Independent Commodity Intelligence Services

Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
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Overview | Outlook | Prices | Upstream | Production | Analytics

Please click here for full details on the criteria ICIS uses in making these price assessments.

OVERVIEW

- **Mixed sentiment**
- **NE Asia softer on weak China**
- **SE Asia upbeat on tight demand-supply balance**

Spot discussions for polybutadiene rubber (PBR) were muted in northeast Asia but steady in southeast Asia, tracking differing demand and supply fundamentals.

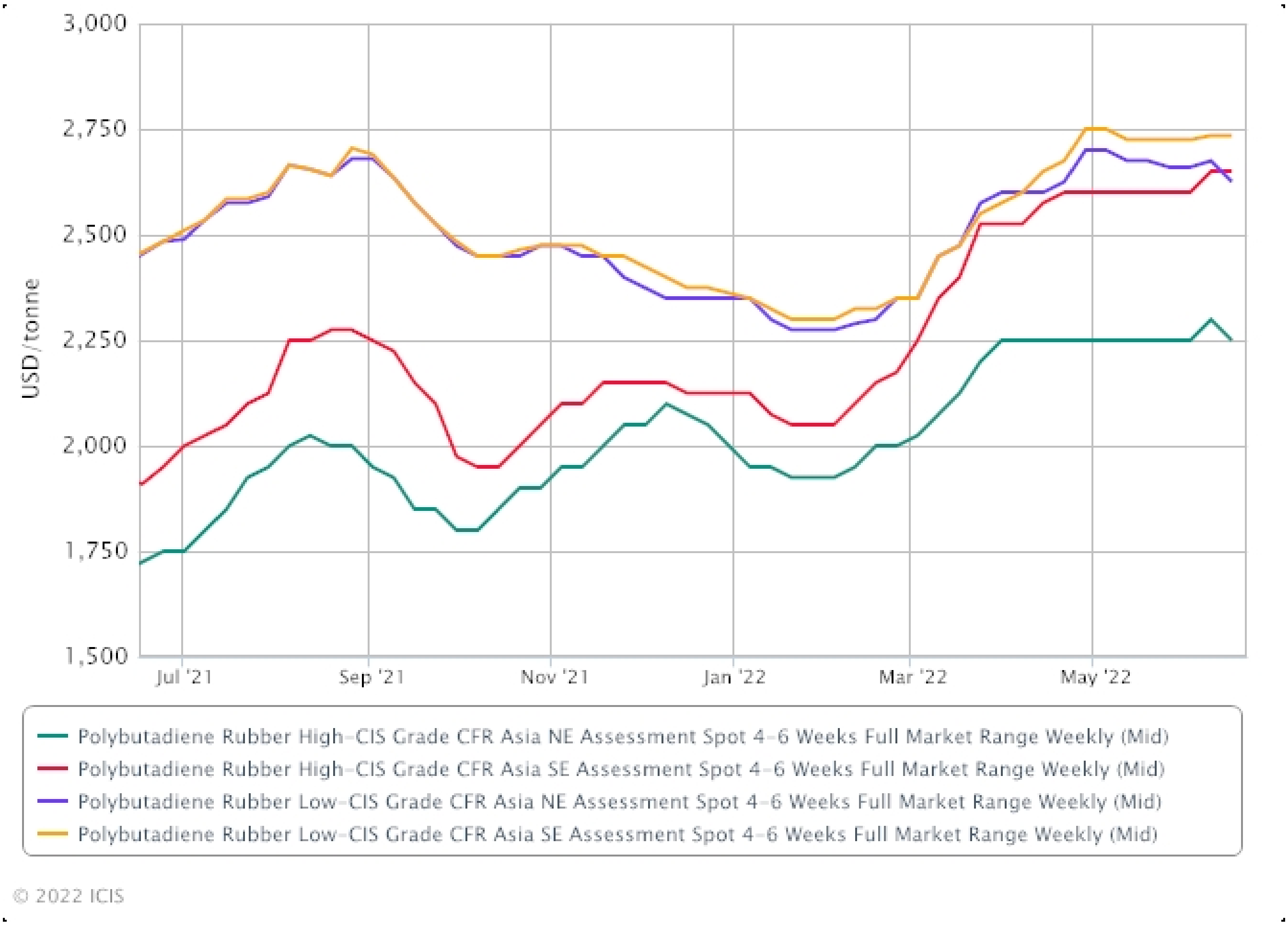
In northeast Asia, domestic China prices softened, along with upstream butadiene (BD) losses in the yuan-denominated market. Demand was also lacklustre following a bumpy post-lockdown recovery in downstream production.

With no buying interest detected for China-bound import shipments, the CFR NE Asian market was only supported by scant discussions for shipments to other NE Asian outlets.

In southeast Asia and India, sentiment was more upbeat with spot offers on material from regular suppliers well supported by both supply constraints and and steady requirements from both tyre and non-tyre end-users.

Supply constraints have arisen on a mix of output losses from plant outages and maintenance closures, as well as increased demand pull from Europe-based users seeking to replace Russia-origin material.

Some regional buyers tapped into PBR exports from China to fill the shortfall, but as they were competitively-priced vis-à-vis other regional material, it invariably kept the PBR price range wide in southeast Asia and India, players said.



OUTLOOK

- **Diverging price trend between NE and SE Asia likely to persist**
- **Uncertainty prevails on [pace of demand recovery] in China**
- **Spot supply constraints in wider Asia likely to stretch**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	-50	2550.00-2700.00	-50	2600.00-2750.00	115.67-122.47
CFR Asia SE	USD/tonne	n/c	2720.00-2750.00	n/c	2700.00-2750.00	123.38-124.74
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-50	2200.00-2300.00	-50	2200.00-2300.00	99.79-104.33
CFR Asia SE	USD/tonne	n/c	2550.00-2750.00	n/c	2500.00-2700.00	115.67-124.74

Northeast Asia

High-cis

CFR NE Asian prices for high-cis grades were assessed lower, tracking discussions heard for cargoes available to ship to northeast Asian outlets like Taiwan.

There were no discussions for China-bound cargoes, with end-users there fully covered by domestic products, sources said.

Domestic PBR prices in China also eased this week, along with lower upstream prices.

Price (CNY/tonne)	16 Jun	09 Jun
E China Ex-Warehouse	14,600-14,800	14,900-15.100

Low-cis

CFR northeast Asian prices for low-cis materials were assessed down, with the high end dropped in line with buying indications heard for non-China origin material.

The low end tracked discussions for China-origin materials.

Southeast Asia

High-cis

CFR southeast Asian prices for high-cis materials were steady on range-bound discussions and deals heard for cargoes from diverse origins.

Transactions for non-China, northeast Asia-origin cargoes, formed the high end, and the low end reflects discussions for China-origin material.

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

June (1-16) 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
166.37	162.81	171.15	175.18	179.84	178.12

Low-cis

CFR southeast Asian prices for low-cis material were unchanged on range-bound buying indications heard.

Sellers targeted levels substantially higher than the published range, but they were deemed unrealistically high and excluded as they drew limited response.

India

Discussions for CFR Indian trade for high-cis PBR remains split between cargoes from different origins.

Cargoes from northeast, non-China, suppliers were heard sold in the $2,750-2,850/tonne CFR India range.

Ttransactions were also heard for China-origin cargoes at $2,300/tonne CFR India, market sources said.

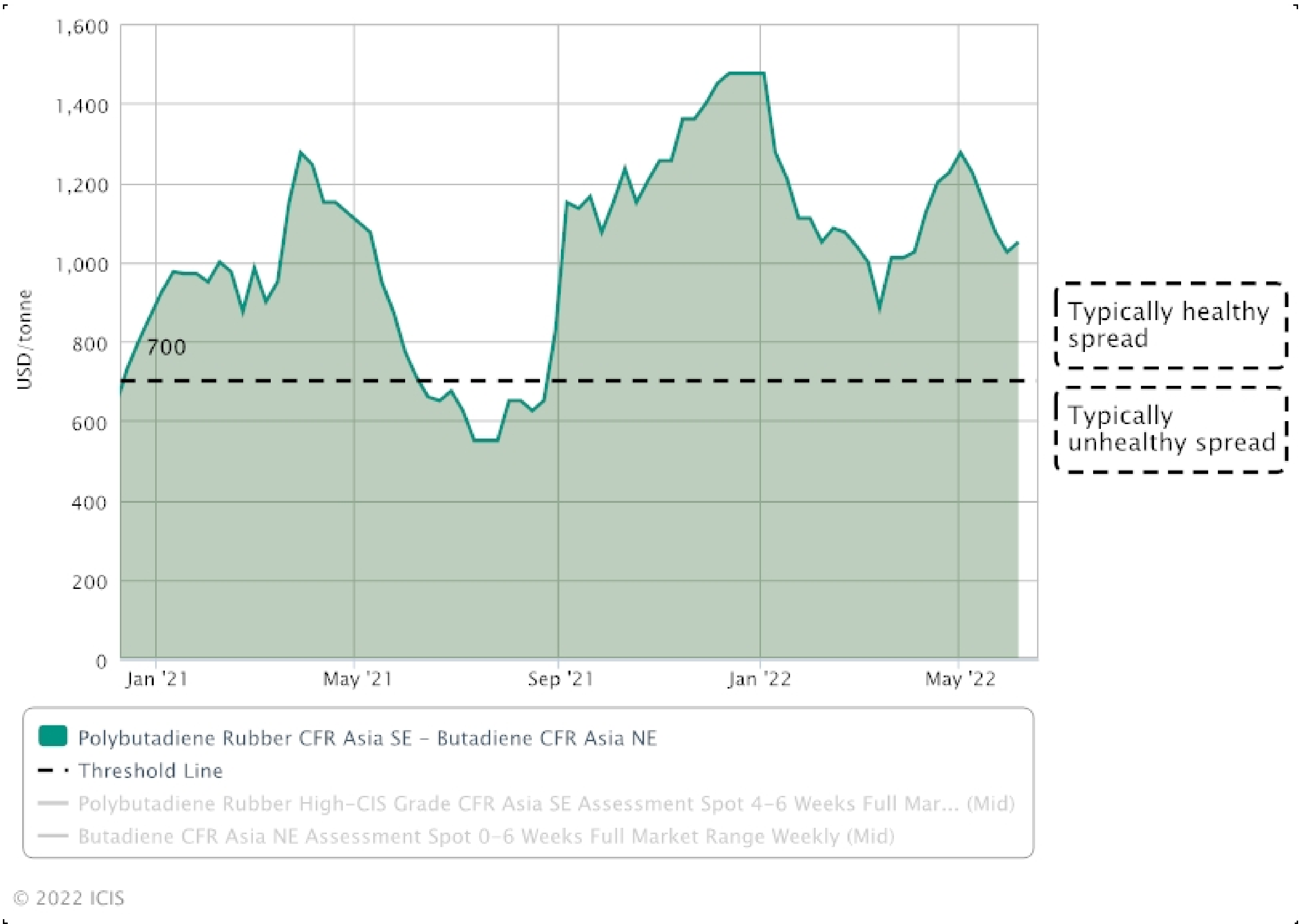
UPSTREAM

Butadiene (BD)

- Domestic China prices surge in week ended 10 June
- China export offers raised in line
- Demand picture mixed

The chart below shows the spread between BD and PBR.

Downstream spread – BD NE Asia and PBR SE Asia



PRODUCTION

In China, average operating rates for PBR dipped to 62% in the week ended 10 June, down from 66% in the week prior, sources said.

It came as the 100,000 tonne/year Sinopec Maoming PBR plant in Guangdong suspended operations on 8 June, following an accident at an upstream unit.

In wider Asia, spot availability was squeezed by several ongoing and upcoming maintenance, in addition to an existing outage which could last until the rest of the year, sources said.

ANALYTICS

ICIS Butadiene Outlook

Shell's butadiene (BD) unit at Norco, Louisiana, will remain offline throughout June, reducing the total US BD monthly capacity available by about 11%. US buying interest in European BD cargoes is very limited although the arbitrage window is workable on paper. In Q3 2022, BD production is expected to total about 400,000 tonnes in the US, up from about 335,000 tonnes in the same period a year earlier, when Hurricane Ida damaged several refining and petrochemical complexes in Louisiana, causing power outages at most plants. This year the National Oceanic and Atmospheric Administration forecasts an above average hurricane season. In its last outlook, AutoForecast Solutions predicted a further loss in US automotive production of 106,000 units, totalling 254,000 throughout 2022.

European BD supply is anticipated to be capped over the coming weeks. Indeed, as liquefied petroleum gas (LPG) is expected to be more convenient than naphtha, mixed-feed cracker producers will continue to switch from naphtha to lighter feedstock. Given LPG crackers yield smaller quantities of crude C4 than heavier feedstocks, raw material for BD extraction units should be less available, negatively impacting production. Heading into H2 2022, the tyre sector is forecast to weaken because of the grim economic scenario, the expectations of monetary tightening in Europe and the impact of inflation on consumer and producer prices. Tyre maker Pirelli in Q1 predicted global demand for car tyres is likely to grow by less than 1% in 2022 on the back of lower car production levels and the decline in car tyre demand in China.

With Asian crackers running at low rates, crude C4 is expected to be limited over the next few months. This will negatively impact BD production and trigger bullish sentiment in the Asian market in June and July. Meanwhile, BD production capacity in southeast Asia is being increased. Indeed, the BD plant of Pengerang Refining and Petrochemical, or PRefChem, at Pengerang Johor, Malaysia, will shortly resume commercial operations. All the BD will be sold in the spot market because the petrochemical complex does not have a BD derivative unit. Four new Chinese BD units are planned to come onstream in the remaining months of 2022, adding a combined nameplate capacity of 520,000 tonnes/year. Overall, China's BD capacity will increase by 14% in 2022 compared with 2021.

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