



## Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim  
13-May-2021

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

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All prices in the weekly analysis on 13 May are based on information collated up to 12 May. Please click [here](#) for the ICIS publishing schedule.

### OVERVIEW

- **SE Asia flat on holiday lull**
- **NE Asia soft for high-cis**
- **India [stalls](#) on COVID-19 surge**

Discussions were muted this week in Asia's polybutadiene rubber (PBR) spot market, with some outlets winding down for the upcoming Eid ul-Fitr holidays.

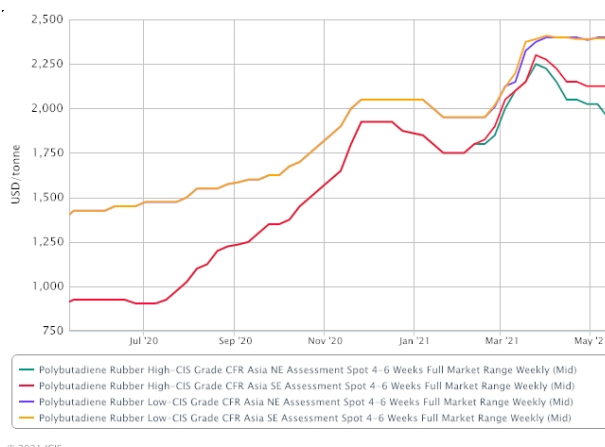
Assessments for low-cis materials are stable, supported by steady requirements from the downstream white goods appliance sector.

But sentiment for high-cis materials, which goes more heavily to automobile sector usage, was relatively duller, especially after news surfaced of sharp month-on-month [declines](#) in India's April car sales.

In China, local requirements of high-cis PBR are amply fulfilled by existing domestic stock-pile, curtailing in turn China's buying interest for US dollar denominated imports.

In India, import appetite is also curbed as operations in the country's automobile sector are hampered by tighter coronavirus-related manpower and mobility restrictions.

But with regional output crimped by ongoing and upcoming turnarounds, producers were also heard to be reluctant to widen discounts just to induce buying, saying that they do not face inventory pressures to warrant pricing down too much.



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## OUTLOOK

- Supply shortage may ease once ongoing turnarounds are completed
- Coronavirus worries to weigh down demand sentiment
- Eyes on how India's automobile sector may perform in 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	2350.00-2450.00	n/c	2350.00-2450.00	106.59-111.13
<b>CFR Asia SE</b>	USD/tonne	n/c	2350.00-2440.00	n/c	2350.00-2450.00	106.59-110.68
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	-100	1900.00-2000.00	-50	2000.00-2100.00	86.18-90.72
<b>CFR Asia SE</b>	USD/tonne	n/c	2100.00-2150.00	n/c	2100.00-2200.00	95.25-97.52

### Northeast Asia

#### High-cis

CFR northeast Asian assessments for high-cis materials were down, taking into account discussions for deliveries to diverse northeast Asian destinations.

Buying interest was tepid in China, with buyers there mostly reliant on domestic supplies, and the low end reflected offers heard for China-bound parcels.

The high-end reflected offers for delivery to other northeast Asian locations, such as Taiwan.

Domestic China prices edged up, supported by recent gains in natural rubber futures.

#### East China Domestic PBR Prices Ex-Warehouse (CNY/tonne)

12 May	06 May	29 Apr	22 Apr	15 Apr	8 Apr	1 Apr	25 Mar	18 Mar
12,200- 12,300	11,700- 12,050	11,500- 11,800	12,000- 12,200	12,700- 12,800	13,200- 13,400	13,300- 13,500	13,400- 13,500	13,500- 13,600

**Low-cis**

CFR northeast Asian assessments for low-cis materials held steady on rangebound talks.

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

CFR southeast Asian prices for high-cis materials were kept unchanged, in the absence of fresh buy-sell pricing indications.

Many players were [winding down](#) for the upcoming Eid ul-Fitr holiday, and discussions for June shipment supplies are expected to pick up more pace only in the coming week.

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

May (1-11) 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021	Dec 2020	Nov 2020	Oct 2020	Sep 2020
171.57	164.72	175.25	169.16	158.40	157.61	156.50	152.31	136.85

**Low-cis**

CFR SE Asian assessments for low-cis PBR materials were kept unchanged in a thinly-discussed week.

**India**

Discussions are muted, with local players pre-occupied with the surge in coronavirus cases.

Most local end-users were heard still sufficiently stocked and can delay fresh import purchases till later, or when the coronavirus situation has stabilised and operations at downstream factories return to normal.

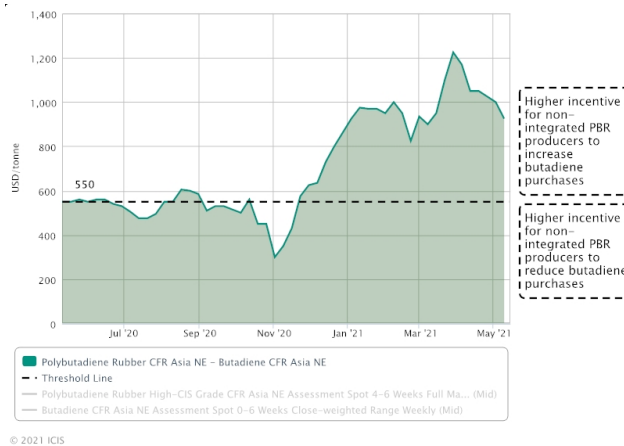
Meanwhile, selling indications were heard at around \$2,200/tonne CFR India, but notional buying indications substantially lower at near \$2,000's/tonne CFR India, market sources said.

**UPSTREAM**

Asian **butadiene** prices were stable-to-firm, with [uneven supply conditions](#) in the region providing some upside support for wider Asian deliveries.

The chart below shows the spread between butadiene and PBR.

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



## PRODUCTION

In China, average operating rates at its PBR plants were at 69% for the week ended 7 May, marginally higher than the 68% rate in the week prior, market sources said.

But at least 400,000 tonnes/year worth of PBR production capacity in China remains [shut](#) currently for servicing and repairs.

## ANALYTICS

### ICIS Naphtha Outlook

The price of naphtha fell in April, in line with crude. Supply of naphtha from Asian refineries will be lower in the coming months, as the region enters its refinery maintenance season. China, for example, will see refinery throughput drop by over 1m bbl/day by May, compared with February. This will prompt additional imports from the West to maintain supply to the region. After the Suez Canal blockage reduced West-East naphtha transfers in April, ICIS expects them to exceed 2 million mt in May. The European LPG-naphtha spread has reached its lowest point since mid-2020, with -\$112/tonne recorded in mid-April. This is primarily due to warmer weather in Europe reducing the demand for LPG heating. ICIS expects that the spread will narrow slightly over the coming months; however, the overall spread will remain strongly negative until the end of the summer season.

By **Ajay Parmar**, ICIS senior analyst; [ajay.parmar@icis.com](mailto:ajay.parmar@icis.com)

### ICIS Butadiene Outlook

US butadiene (BD) production reached about 270,000 tonnes in Q1 2021, based on the available data, down by about 12% on Q1 2020, as a consequence of polar storm-related shutdowns. Despite an increase in production to between 330,000 tonnes and 350,000 tonnes in Q2, tight market fundamentals are likely to persist. Another rise in output is forecast in Q3 2021 compared with Q2 2021, capping opportunities for exports from European producers.

The European BD market is set to be bullish for June amid healthy demand and constrained supply. Given the persistent effects stemming from February's deep freeze, the US market might continue attracting interest from several European producers during the next few weeks. In contrast, a bearish mood is expected for the BD industry for most of H2 2021 due primarily to the return of plants from seasonal maintenance combined with the start-up of new units in Asia.

Throughout H2 2021, South Korea will be adding new BD production capacity that is expected to increase from almost 1.3m tonnes/year to 1.6m tonnes/year this year and to about 1.9m tonnes/year in 2022, according to the

ICIS Supply and Demand Database. Three new BD extraction units will be commissioned by Hyundai Chemical, LG Chem and Yeochun NCC in 2021. Another facility will be installed by Lotte-GS Chemical at Yeosu next year. South Korea, which is structurally short in BD, should see a gradual reduction in its shortfall and even halve it by 2025.

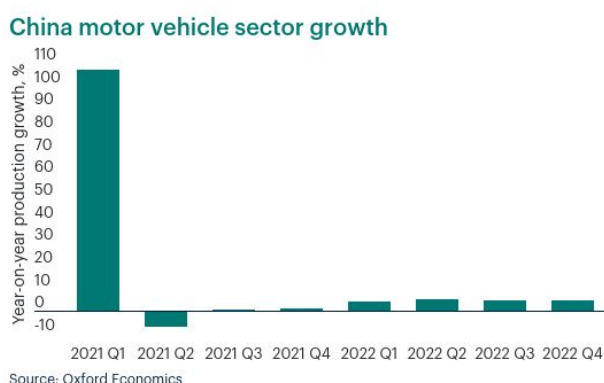
By **Paolo Scafetta**, ICIS senior olefin analyst, [paolo.scafetta@icis.com](mailto:paolo.scafetta@icis.com)

### ICIS Downstream Automotive Demand Outlook

The year started with a certain degree of optimism on the back of a better-than-expected Q4 2020. The automotive sector reported a strong performance in March 2021. According to LMC Automotive, the automotive forecaster, global light vehicle (LV) sales rose 7% month on month in March to 87.5m units. However, the industry is suffering from supply chain problems and other production-related issues. Polymer and shipping container shortages continue, forcing a number of companies to announce plant shutdowns. As a result, most carmakers are running alarmingly low levels of raw material and finished product inventories. The CEO of Volkswagen said, "The company would be unable to build 100,000 cars this year due to the chip shortage and the group would not be able to make up for the shortfall in 2021".

Chinese vehicle production was up a strong 72% year on year in March 2021, although this largely reflects shutdowns in Q1 2020. However, production is lower than in March 2019, even though sales have been flat over the same time period. This reflects lower inventories, according to the China Automobile Dealers Association (CADA). Chip shortages are biting here too, with many domestic and foreign producers talking about supply problems. India's Federation of Automobile Dealers Associations (FADA) reported that registrations fell 28.64% year on year but grew 10.05% month on month. Close to 47% of dealers said that they had lost more than 20% of sales due to supply-side constraints. Japanese car production has also been impacted: down around 9% year on year in February. South Korean producers, especially Hyundai, are seen as less impacted by shortages due to integrated chip production. However, production cutbacks are now starting to bite for all producers here too.

By **Jincy Varghese**, ICIS demand analyst and **Rhian O'Connor**, ICIS senior analyst



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