



# Polybutadiene Rubber (Asia-Pacific)

**By Ai Teng Lim**

**08-Jun-2023**

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

**The domestic yuan (CNY) prices in the weekly analysis on 22 June will be assessed based on information collated up to 21 June. Please click [here](#) for the ICIS publishing schedule.**

## OVERVIEW

- **Discussions trend lower**
- **Low buying appetite**
- **Producers mull output cuts to trim surplus**

Asia's spot polybutadiene rubber (PBR) import discussions floundered as end-users pulled back to wait and see when feedstock butadiene prices would bottom out before they consider any fresh PBR procurement.

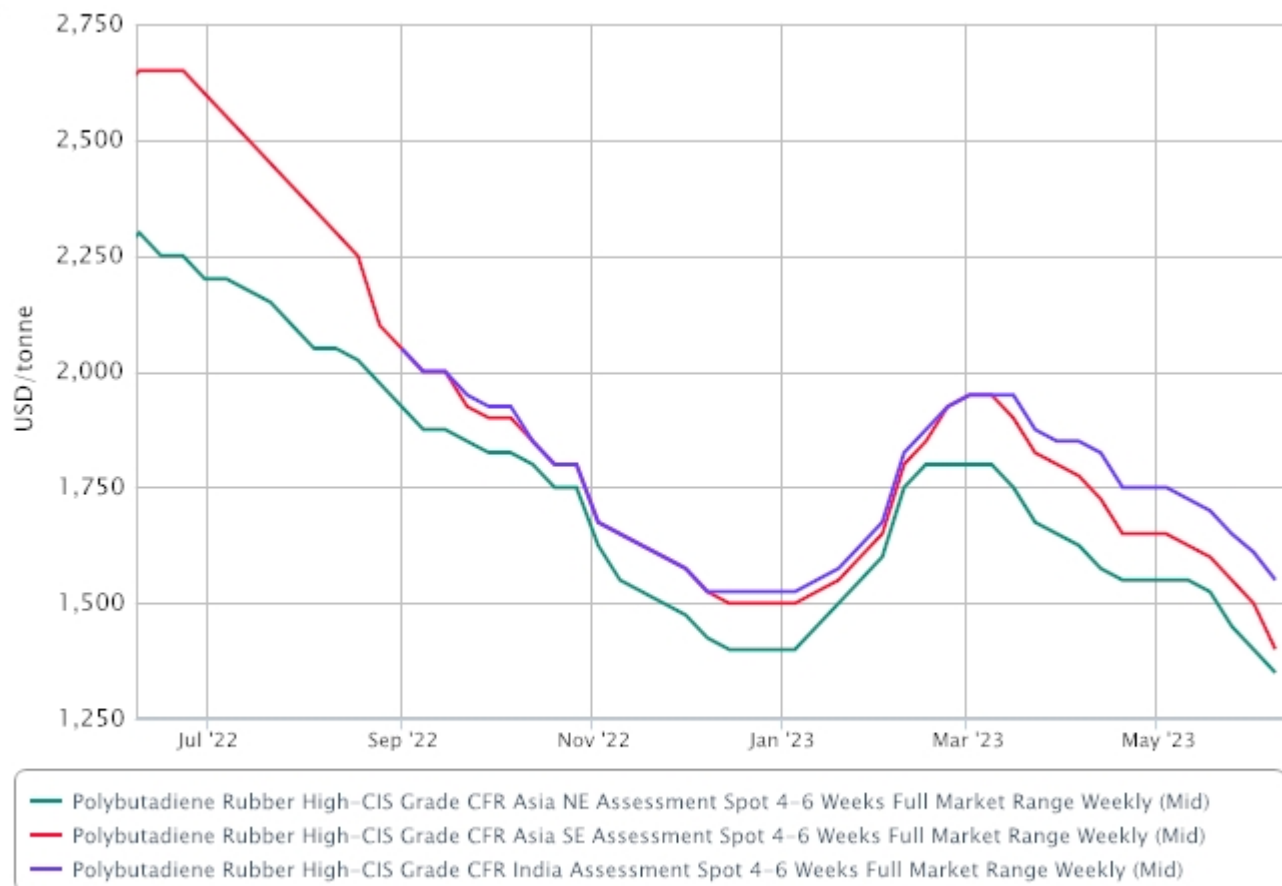
Most buyers are convinced that as long as the feedstock market does not recover, PBR import offers would keep going down, and that therefore it would be to their benefit to delay next booking.

After all, substantive downstream requirements are minimal, and end-users are still sitting on more PBR stocks than needed for meeting prevailing needs.

Should any unforeseen procurement need surfaces, spot supplies are plentiful too, not just from a constant inflow of aggressively-priced cargoes from Russia and Iran, but also because regional inventories have piled up after a protracted period of slow sales.

Some regional traders are seeking to liquidate their surplus cargoes at hand, and are prepared to cut offers substantially to induce buying, market sources said.

Regional producers are also adjusting production plans to rein in the overhang, market sources said. For the start, several [high-cis](#) and [low-cis](#) PBR plants in northeast Asia will shut for maintenance in the June to August window.



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## OUTLOOK

- **Upstream declines, if extended, could weigh on sentiment**
- **Near-term outlook dim for downstream demand recovery**
- **Buy-sell stand-off could persist**

### ICIS analyst view on BD

Asian butadiene (BD) demand should pick up in June/July on restocking activities and increasing margins at BD derivative units, but this is not expected to sufficiently place the market in short supply. There are also concerns over the end-user demand outlook as the growing global economic uncertainty now seems to outweigh China's reopening recovery, dragging down the export outlook for Asia.

Domestic BD supply in Asia is expected to increase, with the restart of more plants from maintenance. Deep-sea cargoes will spur further concerns of oversupply. The surplus is due to weakening demand rather than increasing supply from the west. We do not see any signs of demand strengthening, indicating possible continuous availability of deep-sea cargoes.

However, production trims might be possible in Asia as well as in exports from Iran, considering unhealthy margins at crackers and BD extraction units. Lighter feedstock slate for crackers in summer should also help to reduce supply pressure.

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For more information about analytical content, click [here](#).

## 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	1800.00-2000.00	-50	1950.00-2100.00	81.65-90.72
<b>CFR Asia SE</b>	USD/tonne	-50	1900.00-2050.00	-50	2100.00-2200.00	86.18-92.99
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	-50	1300.00-1400.00	-50	1500.00-1600.00	58.97-63.50
<b>CFR Asia SE</b>	USD/tonne	-100	1350.00-1450.00	-100	1600.00-1650.00	61.24-65.77
<b>CFR India</b>	USD/tonne	-50	1500.00-1600.00	-70	1700.00-1750.00	68.04-72.57

### Northeast Asia

#### High-cis

CFR NE Asian prices were assessed as down with softer buy-sell indications.

In China, import demand was further curbed by currency depreciation, and local users turned to tap into the domestic production pool more for substitute supplies.

Domestic PBR prices in east China picked up slightly as such, as trade momentum improved.

Price (CNY/tonne)	This week's close	Previous week's close
E China Ex-Warehouse	10,200-10,400	10,100-10,200

#### Low-cis

Discussions were subdued as there was no active buying interest, and sellers were unwilling to engage due to the wide buy-sell gap.

However, taking into consideration how much feedstock costs have fallen of late, sellers would be open to moving down their expectations. The high-end was thus adjusted down on a notional basis, in the absence of any concrete spot offers.

The low-end was moved down in line with high-end changes, to reflect bearish market demand sentiment, and in the absence of concrete buy-side enquiries.

### Southeast Asia

#### High-cis

CFR SE Asian assessments fell, with lower offers heard for cargoes from various regional suppliers. The high-end tracks northeast Asia-origin materials, while the low-end reflected discussions for southeast Asia-origin materials.

Some cargoes did change hands within the range, but market players said that overall liquidity remained low as most buyers wanted to wait and see before they commit further.

Recent losses seen in the natural rubber market also stoked fears of wider PBR demand losses as end-users may want to switch to using natural rubber instead as a cheaper substitute.

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

Jun (1-8) 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023	Dec 2022	Nov 2022
133.81	136.34	136.27	135.03	140.11	140.11	135.03	127.32

### Low-cis

As with CFR NE Asian assessments for low-cis materials, CFR SE Asian assessments were dropped at the high-end to reflect notional selling indications, in the absence of concrete offers.

The low end was adjusted in line with changes at the high end.

### India

CFR Indian assessments also fell, taking into account lower offers heard this week for NE Asia-origin material, as well as weaker buy-side indications.

Local end-users continued to point towards the availability of cheaper cargoes from non-Asia origins as a key factor holding them back from committing more readily on Asia-origin materials.

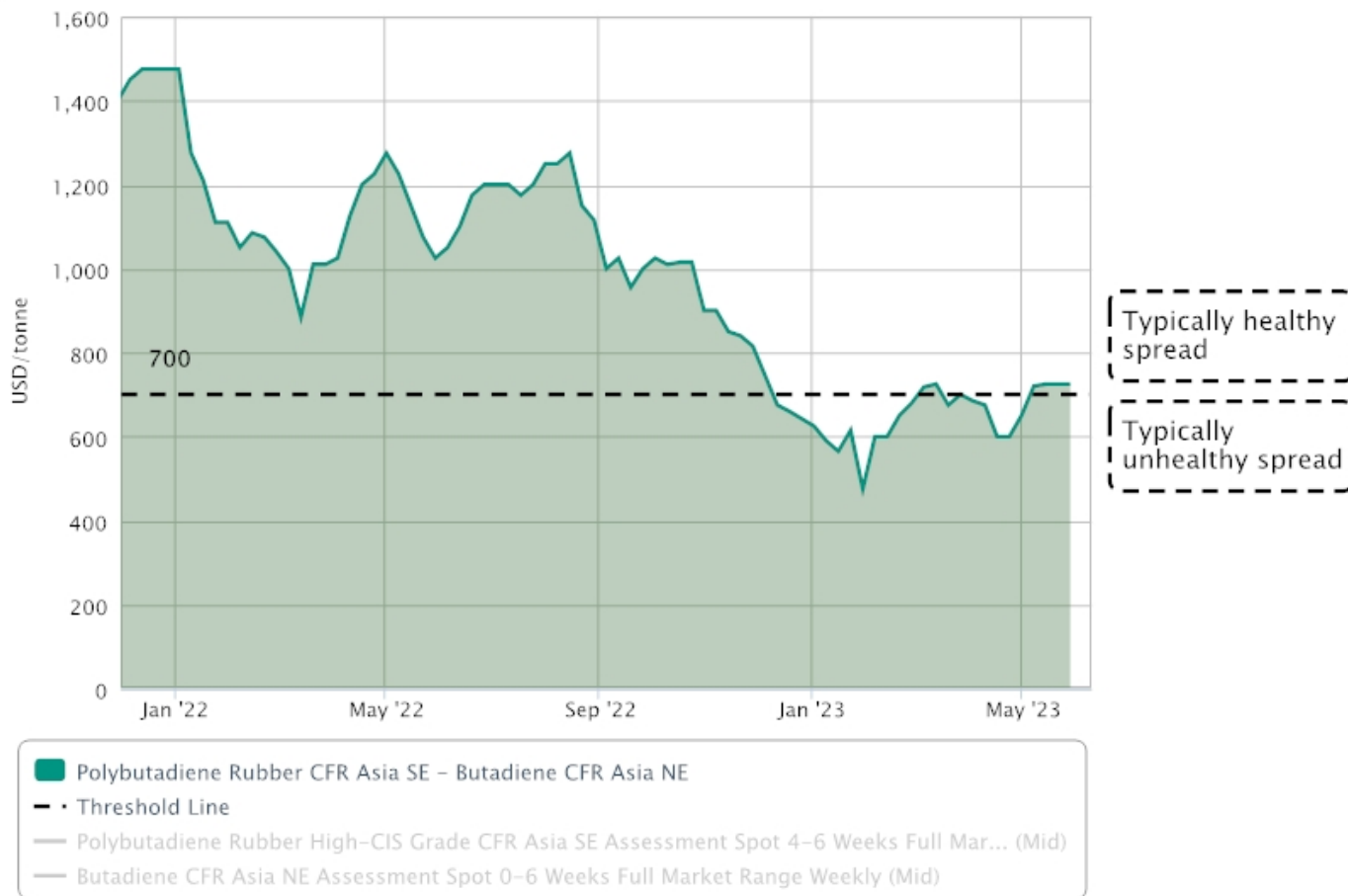
## UPSTREAM

### Butadiene (BD)

- Domestic losses widen within China
- This weighs on import discussions in wider Asia too
- Potential supply overhang looms amid weak demand

The chart below shows the spread between butadiene and PBR.

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



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## ANALYTICS

### ICIS Crude Outlook

In April, total OPEC-13 crude oil production averaged 28.6m bbl/day, down 200,000 bbl/day month-on-month. Output cuts by OPEC+ should continue to tighten the market later this year. Russia continues to aggressively boost export volumes and has found willing buyers in markets further afield. US crude exports to Europe remained high in April and May, encouraged by elevated European demand ahead of the driving season and lack of supply from Russia. Crude oil imports are on the rise in China after an increase in domestic mobility. India continues to play a prominent role in the oil market and has become a major consumer of Russian crude which has forced OPEC+ producers to ship oil to other regions such as Europe and the US. The market’s current pessimistic mood due to macroeconomic concerns, clashes with expectations of a tight supply-demand balance later this year, when demand is set to meet and outstrip supply.

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### ICIS Naphtha Outlook

NWE naphtha cracks in May remained volatile, closely mirroring fluctuations in the crude futures market, and they continue to remain under pressure from reduced cracker run rates due to limited demand and ample availability. Margins at European refiners have been hit by rising costs and slow demand growth. Naphtha stocks in the ARA

trading hub were up over 20% in May compared with the April month average, suggesting that demand has reduced in recent weeks. Russian flows continue to look for new buyers – with Russian naphtha imports into Singapore almost tripling in Q1. Naphtha demand remains a major source of underlying growth in Chinese and global oil demand, supported by ongoing steam-cracker capacity additions in Asia. However, refined product stocks are on the rise in the region, maintaining pressure on naphtha prices.

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