



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

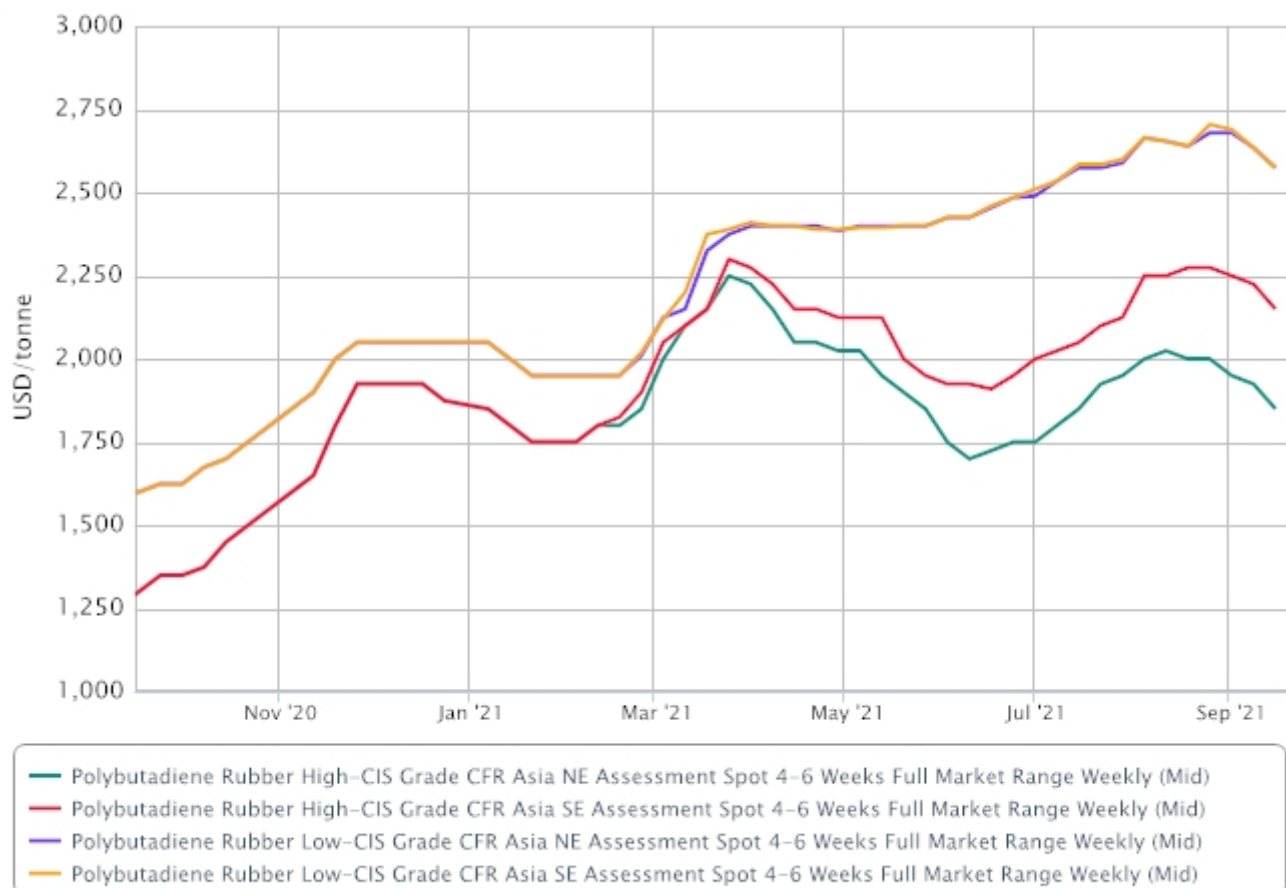
- **Discussions slip on upstream values**
- **Buying interest tepid**
- **Buyers in wait-and-see mode**

Asian spot prices for polybutadiene rubber (PBR) fell across the board, and across grades and outlets following large losses in the upstream butadiene (BD) market.

With the BD pricing outlook still uncertain amid mounting [oversupply concerns](#), PBR buyers mostly withdrew from fresh spot talks this week, preferring to monitor if PBR offers will soften further, assuming that the downtrend in BD last for longer.

From a seller's perspective, there were some moderated expectations to reflect the anticipated cost savings from cheaper feedstock prices. However, many said they were limited by other steep operational costs, particularly on the [freight](#) front, to widen discounts.

Spot availability was also limited as regional inventories were low. Selling pressure on producers was capped as a result, and this may provide some support for offers in the coming weeks.



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OUTLOOK

- **High-cis demand will hinge on auto sector**
- **Low-cis supply to remain tight in near term**
- **Upstream pricing trends to be watched**

ICIS analyst view on BD

In the butadiene (BD) market, the focus is on Asian regional demand in view of lower interest from the US market.

Asian demand from key sectors (tyre, shoes and gloves) is expected to remain slow for the rest of 2021 amid regional lockdowns and high container freight rates for exports. This, together with softer natural rubber prices, might dampen synthetic rubber market sentiment.

Zhangzhou Chimei's new 450,000 tonne/year acrylonitrile butadiene styrene (ABS) plant in Zhangzhou, China, started up in September, bringing additional BD demand. It is targeting full operations by end-2021.

Regional BD supply in Asia is expected to increase in Q4 2021 and Q1 2022, with new start-ups and a heavier cracker feed slate.

Following the start-ups of two sizable projects in China in August, three more plants (in the Philippines, China and South Korea) are starting up this year, representing 300,000 tonnes/year of BD capacity.

The start-up of Shouguang Luqing's 80,000 tonne/year BD plant remains uncertain on feedstock issues.

By **Ann Sun** (ann.sun@icis.com)

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

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	-50	2550.00- 2600.00	-70	2630.00-2650.00	115.67-117.93
CFR Asia SE	USD/tonne	-50	2550.00- 2600.00	-70	2630.00-2650.00	115.67-117.93
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-100	1750.00- 1950.00	-50	1950.00-2050.00	79.38-88.45
CFR Asia SE	USD/tonne	-50	2100.00- 2200.00	-100	2250.00-2300.00	95.25-99.79

Northeast Asia

High-cis

The CFR northeast Asian assessment was down with softer buy-sell pricing indications.

Buying indications turned bearish. Some end-users were content with limiting procurement to domestically produced cargoes instead of US dollar denominated imports.

The low end was dropped with highest buying indications heard.

Offers were heard lower too, reflected at the high end.

In China, a downtrend persists in the domestic yuan-denominated market and prices were heard lower on-week.

East China Domestic PBR Prices

Price (CNY/tonne)	16 September	9 September
E China Ex-Warehouse	12,700-12,900	13,300-13,500

Low-cis

CFR northeast Asian prices for low-cis materials were assessed down, with the high end dropped with offers heard. Buying indications were heard capped at the low end.

Southeast Asia

High-cis

CFR southeast Asian prices for high-cis materials fell, tracking softer buy-sell discussions heard.

Deals were heard closed within the published range.

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

Sep (1-15) 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021
163.30	172.67	164.32	164.51	169.09	164.72	175.25	169.16

Low-cis

CFR southeast Asian prices for low-cis materials were assessed down, with the high end dropped with offers heard. Buying indications were heard capped at the low end.

India

Discussions for India-bound shipments of high-cis PBR cargoes also slowed as buyers held back to monitor how the recent collapse of upstream market may further impact downstream markets including PBR.

Meanwhile, some Asia-origin cargoes were heard indicated at around \$2,300/tonne CFR India, about \$50/tonne lower in the week.

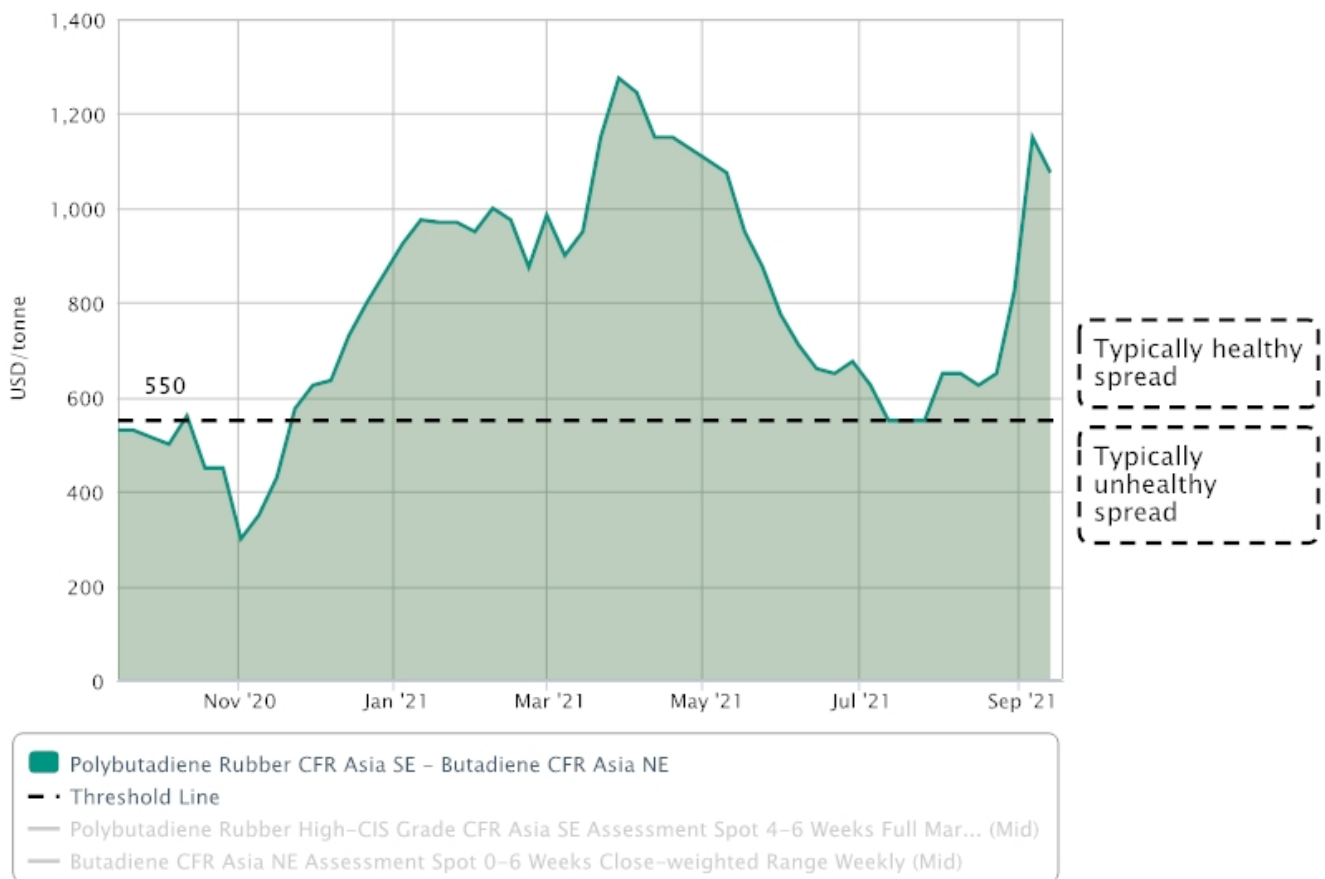
However, buying indications were weighed down even more, not only by upstream weakness, but also by the availability of competitively priced Mideast-origin alternative supplies.

UPSTREAM

Asian BD discussions [plummeted](#) as supply outweighed demand.

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 at its PBR plants rose to 76% for the week ended 3 September, from 73% in the week prior.

Supply is expected to expand once a major 70,000 tonne/year plant in Shandong, [returns](#) from maintenance in the coming week.

Outside of China, PBR supplies are poised to tighten on upcoming [turnarounds](#) in South Korea.

ANALYTICS

ICIS Ethylene Outlook

Hurricane Ida damaged several refining and petrochemical complexes in Louisiana, causing power outages at most plants. Although Winter Storm Uri was more devastating, Ida caused the shutdown of about 6.4m tonnes/year of ethylene capacity, according to ICIS estimates. As a result, total ethylene production in September should be constrained and will depend on the duration of the outages. Baystar's new cracker in Texas is ramping up with on-spec production expected this month. Nevertheless, in October, rather than September as previously projected, the accumulated production of ethylene in 2021 is likely to outpace the level seen in 2020.

The EU economic sentiment indicator (ESI) appears to have peaked in July, after a drop in August. The ESI should gradually decrease in the next few months on a seasonal basis and reduced optimism about economic activity and growing concerns about the Delta variant. A lengthening ethylene market in Europe in September,

particularly H1, will be because most crackers are online except for two plants. In addition, two crackers – one in Germany and the other in Norway – will undergo planned maintenance sometime in September. Increased global capacity for the rest of 2021 and typical weakness in domestic monomer demand may trigger bearish sentiment in Europe. Nevertheless, autumn maintenance work may cause supply disruptions, particularly in October, and raise concerns as usual, about a possible delay to restarts.

Following a resurgence of COVID-19 infections, the Japanese government is planning to extend a state of emergency until the fourth week of September. The world's fourth-largest economy grew at a slower pace than its rivals in H1 2021, and the outlook remains grim for the rest of the year due to lengthy restrictions imposed. Against this backdrop, Japanese ethylene production is forecast to hit almost 6.2m tonnes in 2021, a recovery from levels seen in 2020, but below the 6.4m tonnes produced in 2019. Going forward, ethylene exports are expected to decrease because of new plants in China and South Korea and growing imports from the US into Asia.

By **Paolo Scafetta**, ICIS senior olefin analyst, paolo.scafetta@icis.com

ICIS Propylene Outlook

Hurricane Ida-related propylene capacity outages in the US hit about 3m tonnes/year, according to ICIS estimates. As a result, propylene availability is likely to be limited in September, exacerbating the current supply tightness. In terms of trade, US propylene should see a reduction in net exports to deep-sea in 2021 compared with 2020. Increased Asian capacity and high US propylene prices are expected to be the main drivers behind the contraction.

The European propylene market is expected to be balanced to long, especially in H1 September. The rest of the year may be characterised as bearish. Propylene production, as well as ethylene, is forecast to decrease in Q4 from Q3 on a typical seasonal basis, although the propylene-to-ethylene production ratio should increase. This will reflect higher naphtha usage as feedstock for crackers, which typically yields more propylene per tonne of ethylene output. Heading into 2022, total European propylene capacity should increase. Two cracking expansions in Germany and Slovakia and the restart of TotalEnergies' Donges refinery in France, may ease domestic market pressure.

The recent surge in Delta variant infection rates in Japan may cool its economic recovery in 2021, which is the weakest among advanced countries. That said, Japanese propylene production is likely to total about 5.3m tonnes in 2021, up on the 5m tonnes in 2020, but down from the 5.5m tonnes it produced in 2019. In addition, 2021 will see a lighter cracker maintenance slate than last year, with only Eneos Corporation, Asahi Kasei Mitsubishi Chemical Ethylene and Chiba Chemical Manufacturing planning turnarounds. With 6.4m tonne/year of propylene capacity, Japan is the fourth largest producer in Asia, but its domestic producers remain vulnerable to a shortage of feedstock and must compete with new South Korean and Chinese crackers.

By **Paolo Scafetta**, ICIS senior olefin analyst, paolo.scafetta@icis.com

ICIS Downstream Automotive Demand Outlook

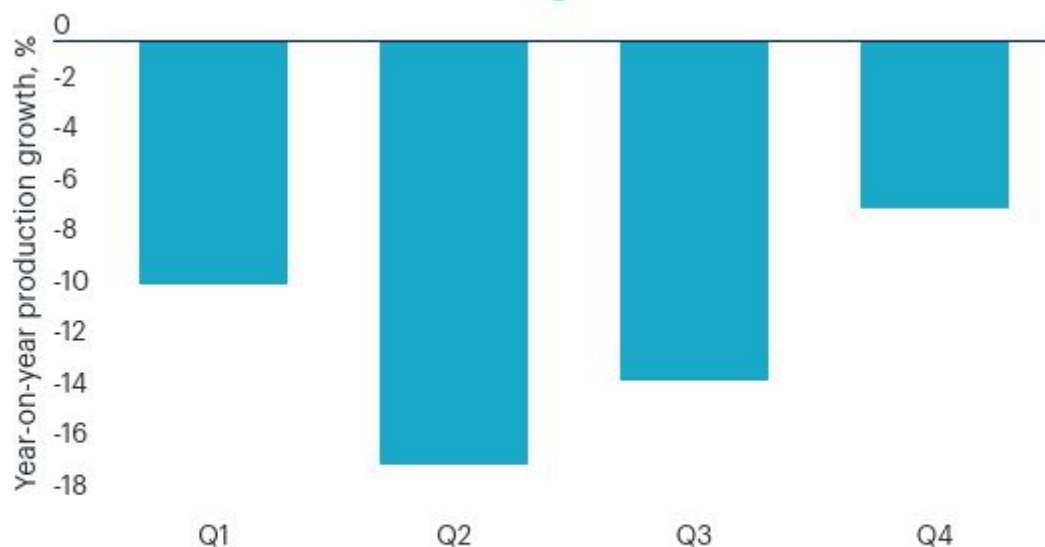
The global automotive industry is currently beset by an acute supply-demand imbalance. Output is well below pre-pandemic levels, a trend seen in every region. According to Oxford Economics, the global automotive industry will contract by 11.5% in 2021 due to a severe shortage of semiconductor chips and auto parts, supply chain problems and other production-related issues. A shortage of polymers and shipping containers has also forced several companies in the chain to shut plants. As a result, most carmakers have an alarmingly low level of raw

materials and finished inventories. Some auto giants have announced production cuts. For example, Toyota plans to slash output by 40% in September and GM will idle its North American assembly line for two weeks from 13 September. Global light vehicle sales declined by a further 2.4% month on month in August and were down 16% compared with 2019. Chip supply is unable to keep up with demand and the situation is getting worse by the day. The most pessimistic view suggests that the situation will not improve until 2023. In the short to medium term, the negatives far outweigh the positives. According to accounting firm KPMG, the chip shortage will cost the industry \$100bn in lost revenue in 2021.

In July, Chinese passenger car and commercial vehicle sales were down 6.8% and 30.2% year on year respectively. In terms of stock, the inventory coefficient was at 1.37 in August against 1.50 in the same month last year, a year on year decrease of 8.7% and the lowest figure for three years. A lack of available key auto parts has altered typical seasonal characteristics as well. For example, dealers have refrained from promotional campaigns and refused offers and discounts as well. To pursue its policy of self-sufficiency, China's key chip manufacturer has committed \$9bn to build a factory in Shanghai. Other Asian economies are also suffering, especially India. It suffered a major setback when Ford shut its 25-year-old Indian operations which had the capacity to produce 610,000 engines and 440,000 vehicles a year. Ford is the third company to exit the country after GM and Harley Davidson. Future visibility is extremely limited.

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

Global motor vehicle sector growth, 2019 vs 2021



Source: Oxford Economics



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