



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.

OVERVIEW

- **Discussions boosted by upstream gains**
- **Suppy snug on turnarounds**
- **Demand healthy**

Asian spot discussions for all grades of polybutadiene rubber (PBR) were mostly stable-to-firm, with offers bolstered by upstream gains.

Feedstock butadiene (BD) prices in Asia have surged more than 60% in the last month, prompting PBR makers to hike asking prices in a bid to recoup production costs and protect margins.

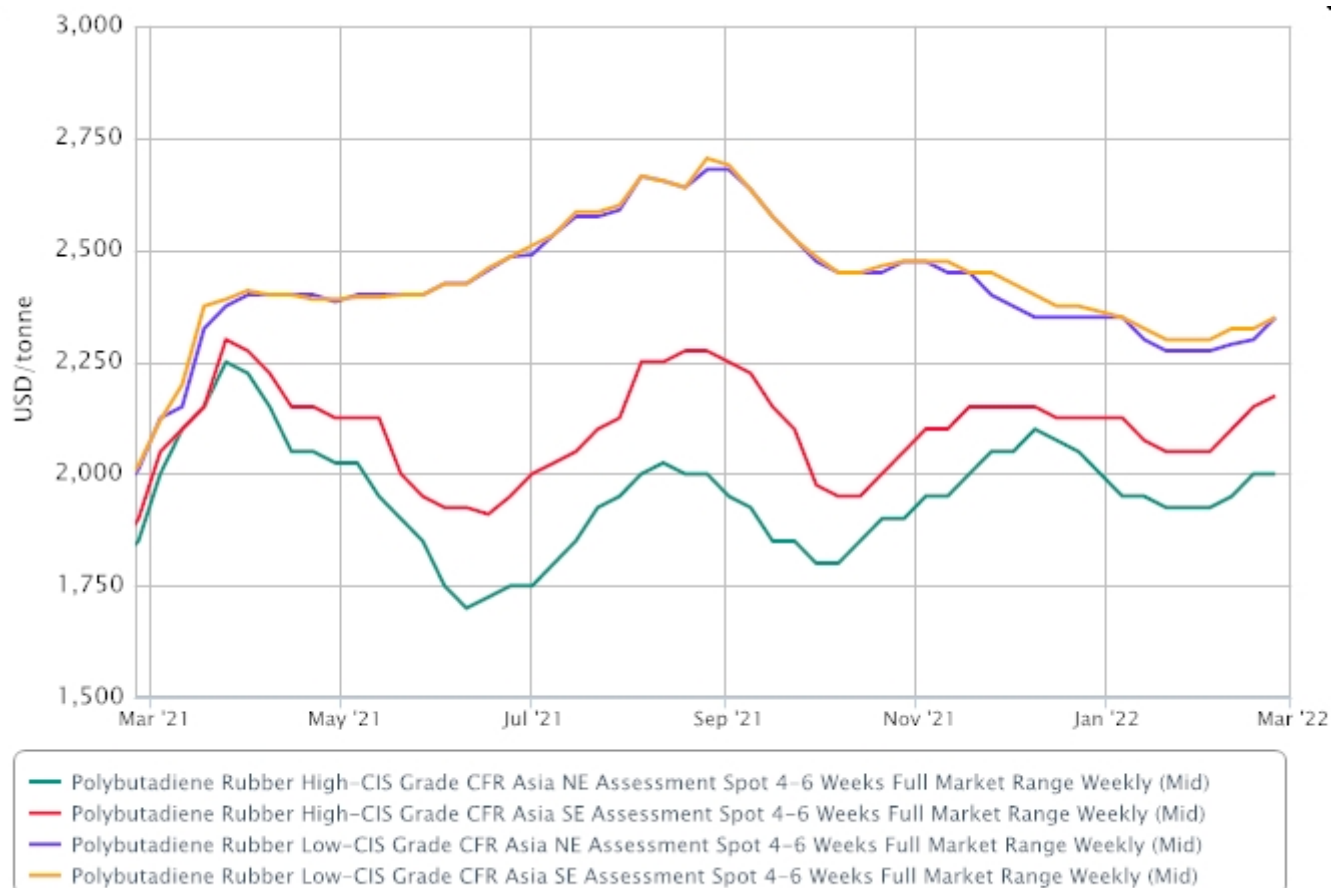
Spot supply has also been crimped by ongoing [turnarounds](#), providing additional support to the elevated offers.

However, buyer pricing sentiment was mixed across the region. In China, downstream requirements were lacklustre as factories are still unable to ramp up following production restrictions due to the Winter Olympics.

In southeast Asia, the buying tempo is healthy with end-users stepping up to make regular purchases. Requirements are also robust from applications related to consumer products, like soles for shoes and golf balls.

In India, however, end-users were heard resistant to higher import offers. Requirements were also lower to begin with, as the global shortage of microchips has taken its toll on operating rates at the country's auto manufacturers.

In addition, the escalation of the [Russia-Ukraine conflict](#) has raised concerns in India about possible repercussions, such as supply-chain disruptions. As a result, many were reluctant to commit to new bookings.



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OUTLOOK

- **Upstream cost pressures may build**
- **Supply to stay snug in near term**
- **Geopolitical tensions to weigh on demand**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	+50	2300.00-2400.00	+50	2250.00-2300.00	104.33-108.86
CFR Asia SE	USD/tonne	n/c	2300.00-2400.00	+50	2250.00-2350.00	104.33-108.86
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1950.00-2050.00	n/c	1850.00-2000.00	88.45-92.99
CFR Asia SE	USD/tonne	+50	2150.00-2200.00	n/c	2000.00-2100.00	97.52-99.79

Northeast Asia

High-cis

The CFR northeast Asia assessment for high-cis material held steady on range-bound pricing indications for shipments to various outlets in the region.

However, discussions for China-bound shipments were relatively muted amid lacklustre buying interest in imports.

End-users in China were heard amply supplied by domestic product and had no need to procure imports.

Domestic prices in east China extended losses given the tepid demand.

Price (CNY/tonne)	24 February	17 February
E China Ex-Warehouse	13,500-13,700	13,700-13,900

Low-cis

CFR northeast Asia prices for low-cis material were assessed up, taking into consideration firmer offers and buying indications heard.

Market sources said that there was active buying interest from high-intensity polystyrene (HIPS) makers in China, but spot deals were limited due to a wide buy-sell pricing gap.

Southeast Asia

High-cis

CFR southeast Asia prices for high-cis material were stable to firm, with deals heard closed within the assessment range.

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

Feb 24) 2022	(1- Jan 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021
179.89	178.12	172.08	175.65	174.39	163.23	172.67	164.32

Low-cis

The CFR southeast Asia assessment for low-cis material was stable-to-firm, with the high end lifted on higher offers heard.

India

In India, spot discussions for high-cis material were muted, with end-users heard unwilling to pay more than \$2,000/tonne CFR India for Asia-origin imports, citing the availability of more competitively-priced deep-sea origin materials.

There were few concrete offers as most Asian suppliers were holding back until there is more clarity on the upstream pricing situation. That said, based on current feedstock BD values, sellers said they would not offer below \$2,100/tonne CFR India.

UPSTREAM

Spot trade discussions for Asian BD imports were [active](#) this week as more sellers emerged. Although some deals materialised within the published range, overall liquidity is still limited with some buyers cautious about spot procurement amid lingering macroeconomic uncertainty.

The chart below shows the spread between BD and PBR.

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



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PRODUCTION

In China, average operating rates for PBR rebounded to 84% for the week ended 18 February, up from 79% in the week prior.

Outside of China, spot supply is also tighter amid ongoing maintenance [closures](#) at several units in northeast and southeast Asia.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

It has been more than two years since the world plunged into the coronavirus crisis. But the last year has been the most puzzling in terms of the outlook for stakeholders in the global automotive industry. The level of uncertainty has been unprecedented, challenging for decision-making and risk management. The global automotive industry was one of the first and hardest hit by the pandemic and has yet to fully recover. According to Oxford Economics, global production of light vehicles is expected to reach 83.6m units in 2022, short of its pre-pandemic production rate of 88.4m units in 2019. Supply shocks continue to impact production, with a global shortage of microchips leading to cuts in automotive output. We expect vehicle sales to mirror the production growth rate, as there is not a considerable gap between the two.

The North American auto industry remains weak: production is improving but at a slow pace. US light vehicle production is expected to reach 10.3m units this year compared with 10.6m units in 2019. The industry is still down 2.8% year on year from 2019. Inventories continue to touch new lows. In December, inventories totalled 58,900 units, the lowest since 1993. In the same month, the auto inventory-sales ratio was 0.359. Supply chain issues continue to haunt the industry. Microchip supply has yet to catch up with demand. The key challenge for the region is its semiconductors' demand (which is close to 50%) versus production (which is about 12%) gap. This is one reason for semiconductors being treated as a material of strategic importance. As a result, the CHIPS for America Act was passed in the House in early February. It includes various grants and subsidies aiming to provide more than \$50bn to boost the industry.

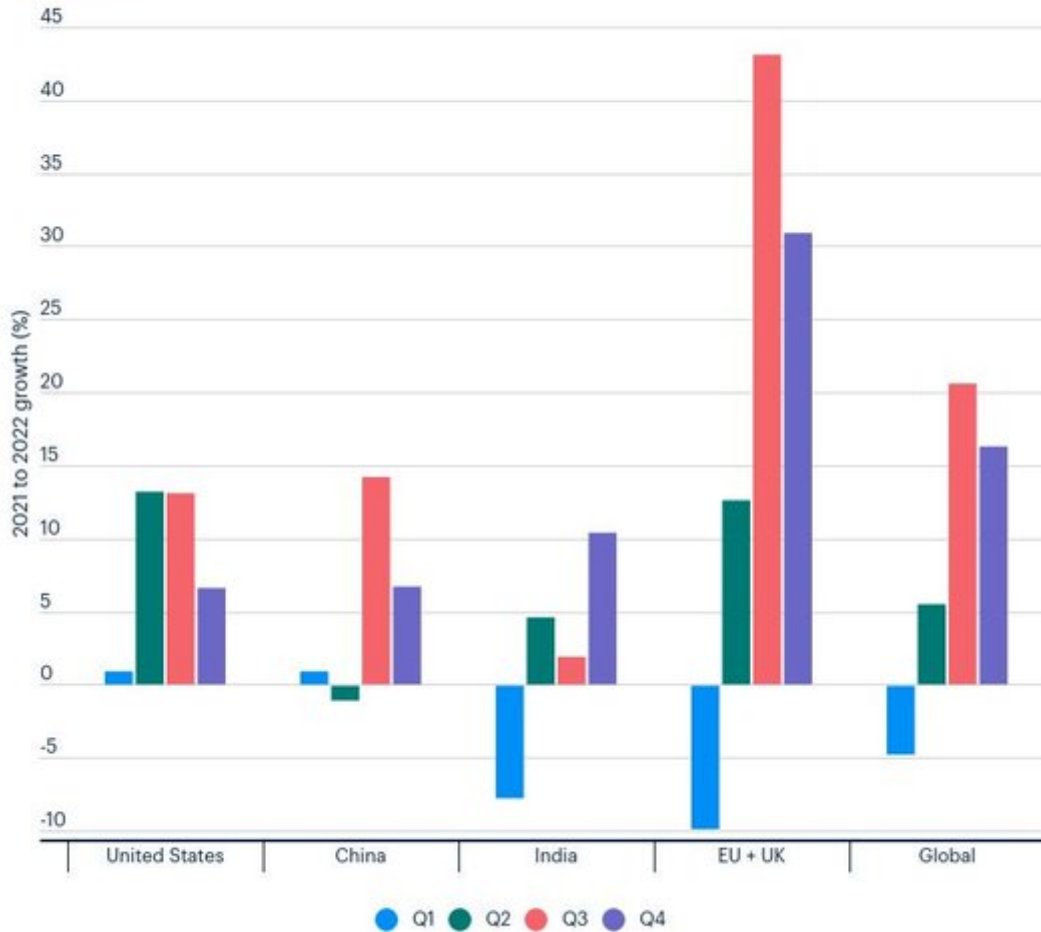
European vehicle production is still down compared to the pre-crisis level. Production for this year is forecast to reach 15.3m units compared to 17.8m units in 2019, down by 14%, according to Oxford Economics. In addition, the European Automobile Manufacturers' Association (ACEA) reported a decline in car registrations in December by 23% to 795,295 units, a sixth consecutive month of loss. This implies consumers are delaying their purchases on account of high prices. Commercial vehicles are following suit. According to the ACEA, in December the EU commercial vehicle market contracted again, for a sixth consecutive month. Hopes for a speedy resolution are still faint.

China continues to be the bright light in the global economy, with production expected to reach 25m units this year, up 2.7% from the 2019 level of 24.3m units (Oxford Economics). The China Automobile Dealers Association reported an improvement in inventory levels. The inventory coefficient in January was reported at 1.46, a month-on-month increase of 2.1%. The reason Asia-Pacific is outperforming the rest of the world is its proximity to the chips manufacturers (about 70% of the global microchip capacity is in Asia). Indian automotive production is expected to recover and be back to its pre-crisis level. An improvement in market sentiment is reported by the Federation of Automobile Dealers Associations of India.

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

Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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