



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
21-Dec-2023

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

The weekly pricing analysis will not be published on 28 December. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- Discussions capped on [seasonal trade lull](#)
- Soft buying tempo
- Spot offers under downside pressures

Spot discussions for Asia imports of polybutadiene rubber (PBR) were muted, with many players already winding down their market activity or exiting the arena for the year-end holidays.

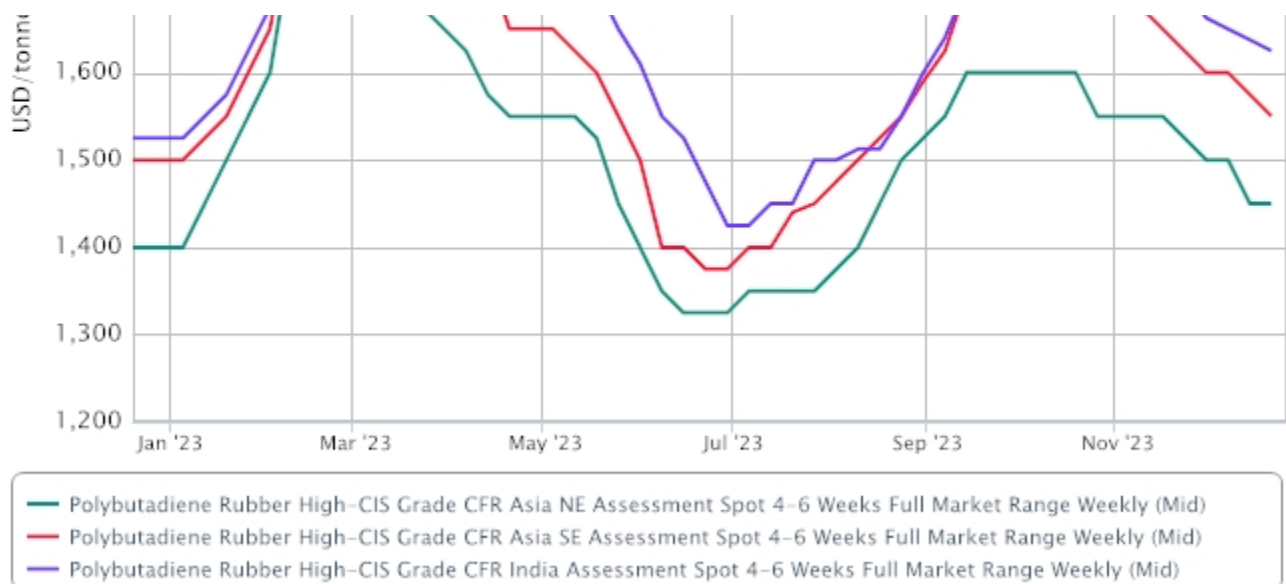
Overall downstream demand remained soft, with many end-users still holding back on fresh spot talks until 2024. The near-term outlook is bearish too, amid dim economic growth prospects for China.

Most buyers also wanted to wait and see how upstream markets, including [crude](#) and immediate feedstock butadiene (BD), would trend in the new term before finalising their early-2024 procurement plans.

PBR makers held back from moderating more of their current spot offers.

They cited concerns about the likely cost push they could face if maritime security conditions on the [Suez Canal](#) were to worsen and consequently affect freight rates for shipment of both their feedstock supplies and finished products.





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OUTLOOK

- Trade discussions may pick up pace only in 2024
- Demand to hinge on [auto sector](#) recovery
- Producers to monitor upstream pricing movements

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	-50	1800.00-2000.00	-50	1900.00-2100.00	81.65-90.72
			0			
CFR Asia SE	USD/tonne	-50	1900.00-2000.00	-50	2000.00-2100.00	86.18-90.72
			0			
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1400.00-1500.00	n/c	1500.00-1550.00	63.50-68.04
			0			
CFR Asia SE	USD/tonne	-50	1500.00-1600.00	n/c	1600.00-1650.00	68.04-72.57
			0			
CFR India	USD/tonne	-25	1575.00-1675.00	n/c	1650.00-1750.00	71.44-75.98
			0			

Northeast Asia

High-cis

CFR NE Asia assessments were kept unchanged, taking into account stable buy-sell indications.

There were no meaningful discussions and most end-users in China remained primarily reliant on domestic supplies, rather than imports, market players said.

Domestic prices of PBR in east China recovered, alongside some increases seen in yuan-denominated prices of butadiene at the end of the trading week.

Price (CNY/tonne)	This week's close	Previous week's close
E China EXWH	11,400-11,900	11,100-11,600

Low-cis

Low-cis prices were adjusted down at the high end with a lower offer heard. The low end was dropped in line with changes to the high end, in the absence of concrete buy-side indications.

Southeast Asia

High-cis

CFR SE Asia assessments widened, with the low end dropped amid softer buying indications heard.

As natural rubber prices have fluctuated of late, rebounding again this week after some declines in the weeks prior, market players said they would monitor how natural rubber pricing may trend for the rest of the year before they further deliberate on their next trades for substitute product PBR.

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

Dec (1-21) 2023	Nov 2023	Oct 2023	Sept 2023	Aug 2023	Jul 2023
144.70	148.42	145.26	142.65	130.22	131.31

Source: Malaysian Rubber Board

Low-cis

Low-cis prices were down at the high end with a lower deal heard.

The low end was also dropped with in line with changes at the high end, in the absence of any other concrete buy-side indications.

India

CFR India assessments were dropped at the low end with softer buying indications heard.

The high end tracked stable offers heard for northeast Asia-origin cargoes

Discussions were subdued, with many local factories trimming operations during the year-end holiday period.

UPSTREAM

Butadiene

- Bearish sentiment prevails

- Domestic China prices remain under pressure
- Buying appetite for spot imports wanes in line

The chart below shows the spread between butadiene and PBR, which remains deep in the deemed unhealthy zone.

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



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PRODUCTION

Regional availabilities are tight amid an ongoing turnaround in [southeast Asia](#). Another 50,000 tonne/year line in northeast Asia will also [shut](#) for a month-long maintenance in January 2024.

In China, a 100,000 tonne/year unit in Shandong has [restarted](#) after three weeks of planned maintenance.

ANALYTICS

ICIS outlook for downstream automotive sector

Rising labour costs, higher borrowing costs and green regulation are among the variables which will determine the fate of the automotive industry in 2024.

Much like what was seen in 2023, challenges will be posed to original equipment manufacturers (OEMs)

and car buyers in 2024.

The primary task for OEMs would be to manage the human capital costs, such as increased minimum wage and retirement benefits.

For the end-user, making big ticket purchases in gloomy economic conditions would be a concern.

Moreover, volatility in crude oil prices poses a further challenge, casting a pall on industry sentiment.

There are expectations for the global automotive industry to grow 13.1% in 2023 compared with 2022 levels. A 1.6% year-on-year growth is expected for 2024, according to Oxford Economics.

In the US, the United Auto Workers (UAW) union and automakers have reached a resolution, ending six and a half weeks of strike action.

One positive associated with this outcome is that stakeholders have one less thing to worry about – though the resolution has come at a cost.

The official announcement states that for most employees, there has been a 23% general wage increase, representing a 25% compounded wage increase over the life of the agreement.

This sector is expected to be subdued in 2024.

US automotive output in 2023 is expected to grow 10.6% compared with 2022 levels, while output in 2024 is expected to grow 3.3% compared with 2023 levels.

As reported last month, one of the leading points of contention for OEMs in Europe is the looming Rules of Origin (ROO) January 2024 deadline.

A 10% additional tariff on electric vehicles will be applicable on exports for vehicles with less than 40-45% non-originating components.

EU OEMs have argued against this rule, citing a severe impact on domestic competitiveness.

The European Commission has proposed to seek a three-year extension to the current rules of origin for batteries under the EU-UK Trade and Cooperation Agreement (TCA).

This has been widely welcomed by the industry.

Automotive output in the EU, including the UK, in 2023 is expected to grow 16.4% compared with 2022 levels, while output in 2024 is expected to grow by 0.5% compared with 2023 levels.

Numbers are still down approximately 5% from 2019 levels and a meaningful recovery is not expected until late 2025.

The outlook for automotive in Asia is mixed.

There are expectations for automotive output in China for 2023 to grow 14.9% compared with 2022 levels. An 8.4% year-on-year growth is expected for 2024.

The primary growth driver for the sector would be the increase in the level of car ownership.

This is particularly true for electrified and other new energy vehicles (NEV) as governments incentives push growth in this market.

Moreover, to improve year-end sales, various dealerships are offering attractive schemes.

There are expectations for automotive output in India for 2023 to grow 14.1% compared with 2022 levels. A 0.5% year-on-year growth is expected for 2024.

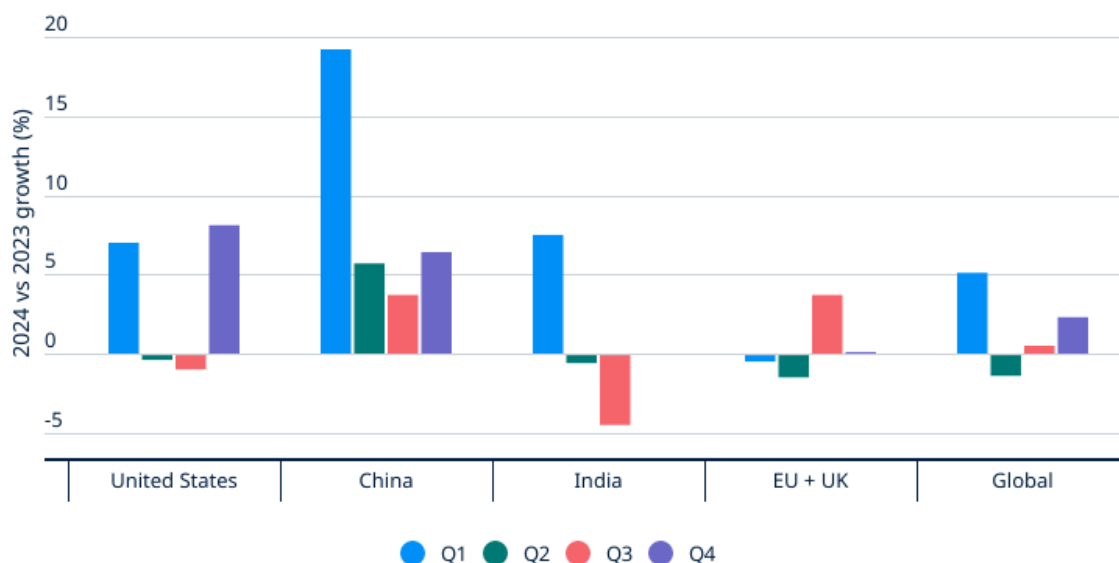
The Federation of Automobile Dealers Associations (FADA) in India reported optimism in the market.

Still, inflation, eroding consumer confidence and a tighter monetary policy will weigh on demand for automotives.

By **Jincy Varghese**, ICIS demand analyst, jincy.varghese@icis.com

Motor vehicle sector growth by region

2024 vs 2023



SOURCE: Oxford Economics

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