



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
22-Aug-2024

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

OVERVIEW

- **Buy-sell stalemate extends**
- **Buyers cautious amid downbeat economic growth outlook**
- **Sellers' discounts capped nonetheless on spot supply constraints**

Spot trade liquidity in Asia's import market for polybutadiene rubber (PBR) were lower, weighed down by a persistent gap in buy-sell pricing sentiment.

For buy-side elements, many held back from committing to fresh PBR import purchases for fear that downstream demand will fail to hold up sufficiently well if growth derailleurs like [recession risks](#) and geopolitical tensions persist.

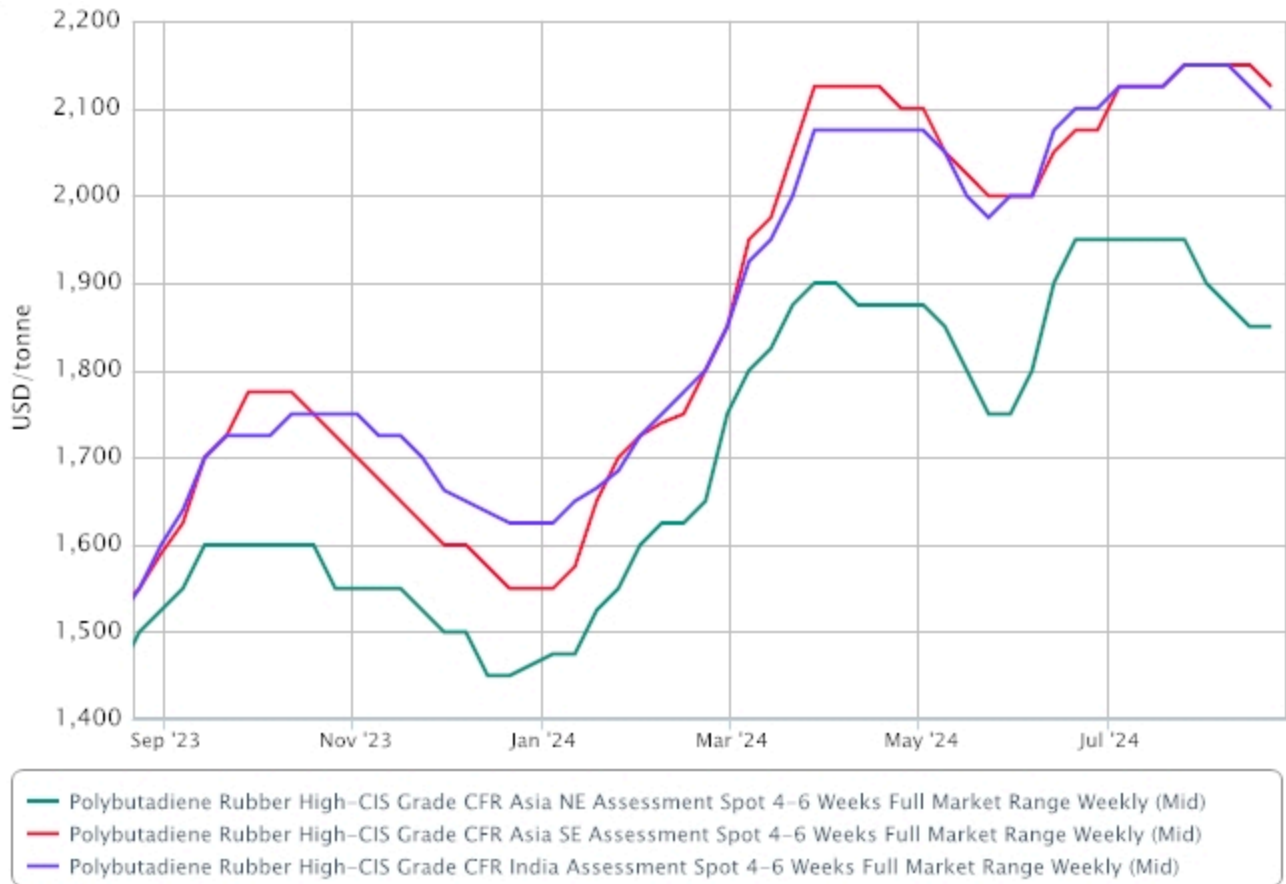
Such concerns sharpened with a week-on-week decrease in the global spot ICIS petrochemical index ([IPEX](#)), signaling subdued chemical demand.

But for sellers, while some did moderate offers to keep pace with recent decreases in feedstock butadiene ([BD](#)) prices, as well as to narrow the gap with buyers, most were reluctant to offer further discounts.

Despite some feedstock BD cost savings, PBR makers said that cost pressures remain high, considering components such as freight rates.

Also, spot availabilities are already tight on an ongoing maintenance, upcoming plant maintenance scheduled for late Q3 could squeeze the regional spot supply pool further.

Sellers expected this to provide some support to the spot market, and as such, wanted to hold and wait for now, market players said.



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OUTLOOK

- Pricing sentiment may swing with feedstock market movements
- Demand may stay limp if macroeconomic headwinds do not ease
- Spot supplies could tighten going into Q4

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2350.00-2450.00	-50	2400.00-2500.00	106.59-111.13
CFR Asia SE	USD/tonne	n/c	2350.00-2450.00	-50	2400.00-2500.00	106.59-111.13
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1800.00-1900.00	n/c	1900.00-2000.00	81.65-86.18

CFR Asia SE	USD/tonne	n/c	2100.00-2150.00	-50	2100.00-2200.00	95.25-97.52
CFR India	USD/tonne	n/c	2050.00-2150.00	-50	2100.00-2200.00	92.99-97.52

Northeast Asia

High-cis

CFR NE Asia prices held steady, supported by stable indications for China-bound shipment.

The latter saw support after a late-week climb in yuan values for feedstock BD which led to a week-on-week increase in domestic prices of the high-cis PBR grade in east China.

Price (CNY/tonne)	This week's close	Previous week's close
E China Ex-Warehouse	14,600-14,800	14,200-14,400

Low-cis

Selling indications were moderated amid upstream losses and reflected at the high end of the assessment. The low end was rolled over in the absence of any concrete buy-side indications.

Southeast Asia

High-cis

CFR SE Asia assessment was down at the high end, tracking the lowest offer heard for northeast Asian materials against buying indications capped at the low end. Some deals, albeit for limited volumes, materialized within the range, market sources said.

But sustained gains in natural rubber prices boosted sentiment among sellers, with many confident that the strong natural rubber prices will translate into increased demand for cheaper substitutes like PBR.

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

Aug (1-22) 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
177.33	168.65	176.00	170.03	162.99	165.36	156.66	154.20

Source: Malaysian Rubber Board

Low-cis

CFR SE Asia assessment was stable to soft, with the high end dropped with lower selling indications heard.

India

The CFR India assessment was stable to soft, with the high end adjusted down to reflect the lowest offer heard for northeast Asia-origin materials.

But buy-side response was tepid, with many end-users still remaining on the sidelines for now and expecting to resume spot discussions only after the monsoon season is fully over in the coming weeks.

UPSTREAM

Butadiene

- Sellers moderate targets to induce sales
- Spot supplies ample
- Demand dull on upcoming derivative turnarounds

The chart below shows the spread between butadiene and PBR, which, despite recent improvements to the favor of PBR makers, remains under healthy levels.

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



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PRODUCTION

In Taiwan, a 60,000 tonne/year unit at Kaohsiung has [commenced](#) a month-long maintenance from late July.

In Japan, a 65,000 tonne/year unit at Tokuyama will undergo [maintenance](#) in the mid-Sept to end-Nov period.

ANALYTICS

ICIS outlook on downstream automotive sector

The global automotive industry is still in the middle of a deep crisis, with high interest rates continuing to be a drag on the sector. Other challenges include subdued demand, supply chain disruptions and slower line speeds, among others. Long-term investments for, among others, tightening emission standards, a growing push to electrify, and shared car ownership have already left firms short of cash.

According to the US Census Bureau, US light vehicle sales increased by 4.2% month on month in July with total sales of 15.817 million units (still down 0.8% year on year and down 7.8% from 2019). The finished inventory to sales ratio increased month on month from 1.248 to 1.420 in June. (For context, the ratio was 0.919 and 2.592 respectively in June 2021 and 2020). High inflation, slumping consumer confidence and tighter monetary policy will weigh upon consumer demand for automotives. On the positive side, there are multiple supportive federal policies being announced to support and boost the sector, such as the CHIPS and Science Acts.

According to the European Automobile Manufacturers' Association (ACEA), EU new car registration increased by 4.3% in June compared with same month last year. The Association further reports that Italy posted the biggest gain with a 15.1% increase, followed by Germany (+6.1%), and Spain (+2.2%). However, France reported a decline of 4.8%. There are still concerns about balance sheets, with some producers struggling to survive in the short term.

China's inventory coefficient (calculated as inventory over sales) at auto dealers was at 1.40 in June, down from 1.44 in May. This is positive for the industry as less working capital is tied up. Typically, an inventory coefficient less than 1.50 is considered to be reasonable. For the next month we do not expect any significant increase in auto sales, because traditionally July and August are an off-season period. India's Federation of Automobile Dealers Associations (FADA) reported an increased registration of 13.84% in July year on year. However, some of the challenges identified for the industry for the next quarter include severe monsoon, poor consumer sentiments and relatively higher levels of stocks, among others. On the positive side, the onset of the festive season is expected to support the market. Therefore, there is a cautious optimism over the outlook.

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