



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim

21-Mar-2024

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

OVERVIEW

- **Bullish [offers](#) amid strong cost push**
- **Firm natural rubber prices also support offers**
- **Buyers bid up, but buy-sell gap fails to bridge fully**

Spot discussions for Asian polybutadiene rubber (PBR) imports continued to trend up, alongside bullish selling expectations and firmer buying indications.

Feedstock butadiene (BD) prices have spiked significantly of-late, and the bull streak may extend with [protracted BD supply constraints](#).

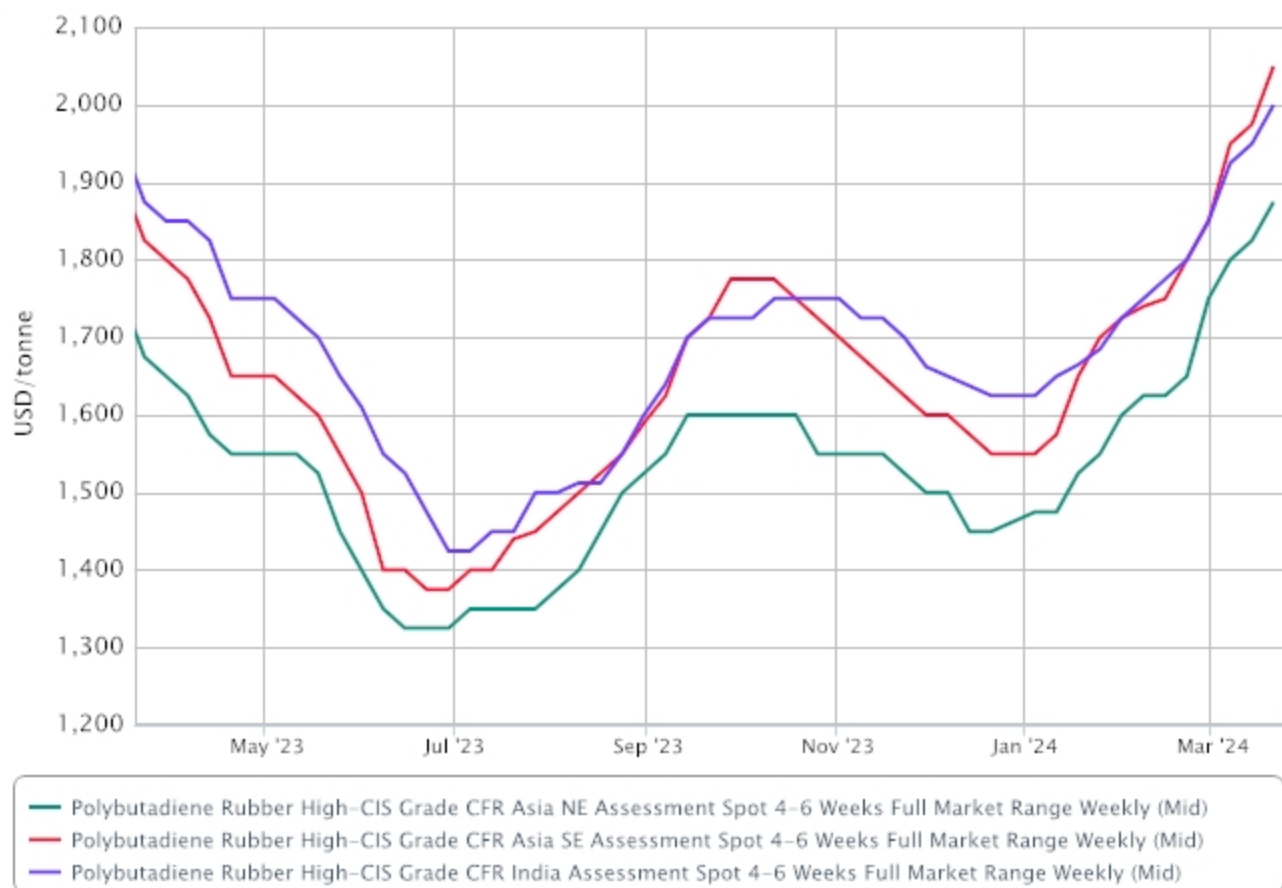
This prompted PBR makers to press on with efforts to sell their finished products at higher levels, in a bid to defray hefty feedstock costs and preserve frail margins.

PBR plant operations may also be hampered by limitations in feedstock BD supplies and PBR sellers are, therefore, reassured that they could wait for buyers with concrete requirements to bid up sufficiently for volumes from the small PBR supply pool, market players said.

Furthermore, natural rubber prices have also risen of-late, amid a confluence of factors, from supply chain disruptions to adverse weather-induced production cuts. This also served to bolster PBR sellers' confidence of increased demand for PBR as a cheaper substitution product.

End-users were prepared to fork out more for cargoes too, market sources said, but their higher level of pricing tolerance still lagged behind increases in offers, denting spot trade liquidity.

Many end-users would have to keep up with some spot PBR procurement as they are low on inventories and have to restock to sustain ongoing operations. However, they were mindful not to over-commit on higher PBR pricing as yet, for fear that they could not fully transfer the costs downstream, amid lingering uncertainties about [growth prospects of the wider petrochemical industry](#).



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OUTLOOK

- Upstream cost pressures could heighten with bullish BD pricing
- Deeper PBR output cuts likely due to feedstock shortage and margin worries
- Market players to keep a close watch on [demand growth prospects in China](#)

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	+50	2150.00-2350.00	+50	2000.00-2200.00	97.52-106.59
			0			
CFR Asia SE	USD/tonne	+50	2200.00-2400.00	+50	2000.00-2200.00	99.79-108.86
			0			
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	+50	1850.00-1900.00	+50	1600.00-1700.00	83.91-86.18
			0			

CFR Asia SE	USD/tonne	+50	2000.00-2100.00	+100	1750.00-1850.00	90.72-95.25
			0			
CFR India	USD/tonne	+50	1950.00-2050.00	+50	1750.00-1850.00	88.45-92.99
			0			

Northeast Asia

High-cis

CFR NE Asia assessment was up with firmer offers at the high-end of the range.

Buying indications also edged up, alongside spikes in yuan-denominated prices.

However, transactions were limited for US dollar denominated import materials, with end-users in China still more heavily reliant on domestic products.

Domestic prices in east China surged, as domestic PBR makers separately hiked offers in a bid to rescue severely compressed margins.

Price (CNY/tonne)	This week's close	Previous week's close
E China Ex-Warehouse	13,650-13,800	13,100,13,300

Low-cis

CFR NE Asia prices were up on the high-end of the assessment range reflecting firmer selling indications.

The low-end was notionally adjusted up in line with changes on the high-end, and in the absence of concrete transactions.

Southeast Asia

High-cis

CFR SE Asia assessment was up tracking higher offers at the high-end of the range.

Some transactions were heard at the low-end in early week's trade.

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

Mar (1-21) 2024	Feb 2024	Jan 2024	Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023
165.42	156.66	154.20	146.31	148.42	145.26	142.65	130.22

Source: Malaysian Rubber Board

Low-cis

CFR SE Asia prices were up on the high-end of the assessment range with higher offers.

The low end was adjusted up in line to reflect firmer buying indications too, but no transactions were heard in the week.

India

CFR India assessment was also lifted with higher offers on NE Asia origin materials captured at the high-end of the range.

Buying indications for NE Asia-origin materials were up too, which formed the low-end

Some end-users continued to tap on the supply pool of non-Asian origin imports for small top-up parcels as these were heard indicated at significantly lower prices than Asian products.

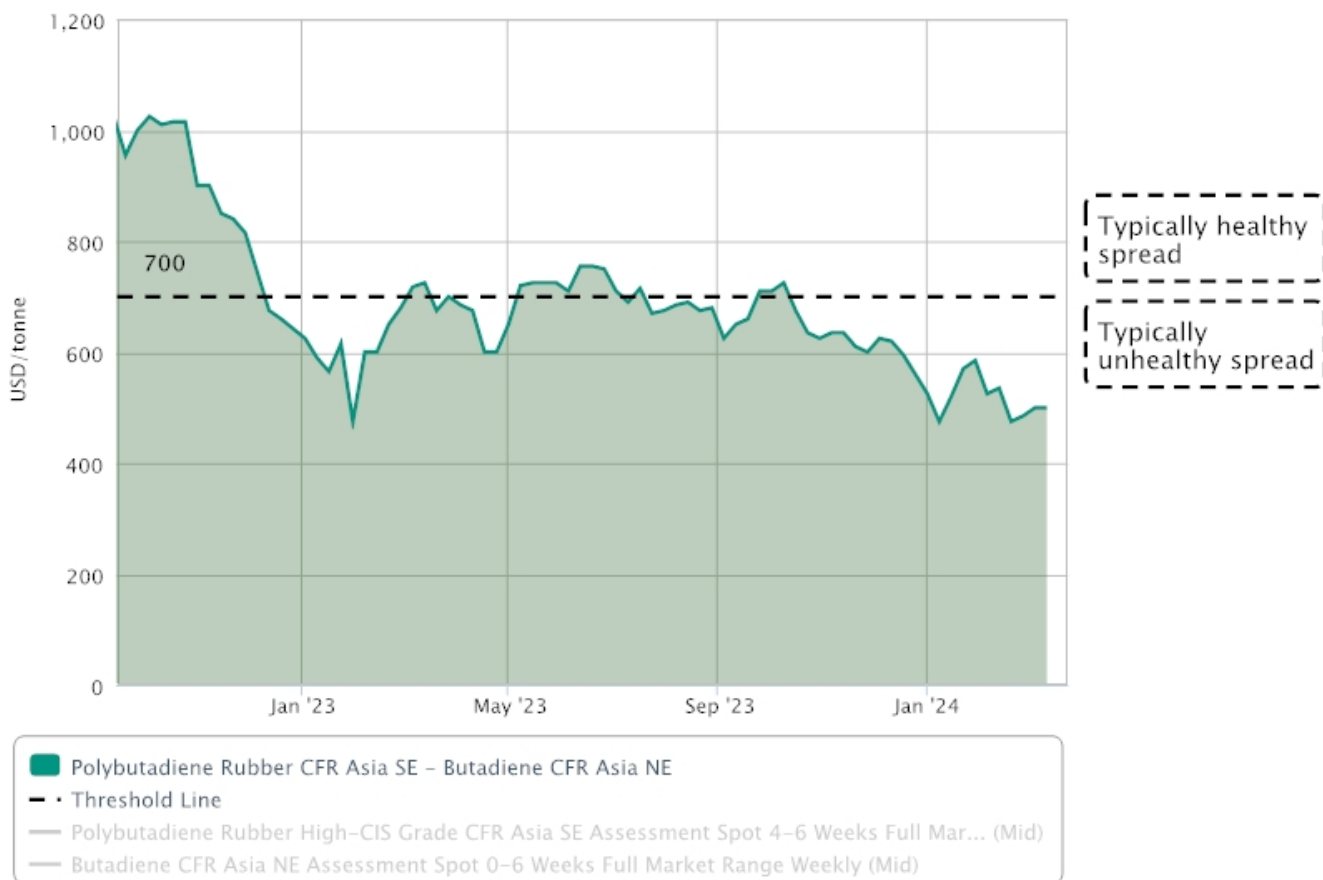
UPSTREAM

BD

- Offers supported on supply constraints
- Downstream margin woes erode buying interest
- End-user to confine themselves to only need-based procurement

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

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



PRODUCTION

Several PBR plants in China's Shandong province have gone off-line lately, possibly due to economic considerations, market sources said. These include a 80,000 tonnes/year [unit](#), and another 100,000 tonnes/year [plant](#), both of which were shut since mid-February.

In wider Asia, a 60,000 tonnes/year plant in Taiwan is scheduled for regular [maintenance](#) in July.

ANALYTICS

ICIS butadiene outlook

US BD consumption is expected to improve. Demand for spot volumes is currently constrained due to plant outages and relatively high freight rates. The arbitrage window between the US and Europe is forecast to remain closed throughout the year. In contrast, opportunities to export BD to Asia could materialize once domestic supply normalizes, given that prices in Asia will remain attractive for US producers. Against this background, there was positive news from the Panama Canal Authority which recently declared that it will raise the number of transits from 24 to 27 in March in response to current and projected levels at Gatun Lake.

German industry, the main engine for European growth, will continue to face difficulties. Following the war in Ukraine, production costs in Germany are far higher than its competitors. The ifo Institute for Economic Research recently revised down the country's 2024 GDP forecast from 0.9% to 0.2%. The rubber sector has come under pressure from weak demand and cheap tire imports. Goodyear is planning to close a tire plant in Furstenwalde, Germany, by 2027, and one in Fulda. Michelin will close three sites - Karlsruhe, Trier and Homburg - by the end of 2025.

The consumer price index (CPI) in China rose by a more-than-expected 0.7% in February, the first increase since August 2023. That said, BD demand may be healthier in the months to come, especially from some sectors such as ABS and SBR. The Europe-Asia arbitrage window is expected to remain closed on paper in the weeks ahead, mainly due to higher freight rates following the Red Sea crisis. In terms of new plants, ICIS expects the start-up of two Chinese projects - Sinopec INEOS (Tianjin) Petrochemical and Shandong Yulong - in Q3/Q4 and Q4 respectively. Nameplate capacity additions in China will total 350,000 tonnes/year.

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