



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
19-Jan-2023

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

OVERVIEW

- **High-cis offers up with cost pressures**
- **Supplies tighten**
- **Muted buyers' response**

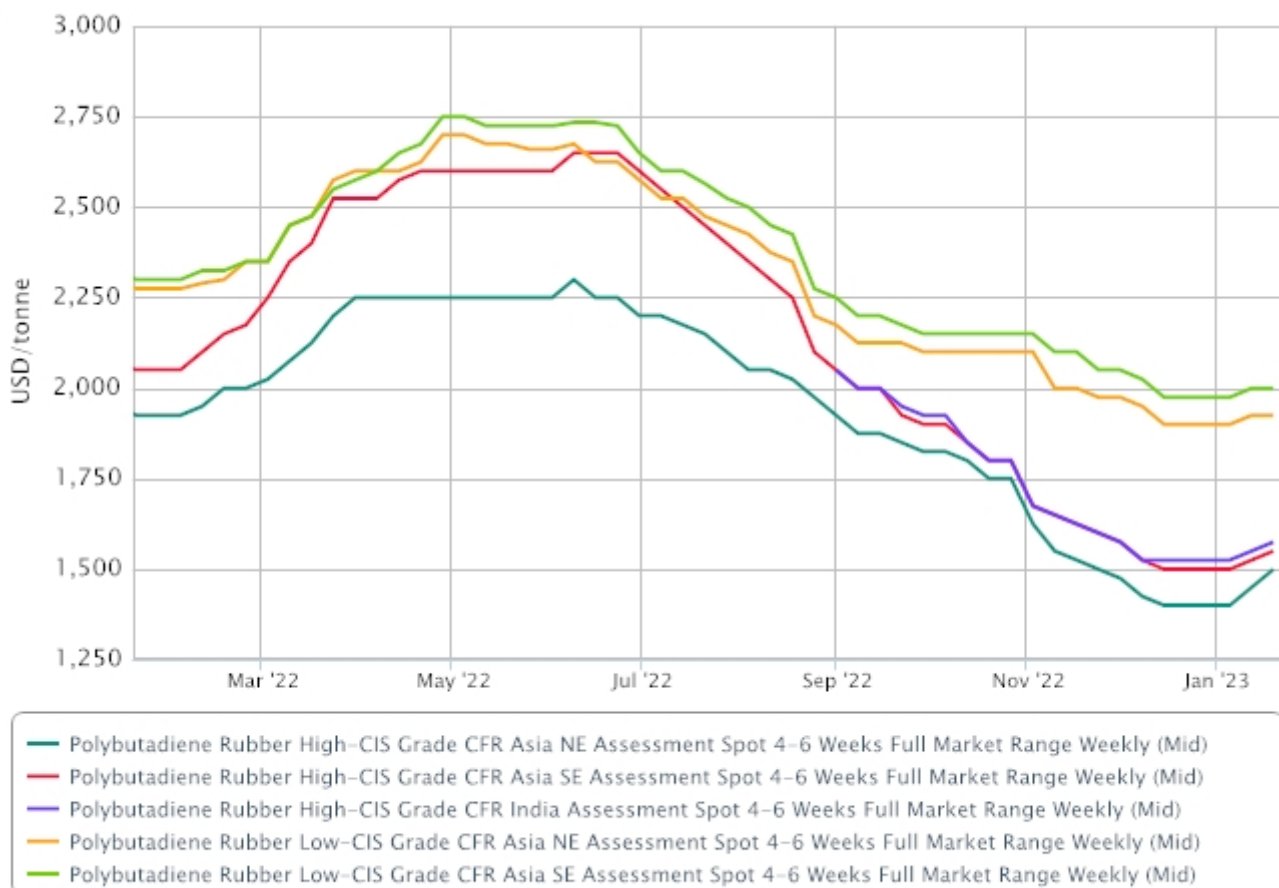
Discussions in Asia's spot market for polybutadiene rubber (PBR) trended up as offers [climbed](#) with rising cost pressures.

Supplies are also tighter with ongoing and fresh closures, and sellers expect this to provide even more upside support to spot discussions.

However, substantive negotiations were curtailed in the week, partly due to the pre-holiday lull, but also because prevailing demand fundamentals are still structurally weak across Asia, market players said.

In China, however, even though many downstream users are winding down this week for the upcoming Lunar New Year holidays, anticipations are high that once the holiday are over, downstream operations will rebound. As such, this triggered some pre-holiday restocking buying interest for PBR in the domestic China market.

In SE Asia and India, end users continue to hold back, saying that they were firstly already sufficiently covered for now with prior purchases, and that secondly, they would want to have more clarity and certainty on the post-holiday situation in China before they commit more heavily on additional PBR spot purchases.



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OUTLOOK

- **Upstream cost pressures may not ease soon**
- **Supply may stay tight in the near term**
- **Anticipated post-pandemic [recovery](#) in China to drive demand**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1850.00-2000.00	n/c	1850.00-1950.00	83.91-90.72
CFR Asia SE	USD/tonne	n/c	1950.00-2050.00	n/c	1950.00-2000.00	88.45-92.99
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	+50	1450.00-1550.00	+50	1350.00-1450.00	65.77-70.31
CFR Asia SE	USD/tonne	n/c	1500.00-1600.00	+50	1450.00-1550.00	68.04-72.57

CFR India	USD/tonne	n/c	1500.00- 1650.00	+50	1450.00-1600.00	68.04-74.84
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Northeast Asia

High-cis

CFR NE Asia assessment was up with firmer offers, as well as higher buying indications heard for China-bound parcels.

In China, domestic yuan-denominated prices for PBR rose as well, with firmer feedstock Butadiene (BD) prices. However, spot trade momentum is expected to taper from here as many players were already exiting the market for the extended Lunar New Year holiday.

Price (CNY/tonne)	19 Jan	12 Jan
E China Ex-Warehouse	11,000-11,100	10,500-10,600

Low-cis

CFR NE Asia assessment was unchanged in a quiet and thinly-discussed week.

Southeast Asia

High-cis

High-end of CFR SE Asia assessment was lifted with firmer offers.

As prices for natural rubbers have recently risen, synthetic rubber makers are expecting to help provide some demand support for PBR, as end users may look to using more of the latter, at the expense of natural rubber, to improve the economics.

Buying indications were heard capped at the low-end of the range, similar to last trades achieved previously.

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

Jan (1-19) 2023	Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022
137.18	135.03	127.32	130.52	134.12	149.74	158.83	164.15

Low-cis

CFR SE Asia assessment was kept unchanged on rangebound talks. Some cargoes changed hands within the range, market sources said.

If sales do not pick up pace and cost pressures continue to grow, regional producers were heard inclined to making deeper output cuts to protect bottomlines.

India

Firmer offers on northeast Asia-origin materials were reflected at the high-end of CFR India assessment.

Some volumes changed hands at around the high-end, market sources aid.

For majority buyers, their buying indications were at the low-end of the range, similar to trades achieved previously.

UPSTREAM

BD

- Domestic China extends gains
- This lends support to China import talks
- Wider Asian discussions also up, but still trails China

The chart below shows the spread between butadiene and PBR.

[Downstream spread – butadiene NE Asia and PBR SE Asia](#)



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PRODUCTION

Spot availabilities are poised to tighten in Asia with several planned and unplanned plant [closures](#).

A southeast Asian plant which has been shut since early 2022 after a fire is looking to [resume](#) operations in the late March/April period, market sources said.

OTHER REGIONS

ICIS Outlook on Industrial Production (ex. Construction)

The outlook for industrial production is bearish for 2023. As expected, global industrial production was below forecasts for this year. At the beginning of 2022, growth of 4.1% year on year was expected, but actual growth was 2.3%, according to Oxford Economics). Carry-over disruptions from 2021 included supply-chain issues, pandemic-led labour absenteeism and increasing material costs. In addition, manufacturing activity was further compromised (especially in the EU) from a major energy shock. This has directly impacted the automotive, semiconductor, metal and other energy-intensive industries. Global market sentiment has taken a hit as well.

Given continued economic uncertainty and a lack of a skilled workforce, industrial production in the US is expected to suffer. 2023 is forecast to be extremely challenging. The Fed reported a 0.1% month on month decrease in industrial production in October. It also said capacity utilisation for manufacturing units decreased by 0.2% in October to 79.9%.

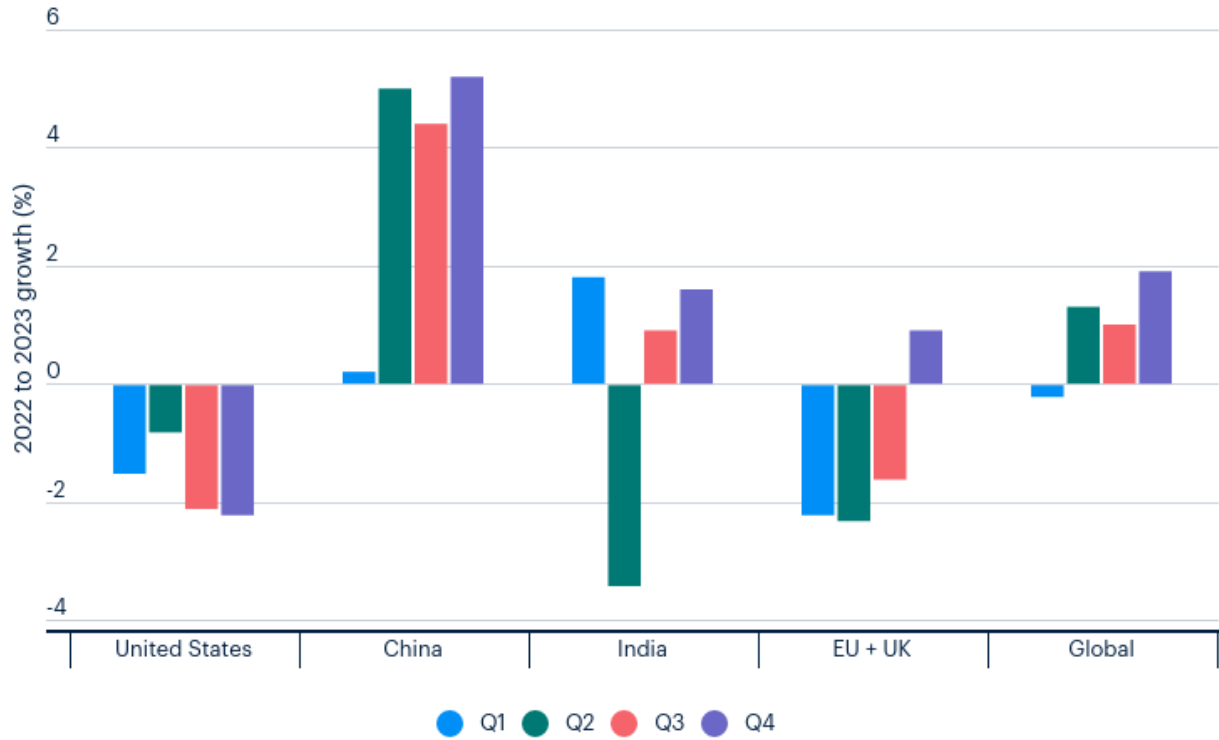
The disruption to production has been highest in Europe due to its proximity and recent dependence on Russia. Market sentiment has also taken a major hit. Commercial vehicle sales are a key marker for industrial activity, but the European Automobile Manufacturers' Association (ACEA) reported that commercial vehicle registration fell 8.9% in October - a sixteenth consecutive monthly fall. Other sectors seeing weakness include domestic appliances and textiles. If the Russia-Ukraine conflict is long and drawn out, the outlook for industrial production is likely to deteriorate further.

Last week, China's National Health Commission relaxed some of the country's strict zero-COVID measures. However, a reintroduction has not been ruled out if cases surge. Last year, this severely disrupted manufacturing activity not only in China, but elsewhere as lots of countries depend on China to source key spare parts. Chinese consumer spending is expected to become more conservative which will dampen demand for various end uses, apart from daily essentials.

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

Industrial production (excluding construction) growth by region

2022 vs 2023



SOURCE: Oxford Economics

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