



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

- **Buying tempo slows**
- **Sellers bullish on upstream increases**
- **Supply snug**

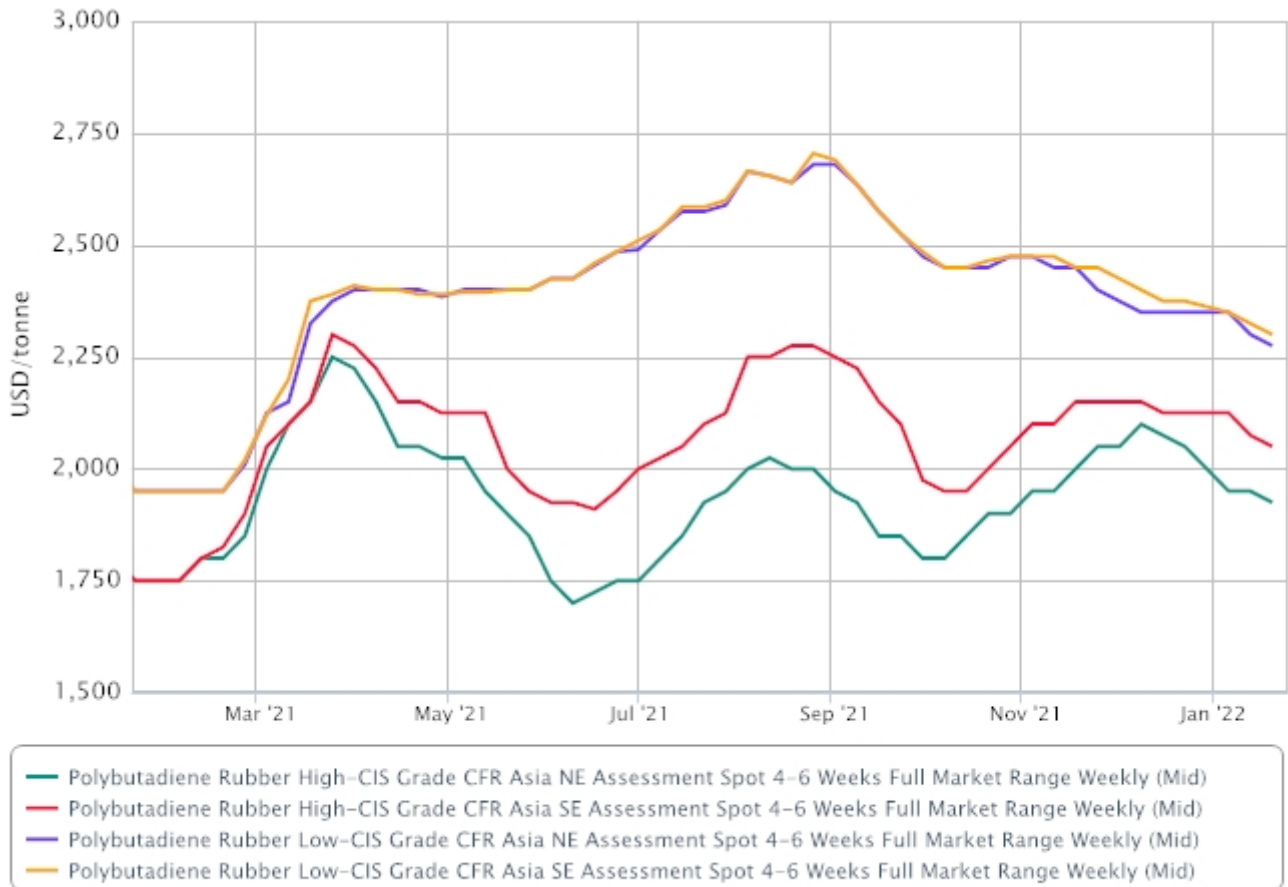
Asian spot discussions for polybutadiene rubber (PBR) were stable-to-soft, taking into account discussions and deals.

Most buyers kept a cautious procurement stance with lower buying indications, citing uncertainty in downstream demand, especially in [China](#) where several cities have been placed under lockdown to curb the spread of the virus.

Buying interest was lacklustre with most end-users reluctant to commit to fresh bookings until after the extended Lunar New Year holidays are over in H1 February.

Even though some sellers moderated expectations to close deals this week and keep cargoes moving, sentiment among them was generally upbeat, taking into consideration a spike in upstream butadiene (BD) prices the week before.

Also, spot availability is limited, not just due to an upcoming maintenance, but also because the production tempo has generally been weighed down by a shortage of catalysts, sources said.



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OUTLOOK

- Snug supply in near term
- Post-holiday demand in China to be monitored
- Upstream volatility to be watched

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2250.00-2300.00	-50	2300.00-2400.00	102.06-104.33
CFR Asia SE	USD/tonne	-50	2250.00-2350.00	n/c	2350.00-2400.00	102.06-106.59
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-50	1850.00-2000.00	n/c	2000.00-2100.00	83.91-90.72
CFR Asia SE	USD/tonne	-50	2000.00-2100.00	n/c	2100.00-2150.00	90.72-95.25

Northeast Asia

High-cis

The CFR northeast Asia assessment for high-cis material was stable to soft, with the low end dropped on buying indications heard for China-bound shipments.

Domestic prices in east China rose, tracking an increase in upstream BD prices last week.

Price (CNY/tonne)	20 January	13 January
E China Ex-Warehouse	13,300-13,700	13,000-13,500

Low-cis

CFR northeast Asian prices for low-cis material were also assessed stable-to-soft, with the high end dropped on a lower deal heard.

Southeast Asia**High-cis**

CFR southeast Asia prices for high-cis material were assessed in a wider range to capture the full range of discussions and deals for cargoes sold to mainstream automotive sector customers.

As natural rubber prices are still high, some sellers are confident that this will boost buying interest among tyre manufacturers for high-cis material as a cheaper alternative to natural rubber.

Some volumes were sold at levels above the published range, but the volumes involved were limited and for more niche applications like shoe sole manufacturing, and therefore not fully representative of mainstream pricing sentiment, sources said.

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

Jan (1-20) 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021
178.97	172.08	175.65	174.39	163.23	172.67	164.32	164.51

Low-cis

The CFR southeast Asia assessment for low-cis material was stable-to-soft, with the low end dropped in line with lower buying indications heard.

India

In India, discussions remained muted on poor demand.

Asia-origin cargoes were heard over \$2,100/tonne CFR India, but buyers stayed away, citing the availability of more competitively-priced deep-sea origin material.

UPSTREAM

Asian BD price [spiked](#) on the back of continued arbitrage pull from the US and a strong recovery in the domestic China market

The chart below shows the spread between BD and PBR.

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

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PRODUCTION

In China, average operating rates at PBR plants held steady at 83% in the week ended 7 January, and this has been seen for several weeks in a row, sources said.

Elsewhere in Asia, most operating plants continue to operate at high rates, but supply may tighten once a regional plant [maintenance](#) gets under way in February.

ANALYTICS

ICIS Butadiene Outlook

UD BD demand should remain good throughout H1 2022 and production is expected to improve on a year on year basis. On paper, the arbitrage window to the US for both Asia and Europe is forecast to remain open for most of 2022, although Asian suppliers seem to have an edge over European tonnes. So far, South Korea in particular has scheduled four cargoes totalling 21,500 tonnes from January to February. South Korea will continue to eye the US as alternative outlet for its BD surplus. The effect of the chip shortage persists on the global automotive industry. ICIS analysts expect new passenger car and light truck sales in the US in 2022 fall short of the 2019 level by 8%, with Q1 2022 around 77% of the same period of 2019, and about 88% by Q2 2022. Sales in the first quarter of 2022 will be particularly weighed on by growing Omicron variant infections.

The near-term outlook for Europe may be better than forecast as vaccination and booster targets are on track across the key markets. Therefore, ICIS expects less impact on household consumption from coronavirus

restrictions during 2022 compared with 2021. The outlook for the Europe BD market is likely to be grim for January because supply is forecast to be balanced to long. European BD suppliers are expected to compete with Asian producers to move cargoes to the US over the next few weeks. According to ICIS analysts, European BD prices are forecast to be unworkable for the Asian market in 2022. The start-up of new Chinese BD plants will contribute to the suppression of Asian prices.

GDP for Indonesia, which is the second most populated country in southeast Asia with about 270m inhabitants, is forecast to grow by 5% in 2022, increasing from 3.5% in 2021, as the Asian Development Bank reported in the December 2021 outlook. BD Indonesian demand is expected to rise over the coming years, widening the demand-supply gap. Moving forward, Indonesia will develop its BD industry thanks to two new projects. The Lotte Chemical Indonesia New Ethylene (LINE) project, which is officially set to be completed by 2025, will produce 140,000 tonnes/year of BD. The construction of the second Chandra Asri petrochemical complex, or CAP2, at Cilegon will include a naphtha-based cracker and provide 175,000 tonnes/year of BD by 2026.

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