



## Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim  
25-Nov-2021

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

### OVERVIEW

- **Import discussions saw support from snug supplies**
- **But buyers increasingly resistant to higher offers**
- **Domestic China stable after last week's surge**

Asia's spot discussions for polybutadiene rubber (PBR) were mixed this week, flat in southeast Asia, but uneven in northeast Asia depending on grades.

The domestic China market was stable this week, after sharp gains seen in the week prior.

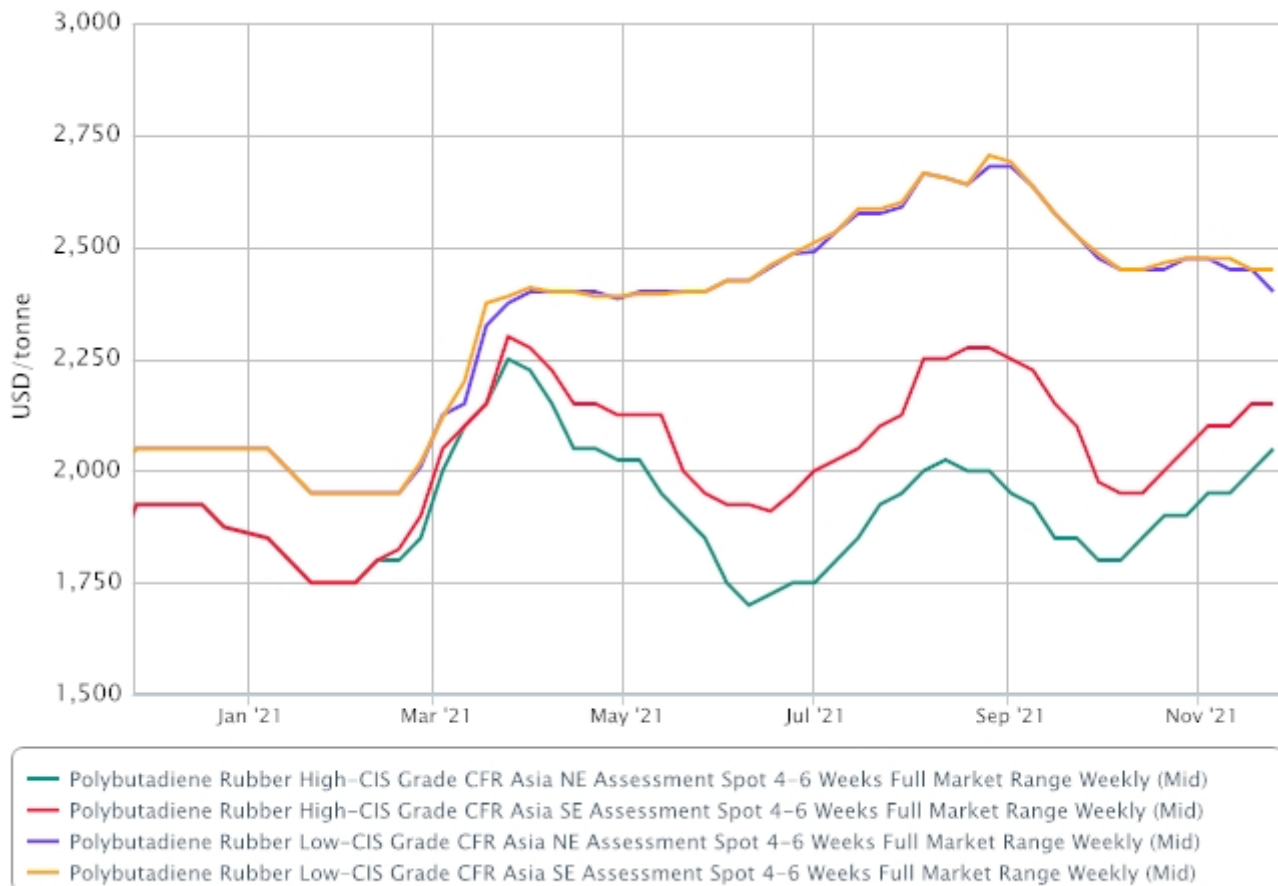
But import offers for all PBR grades generally held firm, amid [limitations of spot availabilities](#). Most regional suppliers were still inhibited by low inventories from selling more actively on a spot basis.

Buyers' responses differed, across outlets and grades. In the import-reliant southeast Asian market, market players said that buyers kept to procuring only on a need-to basis, and in small parcels. Otherwise, most end-users in this region were heard increasingly resistant to the firm offers, especially since they deemed the PBR producers' margins are already at excessively high levels, given hefty losses in the last two months in the upstream butadiene market.

In northeast Asia, prices trended differently between grades, in part due to varying supply conditions.

For high-cis materials, China domestic supplies tightened on some unplanned local outage, and this also boosted discussions for US dollar denominated imports.

But for low-cis materials, sentiment was weighed down by the emergence of some competitively priced cargoes from hitherto-less active suppliers.



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## OUTLOOK

- High-cis demand to hinge on auto sector developments
- Low-cis to tap support from appliance sector requirements
- Low-cis availabilities may improve

## PRICES

### SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
<b>Polybutadiene Rubber Low-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	-50	2350.00-2450.00	-50	2450.00-2500.00	106.59-111.13
<b>CFR Asia SE</b>	USD/tonne	n/c	2400.00-2500.00	n/c	2450.00-2500.00	108.86-113.40
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	+50	2000.00-2100.00	+50	1850.00-1950.00	90.72-95.25
<b>CFR Asia SE</b>	USD/tonne	n/c	2100.00-2200.00	n/c	2000.00-2100.00	95.25-99.79

### Northeast Asia

**High-cis**

CFR northeast Asian assessments for high-cis materials were up, tracking firmer pricing indications heard, especially for China-bound shipments.

Suppliers raised import offers, to keep in pace with sharp increases in domestic yuan values seen last week.

But with domestic China prices for high-cis materials stabilising this week, market players said that this may also dampen further upside potential of import offers.

<b>Price (CNY/tonne)</b>	<b>25 November</b>	<b>18 November</b>
E China Ex-Warehouse	15,800-16,000	15,800-16,000

**Low-cis**

CFR northeast Asian prices for low-cis materials are assessed down, with the mid-point reflecting a trade heard in the week.

While some sellers held firm to offers at levels over the published range, market sources said that buyers' response was muted, with more turning to consider procuring from the cheaper pool of China-origin exports.

**Southeast Asia****High-cis**

CFR southeast Asian assessments for high-cis materials were unchanged on rangebound indications.

Some transactions materialised within the published range for automotive-related applications, market sources said.

Recent increases in natural rubber prices helped to support buying interest for synthetic rubber, market sources said, although PBR buyers were heard increasingly resistant to higher offers, citing downstream affordability issues.

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

Nov 25) 2021	(1- Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021
174.92	174.39	163.23	172.67	164.32	164.51	169.09	164.72

**Low-cis**

CFR southeast Asian assessments for low-cis materials were rolled over, tracking range-bound deals heard.

**India**

In India, Asia-origin PBR cargoes were heard indicated for December shipment at about \$25-50/tonne higher week-on-week, or in the \$2,150-2,200/tonne CFR India range, market sources said.

Demand is generally healthy, underpinned by growing demand for commercial vehicles as usage of logistical and delivery services have edged up amid post-coronavirus economic recovery in the country.

But buyers are still cautious and reluctant to pay more for PBR imports, citing first the availability of cheaper deep-sea origin materials, and the reality that PBR makers are already enjoying hefty production margins due to a suppressed upstream butadiene market.

Buying indications were capped at low \$2,000's/tonne CFR India, market sources said, and spot trade liquidity is cramped as such by the widening buy-sell gap.

## UPSTREAM

Asian butadiene (BD) prices [fell](#), tracking weakness in the over-supplied domestic China market.

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 at PBR fell to 77% for the week ended 17 November, down from 81% in the week prior, market sources said.

Elsewhere in Asia, while operating rates are poised to rise now that all scheduled regional plant turnarounds have been [completed](#) by mid-November, market players said that this may not translate as yet to increases in spot availability, as producers would need to ensure that they rebuild inventories first to more healthy levels.

## ANALYTICS

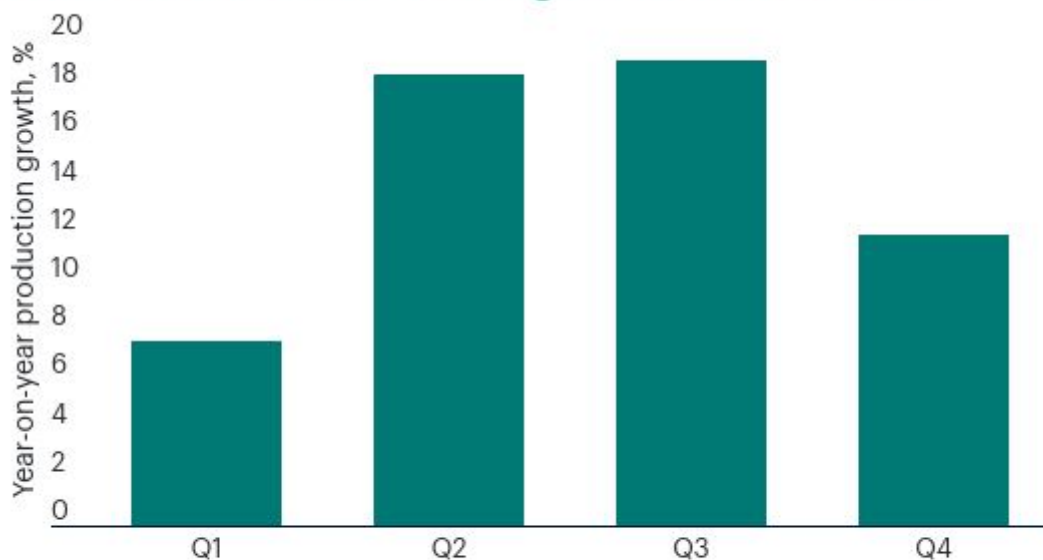
### ICIS Downstream Automotive Demand Outlook

The global automotive industry is still struggling to make up for pandemic-induced losses, with Q3 production down by 13.2% year on year, and Oxford Economics predicting that Q4 will be down by 6.5% compared with Q4 2019. Global vehicle production growth is not expected to return until Q3 2022, with chip supply expected to remain tight through 2022. Even Jean-Marc Chery, CEO of STMicroelectronics predicted that, "...we will return to a normal situation... not before the first half of 2023." Chip makers are also heard to favour consumer electronics over cars because of higher volumes and better margins. The industry's just-in-time (JIT) procurement strategy has added to the pressure. However, it is not all doom and gloom as vehicle chip suppliers such as Infineon and Bosch are ramping up capacity. Many countries are also now looking at chips as a strategic material and the industry is now receiving government support. Rising electric vehicle penetration will also push car makers up the chip pecking order because more advanced chips (with higher margins) will be required. However, car makers will need to readjust JIT strategies to ensure supply of security, as well as improving relationships with their Tier-1 suppliers.

The auto industry in China is also struggling. It currently has an inventory coefficient of 1.24 – with anything below 1.5 considered a dangerous level. In addition to severe supply disturbances, the regulator in China is cracking down on chip suppliers who are accused of price gouging. The outlook for the Indian automotive market is mixed. It was already under pressure after several manufacturers exited the country citing low sales. India's Federation of Automobile Dealers Associations (FADA) reported that the inventory level had slumped to a record low of 15 to 20 days. According to a FADA survey, 45.0% of respondents had a neutral outlook for the Indian auto market, with positives and negatives split with 27.5%. India's personal vehicle and tractor sectors are outperforming, growing by 30% and 39% in September respectively from September 2019. The chip shortage has hit Bajaj Auto's export market.

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

## China motor vehicle sector growth, 2019 vs 2021



Source: Oxford Economics

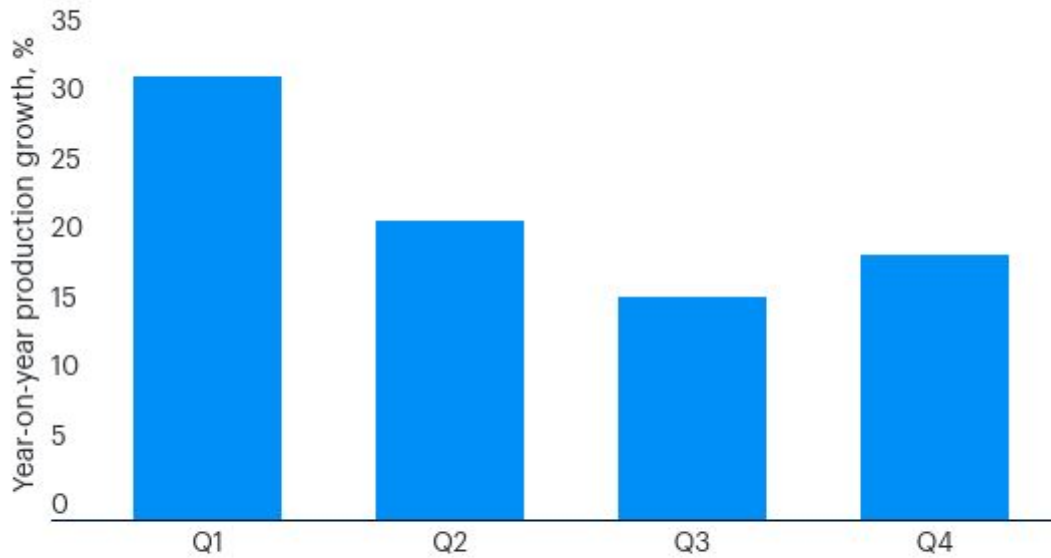
### ICIS Downstream Demand Outlook - Domestic Appliances

The demand outlook remains positive because people are spending more time at home. As a result, there has been a steady increase in home-bound activity such as food preparation, cleaning and grooming. The industry is performing well with Q3 output up by 14.3% and Q4 expected to grow 12% compared with 2019. So far, 2021 has proved extraordinary for domestic appliances, even in mature markets such as the US and Europe. The overall convenience of buying online has fuelled demand with a growing number of people switching to smarter appliances.

The appliance market in northeast Asia, except for Japan, is doing well in line with other advanced economies. Southeast Asia is growing, but its growth is nowhere near that seen in developed nations. The southeast Asian market is expected to pick up and perform better next year.

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

### United States domestic appliances sector growth, 2019 vs 2021



Source: Oxford Economics

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