



## Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim  
15-Jul-2021

[Overview](#) | [Outlook](#) | [Prices](#) | [Upstream](#) | [Production](#) | [Other Regions](#) | [Analytics](#)

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

### OVERVIEW

- **Domestic China spikes**
- **Import offers also up with upstream strengths**
- **Covid lockdowns dampen regional buying appetite**

Asian spot prices for polybutadiene rubber (PBR) were mostly up, tracking firmer offers heard.

Sellers hiked offers to recoup sharply higher costs for feedstock butadiene (BD), which has soared more than 20% in the last month.

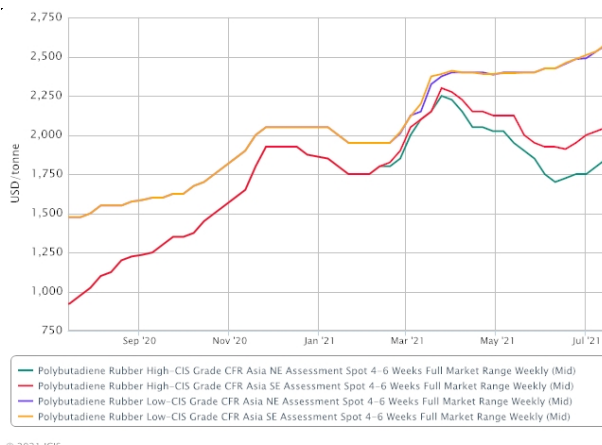
Domestic yuan-denominated prices in China also surged with upstream gains, boosting even more the confidence among sellers hold firmer to their elevated targets for US dollar denominated import cargoes.

But buyers' response is muted, although for different reasons across outlets.

In China, demand for high-cis materials is capped on a seasonal demand lull.

In southeast Asia, high-cis [requirements are also low](#) with many downstream factories forced to shut or reduce run rates on extended/tightened coronavirus-related restrictions.

The mood is somewhat brighter in India, where players are cautiously optimistic that the local economy is on track for a [gradual recovery](#). That said, substantive transactions are still weighed down by challenges such as [freight limitations](#) and credit squeeze, market players said.



© 2021 ICIS

## OUTLOOK

- **Feedstock cost pressures may extend**
- **Output cuts may be taken to rescue margins**
- **Demand recovery to hinge on effective pandemic containment**

### ICIS analyst view on butadiene (BD)

Butadiene (BD) exports to the US remain workable as short supply persists there. However, the tightness is expected to ease slightly from September.

Increasing demand and low port inventories in China are expected to support market sentiment. However, eyes are on the upcoming new plants in China. Three new BD plants are due online in August, which may bring some uncertainties. These new plants represent 370,000 tonnes/year of annual BD capacity. JG Summit's 70,000 tonne/year BD unit is also expected to come online in Q3.

Idled synthetic rubber lines in China are restarting, which might add 9,000-13,000 tonnes of BD demand per month initially. Additional demand from new acrylonitrile butadiene (NB) latex plants will be in place as well.

However, synthetic rubber producers might lower operating rates in Q4 on eroded margins, if styrene butadiene rubber (SBR) and polybutadiene rubber (PBR) prices fail to track the uptrend in feedstock prices.

By **Ann Sun** ([ann.sun@icis.com](mailto:ann.sun@icis.com))

For more information about analytical content, click [here](#).

## 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	+30	2550.00-2600.00	+50	2450.00-2460.00	115.67-117.93
<b>CFR Asia SE</b>	USD/tonne	+50	2570.00-2600.00	+50	2450.00-2470.00	116.57-117.93
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	+50	1800.00-1900.00	+50	1700.00-1750.00	81.65-86.18

<b>CFR Asia SE</b>	USD/tonne	+50	2000.00- 2100.00	n/c	1850.00-1970.00	90.72-95.25
--------------------	-----------	-----	---------------------	-----	-----------------	-------------

## Northeast Asia

### High-cis

CFR northeast Asia prices for high-cis materials were up with firmer buy-sell pricing indications heard for deliveries to China.

But spot trade liquidity is capped, with end-users in northeast Asia generally apprehensive about committing on fresh import deal at this juncture, when upstream pricing is volatile.

Supplies are also ample in China, suppressing in turn appetite for additional import purchases.

Domestic China prices surged, tracking sharp increases of upstream butadiene in the yuan-denominated market.

### East China Domestic PBR Prices

Price (CNY/tonne)	15 July	08 July
E China Ex-Warehouse	14,200-14,400	12,800-12,900

### Low-cis

CFR northeast Asian assessments were also up, in line with the full range of offers heard.

No deals were heard closed this week though, as buyers took a wait-and-see approach.

## Southeast Asia

### High-cis

CFR southeast Asian prices for high-cis materials were assessed in a narrower range, with the low-end lifted to reflect the full range of trade and discussions heard.

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

July 2021	(1-15) June 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
162.38	164.51	169.09	164.72	175.25	169.16	158.40	

### Low-cis

CFR southeast Asian assessments were up, with the low-end raised with deals heard, and the high end reflected firmed offers heard.

## India

In India, some Asia-origin high-cis materials were heard sold at over \$2,200/tonne CFR India for August shipment.

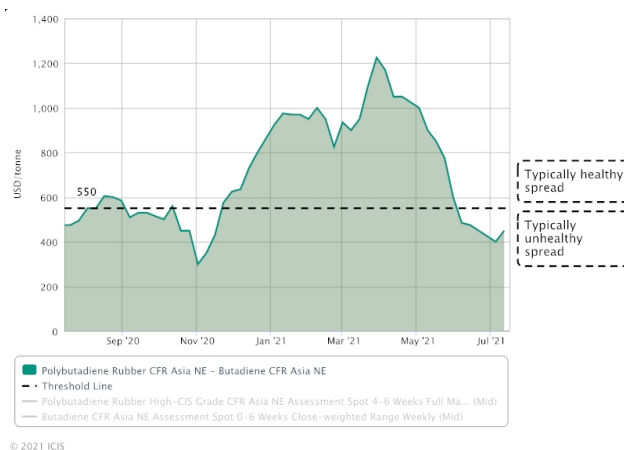
But the bulk of buying indications were heard at below \$2,100/tonne CFR India, in line with US dollar parity values of domestic cargoes, market sources said.

## UPSTREAM

Asian **butadiene** offers were firmly [bullish](#), even though downstream synthetic rubber makers struggled to [keep up](#).

The chart below shows the spread between BD and PBR.

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



## PRODUCTION

In China, average operating rates at its PBR plants held steady at 82% in the week ended 9 July, unchanged from the week prior, market sources said.

Outside of China, spot availability may tighten with a 60,000 tonnes/year plant in Taiwan heading into [maintenance closure](#) later in July.

## OTHER REGIONS

In China, [June vehicle sales](#) fell two months in a row, down 12.4% from May.

In the US, June auto sales [fell](#) from May on inventory constraints.

[Low inventories](#) at US auto dealerships to persist into 2022, shunting sales even as consumer demand grows.

## ANALYTICS

### ICIS Ethylene Outlook

Most US macroeconomic indicators have gradually improved on the back of a successful vaccine roll-out. Against this backdrop, in July, data from Apple Mobility revealed that driving activity in the US averaged 179% of the January 2020 baseline, with the mobility index on a certain upward trajectory. A bearish mood is expected to grow in the US ethylene market over the coming weeks. With Baystar's cracker production at Bayport, Texas, expected in Q3 and most crackers returning from scheduled seasonal maintenances, ethylene production will increase to support both domestic demand and growing export volumes. ICIS estimates a relatively lower price

spread between ethylene and ethane in H2 2021, declining from about \$700/tonne in H1 2021. As a result, ethane-based US Gulf cracker margins should decrease by about \$200/tonne to an average of about \$500/tonne.

Growth in the European economy might record a strong rebound in H2 2021, mainly driven by the tourism season and an easing of restrictions. According to the June report from Fitch Solutions, the tourism industry could recover to between 55% and 75% of 2019 levels in terms of visitor numbers and profit. However, concerns about the spread of the Delta variant in several countries may see the reimposition of some restrictions in the short term. That said, European ethylene producers are expected to face some challenges in the coming months. As the Europe ethylene market remains the global price leader, further US monomer cargoes could arrive in Europe over the next few weeks. In addition, ICIS forecasts growing availability of polymer from imports (mainly for high-density polyethylene (HDPE)) and improved domestic production (mainly for low density polyethylene (LDPE)). The average price spread between ethylene and naphtha is forecast to narrow, down from \$665/tonne in H1 2021. Nevertheless, naphtha-based cracker margins in northwest Europe might increase by 8%-10% in H2 2021, from an average of about \$565/tonne in H1 2021. Healthy propylene and butadiene (BD) markets are likely to be the root cause of an uptick in cracker margins.

The resurgence of coronavirus infection rates in several Asian countries might threaten any rebound in domestic economies for the remainder of the year. Notably, South Korea, Indonesia and Malaysia have re-imposed limitations on social activity for a short period and encouraged people to stay at home. In the northeast Asia ethylene market, the average price spread between ethylene and benchmark CFR Japan naphtha is set to shrink, falling from about \$430/tonne in H1 2021. This will reflect the fact that monomer output and demand for naphtha as a cracker feedstock will increase because of a raft of new project start-ups in Asia. Naphtha-based northeast Asian cracker margins are forecast to erode in H2 2021, from an average of about \$355/tonne in H1 2021.

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

### **ICIS Propylene Outlook**

The US propylene market is forecast to be steady-to-firm at least for the next couple of months due to ongoing tight supply and good demand. On-purpose propylene via propane dehydrogenation (PDH) units should continue to maintain higher profitability than that of crackers in the short term. With the price differential between propylene and propane projected to slightly widen on average in H2 2021, from about \$1,085/tonne in H1 2021, PDH-based margins are likely to increase from \$790/tonne. US propane inventories are expected to remain at lower levels than in 2020. Although feedstock production is expected to ramp up, propane supply and demand fundamentals should remain robust until the end of the year, limiting PDH margin gains.

The Europe propylene market is expected to be balanced-to-tight in the coming months. Revenues generated for crackers and PDH units are forecast to be on the rise in H2 2021, according to ICIS estimates. Indeed, naphtha-based northwest Europe cracker margins might increase by 8%-10% from an average of about \$565/tonne in H1 2021, primarily boosted by healthy co-product markets. PDH margins are set to rise by 15-17% from an average of about \$400/tonne, because of a larger delta between propylene and propane prices.

In 2021, Asian propylene capacity will increase to about 84.2m tonnes/year, a rise of 8.5m tonnes/year, with China responsible for about 75% of the new capacity. According to the ICIS Supply and Demand Database, during the coming months, China will see the start-up of two new PDH units with capacities totalling about 1.15m tonnes/year. Although naphtha-based northeast Asia cracker margins are forecast to be compressed in H2 2021, PDH margins in the region should remain fundamentally unchanged in response to a steady spread between propylene and propane prices.

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

## ICIS Butadiene Outlook

Ongoing tightness in the US butadiene (BD) market, which is projected to continue through August at the earliest, might attract some additional cargoes from Europe. US buyers might eye European rather than Chinese imports because of lower freight costs and import duties on Chinese-origin product. The European BD industry might benefit from US antidumping measures on Asian imports of tyres in the medium term. Notably, the US International Trade Commission (ITC) recently confirmed plans to implement antidumping duties (ADDs) on tyre imports from South Korea, Taiwan and Thailand. Across the board, automotive plants should continue to run at a reduced rate over the next weeks because of the global shortage of microchips and a slow recovery in vehicle sales.

In H2 2021, average European BD margins are expected to increase to around \$250/tonne from \$160/tonne in H1 2021. This is primarily to reflect a widening price spread between BD and naphtha. In northeast Asia, BD margins are likely to rise to around \$170/tonne in H2 2021, from about \$125/tonne in H1 2021. Increases in margins in Asia should be more constrained than in Europe given new BD capacities and healthy demand for naphtha which is expected for the remainder of the year. In H2 2021, three new capacities are being installed in China and one in South Korea, which will add 570,000 tonnes/year at full capacity.

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

**Polybutadiene Rubber (Asia-Pacific) | 15-Jul-2021.** ICIS accepts no liability for commercial decisions based on the content of this report. Unauthorised reproduction, onward transmission or copying of the Polybutadiene Rubber (Asia-Pacific) Report in either its electronic or hard copy format is illegal. Should you require a licence or an additional copy of the Polybutadiene Rubber (Asia-Pacific) Report, please contact ICIS at [sales.uk@icis.com](mailto:sales.uk@icis.com)

ICIS, Quadrant House, The Quadrant, Sutton, Surrey, SM2 5AS. United Kingdom. ICIS accept no liability for commercial decisions based on the content of this report. Copyright violation is a serious offence. Any distribution or forwarding of information that is not expressly permitted by your subscription agreement is a copyright violation. ICIS uses software to monitor unauthorised electronic redistribution of reports.

© 2023 Reed Business Information Limited. ICIS is a member of RELX Group. [www.icis.com](http://www.icis.com)

