



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
21-Jul-2022

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

OVERVIEW

- **Spot supplies snug in wider Asia**
- **Demand still lacklustre**
- **[Softer offers](#) surfaced**

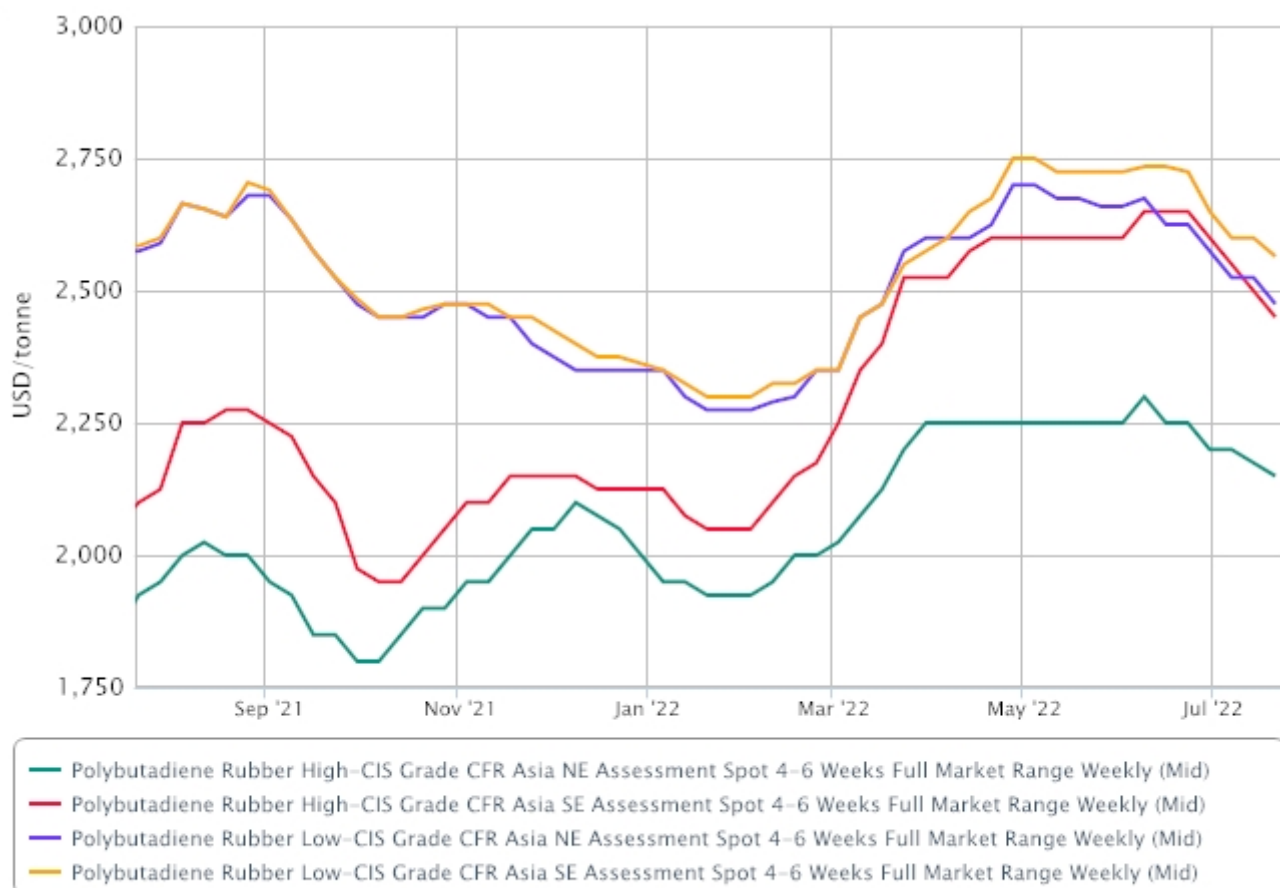
Discussions for Asian spot imports of polybutadiene rubber (PBR) edged lower as demand stays soft and discounts widened on existing offers, in part to keep pace with upstream losses.

Supply picture is mixed. In wider Asia, spot supplies are, in reality, snug across all PBR grades. Two high-cis PBR plants are currently shut for unplanned repairs and regular servicing, while a low-cis PBR plant is also scaling back spot sales to prepare for a Q3 maintenance, market sources said.

However, with many China PBR makers heard eager to export more actively to compensate for slower-than-expected domestic sales, market players said that this could help to fill the supply gaps.

Demand is however generally bearish in nature. For hi-cis PBR, end-users continued to hold back bookings, as concerns mount on how rising inflationary pressures may thwart recovery and growth in major downstream industries, such as the automotive and shoes manufacturing sectors.

For low-cis PBR, consumption is also lower in the downstream polystyrene (PS) sector, given that many PS plants have cut operating rates to cope with slow off-take from the domestic appliance sector for their finished products.



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OUTLOOK

- Supply may grow with increased China exports
- Price pressures to grow in tandem with competitive China export offers
- Rising inflation and [recession risks](#) likely to weigh in on demand

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2350.00-2600.00	-100	2550.00-2700.00	106.59-117.93
CFR Asia SE	USD/tonne	n/c	2500.00-2630.00	-70	2700.00-2750.00	113.40-119.29
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2100.00-2200.00	-50	2200.00-2300.00	95.25-99.79
CFR Asia SE	USD/tonne	-50	2350.00-2550.00	-50	2550.00-2750.00	106.59-115.67

Northeast Asia

High-cis

CFR NE Asian assessments for high-cis grades were stable to soft, with the high-end down on lower offers heard.

End-users in the key China outlet continued to steer away from US dollar-denominated imports, in favour of more competitively priced domestically priced materials.

Domestic PBR prices in China were stable to soft, weighed down by lacklustre buying momentum.

Price (CNY/tonne)	21 Jul	14 Jul
E China Ex-Warehouse	13,400-13,800	13,500-13,800

Low-cis

CFR northeast Asian assessments for low-cis materials were dropped at the high end with a lower offer from regular suppliers in wider Asia.

Southeast Asia**High-cis**

CFR southeast Asian assessments were down, with the lowest offers from regular suppliers in wider Asia captured at the high end.

Discussions for China-origin materials were capped at the low end.

The scope of CFR SE Asian assessments does not include discussions for India-bound shipment.

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

Jul (1-21) 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
159.89	164.15	162.81	171.15	175.18	179.84	178.12

Low-cis

CFR southeast Asian prices for low-cis materials were dropped at the high end with lower offers heard for cargoes from regular northeast Asian, non-Chinese, suppliers.

Some cargoes were sold at around the high end, market sources said.

India

Discussions for high-cis PBR materials from regular northeast Asian suppliers were heard generally in the \$2,600-2,700/tonne CFR India, and some deals may have closed in the week at the higher end, market sources said.

However, discussions for cargoes of other origins, like China and Middle East, were heard at a substantially lower level, in the \$2,200-2,300/tonne CFR India range, market sources said.

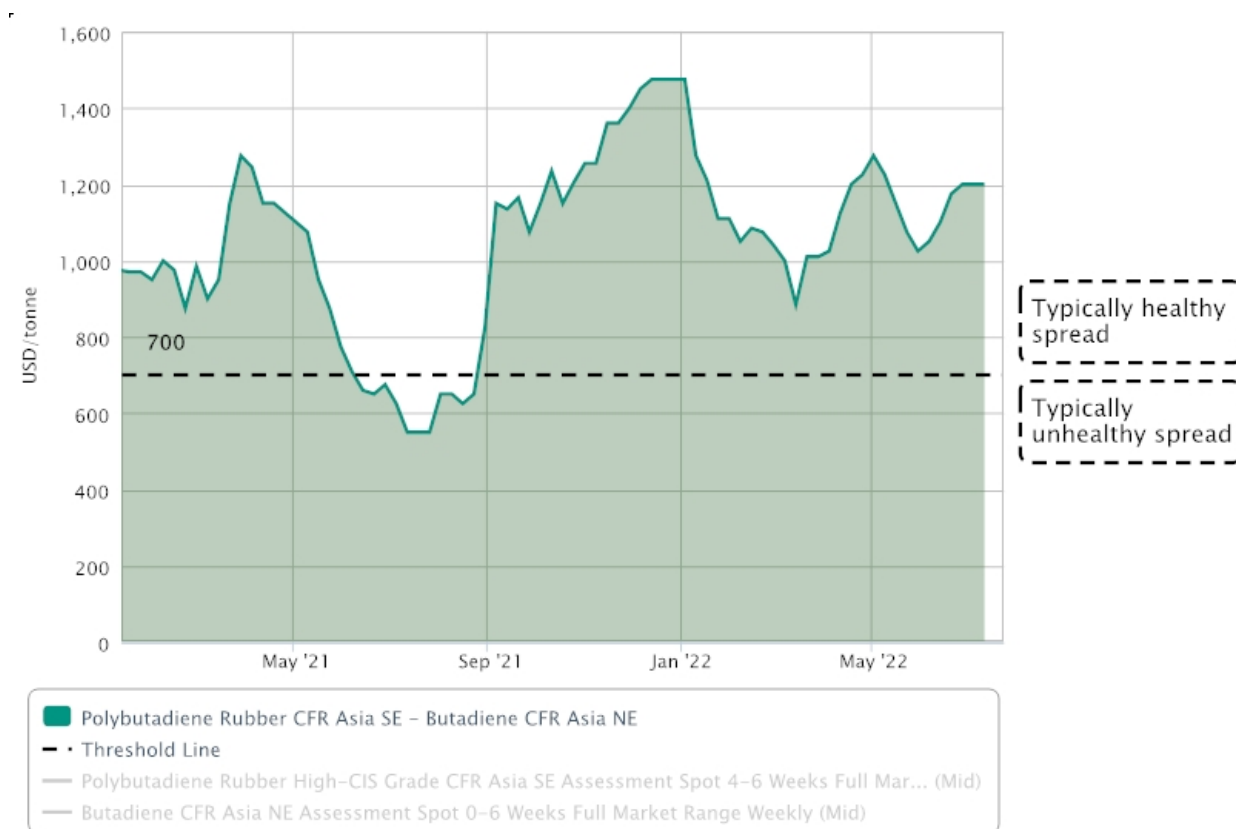
UPSTREAM**Butadiene**

- [Weak](#) regional demand

- Mixed supply picture
- Wide buy-sell disparity

The chart below shows the spread between butadiene and PBR.

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



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PRODUCTION

In China, average operating rates for PBR held steady at 73% for the week ended 15 July, unchanged from the week prior, market sources said.

In wider Asia, spot availabilities remained tight with an ongoing [outage](#) and [maintenance](#).

ANALYTICS

ICIS Downstream Demand Outlook - Domestic Appliances

The global outlook for domestic appliances doesn't look too promising for the next two quarters. This is true especially for countries such as China and India, which were earlier deemed as a market with substantial growth prospects. Inflation is the leading cause behind the demand destruction. In addition, a slowing real estate market, an erosion of real household incomes and a longer appliance replacement cycle are expected to adversely affect sales in the short-to-medium term. Demand from advanced economies is also projected to be subdued with the exception of United States. The domestic appliance market had a great two years run starting middle of 2020 until mid-to-late 2021. As a result, expectation for 2022 was anyways limited. In short, the sector was expected to cool down and return to more normalized rate.

The US is expected to outperform its peers, even though it is a mature market. One possible reason is the accumulated level of savings in the system coupled with a relatively higher willingness to spend amassed reserves.

Like the US, Europe is also a mature market. However, given the current volatile economic circumstances, consumer spending is expected to be conservative. In addition, logistics woes continue. Moreover, due to the current heat wave experienced across Europe, there has been increased demand for cooling appliances.

With the real estate downturn in China, demand for domestic appliances is forecast to be constrained. However, long-term outlook is positive, driven by megatrends such as urbanisation, growing middle class and digitalization. Earlier expectations that India would outperform its global peers have been downgraded. However, there is substantial growth potential in southeast Asia because of its low market share.

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

Domestic appliances sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

ICIS Downstream Automotive Demand Outlook

It has been about a year-and-a-half since the world was plunged into the coronavirus crisis – impacting automotive production. Following this disruption, acute computer chip shortage ensued. And now war related disruptions, such as the shutdown of the Nord Stream 1 natural gas pipeline, further aggravated problems of an industry already under duress. The industry, so far, is struggling to make any meaningful recovery – even though May's auto sales performance was in positive territory. The global light vehicle selling rate increased to 76m units in May from 67m units April, according to Oxford Economics. The growth was primarily contributed by China as the nation eased lockdown measures. However, renewed lockdown actions cannot be ruled out.

According to the US Census Bureaus, US light vehicle sales rose 2.3% month on month in June with total sales of 12.9m units (yet this is down 16% year on year and 25% down from 2019 levels). The finished inventory to sales ratio slightly improved month on month from 0.440 to 0.527 in May. (For context, the ratio was 1.108 and 2.948 respectively in March 2021 and 2020.)

The European Automobile Manufacturers Association (ACEA) reported a 15.4% fall year on year in passenger car registrations in June. All major European economies posted a double-digit sales contraction, as logistics and supply chain problem continue to dent industry growth i.e. Germany (-18.1%), Italy (-15.0%) and France (-14.2%) and Spain (-7.8%). Commercial vehicle registration was down 17.7% month on month in May (with sales down for the eleventh consecutive month). Another direct impact of the Russia-Ukraine conflict is constrained supply of neon gas, which is used in making microchips. Ukraine is one of the leading producers of neon gas. The UK's SMMT also reported, total registration was down 24.3% in June year on year, and down 12% year to date, with diesel cars taking the largest impact (down 46.7% year on year in June). Another new development for this month pertains to the Nord Stream 1 pipeline maintenance schedule with lack of clarity on resumption of operations.

China's automotive outlook continue to puzzle, as it heavily relies on the status of the movement control restrictions. China reported improved sales and production figures because of the easing of lockdown measures. According to the China Association of Automobile Manufacturers (CAAM), Chinese car production was up 28.2% year on year in June 2022. A similar level of growth was reported in month on month as well. Inventory levels were down from 1.51 to 1.36 in June. India's outlook seems to be on the positive side, as there were signs of easing of tightness in computer chips supply. However inflation concerns remain. FADA reported India retail sales rose 27% in June year on year (still down 9% as compared to 2019 levels).

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

Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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