



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
24-Mar-2022

[Overview](#) | [Outlook](#) | [Prices](#) | [Upstream](#) | [Production](#) | [Analytics](#)

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

OVERVIEW

- **Prices extended gains**
- **Upstream cost push a key support**
- **Spot availabilities limited too**

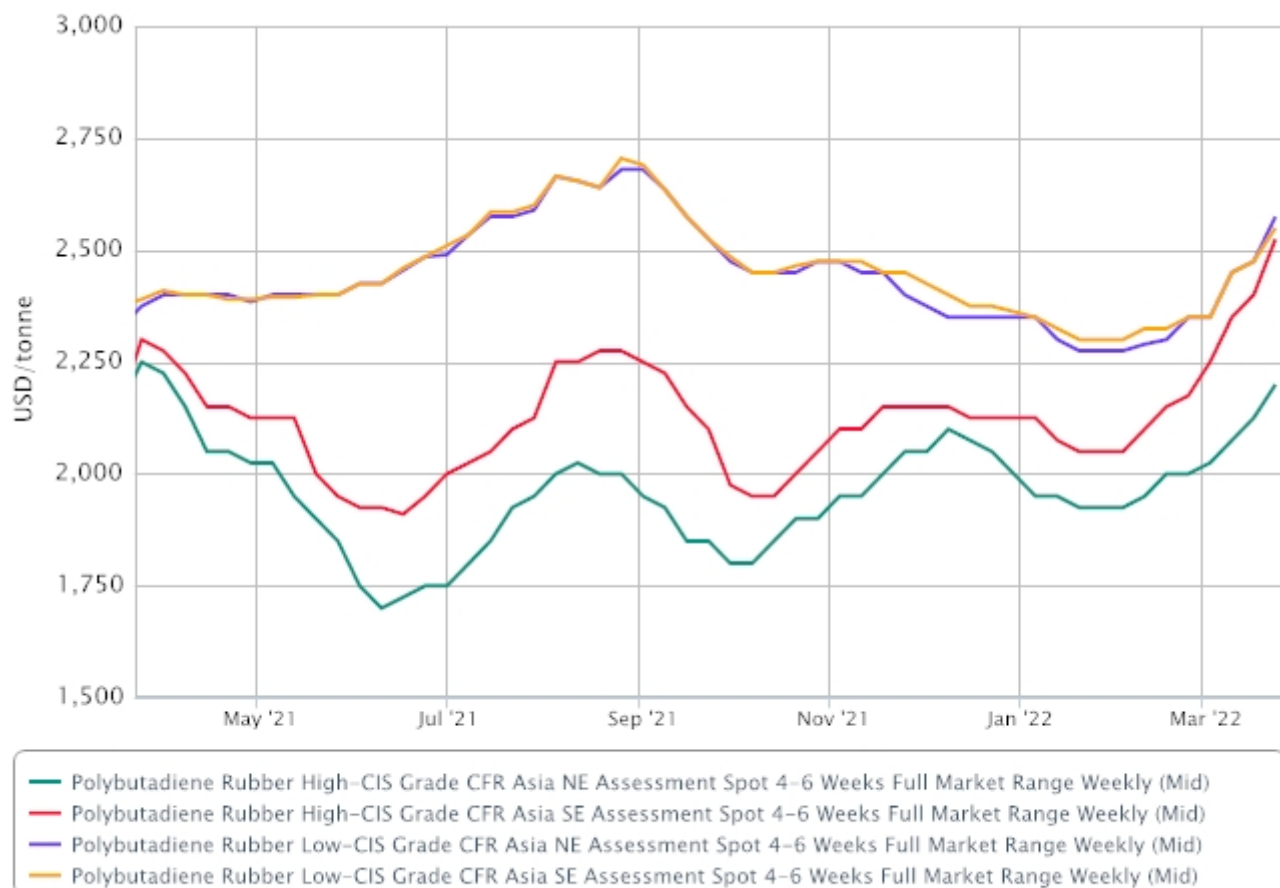
Asian spot discussions for both high-cis and low-cis polybutadiene rubber (PBR) continued to climb, supported by firmed offers and deals.

Sellers hiked asking prices, citing cost push accentuated by a [bullish](#) feedstock butadiene (BD) market. As BD prices have more than doubled since the beginning of the year, PBR makers said that they would need to price up to recoup increased production costs.

There is also support from the reality that spot availability is [tight](#), for both high-cis and low-cis materials. For high-cis, regional output is squeezed by an unplanned outage, which sources said may stretch to H2 2022. For low-cis, regional suppliers were heard low on inventories amid ongoing maintenance.

Buyers stepped up to raise bids and secure some volumes, but expressed concerns about potential affordability issues in their own downstream markets, which could in turn hold them back from fresh purchases moving forward.

Demand outlook is dull, clouded not just by disruptions caused by the Russia-Ukraine conflict, but also by extended COVID-19 lockdowns in several [China cities](#) recently.



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OUTLOOK

- Supply constraints to stretch
- Off-take may taper if China lockdowns are extended
- But [bearish global growth forecasts](#) weighs down sentiment

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	+100	2550.00-2600.00	+100	2300.00-2400.00	115.67-117.93
CFR Asia SE	USD/tonne	+50	2500.00-2600.00	+100	2300.00-2400.00	113.40-117.93
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	+50	2150.00-2250.00	+100	1950.00-2050.00	97.52-102.06
CFR Asia SE	USD/tonne	+100	2450.00-2600.00	+150	2150.00-2200.00	111.13-117.93

Northeast Asia

High-cis

CFR northeast Asian prices for high-cis PBR rose, tracking firmer discussions for cargoes bound for non-China destinations.

The high-end reflects offers and buying indications are capped at the low-end.

But discussions for China-bound cargoes remain paltry, with end-users there fully reliant on domestically produced materials. Conversely, some China PBR makers are heard looking to export instead, to capitalise on better netbacks for overseas sales.

Domestic prices for PBR edged slightly up week on week, in part due to some upside support from a bullish upstream butadiene market.

Price (CNY/tonne)	23 March	17 March
E China Ex-Warehouse	13,700-14,000	13,600-13,900

Low-cis

CFR northeast Asian assessments for low-cis materials rose with firmer offers and deals heard.

The low-end reflects a transaction while lowest offers on remaining cargoes formed the high-end.

Southeast Asia**High-cis**

CFR southeast Asian prices for high-cis materials spiked on firmer offers and deals heard.

Regional supplies are also tightened not just with local production constraints, but also by strong buying interest from markets further afield, such as Europe, where domestic shortage is also quite pronounced.

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

Mar 24) 2022	(1- Feb 2022	Jan 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021
175.70	179.84	178.12	172.08	175.65	174.39	163.23	172.67

Low-cis

CFR southeast Asian prices for low-cis materials were lifted at the low-end with a deal heard, while the high-end tracks the lowest offer heard for remaining cargoes.

India

In India, buy-sell gap remains wide for spot discussions for high-cis PBR imports.

Selling indications for Asia-origin cargoes were heard at \$2,400/tonne CFR India and above. But buying indications were capped at or below \$2,200/tonne CFR India, similar to US dollar parity values for domestic sales.

Most buyers are also staying away from imports, citing concerns about issues such as shipment delays.

UPSTREAM

Asian butadiene prices [spiked](#) as buyers raised bids to secure spot cargoes, in a bid to cover unforeseen cuts in contractual volumes. The latter arose after regional crackers slashed operating rates to stem losses.

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 for PBR fell lower to 76% in the week ended 18 March, down from 80% for the week prior, market sources said.

Outside of China, spot supply remain tight, amid an unplanned [outage](#) in southeast Asia.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The global automotive industry was already reeling from a chip shortage when Russia's invasion of Ukraine took place. The conflict will severely impact the industry given that Russia is a leading producer of palladium - a key material used in computer chip production. Global automotive output is expected to grow 7.9% year on year in 2022, according to Oxford Economics, although this is down 8.8% from 2019 levels. As a short-to-medium term solution, companies such as Ford are planning to sell cars without chips - with the missing part supplied within a year to free up factory and parking space from partially built vehicles. Companies including Tesla are also looking at selling cars without USB ports or other non-security-related features. Even though there is a lot of money allocated for future chip capacity, it will take time - typically 12 to 18 months - to produce and deliver them.

Another key factor is the probability of auto demand destruction due to eroding household incomes. Many are expected to spend conservatively and postpone major asset purchases.

According to the China Association of Automobile Manufacturers (CAAM), Chinese car production was down 16.7% month on month in February, but up 1.4% year on year. In contrast to its global peers, China's inventory coefficient at auto dealers is quite high at 1.85 - with levels above 1.5 considered a warning. The increase has mainly been attributed to renewed pandemic concerns in cities such in Guangdong and Suzhou and led to further movement controls. India's Federation of Automobile Dealers Associations (FADA) reported a 9.2% year on year decrease in auto retail sales in February, which was down 20.7% compared to February 2020 - before COVID-19 hit. FADA said, "Till the time Russia-Ukraine conflict doesn't come to an end, FADA changes its outlook from neutral to negative."

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

Motor vehicle sector growth by region

2021 vs 2022



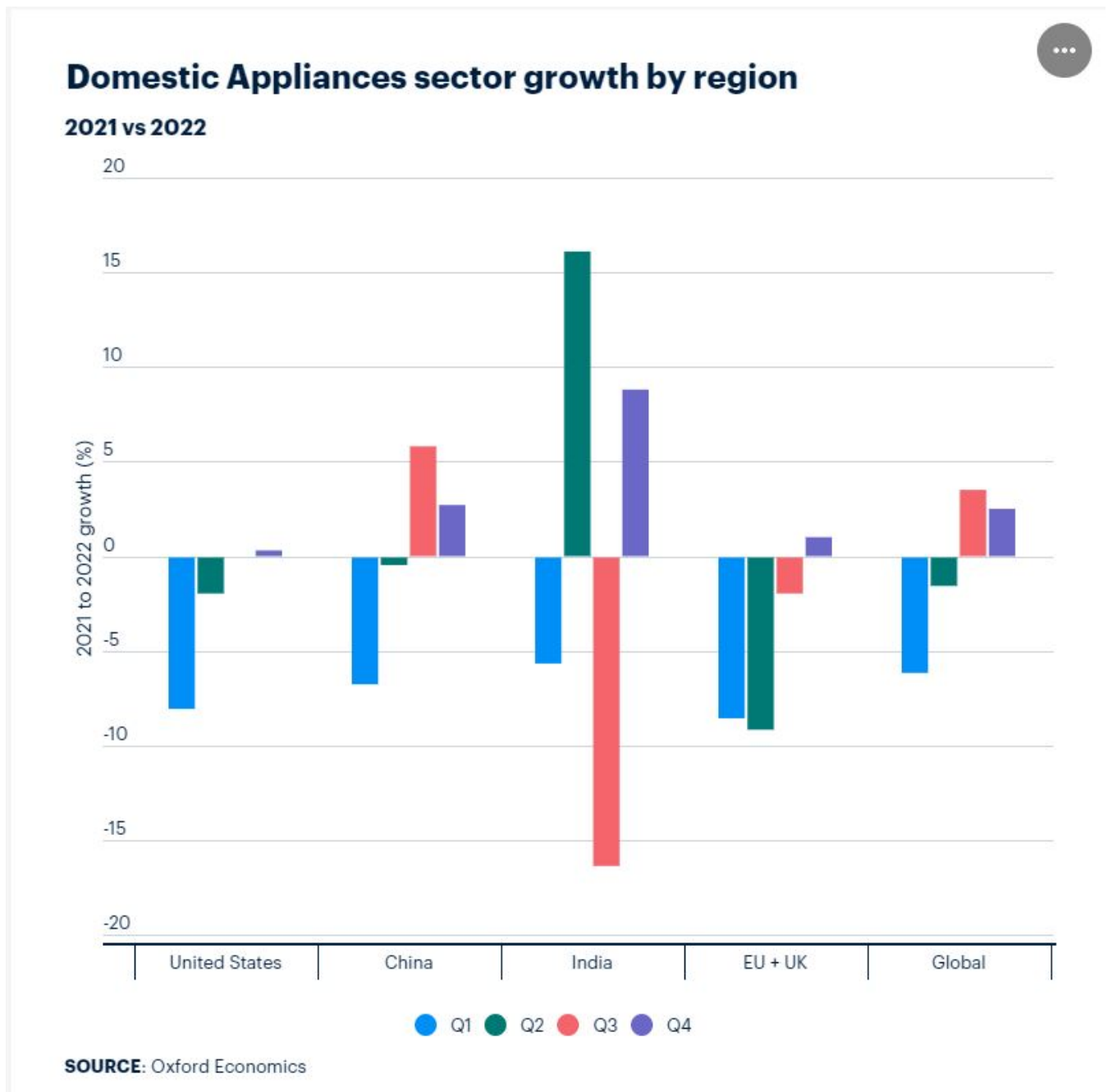
SOURCE: Oxford Economics

ICIS Downstream Demand Outlook - Domestic Appliances

Global domestic appliance output is expected to shrink by 0.5% year on year in 2022, and Q1 output is forecast shrink 6.1 % year on year, according to Oxford Economics. A slowing real estate market, an erosion of real household incomes and a longer appliance replacement cycle are expected to adversely affect sales in the short-to-medium term. This has been exacerbated by supply chain issues and a continuous lack of microchips. 2021 was an exceptional year - when many were forced to spend time at home and white goods suppliers reported stellar sales. White goods are, however, expected to get more expensive given the increase in raw material (plastics, steel etc) prices. According to one source, the price of appliances could increase by 30-35%.

Chinese domestic appliance output is expected to grow by 0.2% in 2022 compared with 2021, but Q1 output is forecast to shrink by 6.7% year on year. A slowing real estate sector is the key reason behind the bleak outlook for appliances demand. Previous expectations that India would outperform its global peers have been downgraded. Oxford Economics forecasts that Indian domestic appliance output will shrink by 0.7% in 2022 compared with 2021, and Q1 output will contract by 5.6% year on year.

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



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