Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
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Overview | Outlook | Prices | Upstream | Production | Analytics

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

OVERVIEW

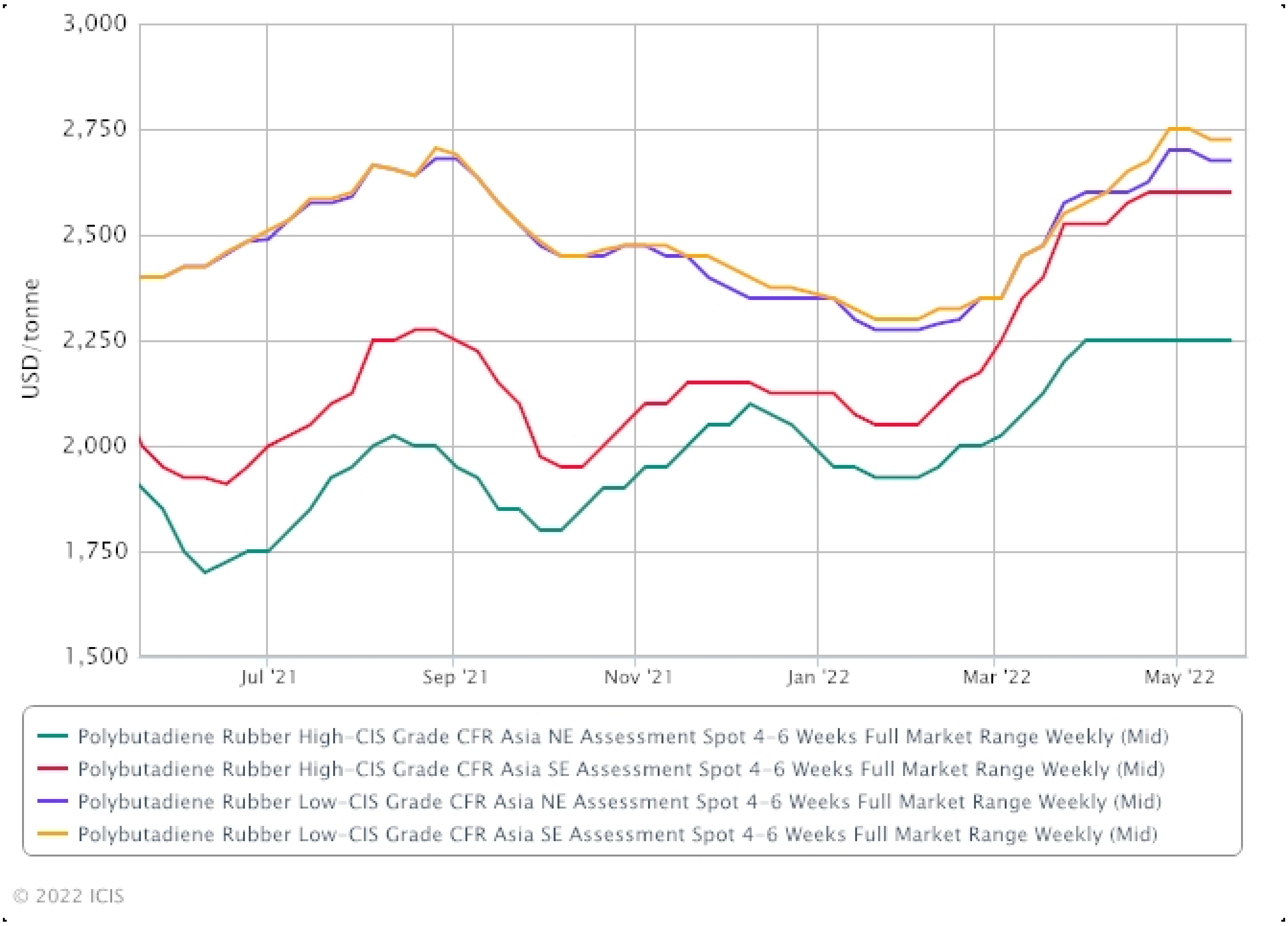
- **Discussions muted**
- **Supply tight in wider Asia**
- **Domestic China rebounds**

Asia's spot prices for polybutadiene rubber (PBR) were kept unchanged amid muted discussions.

In wider Asia, supply constraints persist and may stretch longer with upcoming maintenance closures, in addition to an ongoing outage.

Sellers as such saw no need to moderate their expectations, even if buying interest has been diluted by the emergence of cheaper cargoes from China.

That said, as PBR prices in the domestic yuan-denominated markets rose this week, alongside optimism that existing China lockdowns may be lifted in June, China PBR makers may henceforth turn to focus more on domestic sales, instead of exports, market sources said.



OUTLOOK

- **Regional demand may pick up if China lockdowns are lifted**
- **Outflow of China supplies may ease too**
- **Global economic worries will weigh down on market sentiment**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2600.00-2750.00	n/c	2600.00-2650.00	117.93-124.74
CFR Asia SE	USD/tonne	n/c	2700.00-2750.00	n/c	2650.00-2700.00	122.47-124.74
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2200.00-2300.00	n/c	2200.00-2300.00	99.79-104.33
CFR Asia SE	USD/tonne	n/c	2500.00-2700.00	n/c	2550.00-2650.00	113.40-122.47

Northeast Asia

High-cis

CFR NE Asia assessments for high-cis PBR grade were rolled over in the absence of concrete and fresh pricing indications heard.

End-users in China continued to stay away from imports, in favour of more competitively priced local products.

Meanwhile, domestic prices in China for high-cis PBR rebounded, as trade momentum picked up with more end-users seeking to restock in anticipation for the existing lockdowns in several cities to be lifted.

Price (CNY/tonne)	19 May	12 May
E China Ex-Warehouse	13,700-13,800	13,200-13,400

Low-cis

CFR northeast Asia prices for low-cis materials were rolled over in the absence of concrete negotiations and transactions.

Southeast Asia

High-cis

CFR southeast Asia prices for high-cis materials were left unchanged, amid broadly range-bound indications heard.

The high-end of the assessment range tracks discussions and indications heard for cargoes from regular suppliers in wider Asia, while the low-end reflects indications for China-origin materials.

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

May (1-19) 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
161.27	171.15	175.18	179.84	178.12

Low-cis

CFR southeast Asian prices for low-cis materials were kept unchanged on range-bound talks.

The low-end tracks of the assessment range transactions heard, while the high-end captures offers.

India

For high-cis PBR imports into India, selling indications for non-China cargoes were heard steady in the $2,600-2,700/tonne CFR India range.

Buying interest is lukewarm, with some end-users heard still seeking out cheaper materials from other supply streams.

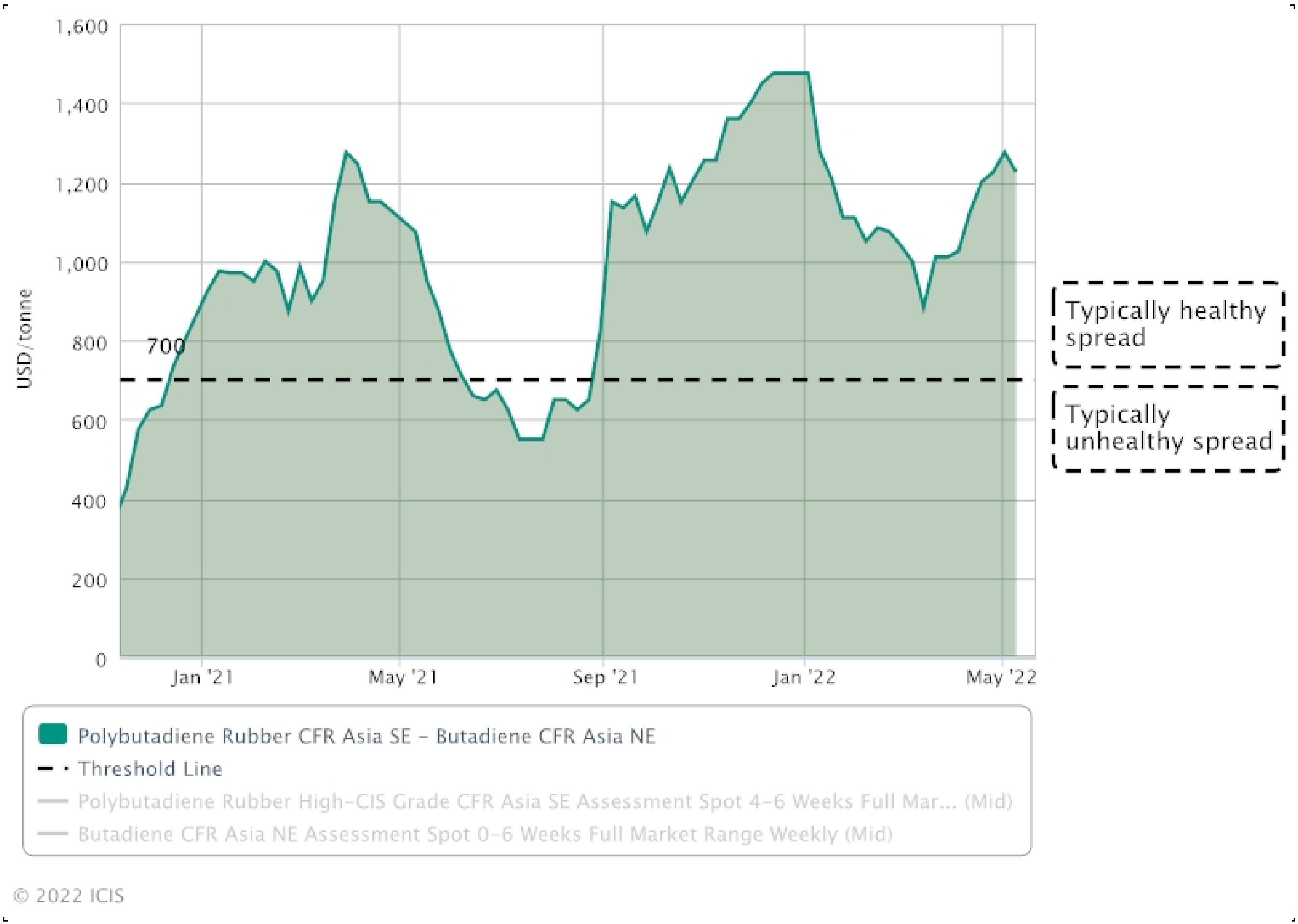
China-origin cargoes were heard available at below $2,400/tonne CFR India, but market sources said that transactions were also limited as not many outlets could readily use such materials.

UPSTREAM

Asia's spot discussions for butadiene (BD) saw an uptick this week, as prompt demand surfaced with some production hiccups. However, lacklustre downstream demand continues to weigh down on longer term pricing outlook.

The chart below shows the spread between BD and PBR.

Downstream spread – butadiene NE Asia and PBR SE Asia



PRODUCTION

In China, average operating rates for PBR held steady at 70% for the week ended 13 May, unchanged from the week prior, market sources said.

In wider Asia, output remains crimped too, not just by an ongoing outage, but also by various maintenance closures planned for the late May to July window.

ANALYTICS

ICIS Butadiene Outlook

ICIS forecasts a worse outlook for US BD consumption for 2022 compared with November 2021 projections. Downstream demand is now expected to fall by around 2.5% year on year against 1% in the previous outlook and will still remain below pre-pandemic levels. The adiponitrile (ADN) industry will be the hardest hit, with demand decreasing by about 18% from 2021. Across the board, this less favourable outlook for the BD industry is likely to be dictated by the fact that the US economy may be at risk from higher inflation. On the production front, TPC Group aims to expand its Houston BD plant's 546,000 tonne/year capacity by 20% by the first quarter of 2023. Europe may see a contraction in BD trade flows to deep-sea destinations as a result.

ICIS has revised down 2022 European BD demand growth rate by about one percentage point to 5%, compared with the November 2021 outlook. European BD derivative demand will be back to the pre-pandemic consumption levels, although it is forecast to grow at a slower rate than in 2021. Versalis's steam cracking plant in Porto Marghera, Italy, is in the process of decommissioning and will halt crude C4 flows to the BD extraction unit at Ravenna. Consequently, supply-chain difficulties may occur in the months ahead, supporting prices. Demand for original equipment tyres in Europe is likely to remain constrained, given that automotive production continues to be hit by semiconductor shortages. The war in Ukraine has aggravated the lack of automotive components.

Based on spring updating of the ICIS Supply and Demand Database, Asian BD demand this year is set to grow by 5.6%, lower than the 6.3% projection made in November 2021. Slowing demand growth is likely to be due to lockdowns in China, port congestions, and the automotive industry crisis.

For 2022, the Chinese polybutadiene rubber (PBR) demand growth rate has been cut by three percentage points to 8.1% from the previous forecast, due mainly to continued supply-chain disruptions that are expected to contain tyre export growth. BD production in southeast Asia will increase thanks to the restart of Pengerang Refining and Petrochemical's plant at Pengerang Johor, Malaysia, likely in June. The petrochemical complex includes 185,000 tonnes/year of BD capacity and, as it does not have a derivative unit, all the BD output will be sold in the spot market.

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