



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.

OVERVIEW

- **Weak demand fundamentals**
- **Upstream cost pressures lent support to offers nevertheless**
- **Spot supplies also limited in wider Asia**

Spot discussions were muted this week for Asian polybutadiene rubber (PBR) imports, in part due to various holiday closures in northeast Asia.

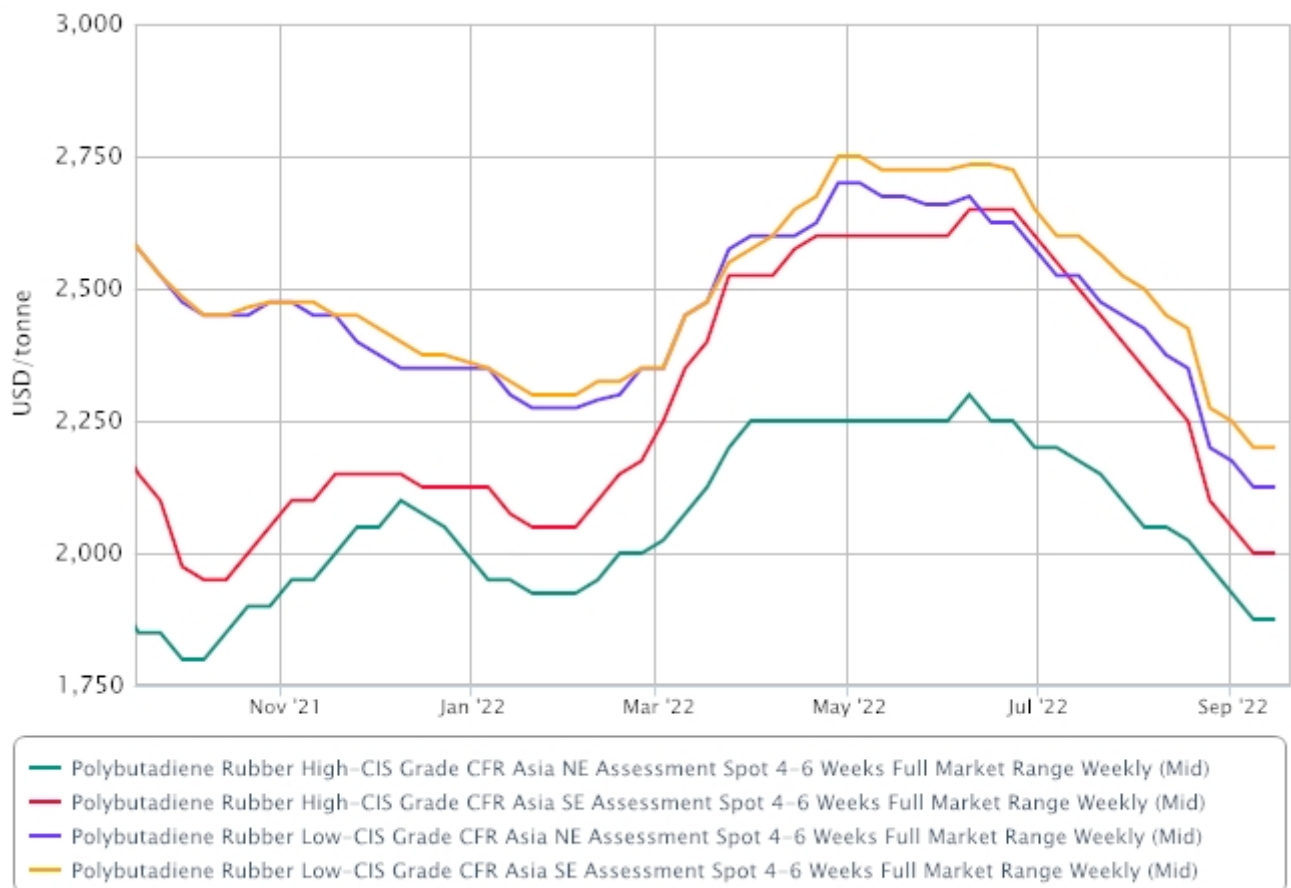
Market sentiment remains [dull](#) in nature as demand fundamentals are still undermined by lingering macro-economic issues.

Substantive requirements are limited, with key consumers like the tyre factories, heard still sitting on high inventories of their finished products.

However, offers were broadly range-bound this week, with sellers heard to have held back by stiff cost pressures from dishing out fresh discounts to bridge the gap with buyers.

There was a recent price uptick for feedstock [butadiene](#), heightening fears among PBR makers that this would further erode their margins.

Furthermore, with some regional plants heading into maintenance closures in the late September to November window, the ensuing squeeze on spot availabilities could also help to provide some pricing support and offset the downside pressures of lacklustre demand, market sources said.



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OUTLOOK

- Snug supplies due to upcoming turnarounds
- Demand outlook hazy
- Buy-sell gap may remain wide and spot trade liquidity likely to stay limited

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2000.00-2250.00	n/c	2200.00-2500.00	90.72-102.06
CFR Asia SE	USD/tonne	n/c	2150.00-2250.00	n/c	2350.00-2500.00	97.52-102.06
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1800.00-1950.00	n/c	1950.00-2100.00	81.65-88.45
CFR Asia SE	USD/tonne	n/c	1900.00-2100.00	n/c	2150.00-2350.00	86.18-95.25
CFR India	USD/tonne	n/c	1850.00-2150.00	n/c	n/a-n/a	83.91-97.52

Northeast Asia (NE)**High-cis**

CFR (cost & freight) NE Asian assessments were kept unchanged amid muted discussions.

In China, domestic PBR prices were stable to soft, reflecting lacklustre trading momentum.

Price (CNY/tonne)	15 Sep	08 Sep
E China Ex-Warehouse	12,400-13,100	12,400-13,200

Low-cis

CFR NE Asian assessments were kept unchanged in the absence of concrete transactions and discussions.

Regular suppliers retreated to focus on sales to other markets, and while some cargoes from a relatively new supply stream were indicated at levels substantially below the published range, market sources said, this was not taken into account as details could not be fully verified.

Southeast Asia (SE)**High-cis**

CFR SE Asia prices were kept unchanged, taking into account stable offers of cargoes from diverse origins.

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

Sep (1-14) 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
133.41	149.74	158.83	164.15	162.81	171.15	175.18	179.84	178.12

Low-cis

CFR SE Asian assessments were kept unchanged in the absence of concrete transactions and discussions. Sellers withheld offers for Asia-bound shipment to focus on sale opportunities to other markets further afield, while end-users said that they were still amply stocked and stayed away.

India

CFR India assessments for high-cis PBR cargoes held steady on rangebound talks for cargoes from diverse origins.

Northeast Asia-origin materials were indicated at the higher end, while cargoes from other origins were available at the lower end, market sources said.

However, substantive discussions were minimal with buyers mostly heard still staying on the sidelines, unwilling to commit as yet until there is more clarity about how their usual Europe-bound exports of finished products may be affected should Europe's chemical markets [falter](#) further.

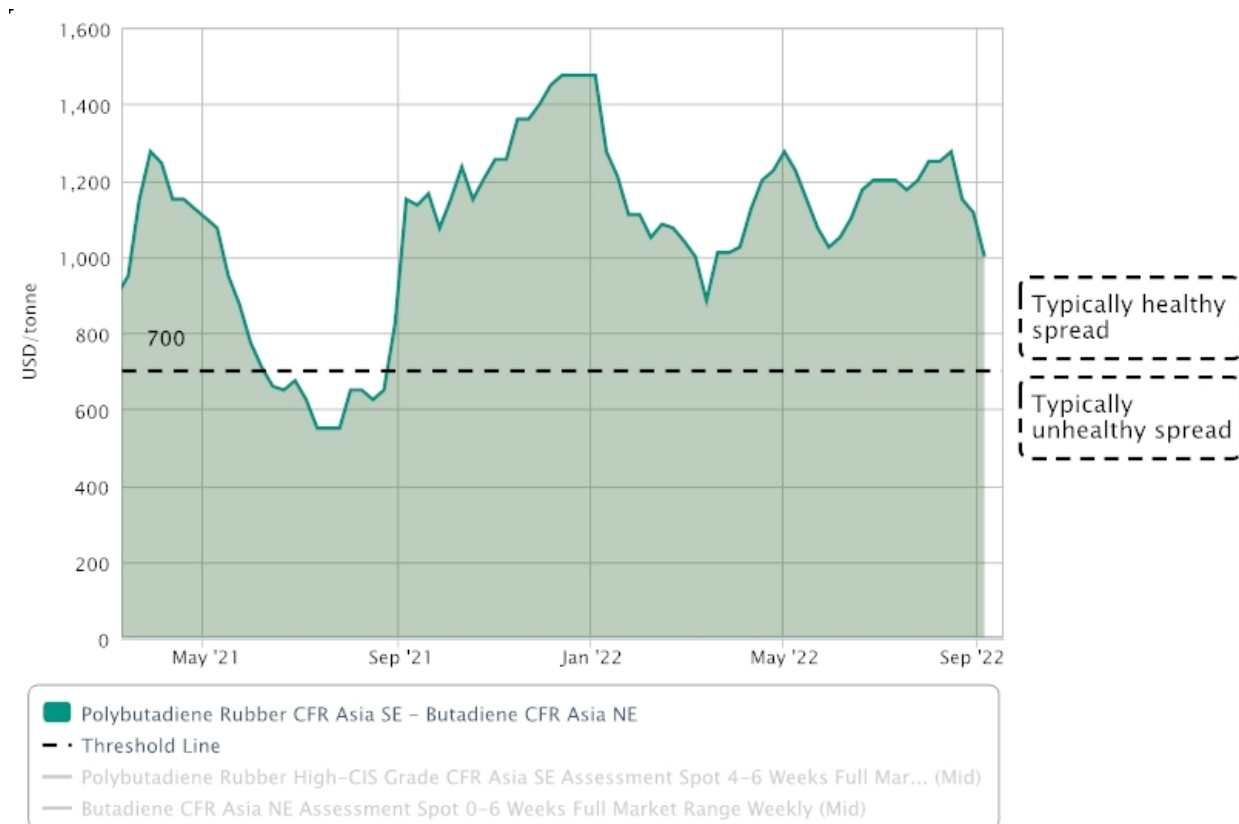
UPSTREAM**Butadiene (BD)**

- Firmer deals for China-bound shipments

- Discussions muted in wider Asia
- Buy-sell tussle persists

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, average operating rates for PBR held steady at 78% for the week ended 9 September, unchanged from the week prior, market sources said.

In wider Asia, spot availabilities are crimped, not just due to an ongoing [outage](#) but also because there are a few [upcoming](#) maintenance closures in September.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

Global light vehicle sales rose to 85m units in June from 76m in May, according to Oxford Economics. The growth was primarily attributed to China, with the easing of lockdown measures. On the negative side, uncertainty over gas supply, particularly from the Nord stream 1 pipeline from Russia to Europe, continues. In addition, escalating tension in the South China Sea is extremely worrying for

the global automotive industry because of the world's heavy dependence on Taiwan as a major supplier of computer chips – and this could further dampen the outlook.

According to the US Census Bureau, US light vehicle sales increased by 2.6% month on month in July, with total sales of 13.3m units, although this was still down by 16% year on year and 21.6% lower than

the same month in 2019. The finished inventory-to-sales ratio slightly improved month on month, from 0.526 to 0.555 in June. For context, the ratio was 0.937 in June 2021 and 2.641 in June 2020. High inflation, slumping consumer confidence and tighter monetary policy will weigh upon consumer demand in the automotive sector. On a positive note, the US Congress has passed the CHIPS Act to boost semiconductor manufacturing with a total package worth \$280bn to support computer chip research and production.

The European Automobile Manufacturers Association (ACEA) reported a 15.4% year-on-year fall in passenger car registrations in June (and a 14% fall during the first half of 2022). All major European economies posted double-digit sales contractions, as logistics and supply-chain problems continued to affect the industry. Commercial vehicle registrations were down 22.5% month on month in June. ACEA reported that the fall was mainly as a result of the drop in sales of new vans.

According to the China Association of Automobile Manufacturers (CAAM), Chinese car production was up 31.5% year on year in July 2022. However, it shrank by 1.8% month on month. The inventory-to-sales coefficient, calculated as current inventory divided by sales for the month, was down to 1.45 in July from 1.36 in June. This was as a result of various promotional industry events following the easing of COVID-19 restrictions. India’s automotive retail sales contracted by 7.8% year on year in July. The biggest concern for the region continues to be timely availability of semiconductor chips in the wake of current geopolitical tensions.

By **Jincy Varghese**, ICIS demand analyst, jincy.varghese@icis.com

Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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