



## 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

- **Discussions slow down**
- **Demand sentiment softens**
- **But offers stable on perceived cost pressures**

Discussions in Asia's spot import market for polybutadiene rubber (PBR) [slowed down](#) amid growing uncertainties.

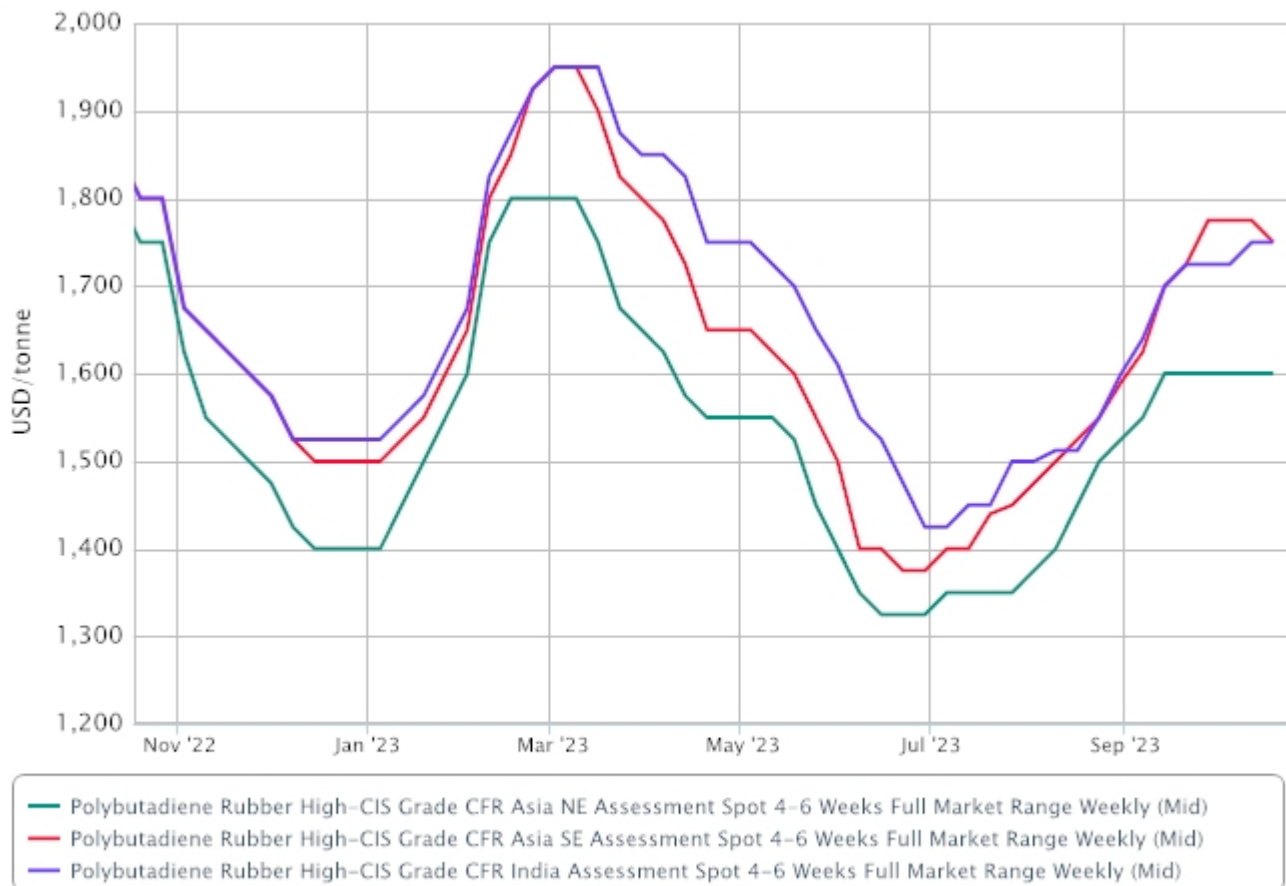
Buyers' confidence was eroded by bearish indicators suggesting that the economic recovery pace is losing steam in China. For instance, the country's [Q3 GDP growth](#) was lower than the previous quarter, and the [IMF](#) has also trimmed Asia's growth forecast on account of China's slow down.

Most of them pulled back to wait for more clarity on how China may pan out in the coming weeks, as well as how this could in turn impact the situation in other regional outlets like southeast Asia and India.

Those who were still open to procuring kept purchases to small parcel lots to tide over current production needs, but not to build stocks.

Despite the muted sales tempo, sellers mostly rolled over their offers this week, as they were mostly already sold out of spot October/November availabilities to begin with.

And as ICIS [forecast](#) that tensions in the Middle East could put fresh upside pricing pressures on feedstock butadiene, many sell-side elements are also wary about protecting their frail margins against potentially ballooning production costs.



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## OUTLOOK

- **Upstream pricing to drive offers**
- **But [global economic slowdown](#) to weigh on demand**
- **Buy-sell gap may widen**

### ICIS Analyst View on BD

Asia's butadiene (BD) market is largely balanced. Spot demand is expected to continue on a need-to basis for October and November arrivals while regional supply remains snug. Lower domestic yuan prices compared with US dollar-denominated prices will enable exports from China to balance the China and the wider-Asia markets. Therefore, short-lived price corrections in the two markets are possible.

However, if the present conflict in the Middle East escalates, upside risks on prices are high, as downstream buyers may attempt to secure volumes on concerns over crude oil prices.

Demand is expected to soften in November and December. Increasing inventories have been seen, which should weigh on BD derivatives' plant utilisation rates, while the year-end festivities are expected to further weaken end-user demand.

Demand will also stay limited as crackers are expected to stay under-utilised in Q4 on the back of ongoing soft demand and challenges to margins. Eyes will be on Vietnam's Long Son Petrochemical project, as well as one speculative new project in China.

By **Ann Sun** ([ann.sun@icis.com](mailto:ann.sun@icis.com))

For more information about analytical content, click [here](#).

## PRICES

### SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
<b>Polybutadiene Rubber Low-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	n/c	1900.00-2100.00	n/c	1900.00-2100.00	86.18-95.25
<b>CFR Asia SE</b>	USD/tonne	+50	2000.00-2100.00	n/c	1950.00-2100.00	90.72-95.25
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	n/c	1550.00-1650.00	n/c	1550.00-1650.00	70.31-74.84
<b>CFR Asia SE</b>	USD/tonne	-50	1700.00-1800.00	n/c	1700.00-1750.00	77.11-81.65
<b>CFR India</b>	USD/tonne	n/c	1700.00-1800.00	n/c	1650.00-1800.00	77.11-81.65

### Northeast Asia

#### High-cis

CFR NE Asia assessments were unchanged on stable offers.

There was limited buy-side response, with many holding back to watch how domestic prices in east China may trend in coming weeks, taking into consideration a sharp hike seen this week in the yuan-denominated market for feedstock butadiene.

But for this week, domestic prices for PBR finished marginally lower week-on-week, underscoring too the reality that downstream demand is tapering, a market source said.

Price (CNY/tonne)	This week's close	Previous week's close
E China Ex-Warehouse	12,500-12,700	12,500-12,800

#### Low-cis

CFR NE Asia assessments were flat, in a thinly-discussed week.

### Southeast Asia

#### High-cis

CFR SE Asia assessments were stable-to-soft, with the high end unchanged on stable offers but the low end dropped to reflect more bearish buy-side sentiment.

Spot trade liquidity was curtailed on lacklustre buying interest, but sellers maintained offers in anticipation that the recent gains in natural rubber prices will help generate more demand in due course for substitute products including PBR.

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

Oct 2023	(1-19) Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023
144.40	142.65	130.22	131.31	133.48	136.34	136.27

Source: Malaysian Rubber Board

### **Low-cis**

Sellers said that buying enquiries were on the rise, even though transactions were capped amid buy-side resistance to existing offers, reflected at the high end.

That said, a cargo changed hands following protracted negotiations, and this formed the low-end.

### **India**

CFR India assessments were left unchanged, taking into account stable offers on northeast-Asia origin cargoes at the high-end.

There was tepid buy-side response, with most end-users already covered for October requirements, and unwilling to start fresh discussions until after the Diwali holidays in early November.

## **UPSTREAM**

### **Butadiene**

- Domestic China volatility drives import sentiment
- Lacklustre downstream outlook weighs on buying appetite
- But sellers see support from persistent supply constraints

The chart below shows the spread between butadiene and PBR, which has edged up of late in favour of PBR producers.

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



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## ANALYTICS

### ICIS outlook on downstream domestic appliances sector

Consumers are continuing to postpone their discretionary spending because of overall economic uncertainty and the cost-of-living crisis. Global domestic appliances in 2023 is expected to grow 5.3% compared with 2022; Q4 2023 is forecast to grow by 6.0% compared with Q4 2022 (Oxford Economics). Most of the growth is driven by Asia. Other factors impacting demand include a weak outlook for the construction sector. Furthermore, global construction has been hit by a lack of skilled workers and materials, which is leading to project delays and cancellations.

US domestic appliances in 2023 is expected to grow 2.1% compared with 2022; Q4 2023 is forecast to grow by 7.1% compared with Q4 2022 (Oxford Economics). US household appliances is a mature market, and a longer appliance replacement cycle is expected to adversely affect sales in the medium term (about 70-80% of total demand is via replacement). In addition, macroeconomic woes will further cut growth potential in 2023.

EU+UK domestic appliances in Q4 2023 is forecast to contract by 3.6% compared with Q4 2022 (Oxford Economics). A tough macroeconomic environment and elevated inflation continue to pose further challenges to the industry. Overall demand in 2023 is expected to contract by 6.8% compared with 2022. The cost-of-living crisis means consumers are holding back on non-essential spending. As a result, overall demand for domestic appliances is slowing down across geographies.

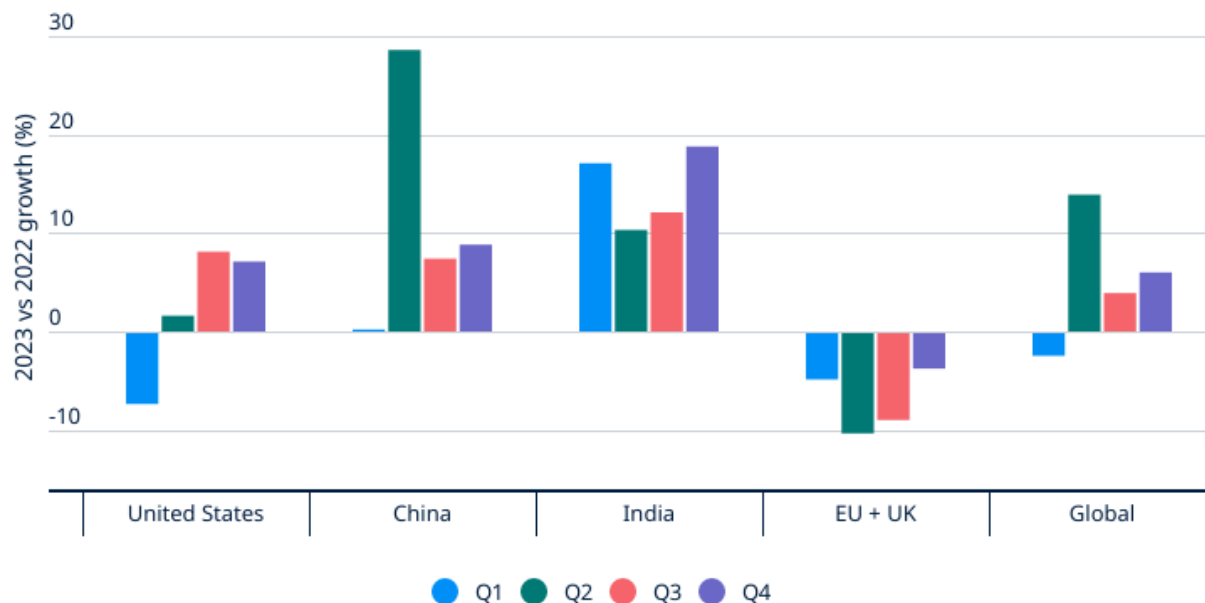
Asian economies are forecast to outperform their global peers because of megatrends such as urbanization, the increasing middle class and digitalization. China domestic appliances in 2023 is expected to grow 11% compared with 2022; Q4 2023 is forecast to grow by 8.8% compared with Q4 2022 (Oxford Economics). India domestic appliances in 2023 is expected to grow 14.4% compared with 2022; Q4 2023 is forecast to grow by 18.8%

compared with Q4 2022 (Oxford Economics). In addition, there is substantial growth potential in southeast Asia because of its low market share.

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

## Domestic appliances sector growth by region

2023 vs 2022



SOURCE: Oxford Economics

\*India's growth numbers based on local currency

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