



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

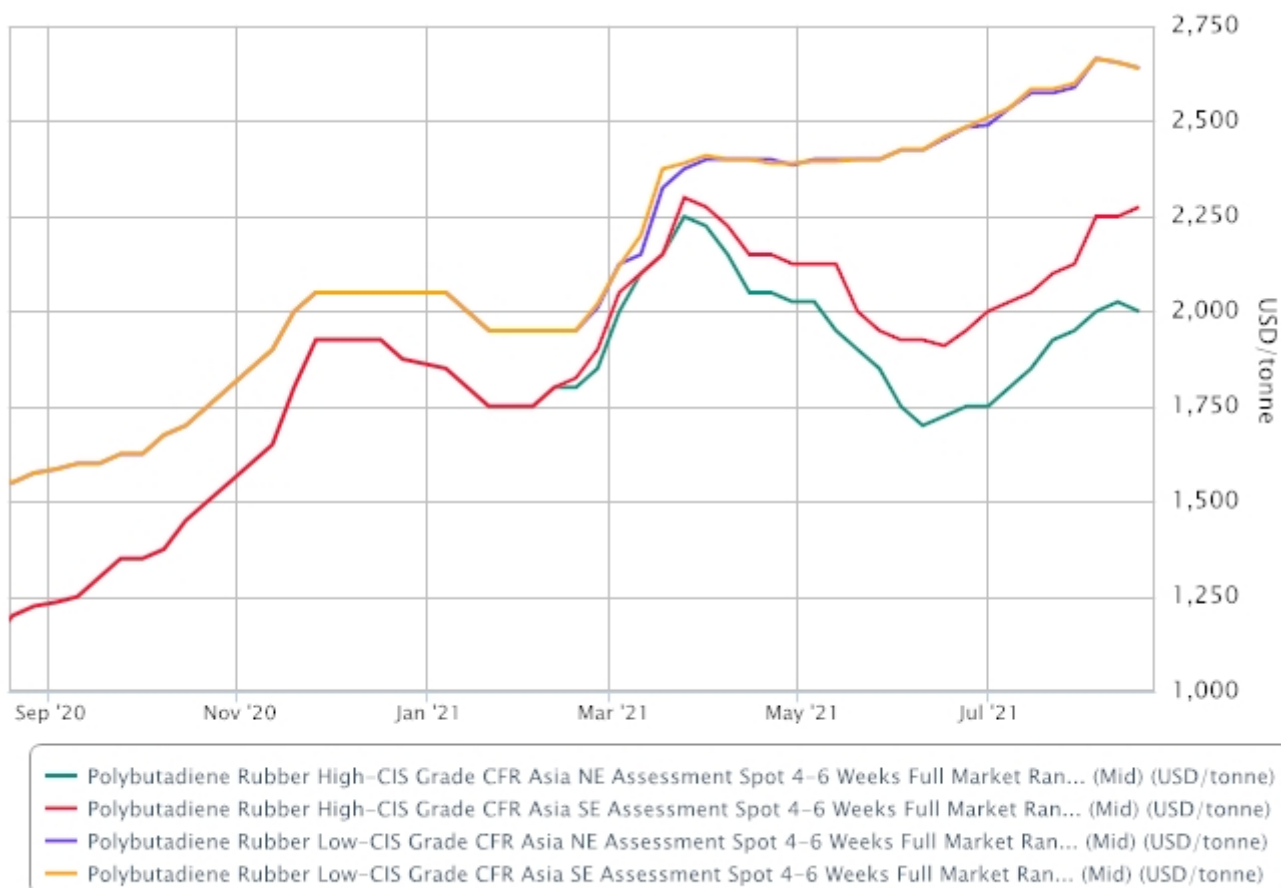
- **Demand lacklustre in China**
- **SE Asian demand also slow on pandemic impact**
- **Offers tap cost pressures for support**

Pricing sentiment for polybutadiene rubbers was mixed across the region.

In northeast Asia, demand outlook is hazy for both high-cis and low-cis grades of PBR, in part because downstream operations in the major China outlet are hampered by various supply chain disruptions, such as [heavy port congestion](#), caused by a recent spike in local coronavirus cases.

But in southeast Asia, discussions for high-cis materials remained upbeat, in part because firm feedstock butadiene costs kept offers well supported. Demand was however lacklustre with downstream operations still crimped too on pandemic-induced lockdowns.

Southeast Asian discussions for low-cis materials also trended down, with trade liquidity capped by a persistent buy-sell gap. Sellers moderated expectations slightly to stimulate some sales, but maintained that there are no plans to widen discounts as spot availability is tight to begin with.



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OUTLOOK

- Cost pressure to keep up offers
- Demand recovery will hinge on when pandemic eases in the region
- Outlook mixed

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2630.00-2650.00	-30	2550.00-2600.00	119.29-120.20
CFR Asia SE	USD/tonne	n/c	2630.00-2650.00	-30	2570.00-2600.00	119.29-120.20
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1950.00-2050.00	-50	1850.00-2000.00	88.45-92.99
CFR Asia SE	USD/tonne	+50	2250.00-2300.00	n/c	2050.00-2150.00	102.06-104.33

Northeast Asia

High-cis

CFR northeast Asian prices for high-cis materials were assessed stable-to-soft, with the high-end dropped in line with lower offers heard.

Domestic China prices for high-cis materials were stable-to-soft, as prior shortage of prompt supplies started to ease with plants restarting from maintenance.

East China Domestic PBR Prices

Price (CNY/tonne)	19 August	12 August
E China Ex-Warehouse	14,100-14,200	14,100-14,300

Low-cis

CFR northeast Asian prices for low-cis materials were stable-to-soft, with the high-end dropped to capture offers heard.

Southeast Asia**High-cis**

CFR southeast Asian prices for high-cis materials were stable-to-firm, with the low-end lifted to capture the full spectrum of deals and discussions heard.

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

Aug (1-19) 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021
173.91	164.32	164.51	169.09	164.72	175.25	169.16

Low-cis

CFR southeast Asian prices for low-cis materials were stable-to-soft, with the high-end dropped to capture offers heard.

Some cargoes were heard sold at the low-end for September shipment, market sources said.

India

CFR Indian discussions for high-cis materials were active, with firmer buy-sell indications heard for imports, tracking sharp increases seen in the week on domestic PBR prices in local rupee currency terms.

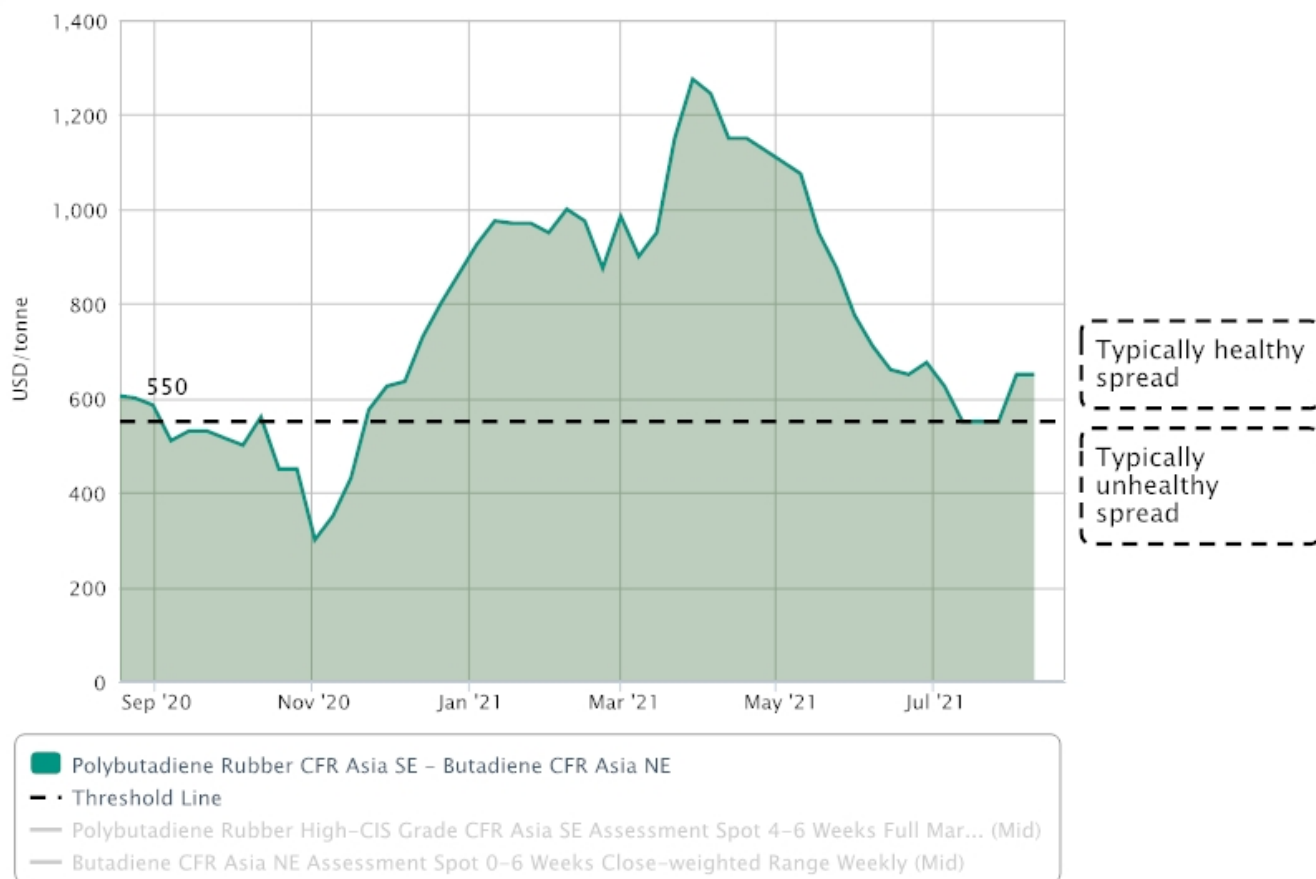
Some deals were heard at around \$2,300/tonne CFR India, while offers for fresh September shipment were heard at \$2,350/tonne CFR India and up, market sources said.

UPSTREAM

Asian butadiene (BD) spot discussions were stable on range-bound pricing indications, but liquidity is cramped by a [wide buy-sell gap](#).

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 its PBR plants were at 68% in the week ended 13 August, marginally up from 67% in the week prior, from 76% in the week prior.

While the 70,000 tonnes/year Sinopec Qilu plant is still [shut](#) for turnarounds until H2 September, another 60,000 tonnes/year plant in Shandong has [resumed](#) normal operations after a week-long, COVID-19-related, closure.

ANALYTICS

ICIS Butadiene Outlook

Enduring US BD market tightness is likely to support bullish sentiment at least until the end of 2021. This year's production is estimated to hit between 1.3m and 1.4m tonnes, down from 2020 levels, with underlying demand remaining robust. Given that the market remains unbalanced, some BD cargos are expected to arrive to support US needs, especially from Asia.

The European BD industry is projected to be characterised by good domestic demand and tight supply over the next few weeks. The unexpected production woes that hit a few BD-integrated crackers in late July might persist, at least through early August. Against this backdrop, production constraints should limit BD trade from Europe to

the US. Nevertheless, BD availability is set to reach about 585,000 tonnes in Q3, up from 560,000 tonnes in Q2 but down from 595,000 tonnes in Q1.

In Asia, BD market fundamentals are forecast to become bearish in the short term, primarily on the back of growing supply from new BD plants. As a result, Asia is likely to be an unattractive export outlet for European producers for the rest of 2021.

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

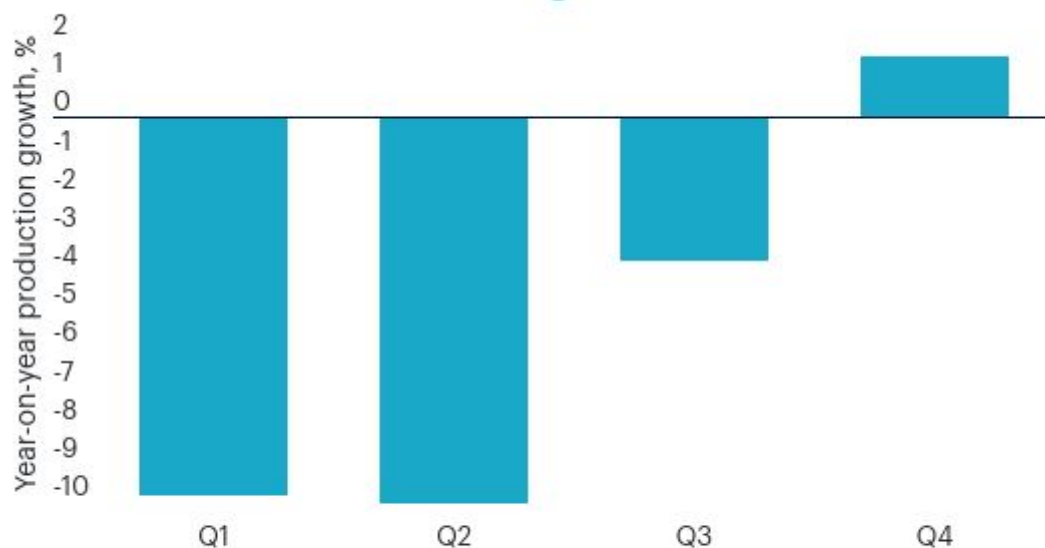
ICIS Downstream Automotive Demand Outlook

It has been about a year-and-a-half since the world was plunged into the coronavirus crisis. But the last year has been the most puzzling in terms of outlook for global automotive industry stakeholders. The level of uncertainty has been unprecedented, challenging both decision-making and risk management. The global automotive industry was one of the first and hardest hit by the pandemic and has yet to make a full recovery. According to Oxford Economics, the global selling rate of light vehicles stood at 82.4m units/year in June, 9% short of its pre-pandemic selling rate in Q4 2019. Supply shocks continue to impact production, with a global shortage of microchips leading to cuts in auto output. Hopes for a speedy resolution are still distant. One potential hiccup to the supply of chips could be water! This is because their manufacture is extremely water intensive and Taiwan - which is home to TSMC, the world's largest chip foundry, and has a global market share of 56% of all foundries - is in the middle of its worst drought in 50 years. As a result, TSMC is sourcing requirements via additional water trucks. The Taiwan Institute of Economic Research estimates that water reduction in industrial parks is currently around 15%, which is below the 20% level that factories can tolerate.

Asia was the first region to be impacted by the semiconductor shortage. According to the China Association of Automobile Manufacturers (CAAAM), the country produced and sold 1.863m and 1.864m automobiles in July, down 4.1% and 7.5% month on month and 15.5% and 11.9% year on year respectively. Compared with the same period in 2019, production and sales increased by 3.2% and 2.7% year on year respectively. Japan should see a severe near-term disruption, but South Korea will benefit from domestic chipmakers Samsung and SK Hynix which have both increased production. Electric vehicle production in Asia should ramp up sharply in 2021 as China, in particular, pushes for greater environmental measures. The Delta variant will be closely monitored, as further outbreaks could cut short any recovery.

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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