



## Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim  
09-Dec-2021

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

### OVERVIEW

- **Market mixed**
- **High cis stable to firm with support from snug supplies**
- **Low cis weighed down on low demand**

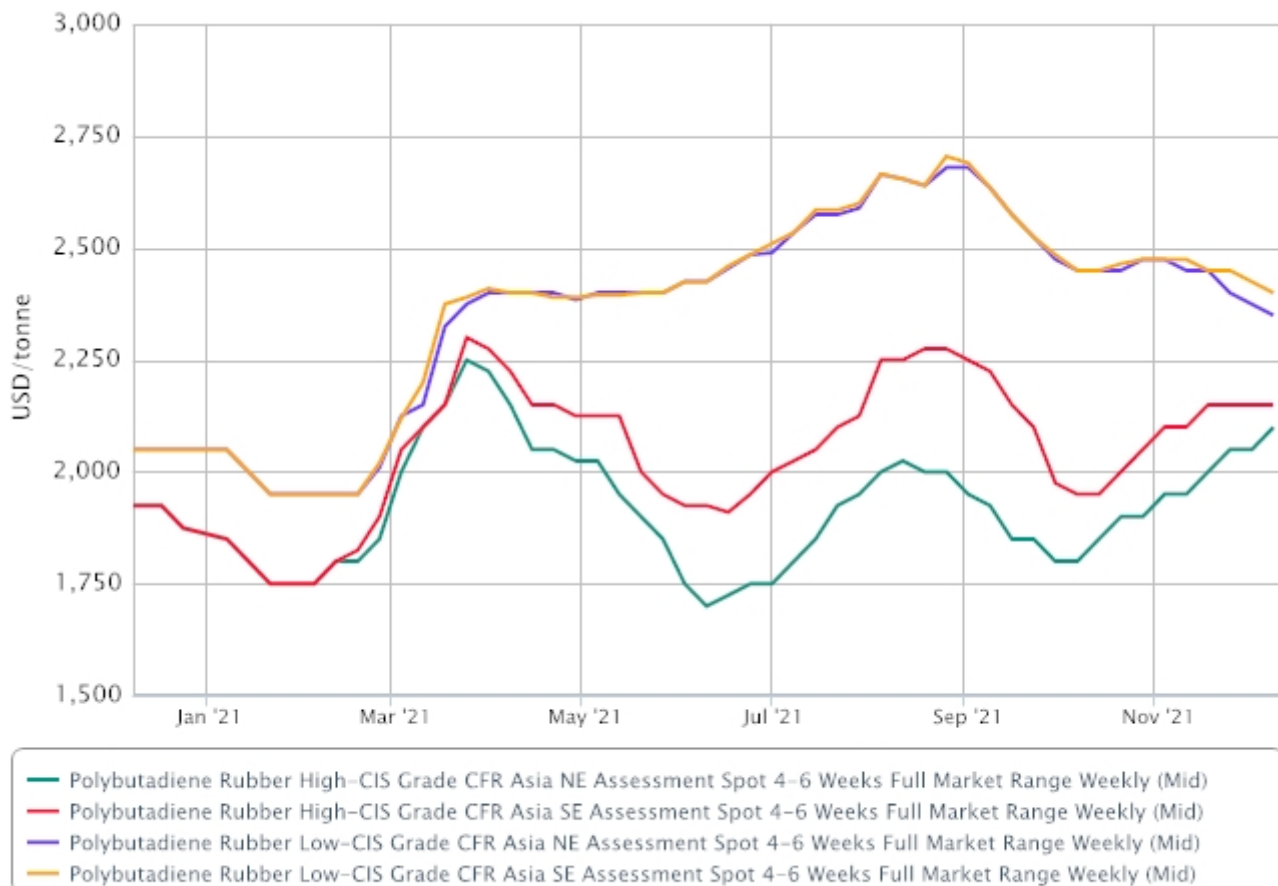
Asia's spot discussions for polybutadiene (PBR) were mixed between grades – stable to soft for low-cis grades, but stable to firm for high cis materials.

Generally, supplies are tight, with most regional producers still struggling to rebuild their own inventories to healthier levels before being able to divert more volumes for spot sales.

For low-cis materials, which have heavy applications in the downstream electronic appliances sector, demand has slowed down on a year-end seasonal lull.

Buying interest faltered as such for low-cis materials, even if offers were mostly well supported on tight supplies.

But for high-cis materials, the tight supply factor was a much larger factor in spot discussions, amid active demand from tyre makers seeking to boost production and rebuild stocks, in anticipation of the likelihood of a firm recovery in auto sector production should the global shortage in semiconductors ease.



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## OUTLOOK

- Coronavirus worries may weigh in on demand
- But supply may snug for some time more
- Sentiment may waver more with upstream losses

## 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	n/c	2300.00-2400.00	-50	2400.00-2500.00	104.33-108.86
<b>CFR Asia SE</b>	USD/tonne	-50	2350.00-2450.00	n/c	2450.00-2500.00	106.59-111.13
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	+50	2050.00-2150.00	+50	1900.00-2000.00	92.99-97.52
<b>CFR Asia SE</b>	USD/tonne	n/c	2100.00-2200.00	n/c	2050.00-2150.00	95.25-99.79

### Northeast Asia

**High-cis**

CFR northeast Asian assessments for high-cis materials rose with firmer deals and discussions heard.

There is active buying interest for imports from China, with the highest buying indication reflected at the low-end. The high-end tracks lowest offers heard for China-bound shipments, and market sources said some discussions even surfaced at levels over the range.

But domestic high-cis prices in China plunged, alongside weaker upstream prices.

Price (CNY/tonne)	09 December	02 December
E China Ex-Warehouse	14,300-14,500	15,800-15,900

**Low-cis**

CFR northeast Asian prices were stable-to-soft, with the high end dropped in line with lower offers heard.

**Southeast Asia****High-cis**

CFR southeast Asian assessments for high-cis materials held steady on rangebound discussions and deals.

But with a sudden decline in natural rubber prices in the past week, concerns have arisen over how this may impact demand for synthetic rubber, as end-users may turn to substituting more of the latter with natural rubber, market sources said.

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

Dec (1-9) 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021
173.18	175.65	174.39	163.23	172.67	164.32	164.51	169.09

**Low-cis**

CFR southeast Asian assessments for low-cis materials were stable to soft, with the low-end dropped to reflect lower buying indications.

**India**

In India, buying momentum for Asia-origin PBR cargoes also [receded](#), not just on the seasonal year-end lull factor, but also because apprehensions have risen about how consumer demand may shift with the emergence of the new virus variant.

But no active offers were heard for Asia-origin supplies, with the bulk of December cargoes already committed, and January discussions yet to take off.

Meanwhile, selling indications were heard pegged at about low to mid \$2,100's/tonne CFR India, about \$20-50/tonne lower than the week prior.

But buying indications were heard even lower, at or below \$2,000/tonne CFR India, with end-users heard increasingly veering to cheaper alternatives from the domestic pool or other deep-sea origins.

## UPSTREAM

Asian spot prices for butadiene (BD) [lost fresh ground](#) as demand waned amid a growing supply glut.

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 at PBR rose to 80% for the week ended 3 December, up from 77% for the week prior, market sources said.

Elsewhere in Asia, while operating rates are rising after all scheduled regional plant turnarounds were [completed](#) by mid-November, market players said that spot availability remains tight, as producers focus first on rebuilding inventories to more healthy levels, at the expense of non-contractual sales.

## ANALYTICS

### ICIS Butadiene Outlook

For 2022, butadiene (BD) demand in North America, including Mexico, is likely to be about 1.82m tonnes, which is below pre-pandemic levels. In terms of production, Canada and the US, the only producers in North America, should total about 1.66m tonnes, down from 1.77m tonnes in 2019. Due to an improvement in regional supply and demand fundamentals, the BD deficit may shrink to around 160,000 tonnes in 2022. Preliminary trade data

shows that the North America demand-production gap was around 212,000 tonnes in the first nine months of 2021.

Based on ICIS estimations, European BD production will reach 2.4m tonnes in 2022, increasing by 4.5% year on year. Demand is expected to grow by 6% from 2.1m tonnes in 2021, resulting in a higher growth rate than production. However, some uncertainties over the BD supply and demand balance are likely to emerge into 2022. UK production is estimated to stay around 20,000 tonnes, assuming that Sabic's cracker at Wilton will resume its operations by the end of 2022. That said, the BD unit may remain permanently closed. On the Italian BD industry front, the scheduled closure of cracker at Porto Marghera will stop crude C4 delivery to Versalis' BD extraction unit in Ravenna, which in turn may be at risk of shutdown.

In 2022, Asia is forecast to be responsible for about 61% of total BD production, up by 4% from 2019 levels. Five new plants will start their operations in China in 2022, with a total nameplate capacity of 680,000 tonnes/year. South Korea's new 90,000 tonne/year BD extraction unit operated by Lotte-GS Chemical is scheduled to start in Q2 2022. On the demand side, Asia should cover about 63% of overall BD demand, rising by about 3% from 2019. As consumption will continue to exceed production, Asia will remain a net importer.

By **Paolo Scafetta**, ICIS senior olefin analyst, [paolo.scafetta@icis.com](mailto:paolo.scafetta@icis.com)

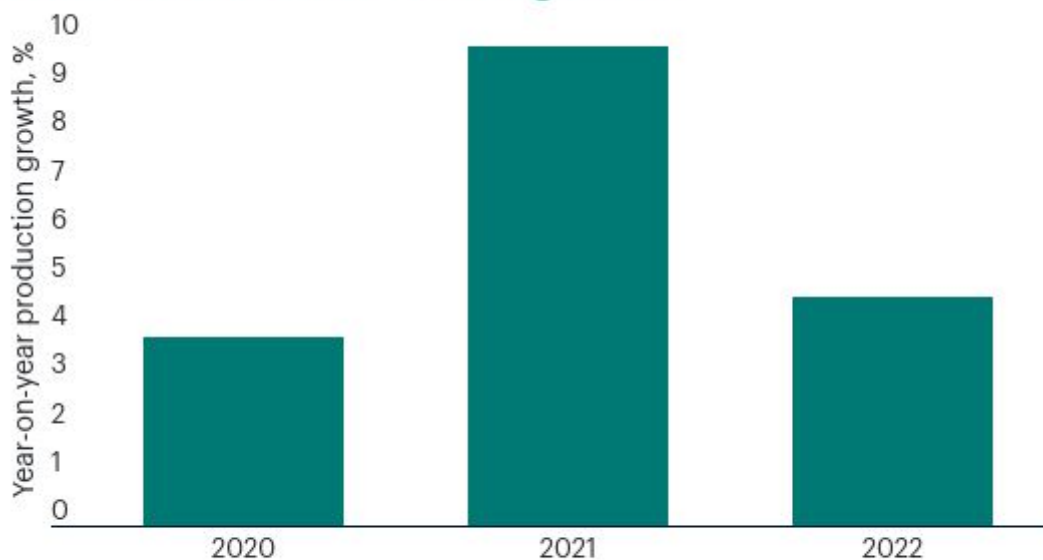
### **ICIS Downstream Automotive Demand Outlook**

The global automotive industry is still struggling to make up for pandemic-induced losses, with Q3 production down by 13.2% year on year, and Oxford Economics predicting that Q4 will be down by 6.5% compared with Q4 2019. Global vehicle production growth is not expected to return until Q3 2022, with chip supply expected to remain tight through 2022. Even Jean-Marc Chery, CEO of STMicroelectronics predicted that, "...we will return to a normal situation... not before the first half of 2023." Chip makers are also heard to favour consumer electronics over cars because of higher volumes and better margins. The industry's just-in-time (JIT) procurement strategy has added to the pressure. However, it is not all doom and gloom as vehicle chip suppliers such as Infineon and Bosch are ramping up capacity. Many countries are also now looking at chips as a strategic material and the industry is now receiving government support. Rising electric vehicle penetration will also push car makers up the chip pecking order because more advanced chips (with higher margins) will be required. However, car makers will need to readjust JIT strategies to ensure supply of security, as well as improving relationships with their Tier-1 suppliers.

The auto industry in China is also struggling. It currently has an inventory coefficient of 1.24 – with anything below 1.5 considered a dangerous level. In addition to severe supply disturbances, the regulator in China is cracking down on chip suppliers who are accused of price gouging. The outlook for the Indian automotive market is mixed. It was already under pressure after several manufacturers exited the country citing low sales. India's Federation of Automobile Dealers Associations (FADA) reported that the inventory level had slumped to a record low of 15 to 20 days. According to a FADA survey, 45.0% of respondents had a neutral outlook for the Indian auto market, with positives and negatives split with 27.5%. India's personal vehicle and tractor sectors are outperforming, growing by 30% and 39% in September respectively from September 2019. The chip shortage has hit Bajaj Auto's export market.

By **Jincy Varghese**, ICIS demand analyst ([jincy.varghese@icis.com](mailto:jincy.varghese@icis.com))

## China motor vehicle sector growth



Source: Oxford Economics

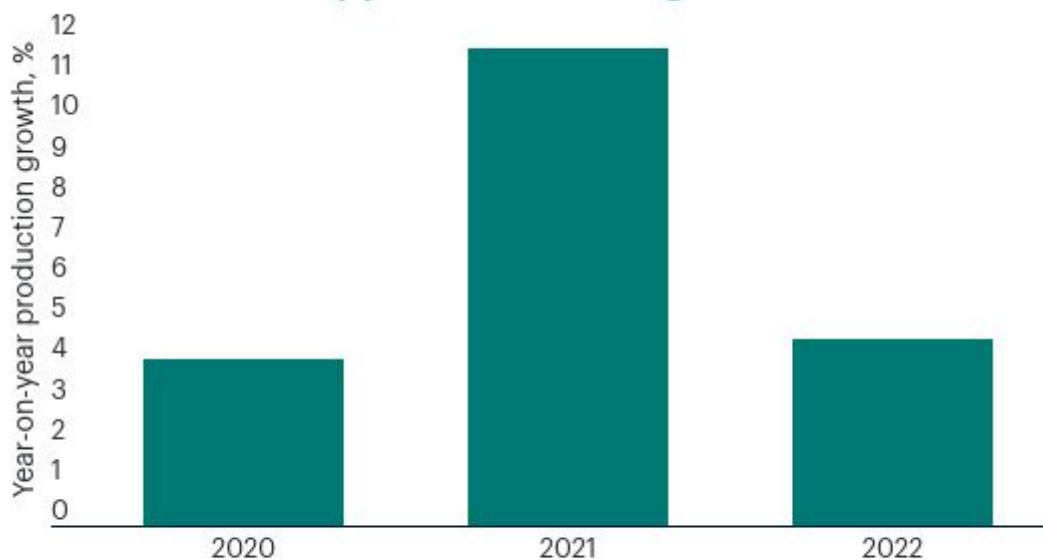
### ICIS Downstream Demand Outlook - Domestic Appliances

The demand outlook remains positive because people are spending more time at home. As a result, there has been a steady increase in home-bound activity such as food preparation, cleaning and grooming. The industry is performing well with Q3 output up by 14.3% and Q4 expected to grow 12% compared with 2019. So far, 2021 has proved extraordinary for domestic appliances, even in mature markets such as the US and Europe. The overall convenience of buying online has fuelled demand with a growing number of people switching to smarter appliances.

The appliance market in northeast Asia, except for Japan, is doing well in line with other advanced economies. Southeast Asia is growing, but its growth is nowhere near that seen in developed nations. The southeast Asian market is expected to pick up and perform better next year.

By **Jincy Varghese**, ICIS demand analyst ([jincy.varghese@icis.com](mailto:jincy.varghese@icis.com))

## China domestic appliances sector growth



Source: Oxford Economics

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