



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
20-May-2021

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

ICIS is currently consulting readers about the methodology used for this report. To respond, [click here](#).

OVERVIEW

- **High-cis prices fell across the board**
- **Buying interest lacklustre**
- **Softer offers heard**

Asian spot prices for high-cis polybutadiene rubber (PBR) fell, as sellers slashed offers in a bid to induce buying.

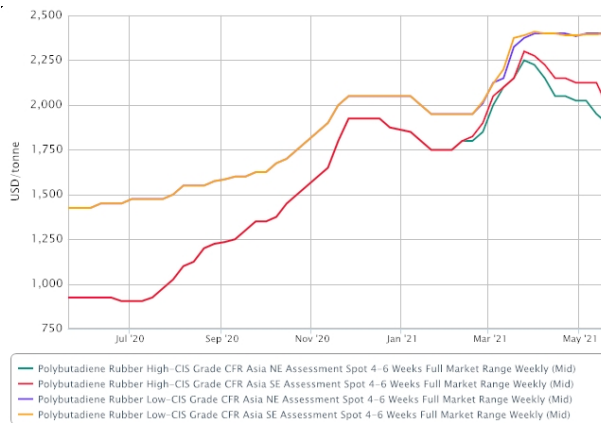
Downstream production has taken a hit with the recent [coronavirus resurgence](#) in Asia, dampening in turn off-take for raw materials including PBR.

Market players said that auto plants and tyre factories across the region, from India to southeast Asia, may have to scale down operations in due course if tightened mobility restrictions to curb the virus spread give rise to deeper manpower and logistical constraints.

In this climate, potential buyers of high-cis materials, which go primarily into tyre production, are heard retreating deeper into the sidelines and delaying fresh spot procurement decisions.

Sellers widened discounts as such on high-cis materials, to stimulate buying and keep cargoes moving.

But for low-cis PBR materials, which are used more for production of electrical household appliances, spot discussions saw better support from stable demand for household appliances.



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OUTLOOK

- **Coronavirus worries to continue to weigh on demand**
- **Auto sector performance will affect high-cis off-take**
- **Price gap between high-cis and low-cis material may widen**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2350.00-2450.00	n/c	2350.00-2450.00	106.59-111.13
CFR Asia SE	USD/tonne	n/c	2350.00-2450.00	+10	2350.00-2430.00	106.59-111.13
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-50	1850.00-1950.00	-50	2000.00-2100.00	83.91-88.45
CFR Asia SE	USD/tonne	-150	1950.00-2050.00	-100	2100.00-2200.00	88.45-92.99

Northeast Asia

High-cis

CFR northeast Asia prices for high-cis materials were assessed down, on softer pricing indications heard.

June delivery cargoes were heard offered at high-end prices, while the low end reflected buying indications.

Domestic China prices fell, tracking losses in natural rubber futures.

East China Domestic PBR Prices Ex-Warehouse (CNY/tonne)

20 May	12 May	6 May	29 Apr	22 Apr	15 Apr	8 Apr	1 Apr
11,800-	12,200-	11,700-	11,500-	12,000-	12,700-	13,200-	13,300-

11,900	12,300	12,050	11,800	12,200	12,800	13,400	13,500
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Low-cis

CFR northeast Asian assessments for low-cis materials were rolled over on rangebound pricing indications heard.

Southeast Asia**High-cis**

CFR southeast Asian prices for high-cis materials were also down, taking into account discussions heard in the week.

Offers fell and this formed the high end of the price range, while buying indications were heard capped at the low end.

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

May 2021	(1-20) Apr 2021	Mar 2021	Feb 2021	Jan 2021	Dec 2020
168.94	164.72	175.25	169.16	158.40	157.61

Low-cis

CFR SE Asian assessments for low-cis PBR materials were stable to firm, with the high end of the price range raised to capture the full range of discussions and deals heard in the week for June shipment supplies.

India

Indicative pricing ideas were heard substantially lower week on week.

Some northeast Asian origin materials were heard available at or slightly over \$2,100/tonne CFR India, but buying indications were heard capped at \$2,000/tonne CFR India.

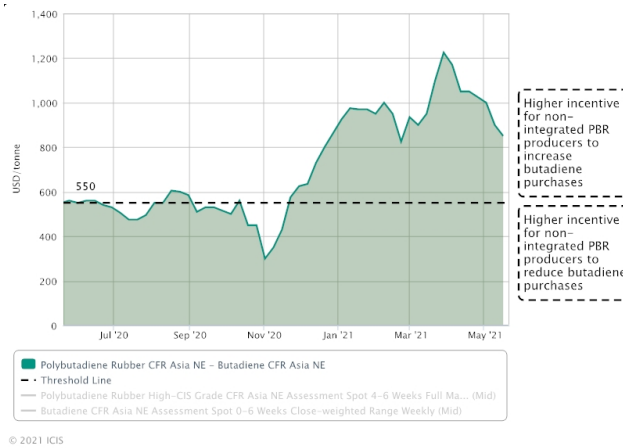
Most buyers retreated deeper into the sidelines, saying that they could wait to procure later, when the coronavirus situation has stabilised.

UPSTREAM

Asian butadiene (BD) prices were stable to firm this week, taking into account improved buying indications in some regional outlets which are typically more reliant on imports. Import offers are supported by tight spot availabilities on the back of ongoing and upcoming turnarounds. But high domestic inventories continued to reduce China's appetite for US dollar denominated imports.

The chart below shows the spread between butadiene and PBR.

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



PRODUCTION

In China, average operating rates at its PBR plants fell to 67% for the week ended 14 May, down from 69% in the week prior, market sources said.

Meanwhile, more than 400,000 tonnes/year worth of PBR production capacity in China is currently [shut](#) either for unplanned repairs or scheduled maintenance.

ANALYTICS

ICIS Butadiene Outlook

US BD production reached about 270,000 tonnes in Q1 2021, based on the available data, down by about 12% on Q1 2020, as a consequence of polar storm-related shutdowns. Despite an increase in production to between 330,000 tonnes and 350,000 tonnes in Q2, tight market fundamentals are likely to persist. Another rise in output is forecast in Q3 2021 compared with Q2 2021, capping opportunities for exports from European producers.

The European BD market is set to be bullish for June amid healthy demand and constrained supply. Given the persistent effects stemming from February's deep freeze, the US market might continue attracting interest from several European producers during the next few weeks. In contrast, a bearish mood is expected for the BD industry for most of H2 2021 due primarily to the return of plants from seasonal maintenance combined with the start-up of new units in Asia.

Throughout H2 2021, South Korea will be adding new BD production capacity that is expected to increase from almost 1.3m tonnes/year to 1.6m tonnes/year this year and to about 1.9m tonnes/year in 2022, according to the ICIS Supply and Demand Database. Three new BD extraction units will be commissioned by Hyundai Chemical, LG Chem and Yeochun NCC in 2021. Another facility will be installed by Lotte-GS Chemical at Yeosu next year. South Korea, which is structurally short in BD, should see a gradual reduction in its shortfall and even halve it by 2025.

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

ICIS Downstream Automotive Demand Outlook

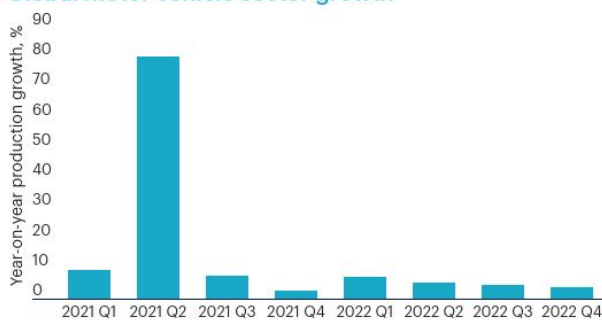
Global automotive demand has been strong due to pent-up demand during lockdowns, high savings and a pandemic-related movement away from public transport. The global light vehicle sales rate rose to 87.5m units/year in March, an improvement on 81.8m units/year in February 2021 (Oxford Economics). However, automotive production has lagged sales, resulting in a global drawdown of vehicle stocks. Production has been hit by several factors, including lockdowns, plant closures and supply chain issues. The main supply chain issue is a

shortage of semiconductor chips, which has led to widely reported production cuts. However, February's polar storm in the US, several force majeure in the polymer chain, the Suez Canal blockage, a shortage of polyurethane (PU) foam in the US and other issues, have exacerbated the supply problem.

In April, Chinese car sales were down by 10.8% month on month, with passenger cars and commercial vehicles down -9.1% and -15.9% respectively. This was partly because April is seasonally a weak month for car sales, unlike March, and therefore a month on month decline was expected. The China Association of Automobile Manufacturers (CAAM) is quite optimistic about prospects for the market. According to the Center for Automotive Research (CAR), by 2025 30.2m new cars will be sold in China, making it about ten times larger than the German car market. However, according to an ICIS estimate, passenger car sales are not expected to surpass 2017's peak of 24.6m units until 2027. As far as new energy vehicles are concerned, China is ramping up its infrastructure to support the growth of electric cars. For example, car makers including NIO have announced the launch of a new energy supply plan "Power North," which will construct a charging and battery swapping infrastructure. Forecasts suggest there will be one power charging station every 100km on the expressway within the next three years.

By **Jincy Varghese**, ICIS demand analyst and **Rhian O'Connor**, ICIS senior analyst

Global motor vehicle sector growth



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