



Polybutadiene Rubber (Asia-Pacific)

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

OVERVIEW

- **Discussions muted**
- **Buyers continue to wait and see**
- **Poor downstream demand**

Weak demand fundamentals across Asia continue to weigh on spot discussions for polybutadiene rubber (PBR) imports.

Some sellers conceded to dishing out fresh discounts for both high-cis and low-cis grade materials, in a bid to keep buyers engaged, but this drew limited response.

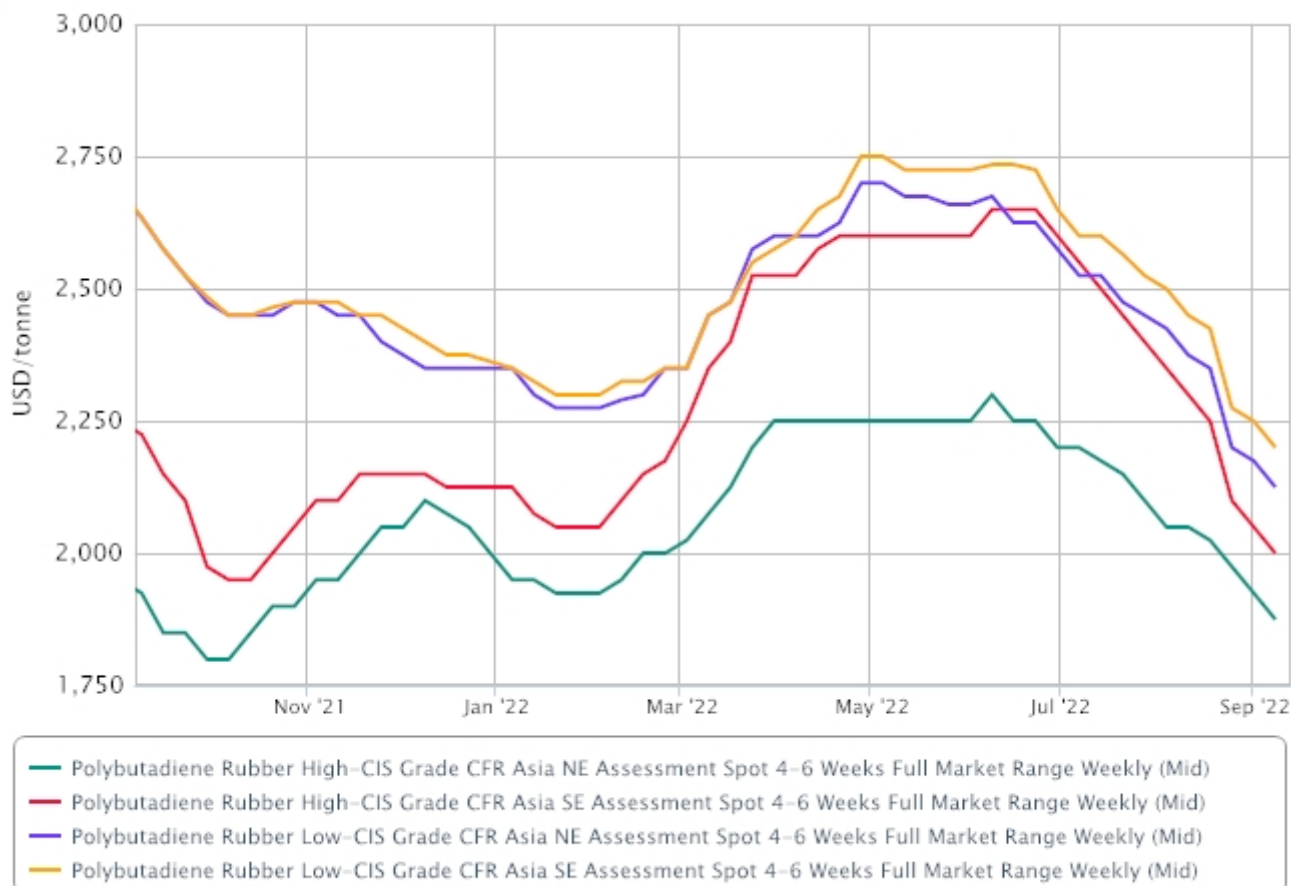
Buyers mostly stayed on the sidelines not just because they anticipated offers to decline more in due course, but also because there was minimal procurement needs to begin with, as many were still sitting on high stockpiles from prior purchases, market sources said.

Faced with tepid buying of their own finished products, some downstream sectors like polystyrene (PS), have [scaled down](#) production in recent times to manage inventories, which in turn dented the consumption of feedstock low-cis PBR.

Regional tyre plants, which are major consumers of high-cis PBR, are also unable to ramp up production, given lacklustre automobile sector requirements, market players said.

In turn, some PBR makers were heard contemplating the need to adjust their own operating rates as well so as to better align output with prevailing demand conditions.

While some sellers have progressively priced down on PBR in the last month, in a bid to induce buying, market players said that this may not be a tenable course of action for now as producers faced unabated cost pressures, such as high utility charges and steep catalyst prices.



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OUTLOOK

- Upcoming turnaround ds may help to reduce overhang
- Demand recovery [prospects](#) still unclear
- Cost pressures on producers could still stay high

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	-50	2000.00-2250.00	-50	2250.00-2500.00	90.72-102.06
CFR Asia SE	USD/tonne	-50	2150.00-2250.00	-50	2400.00-2500.00	97.52-102.06
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-50	1800.00-1950.00	-50	2000.00-2100.00	81.65-88.45
CFR Asia SE	USD/tonne	-50	1900.00-2100.00	-50	2200.00-2400.00	86.18-95.25
CFR India	USD/tonne	-50	1850.00-2150.00	-50	n/a-n/a	83.91-97.52

Northeast (NE) Asia

High-cis

CFR (cost & freight) NE Asian assessments were adjusted down, tracking lower discussions heard.

In China, domestic PBR trades were discussed in a wider range, reflecting contrasting market drivers. On the one hand, buying tempo is low on lacklustre downstream requirements, but on the other hand, offers saw upside support a bullish upstream butadiene market.

Price (CNY/tonne)	08 Sep	01 Sep
E China Ex-Warehouse	12,400-13,200	12,500-13,000

Low-cis

The high end for the low-cis CFR NE Asian assessments is down with lower offers heard, and the low end is adjusted down in line in the absence of concrete discussions to reflect bearish demand conditions.

Southeast (SE) Asia

High-cis

CFR SE Asian prices were down, taking into account lower offers and buying indications.

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

Sep 8) 2022	(1-Aug 2022)	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
133.33	149.74	158.83	164.15	162.81	171.15	175.18	179.84	178.12	

Low-cis

The high end for the low-cis CFR SE Asian assessments fell with a lower offer heard, and the low end is adjusted down in line, in the absence of concrete discussions, to reflect bearish demand conditions.

India

NE Asia-origin high-cis PBR cargoes were heard available at \$2,150/tonne CFR India and up, from traders and producers, and this formed the high end of the assessment.

Buying indications for these materials were capped at the low end, similar to the level cargoes from other non-Asia origins may be available at, market sources said.

UPSTREAM

Butadiene (BD)

- Domestic China spikes on local supply concerns
- Some China players sought imports for replacement
- Downstream demand across Asia still remains bearish

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 rose to 78% for the week ended 2 September, compared to 74% in the week prior, market sources said.

But in wider Asia, spot availabilities are crimped, not just due to an ongoing [outage](#), but also because of a few [upcoming](#) maintenance in September.

ANALYTICS

ICIS Crude outlook

OPEC+ is unlikely to reach the expected production increase quota set in previous months and will likely agree a production cut in September. This dynamic will keep supply constrained in the short term, with Saudi Arabia one of the few members that has the capability to meaningfully increase production levels out of the entire cartel. Libyan oil production is running again at 1.2m bbl/day, although it has fluctuated severely over recent months, with production falling below 100,000 bbl/day in June, before recovering substantially in July, and reaching 860,000 bbl/day in mid-to-late July. Oil demand is likely to come under pressure in the second half of 2022, as global economic growth is now predicted to be much lower than previous expectations. China's refining throughput is believed to have dropped to its lowest rates since March 2020 in August 2022 because of unplanned shutdowns and maintenance operations. In India, gasoline and gasoil fuel demand has been impacted by increasing prices, compounded by the dampening effect of monsoon rains on overall demand. Looking ahead,

India faces some headwinds as export taxes have been imposed on transport fuels, though domestic demand for this market is expected to remain fairly resilient through the second half of 2022.

By **Greg Mouchikas**, energy and refining analyst, grigorios.mouchikas@icis.com

ICIS Naphtha outlook

Naphtha cracks in August (the naphtha price minus the crude price) have recovered slightly from July's figures. However, they still remain weak across all regions. Although demand has been relatively stronger in Asia, it has recently faced a more challenging situation and demand overall remains weak. ICIS expects naphtha cracks to remain around current levels through the remainder of the summer. Naphtha stocks in the ARA region rose by 18% this week, in part as a result of the low water levels on the Rhine river, which have hindered transportation of products in the northwest Europe region. Stocks will likely continue to remain elevated for the remainder of this quarter, since demand in Asia is expected to remain low.

By **Greg Mouchikas**, energy and refining analyst, grigorios.mouchikas@icis.com

ICIS Butadiene Outlook

The US butadiene (BD) market is unlikely to see supply tightness in the coming months. No scheduled turnarounds are expected during the autumn. In terms of trade, the arbitrage window between the US and Europe is expected to remain open. The BD contract price spread should average \$400/tonne from September to December, according to ICIS analysts. In addition, derivative demand is forecast to be mainly soft during the period to reflect poor macroeconomic conditions, seasonal tendencies and upcoming maintenances. That said, crude C4 flows for BD extraction units may be limited due to reduced operating rates at crackers.

The European economy will continue to slow given that the conflict between Ukraine and Russia is expected to last for a prolonged period. This will keep costs elevated for energy, notably gas, and will contribute to depressed BD fundamentals over the next few weeks. European passenger car production is likely to remain constrained due to a shortage of finished components. Leading steel producer ArcelorMittal is closing two blast furnaces in Europe at the end of September because of high energy costs and weak demand. This will exacerbate problems in the automotive industry.

Asian BD sentiment is likely to remain mainly bearish for the rest of the year. Downstream demand is expected to remain weak while BD production is forecast to improve once maintenances are completed in H2 September. Between July and December, natural rubber (NR) output typically increases from the main producers in Asia including Thailand, Indonesia, Malaysia, Vietnam and India - but consumption decreases. As a result, a supply and demand imbalance in NR could add pressure to the BD industry over the next few months.

By **Paolo Scafetta**, ICIS senior olefin analyst, paolo.scafetta@icis.com

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