



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.

ICIS plans to launch a new CFR India assessment for PBR high-cis grade on 1 September 2022 to track growing imports into India. Please send feedback and queries to aiteng.lim@icis.com.

OVERVIEW

- [Lower](#) offers surface
- **Discussions stall on tepid demand**
- **Weak upstream dampens buying appetite**

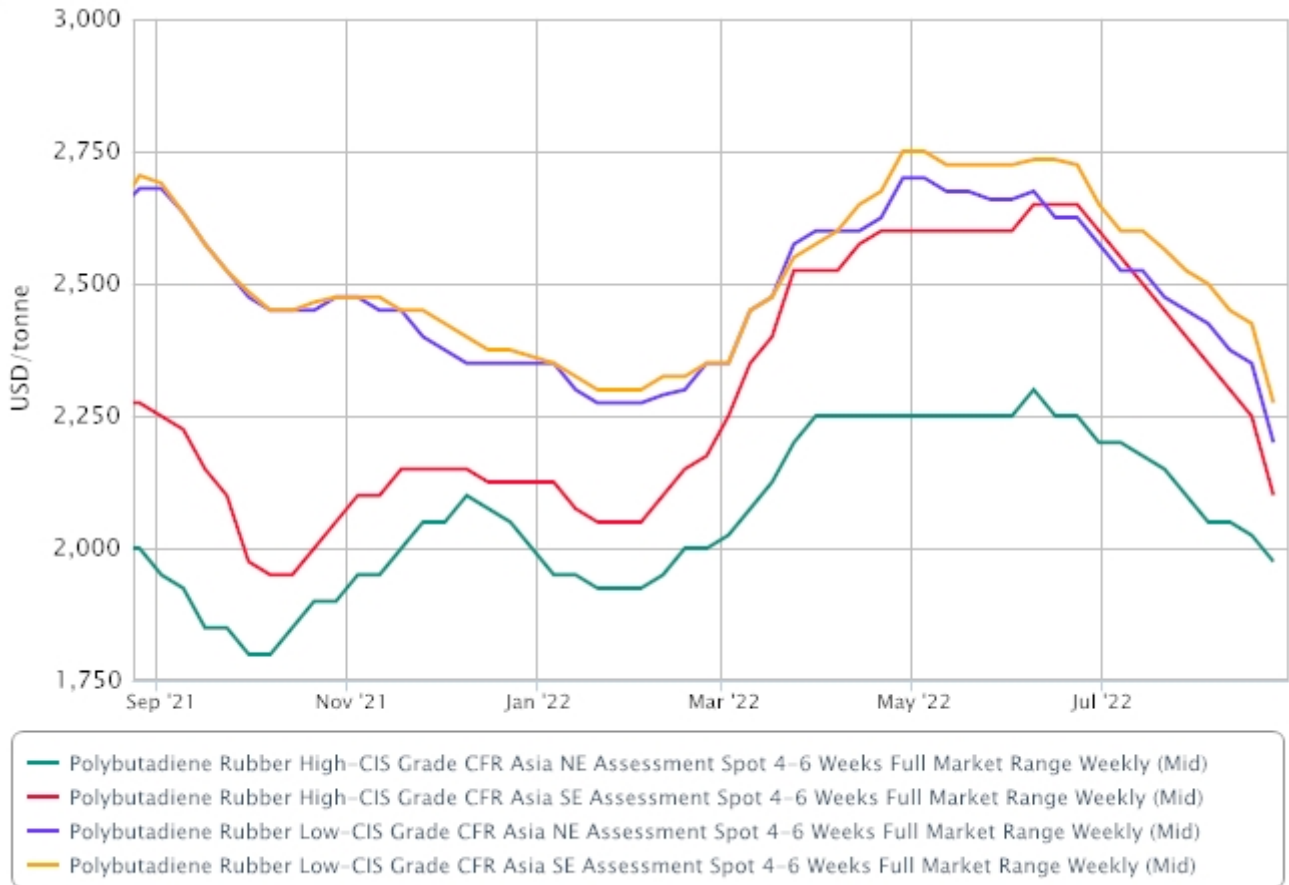
Spot discussions in Asia's polybutadiene rubber (PBR) market trended down with lower offers for high-cis and low-cis grade material.

Some sellers offered more discounts to induce buying, but to little avail. Most buyers kept away and held fast to the view that given the extent of losses the upstream feedstock butadiene (BD) market has incurred in the last two months, current PBR offers were still not sufficiently low and attractive enough.

Many buyers are convinced that a near-term BD recovery is unlikely amid various downside factors like poor derivative demand and lengthening supply, If so, a weak upstream will continue to weigh on PBR trade. As a result, buyers are of the view that they should wait for PBR offers to soften more before committing to fresh spot bookings.

Substantive PBR requirements were in any case limited, given lacklustre downstream operations across Asia.

For example, in China, [power usage restrictions](#) have been stepped up recently. This could disrupt factory operations in the country, which will affect downstream off-take for raw materials including PBR.



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OUTLOOK

- Upstream weakness to weigh on buying appetite
- Upcoming maintenance could tighten supplies in wider Asia
- However, gap may be filled if China steps up PBR [exports](#)

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	-150	2050.00- 2350.00	-150	2300.00-2600.00	92.99-106.59
CFR Asia SE	USD/tonne	-150	2200.00- 2350.00	-150	2450.00-2600.00	99.79-106.59
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-50	1900.00- 2050.00	-50	2050.00-2150.00	86.18-92.99
CFR Asia SE	USD/tonne	-150	2000.00- 2200.00	-150	2300.00-2500.00	90.72-99.79

Northeast Asia

High-cis

The CFR NE Asia assessment fell with lower discussions heard for deliveries to different outlets within the region.

The low end tracked discussions for China-bound shipments, and the high end reflected trades to other destinations in NE Asia.

However, buying interest was generally thin across the region, especially in China where domestic supply is also abundant.

Domestic PBR prices in China rebounded with some restocking activities.

Price (CNY/tonne)	25 Aug	18 Aug
E China Ex-Warehouse	12,300-12,800	12,100-12,500

Low-cis

The high end of the low-cis CFR NE Asian assessment was down with lower offers heard from regular NE Asian suppliers.

The low end was dropped on a notional basis in line with the high end to reflect bearish demand sentiment and in the absence of concrete buy-side indications.

Southeast Asia**High-cis**

The CFR southeast Asia assessment was down, tracking lower offers heard for cargoes from regular NE Asian suppliers.

These were captured at the high end, while discussions for China-origin materials were capped at the low end

The scope of CFR SE Asia assessment does not include discussions for India-bound cargoes.

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

Aug 25) 2022	(1- Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
150.86	158.83	164.15	162.81	171.15	175.18	179.84	178.12

Low-cis

The high end for the low-cis CFR SE Asia assessment was down with lower offers heard from regular NE Asian suppliers.

The low end was dropped on a notional basis in line with the high end to reflect bearish demand sentiment and in the absence of concrete buy-side indications.

India

Discussions for CFR Indian shipment of high-cis PBR materials remained split between cargoes from diverse origins.

Some cargoes from regular northeast Asian suppliers were sold at \$2,400/tonne CFR India, but players said that the bulk of discussions for remaining availabilities from similar origins were lower at around \$2,300 CFR India.

Most buyers held fast to lower targets, as cargoes from other suppliers, such as China and deep-sea sources, were heard indicated at about \$1,800-1,900/tonne CFR India, market sources said.

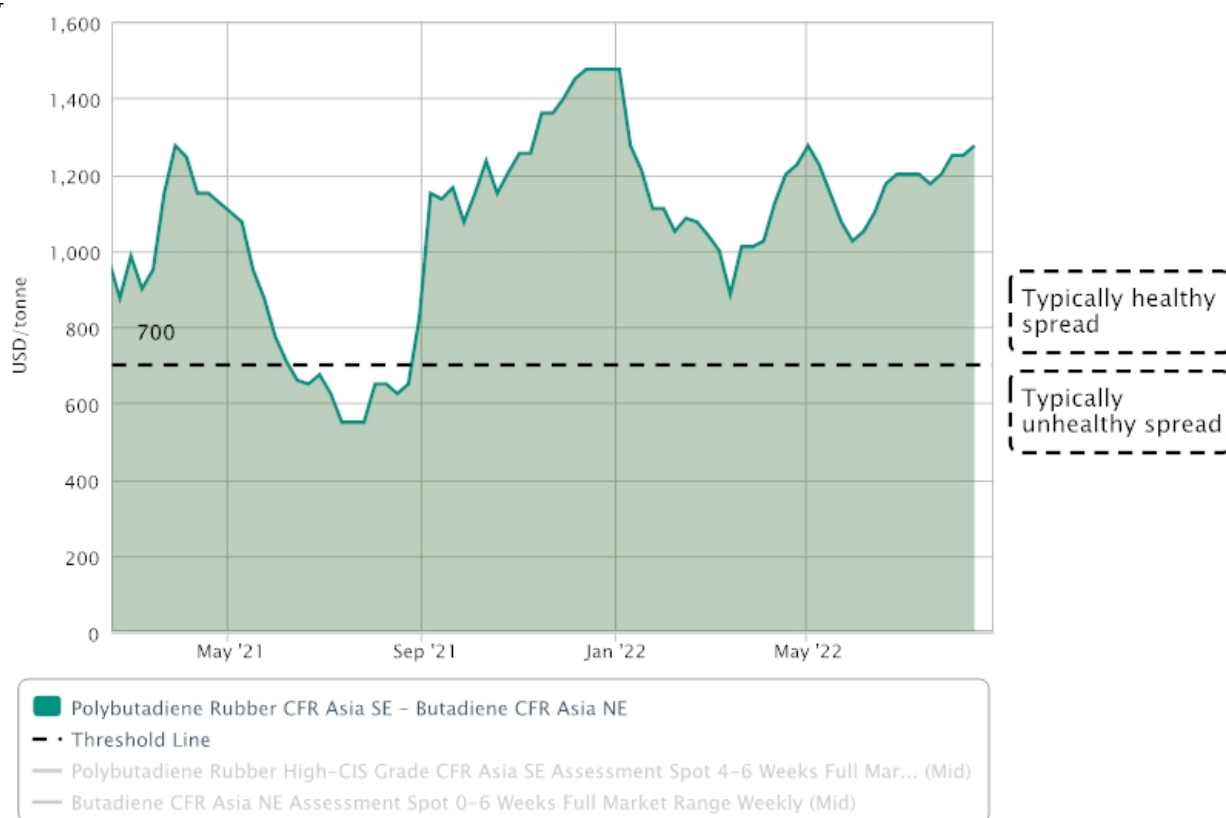
UPSTREAM

Butadiene (BD)

- Weak downstream demand
- Buyers see no supply concerns
- Concrete offers scant

The chart below shows the spread between butadiene and PBR.

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



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PRODUCTION

Average operating rates for PBR in China rose to 73% for the week ended 19 August, compared to 68% in the week prior, sources said.

The increase came as a 70,000 tonne/year unit in [Shandong](#), restarted, after a near-month-long unplanned maintenance closure.

In wider Asia, spot availability remained tight, not only due to an ongoing [outage](#), but also because there are a few [upcoming](#) maintenance closures in September.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

Global light vehicle sales rose to 85m units in June from 76m in May, according to Oxford Economics. The growth was primarily attributed to China, with the easing of lockdown measures. On the negative side, uncertainty over gas supply, particularly from the Nord stream 1 pipeline from Russia to Europe, continues. In addition, escalating tension in the South China Sea is extremely worrying for

the global automotive industry because of the world's heavy dependence on Taiwan as a major supplier of computer chips – and this could further dampen the outlook.

According to the US Census Bureau, US light vehicle sales increased by 2.6% month on month in July, with total sales of 13.3m units, although this was still down by 16% year on year and 21.6% lower than the same month in 2019. The finished inventory-to-sales ratio slightly improved month on month, from 0.526 to 0.555 in June. For context, the ratio was 0.937 in June 2021 and 2.641 in June 2020. High inflation, slumping consumer confidence and tighter monetary policy will weigh upon consumer demand in the automotive sector. On a positive note, the US Congress has passed the CHIPS Act to boost semiconductor manufacturing with a total package worth \$280bn to support computer chip research and production.

The European Automobile Manufacturers Association (ACEA) reported a 15.4% year-on-year fall in passenger car registrations in June (and a 14% fall during the first half of 2022). All major European economies posted double-digit sales contractions, as logistics and supply-chain problems continued to affect the industry. Commercial vehicle registrations were down 22.5% month on month in June. ACEA reported that the fall was mainly as a result of the drop in sales of new vans.

According to the China Association of Automobile Manufacturers (CAAM), Chinese car production was up 31.5% year on year in July 2022. However, it shrank by 1.8% month on month. The inventory-to-sales coefficient, calculated as current inventory divided by sales for the month, was down to 1.45 in July from 1.36 in June. This was as a result of various promotional industry events following the easing of COVID-19 restrictions. India's automotive retail sales contracted by 7.8% year on year in July. The biggest concern for the region continues to be timely availability of semiconductor chips in the wake of current geopolitical tensions.

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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