



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
17-Feb-2022

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

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

OVERVIEW

- **High-cis gains on upstream strength**
- **Low-cis discussions stable-to-firm**
- **Sellers upbeat**

Asian spot discussions for high-cis polybutadiene rubber (PBR) rose with higher offers and firmed buying interest.

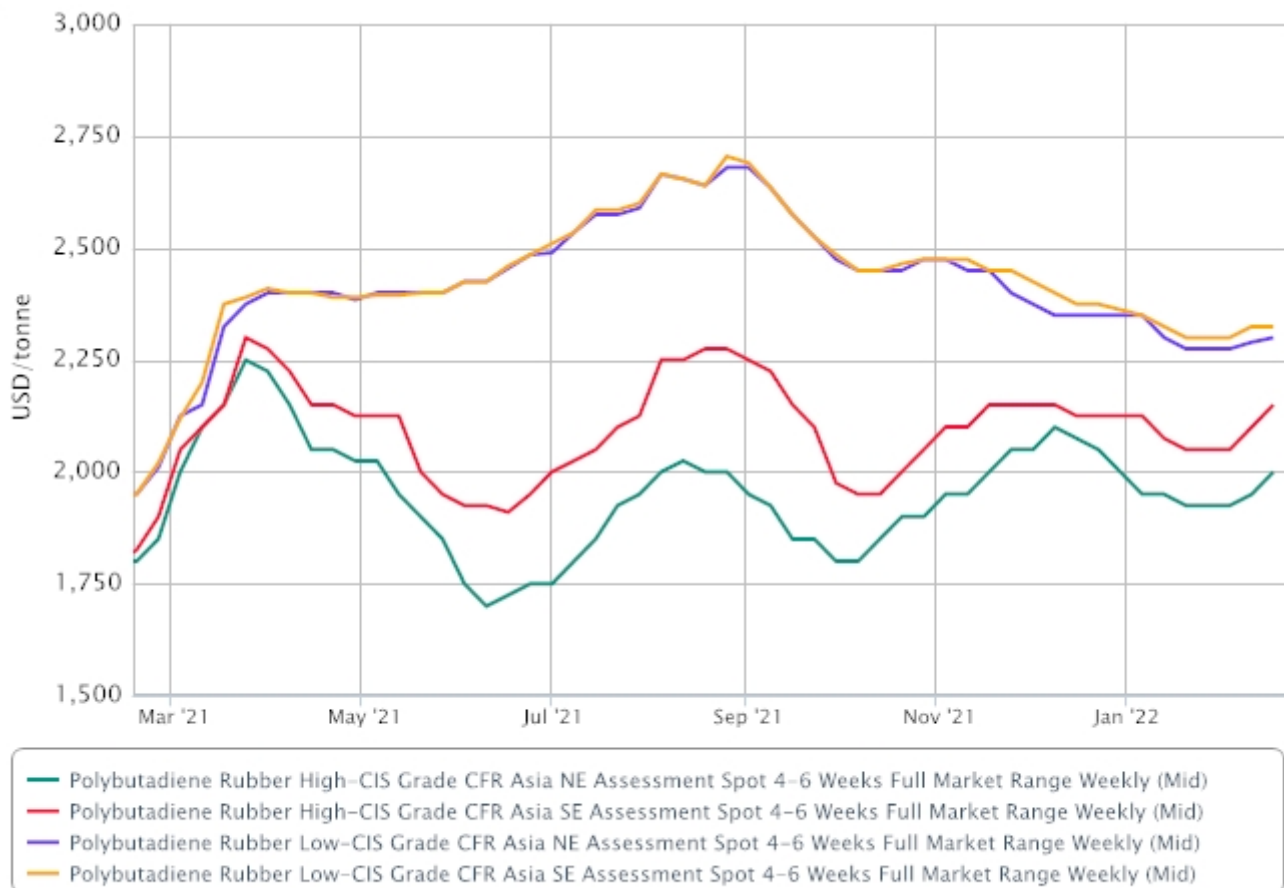
Discussions for low-cis grade were also more upbeat, but liquidity has been crimped by spot supply limitations.

Sellers hiked asking prices, citing the need to recover increased production costs. Feedstock butadiene (BD) prices have [surged](#) in the last month, eroding margins at PBR makers.

Sellers are confident that demand for high-cis PBR will increase once auto plant operations are restored. The semiconductor supply situation is expected to improve with [new capacity investments](#).

For low-cis PBR, sellers were of the view that with production weighed down by the looming shortage of a catalyst, sustained tightness in spot availability will continue to support pricing.

On the buy-side, those with concrete requirements stepped up to secure volumes and build up safety stocks. Most, however, remained cautious and only purchased on a need-to basis.



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OUTLOOK

- **Supply constraints may stretch to Q2**
- **High-cis demand to tap auto sector recovery**
- **Low-cis off-take to hinge on domestic appliances sector outlook**

ICIS analyst view on butadiene (BD)

ICIS expects healthy fundamentals in the Asian BD market in February and March.

More regional producers have cut cracker output in February, and potentially in March as well. This will heavily decrease BD output. In light of strong crude prices, the choice of lighter feedstocks for crackers will also lower BD production yield. Additionally, the incident at YNCC's third cracker in Yeosu is very like to further impact BD supply.

However, following price increases for both BD and other petrochemicals seen in February, we expect some producers to increase cracker output from late March. There will also be a chance that on-purpose BD units will restart.

Also, the Asia-US arbitrage window remains open but narrowed, thereby supporting the bullish sentiment.

Some buyers decreased their term cargoes volume in 2022 in light of the abundant supply outlook. This may support a greater price movement in a tight supply-demand balance situation.

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	+20	2250.00- 2350.00	n/c	2250.00-2300.00	102.06-106.59
CFR Asia SE	USD/tonne	n/c	2300.00- 2350.00	n/c	2250.00-2350.00	104.33-106.59
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	+50	1950.00- 2050.00	+50	1850.00-2000.00	88.45-92.99
CFR Asia SE	USD/tonne	+50	2100.00- 2200.00	+50	2000.00-2100.00	95.25-99.79

Northeast Asia

High-cis

The CFR northeast Asia assessment for high-cis material rose, reflecting firmer buy-sell discussions.

Domestic prices in east China were stable-to-soft. Yuan-denominated BD prices declined mid-week after an earlier rally.

Price (CNY/tonne)	17 February	10 February
E China Ex-Warehouse	13,700-13,900	13,700-14,000

Low-cis

CFR northeast Asia prices for low-cis material were assessed stable-to-firm, with the low end lifted on firmer buying indications heard. The high-end was kept unchanged, tracking stable offers heard.

Southeast Asia

High-cis

CFR southeast Asian prices for high-cis materials also rose on higher offers and deals heard.

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

Feb (1-17) 2022	Jan 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021
178.59	178.12	172.08	175.65	174.39	163.23	172.67	164.32

Low-cis

The CFR southeast Asian assessment for low-cis material was held steady on range-bound talks.

India

In India, pricing sentiment firmed, tracking higher offers and bids heard. Some Asia-origin materials were sold for March shipment at about \$2,200/tonne CFR India, market sources said.

Domestic prices were heard at the equivalent of about \$2,100/tonne CFR India, market sources said.

UPSTREAM

Asia BD import discussions [spiked](#) following a rally in the domestic yuan-denominated China market. Spot availability was tighter on the back of a heavy wave of cracker operating rate cuts, which provided additional support to import offers.

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 PBR plants fell to 79% in the week ended 11 February, 4 percentage points lower than the week ended 28 January.

Outside China, spot supply is also tighter amid ongoing maintenance [closures](#) at several units in northeast and southeast Asia.

ANALYTICS

ICIS Downstream Demand Outlook - Domestic Appliances

The demand outlook for domestic appliances is expected to moderate this year. This is because growth rates are returning to more normal rates after an exceptional 2021. Therefore, a correction in growth for 2022 cannot be seen as negative, rather a cyclical downswing. Global domestic appliance output in 2022 is expected to decrease 0.8% compared with 2021 (Q1 2022 is expected to shrink 7.0% compared with Q1 2021). However, the distressed Chinese real estate situation is negative for the sector, with less demand expected for appliances.

Domestic appliances demand in the US in the first three quarters of 2021 was remarkable, and unlikely to be repeated this year. US 2022 output is expected to shrink 4.7% compared with 2021 (Q1 2022 is expected to decrease by 10% year on year).

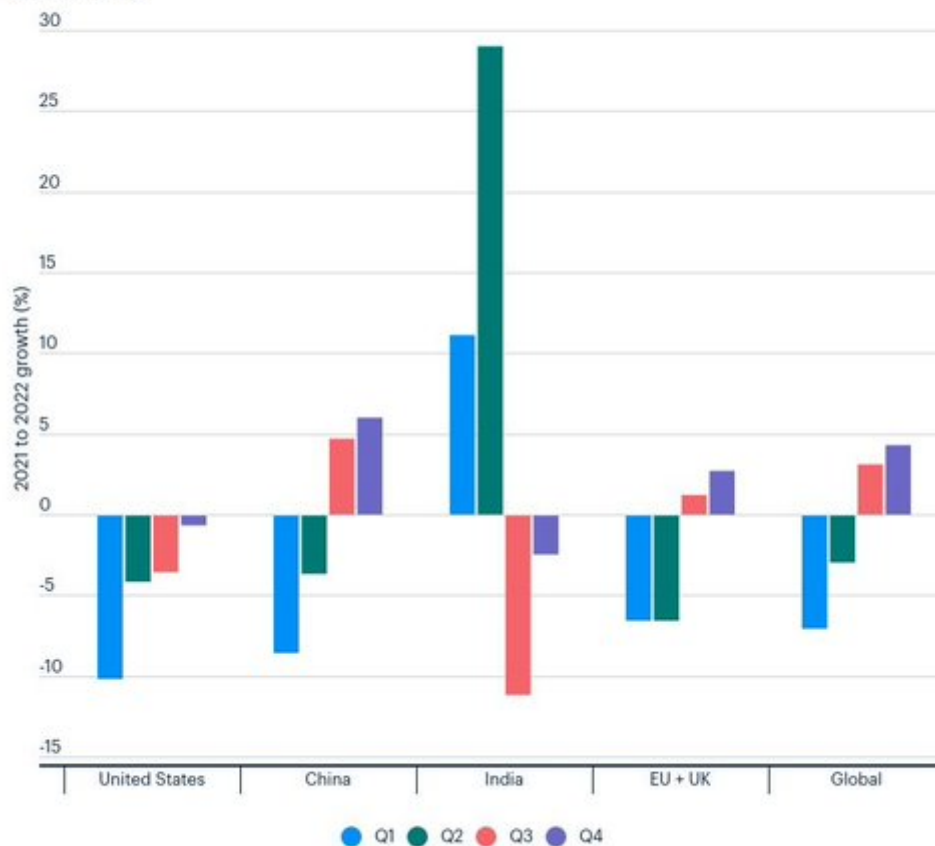
EU output in 2022 (including the UK) is expected to decrease 2.4% compared with 2021 (Q1 2022 is expected to shrink 6.5% compared with Q1 2021). Overall, the sector is cooling down and returning to more normal growth rates.

The appliances market in northeast Asia is doing well, in line with other advanced economies, except for Japan. Chinese output in 2022 is expected to decrease 0.6% compared with 2021 (Q1 2022 is expected to fall 8.5% compared with Q1 2021). In contrast to its global peers, southeast Asia is expected to perform better this year compared to 2021. Indian output in 2022 is expected to grow 4.6% compared with 2021 (Q1 2022 is expected to grow by 11% year on year).

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

Domestic Appliances sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

ICIS Downstream Automotive Demand Outlook

It has been more than two years since the world plunged into the coronavirus crisis. But the last year has been the most puzzling in terms of the outlook for stakeholders in the global automotive industry. The level of uncertainty has been unprecedented, challenging for decision-making and risk management. The global automotive industry was one of the first and hardest hit by the pandemic and has yet to fully recover. According to Oxford Economics, global production of light vehicles is expected to reach 83.6m units in 2022, short of its pre-pandemic production rate of 88.4m units in 2019. Supply shocks continue to impact production, with a global shortage of microchips leading to cuts in automotive output. We expect vehicle sales to mirror the production growth rate, as there is not a considerable gap between the two.

The North American auto industry remains weak: production is improving but at a slow pace. US light vehicle production is expected to reach 10.3m units this year compared with 10.6m units in 2019. The industry is still down 2.8% year on year from 2019. Inventories continue to touch new lows. In December, inventories totalled 58,900 units, the lowest since 1993. In the same month, the auto inventory-sales ratio was 0.359. Supply chain issues continue to haunt the industry. Microchip supply has yet to catch up with demand. The key challenge for the region is its semiconductors' demand (which is close to 50%) versus production (which is about 12%) gap. This is one reason for semiconductors being treated as a material of strategic importance. As a result, the CHIPS for America Act was passed in the House in early February. It includes various grants and subsidies aiming to provide more than \$50bn to boost the industry.

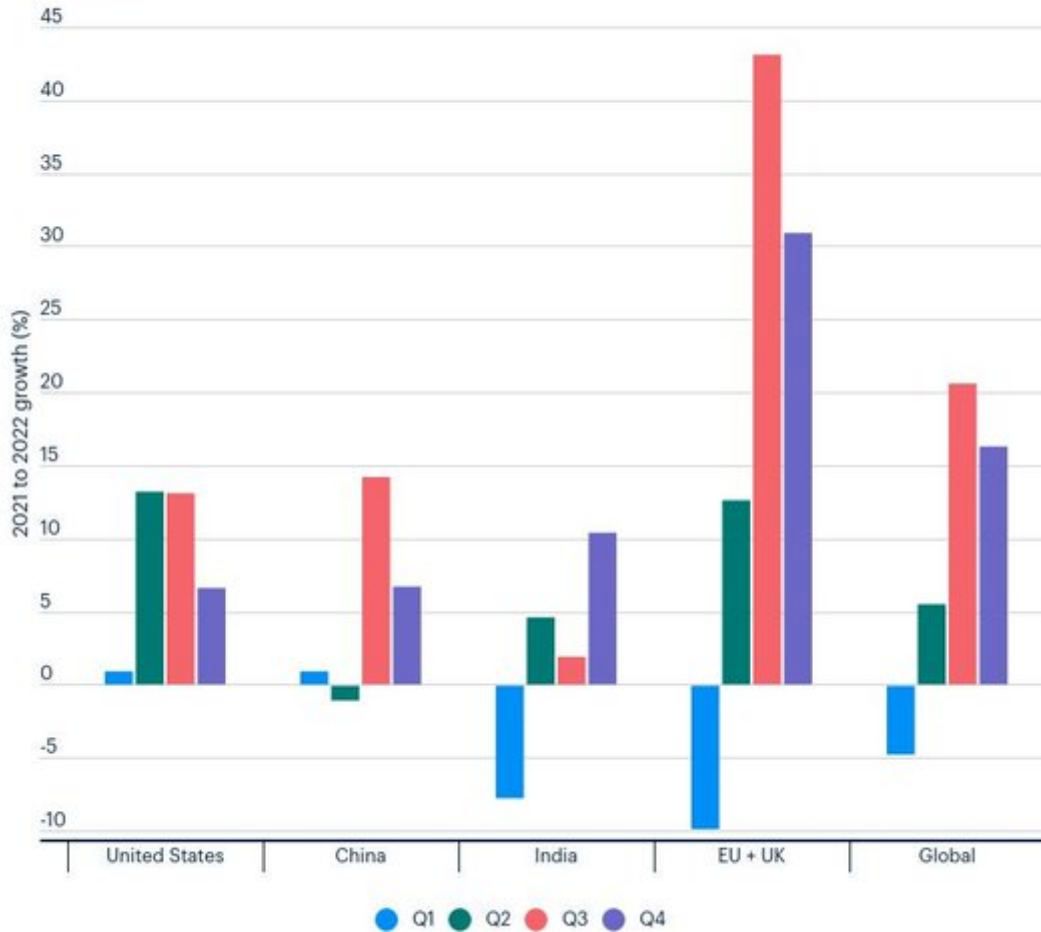
European vehicle production is still down compared to the pre-crisis level. Production for this year is forecast to reach 15.3m units compared to 17.8m units in 2019, down by 14%, according to Oxford Economics. In addition, the European Automobile Manufacturers' Association (ACEA) reported a decline in car registrations in December by 23% to 795,295 units, a sixth consecutive month of loss. This implies consumers are delaying their purchases on account of high prices. Commercial vehicles are following suit. According to the ACEA, in December the EU commercial vehicle market contracted again, for a sixth consecutive month. Hopes for a speedy resolution are still faint.

China continues to be the bright light in the global economy, with production expected to reach 25m units this year, up 2.7% from the 2019 level of 24.3m units (Oxford Economics). The China Automobile Dealers Association reported an improvement in inventory levels. The inventory coefficient in January was reported at 1.46, a month-on-month increase of 2.1%. The reason Asia-Pacific is outperforming the rest of the world is its proximity to the chips manufacturers (about 70% of the global microchip capacity is in Asia). Indian automotive production is expected to recover and be back to its pre-crisis level. An improvement in market sentiment is reported by the Federation of Automobile Dealers Associations of India.

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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