likely to remove restrictions over the coming months. In the West, the overall oil demand outlook is positive for the summer as the driving season is likely to be much stronger than usual this year, helping to lift core oil products demand. President Biden's \$1.9tr stimulus package is also expected to boost the US and global economy, helping to spur oil demand for the rest of the year. On the supply side, OPEC+ will release an extra 2m bbl/day oil into the market by the end of July, with further tapering expected later in the year. The US and Iran continue discussions over a nuclear deal, and should this come to fruition, up to 1.5m bbl/day of additional oil could be supplied into the market by Iran.

By **Ajay Parmar**, ICIS senior analyst

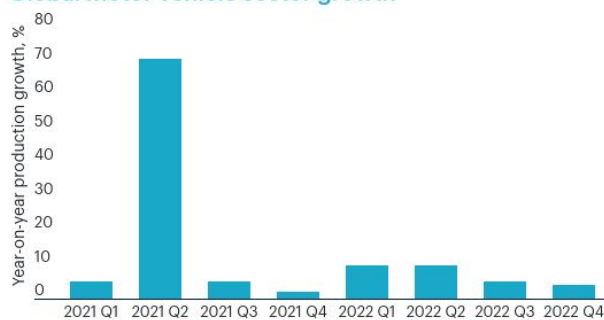
ICIS Downstream Automotive Demand Outlook

Global automotive demand remains very strong, with a shortage of used vehicles boosting demand for new vehicles. High levels of household savings, increased domestic tourism, and fear of public transport globally have also pushed up vehicle demand. However, low availability is starting to bite, with global sales slightly down month on month in April. Supply shocks continue to impact auto production, affecting demand for chemicals and polymers into this market. In particular, the shortage of microchips has led to production cutbacks of over one million vehicles, record low inventories and high prices. Car producers are focusing only on most in-demand models, and juggling supply chains. Hopes of a speedy resolution to the problem now seem short-sighted. US Commerce Secretary Gina Raimondo said the global shortage would be a "daily challenge" for the "next year or so."

Chinese vehicle sales in May were down month on month for the first time in 13 months. According to a report by CAAM (China Association of Automobile Manufacturers), this is due to the global chip shortage and rising raw material prices. One positive was the strong increase in sales of new energy vehicles (NEVs), which was up 160% month on month. In addition, market analysts believe the country will recover from chip shortages earlier than other regions, with improved production in H2 2021. Medium-term fundamentals also remain strong, with rising income and low car ownership. This is particularly true for electrified and other NEVs as government incentives propel this market. India is suffering from renewed lockdowns, including closing plants and dealerships. Production this year is now forecast to be 9% below 2019 levels, and some 22% below 2018's record levels. Recovery in India is forecast to be slow with 2022 still below 2019 levels.

By **Jincy Varghese**, ICIS demand analyst and **Rhian O'Connor**, ICIS senior analyst

Global motor vehicle sector growth



Source: Oxford Economics



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