



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.

The China prices in the weekly analysis on 15 February will be based on information collated up to 13:00 hours Singapore/Shanghai time on 9 February. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Upstream strength lifts offers**
- **Buying picks up with some pre-holiday restocking**
- **Spot trade liquidity curbed by perpetual buy-sell gap**

Discussions in Asian spot import market for polybutadiene rubber (PBR) saw upside support as [offers turned bullish](#) amid recent increases in feedstock butadiene (BD) prices.

Sellers chased higher targets in a bid to recover costs and protect frail margins. Spot availabilities are also tighter amid several ongoing plant maintenance closures within NE Asia.

On the demand front, buying interest was more active this week, supported to some extent by pre-Lunar New Year holiday re-stocking purchases.

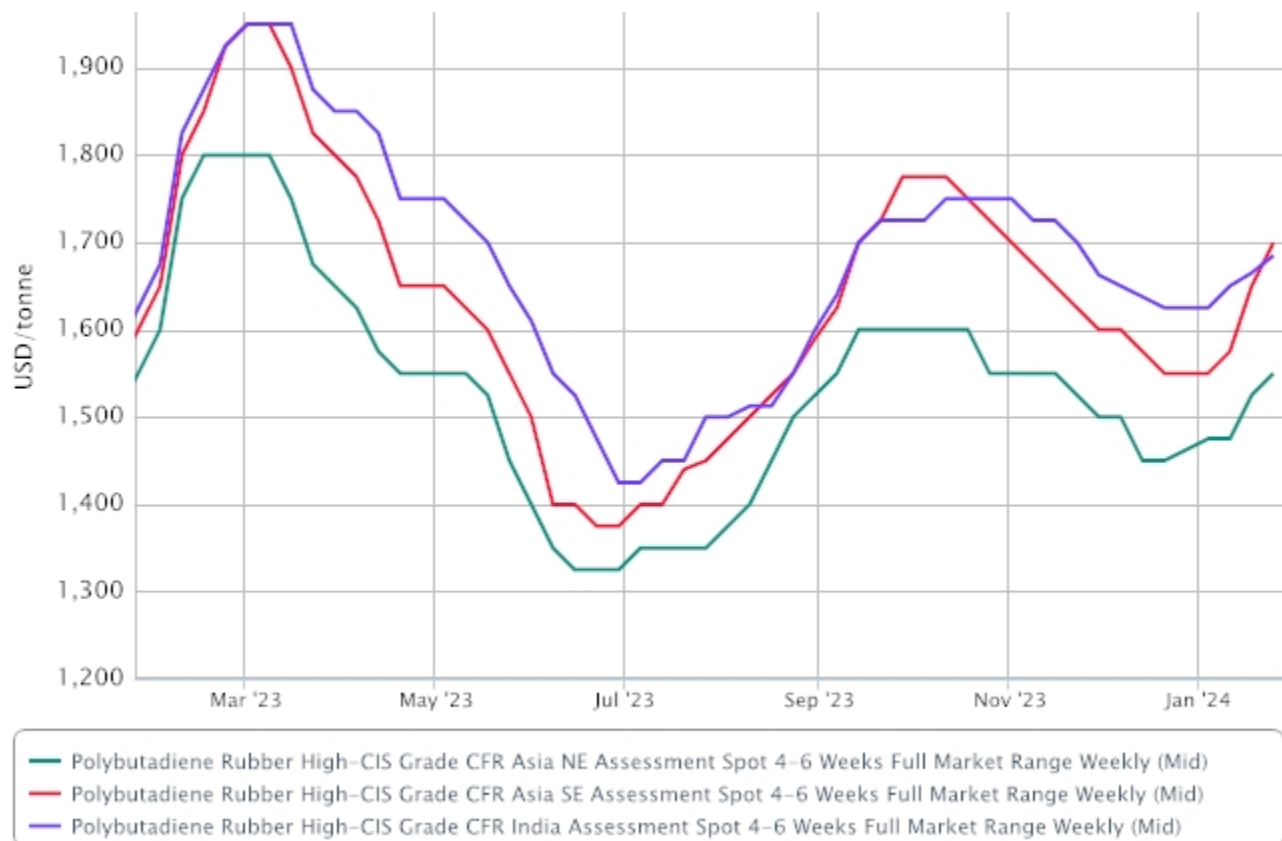
Some buyers were also not disinclined to take in additional spot volumes now, lest future PBR offers rise higher if the recent rally in upstream BD market does not ease anytime soon.

But there were lingering concerns if buying momentum could sustain for long, or even after stocks are sufficiently replenished for the upcoming holidays.

After all, downstream requirements are not expected to be too robust as long as mid-term growth prospects for key downstream industries like automotive remain hazy, market players highlighted.

High-cis PBR has extensive applications in the automotive industry, while low-cis PBR is used more heavily in the domestic appliance sector. Recovery of the latter is also in question, as there is as yet no sign the ongoing slump in [China's property sector](#) will end soon, market players said.

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OUTLOOK

- PBR offers to trend in line with upstream market movements
- Buying tempo may ease once pre-holiday [restocking](#) is completed
- Longer term [global economic worries](#) to weigh on spot procurement

PRICES

SPOT PRICES

| | | | Price Range | | Four Weeks Ago | US CTS/lb |
|--|-----------|-----|-----------------|-----|-----------------|-------------|
| Polybutadiene Rubber Low-CIS Grade | | | | | | |
| CFR Asia NE | USD/tonne | +50 | 1950.00-2050.00 | n/c | 1800.00-2000.00 | 88.45-92.99 |
| CFR Asia SE | USD/tonne | n/c | 1950.00-2050.00 | n/c | 1900.00-2000.00 | 88.45-92.99 |
| Polybutadiene Rubber High-CIS Grade | | | | | | |
| CFR Asia NE | USD/tonne | n/c | 1500.00-1600.00 | +50 | 1400.00-1500.00 | 68.04-72.57 |
| CFR Asia SE | USD/tonne | +50 | 1650.00-1750.00 | +50 | 1500.00-1600.00 | 74.84-79.38 |

| | | | | | | |
|------------------|-----------|-----|---------------------|-----|-----------------|-------------|
| CFR India | USD/tonne | +20 | 1650.00-1720.0 0 | +20 | 1575.00-1675.00 | 74.84-78.02 |
|------------------|-----------|-----|---------------------|-----|-----------------|-------------|

Northeast Asia

High-cis

CFR NE Asian assessments were stable-to-firm, with the high-end lifted on higher offers.

Buying indications, at the low-end, were broadly stable, as local end-users in China turn more towards buying from the domestic supply pool, instead of US dollar-denominated import materials.

In China, domestic prices were stable-to-soft, weighed down by tapering trade momentum.

| Price (CNY/tonne) | This week's close | Previous week's close |
|----------------------|-------------------|-----------------------|
| E China Ex-Warehouse | 12,000-12,300 | 12,000-12,400 |

Low-cis

CFR NE Asian assessments were stable-to-firm, as discussions, albeit non-conclusive, were heard at a narrower range compared to prior weeks. But there was no transactions due to nagging buy-sell differences.

Southeast Asia

High-cis

CFR SE Asian assessments rose, taking into account more upbeat buy-sell discussions and trades.

Offers were at the high-end and up, while buyers also raised bids, reflected at the low-end, to secure cargoes.

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

| Jan (1-24) 2024 | Dec 2023 | Nov 2023 | Oct 2023 | Sep 2023 | Aug 2023 | Jul 2023 |
|-----------------|----------|----------|----------|----------|----------|----------|
| 154.19 | 146.31 | 148.42 | 145.26 | 142.65 | 130.22 | 131.31 |

Source: Malaysian Rubber Board

Low-cis

The high-end is kept unchanged on a stable offer heard.

The low-end also rolled over, in the absence of any concrete discussions for the week.

India

CFR India prices are assessed up, tracking firmer buy-sell indications heard.

Offers were heard at the high-end and up for NE Asia-origin materials.

Potential buyers acknowledged that given strong upstream support for existing offers, they may have to be prepared to fork out more and negotiate at levels closer to sellers' terms if they want to secure volumes.

Their buying indications, capped at the low-end, edged up but were still below sellers' expectations, which curtailed transactions as a consequence.

UPSTREAM

Butadiene

- Offers well supported amid snug supplies
- But buying tempo receding
- Demand down with compressed downstream margins

The chart below shows the spread between butadiene and PBR, which remains deep in the unhealthy zone.

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



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PRODUCTION

In wider Asia, a 50,000 tonnes/year line in NE Asia has [shut](#) in early January for a month-long maintenance in January.

In China, a total of 150,000 tonnes/year of production capacity in Beijing also went off-stream from 5

January, alongside a parallel [shutdown](#) of related upstream BD units.

ANALYTICS

ICIS downstream outlook for automotive

Two key things to watch out for in 2024 are smart mobility and transport-related greenhouse gas emission goals. The global automotive industry is not out of the woods yet - and is still struggling to make up for pre-pandemic losses. Factors weighing on business include supply-chain disruptions and structural changes in demand. Some of the weakness predates the COVID-19 crisis on the back of global environmental concerns. Short- to medium-term demand still looks gloomy due to an expected fall in disposable incomes.

According to the US Census Bureau, US light vehicle sales decreased by 0.8% month on month in November with total sales at 15.3m units. The finished inventory to sales ratio - calculated by dividing inventory by sales - increased to 1.312 in November from 1.134 in October. 2023 was a challenging year for the US automotive industry because the United Auto Workers (UAW) strike seriously disrupted production. Although a resolution has been reached, vehicle prices will increase given a background of chronically weak demand and high costs.

In Europe, high inflation, slumping consumer confidence and tighter monetary policy will weigh on consumer demand for vehicles. According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registrations decreased by 3.3% in December 2023 compared with same month in 2022. The fall was blamed on a high baseline performance in December 2022. However, for 2023 as a whole, car registrations were up 13.9%. Italy, Spain and France were the best performing countries with growth of 18.9%, 16.7% and 16.1% respectively. Germany, on the other hand, posted growth of just 7.3%. As reported last month, one point of contention for original equipment manufacturers (OEMs) in Europe is the looming Rules of Origin (ROO) January 2024 deadline - where a 10% additional tariff on electric vehicles will be applicable on exports for vehicles with less than 40-45% non-originating components. OEMs have argued against this citing a severe impact on domestic competitiveness. As a result, the European Commission is seeking a three-year extension to current rules of origin for batteries under the EU-UK Trade and Cooperation Agreement (TCA), a move that has been widely welcomed by the industry.

The outlook for Asia's automotive industry is mixed. A primary growth driver for the sector will be the increasing penetration of car ownership. This is particularly true of electrified and other new energy vehicles after government incentive schemes. In India, inflation and tighter monetary policy will weigh on demand, but after an improvement in consumer sentiment in December, the Federation of Automobile Dealers Associations of India (FADA) said: "With this resurgence in consumer confidence, the forecast for 2024 is decidedly optimistic."

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