



## Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim  
14-Jul-2022

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

### OVERVIEW

- **Muted discussions**
- **Players wait and see**
- **Offers under pressure due to softer upstream**

Asia spot discussions for high-cis polybutadiene rubber (PBR) were stable-to-soft, as offers softened following recent upstream declines.

The price of feedstock butadiene (BD) is down more than 15% since early June, giving PBR makers in wider Asia some room to price down.

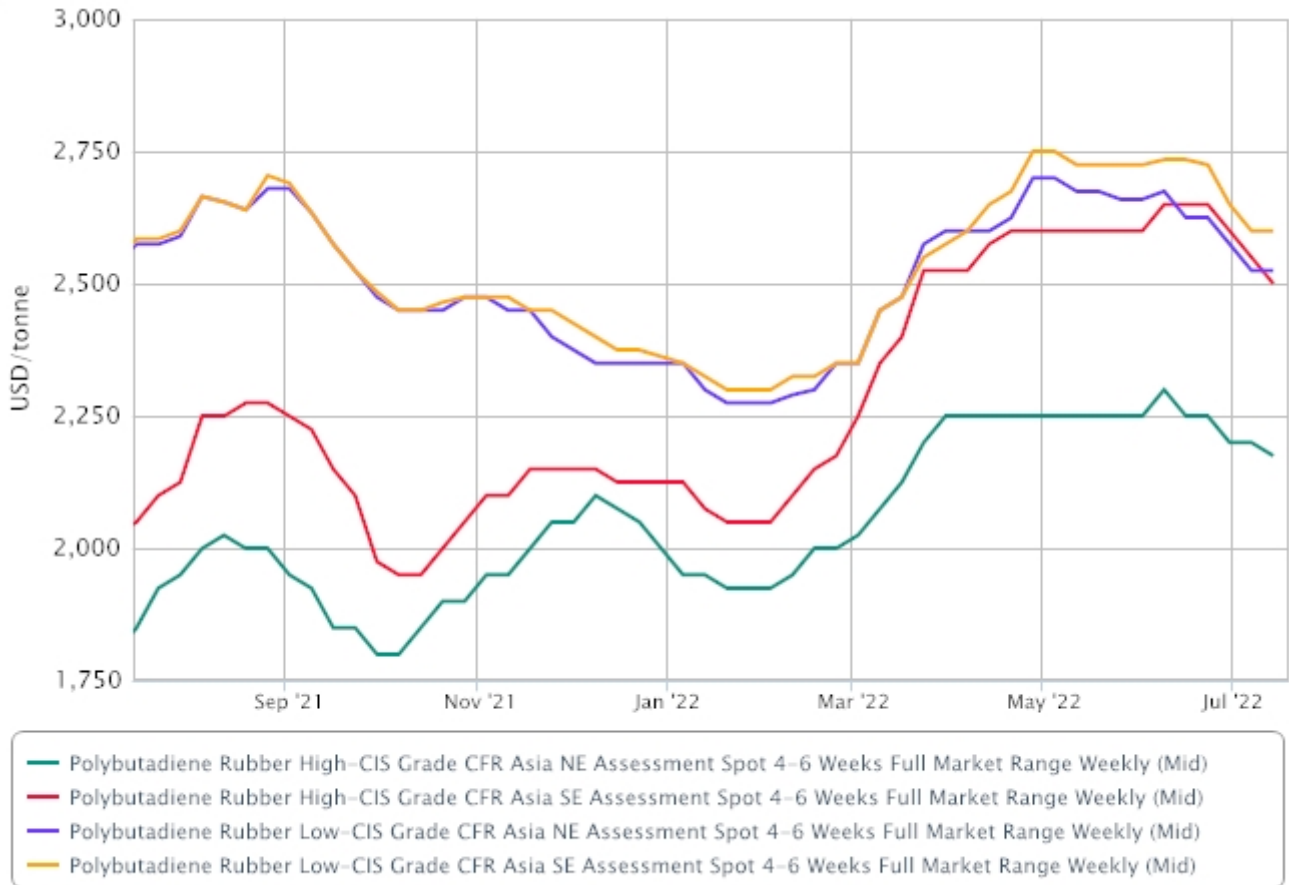
However, as high-cis availability in wider Asia remains capped due to an ongoing outage and upcoming maintenance, sellers were heard confident that buyers with concrete requirements will still bid up to secure volumes.

However, sentiment among buyers was more downbeat amid concerns about downstream demand and how it will hold up against rising inflation and recession concerns.

Many were careful not to procure further, and as such, the softer high-cis offers this week drew a limited response, sources said.

Low-cis off-take is slow as the key downstream polystyrene (PS) sector mulled [operating rate cuts](#) to relieve a supply overhang.

Unlike their high-cis counterparts, low-cis sellers were hemmed in by hefty costs for catalysts required for production, and were therefore unable to reduce offers much to induce demand.



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## OUTLOOK

- Rising China exports may ease supply constraints in wider Asia
- Demand may stay weak on [inflation risk](#)
- Price pressures from [weak upstream](#)

## 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	2350.00-2700.00	n/c	2550.00-2700.00	106.59-122.47
<b>CFR Asia SE</b>	USD/tonne	n/c	2500.00-2700.00	n/c	2720.00-2750.00	113.40-122.47
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	n/c	2100.00-2250.00	-50	2200.00-2300.00	95.25-102.06
<b>CFR Asia SE</b>	USD/tonne	-50	2400.00-2600.00	-50	2550.00-2750.00	108.86-117.93

### Northeast Asia

**High-cis**

The CFR NE Asia assessment for high-cis grade was stable-to-soft, with the high end lowered on softer offers heard.

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

End-users in the key China outlet remain heavily reliant on domestically produced material, rather than US dollar denominated imports.

Domestic PBR prices in China trended down with a weak upstream butadiene (BD) market.

<b>Price (CNY/tonne)</b>	<b>14 Jul</b>	<b>7 Jul</b>
E China Ex-Warehouse	13,500-13,800	13,900-14,200

**Low-cis**

The CFR northeast Asia assessment for low-cis material was kept unchanged on muted discussions.

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

The CFR southeast Asia assessment was down, with lower offers heard for cargoes from non-China origins tracked at the high end.

The low end was dropped in tandem to reflect muted buying sentiment in the absence of any concrete transactions heard.

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

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

<b>Jul (1-14) 2022</b>	<b>Jun 2022</b>	<b>May 2022</b>	<b>Apr 2022</b>	<b>Mar 2022</b>	<b>Feb 2022</b>	<b>Jan 2022</b>
161.42	164.15	162.81	171.15	175.18	179.84	178.12

**Low-cis**

CFR southeast Asia prices for low-cis material were rolled amid thin discussions.

Buying indications were capped at the high end for cargoes from regular northeast Asian suppliers, while the low end tracked indications heard for cargoes from other origins.

**India**

Discussions for high-cis PBR imports into India were wide-ranging, depending on cargo origin.

Material from regular northeast Asian suppliers were heard discussed at \$2,600-2,650/tonne CFR India.

But cargoes from other origins like China and Middle East were heard indicated at a substantially lower level, at around \$2,200/tonne CFR India, market sources said.

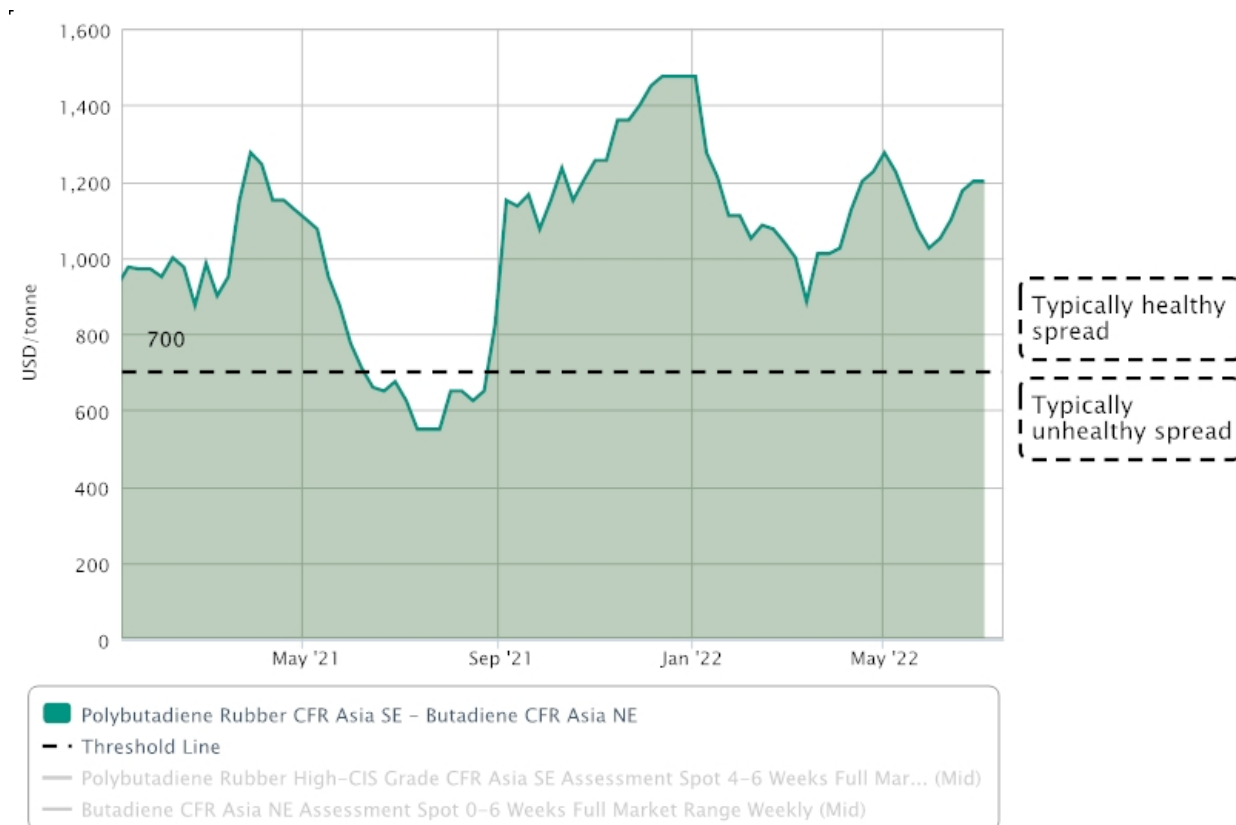
**UPSTREAM**

## Butadiene

- [Bearish](#) buying indications
- Supplies lengthening too
- Scant offers

The chart below shows the spread between BD 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 73% for the week ended 8 July, up from 71% in the week prior, market sources said.

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

## ANALYTICS

### ICIS Downstream Automotive Demand Outlook

The global automotive industry is still struggling to make up for pandemic-induced losses. The global light vehicle selling rate fell to 75m units/year in March, with a Q1 2022 average of 79m units/year, as supply issues continued to cap sales growth (Oxford Economics). Material shortages continue to hit the industry. The semiconductor industry is already running at full capacity but is still unable to meet demand. Typical

lead times for key materials are between six and eight months. Car manufacturers are bracing for the impact. Toyota reported net income of yen (¥) 2.8tr for FY2022 (an increase of 27%), despite logistics issues. However, its guidance for FY2023 is for net income of ¥2.3tr (down 21% year on year) because the company expects material costs to more than double this year.

According to the US Census Bureau, US light vehicle sales increased by 6.6% month on month in March with total sales of 14.3m (still down 22% year on year). The finished inventory to sales ratio continues to be extremely low at 0.470. The ratio was 1.564 and 3.140 respectively in March 2021 and 2020.

The European Automobile Manufacturers' Association (ACEA) reported a 21% fall year on year in passenger car registrations in March, an historic low. Major European economies posted double-digit sales contractions: Spain (-30%), Italy (-30%), France (-20%) and Germany (-18%). Commercial vehicle registration was down 25% month on month in January, and inventories were alarmingly low. Another direct impact of the conflict in Ukraine is limited supply of neon gas, which is used in making microchips. Ukraine is one of the leading producers of neon gas. The UK's Society of Motor Manufacturers and Traders reported total registrations down 16%, with diesel cars down 52% year on year in April.

In China, auto sales and production steeply declined as a result of the strict coronavirus lockdowns. According to the China Association of Automobile Manufacturers (CAAM), car production was down 46% year on year in April 2022. A similar fall was reported month on month. The outlook for Chinese automotive remains bearish, mainly because of movement controls. Inventory is up thanks to weak sales. The China Automobile Dealers Association reported an inventory coefficient of 1.91, an increase of 9.1% month on month and a year-on-year increase of 22% (with levels above 1.5 considered a warning).

The Indian outlook continues to be bearish. The Federation of Automobile Dealers Associations of India said total vehicle sales increased by 37% in April year on year. However, compared with April 2019 (pre-pandemic), the sales are still down 6%.

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

## Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

### ICIS Downstream Demand Outlook - Domestic Appliances

The domestic appliances market had a great period from mid-2020 until late 2021. As a result, expectations for 2022 were already sombre. The sector was expected to cool down and return to a more normal rate. However, in March and April, the outlook was further dampened. A slowing real estate market, an erosion of real household incomes and a longer appliance replacement cycle are expected to hit sales in the short to medium term. This has been exacerbated by supply chain

problems and a continuous lack of microchips. The outlook for domestic appliances is bearish, given the level of inflation, as consumers are cutting back on discretionary spending. White goods are expected to become more expensive this year given the increase in prices of raw material such as plastics and steel. China is one of the leading exporters of household appliances, which are on hold because of the strict lockdowns. On the positive side, unseasonal hot weather is supporting demand for cooling appliances.

US household appliances is a mature market and a longer appliance replacement cycle is expected to hit sales in the short to medium term.

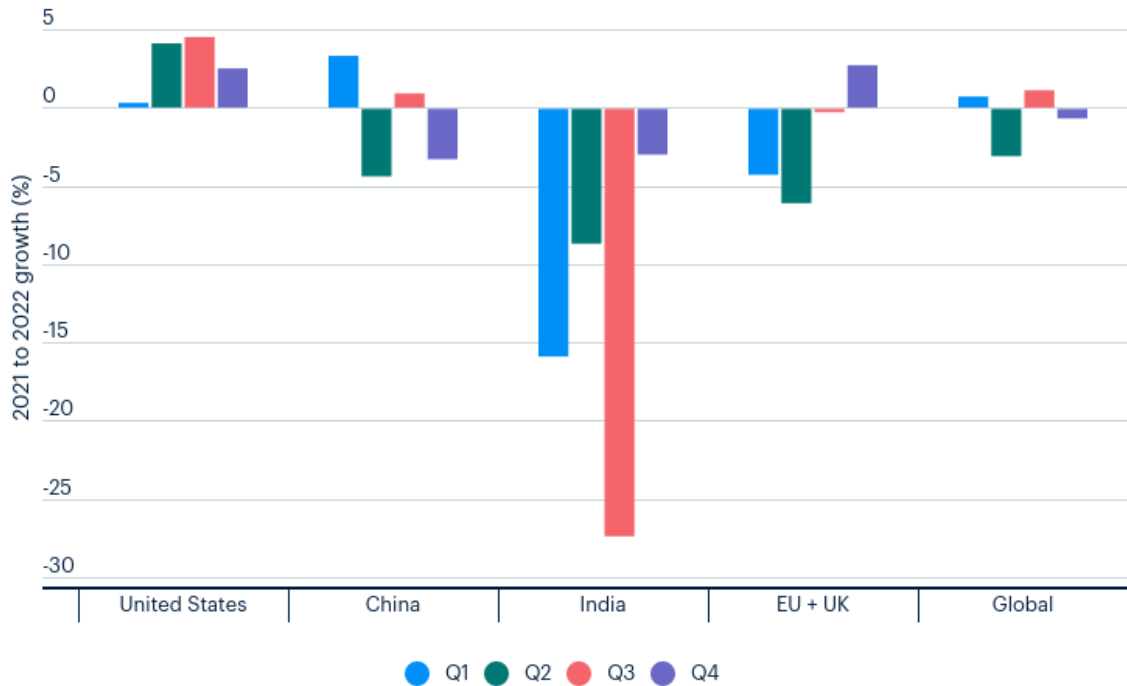
Like the US, Europe is a mature market and replacement demand is expected to slow down. Europe is also experiencing warm weather (above seasonal norms) that could support the cooling appliances market. Logistics woes continue.

With the real estate downturn in China, demand for domestic appliances is expected to be muted. However, the long-term outlook is quite positive, driven by megatrends such as urbanisation, an increasing middle class and digitalisation. Earlier expectations that India would outperform its global peers have been downgraded. However, there is substantial growth potential in southeast Asia because of its low market share.

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

## Domestic appliances sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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