Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
22-Jul-2021

Overview | Outlook | Prices | Upstream | Production | Other Regions | Analytics

Please click here for full details on the criteria ICIS uses in making these price assessments.

OVERVIEW

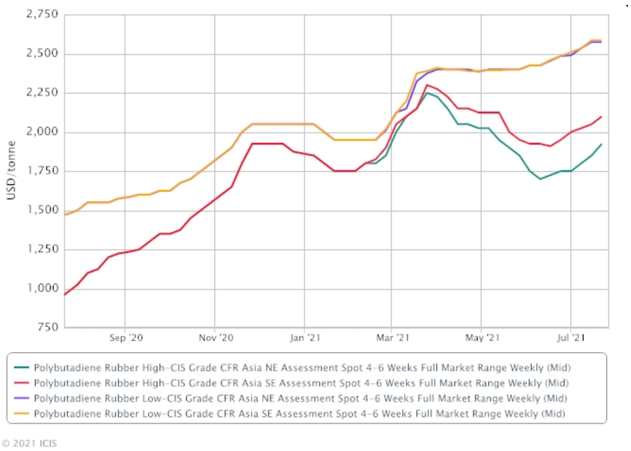
- **High-cis prices extend gains**
- **Low-cis prices stable**
- **Buying sentiment mixed**

Asian spot prices for polybutadiene rubber (PBR) were mixed. Prices were stable for low-cis material, but up for high-cis material.

In general, PBR makers held firm to existing offers, if not chase higher targets, citing the need to recoup margins due to the increased cost of feedstock butadiene (BD).

Spot availability was also not abundant, especially for low-cis material, as production was hampered by a shortage of some raw materials, such as additives and catalysts, market sources said.

Demand was mixed fairly healthy for low-cis PBR, but somewhat muted for high-cis PBR. For high-cis material, offtake in China is low due to a seasonal lull in demand and hampered by protracted COVID-19 restrictions in southeast Asia.



OUTLOOK

- **Upstream cost pressures to persist**

- **Supply to stay tight on upcoming turnarounds**
- **Demand recovery to hinge on coronavirus situation**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2550.00-2600.00	n/c	2470.00-2500.00	115.67-117.93
CFR Asia SE	USD/tonne	n/c	2570.00-2600.00	n/c	2470.00-2500.00	116.57-117.93
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	+50	1850.00-2000.00	+100	1700.00-1800.00	83.91-90.72
CFR Asia SE	USD/tonne	+50	2050.00-2150.00	+50	1900.00-2000.00	92.99-97.52

Northeast Asia

High-cis

CFR northeast Asia prices for high-cis material were assessed higher with firmer buy-sell pricing indications heard.

However, buying interest is still curbed in China with downstream operations at a seasonal summer lull.

Some were also hesitant about committing to US dollar denominated import cargoes, preferring to wait see if domestic yuan-denominated prices in China will soften further.

On this note, domestic China prices were down slightly in the week, as the buying tempo eased after a sharp price hike seen last week.

East China Domestic PBR Prices

Price (CNY/tonne)	22 July	15 July
E China Ex-Warehouse	14,000-14,100	14,200-14,400

Low-cis

The CFR northeast Asian assessment was flat, tracking range-bound discussions.

Offers were well supported by upstream cost pressures, but transactions were limited with buyers still mostly on the sidelines.

Southeast Asia

High-cis

CFR southeast Asian prices for high-cis materials were assessed up, tracking firmer offers heard.

Some deals were closed within the range, market sources said.

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

July (1-22) 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
163.03	164.51	169.09	164.72	175.25	169.16	158.40

Low-cis

The CFR southeast Asia assessment was kept unchanged, with the low end reflecting deals heard, and the high end offers heard.

India

In India, offers on Asia-origin high-cis materials were heard steady at or over $2,200/tonne CFR India for August shipment.

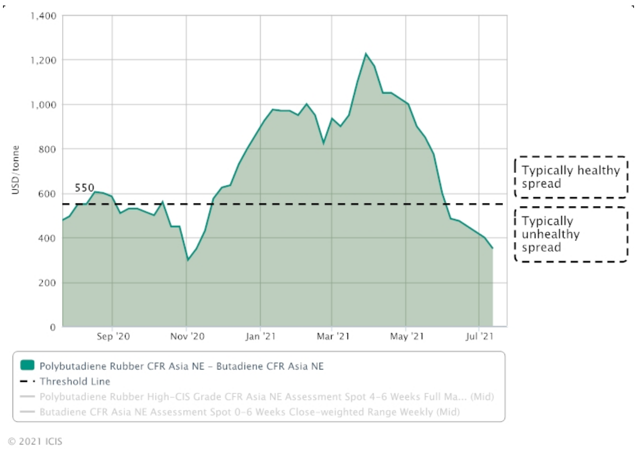
Some cargoes were heard sold at in the low-to-high $2,100s/tonne CFR India range, market sources said.

UPSTREAM

Asian import discussions for **butadiene (BD)** firmed with spikes seen in the domestic China market, but liquidity is capped by lacklustre downstream margins.

The chart below shows the spread between BD and PBR, which has slipped deep under the healthy line.

Downstream spread – butadiene and PBR NE Asia



PRODUCTION

In China, average operating rates at PBR plants fell to 78% in the week ended 16 July, compared to 82% in the week prior, sources said.

Outside of China, spot availability may tighten with a 60,000 tonnes/year plant in Taiwan heading into maintenance closure from 24 July.

OTHER REGIONS

In Europe, car demand was up 10% in June year-on-year, but the rate of growth eased between May and June this year.

European replacement tyre sales remained on a path to recovery in Q2 2021, according to the latest data from the European Tyre and Rubber Manufacturers' Association (ETRMA).

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The global automotive industry is not out of the woods yet and is still struggling to make up its pre-pandemic losses. Production of motor vehicles in Q2 was down by 10% and is expected to be down by 4% in Q3 2021 (compared to 2019 levels). Growth is expected to return only in Q4 2021 (Oxford Economics). Renewed (and mutated) virus outbreaks in Europe and the US have the potential to disrupt supply again, so reaching pre-pandemic levels is still a long way off. There are multiple factors weighing on business, including supply-chain disruptions and structural changes to demand. Some of the weakness predates the coronavirus crisis, with environmental concerns prevalent globally. Short- to mid-term demand still looks gloomy on the back of high unemployment and lower disposable income. In most emerging economies, four-wheeler ownership is classified as a luxury rather than a necessity.

China is the only major economy in world experiencing positive year-on-year growth for H1 2021 (compared with 2019), never having really lost any ground to the pandemic. Moreover, the Chinese government's policy of supporting the development and sale of new energy vehicles (NEV) is expected to add to the momentum. For example, China has extended the subsidy on NEVs until 2022 whereby vehicles remain exempt from purchase taxes. India, on the other hand, still has a long way to go. After a terrible Q1 and Q2 2021, Q3 is showing marginal growth, with recovery only expected from Q4.

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