



## Polybutadiene Rubber (Asia-Pacific)

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

All prices in the weekly analysis on 4 November will be assessed based on information collated up to 3 November. Please click [here](#) for the ICIS publishing schedule.

### OVERVIEW

- **Discussions bolstered by gains in China**
- **Supply also tighten on turnarounds**
- **Elevated offers heard**

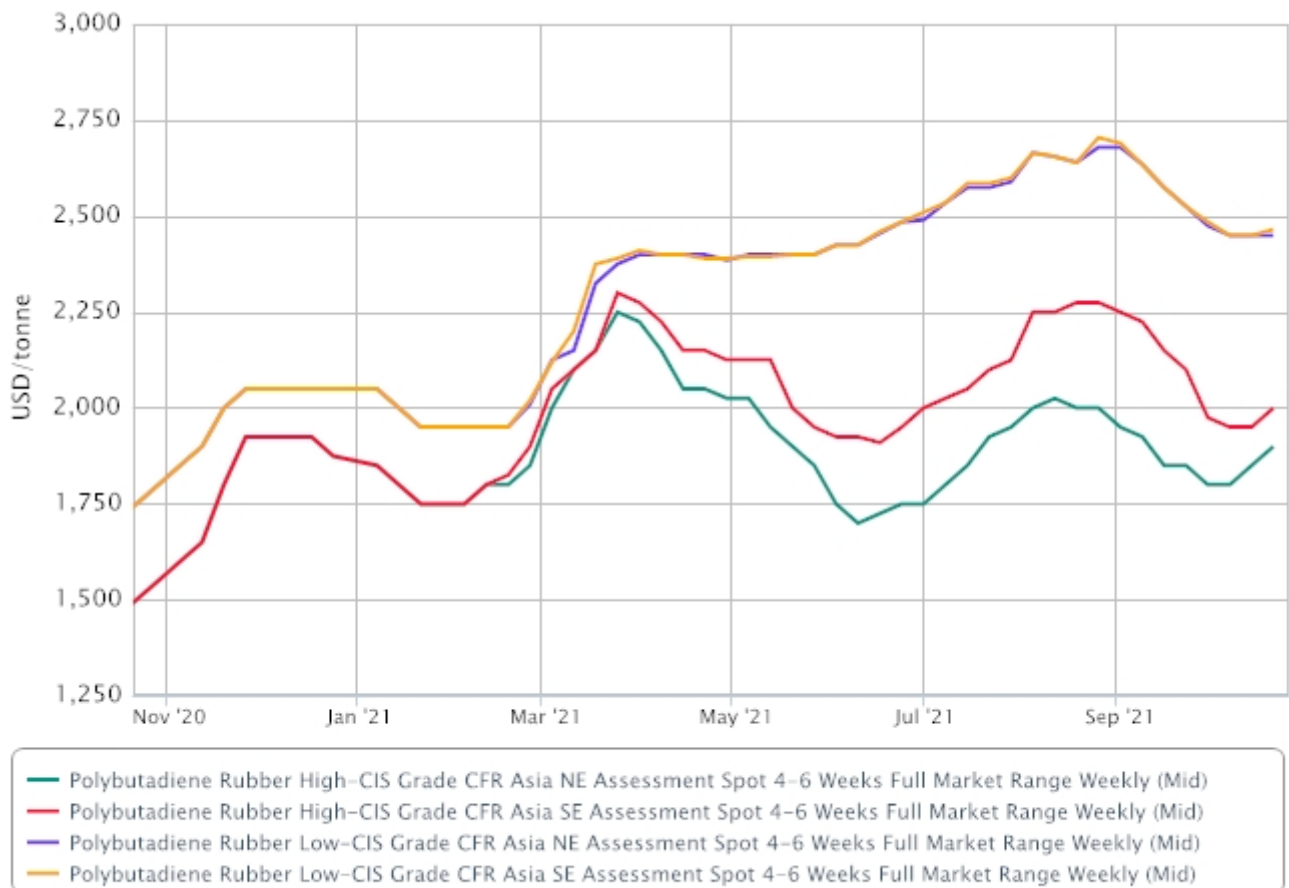
Asia's spot discussions for all grades of polybutadiene rubber (PBR) were generally stable to firm, tracking strong performance in the domestic yuan-denominated market in China.

In China, domestic prices continue to rise, amid shrinking domestic production on the back of sustained power shortages in the country.

This also boosted buying interest for US dollar-denominated imports, not just for China-bound shipments, but also for deliveries to other destinations in the region.

Regional suppliers also raised offers, citing for support firstly the reality that spot availabilities are tightened with ongoing regional turnarounds, and secondly, cost push stemming from logistical bottlenecks and constraints, especially on the shipping front.

Buying tempo in southeast Asia also improved with more downstream factories restarting after a long coronavirus-induced hiatus. That said, some buyers remained cautious in nature, keeping to a measured procurement pacing, in view of looming uncertainties in the longer term macro-economic landscape, including [shaky growth projections](#) in the key downstream automotive sector.



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## OUTLOOK

- Regional supply may improve with completion of regional turnarounds
- But supply in China may remained under pressure with persistent power shortages
- Demand recovery will hinge on longer term [economic growth prospects](#)

## PRICES

### SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
<b>Polybutadiene Rubber Low-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	n/c	2400.00-2500.00	n/c	2500.00-2550.00	108.86-113.40
<b>CFR Asia SE</b>	USD/tonne	+30	2430.00-2500.00	n/c	2500.00-2550.00	110.22-113.40
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	+50	1850.00-1950.00	+50	1750.00-1950.00	83.91-88.45
<b>CFR Asia SE</b>	USD/tonne	+50	1950.00-2050.00	+50	2050.00-2150.00	88.45-92.99

## Northeast Asia

### High-cis

CFR northeast Asian assessments for high-cis materials rose with firmer buy-sell talks, especially for China-bound shipments.

Offers were heard at the higher end of the published range, while some deals were heard concluded at the lower end of the range.

Domestic China prices extended gains, supported by production constraints caused by sustained power shortages.

Price (CNY/tonne)	21 October	14 October
E China Ex-Warehouse	15,200-15,500	15,000-15,200

### Low-cis

CFR northeast Asian assessments were rolled over, reflecting stable offers on the high-end. Low-end is kept unchanged in the absence of any concrete buy-side indications.

## Southeast Asia

### High-cis

CFR southeast Asian assessments for high-cis materials also rose, with both ends lifted to capture the spectrum of bids and offers heard. Some deals were heard closed within the published range too, market sources said.

Some buyers turned instead to procuring from domestic markets, citing availability of more competitively priced materials, market sources said.

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

Oct (1-21) 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021
173.47	163.23	172.67	164.32	164.51	169.09	164.72	175.25

### Low-cis

CFR southeast Asian assessments were stable-to-firm, with the low-end lifted to reflect a transaction heard.

The high-end is kept unchanged on stable offers heard.

## India

In India, offers for Asia-origin high-cis materials were heard at mid-to-high \$2,000's/tonne CFR Indian range.

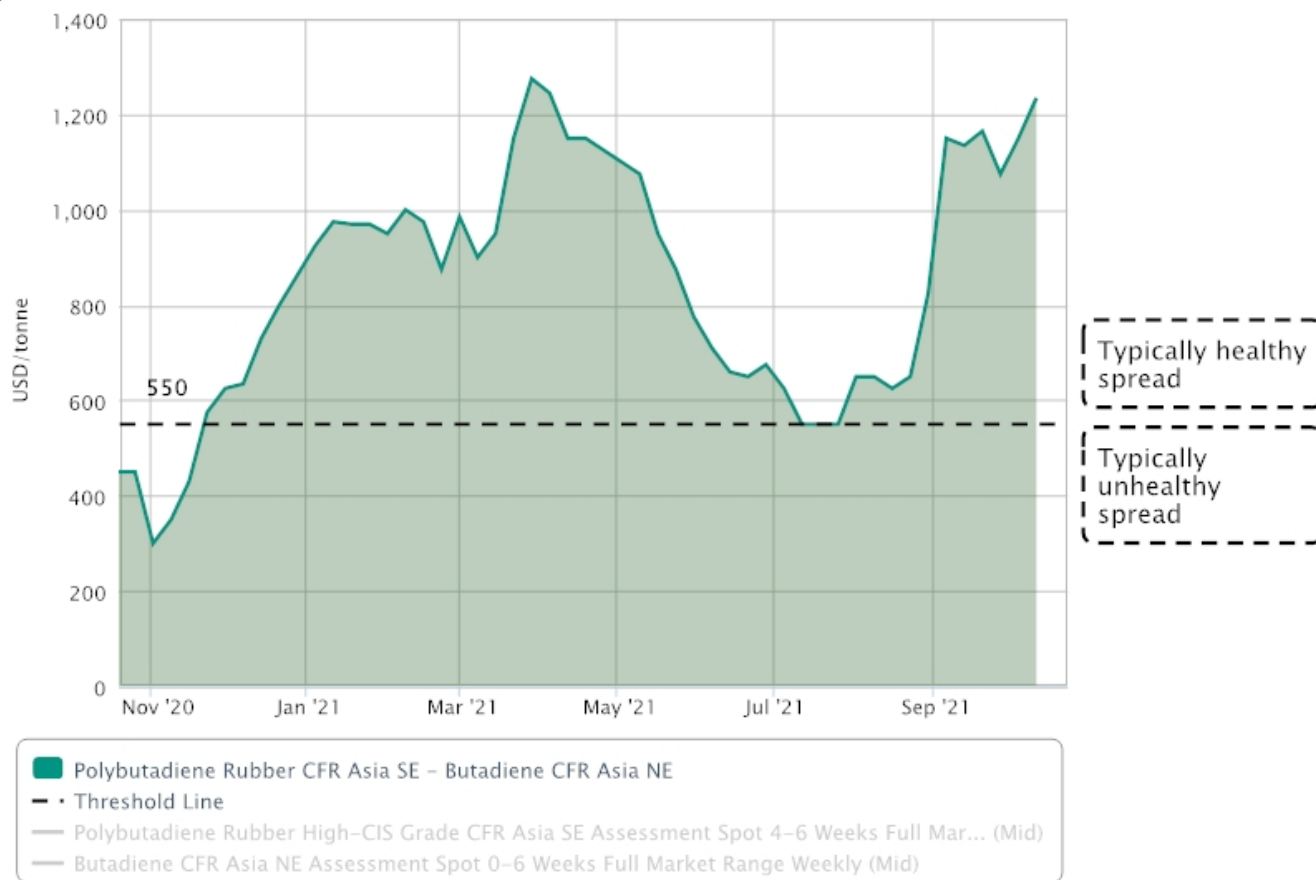
Buyers were heard turning instead to procure domestically, citing concerns with potential shipment delays of imports.

## UPSTREAM

Asian butadiene prices were [soft](#) in the import market, but recovered some lost ground in domestic China on lower operating rates there.

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 at PBR fell one percentage point to 73% for week ended 15 October, compared to 74% for the week prior, market sources said.

But moving forward, output in China may decline with turnarounds as well as power crunch-induced production limitations.

Elsewhere in Asia, PBR supplies are also tight with [turnarounds](#) in Korea.

## OTHER REGIONS

In north America, auto makers have announced new [production cuts](#), citing a persistent semiconductor shortage.

In Europe, car registrations in the EU [fell](#) in September to a 26-year low, as the automotive sector grapples with various bottlenecks in logistics and raw materials.

## ANALYTICS

### ICIS Downstream Automotive Demand Outlook

The worst is not over for the automotive industry. Global light vehicle sales were down 11.7% in August from pre-pandemic level in August 2019. The industry continues to reel from extreme supply chain disruptions and a shortage of critical auto parts such as semiconductor chips. As a result, almost all the major car makers have reduced run rates. For example Toyota slashed production by 40% in September and expects to make another 15% cut in November. The main reason for the chip shortage is the extraordinary demand for consumer electronics seen during the pandemic. The automakers either misjudged or underestimated chip demand and did not fully prepare. For 2021, Oxford Economics forecasts an 11.5% contraction in motor vehicle value added output compared with 2019. The growing popularity of Electric Vehicles (EVs) is another factor exerting pressure on chip supply. EVs requires more chips compared with conventional cars, but only account for 3% of the global automotive market. In the short term, chip supply is likely to remain tight until the first half of 2022. For fabless companies, the wait may be even longer. Even though a few chip investments have been announced, it typically takes 18 to 24 months for a new chip plant to start operations. Investments recently announced include Intel's €80bn over the next decade in Europe and TSMC's €2.8bn, among others.

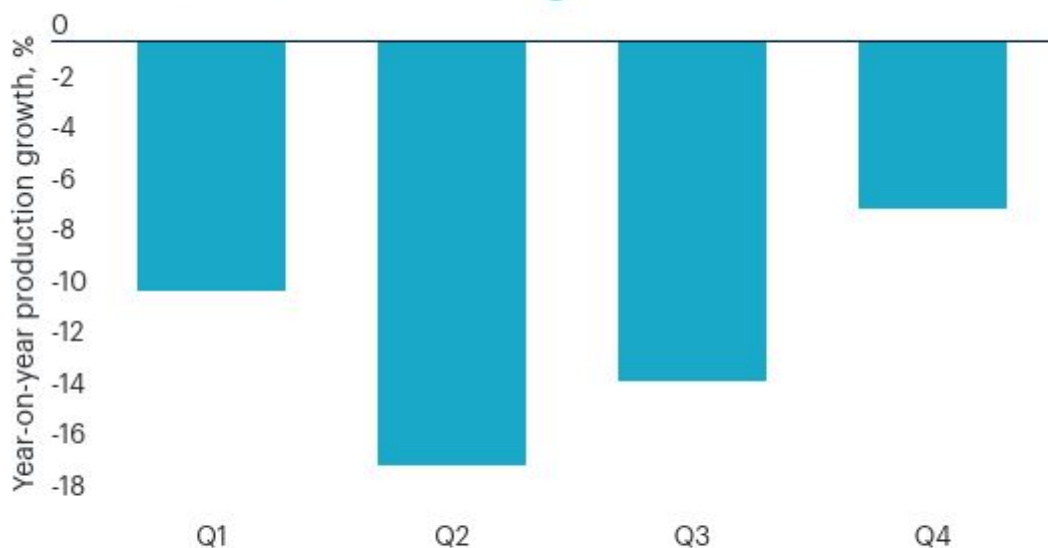
US light vehicle sales fell 6.4% month on month in September and were down 29% from September 2019. The inventory-to-sales ratio also hit an all-time low of 0.724. The overall outlook remains pessimistic. On top of that, the demand-supply imbalance is pushing car prices higher.

EU passenger car registrations were down 23.1% year on year in September, according to the European Automobile Manufacturers Association (EAMA). It was the lowest number of registrations for September since 1995, and was supply driven. All major European countries reported a double-digit fall during the period. Commercial vehicle registration figures were also poor, with a 5.4% year on year decline in August. The outlook for the rest of the year remains negative. Stock levels have depleted noticeably. According to the Ifo research institute, 83% of German car makers have been affected by chip scarcity.

In China, passenger car sales were down 25.5% year on year in June. This trend is expected to continue. Energy rationing has also adversely affected the Chinese auto market, exacerbating a shortage of materials, especially polymers. ICIS analyst Jimmy Zhang said, "In the fourth quarter, with the ongoing strict policy on carbon emissions and environmental protection, operating rates of coal-based polyolefin units is expected to remain limited. The polyolefin supply pattern is expected to change from ample to tight." India is not an exception. In September, total vehicle sales were down 5% year on year, according to India's Federation of Automobile Dealers Association (FADA). As India enters its festive season, the outlook is mixed.

By **Jincy Varghese**, ICIS demand analyst ([jincy.varghese@icis.com](mailto:jincy.varghese@icis.com))

## Global motor vehicle sector growth, 2019 vs 2021



Source: Oxford Economics

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