



## Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim

16-Dec-2021

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

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

The weekly analysis will not be published on 30 December. Please click [here](#) for the ICIS publishing schedule.

### OVERVIEW

- **Sentiment softer across the board**
- **Auto sector uncertainties weigh down high-cis discussions**
- **Low-cis talks also dull on year-end lull for domestic appliance sector**

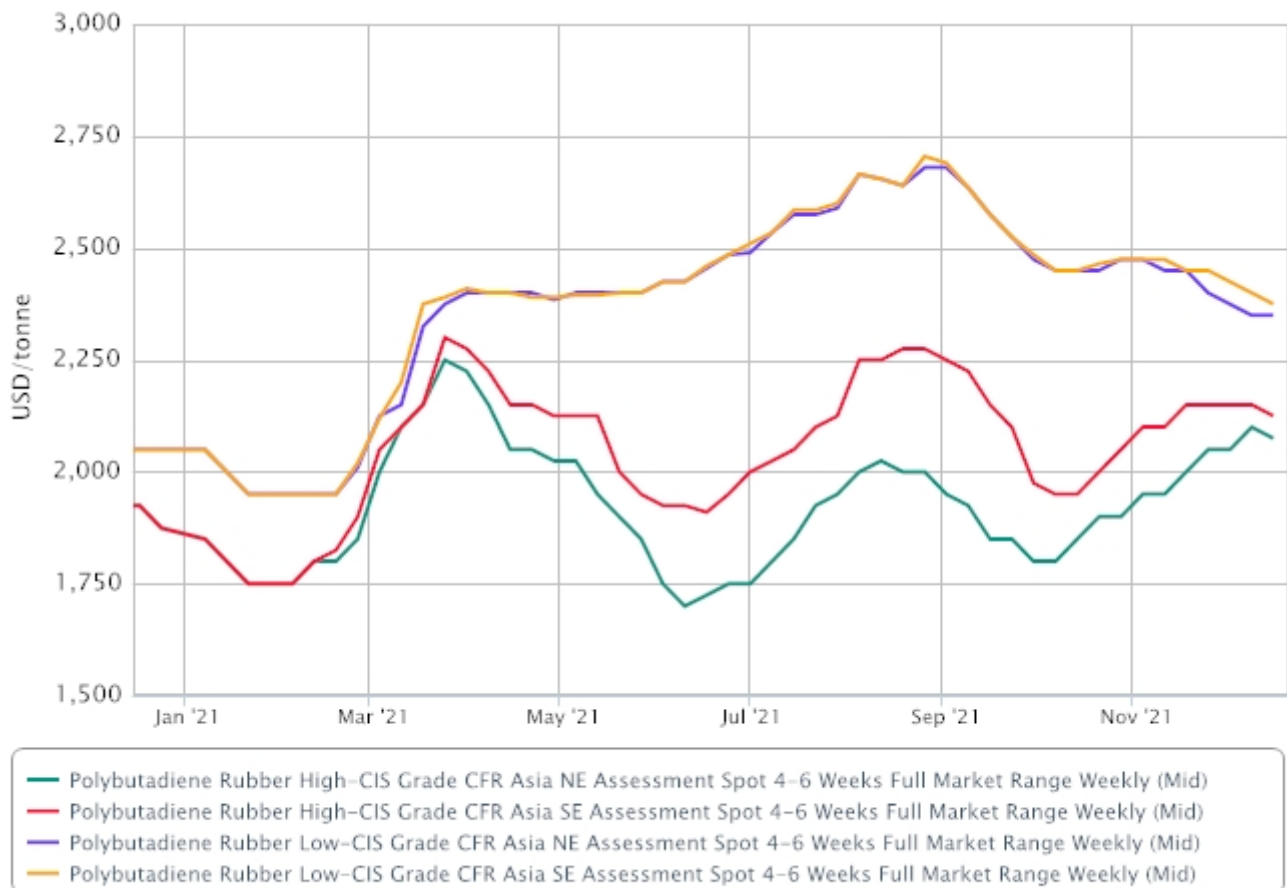
Asian spot discussions for polybutadiene (PBR) were generally stable-to-soft across the region and grades.

For high-cis materials, buying interest tapered, in part on a seasonal year-end trading lull, and in part due to lingering uncertainties about how [global auto sales](#) may trend in the coming year, amid persistent challenges such as microchip shortage and logistical bottlenecks.

Tyre-makers were heard therefore cautious not to over-commit and be saddled with excessive high-cis PBR stocks.

For low-cis materials, demand was also lacklustre, weighed down by seasonally low operations in the downstream electrical appliance sector at this time of the year.

Some sellers moderated their targets to bridge the gap with buyers, but most maintained that they would not price down further, given that spot availabilities are limited to begin with.



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## OUTLOOK

- Trade discussions may pick up pace only in the new year
- Demand may taper if [virus measures](#) tightened more in China
- Upstream butadiene weakness to weigh in on sentiment

### ICIS analyst view on butadiene (BD)

ICIS expects Asian butadiene (BD) supply to remain long in December with new BD projects starting up. Sinopec Zhenhai's 160,000 tonne/year unit is due online in Q1 2022, with commissioning starting by end-2021. Soft Chinese domestic prices are likely to weigh on market sentiment. Activity is likely to slow further in January 2022, as the market prepares for the Lunar New Year holiday.

Arbitrage trade to the US will continue to be an option, as Europe's exports to the US are expected to dip in light of planned spring maintenance. With price negotiations likely to start in January/February 2022, ICIS expects Asian producers to use the arbitrage as an opportunity to offset increasing supply.

Asian derivative producers are expected to restock inventories after the holiday to prepare for plant maintenances between March and May 2022.

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

## PRICES

### SPOT PRICES

Price Range

Four Weeks Ago

US CTS/lb

#### Polybutadiene Rubber Low-CIS Grade

<b>CFR Asia NE</b>	USD/tonne	n/c	2300.00- 2400.00	n/c	2400.00-2500.00	104.33-108.86
<b>CFR Asia SE</b>	USD/tonne	n/c	2350.00- 2400.00	-50	2400.00-2500.00	106.59-108.86
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	n/c	2050.00- 2100.00	-50	1950.00-2050.00	92.99-95.25
<b>CFR Asia SE</b>	USD/tonne	n/c	2100.00- 2150.00	-50	2100.00-2200.00	95.25-97.52

## Northeast Asia

### High-cis

CFR northeast Asian assessments for high-cis materials were stable to soft, with the high end dropped on lower selling indications heard for US dollar denominated imports.

But domestic yuan-denominated prices in China recovered some lost ground, alongside an uptick in natural rubber futures this week, market players said.

Price (CNY/tonne)	15 December	09 December
E China Ex-Warehouse	14,500-14,700	14,300-14,500

### Low-cis

CFR northeast Asian prices were rolled over, in a thinly-discussed week.

## Southeast Asia

### High-cis

CFR southeast Asian assessments for high-cis materials were also stable to soft, with the high end down on lower selling indications heard.

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

Dec 2021	(1-16) Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021
172.76	175.65	174.39	163.23	172.67	164.32	164.51

### Low-cis

CFR southeast Asian assessments for low-cis materials were stable-to-soft, with deals captured at the high-end, and buying indications at the low end.

## India

In India, buying momentum for Asia-origin PBR import cargoes continued to slow down, with most end-users saddled with higher-than-expected inventories of finished goods, and seeking to liquidate instead surplus raw material stocks including PBR.

There were also no active offers, with most regional suppliers already sold out for December shipment supplies, and not keen to commence January discussions until after the year-end holidays are over.

Selling indications for Asia-origin PBR cargoes were heard at about mid to high \$2,100's/tonne CFR India, while buying indications dipped to below \$2,000/tonne CFR India. Buyers said that they would instead tap on competitively-priced domestic supplies pool.

## UPSTREAM

Losses in Asian spot import trades for butadiene (BD) are extended as more supplies surfaced with a [new plant](#) starting up this week.

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 at PBR producers climbed to 83% for the week ended 10 December, compared to 80% for the week prior, market sources said.

Elsewhere in Asia, while operating rates are rising after all scheduled regional plant turnarounds had been [completed](#) by mid-November, market players said that spot availabilities remain tight, as producers focus first on rebuilding inventories to more healthy levels, at the expense of non-contractual sales.

## ANALYTICS

## ICIS Downstream Automotive Demand Outlook

The automotive industry has been among the hardest hit from COVID-19-induced temporary plant closures and it continues to feel this pressure. Short-to-midterm demand still looks gloomy on the back of the microchip shortage. Inventories are running at an all-time low, and incomplete vehicle inventory is on the rise. In addition, there are reports of a shortage of electrical steel (also known as silicon steel), which will impact production of electric vehicles (EV). Global 2021 automotive output is expected to decline by 16.8% compared with 2019 (Q4 2021 is expected to decline by 16.6% compared with Q4 2019). Moreover, the Omicron variant of COVID-19 will be closely monitored, as further outbreaks could cut short any recovery.

US light vehicle sales were down by 24.8% in November 2021 compared with November 2019. The inventory sales ratio was 0.389 in October, which is the lowest ever. US automotive 2021 output is expected to decrease by 9.8%, compared with 2019 (Q4 2021 is expected to decrease by 4.8% compared with Q4 2019). Future visibility is extremely limited.

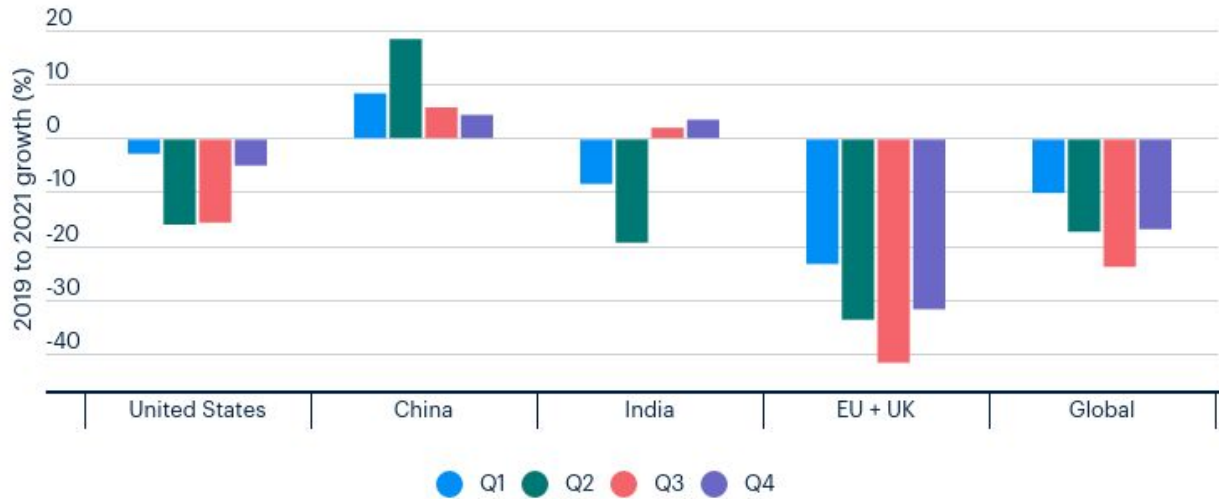
EU, including UK, 2021 output is expected to decrease by 32.2% compared with 2019 (Q4 2021 is expected to decrease by 31.5% compared with Q4 2019). Overall market sentiment is negative. The problem has been exacerbated by an increase in the penetration of EVs and their increasing appetite for microchips.

China automotive 2021 output is expected to grow by 9% compared with 2019 (Q4 2021 is expected to grow by 4.3% compared with Q4 2019). In terms of stock, the inventory coefficient was at 1.35 in a year-on-year decrease of 21.5%. In addition to severe supply disturbances, the regulator in China is cracking down on microchip suppliers, who are accused of price gouging. India automotive 2021 output is expected to decrease by 6.3%, compared with 2019 (Q4 2021 is expected to grow by 3.4% compared with Q4 2019). The complex supply chain, difficulties in social distancing in plants and customers staying at home will continue to have an impact on the sector going forward.

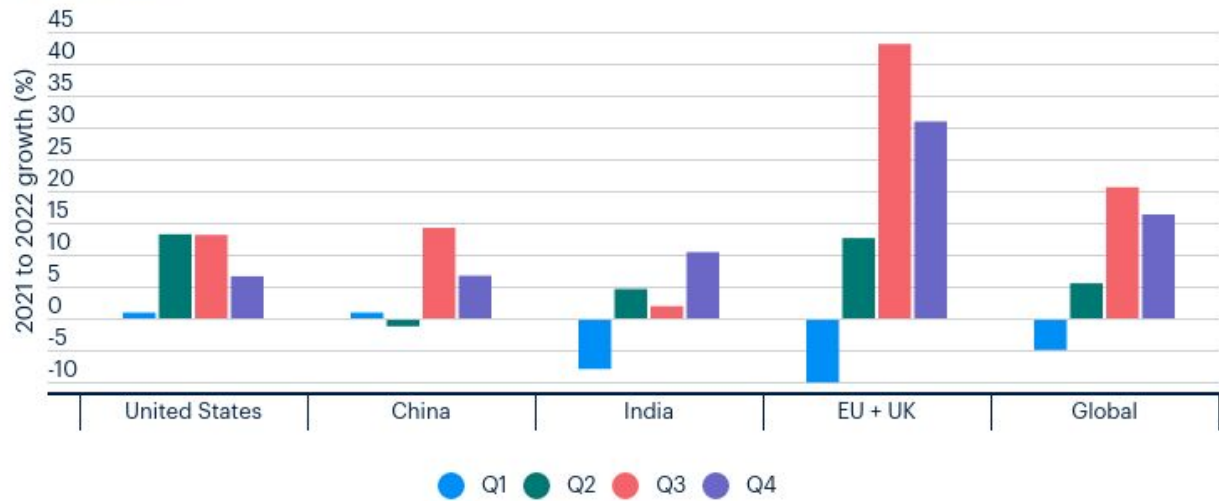
By **Jincy Varghese**, ICIS demand analyst ([jincy.varghese@icis.com](mailto:jincy.varghese@icis.com))

## Motor vehicle sector growth by region

### 2019 vs 2021



### 2021 vs 2022



SOURCE: Oxford Economics

### ICIS Downstream Demand Outlook - Domestic Appliances

2021 was/is an extraordinary year for the domestic appliances market. Global output for 2021 is expected to grow by 12.4% compared with 2019 (Q4 2021 is expected to grow by 6.5% compared with Q4 2019). The growth was primarily driven by a steady increase in homebound activities. However, from Q1 2022, growth will normalise. In addition, a certain level of demand destruction is expected owing to ongoing supply chain issues.

US domestic appliances 2021 output is expected to grow by 22.2% compared with 2019 (Q4 2021 is expected to grow by 17.1% compared with Q4 2019). Cooking appliances, the largest sub-segment, reported double-digit growth. However, demand for 2022 is expected to be low due to a lack of pent-up demand.

EU, including UK, domestic appliances 2021 output is expected to grow by 9.3% compared with 2019 (Q4 2021 is expected to grow by 3.5% compared with Q4 2019). Like the US, demand expected for 2022 is expected to be low.

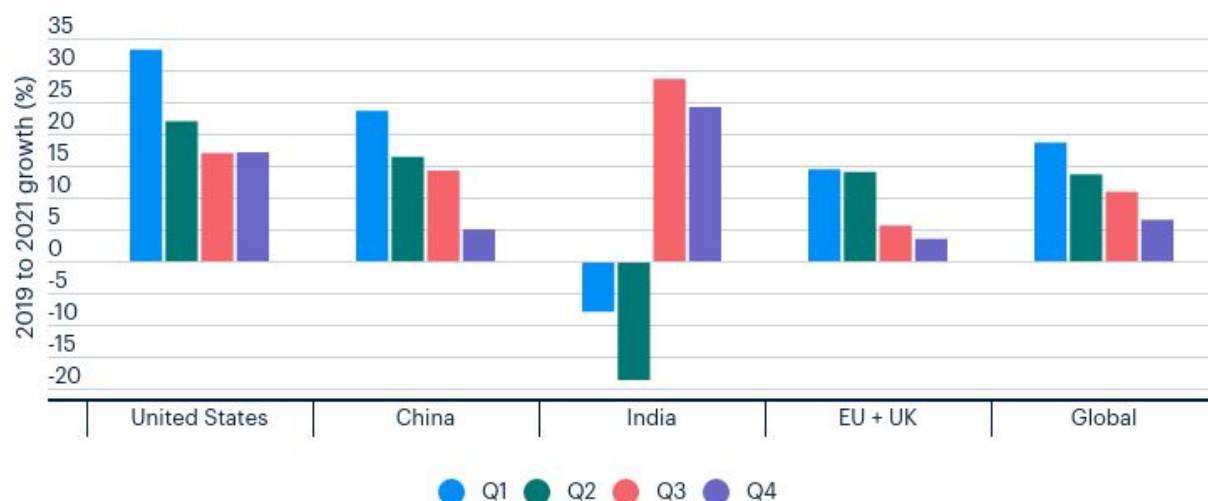
The appliance market in northeast Asia is doing well, in line with other advanced economies except for Japan. China’s domestic appliances 2021 output is expected to grow by 14.7% compared with 2019 (Q4 2021 is expected to grow by 5.0% compared with Q4 2019). As with other regions, growth is expected to normalise from

next year. India seems to be an exception, with a relatively healthy demand expectation for 2022. India's domestic appliances 2021 output is expected to grow by 5.5% compared with 2019 (Q4 2021 is expected to grow by 24.2% compared with Q4 2019).

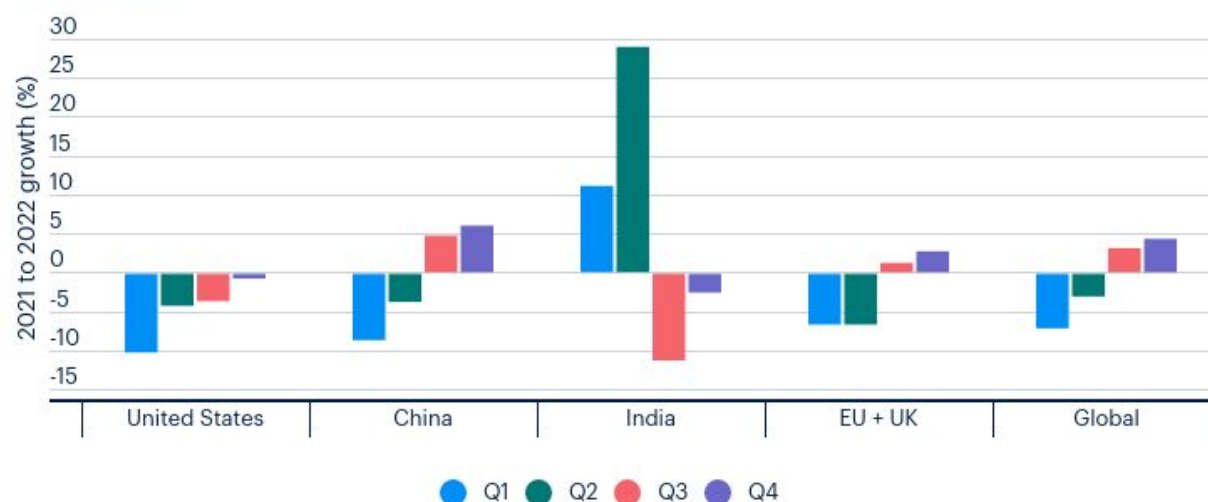
By **Jincy Varghese**, ICIS demand analyst ([jincy.varghese@icis.com](mailto:jincy.varghese@icis.com))

## Domestic Appliances sector growth by region

### 2019 vs 2021



### 2021 vs 2022



**SOURCE:** Oxford Economics

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