



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
23-Sep-2021

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

OVERVIEW

- **Prices mostly softer**
- **Discussions muted on holiday lull**
- **Bearish upstream market dampens sentiment too**

Asian spot prices for polybutadiene rubber continued to slide, under the [dual pressures](#) of low demand and falling upstream values.

Substantive discussions were limited in the week, with many key regional outlets, including China, Korea, Japan and Taiwan, mostly out of action on extended Mid-autumn Festival celebrations.

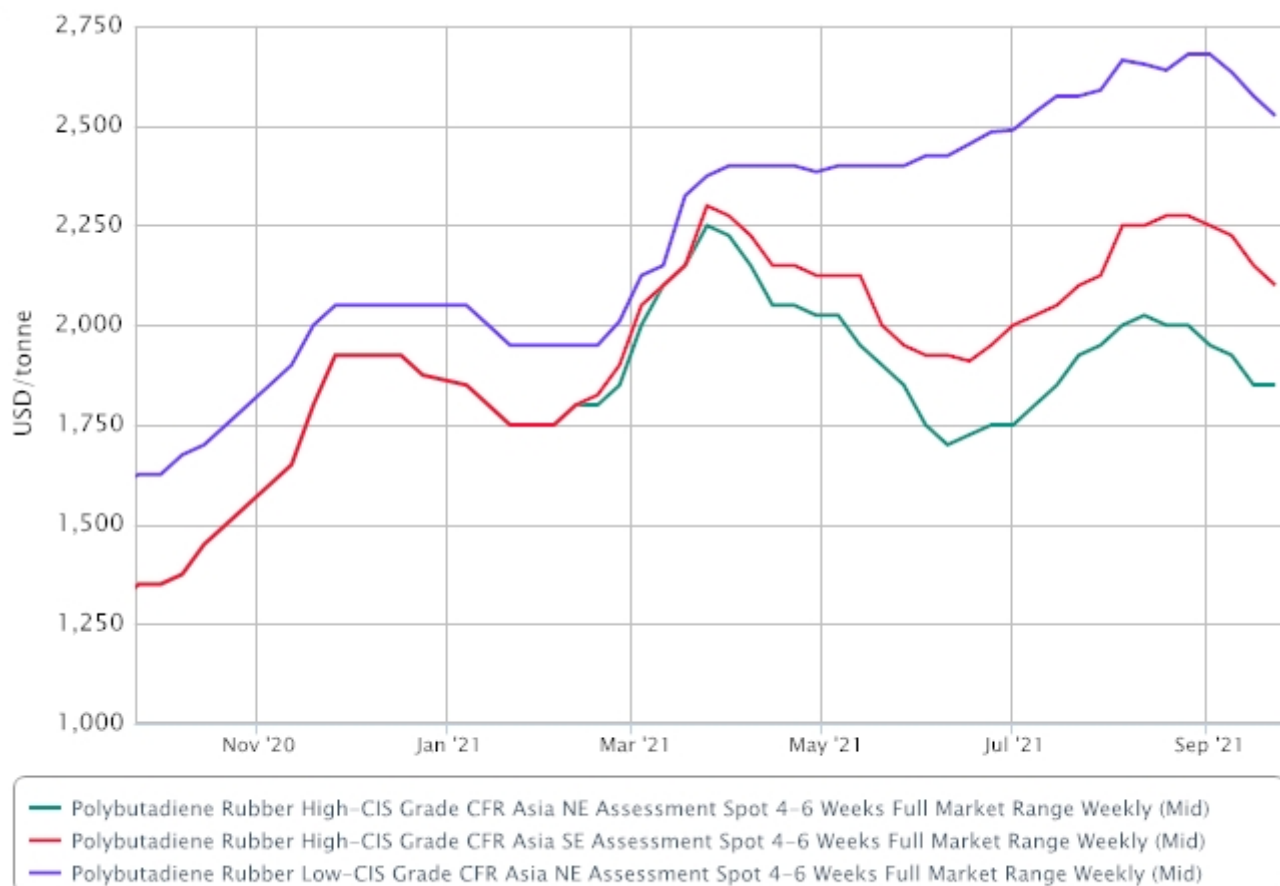
Demand remains weak, as off-take has been capped by the reality that many downstream factories across Asia are still shut on protracted COVID-19-related operational restrictions and manpower shortages.

The outlook is bearish, especially amid the Asian Development Bank's [reduced](#) 2021 economic growth projections for developing Asia.

Buying interest has been further dampened by sluggish performance in the upstream butadiene market.

But spot availabilities are expected to tighten, with more than 500,000 tonnes/year of production capacity in northeast Asia going off-line in October for maintenance.

This may provide some support to import offers in the near term, market sources said.



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OUTLOOK

- Supply to stay snug on upcoming turnarounds
- Demand losses may outpace output cuts
- Demand recovery will hinge on how coronavirus situation pans out

PRICES

SPOT PRICES

| | | | Price Range | | Four Weeks Ago | US CTS/lb |
|--|-----------|-----|-----------------|-----|-----------------|---------------|
| Polybutadiene Rubber Low-CIS Grade | | | | | | |
| CFR Asia NE | USD/tonne | -50 | 2500.00-2550.00 | -50 | 2660.00-2700.00 | 113.40-115.67 |
| CFR Asia SE | USD/tonne | -50 | 2500.00-2550.00 | -50 | 2690.00-2720.00 | 113.40-115.67 |
| Polybutadiene Rubber High-CIS Grade | | | | | | |
| CFR Asia NE | USD/tonne | n/c | 1750.00-1950.00 | n/c | 1950.00-2050.00 | 79.38-88.45 |
| CFR Asia SE | USD/tonne | -50 | 2050.00-2150.00 | -50 | 2250.00-2300.00 | 92.99-97.52 |

Northeast Asia

High-cis

The CFR northeast Asian assessment was rolled over in the absence of any concrete discussions, with many markets in the area shut for long mid-autumn holidays this week.

In China, domestic PBR prices recovered slightly, as operating rates at some plants dipped on rigid [environmental control requirements](#) meted out by the Chinese authority.

East China Domestic PBR Prices

| Price (CNY/tonne) | 23 September | 16 September |
|----------------------|---------------|---------------|
| E China Ex-Warehouse | 13,100-13,300 | 12,700-12,900 |



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Low-cis

CFR northeast Asian prices for low-cis materials were assessed down, with the high end dropped with on lower offers heard. The low end reflected buying indications.

Southeast Asia

High-cis

CFR southeast Asia prices for high-cis materials extended losses, amid softer buy-sell talks.

Some sellers dropped offers to stimulate sales, and this is captured at the high end.

Buying indications also fell on a bearish demand outlook, and this formed the low end.

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

| Sep (1-23) 2021 | Aug 2021 | July 2021 | June 2021 | May 2021 | Apr 2021 | Mar 2021 | Feb 2021 |
|-----------------|----------|-----------|-----------|----------|----------|----------|----------|
| 162.84 | 172.67 | 164.32 | 164.51 | 169.09 | 164.72 | 175.25 | 169.16 |

Low-cis

CFR southeast Asia prices for low-cis materials were assessed down, with the high end dropped with on lower offers heard. The low end reflected buying indications.

India

Discussions were muted for India-bound shipments of high-cis PBR materials.

Downstream requirements were capped, and some factories saddled with high PBR stocks may consider reselling their cargoes to improve cash flow, market sources said.

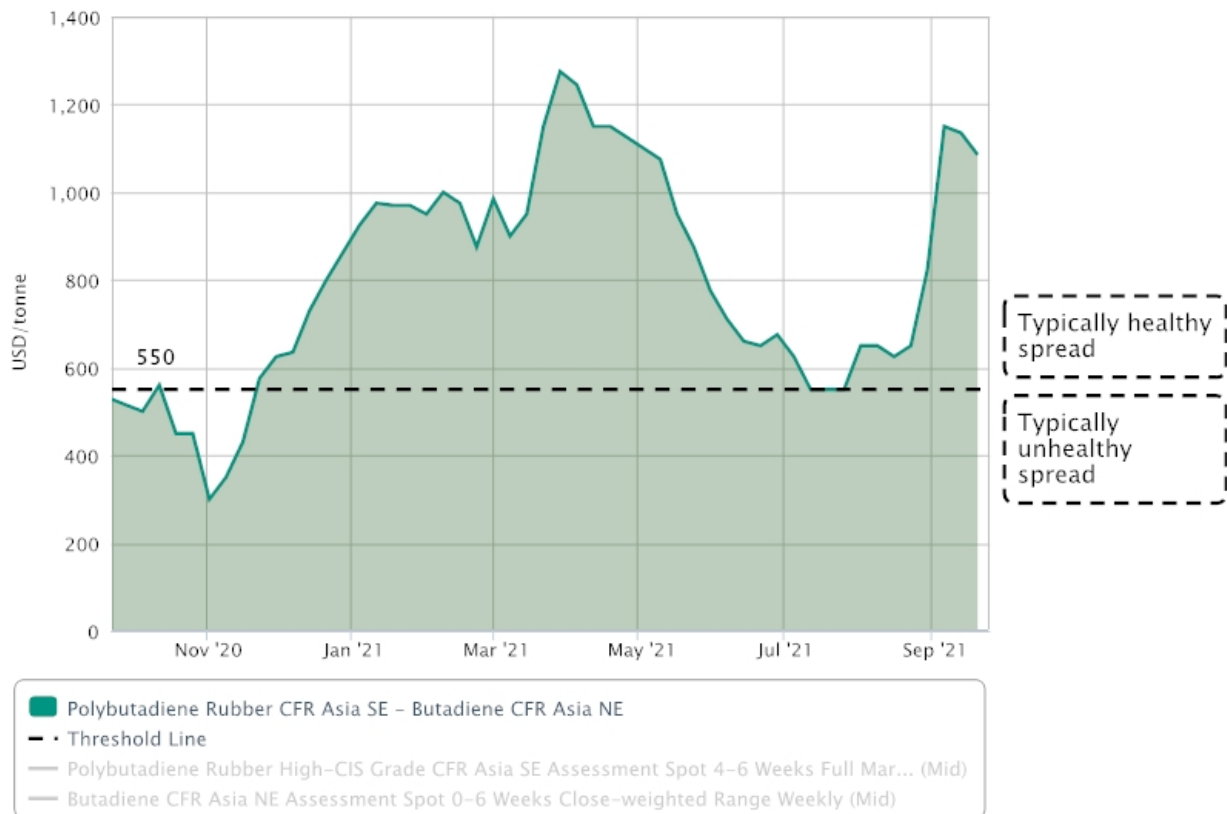
Workable buy-sell indications for October PBR import shipment were heard at around the low to mid \$2,200's/tonne CFR India, market sources said.

UPSTREAM

Asian butadiene discussions continue to stay [under pressure](#) amid thin demand and a supply glut.

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 plants held steady at 76% for the week ended 17 September, unchanged from the week prior, market sources said.

But moving forward, operating rates for China's PBR plants may fall if China presses further on its [dual control policy](#) aimed at protecting the environment through energy consumption caps.

Outside of China, PBR supplies are poised to tighten though on upcoming [turnarounds](#) in Korea.

ANALYTICS

ICIS Butadiene Outlook

Hurricane Ida took about 20% of total US BD capacity offline and affected already constrained production, which is forecast to remain below 2020 levels. According to preliminary data, the US imported about 126,000 tonnes of BD in the first seven months of 2021, about the same amount as it imported for the whole of 2020, and there are expectations that between 200,000 and 250,000 tonnes will be imported by the end of the year. However, the US BD market is likely to be affected by vehicle production cuts. Indeed, carmakers Ford, General Motors and Nissan have slashed plant operating rates for September due to the ongoing global microchip supply shortage.

European BD producers may continue to look at the tight US market as an attractive outlet for the next few weeks. This may arise from supply disruptions due to the ongoing autumn maintenances and tropical storm-related problems. For European BD producers going forward, trading opportunities to the US are expected to be limited throughout 2022. The route to Asia appears technically closed for next year, given that European BD prices will continue to be unworkable for Asian buyers. Nevertheless, increased BD capacity worldwide will ease pressure on the European market. Apart from greenfield plants in China and South Korea, Yansab will install 136,000 tonnes/year of new capacity at Yanbu, Saudi Arabia, in 2022.

Japanese automakers are cutting domestic and global production in September in response to a persistent lack of semiconductor components. Toyota will decrease worldwide vehicle production by 40% this month. Daihatsu, a Toyota subsidiary, confirmed the closure of manufacturing plants in Osaka and Oita prefecture to mid-September. This is likely to negatively impact the domestic BD market. Based on ICIS estimations, Japanese BD production will total around 850,000 tonnes in 2021, up from 785,000 tonnes in 2020, but down from the 888,000 tonnes it produced in 2019.

By **Paolo Scafetta**, ICIS senior olefin analyst, paolo.scafetta@icis.com

ICIS Downstream Automotive Demand Outlook

The global automotive industry is currently beset by an acute supply-demand imbalance. Output is well below pre-pandemic levels, a trend seen in every region. According to Oxford Economics, the global automotive industry will contract by 11.5% in 2021 due to a severe shortage of semiconductor chips and auto parts, supply chain problems and other production-related issues. A shortage of polymers and shipping containers has also forced several companies in the chain to shut plants. As a result, most carmakers have an alarmingly low level of raw materials and finished inventories. Some auto giants have

announced production cuts. For example, Toyota plans to slash output by 40% in September and GM will idle its North American assembly line for two weeks from 13 September. Global light vehicle sales declined by a further 2.4% month on month in August and were down 16% compared with 2019. Chip supply is unable to keep up with demand and the situation is getting worse by the day. The most pessimistic view suggests that the situation will not improve until 2023. In the short to medium term, the negatives far outweigh the positives. According to accounting firm KPMG, the chip shortage will cost the industry \$100bn in lost revenue in 2021.

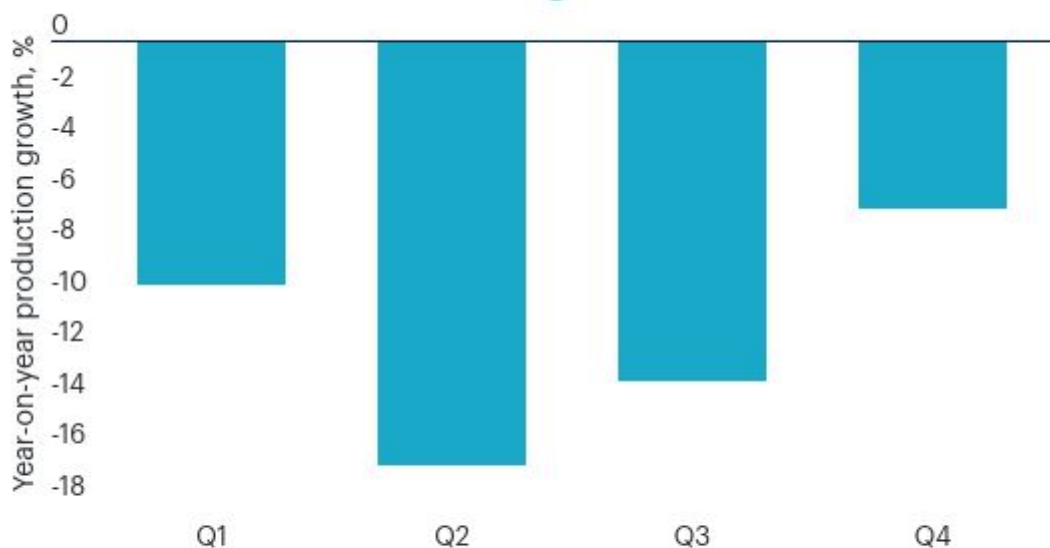
In August, US car sales were down 11% month on month and down 24% down from 2019 levels – or 4.1mn fewer units. Inventories were at an all-time low. According to the US Bureau of Economic Analysis, the inventory to sales ratio was at 0.683 in July, the lowest since 1993. All the major car makers reported strong Q1 earnings, but this will not be repeated in the rest of the year. A semiconductor chip shortage continues to affect production, with many expecting the problem to persist well beyond this year. The Semiconductor Industry Association (SIA) estimates that the typical lead time from placing an order to final delivery is 26 weeks. So, even if a chip supplier were to ramp up capacity today, it would take at least six months to fulfil an order, provided that the infrastructure is in place.

According to Germany's Federal Motor Vehicle Office (KBA), passenger car registrations fell to 193,307 units in August from 236,393 units in July, down 18.2% month on month and 23% year on year. Overall market sentiment also fell. The Society of Motor Manufacturers and Traders (SMMT) reported that UK car registrations fell 22% in August compared with the same month a year ago. Other countries in the region are also suffering. Despite this, new UK van registrations recorded their second-best August at 20,582 units, although the chip shortage threatens future production and deliveries. The problem has been exacerbated by an increase in market penetration by electric vehicles (EVs) and their growing appetite for chips.

In July, Chinese passenger car and commercial vehicle sales were down 6.8% and 30.2% year on year respectively. In terms of stock, the inventory coefficient was at 1.37 in August against 1.50 in the same month last year, a year on year decrease of 8.7% and the lowest figure for three years. A lack of available key auto parts has altered typical seasonal characteristics as well. For example, dealers have refrained from promotional campaigns and refused offers and discounts as well. To pursue its policy of self-sufficiency, China's key chip manufacturer has committed \$9bn to build a factory in Shanghai. Other Asian economies are also suffering, especially India. It suffered a major setback when Ford shut its 25-year-old Indian operations which had the capacity to produce 610,000 engines and 440,000 vehicles a year. Ford is the third company to exit the country after GM and Harley Davidson. Future visibility is extremely limited.

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

Global motor vehicle sector growth, 2019 vs 2021



Source: Oxford Economics



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