

**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

- **Upstream cost push drives up offers**
- **Buyer enquiries see uptick but trades remain few**
- **Buy-sell gap persists, curbs liquidity**

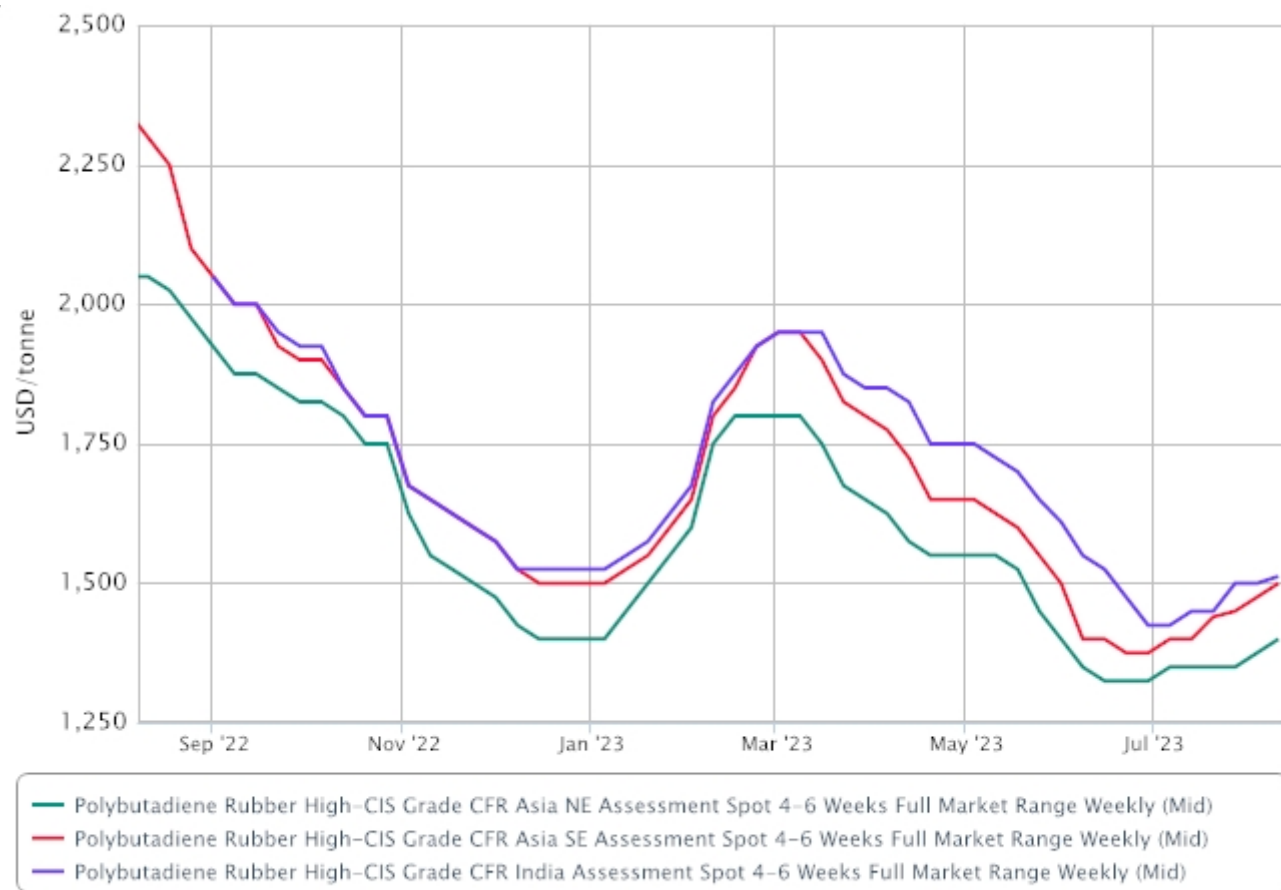
Asian high-cis polybutadiene rubber (PBR) import prices netted some increases this week, as offers and selling indications firmed on the back of rising feedstock butadiene (BD) prices. Producers pressed for higher PBR prices, in an effort to defray rising upstream costs and protect frail margins.

[BD](#) prices have risen 28% since early July, with PBR selling sentiments further boosted by the rally in [crude](#)/naphtha values last week.

A wide buy-sell gap however persisted and failed to narrow sufficiently to drive overall spot trade liquidity up, market players said.

A majority of end-users remained resistant to the higher offers, citing lacklustre demand conditions in their downstream markets as a factor limiting their bids for raw materials. Several buyers across markets also held sufficient stocks previously purchased at lower prices, and hence deferred fresh discussions.

As natural rubber prices have softened in recent weeks, some may also turn to procure more natural rubber to substitute PBR, market sources said.



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## OUTLOOK

- **Upstream bullishness may continue to prop selling sentiment**
- **Economic headwinds to cap downstream demand**
- **Buy-sell gap may stay wide in the near term**

## 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	1750.00-1950.00	n/c	1750.00-1900.00	79.38-88.45
<b>CFR Asia SE</b>	USD/tonne	n/c	1850.00-2000.00	n/c	1850.00-2000.00	83.91-90.72
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	n/c	1350.00-1450.00	+50	1300.00-1400.00	61.24-65.77
<b>CFR Asia SE</b>	USD/tonne	n/c	1450.00-1550.00	+50	1350.00-1450.00	65.77-70.31
<b>CFR India</b>	USD/tonne	n/c	1450.00-1575.00	+25	1400.00-1500.00	65.77-71.44

## Northeast Asia

### High-cis

CFR NE Asia prices were up at the high-end tracking firmer selling indications. Although an uptick in enquiries emerged late in the week, transactions were limited amid thin buying interest as buyers largely held stocks previously sourced at lower prices.

Domestic prices in east China were stable from the previous week, as feedstock BD rolled back on some gains realised earlier.

<b>Price (CNY/tonne)</b>	<b>This week's close</b>	<b>Previous week's close</b>
E China Ex-Warehouse	11,100-11,300	11,100-11,300

### Low-cis

Prices were unchanged amid subdued discussions.

## Southeast Asia

### High-cis

CFR SE Asia prices were up at the high-end to reflect firmer selling indications that have emerged for Asian material from separate sources this week, on the back of higher BD values. End-user response was lukewarm, with some heard looking to substitute PBR with cheaper natural rubber. Although buyer enquiries picked up pace late in the week, discussions at firmer prices had yet to emerge.

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

Aug (1-10) 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
129.39	131.31	133.48	136.34	136.27	135.03	140.11	140.11

### Low-cis

Discussions were limited and assessments were kept unchanged amid scarce activity.

## India

CFR India prices firmed at the high-end reflecting higher sell-side expectations for NE Asia-origin cargoes, but these did not draw any positive buy-side response.

End-users were either reliant on locally produced product or opted to source material from outside of Asia. The low-end was kept stable in the absence of fresh buy-side indications.

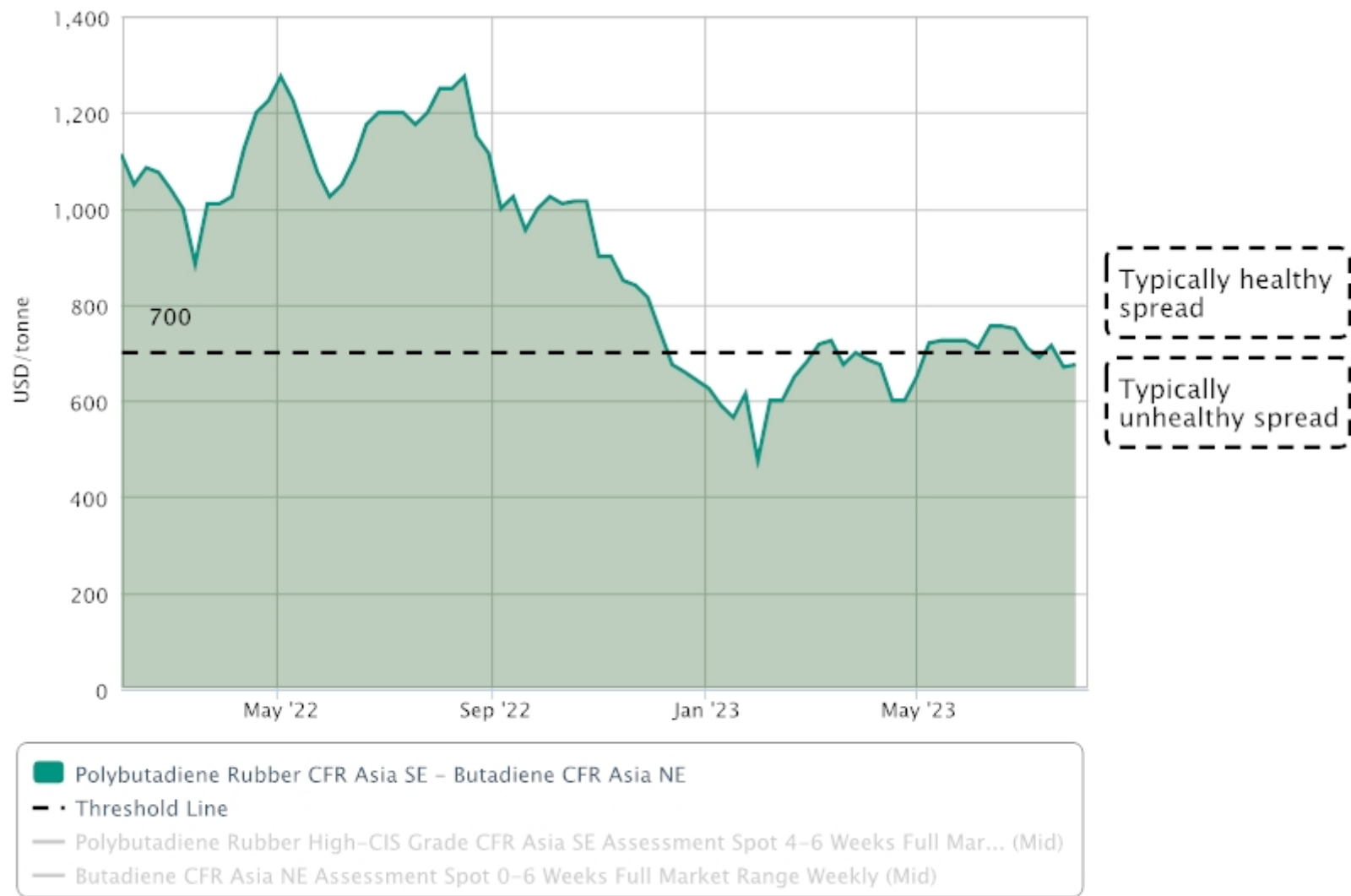
## UPSTREAM

### Butadiene

- Domestic China surges higher
- Sentiment bullish therefore among import sellers
- But mood subdued among buyers in wider Asia

The chart below shows the spread between butadiene and PBR.

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



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## PRODUCTION

A 60,000 tonne/year unit in Taiwan is [shut](#) for maintenance and expected to restart in H2 August.

## ANALYTICS

## ICIS Downstream Automotive Outlook

Global light vehicle sales increased by 4.7% month on month in May to 89m units/year from 85m unit/year in April (Oxford Economics). But negatives continue to outweigh positives for the sector. Now for 2023, the outlook continues to be challenging due to the cost-of-living crisis, as car buyers are expected to postpone their purchases.

According to the US Census Bureau, US light vehicle sales increase by 4.0% month on month in June with total sales of 15.7m units (up 20.2% year on year and 8.5% down from 2019). High inflation, slumping consumer confidence and tighter monetary policy will weigh upon consumer demand for automotives. The outlook for the rest of 2023 remains concerning.

According to the European Automobile Manufacturers' Association (ACEA), in Jan to May 2023, EU passenger car registrations increased by 18.5% to 4.4m units. However, the figure was still lower compared with the same time period in 2019, by 23%. The Association further reported double-digit growth in Spain (+26.9%), Italy (+26.1%), France (+16.3%), and Germany (+10.2%). However, in the current macroeconomic climate, 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. In the context of the EU's ambitious Fit for 55 climate policy (which aims to reduce net greenhouse gas emissions by at least 55% by 2030), eurozone car makers are preparing for structural change. However, there is a degree of scepticism among manufacturers regarding mandatory targets for ramping up the charging and refuelling infrastructure for electric vehicles.

China automotive output is forecast to shrink during the second half of the year (Oxford Economics), contrary to the view that pent-up demand would lead to growth post the reopening of the economy. However, the actual impact is something we must wait and see. Currently Chinese auto stakeholders are primarily focusing on the development of New Energy Vehicles (NEV) and Intelligent Connected Vehicles (ICV) including autonomous vehicles.

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