



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
20-Oct-2022

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

OVERVIEW

- **Low spot trade liquidity**
- **Buying interest thin**
- **Weak upstream weigh down on market sentiment**

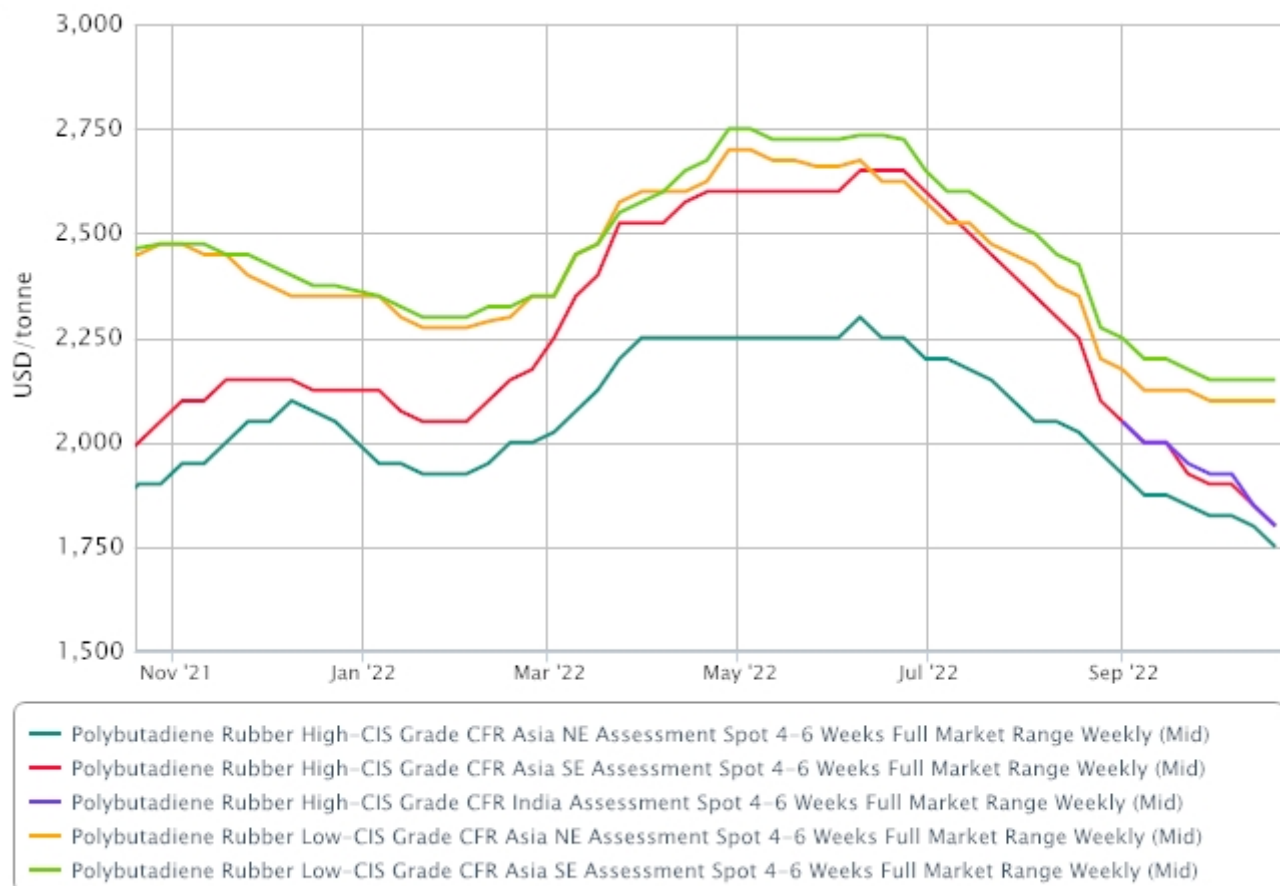
Discussions in Asia's spot import market for polybutadiene rubber (PBR) were subdued, amid lingering demand concerns.

Sentiment is also weak as downstream operations within the major China outlet are still in abeyance.

There are no clear signs that China will ease its strict anti-covid restrictions to facilitate a full recovery of its downstream production. Without the latter, market players in the region were mostly pessimistic about the likelihood of any near-term rebound in other regional outlets like southeast Asia.

As such, end-users in southeast Asia kept to bearish pricing indications, negating efforts by some sellers to moderate expectations in a bid to chase deals. Buyers were also convinced that with feedstock [butadiene](#) (BD) prices still trending down, buyers are in a wait and see mode with import purchases, as import offers could soften further with extended upstream losses.

In India, discussions were [limited](#) in part on a pre-holiday trade lull, as markets will be shut 22-27 October for the Diwali celebrations. With domestic requirements in the country broadly healthy, supported by anticipations of a steady recovery in the local auto sector, import sellers were hopeful that this will continue to support PBR buying. However, because the local rupee currency is fast depreciating against the US dollar, market players said that this would invariably serve to dampen India's buying appetite for imports, and indeed some local users were heard already tapping more heavily into the domestic supply pool to minimise currency risks.



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OUTLOOK

- Bearish demand sentiment may persist
- Buyers likely to remain cautious
- Upstream weakness to weigh down on pricing discussions

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2000.00-2200.00	n/c	2000.00-2250.00	90.72-99.79
CFR Asia SE	USD/tonne	n/c	2100.00-2200.00	n/c	2100.00-2250.00	95.25-99.79
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-50	1700.00-1800.00	-50	1800.00-1900.00	77.11-81.65
CFR Asia SE	USD/tonne	-50	1750.00-1850.00	-50	1850.00-2000.00	79.38-83.91
CFR India	USD/tonne	-50	1750.00-1850.00	-50	1850.00-2050.00	79.38-83.91

Northeast Asia

High-cis

CFR NE Asia assessments were adjusted notionally down in line with changes seen for SE Asia assessments. It is also to track the downtrend in the domestic China market and to reflect generally bearish market sentiment in Asia, in the absence of any concrete CFR NEA transactions or discussions.

Domestic PBR prices fell with lacklustre buying momentum.

Price (CNY/tonne)	20 Oct	13 Oct
E China Ex-Warehouse	11,800-12,200	12,200-13,000

Low-cis

CFR NE Asia assessments were unchanged, taking into account stable offers in a thinly-discussed week.

Southeast Asia

High-cis

CFR southeast Asia assessments were down with lower offers heard at the high-end of the range and buying indications capped at the low-end.

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

Oct 20) 2022	(1- Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022
133.95	134.12	149.74	158.83	164.15	162.81	171.15	175.18

Low-cis

CFR SE Asia assessments held steady on stable offers heard.

India

CFR India assessments for high-cis PBR were lower, tracking offers heard for Asia-origin materials.

Discussions were limited, with many market players winding down for the extended Diwali holidays in late October. Buying interest for US dollar denominated imports were also curtailed due to rupee's depreciation against the US dollar.

UPSTREAM

BD

- Domestic China softens post-holiday
- Import sentiment also weighed down
- Weak demand fundamentals

The chart below shows the spread between butadiene and PBR.

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

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PRODUCTION

Output in China may lengthen, with more local plants returning from maintenance in the coming weeks. For one, a 80,000 tonnes/year unit in Shandong [restarted](#) this week from a two-week-long closure.

In wider Asia, there are ongoing maintenance [closures](#) in South Korea and Japan, and these are expected to wrap up within November.

ANALYTICS

ICIS Butadiene Outlook

The US BD market, which is the global price leader, could appeal to European players were it not for the fact that demand is weak. The automotive industry outlook remains pessimistic. Production cuts will persist because of the semiconductor supply shortage, although some improvements have been seen. According to analysts in the ICIS Refining Team, new passenger car and light vehicle registrations in the US will not return to pre-pandemic levels until 2024 at the earliest. Sales are likely to hit about 13.6m and 14.1m units in 2022 and 2023, respectively, but will remain well below the nearly 17m units recorded in 2019. In 2022, BD output is expected to reach about 1.43m tonnes, a lower total than expected in the updated version of the ICIS Database in the spring.

Germany remains strongly dependent on gas use. In early October, the head of Germany's national network regulator warned the country is consuming too much gas and risks triggering a potential energy "emergency" this winter. There are fears that industrial production may decrease due to a potential

shortage or rationalisation of gas. In Q4 2022, a gloomy outlook for BD demand is set to persist not only in Germany but across Europe, mainly reflecting high energy costs and severely depressed consumer confidence. European producers will continue to reduce output to keep under control the excess of product. BD extraction facilities are expected to run around 67% of nameplate capacity on average in Q4 2022, down from 71.5% in the same period a year earlier.

Ample supply and soft demand are likely to characterise the Asian BD market in Q4 2022. In theory, the price spread between Asia and Europe will not be workable for the rest of the year. Asian prices are set to trend lower for most Q4 because of bearish sentiment and scheduled additional capacities. Hence, China's imports have been declining since January 2022 compared with 2021. Imports stood at 81,134 tonnes in the first eight months of 2022, less than half of the 163,605 tonnes recorded in 2021. Going forward, BD flows to the country are set to decrease with southeast Asia and the Middle East remaining likely the only suppliers. Total imports may reach 108,000 tonnes by 2022, down from 248,000 tonnes a year earlier.

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

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