



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.

ICIS plans to launch a new CFR India assessment for PBR high-cis grade on 1 September 2022 to track growing imports into India. Please send feedback and queries to aiteng.lim@icis.com.

OVERVIEW

- **Tepid demand lingers**
- **Spot supplies tight on production constraints nevertheless**
- **Wide buy-sell gap persists**

Spot discussions in Asia's polybutadiene rubber (PBR) market are muted as tepid demand lingers.

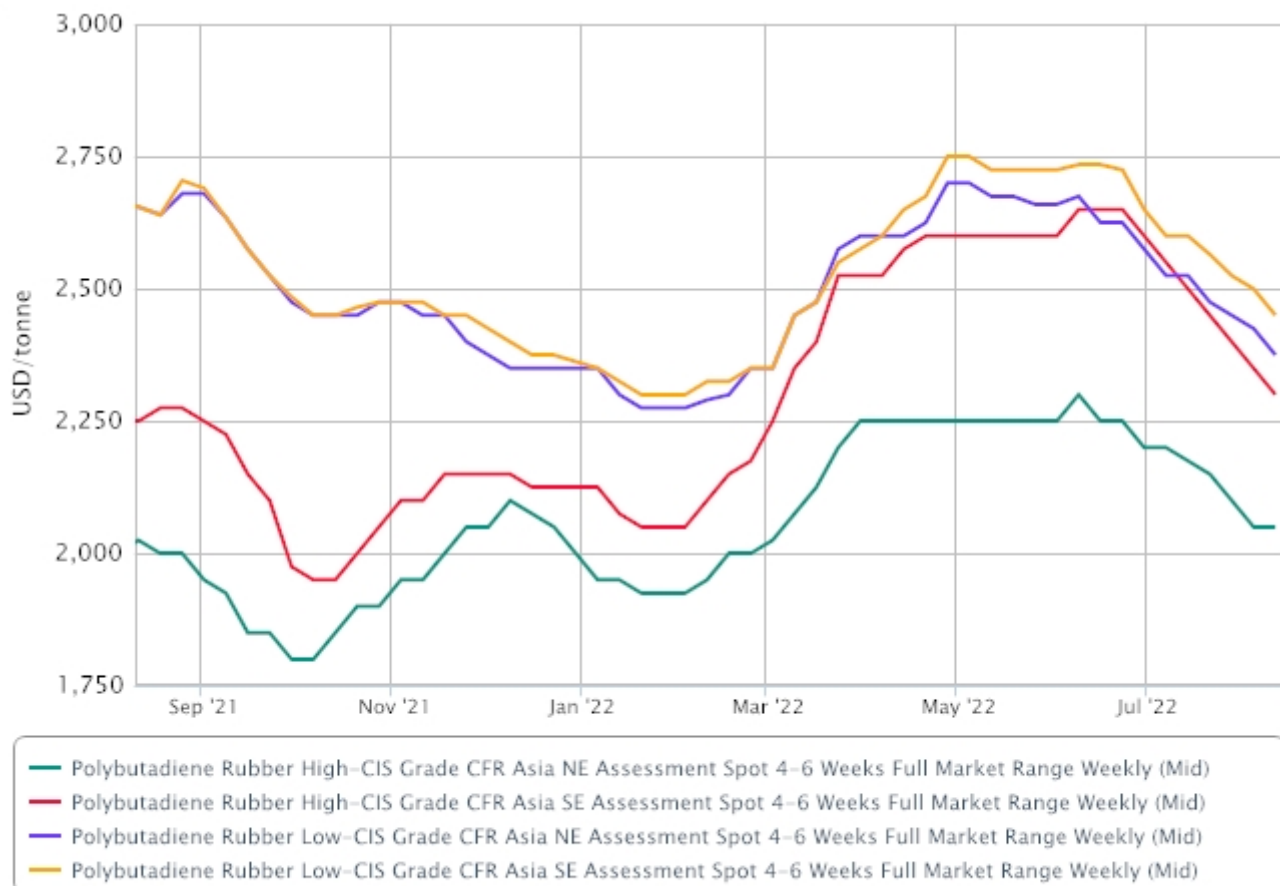
Demand outlook is downbeat, amid various bearish economic indicators. In China, July official manufacturing purchasing index (PMI) fell into the contraction zone, and the ICIS's China petrochemical index (IPEX) also [slumped](#) 7% lower month on month.

In other regional outlets of southeast Asia and India, demand fundamentals were also weak amid [inflationary pressures](#).

With the feedstock [butadiene](#) (BD) market declining, potential buyers also anticipate PBR offers to soften even more in due course and are in no hurry to engage sellers now.

Some sellers did moderate their asking prices for high-cis PBR cargoes, although this was more to reflect and keep pace with falling upstream costs according to market sources. With high-cis supply structurally tight in Asia on the back of ongoing production constraints, sellers are heard generally confident that this will help mitigate demand-led downside pressures on spot pricing.

Lower offers also emerged for low-cis PBR cargoes, but this drew limited response from the beleaguered downstream polystyrene (PS) sector. That said, some low-cis makers maintained that there is no room to price down further given the high cost pressures in areas like utility charges and raw material prices.



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OUTLOOK

- High-cis demand to hinge on auto sector growth
- Weak PS sector performance to weigh on low-cis off-take
- Players also keeping an eye on feedstock price movements

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2250.00-2500.00	-100	2350.00-2700.00	102.06-113.40
CFR Asia SE	USD/tonne	n/c	2400.00-2500.00	-100	2500.00-2700.00	108.86-113.40
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2000.00-2100.00	n/c	2100.00-2250.00	90.72-95.25
CFR Asia SE	USD/tonne	-50	2200.00-2400.00	-50	2400.00-2600.00	99.79-108.86

Northeast Asia

High-cis

CFR (cost & freight) NE Asian assessments were rolled in a thinly-discussed market and in the absence of any concrete buy-sell indications.

There was no buying interest with most end-users in the major China market amply supplied domestically.

There were no fresh offers either, as most sellers in wider Asia said that they will retreat first and return only after the wide pricing differential between the yuan-denominated market and the US dollar-denominated import market has narrowed.

Domestic PBR prices in China extended losses, alongside reductions seen in the upstream butadiene market.

Price (CNY/tonne)	11 Aug	04 Aug
E China Ex-Warehouse	12,300-12,700	13,000-13,400

Low-cis

CFR northeast Asian assessments for the low-cis grade were dropped at the high end, tracking a lower offer heard.

However, substantive discussions were thin as demand was poor, given the low operating rates at the key polystyrene downstream sector.

Southeast Asia

High-cis

CFR southeast Asian assessments were down with lower offers heard for cargoes from diverse origins.

The high end reflected lowest offers heard from suppliers in wider Asia, while discussions for China-origin materials were heard at the low end.

The scope of CFR SE Asian assessments does not include discussions for India-bound cargoes.

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

Aug 11) 2022	(1- Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
153.09	158.83	164.15	162.81	171.15	175.18	179.84	178.12

Low-cis

The high end for the low-cis CFR southeast Asian assessment was down with a lower offer heard.

The low end was kept unchanged in the absence of any concrete buy-side indication.

India

High-cis PBR materials from regular northeast Asian suppliers were heard indicated at \$2,350-2,450/tonne CFR India, while cargoes from other origins were heard available at \$2,100-2,200/tonne CFR India, market sources said.

However, substantive discussions and transactions were limited, in part because downstream operations are seasonally lower during the current monsoon weather.

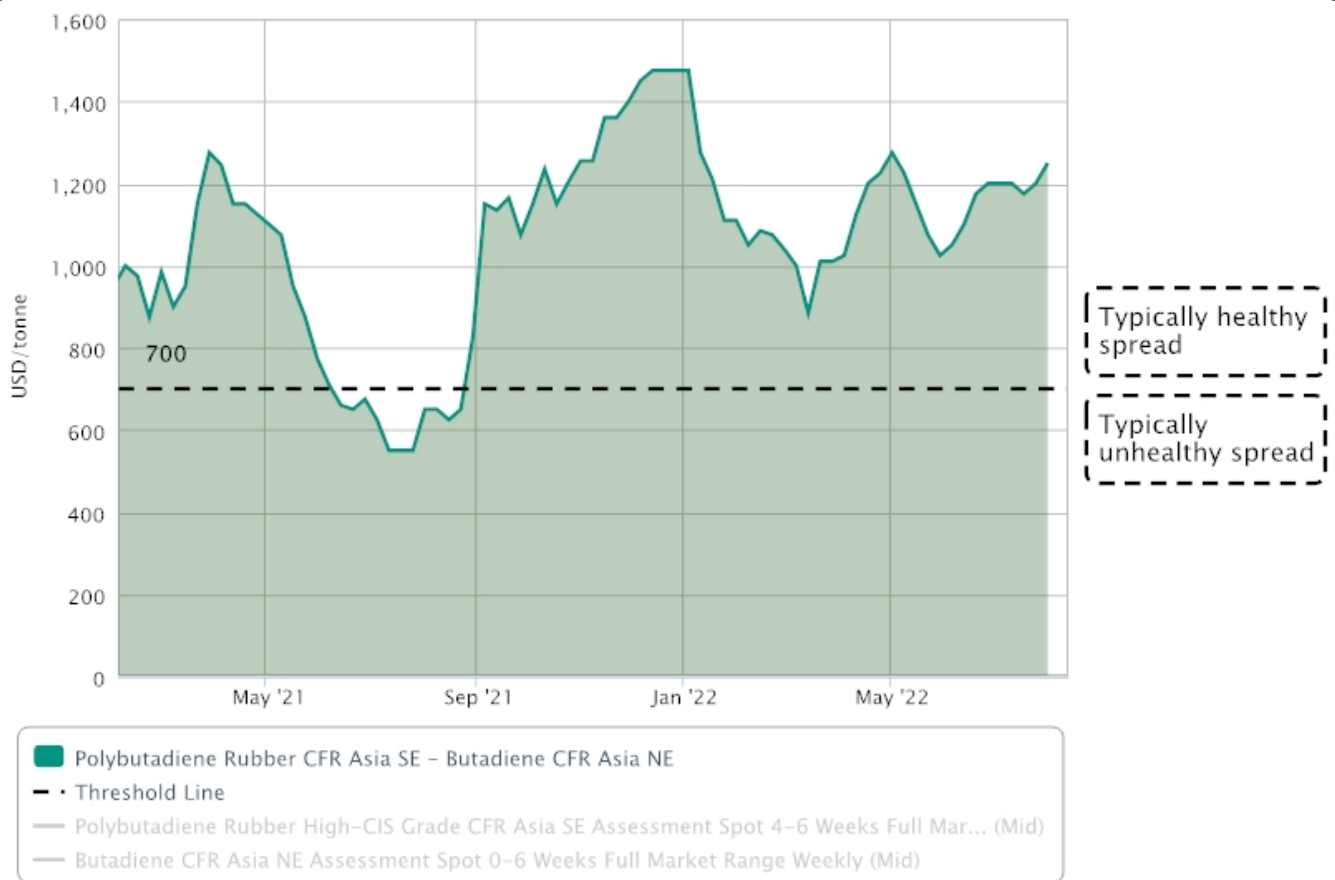
UPSTREAM

Butadiene (BD)

- Weak domestic China
- Tepid demand
- Buy-sell gap widens for imports

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, the average operating rates for PBR held steady at 68% for the week ended 05 August, unchanged from the week prior, market sources said.

In wider Asia, spot availabilities remained tight with an ongoing [outage](#) and [upcoming](#) maintenance.

ANALYTICS

ICIS Crude outlook

OPEC+ will continue with production quota increases of 648,000bbl/day in August. As has been the case for a number of consecutive months, the cartel is unlikely to reach these levels of production, ensuring supply will remain restricted in the near term. Only Saudi Arabia has the capability to meaningfully increase production levels out of the entire cartel. India's oil demand grew by 18% year on year in June, to 5m bbl/day. Gasoline and diesel demand grew by over 23% year on year respectively. However, India does face some headwinds as export taxes have been imposed on diesel, jet fuel and gasoline. Regardless, India's oil demand is expected to continue to remain strong in the second half of 2022. Global oil demand growth is likely to be lower later in 2022, as global economic growth is now expected to be much lower than previous expectations. This is primarily due to the combined effect of high inflation, high energy prices and higher interest rates. This will inevitably lead to lower oil demand growth from the fourth quarter of 2022 and into early 2023.

By **Ajay Parmar**, ICIS senior analyst, ajay.parmar@icis.com

ICIS Naphtha outlook

Naphtha cracks (naphtha price minus crude price) have recovered substantially from the severe collapse in June; however, they still remain weak overall in all major regions. The market had weak demand for a number of months, but cracks collapsed once refineries raised runs around end of May. ICIS expects naphtha cracks to remain steady around current levels throughout the summer. The NWE propane:naphtha ratio has fallen substantially in July, driven by the strengthening naphtha crack. The ratio has hit a recent low of 82% for parts of July. ICIS expects LPG will remain a more favourable feedstock over naphtha in the near term.

By **Ajay Parmar**, ICIS senior analyst (ajay.parmar@icis.com)

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