Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
17-Mar-2022

Overview | Outlook | Prices | Upstream | Production | Analytics

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

OVERVIEW

- **Discussions trend up**
- **Supply constraints a key support**
- **Upstream cost pressures also mounting**

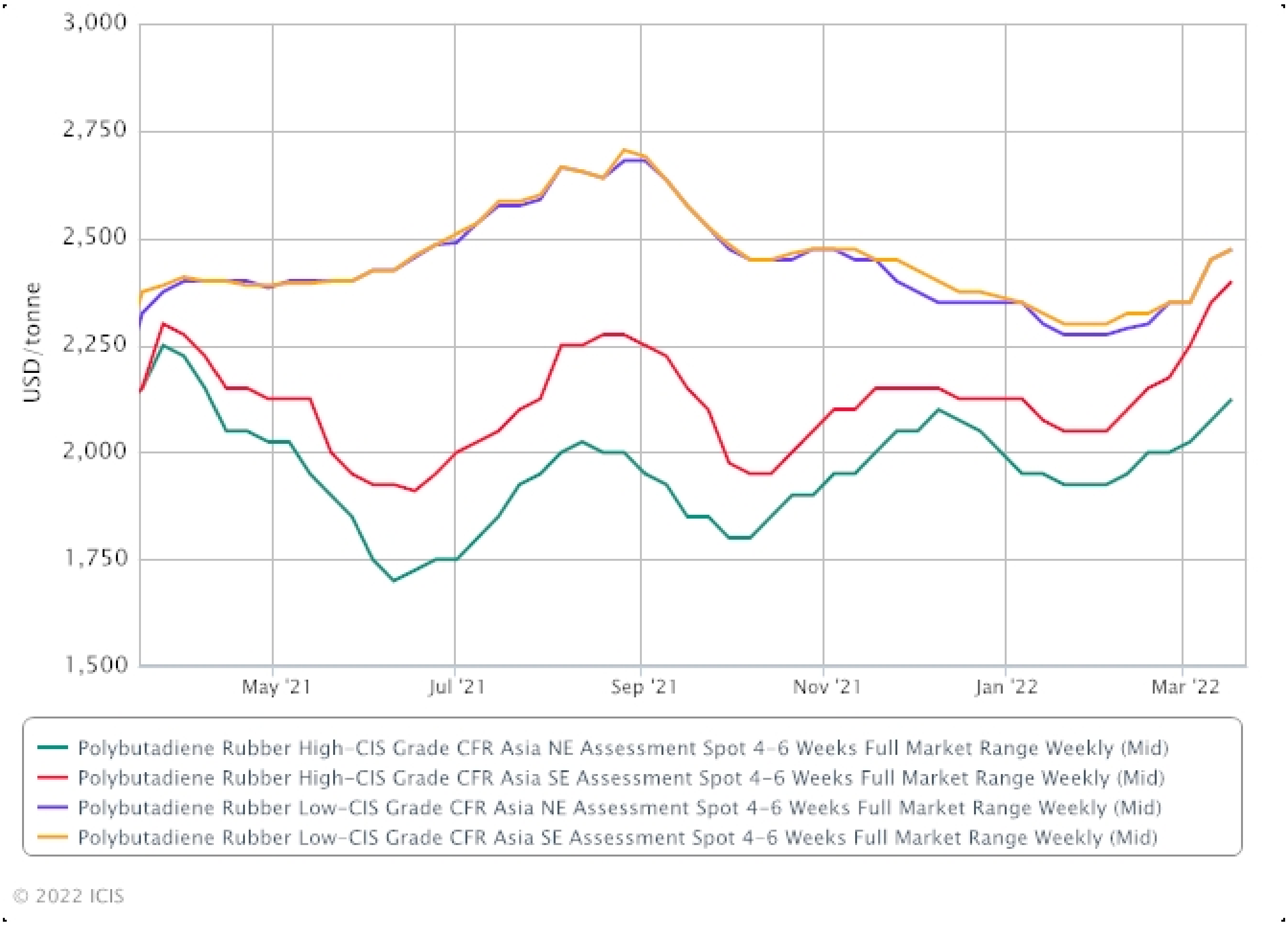
Asian spot discussions for both high-cis and low-cis polybutadiene rubber (PBR) remains robust, as supply limitations kept both offers and buying interest well supported.

Most PBR sellers continued to chase higher targets, citing upstream cost push, as feedstock butadiene (BD) prices have more than doubled in the last two months.

They also saw support from the reality that spot availability is extremely squeezed, with more than 150,000 tonnes/year of regional production capacity currently out of service, either on planned maintenance or unplanned outage.

Furthermore, deep-sea origin import arrivals to Asia, particularly India, are poised to drop, if the outflow of cargoes from Russia is disrupted by its ongoing conflict with Ukraine.

Instead, market players said that there were active buying interest from Europe for replacement volumes, including from Asia, for anticipated disruption of Russia-origin supplies.



OUTLOOK

- **Supply limitations may stretch**
- **Demand to tap auto/appliances sector growth for support**
- **But off-take may dip if China’s covid worries are longer drawn**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	+50	2450.00-2500.00	n/c	2250.00-2350.00	111.13-113.40
CFR Asia SE	USD/tonne	+50	2450.00-2500.00	n/c	2300.00-2350.00	111.13-113.40
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	+50	2100.00-2150.00	+50	1950.00-2050.00	95.25-97.52
CFR Asia SE	USD/tonne	+50	2350.00-2450.00	+50	2100.00-2200.00	106.59-111.13

Northeast Asia

High-cis

High-cis PBR prices, on a CFR northeast Asia basis, rose, with firmer discussions heard for cargoes bound for non-China destinations.

For China-bound shipments, discussions were muted, with local end-users amply supplied by domestic products and uninterested as such in import materials.

Local requirements also softened in the week, as industrial production activities slowed down after several major cities were placed under tighter COVID-restrictions on movements.

Yuan prices for PBR were lower on week, as below.

Price (CNY/tonne)	17 March	10 March
E China Ex-Warehouse	13,600-13,900	13,800-14,000

Low-cis

CFR northeast Asian assessments for low-cis materials were assessed in a narrower range, with the low-end lifted alongside firmer buying indications for cargoes from regular suppliers.

A March shipment cargo was heard sold at levels below the range, but not accounted for in the assessment given a consensus market view that this was unusually low and may not be representative of the mainstream market conditions.

Southeast Asia

High-cis

CFR southeast Asian prices for high-cis materials also rose with firmer buy-sell pricing discussions and deals.

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

Mar (1-17) 2022	Feb 2022	Jan 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021
176.89	179.84	178.12	172.08	175.65	174.39	163.23	172.67	164.32

Low-cis

CFR southeast Asian prices for low-cis materials were lifted at the low-end with a deal heard, while the high-end tracks the lowest offer heard.

India

In India, the buy-sell gap widened for spot discussions for high-cis PBR imports.

Selling indications for Asia-origin cargoes were heard at $2,350/tonne CFR India and above. From the sellers' perspectives, spot availabilities are tight, and India's requirements for Asia-origin imports deemed to be supported by anticipated disruption of deep-sea origin imports.

But buyers held firm to lower buying indications, capped at $2,050/tonne CFR India, adding that they have no requirements as they have amply covered with prior purchases.

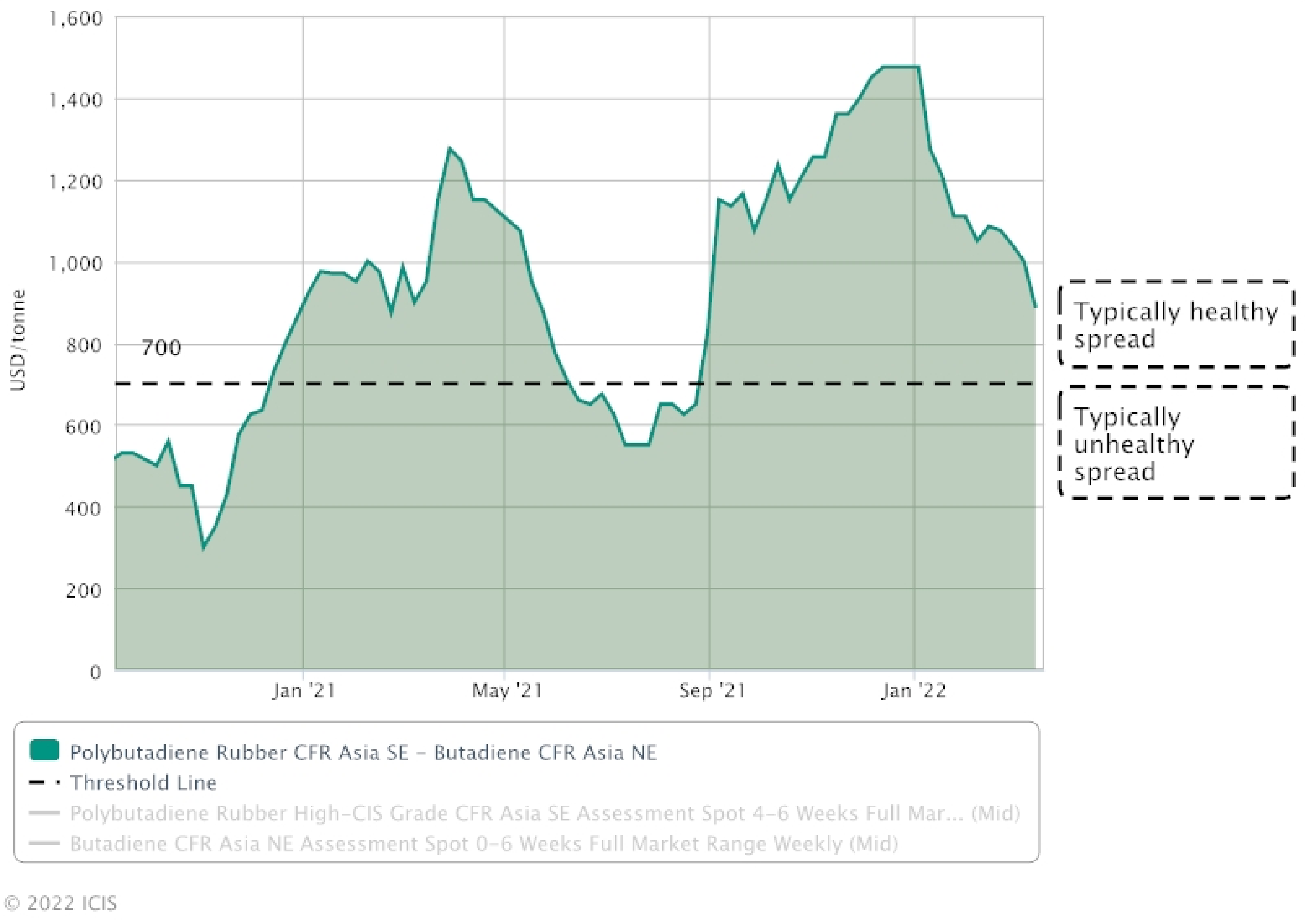
Meanwhile, domestic prices for PBR were heard hiked week on week by over $200/tonne, in US dollar parity terms, as domestic producers sought to keep up with increases in upstream costs. But trade liquidity was heard low after the price hike, market sources said.

UPSTREAM

Asian butadiene spot prices extended gains, as discussions firmed amid sustained bullishness in domestic yuan-denominated pricing in China. There are rising concerns too that a fresh wave of cracker operating rates cuts in March and April will further squeeze BD output in the region.

The chart below shows the spread between butadiene and PBR.

Downstream spread – butadiene NE Asia and PBR SE Asia



PRODUCTION

In China, average operating rates for PBR dipped to 80% for the week ended 11 March, down from 86% in the week prior, market sources said.

Outside of China, spot supply remain tight, amid ongoing maintenance and an unplanned outage in southeast Asia.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The global automotive industry was already reeling from a chip shortage when Russia's invasion of Ukraine took place. The conflict will severely impact the industry given that Russia is a leading producer of palladium - a key material used in computer chip production. Global automotive output is expected to grow 7.9% year on year in 2022, according to Oxford Economics, although this is down 8.8% from 2019 levels. As a short-to-medium term solution, companies such as Ford are planning to sell cars without chips - with the missing part supplied within a year to free up factory and parking space from partially built vehicles. Companies including Tesla are also looking at selling cars without USB ports or other non-security-related features. Even though there is a lot of money allocated for future chip capacity, it will take time - typically 12 to 18 months - to produce and deliver them. Another key factor is the probability of auto demand destruction due to eroding household incomes. Many are expected to spend conservatively and postpone major asset purchases.

According to the US Census Bureaus, US light vehicle sales fell to 14m units in February from 15m units in January and were down 12% year on year. Unsurprisingly, the finished inventory sales ratio is at a record low.

The European Automobile Manufacturers Association (ACEA) reported a 6% fall year on year in passenger car registrations in January, a historic low. All major European economies posted a double-digit sales contraction. Commercial vehicle registrations were down 11.1% month on month in January, and inventories were at an alarmingly low level. Another direct impact of the conflict is the constrained supply of neon gas, which is used to make microchips. Ukraine is a leading producer of the gas.

According to the China Association of Automobile Manufacturers (CAAM), Chinese car production was down 16.7% month on month in February, but up 1.4% year on year. In contrast to its global peers, China's inventory coefficient at auto dealers is quite high at 1.85 - with levels above 1.5 considered a warning. The increase has mainly been attributed to renewed pandemic concerns in cities such in Guangdong and Suzhou and led to further movement controls. India's Federation of Automobile Dealers Associations (FADA) reported a 9.2% year on year decrease in auto retail sales in February, which was down 20.7% compared to February 2020 - before COVID-19 hit. FADA said, "Till the time Russia-Ukraine conflict doesn't come to an end, FADA changes its outlook from neutral to negative."

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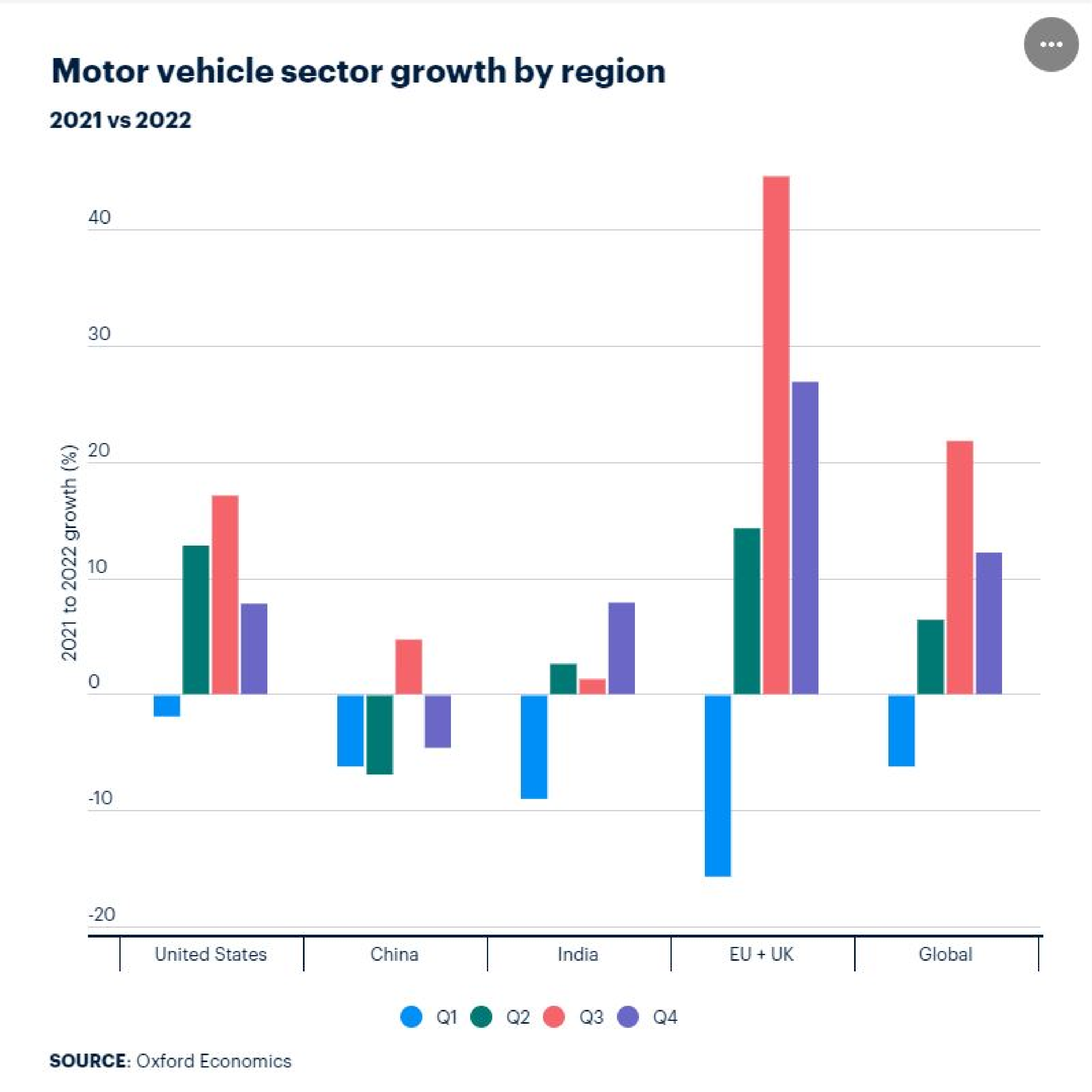

ICIS Downstream Demand Outlook - Domestic Appliances

Global domestic appliance output is expected to shrink by 0.5% year on year in 2022, and Q1output is forecast shrink 6.1 % year on year, according to Oxford Economics. A slowing real estate market, an erosion of real household incomes and a longer appliance replacement cycle are expected to adversely affect sales in the short-to-medium term. This has been exacerbated by supply chain issues and a continuous lack of microchips. 2021 was an exceptional year - when many were forced to spend time at home and white goods suppliers reported stellar sales. White goods are, however, expected to get more expensive given the increase in raw material (plastics, steel etc) prices. According to one source, the price of appliances could increase by 30-35%.

US domestic appliance output is expected to shrink 2.5% compared with 2021, and Q1 output is forecast to contract by 8.0% year on year.

EU domestic appliance output (including the UK) is expected to shrink 4.8% compared with 2021, and Q1 output is forecast to contract 8.5% year on year.

Chinese domestic appliance output is expected to grow by 0.2% in 2022 compared with 2021, but Q1 output is forecast to shrink by 6.7% year on year. A slowing real estate sector is the key reason behind the bleak outlook for appliances demand. Previous expectations that India would outperform its global peers have been downgraded. Oxford Economics forecasts that Indian domestic appliance output will shrink by 0.7% in 2022 compared with 2021, and Q1 output will contract by 5.6% year on year.

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