



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

- **Sellers cautious after some upstream cost uptick**
- **Soft demand persists**
- **Buy-sell gap widens**

Sentiment in Asia's polybutadiene rubber (PBR) market continues to be underpinned by bearish downstream demand conditions.

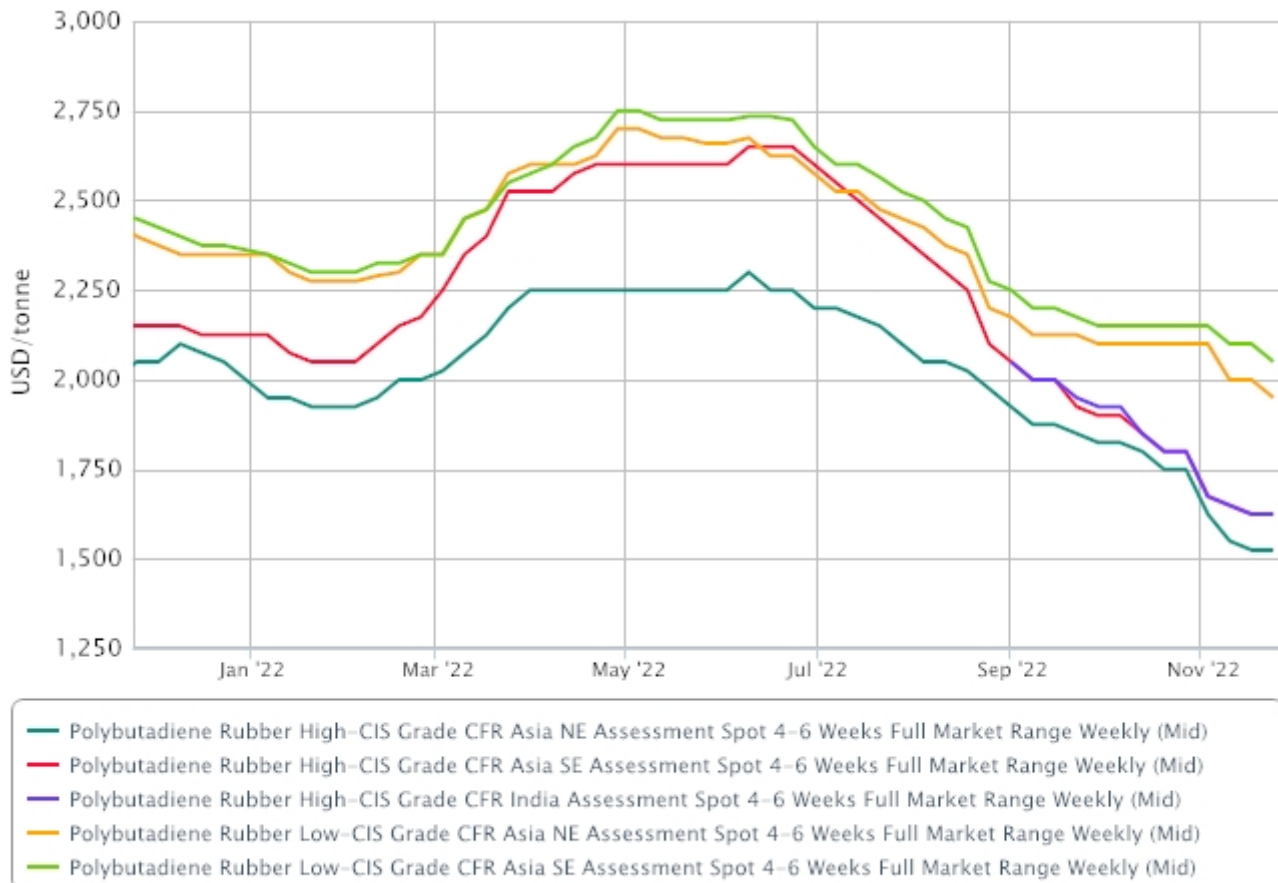
End-users pressed for more discounts, failing which they were heard prepared to stay away, as there are as yet no clear signs of impending recovery in downstream production tempo.

The recent [surge](#) in China of new COVID-19 cases has reinforced apprehensions that the current production stalemate in China tyre plants could persist, suppressing in turn requirements for feedstock like high-cis PBR.

In wider Asia, end-use consumption is also crimped by relentless [inflationary pressures](#), limiting in turn usage of low-cis PBR in the domestic appliance manufacturing sector, and high-cis PBR in the shoe sole making industry.

However, fresh offers are limited this week, with sellers heard mostly cautious not to over-extend on PBR discounts until there is more clarity on upstream pricing direction.

There was some recent uptick in Asian prices for feedstock [butadiene](#), triggering concerns among high-cis PBR makers about elevating cost pressure.



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OUTLOOK

- Unclear when [China](#) may ease COVID-19 policies
- Regional demand may stay under pressure for longer
- Influx of deep-sea cargoes may also weigh on Asian offers

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1900.00-2050.00	-50	2000.00-2200.00	86.18-92.99
CFR Asia SE	USD/tonne	-50	2000.00-2100.00	-50	2100.00-2200.00	90.72-95.25
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-50	1400.00-1600.00	n/c	1700.00-1800.00	63.50-72.57
CFR Asia SE	USD/tonne	-50	1500.00-1700.00	n/c	1750.00-1850.00	68.04-77.11
CFR India	USD/tonne	-50	1500.00-1700.00	n/c	1750.00-1850.00	68.04-77.11

Northeast Asia

High-cis

CFR NE Asian assessments were stable to soft, with the low end dropped to reflect bearish buy-side sentiment against broadly stable selling indications at the high end.

Domestic prices in east China also eased as downstream operations are curtailed by tightening COVID-19 restrictions.

Price (CNY/tonne)	24 Nov	17 Nov
E China Ex-Warehouse	10,900-11,400	11,000-11,500

Low-cis

The high end of CFR NE Asian assessments dropped with lower selling indications heard.

Substantive discussions were limited, crimped by the reality that buying indications, capped at the low end, remain far apart from sellers' expectations.

Southeast Asia

High-cis

CFR southeast Asian assessments widened, as the low end fell with weaker buying indications. Offers were broadly unchanged, and captured at the high end.

Spot trade liquidity is capped by the wide buy-sell gap.

Although natural rubber (NR) prices are still at year-low levels, these are slowly inching back up in recent weeks, which fuelled some optimism among PBR sellers that if this upside momentum continues for NR, it could help over time dilute buyers' resistance against purchasing synthetic rubber like PBR.

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

Nov 24) 2022	(1- Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022
127.02	130.52	134.12	149.74	158.83	164.15	162.81	171.15

Low-cis

CFR SE Asian assessments fell, tracking lower buy-sell indications.

India

CFR India assessments for high-cis PBR were unchanged at the high end, alongside broadly stable selling indications for Asia-origin materials, but softer at the low end with weaker buying indications heard.

Buying indications had come under pressure, following an influx of competitively priced cargoes from other deep-sea, non-Asia, origins, at a time when substantive requirements were limited to begin with.

Most end-users in the country are cautious not to over-build stocks, ahead of financial year closing in Q1 2023, market sources said.

UPSTREAM

Butadiene

- Domestic China supported on expectations of constrained output
- China's buying appetite for imports [boosted](#) in line
- But wider regional downstream demand still weak

The chart below shows the price spread between butadiene and PBR.

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



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PRODUCTION

In wider Asia, an ongoing [maintenance](#) in Japan is expected to wrap up by end November, but an existing outage in southeast Asia may [stretch](#) until Q1 2023.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

Global light vehicle sales contracted by 5.5% m/m in September to 86m units/year from 91m units/year in August (Oxford Economics). Geopolitical tension has worsened the supply situation for semiconductor (IC) chips. The three key critical regions for IC chips are Russia (supplying key input materials such palladium, neon gas

etc), Ukraine (supply 90% of neon gas) and Taiwan & China (accounts for approx. 22% & 16% of IC chips supply, respectively).

According to the US Census Bureau, US light vehicle sales increased by 9.8% m/m in October with total sales of 14.9m units. Inventories continues to be lean. The finished inventory to sales ratio (its calculated by dividing inventory by sales) decreased to 0.642 in September. High inflation, slumping consumer confidence and tighter monetary policy will weigh on consumer demand for automotives.

According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registration increased by 9.6% in September compared with same month last year. However, the increase is a function of a lower 2021 base. The ACEA reported that Germany posted the biggest gain with a 14.1% increase, followed by Spain (+12.7%) and Italy (+5.4%). Commercial vehicle registration, on the other hand, contracted by 6.6%, with the exception of Spain, which reported a marginally positive result. There are concerns about balance sheets, with some producers struggling to survive in the short term. Long-term investments for trends, including tightening emission standards, a growing push to electrify and increasing shared car ownership have already left firms cash strapped.

According to the China Association of Automobile Manufacturers (CAAM), Chinese car production decreased by 2.7% m/m in October. However, it posted an increase by 11.1% y/y. China's inventory coefficient (calculated as inventory over sales) at auto dealers is quite high at 1.47 in September – with levels above 1.5 considered a warning. China Automobile Dealers Association (CADA) reported an improvement in inventory levels.

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